

**THE INTERNATIONAL POLITICAL ECONOMY OF
'ACTUALLY EXISTING CAPITALISM':
RETHINKING GLOBALISATION AND THE RETREAT OF
THE STATE**

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ABSTRACT

This thesis presents an alternative tradition of classical Marxism capable of understanding what appears to be a shift in power from states to markets over the last two decades. It provides a theory of international political economy which explains both state ownership and control of the economy and its relinquishment, as aspects of 'actually existing capitalism' on a global scale. It is argued that this approach is superior to both Weberian-influenced International Political Economy (IPE), and the current tradition of classical Marxism in International Relations (IR), in that it has the potential to provide a deeper understanding of the apparent 'retreat of the state' as an aspect of so-called 'globalization'.

The core contribution of the thesis is a critique of the current classical Marxist approach in International Relations and the proposal of an alternative which differs in its analysis of the space, time and motion of capitalism. It is argued, through a rereading of *Capital* volumes 1 to 3, that this alternative is truer to Marx's intentions. It is further argued that this more nuanced understanding of capitalism is well-represented through the writings of Hilferding, Bukharin, and Lenin, and is identifiable, though underdeveloped, in the work of contemporary Marxists influenced by these theorists. This alternative tradition of classical Marxism provides an understanding of capitalism in phases of both 'nationalization' and 'privatization', deepening our understanding of capitalism as it 'actually exists'.

The thesis has two main tasks. The first is to show that both Weberian-influenced IPE and classical Marxism in IR have an inadequate model of capitalism, a theoretical limitation that has become evident in the globalization debate over 'the retreat of the state'. The second is to suggest an alternative theory of capitalism based on a rereading of *Capital* volumes 1-3. This theory of 'actually existing capitalism' is better able to capture the complexity of changing state market-relations including what is superficially described as the 'retreat of the state'.

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Introduction

The Privatisation Revolution as the ‘Retreat of the State’

The state seems to be accepting its own demise. I don’t know what the reason for that is...Why are governments prepared to give up so much and get absolutely nothing in return? – Seattle 1999

Speaking at a trade union teach-in during mass protests against the Third WTO Ministerial Conference, Susan George, a leading activist in the anti-capitalist movement, asked the question above.¹ This thesis attempts to answer it.

There is a general perception, expressed by George and others, that elected governments are seeking to get out of the business of governing. They are choosing to leave much of their role as owner and regulator of the economy to private actors. They are shedding responsibility, delegating authority, and generally reconstructing themselves in deference to market forces. Where they are re-regulating, they are doing so in the direction of empowering forces which are capable of forcing their own hands, the hands of the state, on core domestic policy issues. One of the key elements of this general process has been privatisation.

George, above, was referring to the trend over the last two decades for the state to ‘give up’ ownership and control of public services and industries through the privatisation of transport, electricity, water, natural gas, mining, banking, postal services, education and health. This transfer of ownership and control has been described as nothing short of a ‘privatisation revolution’ on a global scale.² Between 1992 and 1999, more than US\$790 billion in state-owned enterprises

¹ Whether the term ‘anti-globalisation’ is more appropriate than ‘anti-capitalism’ for describing the movement, is the subject of some debate. There are problems associated with both terms. Throughout this thesis I have used the term ‘anti-capitalist’. Susan George, George Monbiot and Naomi Klein have all written under this banner and it seems to be a description of the movement that is increasingly accepted in Britain and North America. See Bircham and Charlton 2001, Callinicos 2003, and Saad Fihlo 2003, in Bircham and Hsiao et al. 2003, in the US.

² This phrase has been used as the title of a course in the government department at the University of Manchester 2002/2003.

were sold to investors around the globe.³ The privatisation of the former Soviet Union and Eastern Europe has been one of the most significant political transformations of the twentieth century and has been accompanied by an intensified pace to privatisation elsewhere.⁴ Commentators have claimed that '[t]he privatisation of the last 20 years is the most significant trend in the world in which most of us do business and live.'⁵ In the words of another analyst, we have witnessed 'truly an unprecedented shift of power from government to other parts of society'.⁶

George is not alone in finding it difficult to understand why states have enabled this enormous transfer of ownership and control from the public to the private sphere.⁷ One of the best selling non-fiction books in Britain in 2000 and 2001 was George Monbiot's *Captive State: the Corporate Takeover of Britain*, a book that could be rewritten to fit the situation of any developed, and many developing, countries today. In the book, Monbiot looks at the privatisations and part-privatisations of hospitals, schools and universities and the influence of business in policy making at all levels. He exposes the puzzle of the British government's role in promoting its own impotency through the shedding of powers and responsibilities to private corporations.

³ Privatisation International 2000, p. 1. Given that state enterprises have been consistently been sold at below-market prices, this figure represents an even larger transfer of assets. These figures also do not include voucher privatisation in Russia and Eastern Europe, nor do they include privatisation partnerships', US\$83 billion of which occurred between 1984-1994 with US\$514 billion worth of such projects in the planning stages in 68 countries. PSI 1997a, 1997b, 1997c.

⁴ 'Privatisation is today being carried out by governments of all ideological stripes. Communist Cuba has sold a portion of its telephone system, while Communist China is one of the leading practitioners of infrastructure concessions, in both electric power and toll roads.' Poole 2001, p. 2 Even the 'previously sluggish' Middle East has been catching up. *Middle East Economic Digest* reports on an ambitious privatisation programme in Lebanon 'Hariri Wields the Axe' May 25, 2001.

⁵ Shafer et al. 2000, p. 8.

⁶ Poole 1996, p. 1.

⁷ Naomi Klein also expresses this sense of bewilderment. She takes her cue from John Ralston Saul, who refers to the current situation as 'a coup d'état in slow motion'. Klein 1999. Saul 1997.

For Monbiot, it is not hard to see why corporations might wish to infiltrate governments, 'in order to bypass democracy' in their pursuit of profit. 'A compliant state, willing to assist in its own redundancy is an indispensable asset.'⁸

What is more confusing is why a government would allow corporations to usurp it.

One might have imagined that the governments of rich countries would have resisted these attempts to transfer power away from national parliaments and concentrate it instead in the hands of remote and unaccountable committees of lawyers. Curiously, however, they have found ever more enterprising means of speeding the passage of such agreements, in the face of sustained resistance from their own populations.⁹

We are witnessing,

the curious spectacle of government seeking a mandate from the corporations. The flow of power prescribed by the democratic model has been reversed. Big business has become the leviathan of the third millennium, the monster before which our representatives feel obliged to prostrate themselves. The people we have appointed as the guardians of our liberties have delivered us into its maw.¹⁰

Curiouser and curiouser. George and Monbiot articulate what is a widespread sense of confusion as to why there has been such an enormous transfer of ownership and control from the state, by the state.

Students of International Relations could reasonably be expected to shed some light on this situation. The question of the apparent 'retreat of the state' in the face of 'globalisation' is one which IR, as a discipline, first confronted in the 1970s. In fact, the term 'globalisation' while popularised in the 1990s, appeared in IR almost two decades earlier, along with 'interdependency', in order to describe state vulnerability to economic actors and events.¹¹ The sub-discipline of International Political Economy emerged, at this time, precisely in order to focus on the relationship between nation-states and the world market.

⁸ Monbiot 2000, p. 9

⁹ Monbiot 2000, p. 305.

¹⁰ Monbiot 2000, p. 353.

¹¹ The oil crisis of the 1970s, the collapse of the Bretton Woods system and the rise of transnational corporations were key features of this period in which Modelski 1972 and Keohane and Nye 1972, 1977, pioneered the study of 'complex interdependence'.

It is a contention of this thesis that had theorists of IPE at this time been more successful at theorising state-market relations, we might by now have moved beyond the largely descriptive notion of 'globalisation'. Instead, globalisation, as a concept, has overwhelmed the social sciences while letting significantly limited understandings of states and markets go unchallenged.¹² This has been particularly apparent in literature on the 'retreat of the state', one of the central pillars of the globalisation orthodoxy.¹³ Theorists of the 'retreat of the state' have not lacked critics, but both sides of the debate hold hidden assumptions about state-market relations suited to argument at cross-purpose far into the next decade. The result is academic debate ill-equipped to shedding light on the very real transformation in state-market relations which the 'privatisation revolution' represents.

This is not a thesis *about* privatisation, the documentation and ideological consideration of which, has been substantially undertaken elsewhere.¹⁴ Rather, the popular confusion surrounding the 'privatisation revolution' merely provides the impetus to investigate the way in which state-market relations have been theorised in the disciplines of IR and IPE.

Privatisation is the concrete point of departure because it is in the process either of large scale privatisation or nationalisation that the state's relationship to the market is denaturalised and therefore problematised. Why does the state take ownership and control of production at one point in history and not in another? The

¹² This 'overwhelming' is evident in IR where the title of a key introductory text book shows that the subject as a whole has been recast in the shadow of this particular concept, *The Globalisation of World Politics: An Introduction to International Relations*. Baylis and Smith 1997.

¹³ That the 'retreat of the state' is a key feature of the globalization orthodoxy is supported by Baylis and Smith 2001, for instance, who consider the claim that 'states can no longer control their own economies' as one of the main platforms of globalisation as a theoretical concept.

¹⁴ The literature on privatization is vast and almost as varied as the literature on globalization. For a relatively recent and very thorough overview of the key issues see Yarrow and Jasinski 1996 (4 volumes). Tittenbrun 1996 provides a useful survey of primary research on the success of privatization in various contexts. Pro-privatisation arguments can be found in the annual *Privatisation Yearbooks*. Critical approaches to privatization have been well researched and developed by the think-tank Public Sector International. See Martin 1993 and PSI 1997a-c.

state's relinquishment of control in the current period is both a very concrete problem for those who wish to keep more of the productive sphere within democratic control, and it is a theoretical problem in terms of how we might understand the state's relationship to market forces.

This thesis grapples with the second of these problems. It is concerned with the theory of capitalism that lies behind the approach to states and markets employed by IR and IPE theorists such that privatisation is superficially explained as the 'retreat of the state'¹⁵ It is argued that both Weberian-influenced IPE and classical Marxism in IR have an inadequate model of capitalism, incapable of explaining the changing state-market relations at the heart of the globalization debate.

It is suggested that the globalisation debate has starkly exposed serious limitations in our understandings of the state and market as social forms. Neither side of the debate over the 'retreat of the state' is capable of escaping the central paradox of the disempowerment of the state, by the state. IPE, the strand of the discipline charged with investigating state-market relations, is found to be limited in its ability to move beyond this globalisation paradox. This is due to a Weberian methodology in which states and markets are viewed as autonomous social spheres, the complex interactions of which can only be described, not explained. The most compelling critique of this Weberian approach has been provided by recent classical Marxist contributions to IR, which *explain* the apparent separation of states and markets as the distinguishing feature of uniquely capitalist social relations. But here, in a sense, the problems begin.

¹⁵ The 'retreat of the state' has been taken to mean a great deal more than simply 'privatisation' but privatisation is consistently cited as the key feature of the neo-liberal strategy of globalisation. See, for instance Stiglitz 2002 and Saad-Fihlo 2003, p. 7.

While the classical Marxist critique of Weberian methodology is shown to be largely correct, we are left with a definition of capitalism incapable of accounting for the enormous variation in state-market relations, of which the ‘privatisation revolution’ is a recent example. Classical Marxism, as introduced to IR has failed to provide an alternative means of addressing the kinds of questions of interest to IPE, relating to how and why state-market relations change over time. Defining capitalism in terms of the apparent separation of states and markets, has left unexplained a great deal of capitalism as it ‘actually exists’. Phases of large scale state ownership and control of production such as occurred during both world wars and on a global scale in the post-war period, fall outside our understanding of capitalism, given that even an ‘apparent’ separation of spheres has ceased to exist. Also, the transition to a more privatised world is seen by these theorists to be unremarkable in capitalist terms, simply ‘business as usual’. This helps to explain the distinct lack of interest in the globalisation debate displayed by many Marxist scholars.¹⁶

It is not the position of this thesis, despite taking a distinctly Marxist approach, that there is nothing new under the sun of global capitalism. Rather it is suggested that there *is* something new, but globalisation theory is ill-equipped to explain it, IPE can only describe it, and much classical Marxism has failed to acknowledge it. In an effort to remedy this situation, the thesis introduces a tradition of classical Marxism which has hitherto been neglected by the discipline of IR. This body of thought derives from an alternative reading of Marx developed primarily in the writings of Hilferding, Bukharin, and Lenin. This analysis,

¹⁶ Baylis and Smith remark that ‘[f]or Marxist theorists, globalization is a bit of a sham. It is nothing particularly new, and is really only the latest stage in the development of international capitalism’. Baylis and Smith 2001, p. 6.

introduced under the heading of ‘actually existing capitalism’,¹⁷ is equally capable of explaining periods of nationalisation *and* privatisation, in other words both the advance and retreat of the state.¹⁸ As such, this is an understanding of capitalism which should allow for a more nuanced intervention in the globalisation debate.

Structure of the argument

In chapter one, I examine three texts which established the original globalisation paradox of the ‘retreat of the state’.¹⁹ Particular attention is paid to their descriptions of the state, the market, and the relationship between the two. The paradox is that the state appears to have ‘engendered its conqueror’, it has been active in the creation of a world market to which it has now fallen victim. This image of globalisation is shown to rely on an ahistorical understanding of the state and an eclectic, descriptive model of the market. I then consider the critics of this perspective, those who have modified the thesis, preferring the term ‘internationalisation’ and identifying power retained by the state,²⁰ and those who have attempted to transcend it, through variations on the model of the ‘adaptive state’.²¹ It is argued that while these latter theorists have a more historically informed understanding of the state, they are unable to provide any real analysis of the market and thus explanations of state-market relations remain beyond their reach. In the case of the ‘adaptive state’ we have no sense of to what the state is adapting. Paradox is postponed.

¹⁷ This expression is by analogy to the use of ‘actually existing socialism’ to distinguish Soviet-type societies from the ideal of socialism. See Bahro 1978.

¹⁸ The ‘retreat of the state’ has been taken to mean a great deal more than simply ‘privatisation’ but privatisation is consistently cited as the key feature of the neo-liberal strategy of globalisation. See, for instance Stiglitz 2002 and Saad-Fihlo 2003, p. 7.

¹⁹ Ohmae 1990, Reich 1992 and Horsman and Marshall 1994.

²⁰ Included here are *The Economist* 1995 and Hirst and Thompson 1996 [1999].

²¹ The leading proponent of this view is Weiss. Her 1998 work is examined in some detail.

In chapters two and three we consider the tools available in the discipline of IR to address the paradox described above. In chapter two, we look at those theorists whose work is influenced by a method of Weberian pluralism, overtly or otherwise, in the sub-discipline of IPE. We consider how the discipline of IPE has developed in relation to the question of state-market relations. We look at the underlying assumptions of an 'IPE method' which limit the discipline to describing rather than explaining the changing environment of the global political economy. We consider the 'classical Marxist' critique of the IPE approach. We will see that the IPE, far from being capable of resolving the apparent paradox of 'the retreat of the state', is limited by the same methodological assumptions upon which the paradox depends.

In chapter three, we consider an alternative to Weberian pluralism, a tradition of classical Marxism introduced to IR through the work of Justin Rosenberg, Ellen Wood and others.²² These Marxists argue that theorists of IPE have 'read into the past that which is unique to the present', that they take as their starting point a separation of state and market, which is, in fact, unique to capitalist social relations. The differentiation of the social world into separate state and market spheres, this 'apparent separation', is for classical Marxist critics of IPE the distinguishing feature of capitalism.

One of the most fully-developed applications of this critique, and its alternative, to the discipline of IR is found in Rosenberg's *Empire of Civil Society*, influenced by Ellen Wood and Robert Brenner. Rosenberg's work is particularly fascinating because it shows what happens when the 'separations of spheres' theory of capitalism is taken to its logical conclusions, relatively unhindered by

²² Rosenberg 1994, Wood 1981, Sayer 1991.

historical detail.²³ In the third chapter of this thesis, the argument of this text is outlined and analysed both as a theory of capitalism and as a theory of international relations. As a theory of capitalism it is shown to leave out periods of state ownership and control of production, when the separation of spheres is no longer apparent. As a theory of International Relations it has an application severely limited to a critique of arch-Realism. Rosenberg's alternative operates at a level of abstraction too far removed to explain capitalism as it 'actually exists', the changing state-market relations which IPE theorists, admittedly, only describe. An impasse is reached. An alternative is required.

The next three chapters form the core of the thesis. They introduce an alternative tradition of classical Marxism that is more capable than the 'separation of spheres' variety of capturing the complexity of capitalism as it actually exists. A theory of 'actually existing capitalism' seeks to explain those phases within the history of capitalism when states have expanded their ownership and control over the means of production, as in war and post war reconstruction, *as well as* moments of minimal state intervention in the market. The point being that an explanation of *both* is required. A theory of capitalism, capable of making sense of changing state-market relations, is necessary for the sake of analytical rigour – without it, the explanatory potential of 'capitalism' becomes partial and fragmented. Moreover, if we are to move beyond the deadlock between IPE on the one hand and classical Marxism in IR on the other, such a theory must be found.

²³ As will be indicated later on, theorists like Wood and Burnham engage in an equally passionate defense of the 'separation of spheres' approach to understanding capitalism, but they also engage in more detailed historical and journalistic work. In the latter, they cannot be criticized for inattention to the complexity of state-market relations, but nor can these writings be said to be sufficiently theoretically informed by their theory of capitalism. In Rosenberg's work he attempts to marry the two by reading as much history as possible in terms of the 'separation of spheres' but is then limited in terms of the history he can include. See, for instance, his understanding of the Cold War balance of power discussed in Chapter Three of this thesis.

In chapter four, it is argued that in Marx's own writings we find evidence supporting a theory of capitalism which differs in a number of important ways from the 'apparent separation of spheres' model. Through a consideration of Marx's dialectical method over the course of *Capital* volumes one to three, it is concluded that the theory of capitalism proposed by Rosenberg and others may be of a distorted 'volume one' variety. That is to say there are abstractions in volume one which lend themselves to a particular understanding of the *geographic scope*, *historical trajectory*, and *core dynamic* of capitalist social relations such that the apparent 'separation of spheres' model seems sufficient. As Marx develops his analysis of capitalism on an increasingly concrete level, through volumes two and three of *Capital*, the assumptions held by 'volume one' Marxists become more problematic. Insights from the latter two volumes of *Capital* provide for the theoretical possibility of state ownership and control of production as a *capitalist* social form. Much more of 'actually existing capitalism' comes into view.

In chapter five, we examine the writings of Hilferding, Bukharin and Lenin as attempts to understand the actual historical development of such actually-existing capitalist formations during periods of imperialism and war. Hilferding picks up where Marx and Engels left off, as he traces the tendency toward the centralization of capital through corporations and trusts. Bukharin extends Hilferding's analysis, to the level of state-capitalist trusts understood to be a reaction to capitalist competition, imperialism, on a global scale. Lenin provides an understanding of the way in which national alternatives to state-capitalism have been limited by the global dynamic of competition between state capitalist trusts. Taken together, these three theorists provide an explanation for the capitalist social relations of their time, in terms of the international relations between states.

In chapter six, we look at more recent manifestations of this theoretical tradition, developed during the post-war period to make sense of the high levels of state ownership and control of production on both sides of the Cold War, which have formed the backdrop to the 'retreat of the state'. We consider the argument that Russia was a 'state capitalist' society in the context of its international relations. This view, developed by Tony Cliff and others, is shown to reflect some of the understanding of 'actually existing' capitalism developed over the previous two chapters, particularly Bukharin's analysis. However, it is suggested that Cliff and others should have moved beyond their understanding of state-capitalism to an analysis of 'bloc capitalism' in order to understand the post-war world. This was a step in the analysis foreshadowed by Bukharin. The early significance of lend lease and the Marshall Plan, the ongoing significance of dollar hegemony, the IMF and the World Bank are such that the identification of a stage beyond specifically 'state' capitalism is warranted. Kees van der Pijl's analysis of circuits of transatlantic capital²⁴ and Peter Gowan's model of dollar hegemony²⁵ are usefully employed to establish that even high levels of nationalization may be viewed as an aspect of bloc capitalist power.

The final section of the thesis is more speculative. It involves 'rethinking globalization and the retreat of the state' on the basis of the alternative understanding of capitalism that we have developed. Here we return to the subject matter covered in chapter one, the period since 1989-1991 when the world was seen to have entered a new phase of globalization. Now however, instead of seeing the state 'in retreat', we see capitalist relations restructuring beyond the level of competing state-capitalist blocs. The shift in ownership and control of sectors of the economy from state to market, allows units of capital to operate on a truly

²⁴ Pijl 1984.

²⁵ Gowan 1999.

global scale. This is a continuation of the tendencies identified by Marx and developed through the three core chapters of the thesis. While it is difficult to effectively draw out all the implications of our new understanding of capitalism, we are able to sketch some of its explanatory potential. What does become clear, in terms of the focus of this thesis, is that periods of nationalization *and* privatization, both the advance *and* retreat of the state, mark phases in the historical development of capitalism on a global scale. The classical Marxist analysis of ‘actually existing capitalism’ allows us to better understand these sorts of changes in state-market relations *within* an analysis of capitalism so that we do not have to ignore so much of what IPE describes.

In the conclusion we return to the question of the privatization revolution. Theorists such as Ernest Mandel have argued that privatization represents capitalist restoration.²⁶ For this reason they uncritically support a return to state ownership and control. This thesis problematises that stance, having shown that state ownership and control of production is not inimical to capitalism but is an important stage of capitalist development on a global scale. The thesis therefore ends, with a return to the questions raised at the start of this chapter about the meaning of the ‘retreat of the state’ and the appropriate political response.

²⁶ Mandel 1992, p. 44.

Chapter One

The Globalisation Paradox

1.1 Introduction

Arguably 'the concept of the 1990s',¹ the growth in the use of 'the g-word',² has been extraordinary and shows no sign of retreat.³ The sheer weight of literature on the subject suggests it may in fact be an 'over-fashionable concept'.⁴ Yet the great 'globalization debate' continues.⁵ As an 'inter-disciplinary' or even 'anti-disciplinary'⁶ concept, globalisation has been used to describe and explain social changes taking place on a domestic and international level as seen by geographers, sociologists, economists, political scientists, international relations theorists and others.⁷ If its defiance of disciplinary boundaries is impressive, so is its ability to resist definition.⁸ Understood to be a 'contested concept',⁹ a 'shifting concept',¹⁰ and a 'cluster concept',¹¹ globalisation appears to mean a great many things to a great number of people.

¹ Waters 1995, p. 1.

² Ruigrok and van Tulder 1995, pp. 130.

³ Busch 2000, pp. 22-23 charts the meteoric rise in number of texts published with the word 'globalisation' in the title from 1-3 per year in the early 1980s to more than 200 in 1996 alone. In 2003 a search of amazon.com for books with 'globalisation' or 'globalization' in the title published in 2002 produces 270 texts. Reinicke reports that in 1971 a search of the ABI inform database produced no hits for 'global' or 'globalization' in a title, but that by 1995 the number was almost 1200. Reinicke 1998, p. 235 fn 2. In 2003, this search of ABI inform produces 10,000 hits for 'globalization' with an additional 440 for 'globalisation'.

⁴ Hirst and Thompson 1996, p. 186.

⁵ Held and McGrew 2000, pp. 1-39 usefully characterise the literature as a whole as a 'debate'.

⁶ Germain 2000, referring to the approach taken by McLean 2000, pp. 3-66.

⁷ Useful surveys of the topic are provided by Germain 2000, Hay and Marsh 1999, and Held and McGrew 2000 which provides a collection of essays on globalization from a variety of disciplinary perspectives.

⁸ Discussion of 'the definitional problem' can be found in Amoore et al 1997, p. 181. Scholte 2001, pp. 14-20, distinguishes five uses corresponding to: internationalisation, liberalisation, universalisation, westernisation and deterritorialisation.

⁹ Higgott 1999, p. 23. Cerny 1997, p. 273.

¹⁰ Lachappelle and Trent 2001, p.1

¹¹ Amoore et al 1997, p. 181.

In the introduction, we noted that the ‘privatisation revolution’ of the last two decades can be seen as evidence of the fact that something significant has changed in the global political economy. There has been a noticeable shift in ownership and control from the state to private actors and this has taken place on a global scale. This is a key element of what is understood as ‘globalization’ and it is at the heart of what needs to be explained in terms of the apparent ‘retreat of the state’. The question for this chapter is to what extent the globalization literature can explain that change.

What is valuable about the globalisation debate is that simply by entering into it, regardless of the point of view taken, theorists are put in a position of revealing their hidden assumptions about the nature of states and markets. To judge the stability or change in a relationship between two forces, it is necessary to have some preconception of those forces. Globalisation theorists are therefore, often inadvertently, led into the really big questions of social science: the nature of the state, the nature of the market, and the relationship between the two.

These highly contested issues are seldom specifically addressed elsewhere. Theorists within various disciplines tend to focus on their particular area of interest, carrying with them a set of assumptions about the state and the market which simply form the backdrop to whatever it is they are trying to understand. Even in IR, where the state remains the central unit of analysis, the concept gets thrown around far more than it gets theorised.¹² IPE has been equally reluctant to probe the fundamental nature of either of these social forms.¹³

¹² Fred Halliday discusses the many and varied uses of the term state and remarks that ‘it is indeed paradoxical that a concept so central to the discipline as this one should have so escaped explication.’ Halliday 1994, p. 78. He suggests that one of the central tasks for IR may be to redefine the concept altogether if the discipline is to make progress. Halliday 1994, p. 93.

¹³ Susan Strange, one of the founding mothers of IPE, referred in a 1995 article to the need ‘to go back and start again’ from first (or at least earlier) principles, if there was to be any progress in our understanding of state-market relations. Strange 1995, p. 171.

In this chapter we shall focus on the way in which state-market relations have been characterised by participants in the globalization debate. We start by considering the original 'retreat of the state' thesis, we then assess the arguments of its critics, and we conclude by examining its attempted transcendence. For the first group of theorists the state is increasingly helpless in the face of market forces.¹⁴ In the second, we have a backlash, globalization is nothing but hype and the state retains many of its powers.¹⁵ In the third, the state is seen to be the agent of its own transformation.¹⁶

It has become increasingly popular to see the globalization debate in three stages and this chapter accepts that convention. However, it is generally structured in terms of the original thesis, the skeptics response, and then a third, more nuanced, position in which the authors locate themselves.¹⁷ Here, it will be argued that all three waves are trapped in a paradox established by the terms of the first. The debate seems to have stalled in this 'third gear' leaving us no closer to an understanding of the forces at work. It is this point of impasse that provokes investigation, in the next two chapters of this thesis, into the models of state and market at work in the discipline which have left this 'globalisation paradox' untouched.

1.2 The Globalisation Thesis

Three major texts stand out as having established the original globalisation thesis: Kenichi Ohmae's *The Borderless World*, Robert Reich's *The Work of Nations* and

¹⁴ As well as Ohmae, Reich and Horsman and Marshall, we find these arguments about the crisis of the state more recently in Dunn 1995, Khan 1996, and Bauman 2000.

¹⁵ Hirst and Thompson 1996 exemplify this view which is also held by Boyer and Drache 1996. Thomson and Krasner 1989 and Krasner 1999 also argue that sovereignty is not being diminished. For Krasner, legal sovereignty is more important than ever given the large number of international contracts recently entered. Krasner 1999, p. 40.

¹⁶ Weiss 1998, Sassen 1999, p. 159 takes a similar view arguing the state remains strong through its participation 'in setting up new frameworks through which globalization is furthered.'

¹⁷ See for instance Palan et al. 1996, pp. 1-3, Hay and Marsh 2000, p. 3 and Higgot 1999, pp. 23-24.

Mathew Horsman and Andrew Marshall's *After the Nation-State: Citizens, Tribalism and the New World Disorder*.¹⁸ Sometimes known as the 'globalists',¹⁹ these writers share the view that the nation-state is becoming increasingly powerless in the face of global market forces. They represent the 'first wave' of literature asserting a 'strong' globalization thesis.²⁰ They are representative of a considerable initial body of thought ranging from the 'business globalization thesis'²¹ of which Ohmae may be considered pioneer, to Horsman and Marshall's more academic treatment of the subject.²² They also represent a spectrum of view on the relative merits of globalisation, with, we might say, Ohmae a free-market enthusiast, Reich a hand-wringing pragmatist, and Horsman and Marshall raising the alarm. As such they are a reasonably representative sample.

What is of interest in looking at these three authors is the assumptions they have made about both state and market in order to come to the conclusion that one is diminishing in the face of the other. It is worth noting at the outset that each of the texts proceed by way of counterposing the state, government or nation-state with the market, economy, or capitalism in varying combinations. While it would be inaccurate to suggest that these terms are used entirely interchangeably, no analytical effort is made to distinguish them except in the case of 'state' and 'nation-state' which both Reich, and Horsman and Marshall discuss in terms of the one evolving into the other during the nineteenth century with the rise of nationalism.

¹⁸ Ohmae 1990, Reich 1992, Horsman and Marshall 1994. The characterisation of these texts as the backbone of the globalisation orthodoxy is not original to this thesis, it has been used by Hirst and Thompson 1996, pp. 175-176, Weiss 1996 and others.

¹⁹ Hirst and Thompson 1996, p. 177.

²⁰ Hirst and Thompson 1996, p. 47 characterise this depiction of globalization as a 'strong' version.

²¹ Hay and Marsh 2000, p. 5 use the term 'business globalisation thesis'. See Phillips 1992, Barnett and Cavanagh 1994 and Sachs and Warner 1995 for a similar approach.

²² Other 'academic' statements of the position included Strange 1995 and Cable 1995. Reich arguable falls between the business and academic audience, pitching to politicians and the general public.

It is also worth noting that what we are concerned with here is the common way in which all these theorists have characterized state-market relations. This is the basis of our critique of the debate. However, this does not prevent us from pointing out substantive problems with the arguments presented by any of the three waves of the debate. For example, where there is a reliance on technological determinism to make an argument about the growth of the market, the merits of the explanation will be queried.

Finally, not all theorists of globalization directly address the issue of privatization, referring instead to the ability of nation-states to determine the shape of their own national economies. In this sense *any* regulation of the economy is in question rather than the more dramatic intervention which nationalized production involves. Our argument here, therefore, is pitched in relation to the question of the ‘retreat of the state’.

1.2.1 The Nation-State

It is important to understand what each of these theorists believe the state *was* so that what they currently believe it *is* can be recognised as a fundamental shift in its nature or at least a significant erosion of its previous powers. There is no point in discussing change without a baseline from which to judge its scale and scope. A historical account of the emergence of the traditional (pre-globalised) state is provided in each of the texts and the narrative takes three different forms which I have characterised as ‘naturalised’ (Ohmae), ‘evolved’ (Reich) and ‘variable’ (Horsman and Marshall).

In *The Borderless World* Ohmae argues that the powers of the state are being, and should be, dramatically reduced. His main target is the Keynesian interventionist

state which he likens to ‘sabre-rattling mercantilist ruling powers of centuries past’ thus condensing almost five hundred years of history into one ‘traditional’ model.

Not that long ago in the preconsumer era, ‘country’ was synonymous with a sovereign isolated island within which its government determined what made most sense to the people who lived there. A government’s role was to represent its people’s interest, serve their purposes and protect them from threat of foreigners or foreign corporations.²³

He contrasts this largely unaccounted for, or ‘naturalised’, image of the state with what he believes the state is currently becoming: a complement to the market, suitable for providing minimal education and other essential services.²⁴ The problem for Ohmae is that ‘as it grew, the nation-state’s organizational right to manage economic affairs fell victim to an inescapable cycle of decay.’²⁵ Now, ‘nation states have become unnatural – even impossible business units in a global economy.’²⁶ For Ohmae, for reasons to do with its size, the state once represented its people and protected their interests. In a global economy, its services are no longer required.

Reich takes a more historical approach in *The Work of Nations* where he gives a simplified account of the transition from mercantilism to popular economic nationalism which he sees as corresponding to the shift from absolutism to democracy. He claims that, ‘[w]ith the spread of democratic ideas and institutions, the overriding economic and political goal changed from increasing the power of the sovereign to improving the well-being of the population.’²⁷ The rise of nationalisms in the nineteenth century and imperialist rivalries are seen by Reich to have caused further changes in ideology in the context of a heightened sense of a single national economy. He argues that this nationalistic trend continued through two World Wars during which Western governments played an increasingly interventionist role. It

²³ Ohmae 1990, p. 11.

²⁴ Ohmae 1990, p. x.

²⁵ Ohmae 1990, p. 141.

²⁶ Ohmae 1995, p. 5.

culminated in the 1950s and 1960s when ‘big government’ supported ‘big business’ so that the latter could provide for the nation as a whole.²⁸ For Reich, there was a steady progression, or ‘evolution’ towards a state which took responsibility for an ever-increasing proportion of its citizens. Why the state did this is explained in terms of changes in ideology and radicalization of marginalized groups. All of this changed, according to Reich, due to various changes in the international economy in the 1970s, and this ‘evolved’ model now faces extinction.

In Horsman and Marshall’s *After the Nation-State*, we have the most nuanced account of the pre-globalised state, dating back to the fourteenth century. The early modern European state is seen by these writers to have its origins in war and the need for an administrative body to organise its financing.²⁹ Early capitalism gave rise to what was essentially a monarch’s state, not yet representative of the nation. The Treaty of Westphalia extended sovereignty from the monarch to the territory and from this point forward we see the development of the modern nation-state, but not uniformly. This account has much in common with that of the ‘English School’ of International Relations.³⁰

Horsman and Marshall go on to describe how the development of industrial capitalism in England corresponded to support for a rising entrepreneurial class using a model of the state which favoured the individual and played down the role of the collective. This was the heyday of classical English liberalism. The process of expanding the political elite was more violent on the continent, but the need to do so was determined by England’s success and the desire by others to compete. The French

²⁷ Reich 1992, p. 15.

²⁸ Reich 1992, pp. 43-57. Throughout the text, Reich is mainly concerned with the United States but generalizes greatly from that trajectory.

²⁹ Horsman and Marshall 1994, p. 4 acknowledge both Charles Tilly and Paul Kennedy as having theorised the development of the early modern state as a result of war.

³⁰ On which see Bull 1977.

Revolution saw the birth of 'the nation' and thereafter nationalism became a powerful force on the continent and elsewhere. The state in all European countries began to play a major role in shaping the economy through mass education and the imposition of a common language.³¹

In Horsman and Marshall there is recognition of the enormous controversy which existed over the role which the state should have in the economy. The free-trade ideology of Britain was not to be found on the continent, particularly not in Germany where late development favoured a more protectionist state. This divergence of models continued up until World War I at which point all European states took a major role in their economies. Thereafter, and due in part to the class conflict which had proceeded the war, states continued their intervention in the economy and increased their social protection duties including providing welfare to the unemployed. 'Bourgeois liberalism...represented by good, non-interventionist government... was dead.'³²

According to Horsman and Marshall, the size and influence of the state grew dramatically in the inter-war period but it was still powerless in the face of economic difficulties experienced by many war ravaged populations. It would take another war before the high point of the state's role in the economy was reached. Thereafter, they argue, the Keynesian interventionist model brought about planning in the domestic realm, while the US as hegemon brought about coordination in the international economy through the creation of various international organizations. As with Reich, Horsman and Marshall see all of this changing in the 1970s due to growing problems with the Keynesian model and actions taken by the US, particularly the collapse of the Bretton Woods system.

³¹ The authors acknowledge their debt to Benedict Anderson's *Imagined Communities* which provides

In the Horsman and Marshall characterisation of the 'traditional state' there is sufficient historical detail to suggest that 'the state as protector of the national economy' is a model which has gone in and out of use depending on the particular circumstances of the country involved: the level and type of domestic economic development, the balance of class forces, and the extent and nature of international competition. The role of the state prior to what is described as globalisation appears as neither 'natural' (in other words 'what states do' and why Ohmae wants to see them take a back seat) nor 'evolved' (the result of increasingly progressive ideologies and growing radicalisation of the masses and thus why Reich wants to see them protected). According to the narrative provided by Horsman and Marshall, the role of the state varied enormously up until the 1970s.

What is of interest to us here is that despite the considerable historical evidence that they themselves provide, contradicting the previous two simplistic models of the state, Horsman and Marshall insist on referring to the state prior to globalisation in much the same terms as Ohmae and Reich. Like Ohmae they describe the traditional state quite simply as 'a rational, inevitable political structure' a unit which protected national citizens within secure borders through the conduct of a national economic policy.³³ Like Reich they refer to it as 'the fruit of centuries of political social and economic evolution.'³⁴

The idealised image of the 'natural' or 'evolved' state is difficult to understand given the historical variation which Horsman and Marshall acknowledge. It is, however, necessary in order to sustain the sharp distinction between the 'before' and 'after' image of the state which the globalisation thesis ultimately requires. This

the theoretical basis for their understanding of the origins of nationalism.

³² Horsman and Marshall 1994 p. 20.

³³ Horsman and Marshall 1994, p. ix.

³⁴ Horsman and Marshall 1994, p. ix.

criticism of the globalists' image of the state has been well-articulated by an unlikely ally, Stephen Krasner who, having given much attention to the historical variation within the Westphalian model, concludes that '[o]nly by creating a mythical past have contemporary observers been able to make facile comments about the impact of globalization on sovereignty.'³⁵

Inexplicable in terms of the historical evidence, this commitment to a particular image of 'the traditional state' can be seen as a characteristic feature of the globalisation orthodoxy.

1.2.2 The World Market

The characterisations of the world market which the three authors provide have less in common with each other than their images of the state. However, taken together, they represent the key features of the current world market as other globalisation theorists have seen them: technologically driven and fiercely competitive, benefitting from an explosion of information technology and largely unbridled capital and goods markets. All see a change in the world market from one of competing national economies to one of multinational companies (MNCs) roaming freely across borders.

For Ohmae, what was previously a world market composed of separate and distinct national economies mediated by powerful states acting in their own interests has now become an Inter Linked Economy (ILE) where consumers are directly in control.³⁶ 'MNCs are truly the servants of demanding customers around the world. It is these customers who are driving them to operate, develop, make and sell in many

³⁵ Krasner 1999, p. 49. He is an 'unlikely ally' in that as a realist theorist of IR he holds his own rather traditional views about the nature of the state. Hay and Marsh, more likely critics, similarly complain that 'only the unscrupulous and/or selective use of evidence...can sustain the image...of the withering away of the state.' Hay and Marsh 2000, p. 4.

countries at once and who in the process are helping to create a borderless economy.’³⁷ The key to the emergence of the ILE is, for him, the spread of information. It is this development, made possible through technological progress, which he argues has given the world market a new character. Advances in communication and transportation technology have meant that customers are aware of better choices and prices which they demand for themselves through more liberal world markets.³⁸

According to Ohmae, with maximum choice and the best possible prices, states are no longer required to protect their citizens because in a globalised economy there are no longer ‘winners and losers’.³⁹ He explains that this is a result of flexibility and increased market responsiveness. As certain nation-states experience weakening currencies and high unemployment, their low-wage economies become more attractive to investment and their situation is turned around. Equally, prospering countries will adjust downward toward the mean of the ILE through changes in the value of their wages and currency.⁴⁰ His argument is that ‘the market knows best’ and unhindered by the rigidities of the state is able to provide for all.

Ohmae differs from many other globalisation theorists in that he sees market forces as essentially benign. It is, for him, ‘the regulators we have to fear.’⁴¹ He is confident however that economic nationalism is a thing of the past. He bases this view ‘on my faith in man as inventor and in the power of the informed customer to triumph over man as regulator.’⁴² The ability to innovate is seen to be a feature of human

³⁶ Ohmae 1990, pp. xi-xiii.

³⁷ Ohmae 1990, p. ix.

³⁸ Ohmae 1990, p. 185.

³⁹ Ohmae 1990, p. xii.

⁴⁰ Ohmae 1990, p. xii.

⁴¹ Ohmae 1990, p. xiv.

⁴² Ohmae 1990, p. xiv.

nature provided it is unobstructed by government. To restate, the dynamic of the market, for Ohmae, is its ability to create value through technological innovation.

The problems with technology-driven models of the market are many.⁴³ If technological development is simply human nature, then how do we explain variation in rates of technological development or technological stagnation? The industrial revolution brought with it rates of technological growth unprecedented in human history. This can be explained neither in terms of human nature nor evolution. New social relations appear to have played a causative role - technological development was just one of the many consequences. What Ohmae requires, and fails to provide, is a theory of the social relations that have driven the expansion of technology and the development of the world market, which he now characterizes in terms of globalisation.

Reich's view of the market prior to globalization is similar to that held by Ohmae. For Reich, the world market is made up of 'national economic boats' in which 'we all sailed together'.⁴⁴ Now however capital controls in most industrial countries are being removed and trade barriers are being reduced. The consequences of this are seen by Reich to be very serious: 'global forces are reducing the interdependence of citizens and separating them into global winners and losers.'⁴⁵

The dynamic of the world market is, for Reich, competition between corporations. He sees the global market as a sphere in which the need to compete has meant that companies have relocated to areas of the world where wages are cheaper in

⁴³ On the interaction between 'globalisation and technology' see Talahay 2000 who argues that increasing levels of technological development may be made possible and considered necessary in a globalised world, but technology cannot be seen as the cause of globalisation. See also Jones 2000, p. 247. A useful discussion of the problems with 'technological determinism' in general can be found in Wood 1995, pp. 110-115. See also Giddens 1985.

⁴⁴ Reich 1992, p. 5. He refers to '...national economic boats in which we all sail together. The picture once represented reality, but it no longer does.'

⁴⁵ Reich 1992, p. 304.

order to reap greater rewards. His view is that perfect competition far from increasing welfare, eventually outstrips all profit and results in a global competitive downgrading of wages. For Reich, it is not so much that the essential character of the market has changed, but simply the role of the US within it. No longer competitive in the realm of manufacturing production, and unable to protect the American market indefinitely, they have been forced to shift into other realms of production in which not all US citizens are adequately trained.⁴⁶ Reich refers to this as a shift from high volume to high value. The quintessential player in the new economy is not a producer of goods but a 'strategic broker', managing ideas and identifying opportunities.⁴⁷ The new world economy favours problem-solvers able to discover new links between solutions and ideas; a high value-added service sector of the global market. For Reich, this is where large profits lie now that they have been squeezed out of other sectors by intense competition.

There is a lot which goes unexplained in this account. Two obvious issues present themselves when we consider Reich's solution to this situation. He suggests that the US government (presumably returning to its 'traditional role' of protector of the national economy) should train its population in high value-added sectors so that as a national 'community' the US can be back on top.⁴⁸ Even if the US government did that, the risk remains, given Reich's characterization of the market, that corporations subject to competitive pressures would once again seek out lower wages elsewhere. Related to this is the question of who he thinks is going to buy the high value-added goods if wages around the world are so depressed? Capitalism may be even more flawed than Reich suggests. The competitive downgrading of wages and

⁴⁶ Reich 1992, pp. 248-249.

⁴⁷ Reich 1992, pp. 85, 87-88.

⁴⁸ Reich 1992, pp. 268-281.

therefore demand, means that overproduction exists even before a new highly skilled US workforce enters the ring.

Reich's understanding of the dynamic of the market is that it is driven by relentless competition. As with technology, however, competition cannot be seen as a cause in itself. The conditions for competition need to be established and maintained. The kind of competition which Reich is referring to is capitalist, as he himself notes.⁴⁹ He does not however have a theory of capitalism. Capitalism is not explained in his thesis, it is merely recounted, described as a competitive system.

Horsman and Marshall's understanding of the dynamic of the current world market combines Ohmae's technological explanation and Reich's focus on relentless competition. To this they add a focus on changing power relations following the end of the Cold War - they are concerned with the lack of a hegemon to sponsor the system. Like the previous authors they have an image of nationally controlled economies, but they emphasize the role of the US in managing the system through the Bretton Woods institutions of the IMF and World Bank as well as the GATT. A truly global economy is seen to emerge in the mid-1970s when the Bretton Woods system collapsed and the oil shock sent the economy into a tail spin.⁵⁰ Financial deregulation in the U.S. combined with laissez-faire ideologies in the West, formed the backdrop to an explosion of foreign direct investment and the transnationalization of business. Trans-national corporations began to set the agenda and their recipe for success included the following: open markets for goods and services, open regulation in terms of 'a level playing field', and wide open capital markets.

⁴⁹ Reich 1992, p. 63.

⁵⁰ The significance of the oil crisis is often overplayed. For an insightful counter-argument see Brenner 1998. Brenner argues that the conditions for crisis were already set due to the enormous overproduction of manufacturing goods. The oil crisis made the situation worse, but cannot be considered a major causal factor given the crisis of profitability which preceded it.

Horsman and Marshall are unclear about their attitude to the market. On the one hand they appear to agree with Ohmae when they state that:

Free trade, freedom of investment and market access are all important principles and need strengthening... Competition is important to promote, not just through rules but also through investment.⁵¹

On the other hand, they seem to share with Reich a concern about the downsides of the global free market in terms of environmental degradation and job insecurity.

There is a clash between global capitalism's mobility in the search for profit, its restless search for cheaper inputs and more lucrative markets and the state's attempts to guarantee employment and investment.⁵²

This mystery can be solved or at least postponed if we consider how Horsman and Marshall separate 'the world market' which is good, from what they call 'consumerist capitalism' which is bad.⁵³ Unlike Ohmae, they seem to suggest that it is when consumers and corporations are alone in the market that we are most at risk. It is the regulators that Horsman and Marshall wish to embrace. What they desire is humanized capitalism – a healthy world market regulated by responsible nation-states.

The problem with this image of the market will be taken up in more detail when we consider the authors understanding of state-market relations. However, it is hinted at by Horsman and Marshall's need to specify bad capitalism as 'consumerist'. What would capitalism be if it were not consumerist? How would it work? In order for profits to be made, goods must be purchased and this requires consumers. All things being equal, consumers will choose those goods which are the least expensive and corporations will attempt to gain larger market shares by making commodities as cheaply as possible. Equally, what do they mean by 'humanised' capitalism?⁵⁴ They do not seem to have a theory of capitalism at all. Nebulous phrases like 'increased

⁵¹ Horsman and Marshall 1994, p. 209.

⁵² Horsman and Marshall 1994, p. 210.

⁵³ Horsman and Marshall 1994, p. 250.

⁵⁴ Particularly given that they appear to have accepted that the interventionist welfare state was destined for failure.

interdependence' and 'market forces' are used as placemarkers for a largely undeveloped theme.

This is another characteristic feature of the globalist thesis: a superficial and eclectic characterisation of the capitalist world market.

1.2.3 State-Market Relations

There is a remarkable similarity among the authors when it comes to recounting the change in state-market relations which they characterise as globalisation. All three have a very similar understanding of what the role of the state was in relation to the market, and what it is now. It will be suggested below that the change in all three cases can be understood as a variation on the theme of 'engendering one's conquerors'.⁵⁵ In each case the state can be seen to have created the world market to which it is then seen to have lost its powers. This is the central paradox of the globalisation literature: *how it is that one social force loses its power to a second which it is responsible for creating and maintaining?*

For Ohmae, this process is both natural and desirable. Ohmae refers to states as having previously been 'independent, powerfully efficient engines of wealth creation.'⁵⁶ For him, it was the nation-state which created the world market we have today. He draws attention to the fact that the military used to back up a country's commercial interests abroad. British plantations worldwide were guarded by its navy. American forces were fully behind their corporations in the Banana Republic and in the rest of the world to back up the multinationalization process in the 1960s and

⁵⁵ This phrase is most famously used by Simone de Beauvoir in reference to the mothering of sons. de Beauvoir 1953, p. 517.

⁵⁶ This particular description is found in Ohmae 1995, p. 12 but is compatible with Ohmae's general characterisation of the traditional role of the state.

70s.⁵⁷ Now however, they have outlived their effectiveness and should adjust to their new role in the world economy. They should now simply take up the slack from market forces by providing minimal health care and education.⁵⁸ No longer a driving force, the state has become merely a potentially attractive accessory to the market. There is a sense in which the state launched the market and should now stand aside.

One of the problems with this image of the market 'outgrowing' the state is that Ohmae ignores the ways in which the state is still often required to intervene militarily and 'diplomatically' on behalf of commercial interests. This makes sense in light of his image of the market as a benign force bringing about harmony rather than conflict of interests in which the US military may need to intervene. Yet, even strong advocates of the market have conceded that McDonald's requires McDonnell Douglas to survive.

The hidden hand of the market will never work without a hidden fist. McDonald's cannot flourish without McDonnell Douglas... And the hidden fist that keeps the world safe for Silicon Valley's technologies to flourish is called the U.S. Army, Air Force, Navy and Marine Corps.⁵⁹

There is no reason to believe that US multinational corporations are going to suddenly stop needing the US state to defend their interests all over the less developed world. Yet, Ohmae does not see any need for these practices. In fact, he seems prepared to do away with the defense industry altogether. He complains about inefficient industries being subsidized in the name of national security during the Cold War and looks forward to the end of this kind of suboptimal expenditure.⁶⁰ The state has engendered its conqueror, the world market, and it should now step down gracefully from power.

Reich also acknowledges a traditionally close and supportive relationship between capital and the state. In fact, his concern is that this close relationship has

⁵⁷ Ohmae 1990, p. 11.

⁵⁸ Ohmae 1990, p. x.

⁵⁹ Friedman 1999, p. 12. This argument was expanded at length in Friedman 2000.

continued when the context has changed. He acknowledges that national corporate planning in the US and elsewhere took on great importance in the period leading up to and including the two world wars. Governments backed loans, guaranteed investments and bailed out businesses in trouble.⁶¹ It was, for Reich, government spending on an unprecedented scale which pulled the US out of the depression of the 1930s.⁶² After World War II, the interests of the US government and the interests of US big business were seen to be virtually identical.⁶³

Government would contract with America's core corporations to defend the nation, thus indirectly providing them the funds to research and develop new commercial technologies. And government would encourage American companies to invest abroad, and protect their interests after they did so.⁶⁴

Reich cites examples of the CIA controlling opposition forces in other countries in order to secure markets for American goods.⁶⁵ The US government also used its clout to secure 'voluntary' export agreements with rapidly developing economies in order that the American market would not be flooded with cheap goods. Reich identifies this as a heavily used, but ultimately short-term measure.

The imperatives of the market, the need to compete, meant that US companies began to relocate to areas of the world where wages were cheaper in order to reap greater rewards back in the US as well as other markets. As a result, as Reich points out, 'America's 500 largest industrial companies failed to create a single job between 1975-1990.'⁶⁶ Reich's major argument is that the responsibilities of government should shift accordingly: from helping big national businesses who no longer help citizens, to helping citizens directly by investing in people so that they can compete.

⁶⁰ Ohmae 1990, p. 13.

⁶¹ Reich 1992, p. 40-41.

⁶² Reich 1992, p. 44.

⁶³ Reich recounts that Charles Wilson, President of GM, when asked to be Secretary of Defense, could not conceive of a conflict of interests between the two positions. 'Our company is too big. It goes with the welfare of the country.' Wilson quoted in Reich 1992, pp. 47-48.

⁶⁴ Reich 1992, p. 67.

⁶⁵ Reich 1992, pp. 64-65.

What this means in practical terms is that governments should stop protecting, subsidizing and supporting their corporations above others and should continue to maintain public expenditures and collect taxes.

Neither the profitability of a nation's corporations nor the success of its investors necessarily improve the standard of living of most of the nation's citizens. Corporations now scour the world for profitable opportunities. They are becoming disconnected from the home nation.⁶⁷

The logic behind Reich's account of globalisation is that the 'real' purpose of the nation-state, evolved as it has from its mercantilist days, is to improve the standard of living of its citizens. Where it once did this in the US by backing big business, this no longer makes sense. With heightened international competition and capital mobility there is no such thing as the national corporation or economy and to continue acting as though there is, only diverts resources from where they are actually needed. To compete in the new world economy requires a highly skilled citizenry which a responsible state should be aiming to create. What Reich advocates for the twenty-first century is 'positive economic nationalism', the elimination of all barriers to trade, but increased government intervention, the provision of wide-ranging social goods and public subsidies to firms which are 'adding-value' regardless of company nationality.⁶⁸

As with Ohmae, the problems with this image are multiple. They stem in large part from the idealised image of the state. The argument that the real 'evolved' purpose of the state is 'to improve the standard of living of its citizens' is not borne out when we look at the history of the US, let alone the rest of the world. Reich would have great difficulty explaining the conscious role of the post-war US government in *setting up* the competition: low wage economies in Japan and elsewhere. Immediately

⁶⁶ Reich 1992, p. 85.

⁶⁷ Reich 1992, p. 8.

⁶⁸ Reich 1992, pp. 311-314.

following World War II the United States occupied Japan and restructured domestic society, writing a new constitution and disciplining labour unions. The US spent billions of dollars of aid and military expenditure to bring the Japanese economy from its knees back to pre-War levels of GNP. This goes unacknowledged in Reich's model, where the competition from Japanese industry seems to appear out of nowhere.

Having asserted that the state's role is to improve the standard of living of its citizens, Reich is in the odd position of arguing that the state, a social form, has essentially 'made a mistake'. It was right to cater to big business once upon a time, but it should realise that it has been backing the wrong horse for almost thirty years. Now, as a result of advice from Reich and others, it should completely change its role in relation to the market. 'The choice', he says in a rather utopian fashion, 'is ours to make.'⁶⁹ This sounds more like an election slogan than a reasoned conclusion.⁷⁰ Reich outlines what is ultimately a wish list of functions for the state, once it has realised the error of its ways.

[T]his approach would encourage public spending within each nation in any manner that enhanced the capacities of its citizens. Positive economic nationalism would include pre and post natal care, childcare and preschool preparation, excellent primary and secondary education, access to college regardless of financial condition, training and retraining, and good infrastructure.⁷¹

Positive economic nationalism is, for Reich, what the state would do if only it realized what was the best course of action for its citizens. On his analysis, thirty of the last fifty years are to be seen as anomalous, as an error in judgment by the US state. Did we *accidentally* engender our conquerors? This is the unavoidable conclusion to which Reich's analysis leads.

⁶⁹ Reich 1992, p. 315.

⁷⁰ Reich became President Clinton's Labor Secretary shortly after writing the book.

⁷¹ Reich 1992, p. 313.

The changed relationship between state and market follows similar lines in the Horsman and Marshall text while the sense of paradox is even greater. Like Ohmae and Reich, Horsman and Marshall have a sense of the traditional nation-state as having been 'charged with protecting national citizens within secure borders and with the conduct of national economic policies.'⁷² They have a strong sense of the nation-state as a counterweight to the world market. The post-war role of the United States is seen as very important in reconciling these opposing forces.

Ironically, one of liberal capitalism's natural enemies - the nation-state - would give it a new lease, by finding a new balance between liberalism, capitalism and democracy under the direct and careful watch of a sponsoring hegemon.⁷³

It is worth noting that this is only 'ironic', if the nation state is liberal-capitalism's 'natural' enemy, which is not a conclusion one could arrive at without an essentialist view of the state. This is the embedded logic of these positions.

'Pushed by its need for bases for its forces and resources and markets for its companies', the United States became more and more involved in the world economy. Its establishment of the international economic institutions: Bretton Woods and the GATT were intended to bring about a system of fixed exchange rates and lower trade barriers. The IMF and the World Bank also emerged in this period, products of a nation-state, the US, designed to further the long-term interests of global capitalism. Yet it would also be the United States that terminated the Bretton Woods agreement in 1971.

For Horsman and Marshall, the early 1970s are seen as the time when the dysfunctional nature of the national management model became most apparent throughout the world. What was dubbed as 'stagflation' was seen as the inevitable result of government attempts to control the capitalist economy. An explicitly political

⁷² Horsman and Marshall 1994, p. xi.

argument began to take place about the appropriate role for the state in relation to the economy and the lives of its citizens. Horsman and Marshall claim that it was advocates of laissez-faire who won the arguments this time around with anti-state, market-oriented governments emerging in the early 1980s.⁷⁴ In this way ‘the privatization revolution’ and globalization in general appear for these authors to be the result of an exchange of views between economists and academics.

Horsman and Marshall share the view that the post-war period provided evidence of the fact that ‘[i]n co-operation with the private sector, the state was weak, in competition it was likely to lose.’⁷⁵ But, what exactly had this cooperation involved? The post-war Keynesian model of direct government intervention in the market economy is described as follows:

Government spending, including deficits, and government intervention in private industry were legitimised as the way to reconstruct and develop economies. The state provided a stable macro-economic basis; it evened out the business cycle; it provided trained labour, kept fit and healthy by new provision of state services; and it ensured that sufficient capital was provided to lubricate the wheels of industry.⁷⁶

The comparison with today, described 70 pages later, could hardly be more stark.

Few governments could now hope to be able to manage the business cycle. Stability has been removed; the degree to which governments believe they can affect welfare through state intervention is strictly limited and modernization is no longer a function of state control.⁷⁷

To understand how Horsman and Marshall view this change, it is useful to repeat the quote above, ‘in co-operation with the private sector, the state was weak, in competition it was likely to lose.’ What Horsman and Marshall do not seem to acknowledge is that the competition which the state sector subsequently faced can only be understood to have come from a healthy private sector which the state itself

⁷³ Horsman and Marshall 1994, p. 22

⁷⁴ Horsman and Marshall 1994, p. 36.

⁷⁵ Horsman and Marshall 1994, p. 34.

⁷⁶ Horsman and Marshall 1994, p. 27.

⁷⁷ Horsman and Marshall 1994, p. 98.

was responsible for creating. It was the post-war cooperation which created the competitor. Just as with Ohmae and Reich we have the apparent paradox that the state brings about its own demise. The same institutions which provided the conditions for dynamic market activity have subsequently been discredited and are now quite powerless in the face of that activity. We are left with the impression that states have the power and motivation to create forces which then simply escape their control.

Horsman and Marshall conclude that:

If the lesson of the pre-war years was that unfettered capitalism could not sustain stable governments, the lesson of the post-war years was that the state proved inadequate to the task of managing capitalism.⁷⁸

It could be argued that these two lessons are in fact one lesson about the nature of the relationship between the state and capitalism: that the forces of capitalism are stronger than those of the state. But what is missing from this is the intervening period: the fact that without the state, the conditions for capitalism in the post-war period could never have been re-established. The enormous post-war reconstruction could never have taken place on the basis of competitive or market forces alone. The state steps in and secures the conditions for a capitalism that then defeats it once again. Depicted as a kind of battered spouse, the state just keeps coming back for more. This is the paradox of the modern state within the logic of the globalisation thesis.

1.2.4 Paradox Within

These three texts taken together are seen as representative of the initial 'globalisation thesis'. The state, government or nation-state is counterposed to the market, economy, or capitalism in varying combinations. We have a sense of separate social spheres,

each with their own autonomous dynamics, which from time to time, for better or worse, interrelate. What are these two spheres? It has been argued that a characteristic feature of the globalisation orthodoxy is a historically unsupported commitment to a particular image of 'the traditional state' and that this has been accompanied by a superficial 'eclectic' characterisation of the capitalist world market. The result has been that understandings of the changes in the relationship between these two social forces are characterised by paradox and confusion. With Ohmae this paradox, this 'engendering of the conqueror' is welcome, the market is a superior force. With Reich, it is accidental, the state has made a mistake. With Horsman and Marshall, we are offered an 'ironic' chain of events leading to the paradoxical conclusion that the market has become more of a political force than the state. '[T]he market has become a form of political authority, passing judgment on policy which is not easily refuted.'⁷⁹

The degree of paradox involved in these accounts of globalisation is unacceptable. How far do we go in permitting 'the seemingly contradictory', 'the paradoxical' and 'the ironic' to enter our explanations of social change? In the natural sciences, it is precisely the 'apparently anomalous' or 'seemingly paradoxical' which triggers the need for further analysis. The fact that the globalisation literature is so riddled with what it recognizes to be apparently contradictory events, suggests a wholly inadequate approach.

To what extent does this first stage of the globalisation debate explain the 'privatisation revolution' of the last two decades? It does not. Privatisation, 'the retreat of the state', is a paradox in the terms in which it has been presented, the market forces which are said to be destroying the state are of its own creation. This

⁷⁸ Horsman and Marshall 1994, p. 96.

sense of paradox is not an answer, it is a question. It is the question Susan George asked at the beginning of the thesis: 'why are governments giving up so much and getting so little in return?'

1.3 The Internationalisation Counter-Thesis

The 'globalization thesis' has not been without its critics. Many have questioned the central assumption that nation-states are becoming increasingly powerless in the face of a borderless world. These can be separated into those who have modified the thesis and those who have fundamentally challenged it. Those who modify the thesis represent the second wave of the globalization debate in which the pendulum has swung back to a position of considerable skepticism. The modifiers shall be considered in this section. In terms of their relation to the question of the 'retreat of the state' which will be the focus here, they all attempt to show that the state retains its power despite the changes in the market which they acknowledge to varying degrees.

First we will consider those theorists who acknowledge strong globalisation forces but deny a dramatic reduction in the power of the state. The *Economist* exemplifies this position, claiming in 1995 that, 'the world has changed, the global economy has indeed arrived: nonetheless the emasculated state is a myth.'⁸⁰ They agree wholeheartedly with the description of the world market provided by the globalists and while they do offer greater detail, they fail to add anything by way of explanation of its dynamics. They differ somewhat in their view of the role of the state, but only in that they naturalise its opposition to the market to an even greater

⁷⁹ Horsman and Marshall 1994, p. 97.

extent than Ohmae. The end description of a 'weak state' is essentially the same as Ohmae's, it is just that for the *Economist*, it is quite similar to the one that they started with, and it is still too strong for their liking.⁸¹

The *Economist* wishes to make clear that 'nobody disagrees that elected governments now have less control over their economies than they used to.'⁸² They argue that 'wise governments learn to work with markets, not against them'⁸³ and that 'markets take power away from governments that do the wrong things'.⁸⁴ All of this points in the direction of a state powerless to resist market forces. And yet, they warn that 'global integration could be reversed', 'given the will, governments could do it. Call it their sovereign right.'⁸⁵

This lays out exactly the paradox we first encountered and the statements about the state's ability are as contradictory as ever. This unsatisfactory situation is exemplified by the following sage advice:

paradoxically, governments best defence against the increased clout of financial markets is to forsake even more discretionary power. By tying their own hands and so removing themselves from temptation, policy-makers will retain more influence over their economies.⁸⁶

The Economist's position modifies the original globalization thesis of the retreat of the state but does not move us beyond the paradox of the state's role in its own self-destruction. It is less clearly a sense of the state having engendered its conqueror because *The Economist* does not deal with the role of the state in fostering the market

⁸⁰ Economist 1995, p. 15. The profile of the *Economist* in debates over globalization is something noted by other theorists of globalization. See Burbach and Robinson 1999, p. 11.

⁸¹ This is largely due to their focus on the effectiveness of state fiscal policy rather than considering the broader range of state roles in terms of legal and military defence of markets. Where Ohmae ignores those today but recognizes them in the past, the *Economist* does not even consider them.

⁸² Economist 1995, p. 44.

⁸³ Economist 1995, p. 40.

⁸⁴ I.e. borrow recklessly, run inflationary policies or try to defend unsustainable exchange rates. Economist 1995, p. 43.

⁸⁵ Economist 1995, p. 16.

⁸⁶ Economist 1995, p. 42. This is a reference to the benefits associated with having an independent central bank.

even at an early stage. However, we are still left with a state which has the potential to interfere in the market but which also should know better – *a state which coexists with its conqueror*.

It is true the *Economist*, and liberal economics in general, would see no paradox in this position as they would argue that states have learned to intervene less because this will help citizens more. Here however, we come up against the lived experience of those citizens who, as discussed in the introduction, are being asked to accept declining social provision and higher costs in order to serve the interests of the market. The *Economist* avoids paradox by ignoring this reality, a luxury which few can afford.

Also falling into the category of ‘modification’ of the thesis are those who prefer the term ‘internationalisation’ to globalisation but who agree that the power of the state has been reduced. This position has been well articulated by Hirst and Thompson in their text, *Globalisation in Question*.⁸⁷ They argue that world financial markets, world trade and FDI and the growth and changing role of MNCs indicate greater international integration of the economy since the 1970s, but that this is part of a longer term process of internationalization not globalisation.⁸⁸ The difference for them is that states are not going to disappear completely as players in the world economy. They do however accept that ‘[t]he power of nation states as administrative and policy-making agencies have declined.’⁸⁹ Their critique is essentially that the process is not as novel as the orthodoxy would suggest, nor are the consequences for nation-state autonomy quite so dramatic.

⁸⁷ Hirst and Thompson 1996.

⁸⁸ For instance, they argue that very few truly transnational corporations exist, claiming that most continue to operate from distinct national bases.

⁸⁹ Hirst and Thompson 1996, p. 192.

Hirst and Thompson's critique of the globalization thesis is motivated by opposite intent from that of the *Economist*. Hirst and Thompson are unhappy suggesting that the state is powerless in the face of market forces, because of what they believe to be the negative political implications of that conclusion. On the first page, they express concern that 'one key effect of the concept of globalization has been to paralyse radical reforming strategies, to see them as unviable in the face and judgement and sanction of international markets.'⁹⁰ By the end of the book however, they have come to the conclusion that:

[t]hese arguments have some force. There is no doubt that the salience and role of nation states has changed markedly since the Keynesian era. States are less autonomous, they have less exclusive control over economic and social processes within their territories and they are less able to maintain national distinctiveness and cultural homogeneity.⁹¹

1.3.1 Paradox Retained

Reaching the conclusion they hoped to avoid, Hirst and Thompson shift the terrain of debate to 'governance' rather than 'government'. Here the implications for understanding privatisation come into view. It is worth quoting them at some length on this issue.

The issue of control of economic activity in a more integrated internationalized economy is one of *governance* not just of the continuing roles of *governments*. Sovereign nation states claimed as their distinctive feature the right to determine how any activity within their territory was governed, either to perform that function themselves or to set the limits of other agencies. That is, they claimed a monopoly of the function of governance. Hence the tendency in common usage to identify the term 'government' with those institutions of state that control and regulate the life of a territorial community. 'Governance' – that is, the control of an activity by some means such that a range of desired outcomes is attained – is, however, not just the province of the state. Rather it is a function that can be performed by a wide variety of public and private, state and non-state, national and international institutions and practices.⁹²

⁹⁰ Hirst and Thompson, 1996, p. 1.

⁹¹ Hirst and Thompson, 1996, p. 170.

⁹² Hirst and Thompson 1996, pp. 183-184.

What we find is that Hirst and Thompson actually acknowledge to a very significant degree precisely what it is that has troubled those concerned with the 'retreat of the state'. The distinction between public and private is being broken down, as the nation-state is unable to claim control over the public sphere and must delegate to the private sphere. They agree that 'classical national economic management' which was evident in the period between 1945-1973 is now 'largely obsolete'.⁹³ What we have in its place are 'possibilities of governance that require theoretical specification and analysis', which are nowhere provided.⁹⁴ Paradox is retained.

These two criticisms of the globalization thesis, that of *The Economist* and that of Hirst and Thompson, offer a number of significant qualifications but have essentially softened rather than refuted the central argument of the globalisation orthodoxy. We still have an image of the state subject to the forces of the market, as an object subject to changing circumstances. The history of the state provided by the *Economist* is completely abstracted from the market and that provided by Hirst and Thompson is very similar to the globalisation orthodoxy. We do not have a more sophisticated explanation of market forces, nor do we have a more nuanced theory of the state. Above all, we retain a sense of paradox.

1.4 An Attempt at Transcendence

This image of state self-destruction was swept aside in a groundbreaking work by Linda Weiss entitled *The Myth of the Powerless State*.⁹⁵ This text differed crucially from other critiques of globalisation in that it attempted to resolve rather than simply

⁹³ Hirst and Thompson 1996, p. 199.

modify the central paradox. Weiss accepted the factual basis of the modified globalisation thesis of Hirst and Thompson, better known as 'internationalization', but parted company over whether the resultant changes in the state could be characterized as its weakening. She rejected the idea that we are moving toward a 'weak liberal state' as simply a source of legitimacy and the rule of law, insisting instead that the state remains 'where the action is'.⁹⁶ For Weiss, the changes in state behaviour *vis a vis* the world economy are not evidence of weakness but in many cases of what she calls 'transformative capacity', in fact power. With this thesis, we are effectively freed from any sense of the state as conquered or victimised. As she explicitly points out, 'states may at times be facilitators (even perhaps perpetrators) rather than mere victims of so-called globalisation.'⁹⁷

How does Weiss reach this conclusion? By rejecting two key assumptions of the original globalisation thesis. First, in terms of the strength of the state, the idea that we can talk about power or capacity 'in general' is seen as highly problematic. Instead, she focusses on 'transformative capacity': 'the ability to coordinate industrial change to meet the changing context of international competition.'⁹⁸ She points out that this is not synonymous with intervention, as all states intervene but often ineffectively or inappropriately in terms of inducing change. The key to transformative capacity, for Weiss, is power-sharing arrangements involving government and industry.⁹⁹ Japan provides the quintessential case of power sharing resulting in what is identified by Weiss as a strong state. Weiss argues that the key to

⁹⁴ Hirst and Thompson 1996, p. 199.

⁹⁵ Weiss 1998.

⁹⁶ Weiss 1998, p. 195

⁹⁷ Weiss 1998, p. 204 She also distinguishes herself from the position taken by the *Economist* in that she does not see the state as a natural obstruction to market forces.

⁹⁸ Weiss 1998, p. 7

⁹⁹ Interestingly she adds, 'though not necessarily labour'. Weiss 1998, p. 25

state power or state capacity is the ability to effectively adapt to the changing circumstances of the international economy.¹⁰⁰

What this means for our understanding of state market relations is quite significant. The zero-sum relationship, so prevalent in the globalisation literature, is consequently rejected by Weiss. In fact she identifies it with 'the dualism of Cold War politics, which counterposes state (plan) against market.'¹⁰¹ She rejects the idea that 'strong states (read 'autonomous' or 'capable' states) are such because they have *power over society*', 'the ability to get their way in spite of opposition' from, for instance, organised forces in society or other states. Using the concept of 'transformative capacity', Weiss sees the utilization of links to inter and intrastate organizations (therefore not autonomy) as a means of *increasing* state power. The debate about whether the state is 'leading' or 'following' is meaningless for Weiss who argues that state power has been fundamentally misconceived.¹⁰²

Second, she rejects the idea that we can talk about states in general given that different states have different 'transformative capacities'.¹⁰³ It is this uneven institutional capacity that separates the weak from the strong and Weiss predicts that it is a feature of international politics that will become increasingly important in the twenty-first century, thus indicating a powerful role for states into the future.

[T]he ability of nation-states to adapt to internationalization (so called globalisation) will continue to heighten rather than diminish national differences in state capacity as well as the advantages of national economic coordination.¹⁰⁴

¹⁰⁰ Weiss credits Mann for establishing the distinction between despotic and infrastructural power and noting the reduction of the former concurrent with an increase in the latter. Weiss 1998, p. 18.

¹⁰¹ Weiss 1998, p. 26.

¹⁰² Weiss 1998, p. 27.

¹⁰³ Boyer and Drache 1996 take a similar approach.

¹⁰⁴ Weiss 1998, p. 11.

For Weiss, states will become *more* rather than *less* important as they attempt to manage change in the international system.

Perhaps the most significant feature of the Weiss text is that she appears to reject the original globalizers' ideological predisposition toward a particular model of the state. This she argues, borrowing the phrase from Ikenberry, amounts to treating states as 'prisoners of a fixed genetic code'.¹⁰⁵ Instead she recognizes that 'change is hardly novel to the state: it is the very essence of the modern state, by virtue of the fact that it is embedded in a dynamic economic and inter-state system...'¹⁰⁶ She makes the observation that,

[o]ver the long run, most states have (with some notable revolutionary exceptions) proved highly adaptive to changing circumstances. Failure to recognize or acknowledge adaptation has led too readily to the conclusion that the nation-state is in decline.¹⁰⁷

This is a very valuable observation. On the basis of detailed historical analysis, provided by herself and others, and in the absence of an ideological predisposition toward a particular model of the state, Weiss recognizes that the state adapts to changing circumstances. But curiously, at no point in the text are those 'changing circumstances' theorised. This represents a major shortcoming of the text, given that by, her own account, it is only in relation to those 'changing circumstances' that state behaviour can be understood.

1.4.1 Paradox Lost?

The toll which this (lack of) analysis of the market takes on the model of the state itself is profound. Weiss, very much in the mould of the historical sociologists who

¹⁰⁵ Weiss 1998, p. 196 quoting from Ikenberry 1995.

¹⁰⁶ Weiss 1998, p. 195.

¹⁰⁷ Weiss 1998, p. 9.

have influenced her work,¹⁰⁸ defends the role of the eclectic and the indeterminable in establishing an 'anti-reductionist theory of the state'.¹⁰⁹ In the Weiss text, we have no theory of the state or market, just a detailed account of what has gone on between them leading to the conclusion that their relationship is essentially functional.

It is argued here that Weiss's apparent resolution to the globalisation paradox has been arrived at through descriptive rationalization and the manipulation of terminology. There are two key phrases which Weiss uses to make sense of the current status of state-market relations. They are: 'embedded autonomy' and 'governed interdependence'. Both these phrases represent something of a contradiction in terms.¹¹⁰ They are semantic solutions to what are deeply rooted issues. Meanings are turned inside out to justify Weiss's central thesis that state power is not diminishing.

Embedded autonomy is a phrase coined by Peter Evans¹¹¹ to solve the puzzle of why some highly interventionist states (eg. Korea) have had success in the global economy while others have not (eg. Brazil, India, most of the underdeveloped world). Evans argued that states which are more effective in achieving their transformative goals tend to be 'not merely sufficiently *autonomous* to formulate their own goals, but also sufficiently *embedded* in particular industrial networks to implement them.'¹¹² What we might ask are their 'own goals' in this context? These, Evans argues are up for 'continual negotiation and renegotiation' through the state-society linkages. Surely, that weakens the idea that they are in any significant sense 'their own' goals. Nevertheless, as Weiss triumphantly concludes:

¹⁰⁸ Weiss follows closely the approach taken by Mann to be discussed briefly in the next chapter.

¹⁰⁹ Weiss 1998, p. 16.

¹¹⁰ If we take 'embedded' to mean within or attached to and 'autonomy' to mean detached from or separate and if we take 'governed' to mean asserted over or authoritative and 'interdependence' to mean something more like cooperation or mutual dependency.

¹¹¹ Evans 1995.

Embedded autonomy thus draws attention to the capacity of the state to combine two seemingly contradictory aspects: 'Weberian bureaucratic insulation' with 'intense immersion in the surrounding social structure'.¹¹³

The key here is the possibility that these are not 'seemingly contradictory' at all, but rather 'entirely contradictory' as they have been formulated and therefore in need of rethinking. Even Evans himself believed that a state could only have transformative capacity while capital remained in a relatively weak position.¹¹⁴ Weiss however feels the concept simply needs reformulating if it is to more accurately characterise the situation of a strong state *and* a strong private sector. She arrives at the term 'governed interdependence.'

'Governed interdependence' (GI) refers to a negotiated relationship, in which public and private participants maintain their autonomy, yet which is nevertheless governed by broader goals set and monitored by the state. In this relationship, leadership is either exercised directly by the state or delegated to the private sector where a robust organizational infrastructure has been nurtured by state policies.¹¹⁵

This is a remarkable statement: *leadership is either exercised directly by the state or delegated to the private sector*. The distinction for Weiss is meaningless. She has resolved the paradox by breaking down the distinction between state and market, public and private. The fact that the state is seen to 'set' goals can mean little more than that it articulates goals jointly arrived at. Weiss points out, 'GI solves the problem of how *conceptually* to preserve state effectiveness, when capital is strong, without compromising autonomy.'¹¹⁶ This seems an odd claim to make given that it is not 'conceptual autonomy' that many who fear 'the retreat of the state' wish to see preserved, it is real autonomy *vis a vis* the interests of capital. Weiss offers no

¹¹² Evans quoted in Weiss 1998, p. 35.

¹¹³ For Weiss, in the case of East Asia this involved 'a meritocratic bureaucracy with a strong sense of corporate identity and a dense set of institutionalized links to private elites.' Weiss 1998, p. 35.

¹¹⁴ Evans 1995.

¹¹⁵ Weiss 1998, p. 38.

¹¹⁶ Italics mine.

reassurance, as we see from the following quote, *the autonomy of the state* is evident in its role as *coordinator of private interests*.

GI refers to a relationship that evolves over time, whereby the state exploits and converts its autonomy into increasing coordinating capacity by entering into cooperative relationships with the private sector, in order thereby to enhance the effectiveness of its economic and industrial policies.¹¹⁷

Most striking about the Weiss text is its *own* adaption to circumstances. In a period in which the state appears to have very little power over and in opposition to market forces, Weiss argues that we should redefine power. Power as autonomy and capability, virtually the definition of the term, is now merely ‘the orthodox notion of strength’ – the new notion of strength is a state with strong organizational linkages with industry. Why do we need to alter the definition of power? Weiss stresses the answer to this question: because ‘*state power has been conceptualised in such a way that makes it virtually impossible to apply to modern states.*’¹¹⁸

One could argue that this was precisely what the first wave of globalisation theorists were getting at: modern states appear to no longer possess the features which are associated with strength (in terms of autonomy or power over other agents). That was, after all, their thesis.

1.4.2 Paradox Postponed

The Weiss text is extremely valuable in that it rejects an idealized image of the state and instead effectively ‘tells it like it is’: the state appears to have consistently adapted to circumstances. Yet, without theorising those ‘circumstances’ we have no idea what is going on. Although she appears unwilling at various points to take it this far, the

¹¹⁷ Weiss 1998, p. 39.

¹¹⁸ Weiss 1998, p. 40. Italics and bold in the original.

state, in her thesis, has no motives 'of its own'.¹¹⁹ Nor can we identify any causal mechanisms outside the state. The buck must stop (or start) somewhere. If the state can only be explained in terms of the market, the market must be explained. The final straw in terms of the poverty of her theory is her contrasting of 'statist' and 'non-statist' states.¹²⁰ This is the collapse of analysis. That we have no better way of conceptualising the current adaptations of the state to market forces than by referring to it as evidence of a 'non-statist state' tends to suggest that our current understanding of states and markets are wholly inadequate. Paradox is not lost, it is merely postponed.

This 'third gear' position that the globalization debate has reached is shared by a number of theorists. Philip Cerny's 'competition state'¹²¹ and Michael Lind's 'catalytic state'¹²² both follow a similar pattern of logic and it is a method of overcoming the 'state-market divide' that has been heralded as a new way forward for IPE.¹²³ While Weiss herself has not spent much time on the question of the privatisation of public services, Cerny, an IPE theorist influenced by Cox, has considered the issue from within the same analytical framework and come to the following conclusion.

[L]iberalization, deregulation and privatization have not reduced the role of state intervention overall, just shifted it from decommodifying bureaucracies to marketizing ones. 'Reinventing government', for example, means the replacement of bureaucracies which directly produce public services by ones which closely monitor and supervise contracted-out and privatized services according to complex financial criteria and performance indicators.¹²⁴

¹¹⁹ At one point in her writings Weiss does seem to suggest that the state is motivated by the welfare maximisation of its citizens, but she provides no evidence to support the assumption. Weiss 1999, pp. 70-71. Thanks to Michael Webb for this reference.

¹²⁰ Weiss 1998, p. 40.

¹²¹ Cerny 1989, 1997.

¹²² Lind 1992.

¹²³ Palan et al. 1996, p. 36.

¹²⁴ Cerny 1997, p. 267.

‘Reinventing government’ is precisely the banner under which the privatization of public services have been advocated.¹²⁵ For Cerny, as for Linda Weiss, the state is no less powerful, it has simply changed from a ‘welfare state’ to a ‘competition state’.¹²⁶ This change in description is offered in place of explanation. Cerny’s explanation for privatisation is that the state has changed its form. The competition state has become a non-statist state.

It is important to note that the criticism here is not that Cerny’s account is politically reactionary. He is concerned about the societal effects of these changes in the state, in a way that Weiss appears not to be. What is wrong with Cerny is that he is *methodologically reactionary* and in this he has much in common with Weiss. To conclude that ‘the state’ has become a ‘non-statist state’ is not to shed insight on the social relations involved. Yet, this is the project with which Cerny and many others in contemporary IPE concern themselves. The rejection of ‘statist’ models of the state has become the central task of IPE, rather than explaining *why* it is that the state has changed.¹²⁷

If evidence of outstanding paradox were required, the article in which Cerny discusses this issue is entitled ‘The Paradoxes of the Competition State’. He ends this article with a statement so ironic, ‘irony’ alone cannot capture it, the additional adjective of ‘post-modern’ is deemed necessary. ‘The *post-modern irony* of the state is that rather than simply being undermined by inexorable forces of globalization, the

¹²⁵ Cerny acknowledges this link as he credits the pro-privatisation advocates Osbourne and Gabler with the concept. See Osbourne and Gabler 1992.

¹²⁶ Cerny 1997.

¹²⁷ For an explicit reference to this project see Palan et al. 2000, pp. 40-42. Explaining why the state has changed must go beyond identifying such factors as international capital mobility which remain shrouded in the mystery of ‘the market’ in similar terms to that adopted by the original globalisers.

competition state is becoming increasingly both the engine room and the steering mechanism of political globalization itself.’¹²⁸

Was this not exactly the paradox that those who fear the retreat of the state were trying to understand? This is the question they asked, only to have it returned to them in the third stage of the globalization debate in the form of an answer.

1.4 Conclusion

It is necessary at this point to retrace our steps in order to identify the problem more clearly. The globalisation thesis was seen to depend upon an idealised image of the traditional state, or strong state and an eclectic understanding of the market. The relationship between the two was marked by paradox: the state was heavily implicated in the development of the same market forces to which it was now losing power. The state appeared to have ‘engendered its conqueror’. While most of the critiques of the globalisation thesis left this paradox unchallenged, the Weiss text attempted a resolution by pointing out that what appeared as state victimization, was in many cases orchestrated by states themselves. States were the agents of their own transformation. In order to make sense of this development she redefined power as the ability to adapt to changing circumstances. Essentially, she rationalized the conquering.

What we can take from Weiss is an appreciation of the fact that the state cannot be idealised, but must be understood in terms of its actual relationship to society, which in the period under discussion is such that it is ‘strengthened’ by adapting. What is problematic in Weiss is that we have no analysis of what it is

¹²⁸ Cerny 1997, p. 274.

‘adapting’ to and as a result, we have no theory of the state. The fact that our most historically accurate description of state-market relations concludes that states are still strong they are simply ‘non-statist’ begs the question of what the state in ‘statist’ really means. To avoid returning to the idealised image, we must examine the state in a broader social and historical context. We need to consider what it is that the state is adapting to in Weiss’ scenario. We need an understanding of the social relations out of which the modern state and market have developed.

Ultimately we need an understanding of capitalism as it actually exists, such that we can explain changing state-market relations. This is the central task of this thesis and will be developed at length in Part Two of the thesis. First, however, in the next two chapters, we will look more closely at the analytical underpinnings of the globalization debate in order to determine the origins of its limitations.

PART ONE

STATES AND MARKETS: A QUESTION OF METHOD

In the introduction to this thesis we drew attention to the ‘privatisation revolution’, ongoing over the last two decades or more, during which there has been a dramatic shift in ownership and control from the state to the private sphere on a global scale. This transfer of power represents a puzzle for many opposed to the privatization process. Why is the state giving up so much and getting so little in return? Privatisation, it was suggested, can be seen as material evidence of the ‘retreat of the state’ thesis central to the literature on globalisation.

In the first chapter it was argued that the answer to the question of whether or not the state is meaningfully ‘in retreat’ requires a deeper understanding of the nature of state-market relations than exists within mainstream globalisation theory. The arguments for and against the ‘retreat’ thesis slip past each other exchanging descriptions. Those theorists who have come closest to making sense of the state’s behaviour see it as neither retreating nor retaining power but rather as ‘adapting’. Unfortunately, without a theory of what the state is adapting *to*, it is difficult to make sense of its behaviour now, or in the past. We can *describe* periods of nationalisation and privatization, but we cannot really *explain* them.

In this part of the thesis we will consider two alternative ways of approaching the question of the relationship between states and markets. It is hoped that we can find a way to move beyond description to explanation.

Chapter Two looks at the theoretical assumptions behind mainstream globalisation theory in the discipline of International Political Economy. It is argued that IPE is based on an essentially Weberian approach to social theory. Critical marxist theorists have argued that the Weberian method naturalises and tranhistoricizes categories that are, in fact, peculiar to modern capitalism and as a result reifies the separation of 'politics' and 'economics', 'states' and 'markets'. Having simply asserted that politics and economics are separate spheres with separate logics, their interaction becomes, for IPE theorists, a matter of description rather than explanation. It will be shown that the superficiality of mainstream globalisation theory can be attributed to the Weberian methodology which underpins it.

In the third chapter we will look at those critical marxist theorists who see the separation of the 'political' and 'economic' as a constitutive feature of capitalism. This analysis, which has recently been influential in IR, is valuable in that it provides an *explanation* for what the Weberian theorists have only *described*. Under capitalism, private property guarantees the expropriating class its ability to extract surplus from wage labourers with no need for extra-economic coercion, thus providing the appearance of a purely political state removed from an economically 'free' market.

But it is here that we will part company with the so-called 'classical marxists'. It will be argued that the problem with this 'separation of spheres' approach, is that it confuses one of the various forms which capitalism can take, one in which political and economic spheres appear separate, for the essential nature of capitalism. Once this model of 'pure capitalism' is set up, much of the history of capitalism, including shifts back and forth between periods of privatisation and nationalisation, is explained in terms of states

behaving in 'more' or 'less' capitalist ways. What determines the movement from one phase to another is left unaccounted for and the status of 'less capitalist' moments or countries is highly problematic. This analytical ambiguity leaves the door open to the kind of eclectic explanations of state behaviour that the classical Marxists have so thoroughly critiqued in terms of the Weberian approach. We reach an intellectual impasse, movement beyond which will require the development, in Part Two of the thesis, of an understanding of capitalism based on a rereading of classical Marxist texts.

Chapter Two

Weberian Pluralism: The Separation of State and Market in IPE

2.1 Introduction

In the previous chapter we approached the globalisation debate and posed the question introduced at the start of the thesis of why states appeared to be in retreat, to be, in Susan George's words, 'giving up so much'. After following this question through three waves of globalisation literature, we were given an answer. The most historically-attentive attempt to resolve the apparent contradiction of 'the self-destructive state' concluded that the state is not, in fact, 'in retreat', rather, it has become a 'non-statist' state. The state is not 'giving up so much', rather, it has become 'a state which gives up so much'. In the third wave of the globalisation debate, the very events to which we were drawing attention,¹ were hidden in a reconceptualisation of the meaning of the state. Our original question: 'what has happened to the state?' had been returned to us in the form of an answer: 'it has become a state to which something has happened'.

The inability of the globalisation debate to deal with the paradox of the 'retreat of the state' raises the more fundamental question of how we understand states and markets and the relationship between the two. Where have the models of state-market interaction in the globalisation debate come from and what is the basis of their limitations?

¹ I.e. state relinquishment of ownership and control of vast areas of industry and service.

In this chapter, to begin to answer these questions, we shall focus on the discipline of International Political Economy (IPE).² Of all the social sciences, it is the discipline (or sub-discipline)³ of IPE which has the explicit remit to understand the relationship between states and markets on a global scale. It is a task that theorists of IPE have been concerned with since the first glint of 'globalisation' theory in the 1960s and 1970s. In fact, the events which sparked discussion of 'interdependence' and 'globalisation' provided the justification for the emergence of IPE as an area of study separate from IR over three decades ago.⁴ In a sense, the analysis of globalisation is *the* project of IPE and IPE *the* discipline of globalisation. The first section of this chapter will consider the progress IPE has made covering much the same ground as the globalisation debate, over a longer period of time.

The second section of this chapter will make the argument that, despite significant differences among IPE theorists, it is possible to discern a commonly held approach to theorising state-market relations within the discipline. While their final representations of such relations on a global scale may differ quite dramatically, they begin at the same place. What this 'IPE approach' entails is a starting assumption that states and markets have separate logics and that while their interactions may be numerous and highly involved, they are just that – *interactions* of fundamentally separate spheres. This approach to states and markets, politics and economics is based

² Throughout this chapter I will be using the term 'international political economy' (IPE) as the generic label for the sub-discipline and 'global political economy' (GPE) to describe a particular frame of reference employed by some theorists within that sub-discipline. See Gill and Law 1988, pp. xxii-xxiii, for a discussion of their preference for the term 'global political economy'. See Palan 2000, p. 1, for a recent discussion of the relationship between the two phrases.

³ IPE was originally a sub-discipline of the discipline of International Relations, but has since developed quite independently. It is now possible to obtain degrees in IPE as opposed to IR, and the field of IPE has its own journal *The Review of International Political Economy*.

⁴ Susan Strange's 1970 article in *International Affairs* can be seen as a founding document of the discipline of IPE.

on an essentially Weberian methodology to which several IPE theorists explicitly refer.⁵

That this Weberian-based 'IPE approach' exists is not a position original to this thesis. It has been well-developed by a number of Marxist theorists with an interest in the 'IPE project' but who reject what they consider to be the enormous limitations of IPE as it is currently conceived.⁶ The existence of an 'IPE approach' has been the sometimes explicit, more often implicit, assumption of these Marxists as they have powerfully exposed the theoretical shortcomings of the discipline as a whole. The final section of this chapter will draw out their arguments and assess the extent to which IPE is guilty as charged. Central to this discussion will be the question of whether the Marxist critique is capable of explaining why IPE has been unable to assist in moving the globalisation debate beyond paradox.

2.2 Why IPE?

We start with the question of why we should seek an answer to the methodological underpinnings of the globalisation debate in the discipline of IPE. The globalisation debate has been widely recognised as 'inter-disciplinary' in its nature.⁷ Yet we are suggesting that IPE, a single discipline, should be able to offer particular insight into the apparent retreat of the state as a result of globalisation. This section explains why IPE is *the* discipline of globalisation and considers what progress IPE has made in understanding the subject, given an extra two decades to study the key issues.

⁵ Gilpin, 1987 n 2, p. 11. See also Crane and Amawi 1991 [1997], pp. 17-18.

⁶ Among them, to be discussed, are Justin Rosenberg, Simon Bromley, Chris Boyle and Peter Burnham, although arguably Rosenberg is not, in fact, interested in the IPE project and sees his contribution to be to IR itself through a method of historical sociology or Marxist historiography. See Rosenberg 1994, p. 3.

⁷ Baylis and Smith 2001, Held and McGrew 2000.

It is beyond the scope of this section to discuss the development of IPE as a discipline in any great detail, a task which has been well undertaken elsewhere.⁸ Instead we shall concentrate on the emergence of IPE out of studies of 'interdependence', it is this area of the discipline that has most bearing on the question of globalisation and the 'the retreat of the state'.

2.2.1 IPE on Interdependence

In 1968 Richard Cooper wrote a book entitled the *Economics of Interdependence* in which he addressed what he perceived to be 'the central problem' of how to keep the benefits of increasing international economic intercourse free of restrictions, while still allowing the nation state significant freedom to shape and control its own economy.⁹ Posed in slightly different terms, this is the question of how to allow for the fullest development of the global market without it threatening state autonomy. Cooper described growing interdependence in terms of unprecedented levels of international trade, technological improvements in transportation and communication, the growth of 'foreign business investment' and the increased sensitivity of financial capital to yield differentials in financial markets.¹⁰ The key ingredients of what would come to be known as globalisation were recognised. Shortly afterward, Cooper concluded that 'market forces increasingly circumscribe the ability of nation-states to achieve their desired aims, regardless of their formal retention of sovereignty.'¹¹ This is the phenomenon of the apparent 'retreat of the state' identified more than three decades ago.

⁸ See especially Katzenstein et al. 1998 and Woods 2001.

⁹ Cooper 1968.

¹⁰ This is spelt out in more detail in Cooper 1972, pp. 161-164.

¹¹ Cooper 1972, p. 179.

Cooper was not alone in identifying the 'retreat of the state' as a result of interdependence in the 1960s and 1970s. Raymond Vernon, declared that 'the advances in transportation and communication, reinforced by the existence of multinational business enterprises, have stimulated interaction between national economies and reduced the effectiveness of national controls, particularly in advanced countries.'¹² Karl Kaiser warned that '[t]ransnational relations and other multinational processes seriously threaten democratic control of foreign policy, especially in advanced industrial societies'.¹³ Edward Morse argued that 'changes in the structure of the global economy have resulted in a withering of governmental control of certain activities presumed to be *de jure* within the domain of governments.'¹⁴ And Charles Kindleberger felt strongly enough to write in 1969 that 'the nation-state is just about through as an economic unit'.¹⁵

By 1970 the direction of events seemed undeniable to many and Susan Strange, raised the alarm among IR scholars.¹⁶ She drew a direct connection between increased economic interdependence, decreased state autonomy, and the need for a new sub-discipline of IPE.

[W]hat I have in mind is more specific than the increase in interdependence and interaction. It is that the pace of development in the international economic system has accelerated, is still accelerating and will probably continue to accelerate. And that, in consequence, it is out-distancing and out-growing the rather more static and rigid international political system.¹⁷

Strange suggested that if the discipline did not begin to address the way in which economic developments were altering international politics, it would find itself

¹² Vernon 1971, p. 705.

¹³ Kaiser 1971, p. 706.

¹⁴ Morse 1971, p. 373. See also Morse 1976.

¹⁵ Kindleberger 1969, p. 209. See also Kindleberger 1970a, 1970b.

¹⁶ Strange cites Baldwin 1971 and Morse 1976 along with Keohane and Nye and Kindleberger, as IR scholars who argued for the discipline of IPE. Rosenau's work on linkages may be seen to be pointing in a similar direction. Rosenau 1969.

¹⁷ Strange 1970, pp. 304-305.

incapable of making sense of world affairs.¹⁸ She called for ‘an end to the long and harmful divorce of politics and economics in the study of the world system’.¹⁹ Three years later, Nixon had dissolved the Bretton Woods agreement and OPEC countries had quadrupled the price of oil, bringing home to many the idea that economic issues had a dramatic effect on international politics. A new discipline of IPE was well on its way to acceptance as an academic field.²⁰

2.2.2 The IR Counter-thesis

Just as the recent globalisation debate has had its second wave detractors, so too did the IPE pioneers of interdependence theory. Kenneth Waltz was among those keen to discredit this new body of thought and re-establish the realist image of IR.²¹ He referred to the ‘myth of interdependence’ and denied that the state and concerns of state had become any less important. Waltz pointed to the fact that there was little or no economic interdependence between the Eastern and Western blocs and stressed that the Cold War continued to play a significant role in shaping world politics.²²

Other skeptics included Robert Gilpin²³ and Stephen Krasner.²⁴ Gilpin reacted against the idea that multinational corporations could ever replace states as actors in world politics. He argued that power politics, particularly the role of strong states, was the causal, or at least permissive, factor explaining the rise of the multinational corporation as a global actor. ‘The multinational corporation exists as a transnational actor today because it is consistent with the political interest of the world’s dominant

¹⁸ Strange 1970, p. 310.

¹⁹ Strange 1995, p. 154 referring to her 1970 plea.

²⁰ Strange 1995, pp. 154-155. Woods 2001, p. 279.

²¹ Waltz 1970.

²² Waltz 1964.

²³ Gilpin 1975, 1981.

²⁴ Krasner 1976, 1978.

power, the United States'.²⁵ For Gilpin 'political values and security interests are crucial determinants of economic relations' and the military power of state remained as central as ever to understanding world affairs.²⁶

Krasner raised his objection to the new wave of literature in 1971, in a manner that would not be out of place in the recent globalisation debate. He describes the object of his derision in terms similar to those used to characterise the recent 'retreat of the state' thesis.

In recent years, students of international relations have multinationalized, transnationalized, bureaucratised and transgovernmentalised the state until it has virtually ceased to exist as an analytic construct. Nowhere is that trend more apparent than in the study of the politics of international economic relations. The basic conventional assumptions have been undermined by assertions that the state is trapped by non-state actors. Interdependence is not seen as a reflection of state policies and state choices... but as the result of elements beyond the control of any state or a system created by states... This perspective is, at best, profoundly misleading.'²⁷

Krasner's skeptical response to the early globalists involved arguing that a dramatic increase in international trade was to the advantage of the United States and was therefore in keeping with the logic of power politics on an international level.²⁸ After a detailed study of international trade practices undertaken by various imperial powers throughout history, what he found, in fact, was that the picture was more complicated than he might have anticipated. He acknowledged that he found no easy fit between a hegemonic power and an open trading system which suits it.²⁹ Nevertheless, he concluded his text with a statement largely in keeping with his initial presupposition:

The existence of various transnational, multinational, transgovernmental and other nonstate actors that have riveted scholarly attention in recent years can only be understood within the context of a broader structure that ultimately

²⁵ Gilpin 1971, p. 404.

²⁶ Gilpin 1971, p. 403.

²⁷ Krasner 1976, p. 317.

²⁸ Krasner 1976.

²⁹ Krasner 1976, pp. 340-343.

rests upon the power and interests of states, shackled though they may be by the societal consequences of their own past decisions.³⁰

For Waltz, Gilpin, Krasner, and other ‘skeptics’, the sovereignty of the state remained intact because the system remained anarchical. Evidence provided by the ‘globalists’, in terms of increased interdependence, could be accommodated without fundamentally transforming an image of the world in which states retained considerable power. For these authors, the state remained where the sovereignty buck stopped, even if it was increasingly becoming a legal fiction. All of this closely echoes the developments in the last chapter. We have not yet reached the mid 1970s in the discipline of IPE, and the first two waves of the globalisation debate of the 1990s, have already been starkly foreshadowed.

2.2.3 Third Wave Interdependence Theory

By 1977, we see the emergence of an early ‘third wave’ contender’. Keohane and Nye had contributed to the literature on ‘transnational relations’ in the early 1970s, attempting to address the range of non-state factors and actors that were conditioning world politics.³¹ In 1977, they wrote a book which became a core text for IPE describing world politics in terms of ‘complex interdependence’. This phrase was intended to describe a qualitative shift toward a situation in which ‘actors other than states participate directly in world politics, in which a clear hierarchy of issues does not exist, and in which force is an ineffective instrument of policy’.³² As such,

³⁰ Krasner 1976, p. 343.

³¹ Keohane and Nye 1971.

³² Keohane and Nye 1991 [1997], p. 134. The last point was informed by the US experience in Vietnam.

‘complex interdependence’ expressed a view of international relations which was ‘the opposite of realism’, distinguishing IPE even more sharply from mainstream IR.³³

On the question of the power of the state in relation to non-state actors, transnational corporations, and international organisations, Keohane and Nye explicitly located themselves between those who argued that a ‘world without borders’ had come into existence and traditionalists who considered such assertions to be ‘globaloney’.³⁴ (It is interesting to note that even the term ‘globaloney’ is not original to the current round of globalisation debate, though some have suggested it is.)³⁵ Keohane and Nye attempted to resolve the two positions, which are roughly parallel to the first two waves of the recent globalisation debate. In this context, the theory of ‘complex interdependence’ may be seen as a first round ‘third wave’ attempt to transcend these two extreme positions.

But is it really fair to suggest that ‘globalisation’ is simply ‘interdependence’ thirty years on? Certainly there are those who would argue it is. In a recent discussion of the two concepts, Jones claimed that the ‘idea of globalisation has assumed much of the role played by the concept of interdependence’.³⁶ In a text on global governance, Reinicke went further to suggest that ‘we have yet to determine the distinguishing features of globalization that differentiate it from interdependence’.³⁷ Cerny, however, has argued that the concept of interdependence differs considerably from globalisation in that even Keohane and Nye’s image of the world retained much of Waltz’s neo-realism.³⁸ For Cerny the state, as actor, remains too central to notions

³³ Keohane and Nye 1977.

³⁴ Keohane and Nye 1977 in Amawi 1991, p. 122.

³⁵ Ellen Wood thanks Doug Henwood for the term, which Henwood attributes to Bob Fitch. Wood 1997, p. 31 n2.

³⁶ Jones 1995, p. 3.

³⁷ Reinicke 1998, p. 11.

³⁸ Cerny 1996 p. 623.

of interdependence and as such it lacks the radical potential of the notion of globalisation.³⁹

What is at stake in Cerny's critique of 'interdependence' as a concept is the very question of the relationship between states and markets. Cerny believes that Keohane and Nye concede too much to a neo-statist position. We have considered Cerny's own position in the last chapter, it has a great deal in common with Weiss. What this means is that Cerny may view the state and market as fundamentally separate, but he does not wish, in any way, to naturalise the activities of the state. His critique of Keohane and Nye is presumably on the basis that he believes they do. For the moment, it is sufficient to note that Keohane and Nye's depiction of state-market relations engages directly with the subject matter of contemporary globalisation theory, though it may not have reached the same 'third wave' position that Cerny and others have developed.

A closer contender for an early 'third wave' is arguably to be found in the work of Camilleri who asserted in 1981 that the state must be seen as 'both agent and victim' of the crisis of capitalism as it was developing on a global scale.⁴⁰ Camilleri developed his work as part of a discussion with another group of scholars observing similar changes in the 'real world' to those which had triggered the development of IPE. These 'world order theorists,'⁴¹ among them Burton,⁴² Falk,⁴³ and Brown⁴⁴, were tracing the same developments, in terms of growing interdependence among states, but accommodating a more eclectic vision. They were highlighting the emergence of a world society in which the state was increasingly taking a back seat to economic,

³⁹ Cerny 1996, p. 624.

⁴⁰ Camilleri 1981, p. 140.

⁴¹ This term is used by Camilleri 1981.

⁴² Burton 1968 and 1972.

⁴³ Falk 1975.

⁴⁴ Brown 1974.

scientific, cultural, or ideological 'systems' which did not correspond to national borders.

Camilleri was engaged with precisely the question of the apparent 'retreat of the state'. He saw 'an erosion of traditional national boundaries' contributing to the 'growing ineffectiveness of governments in many significant areas of policy'.⁴⁵ He was led to the view that 'the problem of "territorial non-coincidence" [...] raises difficult questions not only about the adequacy of the state centric model of international relations, but about the future of the state and its relationship to the world economy.'⁴⁶ His was a strand of IR theory that coexisted with developments in IPE given that most theorists of interdependence would have accepted many of its insights. Camilleri, well in advance of Cerny, articulated a 'nuanced' third wave position, claiming that 'increasing economic interdependence enhances the economic and political functions of the state *while at the same time* diminishing the efficacy of its intervention.'⁴⁷

In other words, the state is still important, it is just a different kind of state. This early third wave position possesses all the strengths and weaknesses of that which was to follow three decades later. In both cases we end up with a fuller, more accurate description, in that complex circumstances are not denied, but we still have no explanation of this new reality.

⁴⁵ Camilleri 1981, p. 130.

⁴⁶ Camilleri 1981, p. 130.

⁴⁷ Camilleri 1981, p. 157. Italics mine, indicating the point at which description attempts to pass for explanation. 'While at the same time' essentially means 'and' in this context, providing for more accurate description without explanation.

2.2.4 IPE Beyond Interdependence

It has been argued above that the discipline of IPE was born of the need to make sense of state-market relations as a result of 'interdependence' in the world economy which has developed into 'globalisation'. With the not unimportant exception of the 'end of the Cold War' all of the features of modern globalisation were identified in the 1960s and 1970s and the consequences for the nation-state were considered.⁴⁸ There were those who argued that the state was in decline, those who argued it was as important as ever, and those, like Keohane, Nye and Camilleri, who attempted to develop a more nuanced position.⁴⁹ As such, the early development of IPE may be seen as a trial period for the globalisation debate. It is therefore reasonable to expect that developments in the discipline since, may reveal progress in terms of an understanding of state-market relations.

While we have not directly discussed the work of IPE theorists, as such, in the globalisation debate, it is a debate which has influenced much of their recent work. In fact we find that the three key theorists who have been long-standing contributors to IPE: Strange, Gilpin and Cox, have recently taken positions roughly corresponding to the three waves of the globalisation debate, respectively. Strange's work on the 'retreat of the state' represents an early articulation of the first wave.⁵⁰ Gilpin's reassertion of Realist principles, vis a vis the 'retreat of the state' characterisation of world politics, has been articulated in a manner quite similar to many of the second wave sceptics.⁵¹ Finally, Cox, with his 'internationalised state' has, throughout his

⁴⁸ Notably interdependence theory did coincide with a period of détente between East and West, marked not least by Nixon's visit to China in 1972, suggesting even greater similarity between the two periods.

⁴⁹ Keohane and Nye's 1977 book was entitled *Power and Interdependence*.

⁵⁰ Strange 1970, 1972.

⁵¹ Gilpin 1987.

career, taken an approach very similar to that held by Weiss and Cerny, with their 'adaptive' and 'competition' states.⁵² It is beyond the scope of this chapter to discuss these arguments in detail, what we are interested in is what it suggests about the way IPE has developed over the history of the discipline.

What we find is that IPE theorists engaged in the globalisation debate of the 1990s have simply rehearsed positions which they and others developed in the 1960s and 1970s. This suggests that the ability of IPE scholars to theorise the relationship between states and markets has not significantly improved over the lifetime of the discipline. It is as though the initial period of 'interdependence' animated the discipline to the point of providing a detailed description of state-market relations, but theoretical development of the subject stalled at that stage, only to be reanimated in a similar form in the 1990s. It would seem that the method of theorising states and markets, which caused the interdependence debate to stall at the point of description, remained unchallenged in the intervening period. This speculation accords with a reference by Murphy and Tooze to a 'period of relative calm in the second half of the 1980s [which] was used by many scholars as an opportunity for strengthening the scholastic rigor of IPE without questioning, its often unstated foundations.'⁵³

This is not, however, to suggest that the limitations of these 'unstated foundations' were not recognised by any IPE theorists within the discipline, simply that they were struggled with unsuccessfully. Staniland, was among those who, in the 1980s, felt that the philosophical naivety of the discipline of IPE was hampering its progress. He noted that political economy, as it stood, 'recognises the connection between politics and economics and thus transcends the narrow assumptions of economics and political science'.

⁵² Cox 1996, 2002.

⁵³ Murphy and Tooze 1991, p. 5.

But this position is like that of a man who thinks he knows how to win at poker because he has noticed a connection between playing cards and getting money. The existence of a connection is not problematic: the problem is how to understand what the connection is and how it works.⁵⁴

By the 1990s the sense of frustration with the theoretical underpinnings of IPE had grown and Strange, one of the most self-reflexive of IPE scholars, had identified a crisis in the discipline.

There is a kind of malaise, a sense of uncertainty about where to go from here, even of confusion about where we have reached so far, prevailing among the rather large number of people engaged in the field.⁵⁵

Strange argued that the discipline had experienced a boom over the two decades or more of its existence, not because of the strength of its ideas, but because of the sheer volume of events which shaped the international political economy over that time. These included those coinciding with the emergence of the discipline, the collapse of Bretton Woods and the oil crisis, but also the debt crisis of the 1980s and its consequence for many developing states.⁵⁶ Strange argued that now, new events, particularly the end of the Cold War and 'the increased integration of national economies in the world market', had contributed to 'an increased confusion about what the subject is and where it should be going'.⁵⁷

It is possible to see in Strange's characterisation of the discipline a concern that the globalisation debate may have boosted IPE in quantitative terms, but that in qualitative terms the discipline has made remarkably little progress. As one might expect, this unfortunate result is particularly disheartening, and disorienting, for those theorists, like Strange, who were present for, and made contributions, to both periods of debate. Part of the same problem is a lack of attention to early debates in the

⁵⁴ Staniland 1985, pP. 3-5.

⁵⁵ Strange 1995, p. 157.

⁵⁶ Strange 1995, pp. 155-56.

⁵⁷ Strange 1995, p. 160, p. 158.

discipline that allows more recent theorists of IPE to imagine that their contribution to the globalisation debate may be more original than is, in fact, the case.⁵⁸

Twenty-five years after she had pleaded for the establishment of IPE as a separate discipline Strange was taking a very dim view of its progress. She was arguing that IPE, not strong on ideas, had been vulnerable to intellectual fashion and buffeted along by current events. She went further to suggest that given the directions in which it appeared to be headed, 'sooner or later, it will be necessary to go back and start again at the beginning if we are to achieve a genuine synthesis of political and economic activity.'⁵⁹ This indeed is a very poor bill of health for a discipline which emerged out of, and has dedicated itself to understanding, the changing relations between international politics and economics, states and markets on a global scale.

This section of the chapter has made the argument that if we want to find out why the globalisation debate has failed to move beyond paradox, the answer can be found within the discipline of IPE. IPE has tried and failed to move beyond mere description of state-market relations since its inception. In fact, it may be said that proof of IPE's failure is to be found in the globalisation debate – the superficiality and eclecticism of current characterisations of the 'paradoxical' relationship between states and markets on a global scale. The important question, for the next section is, therefore, what is it that has caused IPE to fail? What is it about the 'IPE method' which might explain why the discipline has found itself so incapable of making progress on the question of globalisation and the retreat of the state?

⁵⁸ Cerny, in particular, seems unaware of the extent to which he is traveling a similar path to those before him. Perhaps to avoid this conclusion he argues that interdependence theorists remain trapped in a model of state-centredness that he himself has escaped. Cerny 1996, p. 624.

⁵⁹ Strange 1995, p. 171.

2.3 The IPE Method

IPE has famously been described as ‘a field defined more by agreement among scholars about what to study than by agreement of how to study it.’⁶⁰ Yet each time that IPE scholars have attempted to escape what they perceive to be the limitations of the discipline’s methodology, they have identified an ‘IPE mainstream’ from which they hope to depart. Murphy and Tooze, for instance, refer to ‘an IPE orthodoxy’⁶¹ before attempting to break free from it. Hay and Marsh seek a *New International Political Economy* without the ‘limitations, biases and distortions’ of the classical variety.⁶² The following section has a similar intent, although it involves casting an even wider net. As such, it provides the basis for a critique, in the final section of the chapter, which extends to even the discipline’s most recent would-be escapees.

It shall be the argument of the following section that despite significant differences amongst IPE theorists, it is possible to discern a commonly held approach to theorising state-market relations. What this ‘IPE approach’ entails is a starting assumption that states and markets have separate logics and that while their interactions may be numerous and highly involved, they are just that - *interactions* of fundamentally separate spheres. It will be argued that this kind of theorizing is based on an essentially Weberian methodology, a connection to which several IPE theorists

⁶⁰ Murphy and Tooze 1991, p. 1. Strange 1995, p. 157 restates this point.

⁶¹ Murphy and Tooze 1991, p. 5. The IPE orthodoxy for these scholars is one which ‘ignores significant developments in the philosophy of social science in favour of a very simple model of the accumulation of knowledge’. They seek to move beyond the orthodoxy by increasing the issues and areas covered by IPE, to focus for instance on marginalised economies, and they also attempt to include ‘unorthodox’ theoretical perspectives like feminism.

⁶² Hay and Marsh 1999, pp. 5-19. A ‘new IPE’ for Hay and Marsh means putting the ‘p’ back in IPE, which involves, not a return to realism, but a reconceptualisation of ‘the political’ in terms of its interplay with economic and ideological factors. This is a ‘new IPE’ within which the third wave of the globalisation literature sits, recognising, but redefining, the political sphere.

explicitly refer.⁶³ We shall first consider those aspects of Weber's methodology which have influenced IPE theorists and then manifestations of his method in their work.

2.3.1 Weberian Pluralism

It is beyond the scope of the current enquiry to provide a full discussion of the Weberian method of social science, a task which has been usefully attempted elsewhere.⁶⁴ Instead, we shall focus on the features of the Weberian approach most significant for our purposes here. The focus of our discussion shall be on Weber's attachment to a method of causal pluralism.

In his analysis of society, Weber was determined to account for all the various structures of social reality: social, political, economic and ideological. No one sphere could be seen as causally determinant as, for Weber, they all have a real autonomy. Our interest in relation to the discipline of IPE is the real autonomy granted to political and economic spheres, but it may be useful, by way of illustration, to consider the way in which real autonomy is granted, by Weber, to the realm of ideas in his explanation of the origins of industrial capitalism. For Weber, the peculiar rationality of modernity was not caused by capitalism, rather modern industrial capitalism presupposed that this form of rationality was already in place.⁶⁵ The protestant ethic accelerated the process of economic rationalism leading to modern industrial capitalism. This is evidence, as W. G. Runciman explains, that 'for Weber, ideas can and sometimes do have an independent and decisive influence on events.'⁶⁶

⁶³ Gilpin 1987, p. 11 fn 2. 'The concepts of state and market used in this book are derived primarily from Max Weber.' See also the discussion of Weber in Crane and Amawi 1997, pp. 17-18.

⁶⁴ See for instance Gerth and Mills 1946 and Freund 1969. For an especially useful recent critical engagement with Weber's work see Wood 1995, pp. 146-178.

⁶⁵ Weber 1974, pp. 31, 92, 183, 266.

⁶⁶ Runciman 1978, p. 3.

For Weber, politics and economics also have independent existences. This notion of the autonomy of the two spheres is related to Weber's understanding of capitalism, which differs greatly from that of Marx. Weber describes a 'capitalist economic action' as one 'which rests on the expectation of profit by the utilization of opportunities for exchange'.⁶⁷ Capitalism is defined, for Weber, in terms of the market and can therefore be seen in various forms throughout history. For him, the modern capitalist market is simply a highly rationalized autonomous form of exchange relations brought about through a cultural transition to modernity. As for the state, there has always been spheres of authority and the modern state is simply a highly rationalised version of that. Weber was struck by the novelty of modernity, but only in terms of the culturally altered nature of the already existing separate spheres of state and market, politics and economics. In the economic sphere modernity meant industrial capitalism and in the political sphere it meant the bureaucratic state.

Despite his emphasis on the determinant power of ideological forces, it should not, however, be assumed that Weber had an idealist vision of history. Gerth and Mills make the argument that Weber was, in fact, a materialist, and that his work should be seen 'as an attempt to "round out" Marx's economic materialism with political and military materialism.'⁶⁸ This interpretation however appears to deny altogether the importance Weber placed on the realm of ideas *as well as* 'non-economic' material considerations. Giddens argues, more convincingly, that Weber is neither a materialist nor an idealist 'rather, the work [*The Protestant Ethic and the Spirit of Capitalism*] expresses his conviction that there are no 'laws of history', the emergence of modern capitalism in the West was the outcome of a historically

⁶⁷ Weber 1974, p. 17.

⁶⁸ Gerth and Mills 1946, p. 47.

specific conjuncture of events'.⁶⁹ What Giddens is revealing here is that to attribute to Weber an idealist vision of history is to credit him with too great an interest in causation.⁷⁰ For Weber, different features of social reality are determinant at different points of time and none can be considered ultimately determinant. This is what we mean by causal pluralism.

Weber's approach was developed in opposition to Marx, whose method of historical materialism Weber interpreted as economically reductionist. The way in which Weber's method relates to his [mis]understanding of Marx is well explained by Derek Sayer.

Herein lies Weber's major disagreement with 'the materialist conception of history', as he encountered it. He defined this as a 'dogmatic need to believe that the economic factor is the "real" one, the only "true" one and the one which "in the last instance is everywhere decisive"'.⁷¹

Weber's multi-causal approach springs from a desire to avoid reductionism of any kind, and particularly, in relation to Marx, economic reductionism. Having defined capitalism in 'purely economic' terms of market exchange, Weber understandably found fault with a Marxist analysis which seemed to seek to explain other aspects of social life, political and ideological, in terms of this market-driven realm of society. That this is an inaccurate understanding of Marx's analysis of capitalism is an argument which will be taken up below.

Of interest here is that one of the effects of Weber's multi-causal perspective is a division of reality with no sense of what is that has been divided. Weber is vulnerable to the criticism made by many, including Talcott Parsons, one of his great admirers, that he has formulated categories 'without the analysis of the structure of a

⁶⁹ Giddens 1992.

⁷⁰ Weber's 'historically specific conjuncture on events' may be seen to serve a similar purpose as the neo-Weberian historical sociologist's notion of 'path-dependence'.

⁷¹ Sayer 1991, p. 114. Sayer goes on to say that, 'It is a fair enough summary of much *fin de siècle* Marxism, if (in the light of much posthumously published material unavailable to Weber) a travesty of Marx, for whom, as we have seen, the very separability of an 'economic factor' is a modern product.'

total social system which is a logically necessary prerequisite.’⁷² He has formulated parts without the whole – yet it is arguably only in the context of a whole that parts have any meaning.

It is important to understand why Weber felt justified in this approach. In very simple terms, Weber was an epistemological relativist: highly pessimistic about the possibility of objective knowledge.⁷³ Runciman writes:

If there is one basic assumption, or set of assumptions, underlying Weber’s thought which distinguishes it from that of Marx... it is the assumption deriving from the joint influence of Kant and Nietzsche that reality cannot be objectively grasped by the human mind as a meaningful whole. Any view of the world must, Weber holds, be limited and partial...⁷⁴

But this did not deter Weber from the view that propositions once arrived at could be reliable or objectively valid. Although there was a certain mysticism to ‘the whole’ given the unattainability of full knowledge, this did not mean that the parts one could discern were useless for social theory. For Weber, it was the job of the social scientist to engage in a process of selection and abstraction of reality. Weber developed the notion of the ‘ideal type’, an analytical construction which provides a point of comparison for concrete cases.⁷⁵

Parsons has pointed out that this aspect of Weber’s approach leads to a kind of ‘type atomism’, ‘one aspect of which is to minimize the elements which link the type in question with other elements of the structure within the same system.’⁷⁶ When what you are precisely trying to understand is the link between two social forms, such as states and markets, politics and economics, Weber’s multi-causal approach does little to assist. A descriptive, eclectic image of reality may appear to capture the complexity of the social world better than one which is economically reductionist, but it allows

⁷² Parsons 1978, pp. 14-15.

⁷³ See MacRae 1974, pp. 64-65 for a discussion of Weber’s epistemological skepticism.

⁷⁴ Runciman 1978, p. 4.

⁷⁵ For a discussion of Weber’s ideal type see Coser 1977, pp. 223-224.

⁷⁶ Parsons 1978, p. 15.

for little understanding of the relationship between social forms or their changing nature over time.

2.3.2 *The Spectre of Weber in IPE*

The separation of spheres is the unquestioned basis of study in one of IPE's most classic texts, Gilpin's *The Political Economy of International Relations*.⁷⁷ The first footnote of the text asserts quite plainly that,

[t]he historical relationship of state and market is a matter of intense scholarly controversy. Whether each developed autonomously, the market gave rise to the state, or the state to the market are important historical issues whose resolution is not really relevant to the argument of this book. State and market, whatever their respective origins, have independent existences, have logics of their own and interact with one another.⁷⁸

This assertion involves a basic logical inconsistency which relates to the observation above that Weber's approach involved the analysis of parts within an unknown whole.⁷⁹ How can it be possible to know whether two social forms share any kind of broader logic without examining their historical development, without having some sense of the whole within which they exist as parts? At best, one could conclude that the more fundamental nature of their relationship is unclear. Instead, with Gilpin we have the bold assertion that these two forms have logics of their own. They are understood by Gilpin to be 'two fundamentally different ways of ordering

⁷⁷ Gilpin is known as a neo-realist IPE theorist and as such he shares with mainstream IR a concern over power relations between states. To this standard image of the international he has added other factors. We are not here concerned with criticisms of his work from others in the field, which are fairly standard criticisms of neo-realism, but rather with that which he has in common with his colleagues – the extent to which he exemplifies 'an IPE approach'.

⁷⁸ Gilpin 1987 fn1, p. 10.

⁷⁹ The logical inconsistency here being: 'X and Y are unknown entities, from which we can conclude that X is not Y'. Gilpin admits that he is not interested in, nor is he confident that there can be an answer to, the question of the origins or nature of the state or the market. The implication is that for him, X and Y are unknown entities. As a result he cannot, with any certainty claim that X is not Y, yet this is exactly what he does claim.

human relationships'.⁸⁰ 'For the state, territorial boundaries are a necessary basis of national autonomy and political unity.' Whereas, 'for the market, the elimination of all political and other obstacles to the functioning of the price mechanism is imperative.'⁸¹

As a neo-realist Gilpin constructs the two competing logics of states and markets in terms of 'international power relations' within which 'international economic relations' take place. 'Neither state nor market is primary, the causal relationships are interactive and indeed cyclical'.⁸² Gilpin shares the Weberian approach of multi-causality and does so based on a very similar understanding of capitalism and a related fear of Marxist economism. Gilpin shares with Weber an understanding of capitalism as a 'purely economic' category associated with the market. In fact, he uses the terms capitalism and market interchangeably.⁸³ He also makes the claim that, 'the principal weakness of Marxism as a theory of international political economy results from its failure to appreciate the role of political and strategic factors in international relations.'⁸⁴ What Gilpin has done in his work is to try to ensure that those factors are 'added'. Strange has noted this as a limitation in Gilpin's approach, arguing that he and other PIER theorists essentially uncritically lump together information about states and markets to form the subject matter of IPE.⁸⁵ For Strange, Gilpin's approach to political economy involves a basic equation: $S \text{ (states)} + M \text{ (markets)} = P/E \text{ (political economy)}$.⁸⁶

⁸⁰ Gilpin 1987, p. 11.

⁸¹ Gilpin 1987, pp. 10-11.

⁸² Gilpin 1987, p. 9.

⁸³ Gilpin 1987, p. 65. 'Marx observed that the market, or capitalist system, was a revolutionary departure...'

⁸⁴ Gilpin 1987, p. 53.

⁸⁵ Strange uses PIER, a reference to the title of Spero's 1977 book *The Politics of International Economic Relations*, to refer to a particular approach to IPE which takes the form of 'economic foreign policy' Strange 1995, pp. 164-65. She includes in this camp Blake and Walters 1976.

⁸⁶ Strange 1996 p. 37.

In Gilpin's case, this leads to a number of fascinating investigations of international finance and exchange rate mechanisms, international trade practices, multinational corporations and international production as well as economic development issues. As such, his work contributes to a much fuller image of international political economy. However it does so in largely quantitative terms – he seeks to understand 'the totality of political and economic reality'⁸⁷ by adding data about the other to the one. No broader sense of the relationship between the two spheres can be gleaned. We have more information but no explanation.

Strange, though considerably more sophisticated in terms of the criteria she sets for good theory⁸⁸ falls into a pattern of analysis similar to the one described above. At no point is the assumption that there exists separate state and market spheres explained. The primary concern for Strange as for most IPE theorists is to get to the issue of how they 'actually' relate.

A problem universally acknowledged but never satisfactorily resolved is how to relate in one synthesizing study the political system of states and the economic system of markets.⁸⁹

Her interpretation of the globalisation trend illustrates her approach. She argues that globalisation 'affects states but originates outside the state – in all four of the primary structures of the global political economy: the security structure, the production structure, the financial structure and the knowledge structure.'⁹⁰ In what sense these structures are truly 'primary' remains undisclosed. What we are told is that 'in each of these [structures], markets as well as states determined processes.'⁹¹ What we have with Strange is the same assumption about a separate logic to states and markets, but added to this is a further breakdown of reality asserted in terms of structures of

⁸⁷ Gilpin 1987, p. 5.

⁸⁸ See prologue to Strange 1988.

⁸⁹ Strange 1996, p. 37.

⁹⁰ Strange 1995, p. 166.

⁹¹ Strange 1995, p. 166.

activity. In some sense Strange provides a fuller, more multi-variable picture of state-market relations, than Gilpin, but it remains nonetheless a picture rather than an explanation.

Even Robert Cox who has gone furthest to break with the IPE tradition, can be seen to remain locked in a conceptual framework involving fairly rigid analytical structures, the origins of which remain unclear. Cox is representative of a neo-gramscian approach to IPE and has been at the forefront of establishing a critical theory tradition of IPE.⁹² Cox's work attempts to take seriously the project of denaturalising social forms and explaining historical change. He argues that his approach to IR 'does not take institutions and social and power relations for granted but calls them into question by concerning itself with their origins and whether they might be in the process of changing.'⁹³

In *Production, Power and World Order* Cox identifies three main spheres of activity: social relations of production, the state, and world order.⁹⁴ Social relations of production are the basis of power in society, they engender social forces which operate across all three spheres.⁹⁵ The state, or rather 'the state-civil society complex', includes the societal apparatus through which the interests of the hegemonic class are represented on a national scale. Finally world orders develop where a particular mode of social relations of production expands beyond the boundaries of a single state-societal complex to the level of the international.⁹⁶ These three elements are interrelated but with no universal causality assumed.

⁹² Other neo-gramscian IPE theorists include Stephen Gill, see Gill and Law 1988, Gill 1993, 1997; Kees van der Pijl, See Pijl 1984, and Mark Rupert, see Rupert 2002. For a general discussion of the neo-gramscian approach to IPE see Gill 1993 and Cox and Schecter 2002.

⁹³ Cox 1981, p. 129.

⁹⁴ Cox 1987.

⁹⁵ Cox 1987, pp. 1-10.

⁹⁶ Cox 1987, pp. 149-150.

The unity of the three spheres is to be found in what Gramsci referred to as 'historic blocs'. For Cox these are periods of time in which certain powers dominate international relations. Stable order is brought about by a hegemon 'manufacturing compatibility' 'between ideas, institutions and material capabilities, each of which possesses a real autonomy – 'no determinism need be assumed'.⁹⁷ This granting of a real autonomy within a broader, more sophisticated, understanding of capitalism stems from what some have characterised as a desire by Cox to 'avoid the twin evils of economism and idealism'.⁹⁸ Cox sees his approach as eclectic, taking a focus on class and production from Marx, but giving autonomy to the realm of ideas in order to make sense of changing state-market relations within the history of capitalism.

The 'historic bloc' is a device used by Cox to explain why state-market relations take one form at one point in capitalism's history and another at another point in time. As such the historic bloc seems to provide an explanation *additional* to that provided by the changing nature of capitalist social relations themselves.⁹⁹ It is an explanation rooted in the realm of ideology and grants an autonomy to this sphere. With this 'historic bloc' approach Cox has examined phases of imperialism, hegemony and crisis, all of which are of vital interest to the study of International Relations.

Ultimately however we are left with an analysis involving disparate parts of the social world which need to be melded together by the theory of hegemony. In Cox's image of international relations, the spheres of economics and politics have been recharacterised as 'production' and 'power'. These are separate spheres, the relationship between which can only be explained in terms of the hegemonic projects

⁹⁷ Cox 1986, p. 218.

⁹⁸ Cox embraces the description of his work as 'eclectic'.

⁹⁹ For a useful discussion see Lacher 2000, briefly outlined below.

of specific social classes. We are left with a sense that even this most sophisticated strand of IPE theory has not entirely escaped the logic of the separation of spheres.

As discussed in the first section of this chapter, the desire to better understand the relationship between states and markets in IPE is widely shared. One might go so far as to say that all efforts in the discipline are oriented to this goal. Ronen Palan, in an introduction to the recent *New Trends in Global Political Economy*, refers to the ‘current theoretical realignment’ which the contributions to the book represent, all attempting to meet the theoretical challenge of IPE to ‘overcome the conventional distinction between politics and economics and come up with a *truly integrated* political-economy approach’.¹⁰⁰ Unfortunately, none of the perspectives on offer, which include Cerny’s compromise,¹⁰¹ propose a theory of the totality within which state and market parts might be understood to exist. All recent attempts within the discipline of IR to make sense of this relationship have done so from the starting point of two or more separate spheres which must be correctly put back together. Even Nitzan and Bichler’s contribution to Palan’s collection which is most sophisticated in its explicit attempt to ‘break the dualism of “economics” and “politics”’ only gets as far as saying that ‘state and capital are not separate entities standing against each other, but rather [are] partly overlapping institutions with intimately intertwined histories.’¹⁰² What remains missing is a sense of the broader context, the totality of

¹⁰⁰ Palan 2000, p. 3.

¹⁰¹ Cerny’s adherence to a separation of spheres approach can be seen in the following statement, ‘The “capitalist world-system” is a system of powerful but tension-ridden (non self-regulating) capitalist markets intertwined with nation-states with their own autonomous sources of structural power.’ Cerny 1990. It is unclear why he footnotes this comment to Karl Polanyi’s *The Great Transformation*. The status of Polanyi in relation to these debates over the separation of states and markets is complicated. Considerable debate on the subject has taken place, with many in IPE using Polanyi’s notion of ‘embedded liberalism’ quite uncritically. See, for instance, Ruggie 1991, 1994. Wood, however, attempts to separate Polanyi from Weber, citing Polanyi’s criticisms of Weber’s method. For an invaluable discussion of what is at stake in this controversy see Lacher 1999. See also Bienefeld 1991, Block and Somers 1984 and Block 1991. For the original text see Polanyi 2001.

¹⁰² Nitzan and Bichler 2000, p. 68.

historical social relations within which these two institutions have developed and intertwined in various ways.

What unites these otherwise dissimilar theorists of IPE is a desire to avoid economic reductionism. It is for this reason that they add other factors, political, military, etc. to their analysis. Their methodological approach is based on what we might call a 'thin' definition of capitalism which associates it with the market, leaving vast areas of social life seemingly unexplained and irreducible to this single 'economic' sphere. In Cox, and among the neo-gramscians more generally, the understanding of capitalism is more developed, but an autonomy is granted to political, economic and ideological factors in order to make sense of the shifting patterns of state-market relations. All these writers, from Gilpin to Cox and beyond, share an understanding of states and markets as intertwined and interactive. What is lacking is a sense of the broader logic within which these two social forms exist. Without this sense of broader logic we can shed little light on the nature of their changing relationship.

It is worth noting here, before we move on to the critique of this Weberian method, that the above characterisation of IPE applies also to what is known as a historical sociological approach to IR and IPE. Weber is, in the words of Raymond Aron, '*the sociologist*'¹⁰³ and historical sociology has become increasingly popular in IPE, as the globalisation debate informs the discipline.¹⁰⁴ The Weberian approach is epitomised in the work of Michael Mann but is also evident in the writings of Theda Skocpol and Anthony Giddens.¹⁰⁵ These neo-Weberian sociologists explicitly

¹⁰³ Aron 1968, p. 245.

¹⁰⁴ See Halliday 1994 and Hobden 1998 for a discussion of the possible role for historical sociology in IR. See Shaw 2000, and Hobson 1998, for a discussion of the merits of historical sociology for the discipline of IPE. See Weiss 2000 and Mann 1997 for examples of a historical sociological approach to the question of the retreat of the state and globalization.

¹⁰⁵ See for instance Mann 1993, Skocpol 1979, Giddens 1985.

embrace a multi-causal explanation of history based on a 'thin' definition of capitalism – one which cannot account for 'non-economic' factors. These theorists base their critique of Marx on his apparent economic reductionism – his inattention to *other* sources of social power – political, military and ideological.

For Mann the corrective to Marx's approach involves giving adequate attention to what he considers to be 'all four sources of social power': military, economic, political and ideological, and a consideration of the way in which these spheres interact.¹⁰⁶ For Giddens, this involves a recognition of the independent social force of both political and ideological factors. *The Nation State and Violence*, and indeed Giddens' entire oeuvre, is an attempt to account for factors which his (though not, as we shall see below, Marx's) understanding of capitalism alone cannot provide.¹⁰⁷ Finally, for Skocpol, it was considered essential to 'bring the state back in' because of the apparent failure of Marxist theorists to account for the activities of the state within a theory of capitalism.¹⁰⁸ For Skocpol, as for Mann and Giddens, the state has interests and a logic of its own that may at times correspond to the logic of capitalism, but cannot be reduced to it. With these historical sociologists who have so influenced the third wave of the globalisation debate, particularly Mann in the case of Weiss, and Giddens in the case of Cerny and Cox, description persists, explanation eludes.

Incidentally, Wallerstein and the 'world systems approach' more generally is included in some accounts of historical sociology in IR,¹⁰⁹ and should not be ignored

¹⁰⁶ Mann 1993.

¹⁰⁷ Giddens 1985. See also Giddens 1984, 1994 and 1996.

¹⁰⁸ Skocpol 1979. Skocpol was responding to Marxist theories of the state which appeared to account for its behaviour in terms of its direct representation of the interests of the capitalist class. This was the perspective taken by Miliband, for instance, and which sparked a debate over the nature of the state throughout the 1960s and 70s. See Clarke 1991 for a discussion of the state debate as a whole, including Miliband's contributions.

¹⁰⁹ On the 'world systems approach' see especially Wallerstein 2000 and Chase-Dunn 1977, 1989. Hobden 1998 includes them in his discussion of historical sociology in IR.

here. While it is impossible to do justice to what is an enormous body of highly sophisticated work, it is possible to make one observation which places Wallerstein in the camp above. Wallerstein defines capitalism in terms of exchange, in other words, market relations rather than relations of production, which is why he dates the beginning of capitalism centuries ahead of most classical Marxist approaches. His argument with Skocpol over whether the 'state' postdates or predates capitalism, is illustrative of his tendency to see the two social forms as separate.¹¹⁰ For Wallerstein, as for the theorists above, the state, or in his case a hierarchal system of states, is something which has a relationship *to* capitalism which can be examined in terms of the interrelation of two spheres.

2.4 A Classical Marxist Critique

2.4.1 A Marxist Critique of Weberian Pluralism

A powerful critique of Weber's method has been undertaken by the Marxist Ellen Wood. It is here that we can begin to link up more closely the two features of Weber's thought discussed above, the separation of political and economic spheres and his particular understanding of capitalism. Wood acknowledges that the case for the multi-causal approach of Weber and his followers is that it avoids economic reductionism. Her response is as follows.

Weber's causal pluralism has been won at considerable cost. It is not just, as some critics might argue, that a causal pluralism as eclectic as this is tantamount to denying causation altogether. It is rather that the complexity of Weber's theory of social causation is, to a large extent, spurious. The autonomy, indeed the definition, of, say, political or military as against 'economic' power as Weber understands them depends on universalizing a

¹¹⁰ The debate between Skocpol and Wallerstein relates to their respective texts Skocpol 1979, see Wallerstein 2000, see also Skocpol 1977.

conception of the economic which is peculiar to a specific – capitalist – social form which already presupposes a distinctive separation of ‘economic’ from political or military power.¹¹¹

What Wood is suggesting here is that Weber, ignorant of the totality from which he has plucked his notion of ‘economic’ and ‘political’ spheres, has read back into the past categories which only make sense in the present, under capitalism.¹¹² Weber’s approach transhistoricises and therefore naturalises social forms which are historically and geographically specific. Weber has taken the separation of political and economic spheres, a feature which Wood argues is specific to modern capitalism, for granted.

Wood argues that for Marx the appearance of separate ‘political’ and ‘economic’ spheres was a peculiar feature of capitalism that required explanation. In *Capital* Marx explains that the categories of state and civil society, politics and economics, which the political economists take for granted, naturalise and transhistoricise, i.e. read back into history, are in fact historically novel, peculiar to the capitalist mode of production.

For Marx, capitalism is not an ‘economic’ sphere reducible to the market, rather it is a historically-specific set of social relations which take the appearance of separate ‘economic’ and ‘political’ forms.¹¹³ As Wood explains, capitalism takes this form, which did not exist previously, because of the peculiar method of surplus extraction which the capitalist mode of production involves.¹¹⁴ Under feudalism, for instance, direct political and military coercion was applied in order for the surplus product of one class to be appropriated by the other. Under capitalism, by contrast,

¹¹¹ Wood 1995, p. 174.

¹¹² This is an argument which is well presented by Sayer 1985.

¹¹³ As Burnham notes, it is this form analysis which really distinguishes Marx from other theorists of his time. Burnham 1995, p. 135. Marx explained the social forms which capitalism created and political economists only described.

¹¹⁴ Wood 1995, pp. 28-29.

given the expropriation of the peasantry from the land and the commodification of labour power, direct (what Wood calls 'extra-economic')¹¹⁵ coercion is not required. The labourer, no longer attached to a piece of land from which he may be able to secure his own reproduction, as well as the surplus required by his 'political' superior, lord or king, is forced to sell his labour power in return for wages. As Wood argues 'economic need supplies the immediate compulsion forcing the worker to transfer surplus labour to the capitalist in order to gain access to the means of production'.¹¹⁶

As Marx explains in *Capital* in this apparently equitable exchange of labour power for wages is hidden the exploitation of the worker and the source of all profit for the capitalist.¹¹⁷ The fact that it takes place in an apparently separate 'economic' sphere of exchange is what allowed the political economists of the day to place this extremely 'political' act, the expropriation of the peasantry, in the realm of economics. In this way an area of study was born which sought to understand the way in which the political interacts with the economic and vice versa. For Marx, this political economy approach, was not wrong, in that it reflected a new reality, but it was superficial, guilty of bringing into merely mechanical relation features which were organically connected in a particular set of social relations. He said of bourgeois economists that '[i]n bringing things which are organically related into an accidental relation, into a merely reflexive connection, they display their crudity and lack of conceptual understanding'.¹¹⁸

In sum, Wood explains that, for Marx, capitalism refers to an historically specific set of social relations in which economic and political spheres are differentiated on the basis of those very social relations. It is the development of

¹¹⁵ Wood 1995, p. 29.

¹¹⁶ Wood 1995, p. 29.

¹¹⁷ This is a reference to the 'labour theory of value' which runs throughout *Capital*.

¹¹⁸ Marx 1973, p. 88.

capitalist social relations, which she describes as the ‘privatisation’ of formerly political functions of production, i.e. surplus extraction and appropriation, which creates an apparently separate sovereign state and an apparently autonomous world market.¹¹⁹ It is this apparent separation which Weber so uncritically accepted as a transhistorical fact.

This has obviously been an extremely brief and schematic account of the way in which the apparently separate spheres of politics and economics emerge under capitalism. In the next chapter, we will look critically and in more detail at precisely what this image of capitalism involves. For now, however, the summary of Wood’s argument above, contrasting Marx and Weber’s theories of capitalism serves as the basis of the classical Marxist critique of the Weberian approach. We will now turn to look at how this argument, whether derived from Wood or from other classical Marxists, has informed a critique of the method of IPE.¹²⁰

2.4.2 A Marxist Critique of IPE

The critique of the Weberian approach outlined above is the basis for a now well-established critique of IPE from a classical Marxist perspective, undertaken by Peter Burnham, Chris Boyle, and Simon Bromley.¹²¹ It is no exaggeration to say that this critique is directed at all theorists of IPE who do not have a classical Marxist approach. This is indicated by Burnham’s comment that ‘*almost without exception* the

¹¹⁹ Wood 1995, pp. 28-29.

¹²⁰ Burnham for instance cites Holloway and Picciotto as a source of this argument about the nature of capitalism as the apparent separation of spheres. Burnham 1991. Holloway and Picciotto 1977. Wood and Rosenberg credit Sayer with a useful exposition of the argument. Sayer 1985.

¹²¹ See Boyle 1994, Bromley 1995 and Burnham 1991, 1994 and 1995. See also Rosenberg 1994 where the critique of IPE is implicit in his critique of realist IR, and as such is not fully developed as an IPE intervention. We shall look at Rosenberg’s work in detail in the next chapter as it is one of the most extended expositions of the ‘apparent separation of spheres’ theory of capitalism in relation to the international sphere.

discipline [IPE] eschews a study of social relations, opting instead for a crude amalgam of neoclassical economics, pluralist domestic political science and realist international theory.’¹²² It is the fundamental nature of this critique, directed as it is against all those who do not share a classical Marxist analysis of capitalism, that has made it plausible to throw the net so widely over IPE, as has been the case above. It also suggests that a real break through in the theoretical development of IPE may be possible, involving leaving behind all that has come before, starting over from first principles as Strange indicated may be necessary. As will be argued below, even the neo-gramscians cannot, in their current state, be rescued. In fact, the neo-gramscians, perhaps because they come closest to the Marxist analysis of capitalism but ultimately fall short, come under particular attack. There will, accordingly, be a relative focus on the critique of neo-gramscianism here.

First, in terms of IPE as a whole, in 1995, Bromley proposed a ‘rethinking of IPE’,¹²³ inspired by the work of Derek Sayer.¹²⁴ Sayer, like Wood, has argued that Marx conceived of capitalism in terms of social relations, characterised by the historically novel differentiation of ‘economic’ and ‘political’ spheres. He argues that,

[t]hese [capitalist] forms of modern sociality include what is, for the first time in human history, conceivable as ‘the economy’ and its essential counterpart ‘the state’. Both rest on a radical transformation of the character of social relationships and the nature of social power, in brief, from what Marx called relations of personal dependency to relations which are ‘impersonal’ and mediated by ‘things’: money, bureaucracy.¹²⁵

Bromley’s argument, follows the lines of Wood’s in terms of historicising the apparent separation of state and market, insisting upon its basis in capitalist social

¹²² Burnham 1994, p. 2. It is likely that the only exception Burnham has in mind is himself and possibly Bromley and Boyle.

¹²³ This is the title of Bromley’s article and an invitation which few have taken up in the manner in which he intended. Possible reasons for this will be explored in the next chapter when we discuss the approach in more detail. Bromley 1995.

¹²⁴ Sayer 1985.

¹²⁵ Sayer 1991, p. 2 cited in Bromley 1995, p. 239.

relations.¹²⁶ The effects on IPE of not developing this understanding of the basis of separate political and economic spheres is explained by Bromley in the following terms: '[b]y taking the reproduction of capitalist social forms for granted, IPE has ignored large swathes of the historical creation of the sovereign states system and the world market as well as their continual social reproduction.'¹²⁷ Bromley's attempt to alert IPE to the problems associated with a Weberian methodology was followed by an analysis by Boyle who argued that 'IPE as a discipline fails to demonstrate how the global forces which shape our lives really are rooted in specific historically-constituted relations between people.'¹²⁸

Instead of uncovering the social relations which actually constitute the unique differentiated structure of the modern international system, IPE tries to weld together the political and economic pieces of that system into a complex theoretical model. The effect is to obscure the dynamic social process underlying the modern international system's expansion over the past two centuries...¹²⁹

This is a critique which Boyle applies to the entire discipline of IPE from neo-realism to critical theory.

Both Gilpin and Cox take the distinctive form of the modern international system - a state system embedded in networks of money and trade - as the expression of a progressive elaboration of an essentially autonomous mode of economic organisation. Whether this is seen as the consequence of the inherent dynamism of exchange or the hegemonic class strategy, what is not disputed is the self regulating character of money and commodity circulation. So intuitively obvious is this thing called the 'economy' that IPE while recognising that an autonomous world market is a relatively novel development, never once questions the fundamental political-economic categories it employs to theorise the international system.¹³⁰

¹²⁶ Bromley 1995, p. 240.

¹²⁷ Bromley 1995, p. 235.

¹²⁸ Boyle 1994, p. 352. This article was inspired by Rosenberg's application of C Wright Mills *Sociological Imagination* to the study of IR. Boyle then attempted to apply Mills approach to the study of IPE. The fact that Mills was quintessentially a sociologist and had a rather pick and mix relationship to Marxist theory appears not to have deterred Rosenberg or Boyle in applying his standards for good theory to IR/IPE.

¹²⁹ Boyle 1994, p. 352.

¹³⁰ Boyle 1994, p. 354 Boyle notes that this was one of the key criticisms levelled at Polanyi forefather of IPE by Maurice Godelier.

Boyle, like Wood and Bromley, argues that what needs to be uncovered are the social relations which gave rise to the autonomous form of the 'economy' in the first place.¹³¹ His examination of international trade in early modern Europe suggests that the separation of coercion and commerce is a relatively recent development corresponding to the emergence and spread of global capitalism. 'Commodity exchange and money are ancient but it was only in the latter half of the nineteenth century that we encounter the appearance of an autonomous economic *system* with its own law-like dynamics'.¹³² IPE theorists fail to ask why this was the case. Boyle, adopting a classical Marxist approach, asks the question and then explains the development in terms of a society based on wage labour, and impersonal price relations, i.e capitalist society. The resulting perspective is that the separate existence of an international system of states and a world market is not a timeless reality nor is it simply a difference of degree or scale of activity, rather it is seen to be a product of capitalist relations and as such represents a much deeper transformation of social relations.

The perils of not taking a classical Marxist approach are explained in the following terms.

IPE's attempt to model the crisis-ridden history of the last two centuries in terms of the 'dialectical interaction' between economic and political levels,¹³³ or national and global structures, in other words, reifies the actual social relations and processes at work, squeezing these into a set of false dichotomies which obscure the narrative thread of capitalist society's contradictory development.¹³⁴

¹³¹ Boyle 1994, p. 357.

¹³² Boyle 1994, p. 356.

¹³³ This is a reference to Gill's description of 'the historical dialectic between economics and politics' as that which constitutes the focus of IPE's analysis. See Boyle 1994, p. 353 and Gill 1993, p. 15.

¹³⁴ Boyle 1994, p. 362.

It is this kind of ‘obscuring of the narrative thread’ which may be key to the inability of IPE to move beyond description to explanation. Before taking this up, we turn to the final contributor to the classical Marxist critique of IPE.

Peter Burnham has been at the forefront of critiques of the IPE method and has led the charge against neo-Gramscianism.¹³⁵ Burnham, has described the implications of Weber’s method in the following terms.

The Weberian approach to the social order is committed to accepting both the structural variability and historical specificity of data. Variables which comprise a social order – the economy, the polity and civil society – are given no overall structure, but rather each has a real autonomy which precludes overall determination.¹³⁶

It is Burnham who has described Cox’s method as ‘little more than a version of Weberian pluralism oriented to the study of IPE’.¹³⁷ Burnham argues that Cox’s attempts to navigate between economism and idealism, his insistence that within a historic bloc, material capabilities, ideas and institutions have a real autonomy, leads him into the trap of Weberian multi-causality.

However laudable in theory, the true consequence of this position is to produce a pluralist empiricism which lacks the power to explain either the systematic connection between values, social relations and institutions or the extent to which the historical appearance of capital as a social relation transforms the social order in such a way that all relations are subsumed under the capital relation as the basis of the valorisation process.¹³⁸

Burnham’s criticism of Cox is strongly put. It is worth investigating its basis more closely. We have noted above that Cox and other neo-Gramscians do not hold a Weberian-style ‘thin’ definition of capitalism in terms of the market. Cox places a great deal of importance on classes and on the sphere of production as aspects of capitalist social relations. In this way it is relatively more difficult to characterise his

¹³⁵ Burnham extends his critique to the ‘Amsterdam school’ which includes van der Pijl 1984 and Overbeek 1990 who have developed the notion of a ‘comprehensive concept of control’ to describe a bid for hegemony. Burnham argues that this concept serves the same function as the ‘historic bloc’ and Overbeek and van der Pijl are consequently vulnerable to the same critique. Burnham 1991 p. 87.

¹³⁶ Burnham 1991, p. 77.

¹³⁷ Burnham 1991, p. 77.

¹³⁸ Burnham 1991, p. 78.

work as neo-Weberian. It is perhaps safer to say that he leaves himself vulnerable to the accusation.

A useful explanation of the way in which Cox unwittingly reinforces a Weberian multi-causal approach can be found in the work of Hannes Lacher. Lacher rejects the easy association of Cox with Weber, arguing instead that the separate logics accorded to economic, ideological and political forces exist for Cox not as transhistorical realities, but as the result of the struggle among classes within a particular historic bloc.

It must be noted that the historical structures of society do not, for Cox, possess distinct logics which derive from the nature of the economy or the timeless laws of international politics, laws which would then combine so as to generate specific historical processes (as in the work of, for instance, Michael Mann). The relationships between the levels of an historic bloc can only be understood in the context of the others, their logics can only be derived from their social purposes which social classes in their struggle for hegemony have implanted in them for the period of the existence of an historic bloc.¹³⁹

What this means however, as Lacher notes, is that ‘the concrete relation between political and economic structures is, for Cox, the product of the hegemonic order of an epoch, not of capitalism per se.’¹⁴⁰ Cox’s method involves ‘an understanding of historic blocs as discrete chunks of history each embodying a petrified constellation’.¹⁴¹ The consequence of this is that ‘[n]o meta-structure exists on which capitalism as a mode of development could be located.’¹⁴²

What Lacher is suggesting is that Cox’s historic bloc model acknowledges the overarching significance of capitalist social relations, (producing as they do the class factions which vie for hegemonic control), but *within* the historic blocs is reduced to empiricism.¹⁴³

¹³⁹ Lacher 1999, p. 18.

¹⁴⁰ Lacher 1999, p. 18 in relation to Cox 1987, p. 50.

¹⁴¹ Lacher 1999, p. 20.

¹⁴² Lacher 1999, p. 20.

¹⁴³ Lacher 2004.

As a mode of development capitalism disappears almost completely in theoretical terms while being all pervasive empirically. Most crucially, it has no theoretical purchase on explanations of the transitions from one capitalist historic bloc to another. 'Capitalism' remains historically vacant.¹⁴⁴

For all the talk about capital, classes and production, Cox has evacuated his concept of capitalism of much of its substance by saying that capitalism is 'different' in 'different' periods. It may be, but what makes them all capitalist? What dynamic is being reproduced and how can it account for capitalism's different forms? Cox appears to have given up attempting to answer that question. Lacher argues that it is in order to escape from the structuralist approach of his reference points, Poulantzas in particular, that Cox allows each historical structure to be understood in its own terms. There exists an instrumentalist bias in explaining the transition between historic blocs and a lack of interest in developing a theoretical model of the state. According to Lacher, 'the price is a descriptive approach which represents change but provides only an instrumental theory of it.'¹⁴⁵

We will return to Cox briefly in the next chapter as it will be argued there that he was correct to seek an explanation of changing state-market relations within the history of capitalism. Where he went wrong, is to think he had found one. What is unfortunate with Cox is that in his effort to catch the empirical detail of mainstream IPE, he dropped the classical Marxist analysis of capitalism. The next chapter, and indeed the rest of the thesis, will make the argument that it is possible, and quite necessary, to hold onto both.

While the case of the neo-gramscians is somewhat complicated, it would appear from the above that the basic classical Marxist criticism of IPE holds and has some very serious implications. IPE theorists do not have, and may need, a theory of

¹⁴⁴ Lacher 1999, p. 20.

¹⁴⁵ 'Cox has to rely on the instrumental agency of particular ruling class factions in choosing the new modes of accumulation.' Lacher 2004.

capitalism as a set of social relations in which separate state and market spheres are differentiated. Herein may lie the cause of the fact that IPE has been incapable of understanding the relationship between states and markets, and has offered little insight into the question posed by the globalisation debate, of the apparent retreat of the state. Burnham indicates that for IPE theorists,

[s]tates and markets are treated as self-evident entities and no attempt is made either to develop or relate to existing theories of 'the state' or to consider the inner connection (rather than the apparent external relationship) between the state and the market. Instead 'the state' is fetishised whilst the market is dehistoricised and viewed as a technical arena in which the external state 'intervenes'.¹⁴⁶

This is, in fact, a very accurate description of the approach taken by those engaged in the globalisation debate. Precisely the problem we identified, in the first chapter, was an idealised image of the state combined with an eclectic model of the world market. In the third wave, to provide the most empirically accurate image of events, it was understood that the state was intervening as an external force with its own motives. At the end of the last chapter, Weiss described these changes in state-market relations in terms of the states adaption to 'circumstances'. It was unclear what the circumstances were which could explain the states altered state.

What the above analysis seems to confirm is that what was missing in Weiss' account was a theory of these 'circumstances', some sense of the broader historical and social context within which the transformation of state and market was taking place. The classical Marxist analysis of 'thick capitalism' within which both state and market forces can be understood holds that promise. It is this theory of capitalism which may be capable of dealing with the paradox of the apparent 'retreat of the state'. A more detailed exposition of this theory of capitalism will be developed in the next chapter.

¹⁴⁶ Burnham 1995, p. 136.

2.5 Conclusion

In this chapter I have laid the responsibility for the superficial and eclectic nature of the globalisation debate at the door of IPE. I have attempted to show that IPE emerged as a discipline precisely to investigate the central problem of globalisation – the apparent retreat of the state. Despite over three decades dedicated to analysing the changing nature of state-market relations, IPE has made remarkably little progress. It has been described by even its most loyal supporters as a discipline in a state of theoretical crisis. Through a brief examination of the debates surrounding ‘interdependence’ in the 1960s and 70s, we see that theorists of IPE are now simply applying the same theoretical assumptions to the globalisation debate and as a result, they are having precisely the same debate. Understanding the relationship between states and markets on a global scale has been the task of contemporary IPE, but it remains a mystery unsolved.

In the second section of the chapter, I argued that there was a common IPE method which may provide some explanation for why the discipline *as a whole* has so spectacularly failed to produce an explanation as opposed to a description of the way in which states and markets interact. It was argued that this IPE approach was rooted in an essentially Weberian methodology of multi-causation, motivated by an epistemological pessimism and a concern to avoid economic reductionism. Weber added political and ideological factors to his image of purely economic capitalism in order to derive a fuller image of the social world. IPE theorists, equally motivated to avoid economism accepted, to varying degrees, the Weberian model of separate political and economic spheres, corresponding to the activities of states and markets. All granted a real autonomy to ‘non-economic’ forces after which point, however

highly involved they believed the relationship between states and markets to be, they understood it as a relationship between two separate social forms with their own distinct logics. It was further argued that the historical sociological approach to IR and IPE was employing the same method of multi-causality to the same descriptive effect.

Finally, in the last section of the chapter I have outlined the classical Marxist critique of the Weberian method, as it applies to Weber and to the neo-Weberians in IPE. The argument has been that the Weberians have naturalised a separation between economics and politics which Marx has shown to be historically specific to capitalism. It has been suggested that this criticism of IPE, and the alternative 'thick' theory of capitalism upon which the criticism is based, may provide the means for moving beyond a mechanical interaction model of state-market relations toward something which is more organically formed and historically located. Exactly what this more nuanced definition of capitalism entails will be discussed in the next chapter.

Chapter Three

Classical Marxism: The ‘Apparent’ Separation of State and Market in IR

3.1 Introduction

In the last chapter we introduced a ‘classical marxist’ critique of the Weberian approach to state-market relations. It was argued that the neo-Weberians, in the globalisation debate and in the discipline of IPE, took for granted a separation of state and market spheres, economic and politics, which was in fact peculiar to capitalism. In uncritically representing these forms as separate spheres, the neo-Weberians naturalised and transhistoricised features of historical social relations, rendering them impermeable to explanation as opposed to description. Relocating these apparently separate realms within a historical understanding of the social relations of capitalism was understood to be the way out of mere description toward a deeper understanding of many developments of interest to IPE including, the apparent ‘retreat of the state’. We did not, however, have the space to fully explore this alternative ‘classical marxist’ theory of capitalism and its implications for understanding state-market relations. This will be the task of the present chapter.

In the first section of this chapter we will flesh out the ‘apparent separation of spheres’ theory of capitalism upon which the critique of the neo-Weberians is based. Here we introduce the work of Justin Rosenberg who has perhaps done most to bring this perspective to the discipline of IR. Rosenberg’s work provides the fullest presentation of the ‘separation of spheres’ theory of capitalism within IR, but has as its focus not a critique of IPE, but of the Realist school of international relations.¹ The

¹ Rosenberg 1994.

methodological connection between IPE and realist IR, which we have not yet specified, is that Realist IR takes for granted the separation out of 'purely political' states, concerned as it is with the interactions of these sovereign bodies in abstraction from other social forces.² Rosenberg attempts to reappropriate 'the fantastic forms of states and markets' upon which, he argues, both realist IR, and IPE, are based.³ His use of Marx's analysis of capitalism historically roots the modern states system in capitalist social relations, thus moving beyond an IPE critique to what may be the positive project which this alternative approach has to offer. Rosenberg's work represents the 'separation of spheres' theory of capitalism applied to the international sphere, taken to its logical conclusion and, as such, shall be the central focus of our discussion here.

In the second section of the chapter I develop an intensive critique of Rosenberg's *explanation* of the Realist *description* of the international system. This discussion shows the limitations of the direct application of a 'classical Marxist' understanding of capitalism to the international relations of states. In so doing, it draws out a number of the contradictions involved in the 'separation of spheres' approach as applied to the critique of Realist IR. It is argued that Rosenberg is unable to explain much that Realism describes and that, in his effort to do so, his understanding of capitalism is compromised. These problems arise directly from Rosenberg's 'classical marxist' image of the 'purely political state'.

In the third section of the chapter we consider the practical and theoretical implications of this 'purely political' state and its limitations for explaining much of the behaviour of states as we know it. Here we look at a range of theorists who take this approach and consider how it relates to the Marxist state debate of the 1970s. It

² Realist IR scholars include Waltz 1959, 1979; Morgenthau 1985; Bull 1977; Gilpin 1981; and, although less-easily categorised as such, Carr 1946.

³ Rosenberg 1994, p. 173.

will be argued that 'the relative autonomy of the state' position is one with which most Marxists have never adequately dispensed. The common ground between a Weberian understanding of the 'separation of state and market' and the classical Marxist understanding of their '*apparent* separation' is shown to be much greater than the latter would like to acknowledge. We conclude this section with a discussion of two very different understandings of the state and state sovereignty held by Weberians and Marxists and we consider how these distinct definitions have very different implications for our understanding of the 'retreat of the state'.

The conclusion of this chapter is that the 'separation of spheres' theory of capitalism provides an important critique of the neo-Weberian method, but is incapable of explaining much that we have come to understand as 'actually existing capitalism' in terms of the variety of state-market relations which have obtained. It is a further conclusion that this limitation is unnecessary and that the 'separation of spheres' approach can be rescued from marginalisation through modifying this theory of capitalism so that it can, in fact, accommodate more of the variety of capitalist relations which IPE theorists have usefully described. It is that mismatch, of 'classical Marxism' as a critique which accounts for context (capitalism) but not the variation within it, and IPE as a project which describes variation without a sense of its context (without a theory of capitalism which could explain it), which is explored in this chapter, and which motivates the thesis as a whole.

3.2 The Empire of Civil Society

Hobden and Wyn Jones use the label 'New Marxism' to refer to theorists of international relations who have 'returned to the fundamental tenets of Marxist

thought and sought to reappropriate ideas that they regard as having been neglected or somehow misinterpreted by subsequent generations.” These are theorists ‘who derive their ideas more directly from Marx’s own writings’.⁴ One of the most influential of these, has been Justin Rosenberg who epitomises ‘new Marxism’s’ attention to the canon, as he directly applies the insights of *Capital* to theorising the international system. Rosenberg’s work is worth examining in some detail as it involves an application of the classical Marxist ‘separation of spheres’ theory of capitalism beyond the critique of neo-Weberian description towards an explanation of the social world. In other words Rosenberg’s work tests the *explanatory* potential of this alternative theory of capitalism.

Empire of Civil Society is Rosenberg’s core text, an ambitious and important book, both for the discipline of IR and for the development of classical Marxism. In this text, he takes seriously Martin Wight’s observation that ‘there is no such thing as international theory’⁵ and attempts to remedy that by developing ‘Marx’s social theory of capitalist society’ into ‘an alternative, non-Realist, framework for understanding the modern international system’.⁶ He does this by redefining two core categories of Realist IR theory: sovereignty and anarchy. He seeks to show that these two concepts can be reinterpreted to ‘illuminate the ways in which the modern international system is unmistakably of a piece with the capitalist social structures which compose its leading constituent national societies.’⁷

Rosenberg’s theory of sovereignty as a ‘capitalist political form’ stems from his ‘classical Marxist’ understanding of capitalism, as discussed in the last chapter, as

⁴ Hobden and Wyn Jones 1997, p. 142.

⁵ Wight 1966, p. 26.

⁶ Rosenberg 1994, p. 7.

⁷ Rosenberg 1994, p. 7.

a set of social relations in which surplus extraction takes a 'purely economic' form.⁸ The reasons it takes this form have to do with the expropriation of the labourers from the land and their subsequent requirement to sell their labour-power on the market in order to survive.⁹ Exploitation via the market grants capitalism a 'purely economic' form, but that does not mean that a surplus has not been appropriated from one class by another as in all class societies. What distinguishes capitalism is that this exploitation takes place *indirectly* through the market rather than *directly* in the form of a tribute or tax.¹⁰

We did not in the previous chapter sufficiently specify how it is that this 'purely economic' market transaction of apparently equal exchange of labour for a wage, results in the enrichment of one class at the expense of the other. We can do so here, only in brief. Marx explained that capital should be understood not as a thing, but as a set of social relations.¹¹ It is on the basis of particular social relations, where one class owns the means of production and another class is compelled to sell their labour power in exchange for a wage, that capital can emerge. Capital is the self-expansion of value made possible through these social relations.¹² Labour power, which is the labour of human beings as sold on the market, is uniquely capable of creating surplus value, or value in excess of the costs of its own reproduction.¹³ Marx expresses the circuit of capital in the following way:

⁸ Rosenberg 1994, pp. 124-129.

⁹ In this way, the origins of modern industrial capitalism, in England, are a dramatic act, the expropriation of the peasantry, rather than the unfolding of the logic of the market as Weber believed. This understanding of the origins of capitalism is based on the work of Brenner. See Brenner 1977, 1986, 1999 and Wood 1991. For Brenner and Wood, the origins of capitalism are the outcome of class struggle in Britain which resulted in the peasant's expropriation.

¹⁰ As Barker points out, the role of taxation under capitalism, within capitalist societies, is something to which Marxists have paid very little attention. Barker 1997.

¹¹ This understanding of Marx's approach is clear in Sayer 1991.

¹² On the general formula for capital and on the circuit of capital accumulation see Marx 1976, pp. 247-257; Marx 1978, pp. 109-199.

¹³ On the labour theory of value see especially Marx 1976, pp. 283-305.

$$M - C (LP/MP) \dots P \dots C' - M'$$

Money (M) is advanced to obtain commodities (C), in the form of labour power (LP) and means of production (MP), which combined in a production process (P) produce commodities of a greater value (C') than those which were initially purchased. The sale of these commodities (C') results in more money than was originally possessed (M').¹⁴ In this way a profit is obtained. It is the competitive accumulation of profit which drives the capitalist process. But it is the commodification of labour power which makes it possible. It is for this reason that the separation of labourers from the land is so significant to the origins of capitalism.

So what does this analysis of class exploitation have to do with the realist notion of the sovereignty of nation-states in an anarchical world? For Rosenberg, much is revealed by the following statement from Marx:

The specific economic form in which unpaid surplus labour is pumped out of direct producers, determines the relationship of rulers to ruled. ... It is always the direct relationship of the owners of the conditions of production to the direct producers ... which reveals the innermost secret, the hidden basis of the entire social structure, and with it the political form of the relation of sovereignty and dependence, in short the corresponding specific form of the state.¹⁵

For Rosenberg, the 'privatising' of surplus extraction under capitalism allows for the emergence of a 'purely political' public institution in the form of the modern sovereign state. He traces this process historically arguing that it is only under capitalism that this differentiation of state and 'civil society' emerges.¹⁶ The sovereignty of the modern state – its monopoly of political power internally, and its

¹⁴ Marx 1978, pp. 180-181.

¹⁵ Marx 1981, p. 791 cited in Rosenberg 1994, p. 84.

¹⁶ Rosenberg uses civil society to express all that is not the state. He cites early writings by Marx' on 'the establishment of the political state and the dissolution of civil society into independent individuals'. Marx 1989, p. 125. Rosenberg attributes much of his own understanding of the concept to Sayer who provides an in-depth discussion of what Marx meant by 'civil society' in Sayer 1991, pp. 112-147.

formal equality with other states, externally, in the international system – is made possible because of its abstraction from direct relations of production. He suggests,

we should think of it [sovereignty] as form of political rule historically specific to the distinctive configuration of social relations which define capitalism as a kind of society. For sovereignty also, crucially, involves the idea of the state being outside, over and against civil society, autonomous, ‘purely political’.¹⁷

While this characterisation of the state as ‘autonomous’ may sound no different from that of Weberian IPE or historical sociology, it is important to note that for Rosenberg, this is an autonomy within capitalism, not apart from it.¹⁸ Capitalism is no longer an ‘economic’ or ‘market’ phenomenon which the ‘state’ stands outside. Capitalism is now a system of social relations in which the ‘state’ and ‘market’ appear separate. As Rosenberg notes, ‘[t]he difference of course is that Marx does not regard this autonomy as an attribute of institutions of rule *sui generis*.’ Rather, ‘the emergence of a ‘purely political sphere’ is a historical development which rests upon a determinant structural configuration of social relations.’¹⁹

Note, however, that Rosenberg makes no effort to argue that the capitalist state is *not* autonomous under capitalism and it only appears that way, rather he seems to suggest that it *is* autonomous, but that this is a historically novel development.²⁰ This is a feature of his thought which he shares, to varying degrees, with all theorists of capitalism as the ‘apparent separation of spheres’, and which we will discuss below in

¹⁷ Rosenberg 1994, p. 127.

¹⁸ Rosenberg 1994, p. 126. He quotes Wood approvingly, to the effect that ‘the differentiation of the economic and political in capitalism is, more precisely a differentiation of political functions themselves’. Wood 1981, p. 82.

¹⁹ Rosenberg 1994, p. 70

²⁰ Elsewhere Rosenberg says that ‘this differentiation is not a substantive separation or ‘autonomy’ and uses the example of the miners’ strike of 1984-1985 to make this point. Rosenberg 1994, p. 134. His discussion of the 1970s however, specifically the Winter of Discontent, suggests that he precisely *does* understand it as a substantive separation because when ‘the separation of state and society’ is blurred by the intervention of the state in the strike, for Rosenberg, ‘the sovereignty of the state, [and therefore its capitalist nature,] was eroded because the day-to-day separation between politics and economics was blurred.’ Rosenberg 1994, pp. 128-129.

terms of the possibility that they have left the door open to an interpretation of the state as 'relatively autonomous'.

For Rosenberg, the 'emergence of distinct institutional spheres called the state and the economy is a signature of capitalist society'²¹ and it is from here that an explanation of the international system of states is derived. It is this 'abstraction of the political from the economic' which separates international politics from international economics, making it possible, as Rosenberg notes, to find formal juridical equality among states, alongside enormous material inequality. Under capitalism, power struggles continue in the non-political realm of the world economy, that is 'the empire of civil society', while at the level of the state system, sovereignty remains intact.

On the basis of his analysis of sovereignty as a capitalist form, Rosenberg then offers a theory of another key realist concept, the 'balance of power'.²²

The 'pure' power of the political scientists, the medium of the balance of power, is in fact the power of the 'purely political' state, the sovereign state, the state which stands outside production and is therefore abstracted from the particularities of civil society – in short, the capitalist state.

The balance of power, for Rosenberg, is itself a peculiarly capitalist relationship comprehensible only on the basis of 'purely political' sovereign states. Wars under capitalism take place, for Rosenberg, 'not because one has what the other wants' but rather as a result of a conflict over public policy. Military force is no longer a means of surplus appropriation under capitalism, so conflict takes on a 'pure', 'technical' character. The object of war is not political control as, he notes, 'the fruits of power lie elsewhere'²³ in a global civil society, a world market, which is not bound within territorial states. It is possible for overt political struggle between states to be minimal and for power to therefore appear 'balanced', because the struggle which counts is

²¹ Rosenberg 1994, p. 126

²² See Bull 1977, pp. 97-121.

²³ Rosenberg 1994, p. 141.

economic and continues beneath the surface of territorial control. These are, for Rosenberg, the conditions which make a balance of 'formal political' power possible in an anarchical system of states.²⁴

Having examined the way in which Rosenberg has accounted for the 'sovereignty' of states and the 'balance of power' as 'geopolitical expressions of a wider social totality,'²⁵ we can now turn to the wider social totality as the Realists understand it, and Rosenberg explains it. This is Rosenberg's *explanation* of the realist *description* of anarchy.

For realists, anarchy is the 'law of nature' existing between sovereign states given that each recognises no higher authority. The alternative to anarchy is understood, by Realists, to be global despotism which would limit the liberty of individual states.²⁶ On the basis of this Realist image of anarchy between states and absolute authority within, Rosenberg makes the 'unexpected discovery'²⁷ that Marx had a theory of anarchy that can be used to explain the relations between states that Realists only describe. He quotes Marx at length.

Division of labour within the workshop implies the undisputed authority of the capitalist over men ... The division of labour within society brings into contact independent producers of commodities, who acknowledge no authority other than that of competition, of the coercion exerted by the pressure of their reciprocal interests, just as in the animal kingdom the 'war of all against all' more or less preserves the conditions of existence of every species. The same bourgeois consciousness which elaborates the division of labour in the workshop ... denounces with equal vigour every conscious attempt to control and regulate the process of production socially as an inroad upon such sacred things as the rights of property, freedom and the self-determining 'genius' of the individual capitalist. It is very characteristic that the enthusiastic apologists of the factory system have nothing more damning to urge against a general organisation of labour in society than that it would turn the whole of society into a factory... in the society where the capitalist

²⁴ Burnham makes a similar argument. '[W]hilst each nation-state is involved in a competitive struggle to secure individual economic growth, the overall interests of nation-states are not directly opposed, and the relation of antagonism and collaboration is reproduced on the world stage.' Burnham 1990, p. 185.

²⁵ Rosenberg 1994, p. 55.

²⁶ Bull provides one of the clearest discussions of the Realist concept of anarchy. Bull 1977, pp. 22-50.

²⁷ Rosenberg 1994, p. 142.

mode of production prevails, anarchy in the social division of labour and despotism in the manufacturing division of labour mutually condition each other.

Rosenberg is concerned with ‘the uncanny detail of the parallels’²⁸ between the way in which Marx has described the condition of capitalist firms and the way in which Realists describe the system of states: ‘internal authority coupled with external anarchy, the Hobbesian state of nature, the nexus of competition, equilibrium and freedom, even the nightmare vision of a world state/factory’.²⁹ Moreover, the anarchy of capitalist production, as understood by Marx, ‘consists precisely in this, that *a priori* there is no conscious social regulation of production’.³⁰ There is no overarching authority formally coordinating the activities between capitalist firms and there need not be, because the compulsion of market competition shapes their behaviour in relation to each other. This relationship has its parallel at the level of state.³¹ Rosenberg cites Wight’s characterisation of an anarchical international system where ‘social action is most regularly necessitous.’³²

Rosenberg explains that capitalism is a system in which isolated producers secure their social needs, not directly through planning or allocation, but through the mechanism of market exchange. Market competition is the ‘anarchical system’ within which individual needs may or may not be met. Capitalism is unique in the history of human societies as it is through the exchange of commodities, rather than directly through personal relationships, that individual labours take a social form. The key phrase from Marx for Rosenberg is that ‘personal independence [hence the category of the individual] is based on relations of dependence [individuals depend on mutual

²⁸ Rosenberg 1994, p. 143.

²⁹ Rosenberg 1994, p. 143.

³⁰ Rosenberg 1994, p. 143.

³¹ Again, Burnham makes a similar point, arguing that ‘since accumulation of capital within the “domestic economy” depends upon the accumulation of capital on a world scale, nation-states have a similar relation of conflict and cohabitation as individual capitals’. Burnham, 1990 p. 187.

³² Rosenberg 1994, p. 144, citing Wight 1966, p. 26.

exchange] mediated through things [the exchange relations established between their commodities]'.³³ This is what makes capitalist society 'anarchical'.

Rosenberg acknowledges that, following on from his analysis provided above, 'a determinate task of sociological recovery has yet to be undertaken, in order to resolve the actual workings of these anarchical mechanisms back into their constituent social relations.' This task will involve 'theoretical explication' and 'historical reconstruction'.³⁴ Elsewhere in the text he indicates that,

the contingent historical processes by which this sovereign states-system came into being, and by which it continues to develop and to be reproduced by real living individuals, remains to be recounted and explained. History (hence the need for historical explanation) does not end. In this respect, the conclusions reached here do nothing more than probe the broadest contours of an alternative, non-realist terrain of IR theory.³⁵

In the final chapter of *Empire of Civil Society* Rosenberg offers a 'prospectus for an alternative history of the international system' based on Marx's insistence that 'the expropriation of the agricultural producer, of the peasant from the soil, is the basis of the whole process'.³⁶ Rosenberg argues that the nineteenth century is of particular significance, as it is the point at which a single geopolitical system develops, a system of sovereign states made possible through the uprooting of peasants and countrymen throughout the world. He acknowledges, however, that this process has been 'uneven in the extreme', noting that Britain is 'the only country that followed the "classical" road to capitalist industrialisation'.³⁷ The other great model of the modern state, for Rosenberg as it was for Marx, is the United States, 'the child of the industrial-capitalist transformation in Europe' and the power which remade 'the institutional

³³ Rosenberg 1994, p. 144, Marx in the *Grundrisse*, this translation of which Rosenberg finds in Sayer 1991, pp. 13-14.

³⁴ Rosenberg 1994, p. 155.

³⁵ Rosenberg 1994, p. 88.

³⁶ Rosenberg 1994, p. 162 citing Marx 1976, p. 876.

³⁷ Rosenberg 1994, p. 164. For a similar view see Wood 1991, p. 23.

framework of the international system in the 1940s and after.’³⁸ Rosenberg is acknowledging here that Britain (and, he seems to suggest, especially Thatcher’s Britain) and the US fit his model of the separation of the political from the economic most clearly.

At this late stage in the book, he raises an important question, which he mistakenly assumes is rhetorical.

Should it really be a matter for controversy to suggest that, whatever the enormous diversity and uneven development of human societies in the world today, the dominant institutions of the international system reflect the distinctive social forms of capitalism?³⁹

The unfortunate answer for Rosenberg is ‘absolutely’. It is the enormous diversity in state-market relations, not just between states but *within* the history of capitalist states, that leads the neo-Weberians to doubt that capitalism, and therefore Marxism, can explain the social world in its entirety. Germany of the 1930s, Britain of the 1950s, South Africa of the 1980s – all of these manifestations of state-market relations, including, in fact, *any state at war*, deviate from the ‘separation of spheres’ model of capitalism, apparently needing explanation from some other source. The neo-Weberians account for those other features of the social world by adding together various spheres with autonomous logics: militarism, ideology, politics, etc. How do their Marxist critics explain the same variation?

In the introduction to *Empire of Civil Society* Rosenberg referred to the fact that IPE as a discipline is ‘seen as an innovation which presses hard against the boundaries of IR and economics’.⁴⁰ However, he suggested that the question with which IPE concerns itself: ‘what is the relationship between states and markets?’ cannot be answered without first answering the more fundamental question: ‘in what

³⁸ Rosenberg 1994, p. 166.

³⁹ Rosenberg 1994, p. 167.

⁴⁰ Rosenberg 1994, p. 3.

kind of society do distinct spheres of politics and economic open out in this way and why?’⁴¹ He has provided an answer to this second question in his book, as outlined above. The first question, however, is neglected. This is a problem we find in the work of all ‘separation of spheres’ theorists of capitalism. An adequate explanation of the variation in state-market relations is difficult to discern. This is the primary problem with this approach as it relates to the starting point of this thesis, i.e. as it relates to the question of the apparent ‘retreat of the state.’

Before discussing that limitation of the approach as a whole, however, it is worth critiquing Rosenberg’s particular analysis in some detail. Our focus on Rosenberg, rather than Wood for instance, is not simply because this is an International Relations thesis, but also, as will be discussed below, because his theoretical model of capitalism informs his analysis of the concrete world in a way that it does not so obviously with other theorists. Other theorists use the apparent separation of spheres theory of capitalism as a means of critiquing Weberians, but tend not to employ it in any more constructive pursuit. Rosenberg does and, in doing so, exposes the inherent limitations of the approach.

3.3 Rethinking *Empire of Civil Society*

I want to suggest that there are two major grounds upon which Rosenberg’s analysis can be criticised. The first is that he does not, in fact, *explain* what Realists *describe*, in terms of sovereignty, anarchy and the balance of power. The second is that his work uncritically accepts that it is what Realists *describe* that needs *explaining*. In other words, Rosenberg accepts that the Realist description of reality is accurate in a

⁴¹ Rosenberg 1994, p. 3.

way that IPE theorists, for instance, have not. It is, after all, for reasons to do with the limitations of Realist IR, that IPE as a sub-discipline emerged in the first place. In that sense, the very existence of IPE as a discipline serves to critique Rosenberg in the second respect. It is up to us here to critique him in the first.

3.3.1 The Poverty of Analogy

Our central charge against Rosenberg is that he is unable to explain what the Realists have described in terms of sovereignty, the balance of power and anarchy. We shall deal with each of these concepts in turn, demonstrating that no such explanation has been provided. Instead we find an illusion of explanation rooted in carefully constructed analogy. But analogy, no matter how sophisticated, is not, in itself, explanation. In making this case against Rosenberg our treatment of the Realist school will, of necessity, be quite crude, but it does cover the basic features of a Realist understanding of the international. In other words, it will engage with those most obvious aspects of their description, for which any explanation of their position should be expected to account.

For Rosenberg, as discussed above, the sovereignty of the state is a product of its abstraction from the realm of civil society. Its 'purely political' character stems from the fact that, under capitalism, it is not directly engaged in production or exchange, but is rather abstracted from both. The historical development of this state through the expropriation of the peasantry is something which Rosenberg has explained, the question which remains is whether the model he arrives at matches the Realist image of the sovereign state.

For Realists, sovereignty has both an internal and an external dimension. Internally, the state has a monopoly on the legitimate use of violence, externally, it recognises no higher authority and its behaviour is shaped by the anarchical context in which it finds itself. Rosenberg is capable of explaining the internal sovereignty of the state. He is not however, able to explain the equally important external dimension.

For Realist theorists of international relations, the international system is analogous to the Hobbesian state of nature in which, lacking an overarching authority, human beings were forced to live a life which was 'nasty, brutish and short', given what is assumed to be the natural scarcity of resources and the resulting ever-present conflict.⁴² For individuals, the Leviathan, the strong state, is seen to be the solution to dealing with this relentless condition of insecurity. Without the Leviathan, society could not exist because there is no opportunity for prosperity or development in an environment without law and order. Sovereign territorial states are the Hobbesian answer to the human condition. What Realist IR theorists have taken from this is that, given the absence of a Leviathan at the global level, states themselves exist in a situation of ever-present conflict. This is, as Hobbes described it, a situation of permanent war of 'all against all.'⁴³ Competition between sovereign states creates the anarchical environment and the anarchy of the international system necessitates the sovereignty of states.

What is essential to understand here is that, in the Realist model of the international, war is the default condition of all sovereign states. War is, in the words of the celebrated IR Realist, Machiavelli, the 'raison d'etat'.⁴⁴ The sovereignty of states and their capacity for war-making, are absolutely inseparable. War is part of the Realist definition of state. And yet, what we find with Rosenberg is a very limited

⁴² Hobbes 1651 [1968].

⁴³ Hobbes 1651 [1968].

⁴⁴ Machiavelli 1505 [1944].

understanding of the relationship between war and capitalism, and, at the same time, it is precisely this understanding of capitalism upon which his theory of sovereignty relies. For Realists, war is synonymous with the state, however, for Rosenberg the state is synonymous with capitalism, and capitalism is by no means synonymous with war.

For Rosenberg, war has a very limited role in a capitalist international system. He acknowledges that 'capitalist states, do resort to military means in order to prosecute policy, where this is judged necessary.' However, he argues that 'the use of military force is no longer the means of surplus appropriation...' We learn that under capitalism 'imperial processes of expansion (or rather those connected directly with surplus extraction) are now accomplished principally in the private sphere.'⁴⁵ In this way, those periods in history in which there was a direct struggle for resources, were not characteristically capitalist. This includes periods which Rosenberg would consider pre-capitalist, but also, for instance, Hitler's geopolitical concept of 'Lebensraum' during the Second World War does not fit Rosenberg's model. Nazi Germany was not, therefore, for Rosenberg, a capitalist state.⁴⁶ This view of the Second World War as 'not capitalist' is not atypical among the 'separation of spheres' theorists. It stems from their more general tendency to elide the notion of capitalism with that of liberal democracy, a feature of their work which they assiduously avoid making explicit.⁴⁷ An important consequence here is that Rosenberg has provided a theory of states and war which cannot explain *either world war*, both of which Realists consider to be extremely important features in the development of the contemporary international system.

⁴⁵ Rosenberg 1994, pp. 140-141.

⁴⁶ This is not something that Rosenberg states explicitly in *Empire of Civil Society* but is a position he comes to in Rosenberg 1995 where he associates the capitalist state with the liberal democratic state and distinguishes it from Fascist and Stalinist varieties.

⁴⁷ See Rosenberg 1995 and Wood 1995.

To what extent can Rosenberg's analysis explain any situation of war? There is a further dimension to the incompatibility of war and capitalism and therefore war and the sovereignty of states, from Rosenberg's perspective. The problem for any theorist whose understanding of capitalism is based on the abstraction of the political from the economic is that a state at war does not fit this model. Any state engaged in military conflict is placed in a position where the interests of state are at stake, and the need to defend them with force is paramount. The process of developing military capacity is a productive one into which states are unavoidably drawn. In periods of war, the ability of the state to organise and control production and distribution is fundamental. Yet, for Rosenberg, in these periods, the state is no longer a capitalist state, because it does not 'stand outside production'.⁴⁸ In this way, the state at war is not a sovereign state – a position which directly contradicts a core principle of Realism that the state at war is *quintessentially* a sovereign state.

The poverty of his explanation of the Realist image of sovereignty takes its most striking form in Rosenberg's attempt to *explain* the balance of power. This is an explanation based on the model of sovereignty and anarchy which Rosenberg constructs throughout his text.

[T]he medium of the balance of power, is in fact the power of the 'purely political' state, the sovereign state, the state which stands outside production and is therefore abstracted from the particularities of civil society – in short, the capitalist state.⁴⁹

And yet,

[t]he Soviet Union was precisely not a sovereign state, in the sense that we have been discussing sovereignty. It did not stand outside a distinct private sphere of surplus extraction. It moved in and took it over... This was ultimately the political content of the Cold War.

⁴⁸ Rosenberg 1994, p. 141.

⁴⁹ Rosenberg 1994, p. 141.

For Rosenberg, as we know, sovereignty is a capitalist form. He argues that the USSR was therefore not sovereign because it was not capitalist.⁵⁰ His theory of the 'balance of power' is dependent on an image of *sovereign* capitalist states in an anarchical capitalist world market. He has therefore developed a theory of the Realist 'balance of power' which must exclude what Realists consider to be the most significant balance of power of the twentieth century. No less an authority than Hedley Bull, clearly states that, 'the balance of power is exemplified... by the clash of the United States and the Soviet Union in the Cold War.'⁵¹ Once again, Rosenberg's model of sovereignty does not fit the bill if it is designed to *explain* what Realists have only *described*.

On the question of anarchy, Rosenberg claims to be able to explain anarchy which, for Realists, is the product of the fact that there exists no overarching authority. In other words, there exists a multiplicity of sovereign states, rather than a single world state. Realists do not make much effort to explain this multiplicity, as such, because they begin, based on a Hobbesian model, with the multiplicity of the individual. What they are concerned with is how individuals become groups, i.e. states. This takes place, as mentioned above, according to Hobbesian lore, due to mutual self-interest in avoiding the destructive effects of never-ending conflict.

Rosenberg's understanding of the multiplicity of territorial states is unclear. There is nothing in his model of capitalism, as the separation of state and market, politics and economic, which provides an explanation for why the 'political' under capitalism should take a fragmented territorial form. In fact, this was a criticism of the 'separation of spheres' approach to capitalism articulated within the Marxist state

⁵⁰ Rosenberg 1994, p. 134.

⁵¹ Bull 1977, p. 97.

debate of the 1970s in the work of Barker and Von Braunmuhl.⁵² They asked why, given the existence of a single capitalist world market, does the political under capitalism not take the form of a single state authority? This is the point at which the state debate, which we will discuss more below, concluded.⁵³ Rosenberg, unaware of the well-worn path he treads, tries to do what was concluded in the state debate to be impossible – he tries to read off the multiplicity of states directly from the capital relation. He does this through the use of analogy.⁵⁴

For Rosenberg, states are *like* units of capital. Units of capital according to Marx, are islands of ‘order’ (factories within which there are direct relations of control) in a sea of ‘anarchy’ (in which human relations are mediate by relations between commodities) where there is no overarching authority. Rosenberg maps this description of capitalism by Marx onto the description of the international as characterised by the Realists through a process which one Marxist critic has described as a kind of ‘sympathetic magic’. No actual understanding of a relationship between the two is sought or found, the connection is based on a superficial similarity of form.⁵⁵

First, the anarchy of capitalism:

the plurality of independent individuals; the lack of a superordinate direction; the emergence none the less of an impersonal mechanism of social organisation which lies beyond the control of individuals; the paradoxical role of this collective alienation as the basis of individual freedom; and the peculiar objectified form in which individuals confront their relations with each other.⁵⁶

⁵² See Barker in Clarke 1991, pp. 204-213. See Braunmuhl 1978.

⁵³ Clarke 1991.

⁵⁴ Michael Webb has noted that some similarity exists here between the method of Rosenberg and Kenneth Waltz, who also made his core argument about the nature of the international system through analogy, specifically analogy to competition in markets. This is somewhat ironic given Waltz’s status as an arch neo-realist and Rosenberg’s desire to distance himself from Realism of any kind.

⁵⁵ Anthropologists have described this practice of using secondary objects that look like primary objects, where the manipulation of the former is believed to aid in a task related to the latter. As when, for example, the shaking of seeds from a plant is believed to aid in the birth of a child. I thank China Mieville for this characterisation of Rosenberg’s argument.

⁵⁶ Rosenberg 1994, pp. 149-150.

Then, the anarchy of Realist IR:

the plurality of sovereign independent states lacking superordinate direction; the emergence none the less of impersonal mechanisms of social organisation, (the balance of power and the invisible hand of the market) which escape the command of individual states; the paradoxical role of this collective alienation as the precondition of sovereign independence; and the novel forms of international power which characterise such an order.⁵⁷

For Rosenberg, the similarity between the two descriptions is evidence that they 'clearly belong to the same genus'.⁵⁸ No further explanation is provided. Obviously there *is* an historical explanation for the development of units of capital, a history of which Rosenberg is well aware. But this does not, by analogy, provide an historical explanation for the existence of multiple sovereign states. It will not do to use the history of one phenomenon to explain the history of another simply on the basis of, what in Rosenberg's own words are 'descriptive affinities'.⁵⁹

States are *not* necessarily analogous to units of capital, given that they possess within them competing domestic units of capital and have extended between them transnational units of capital. Yet, it could be argued that they do, at times, represent aggregate units of capital. This could be the case, for instance, when states are at war which we know is the situation with which Realists scholars are centrally concerned. However, in this case, for Rosenberg, states are no longer capitalist and no longer sovereign because, in war, the state is not abstracted out as a 'purely political' sphere.

Here we reach the crux of the problem. Rosenberg's argument by analogy is not wrong because the state can never be *like* a unit of capital, but it is wrong because Rosenberg has not done the work to show how that might be the case *and* if he did, he would find it contradicted his model of capitalism. In suggesting that states compete 'like' capitals, Rosenberg is unwittingly suggesting that war may be a 'kind' of

⁵⁷ Rosenberg 1994, p. 150.

⁵⁸ Rosenberg 1994, p. 150.

⁵⁹ Rosenberg 1994, p. 134.

capitalist competition. This is an understanding of capitalism which some Marxists, like Bukharin for instance, have held, but it is one to which Rosenberg's own analysis is anathema.⁶⁰

In his own terms, far from explaining Realist IR through his understanding of capitalism, Rosenberg actually *gives up his understanding of capitalism to the extent he explains the realist image of IR*. And, *to the extent that he retains his understanding of capitalism he is unable to explain the Realist image of IR*. While Burnham, Wood and others versed in the state debates of the 1970s have been aware of the argument against reading off the multiplicity of states directly from the capital relation, Rosenberg, uninterested in these debates, has not. Rosenberg's fault, therefore, is not that he cannot explain the multiplicity of states from the capital relation. It cannot be done. His fault is that he cannot *and yet he thinks he has*.

To return to the question of how we might explain the fragmented territorial form of the state under capitalism, a more suggestive way forward is indicated by Lacher who argues that the territorial state, the multiplicity of states, is a pre-capitalist phenomena which cannot be explained by the capital relation.⁶¹ This does not however mean that the state system is somehow external to capitalism. The state system may not be internal to capitalist relations of production, but it has, in Lacher's words, been '*internalised*' and as such cannot be understood to possess a distinct logic from the market along neo-Weberian lines.⁶² For the moment, in our analysis, this understanding of the *internalisation* of the multiplicity of states within capitalism is adequate. What we are left with from Lacher is that the apparent separation of spheres approach to capitalism is not necessarily wrong, Wood and others are correct, but it

⁶⁰ We will look at Bukharin's understanding of capitalism in Chapter 5.

⁶¹ Lacher 2005.

⁶² Lacher 2005.

cannot be used to explain the multiplicity of capitalist states, Rosenberg is overextended.

In the critical discussion of Rosenberg's text above we have shown the limitations for understanding the Realist approach to international relations via an analogy with Marx's theory of the social relations of capital. We found that Rosenberg had mixed success *explaining* what it was the Realists were *describing*. He had attempted to do so, modelling his work on Marx's own method of explaining 'a real appearance', undertaking the critical elaboration and transcendence of bourgeois categories. He appears to have failed at this task. If we allow for the fact that what the Realists were describing was not straightforwardly how things appear, pace IPE, we are still left with the fact that much of what they described could not be explained by Rosenberg. Rosenberg could not explain, for instance, either of two World Wars or the Cold War, events which it would be an understatement to suggest were central to contemporary IR. We need to understand why this has been the case and what it means for the separation of spheres approach more generally.

3.4 Rethinking the 'Apparent' Separation of State and Market

3.4.1 The Purely Political State

Theorists of the separation of spheres understanding of capitalism have a very specific model of the capitalist state. What they can explain in terms of their understanding of capitalism is what Rosenberg refers to as 'the "purely political" state, the sovereign state, *the state which stands outside production* and is therefore abstracted from the

particularities of civil society – in short, the capitalist state.’⁶³ What they cannot explain is what they would consider the ‘non-capitalist’ or ‘less capitalist’ behaviour of states, those situations in which, within the history of capitalism, *the state does not stand outside production* but becomes directly involved.

For Rosenberg any activities of the state which involve it directly in the process of production cannot be seen as capitalist. The capitalist state simply ‘frames laws, upholds contracts, raises taxes and implements policies designed to promote the development of the sphere of production.’⁶⁴ It would appear that, for Rosenberg, the state may facilitate the capitalist economy, but plays no direct role. Burnham, another ‘apparent separation of spheres’ theorist, also makes this point,

The role of the state in the capitalist economy, is essentially negative, removing barriers to accumulation. While the state can act as an employer and intervene directly in some sectors of the economy, it cannot displace the market without destroying the capitalist mode of production. At best it can intervene to remove barriers to economic growth.⁶⁵

Wood concurs,

Direct political coercion is excluded from the process of surplus extraction and removed to a state that generally intervenes only indirectly in the relations of production, and surplus extraction ceases to be an immediately political issue.⁶⁶

For Wood, it is ‘the complete separation of the producers from the means of production and the concentration in private hands of the capacity for direct surplus-extraction’⁶⁷ which gives the capitalist state its characteristic appearance of ‘class neutrality’.⁶⁸ Sayer argues that this ‘minimal regulatory framework’ model of the state, a state whose ‘activities are limited to those necessary to allow bourgeois

⁶³ Rosenberg 1994, p. 141. Italics mine.

⁶⁴ Rosenberg 1994, p. 127.

⁶⁵ Burnham 1990, p. 183.

⁶⁶ Wood 1995, p. 44.

⁶⁷ Wood 1978, p. 229.

⁶⁸ Wood 1978, p. 229.

individuals to get on with their business',⁶⁹ is 'an essential relation of bourgeois production, a capitalist production relation'.⁷⁰ The idea, as expressed by Reuten and Williams, that the 'the state is necessarily separate from the value-creating process of the economic core of civil society',⁷¹ is a dominant, if not *the* dominant, Marxist understanding of the role of the state under capitalism.⁷²

The desire to maintain an image of the capitalist state as abstracted from the economy, from direct involvement in production results in a strange formalism in these theorists' approach to theory and history. What we have in some cases is an 'ideal type',⁷³ model of capitalism where the state is *not* involved in production, heavily qualified by a history in which it frequently is, or whereby those aspects of its behaviour are ignored. In Rosenberg's analysis this tendency takes an unfortunate direction as he seems, at times, to wish to deny altogether the coercive role of the state *as an agent of capitalist social relations*.

Having acknowledged that the separation of spheres 'does not mean that all capitalist societies are havens of human rights,' Rosenberg admits that, 'the historical variation is considerable, and only a tiny number of capitalist societies have been able to sustain durable political democracies'.⁷⁴ He goes on from here to say that,

Often, upholding a rule of law in connection with the capitalist labour contract is a bloody affair – drawing out the coercive arm of the state in routine acts of violent repression. South Korea still provides not infrequent examples of this. *However – and here is the point – the pitched battles*

⁶⁹ Sayer 1985, p. 244.

⁷⁰ Sayer 1985, p. 240. Here Sayer is eliding the notion of bourgeois democracy and capitalism, as it was suggested above is a common practice among these separation of spheres theorists. A full accounting of this tendency is not possible here. See for instance where Wood refers to the 'the separation of political and economic spheres that characterise the liberal state.' Wood 1981, p. 181. Elsewhere she states that '[t]he parliamentary democratic state is *a unique form of class rule* because it casts doubt on the very existence of a ruling class.' My italics. Wood 1981, p. 180.

⁷¹ Reuten and Williams 1989, p. 237.

⁷² As mentioned below, this is still the last word from the state debate as articulated by Holloway and Picciotto, collected in Clarke 1991.

⁷³ The connection between the separation of spheres approach and a Weberian style 'ideal type' methodology has been discussed by Carling in relation to Robert Brenner. Carling 1991, p. 50. A discussion of this can be found in Blackledge 2003.

⁷⁴ Rosenberg 1994, p. 124.

between police and workers in South Korea take place not in the courtyards of state-owned factories, but on the premises of Hyundai and Samsung corporations, non-governmental organisations. And if it sometimes takes bayonets and tear gas to drive workers into factories, the rule to which they submit once inside is not that of the state, but rather that of so-called 'management'.⁷⁵

Rather, I would suggest – *and here is the point* – for Rosenberg, scenes of striking South Korean workers being beaten and gassed back to work by agents of the state is being offered as evidence of the ‘non-political’ nature of surplus extraction under capitalism. The state’s punishment of trade unionists is for Rosenberg evidence of the extent to which the state stays *out* of the process of capital accumulation.⁷⁶ Is this not a contortion of reality to fit a particular theoretical model? That the state coercively, or in Wood and Rosenberg’s terms, ‘extra-economically’, forces the labourers into the ‘purely economic’ factory seems to go against the separation of spheres model in which this arrival of labour-power is meant to be due to market compulsion. Here, the compulsion that forces the worker back into the factory under conditions of low pay or no pay is the stick of the state. What’s more, as Rosenberg rightly points out, these acts of repression are *routine*.

And what are we to make of his distinction that ‘the rule to which they submit once inside is not that of the state, but rather that of so-called ‘management’? How does this accord with, for instance, a recent report on Argentina, a state whose capitalist credentials have been amply acknowledged?

Civil trials continue to unearth fresh evidence that foreign corporations collaborated closely with the junta in its extermination of the union movement in the 1970s. For example, last December a federal prosecutor filed a criminal complaint against Ford Argentina (a subsidiary of Ford), alleging that *the company had inside one of its factory compounds a military detention centre where union organisers were taken*. ‘Ford [Argentina] and its executives colluded in the kidnapping of its own workers and I think they should be held accountable for that,’ says Pedro Troiani, a former Ford

⁷⁵ Rosenberg 1994, fn 2, p. 198.

⁷⁶ Perhaps were the same activity to take place in North Korea it would be considered, by Rosenberg, as evidence of the extent to which the state is directly involved in production in a non-capitalist state.

assembly line worker who has testified that soldiers kidnapped and beat him *inside* the factory walls.⁷⁷

Whatever the strength of the separation of spheres approach, it does not seem sustainable when applied to explain the kind of 'historical detail' which Rosenberg attempts in the case of South Korea and would be hard pushed to do in the case of Argentina. Rather, the best that these 'separation of spheres' theorists can provide is a basic model of the capitalist state within which there is historical variation. To be fair, this is what they would, for the most part, claim to be able to do. For Rosenberg this was the 'historical contingency' he referred to towards the end of his book, i.e. the variation in state-market relations which his theory alone cannot explain.

What is worrying is that the use of the word 'contingent' here may not be entirely dissimilar from the phrase 'path dependent' so popular among historical sociologists,⁷⁸ or the way in which Weiss referred to 'circumstances' in the last chapter. Is Rosenberg actually saying that the capitalist 'differentiation of spheres' is of theoretical significance, but the diversity of state-market relations is a matter of historical detail? He seems to be making a distinction between theoretical explanation and historical explanation such that he, and, on his reading, Marx, have done the theoretical work, and it now remains simply to apply that model to making sense of history, allowing for 'diversity' and 'unevenness'. This is something which his approach appears to suggest, but it is difficult to pin down.

⁷⁷ Mercedes-Benz (now a subsidiary of Daimler-Chrysler) is facing a similar investigation in both Germany and Argentina, which stems from allegations that it collaborated with the military in the 1970s to purge one of its plants of union militants, giving names and addresses of 16 workers who were later "disappeared", 14 of them never to be seen again. Klein 2003.

⁷⁸ See for instance Evans 1995, where this phrase is frequently used.

3.4.2 The State Debate and the 'Relative Autonomy' Trap

It is worth diverting for a moment here to a brief discussion of the state debate. It is well-known that Marx intended but did not live to produce a theory of the capitalist state. It has long been held that this is a lacuna in Marxist theory and that the subject of the capitalist state requires critical elaboration. In the 1960s and 1970s a fairly focused, self-conscious debate over the nature of the state began to develop.⁷⁹ Unfortunately it petered out in the 1980s having made great progress in terms of how the capitalist state should *not* be theorised, but leaving outstanding many questions as to how the state *should* be understood. Less charitably, one might say that this was a debate which began with the question of the 'relative autonomy of the state'⁸⁰ and ended with the conclusion that the state was 'relatively autonomous'.⁸¹

What emerged from the state debate as a dominant position was the idea that under capitalism, social relations of production were privatised, leaving a separate 'purely political' state. This is, in essence, the separation of spheres approach articulated by Wood and Sayer, who developed their position in parallel. As discussed above, this position involves a recognition that the separation of states and markets, politics and economics, is internal to the capital relation.⁸² We have already discussed the fact that this does not explain the multiplicity of territorial states, we must now consider how it leaves the 'separation of spheres theorists', including those who were

⁷⁹ This has been collected in Clarke 1991.

⁸⁰ By this I am referring to Poulantzas' criticisms of Miliband which sparked the debate. Poulantzas argued that Miliband's characterisation of the state as the instrument of the ruling class failed to account for those instances when the state behaved in a way which suggested it was 'relatively autonomous' from that class.

⁸¹ The state debate became dominated toward the end by the position held by Holloway and Picciotto, shared by Bonefeld, Burnham and others. It was that capitalism is a system distinguished by the separation out of a purely political sphere which represents the interests of capital in general.

⁸² The impression that this was the dominant position may be a distortion due to the fact that it was Simon Clarke, an advocate of this approach, who collected 'the state debate' into a single volume. Clarke 1991.

involved in the 'state debate', open to the charge that they have developed a theory of the state as 'relatively autonomous'.

The thesis of the 'relative autonomy of the state' has been particularly celebrated by the neo-Weberian, Theda Skocpol. Skocpol was interested in 'bringing the state back in' to account for actions of the state which did not seem reducible to capitalism. It would seem that all of the efforts of the Marxist critics of this approach have been directed at demonstrating that none of the state's behaviour falls outside capitalism, because its very existence as a sovereign entity is a product of capitalism. However, as we have seen from Rosenberg above, war, or in fact, any engagement by the state in the sphere of production, cannot be explained by his theory of capitalism. For Wood, this is a similar problem evident in her most recent theorising of the subject, in which she refers to theories of imperialism which she believes to be correct. Here she is saying that geopolitical coercion is non-capitalist behaviour.

[I]n these theories of imperialism, capitalism depends for its survival not only on the existence of these non-capitalist formations but on essentially pre-capitalist instruments of 'extra-economic' force, military and geopolitical coercion, and on the traditional interstate rivalries, colonial wars and territorial domination.⁸³

Wood here seems to be suggesting that the extra-economic force associated with imperialism is essentially pre-capitalist. This brings us back to the problem we encountered with Rosenberg's treatment of Realism – the incompatibility of capitalism and war in the 'separation of spheres' theory of capitalism. This weakness is usefully challenged by Barker, in his critique of Wood, where he argues that 'we would seriously misrepresent the concrete history of capitalist society across the globe if we assumed that the forms of capitalist competition based on 'plunder' and the like were only to be understood as 'pre-capitalist survivals.'⁸⁴ It is important to note that in

⁸³ Wood 2003, p. 127.

⁸⁴ Barker 1997, p. 60.

her more journalistic discussions of contemporary politics, Wood would not wish to suggest that modern war was not part and parcel of capitalism.⁸⁵ This is an example of the way in which her writings can operate on two distinct levels of abstraction, the compatibility of which is never made clear.

This is an important point. There are two levels of abstraction at work in the writings of most theorists of the 'separation of spheres': Burnham, Bonefeld and Wood included. Arguably, there is only one level in Rosenberg's analysis because what he is trying to explain (Realist IR) is in itself so abstract, that to criticise it he need never descend to the material world at all. As we have shown above, where he does, he gets into trouble. This is not the case with other theorists who subscribe to Rosenberg's general approach. Many 'separation of spheres' theorists have written usefully on such phenomena as nationalised production, the welfare state and war economies.⁸⁶ However, and this is what is significant, they do not use the separation of spheres approach to explain those. None of the 'separation of spheres' theorists has developed the necessary intermediate concepts, and derived them systematically from the abstract ones, in order to allow for *explanation* of developments at this level rather than description.⁸⁷

We will discuss throughout the rest of the thesis how modern war, including both World Wars and the Cold War, may be understood in terms of Marx's theory of capitalism. For now, we are interested only in pointing out that the 'separation of spheres' theorists cannot do so. This results in an opening for a 'relative autonomy'

⁸⁵ See, for example, Wood 2003, p. 165.

⁸⁶ See Burnham 1990, Wood 1995, Bonefeld 1993, 1995, Holloway and Bonefeld 1991.

⁸⁷ Arguably, it would be a better use of space to look at these writings of these theorists to suggest where they go wrong, rather than focus on Rosenberg. The point, however, is that they do not really go wrong. What is wrong is that what they have to say on these subjects is not linked to their more fundamental understanding of capitalist social forms. Rosenberg is of interest because he does try and make the link but only gets as far as 'explaining' Realist IR. Rosenberg is not a straw man within this approach, he is a warning to other 'separation of spheres' theorists of the serious limitations of their general theory, as it stands, for understanding the variety of state-market relations that exist under capitalism.

image of capitalism given that the state itself may be explicable in capitalist terms, but much of its behaviour is not. There must be a distinction between saying that the state does not act directly in the interests of the capitalist class, which is correct, and saying that the state's behaviour is sometimes an expression of 'other', non-capitalist, factors, as these Marxist appear to do. Like Skocpol, these theorists have identified aspects of the behaviour of states which falls outside their understanding of capitalism, whether they wish to acknowledge this or not.

3.4.3 A Tale of Two Sovereignties

It may be useful to stop here and consider exactly how this 'classical Marxist' theory of the state relates to those which we have encountered earlier in the thesis. Up until this point, we have avoided pinning down what exactly we mean by 'the state'. The reason for this is that there are at least two different understandings of the state at work in the debates we have been discussing over the last two chapters, and it is more interesting to contrast them as they arise from these debates rather than asserting them from the start. Now we can identify two distinct models of the state and briefly revisit the debates of the last two chapters in that light.

There is one understanding of the state as a legally territorially bound entity overseen by a bureaucratic structure which possesses a monopoly on the legitimate use of violence. The emphasis here is on *horizontal sovereignty* – sovereignty vis a vis other territorial states. This is the transhistorical model of the state which Weber endorsed and which has been dominant in IR, IPE and historical sociology. There is a second Marxist model of the state as a manifestation of capitalist social relations, in that the state is distinct from society because of the nature of capitalist relations of

production. The emphasis here is on *vertical sovereignty* – sovereignty vis a vis the rest of society. We can call these two models of the state ‘the territorial state’ and ‘the state’ respectively.⁸⁸

The fear of ‘the retreat of the state’ as it has been articulated by the anti-capitalist movement is not a fear of the breakdown of horizontal sovereignty. It is not a fear that borders will be reduced, that social relations will flow freely across boundaries, etc. This depiction of anti-capitalism feeds into its mischaracterisation as anti-globalisation. Those who protest privatisation, for instance, do so on the grounds that it involves the further abstraction of the state from civil society, a vertical retreat of the state from its responsibilities. Those threatened, may sometimes be led to believe that the ‘erosion’ of borders is necessitating the ‘retreat’ of the state, and may develop protectionist sentiments on that basis, but it is not the erosion of borders *per se* which is of concern. It was the confusion of these two understandings of the state which much of the first wave of the globalisation debate rather uncritically reproduced.⁸⁹ It was a wave of theory motivated by the changes witnessed in terms of a vertical retreat, but it associated it with a horizontal erosion it had difficulty proving was taking place.

The second wave of the globalisation debate simply reasserted the fact that very little horizontal erosion of the state had actually taken place. The state was still a legally territorially-bound unit with a monopoly on the legitimate use of violence. The state remained sovereign, it remained the agent which acted on behalf of its respective national population, contracting with other sovereign states. The ‘territorial state’ was

⁸⁸ I prefer to avoid the term ‘nation-state’ in relation to the debates under examination here, given its added implication that language or culture are relevant characteristics of the state. See Benedict Anderson and Ernest Gellner for useful discussions of the development of ‘nation-states’, discussions which do not explain the existence of ‘the state’, as such, but do contribute to an understanding of discourses of nationalism surrounding ‘the territorial state’. Anderson 1983 [1991]; Gellner 1983.

⁸⁹ I am thinking here particularly of Horsman and Marshall, as discussed in the first chapter of this thesis. Horsman and Marshall 1994.

still in place. The less critical of the second wave used this evidence to suggest that no significant changes were taking place, a conclusion which involved simply ignoring much of the evidence of the vertical retreat of the state.⁹⁰ The more critical globalisation skeptics made their name suggesting that the retreat of the state thesis was overstated because horizontal dissolution had not taken place, but, given their attention to detail, were forced to acknowledge that much of what was being said about the vertical retreat of the state was true.⁹¹ Their way of squaring these two aspects was to say that the discussion of the vertical retreat of the state was self-fulfilling rhetoric, it did represent reality, but it also fed into the hands of those who were engaged in the project of the state's retreat, thus furthering the reality of that retreat. In this way they avoided analysing the vertical retreat of the state as anything more than the project of particular elites motivated by neo-liberal ideology, spurred on unwittingly by a disoriented majority. The possibility of the return to Keynesian capitalism is implicit in this critique, if only the ideological battle in its favour could be won.

The third wave of the globalisation debate attempted to have its cake, by explicitly acknowledging the events used to support an image of the vertical retreat of the state (eg. privatisation), and eat it, by claiming this was being done by a sovereign territorial state. Why this was taking place was not explained. Any kind of explanation reached a dead end in the 'circumstances' to which the state was responding. We were left only with the knowledge that the sovereign territorial state was capable of 'adapting' and this adaptive state was simply a 'different' model of the same old territorial state. It was then argued in chapter two that this understanding of the vertical retreat of the state, that it is simply a 'different' horizontal model, an

⁹⁰ The *Economist* is particularly guilty of this, as discussed in the first chapter, above.

⁹¹ As was the case for Hirst and Thompson. Hirst and Thompson 1996 [1999].

adaptive state (Weiss), a competition state (Cerny), an internationalised state (Cox), was as far as things had gone in the discipline of IPE given their neo-Weberian methodology. There was a description of the 'territorial state' not a theory of the 'state'.

What we have with the classical Marxist critique of the Weberian approach is a clear explanation of the vertical separation of the state from civil society, but it is not a theory of the state which can explain its horizontal dimension. There is a theory of 'the state' but not the 'territorial state'. The implications this has for our understanding of the 'retreat of the state' can be shown if we return to our example of privatisation.

The problem with privatisation for those concerned was not that the state was becoming less sovereign in the Weberian sense, but that it was becoming *more* sovereign in the Marxist sense, i.e. it was becoming more abstracted from civil society, more social relations were being privatised. Unfortunately, because Rosenberg has an ideal type model of the capitalist state within a privatised economy, the significance of the present period of privatisation eludes him. He cannot explain the period of nationalisation which preceded this period of privatisation and therefore he does not acknowledge that any significant change has taken place.⁹² For Rosenberg, as for Wood, capitalism *is* privatisation.⁹³

What we have discovered is that the 'separation of spheres' model of capitalism is based on an understanding which equates capitalism with privatisation, with the progressive abstraction of the state from the economic sphere.

⁹² Rosenberg 2000.

⁹³ Wood 1995, p. 37 refers to the transition from feudalism to capitalism using precisely the term 'privatisation'.

[T]he social functions of production and distribution, surplus extraction and appropriation, and the allocation of social labour are, so to speak, *privatised*, and they are achieved by non-authoritarian, non-political means.⁹⁴

The greater the degree of privatisation, the more capitalist the state.

It is quite unfortunate, given our task of making sense of the ‘apparent retreat of the state’, that this is a theory of capitalism which *only* recognises the state in retreat, in terms of its capitalist nature. There is no point of contrast, within the logic of capitalism, for these theorists, because the state should not at any point, within the logic of capitalism, be otherwise than in retreat. It should certainly not be directly involved in the production process. As Rosenberg notes, where it is, it is less sovereign and by implication, less capitalist.

Where it does do this, for example by extending its direct ownership through nationalisation, it can find that the sovereign character of its rule diminishes. It no longer stands over against civil society... The private despotism of the workplace becomes the public despotism of the state.⁹⁵

For Rosenberg the extent of a state’s nationalised sector, for purposes of war or for any other reason, is the extent to which it is a non-capitalist state.

This is a view shared by all the ‘separation of spheres’ theorists to varying degrees. It is clearly evident in the work of one of the earliest proponents of this view, Robert Brenner, who has stated that ‘the nationalised industries in the West during the post-war period’ and ‘state-directed economies of the East’ are non-capitalist economies.⁹⁶ He argues that they suffer in certain respects, ‘as does the capitalist economy’, but since they are ‘state-supported’ they are ‘unable, as does a capitalist economy to make use of competition’ to their benefit.⁹⁷ Brenner does not seem able to explain the nationalisation process in capitalist countries because, as for Rosenberg and Wood, capitalism is precisely about privatisation. Brenner states at one point that

⁹⁴ Wood 1995, p. 29.

⁹⁵ Rosenberg 1994, pp. 127-128.

⁹⁶ Brenner 1988, p. 23. What appears to be a conceptual confusion of industry and economy in the case of the West, is in the original.

⁹⁷ Brenner 1988, p. 23.

neither ‘social democratic bureaucracies in the west’ nor ‘actually existing socialisms’ see ‘increased state direction of the economy as a way out’ of economic crisis.⁹⁸ Yet, at no point does he explain why they should *ever* have followed this strategy, as both did.

Where the state plays a direct role in the economy as in the case of nationalised industries or war economies, this is evidence, for these theorists of ‘less-capitalist’ social relations. One of the anomalies which results from this sort of perspective is that the privatisation revolution of the last several decades can now be understood as most of the world becoming ‘more capitalist’ often under direct pressure from the United States through the IMF and World Bank, while the US itself, is becoming ‘less capitalist’, as it is currently on track to becoming one of the least privatised countries in the world, with an enormous public sector in defense.⁹⁹ We are, over the course of this thesis, seeking a more coherent understanding of capitalism to avoid these apparent absurdities.

3.5 Conclusion

In this chapter, I have attempted to show how an understanding of capitalism as ‘the apparent separation of state and market’ prevents us from moving beyond the limitations of the Weberian model of ‘the autonomy of states and markets’ because the former fails to explain the kind of structural changes within capitalism which the latter describes. This is unfortunate because it means that despite providing the most coherent critique of Weberian methodology, the ‘classical Marxism’ of Rosenberg loses its potential audience in IR and IPE due to an inability to engage with the kinds

⁹⁸ Brenner 1988, p. 24.

⁹⁹ Consider that the fiscal 1997 budget plan of the Department of Defense was \$265 billion, a sum which, Melman notes, ‘exceeds the economic product of entire nations’ Melman 1997, p. 313.

of questions which have dominated the discipline since the 1970s. This sustains a marginalisation of Marxism within the discipline that has been noted by many.¹⁰⁰

Rosenberg's major theoretical insights were levelled at Realist International Relations theory. He claimed to provide an *explanation* for what Realists could only *describe*: the anarchy of an international system of sovereign states. In fact, what he provided was an analogy, without explanation. He was unable to explain much of what Realists described and to the extent he was capable of explaining key features of a Realist image of the international, such as nationalised production and war, he compromised his own explication of capitalism. This chapter has provided a critique of the 'apparent separation of spheres' approach in general and Rosenberg's work, in particular, based on the fact that it is incapable of explaining much that we have come to understand as actually existing capitalism.

What begins to emerge from this discussion is that there exists a kind of stand-off between the best of critical IPE and the most 'classical' of Marxism in IR. If we return to Burnham's critique of Cox, he complained that:

[t]he true consequence of this [Cox's] position is to produce a pluralist empiricism which lacks the power to explain either the systematic connection between values, social relations and institutions or the extent to which the historical appearance of capital as a social relation transforms the social order in such a way that all relations are subsumed under the capital relation as the basis for valorisation.¹⁰¹

Leo Panitch has responded to this by saying,

[i]f the charge of empiricism is perhaps not entirely off the mark, the general level at which Burnham demands primacy to be given to 'the capital relation' is hardly any answer. Indeed, Cox would readily grant determination at this level but then ask: so what? [...] Burnham's critique of the Coxian approach for allegedly failing to recognise that 'the state meets the interests of capital-in-general by enforcing the discipline of the market through the rule of law and the rule of money', is entirely misplaced. Cox explicitly recognises this, as we have seen, as regards both the liberal state of the mid-19th century and

¹⁰⁰ Most often, Marx is included in order to demonstrate what constitutes bad political theory and Marxist are marginalised within the discipline. See Smith and Rupert for a recognition of this and a recent attempt to remedy it. Smith and Rupert 2002.

¹⁰¹ Burnham 1991, p. 77.

the hyperliberal state of the late 20th century; but what he wants to know is *what disciplines the state to do this – and what makes it do it again in another form in another historical conjuncture?* The role of the state is not best conceived as something given once and for all; but neither is it best conceived in terms of a transmission belt from the global economy to the national economy.¹⁰²

For Burnham, Rosenberg, Wood, and other theorists of the ‘apparent’ separation of political and economic spheres under capitalism, the state represents the interests of capital-in-general through enforcing the discipline of the market. What they cannot explain is why state-market relations should take such dramatically different forms in periods, for instance, of nationalisation and privatisation. The neo-Gramscians find the answer to this question in the notion of historic blocs, but, as we have shown above, this is more of a description than it is an explanation. In their concern to explain the changes within capitalism they lose some of the sense of totality of capitalist social relations. The Marxists however, in their attempt to retain the sense of totality, end up ignoring the changes within capitalism. In terms of the state’s representation of the interests of capital, Panitch is correct to ask *‘what disciplines the state to do this – and what makes it do it again in another form in another historical conjuncture?’*

Without an answer to this question of why capitalist state-market relations take such a variety of forms, Marxism is doomed to remain a minority approach to IR, sitting on the sidelines while capitalism unfolds in ever original ways. This lack of analysis prevents much academic Marxism from fully engaging in the debate over globalisation and the ‘retreat of the state’. Throughout the rest of this thesis, we develop an alternative ‘classical Marxist’ analysis of capitalism, rooted in Marx’s writings, and capable of explaining the changing structure of state-market relations, the shift back and forth between private and state ownership we have witnessed over

¹⁰² Panitch 1994, pp. 73-74. Italics mine.

the course of the twentieth century. We leave the theorists of the separation of spheres with a warning from Leon Trotsky, the sentiment of which is at the core of this thesis.

There is nothing more dangerous, than to throw out of reality, for the sake of logical completeness, elements which today violate your scheme and tomorrow may wholly overturn it...¹⁰³

¹⁰³ Trotsky 1972, pp. 254-256.

PART TWO

ACTUALLY EXISTING CAPITALISM: AN ALTERNATIVE TRADITION

We begin by revisiting the terrain covered by the thesis thus far, in order to remind ourselves of the objectives to be fulfilled by the alternative theory of capitalism to be sketched out in this part.

The point of departure for the thesis as a whole was the ‘privatisation revolution’, ongoing over the last two decades or more, during which there has been a dramatic shift in ownership and control from the state to the private sphere on a global scale. This real transfer of power is debated within the globalization literature in terms of whether or not the state is meaningfully ‘in retreat’. In the first chapter of the thesis, it was concluded that this is a superficial and unsatisfactory debate.

The second and third chapters of the thesis considered two approaches to state-market relations: Weberian and Marxist. It was argued that the first group of theorists analyse the social world from the point of view that ‘states’ and ‘market’ are ontologically distinct social forces. The latter group argue that they only appear that way under capitalism. It was concluded that the superficiality of mainstream globalisation theory can be attributed to the Weberian methodology which underpins it. The lack of an alternative explanation for the real structural changes we witness under the heading of globalization and privatisation, can be explained in terms of the high level of abstraction at which the classical Marxist approach operates. Intellectual impasse is reached

Hidden from this view is another reading of capitalism as it ‘actually exists’ which sees it as capable of taking a variety of state-market forms in order to ensure

the reproduction of capital on ever-expanding scale. This alternate tradition of classical Marxism will be outlined and elaborated upon over the next three chapters, through a critical analysis of a chain of theorists who have applied Marx's analysis of capital to the social relations of their day.

The work of these three chapters breaks down in the following way. In chapter four we will argue that in Marx and Engels own writings there exists the theoretical possibility that capitalism can take the form of state ownership and control of the means of production. In chapter five we will focus on the work of Hilferding, Bukharin and Lenin, to establish how this possibility became a reality in the imperialism and war of the early twentieth century. Finally in chapter six, we will look at the implications of this understanding of the 'state as capital' for making sense of the post-War and Cold War 'nationalisation revolution' in both the East and West, which preceded the recent global 'privatisation revolution'.

What is original to this thesis is the characterisation of the 'separation of spheres' theorists as 'volume one' theorists, theorists who have read volume one of *Capital* in relative abstraction from volumes two and three and applied its insights in a significantly misleading way. The implications of this for our understanding of state market relations under capitalism are laid out in chapter four. In chapter five, the original contribution is a rehabilitation of the writings of Hilferding and an analysis of them such that the influence they had over Bukharin and Lenin can be clearly examined. The centrality of Bukharin's writings for any Marxist understanding of International Relations, is also stressed here, while it has been seriously neglected in the discipline as a whole. Finally, in chapter six, a rethinking of the nature of what have been known as 'actually existing socialist' countries, employing the theory of capitalism developed in the previous two chapters, brings fresh controversy to our

understanding of twentieth century international relations, a period in history when state-market formations of various kinds have been starkly contrasted.

This section of the thesis represents the intellectual core of the thesis as a whole. Beyond this point, in the final chapter, we shall be in a position to begin to speculate as to how this alternative theory of capitalism may be used to explain the events we are currently witnessing, which fall under the heading of 'globalisation'.

Chapter Four

Rereading *Capital*: From Volume One to Volume Three

4.1 Introduction

This is the first of three chapters developing an alternative tradition of classical Marxism more capable of grasping the complexity of ‘actually existing capitalism’ than the ‘separation of spheres’ approach discussed in the last chapter. Specifically, we are interested in understanding capitalism as it has ‘actually existed’ including those instances where there has been state ownership and control of the means of production. In this chapter we are looking for evidence in the writings of Marx, and to a lesser extent Engels, of the theoretical possibility that capitalism can take this state form, a form at odds with the ‘separation of spheres’ model.

These three chapters begin with a look at Marx’s own understanding of capitalism because we are arguing for the *classical* Marxist credentials of this alternative approach. This means that the conclusions we reach over the course of these chapters, as to the capitalist nature of nationalized production, must be shown to have their basis in Marx’s own thought. It is important to stress this lineage to Marx for two key reasons. The first is that some of the theorists we will be examining in the next two chapters, are often misunderstood to have deviated considerably from Marx in the way in which they have applied Marx’s analysis to the social relations of their day. In other words, their status as legitimate heirs to the Marxist legacy has been debated. By examining the strand of analysis that runs

from Marx through these writers we will argue that there exists a development of, rather than a deviation from, Marx's own thought.

The second reason it is important to establish the classical nature of this alternative tradition is that the 'separation of spheres' theorists have stressed the extent to which it is they who directly apply Marx's analysis of capital to making sense of contemporary capitalism. In this way they claim to have deviated least from his approach and therefore to be most capable of applying his analysis to make sense of contemporary capitalism. In this chapter I will argue that their 'direct' application of some of Marx's writings in fact operates against the meaning of his writings as a whole.

In this chapter, we will make the argument that the 'separation of spheres' theorists have tended to focus on the analysis contained in volume one of Marx's *Capital* to the relative exclusion of volumes two and three, with significant implications for their understanding of the nature of capitalism. We will refer to the 'separation of spheres' theorists from now on, not as 'classical Marxists; but as 'volume one' theorists. What will be argued is that, as Marx moves from volume one to volume three of *Capital*, there emerges the basis for an alternative tradition of classical Marxism which differs from the 'separation of spheres' variety in the way in which it understands the *geographical scope*, *historical trajectory* and *core dynamic* of capitalism. The fact that this critique is so fundamental — relating as it does to the *space*, *time* and *motion* of capitalism — can be understood in terms of the dialectical approach taken by Marx throughout the three volumes. This is explained in the section which follows.

We will start the chapter with a discussion of Marx's dialectical method. The main body of the chapter then compares the image we may derive of the

geographical scope, historical trajectory and core dynamic of capitalism from reading volume one alone, and that which comes into view upon reading the three volumes of *Capital* together. What becomes apparent is that from our new understanding of the ‘space, time and motion’ of capitalism emerges the theoretical possibility that capitalism can take the form of state ownership and control of the means of production, a possibility which the ‘apparent separation of spheres’ approach denies.

4.2. The Dialectical Method in *Capital*

It is claimed above that those theorists who subscribe to a view of capitalism in terms of the ‘apparent separation of spheres’ might best be understood as ‘volume one’ theorists of capitalism.¹ What does it mean to have formed one’s analysis of capitalism on the basis of volume one, in relative exclusion to two and three? How are the volumes of *Capital* related?

Volume one is arguably the richest of the three volumes of *Capital* and is the only one completed in Marx’s lifetime.² In this first volume we are given essential conceptual building blocks for understanding capitalism, without which the remaining two volumes would be incomprehensible.³ But however indispensable the insights of volume one, they are not, on their own, sufficient for

¹ Of course, given that some of the features of volumes two and three inform our understanding of one, of the essence of capitalism, it may be more correct to say that these theorists are not even complete ‘volume one’ theorists. I thank Colin Barker for this observation, that without the analysis of ‘many capitals’ in volume three, we cannot really make sense of the essence of capital as rooted in the commodity, exchange and money, explored in volume one. The label works however as it indicates the limitations of an understanding of capitalism which relies on volume one alone.

² The other two were edited together by Engels who pulled Marx’s disparate writings into a coherent text. See Engels’ introductions to volumes two and three for his account of the difficulties he faced in doing this. Marx 1978, Marx 1981.

³ See Rosdolsky 1977, pp. 41-50 for a useful discussion of the relationship between the three volumes.

making sense of all that Marx understood to be the ‘laws of motion’ of the capitalist mode of production. Part of the reason for this stems from Marx’s method over these three texts. Rather than simply providing additional information, volumes two and three offer the opportunity to reinterpret the abstractions, or essences, of volume one, in light of the greater approximation to appearance found in the latter two books. It is for this reason that any *direct* application of the ideas of volume one to the complex reality of ‘actually existing capitalism’ may be misleading.

Marx’s method in *Capital* is one of ‘dialectical materialism’, a complex apparatus of conceptual abstractions that provide a strategy for understanding the world. It is impossible, within the confines of this thesis, to provide an adequate examination of this method, which is, in any case, the subject of considerable debate among Marxists.⁴ As David Harvey notes, Marx, himself, never clearly stated the principles of dialectical materialism, preferring instead that the method be understood by following its application throughout *Capital*.⁵ There are, however, a few places in Marx’s notebooks where he does make specific reference to his method and these have been usefully drawn out by Harvey into a clear and coherent discussion of key elements of the dialectical materialist method which we shall look at below.

First however we shall consider Marx’s own limited writings on his method. The most developed explanation of his method in *Capital* can be found in the introduction to the *Grundrisse*, the notebooks in which he planned his critique of political economy. Marx begins the *Grundrisse* with an identification of the

⁴ See Bhaskar 1993 for a discussion of the many different Marxist approaches to the dialectic.

⁵ Harvey 1982 [1999], p. 48.

object of political economy: 'individuals producing in society'.⁶ The methodological starting point here is 'the concrete'. Marx argues that however obvious a starting point this might appear, it is a flawed one. To explain what he means, he takes the example of beginning with the concrete observation of 'the population'. He describes this as a 'chaotic conception of the whole' which requires further determination, a movement toward ever more simple concepts, ever more abstract determinations. In his own analysis this involves seeing in the population, classes, and in classes, wage labour and capital, and in those two abstractions, exchange, a division of labour and prices, and on and on.⁷ Each level presupposes the next.

In this way Marx has started with a living whole, the population and concluded by 'discovering through analysis a small number of determinant, abstract, general relations such as division of labour, money and value.'⁸ 'From there', he says, 'the journey would have to be retraced until I had finally arrived at the population again, but this time not as a chaotic conception of a whole, but as a rich totality of many determinations and relations.'⁹ This movement from abstract to concrete is the correct method according to Marx because in this way we arrive at a concrete which is concrete 'because it is the concentration of many determinations, hence unity of diverse'.¹⁰ He argues that 'the method of rising from the abstract to the concrete is the only way in which thought appropriates the concrete, reproduces it as concrete in the mind.'¹¹

⁶ Marx 1973 [1999], p. 83.

⁷ This is obviously not the only way of making sense of the population as a concrete determination. In neo-classical economics or modern jurisprudence, for example, class would usually be replaced by individuals as an abstraction from population.

⁸ Marx 1973 [1999], p. 100.

⁹ Marx 1973 [1999], p. 100.

¹⁰ Marx 1973 [1999], p. 101.

¹¹ Marx 1973 [1999], p. 101. To illustrate this we can take the banal example of a Toyota Corolla, it is only as a sub category of vehicles, of products mass-produced, of imported goods, etc that we can

Toward the end of the introduction to the *Grundrisse* Marx very usefully goes on to map out his path of analysis from the abstract to the concrete and not only for the first three books of *Capital*, but beyond.

The order obviously has to be (1) the general, abstract determinants which obtain in more or less all forms of society, but in the above-explained sense. (2) The categories which make up the inner structure of bourgeois society and on which the fundamental classes rest. Capital, wage labour, landed property. Their interrelation. Town and country. The three great social classes. Exchange between them. Circulation. Credit system (private). (3) Concentration of bourgeois society in the form of the state. Viewed in relation to itself. The 'unproductive' classes. Taxes. State debt. Public credit. The population. The colonies. Emigration. (4) The international relation of production. International division of labour. International exchange. Export and import. Rate of exchange. (5) The world market and crises.¹²

That Marx did not complete the series of books he intended to write¹³ has been an ongoing source of frustration, particularly for those Marxists who have attempted to derive from *Capital* explanations for more complex social formations like the state.¹⁴ This is because, these social formations are by no means easily read-off from the more general abstractions of *Capital*. As Marx's discussion of his method quite clearly indicates, each level presupposes the next. To take the first example in *Capital* 'the commodity', it presupposes later discussions of wage labour and capital, which themselves presuppose concepts still to come. The original illumination of the commodity must be constantly recast in light of those later discussions.¹⁵

If we take this basic principle and apply it to *Capital* volumes one to three, we have to accept that there are mediations introduced over the course of the three

appropriate it in our mind, that we can make sense of it as a kind of car. A person from a different time period would have different abstract categories and would be unable to appropriate the Corolla in their mind in those terms. The most domestic and uninteresting objects, to us, could, to them, appear as gods or monsters, on the basis of a different set of abstract categories.

¹² Marx 1973 [1999], p. 108.

¹³ See Rosdolsky 1977 for a detailed discussion of Marx's plans for completing *Capital* and continuing with studies which would have included a book on the state.

¹⁴ See the state-derivation theorists discussed in Clarke 1991.

books which inform the earlier concepts.¹⁶ To try and apply the more abstract categories to ‘the real world’ directly would therefore be a mistake. It is this that the ‘volume one’ theorists may be prone to do. It is not that these abstractions are not in themselves ‘real’, but simply that they remain real in essence and not in appearance.¹⁷ Any direct application to reality would therefore be distorting. Rosenberg’s theory of international relations derived, as it is, *directly* from the ‘real abstractions’ Marx develops in volume one represents perhaps the most ambitious attempt to move directly from (1) to (5) above. This, it has been suggested in the previous chapter, may explain why it is forced to limit its application to a particularly crude or superficial image of reality corresponding with the realist theory of International Relations.

The meaning of what is ‘real’ in essence and appearance has been well-explained by Ernest Mandel in the introduction to *Capital* volume one.

[F]or Marx, the materialist dialectician, the distinction between ‘essence’ and ‘appearance’ in no sense implies that ‘appearance’ is less ‘real’ than ‘essence’... The distinction between essence and appearance refers to different levels of determination, that is in the last analysis to the process of cognition, not to different degrees of reality. To explain the capitalist mode of production in its totality it is wholly insufficient to understand simply the basic ‘essence’ the ‘law of value’. It is necessary to integrate ‘essence’ and ‘appearance’ through all their intermediate mediating links, to explain how and why a given ‘essence’ appears in given concrete forms and not others’¹⁸

In the introduction to *Capital* volume three Mandel describes Volumes 1 and 2 as ‘initial stages in an analysis whose final aim is to explain how the system concretely operates – in “essence” as in “appearance”’. According to Mandel, such

¹⁵ Being left with what we have is a bit like being left directions from the centre of a maze to a mid way point. We have first to get in, in order to find the way out

¹⁶ Lebowitz 1992 represents one of the most serious attempts to consider what it would mean to complete the remaining books and what the limitations on our understanding of *Capital* are without them. He does not however really escape the ‘volume one’ logic. On this see Barker 2004.

¹⁷ In brief, an abstraction is real insofar as it is a means through which we can appropriate reality. In a sense, the more abstract a concept, the more ‘real’ because it refers to that which is most general to capitalism, that which always exists. Barker 2003 personal correspondence.

an explanation of the capitalist economy in its totality is precisely the object of volume three.’¹⁹ Given the other books that Marx intended, we must remember that even volume three cannot be directly applied to reality. What is the case, however, is that the analysis of production in volume one is brought together with the analysis of circulation in volume two, and developed into an analysis of the ‘capitalist mode of production as a whole’ in volume three. It is argued here that the additional mediations involved are sufficient to have dramatic implications for the way in which we understand capitalism to operate.

It is with this in mind that Harvey describes, Marx’s method in *Capital* as looking at a phenomenon through one window, then another and then yet another. Citing Ollman²⁰ Harvey argues that this is ‘the purpose of multiple and relational approaches to phenomenon’, ‘to try to identify a restricted number of very general underlying processes which simultaneously *unify and differentiate* the phenomena we see in the world around us.’²¹ It is interesting to note how different this methodology is from that so common to most social science in which ‘things’ and ‘processes’ are assumed to be irreducible to one another, a view which is, in fact, a point of principle among the Weberian-influenced social theorists we discussed in chapter two of this thesis. It is on this basis that they criticise Marx for reducing one set of processes and things (politics, ideology, war, etc.) to another set of processes and things (economics). Whereas, in fact, as Harvey very usefully points out, if there is any reductionism in Marx it is not toward particular, (i.e. economic), things and processes, but to *processes over things*, ‘to an understanding of

¹⁸ Mandel 1976, p. 20. Mandel wrote the introductions to all three volumes of *Capital* published by Penguin in 1976, 1978 and 1981.

¹⁹ Mandel 1976, p. 10.

²⁰ Ollman 1993.

²¹ Harvey 1996, p. 58.

common generative processes and relations'.²² This is a kind of 'process reductionism', which in dialectical terms is entirely justified.

Harvey has drawn out a number of dialectical principles that can usefully inform our understanding of the *geographic scope*, *historical trajectory* and *core dynamic* of capitalism. This first, mentioned above, is that a dialectical approach emphasizes processes or flows, over structures or things, understanding the latter as a result of the former. The empiricist's self-evident world becomes a complex environment in which all things are manifestations of relations.²³ This is important for our understanding of the *core dynamic* of capitalism and how it may be manifest through different social structures over time.

Second, is the idea that things or events are constituted out of 'flows, processes and relations, operating within bounded fields which constitute structured systems or wholes'.²⁴ To understand how structures relate to a structured whole, you need to look at the processes by which both are constituted. In other words, where we draw boundaries in terms of *geographic scope* is not something that can be established other than by reference to the process under examination. This is made even clearer in Harvey's next point, which is that things are internally heterogenous at every level in that every thing or structure can be seen to contain other things or structures that can be broken down ad infinitum. Given that every thing is heterogenous we can *only* make sense of things by understanding the relative significance of the processes they internalise from an environment whose

²² He goes on to say, '[i]n this way we can conceive, for example, of a common process of capital circulation giving rise to an infinite variety of... social forms.' Harvey 1996, p. 58. This is a statement which bodes well for an understanding of capitalist state ownership and control of production.

²³ Harvey gives the example of factories and cities, in future chapters we will be aware of structures like corporations, banks, trusts and states in terms of how they manifest in a particular way as a result of a common set of flows, the accumulation of capital of an ever-expanding scale.

²⁴ Harvey 1996, p. 50.

boundaries cannot be established *a priori*.²⁵ The *geographic scope* of capitalism must be understood in terms of the flows of capitalist social relations, not through assumptions that may serve other social purposes.

Finally, in terms relevant to our analysis of both *geographic scope* and *historical trajectory*, ‘processes do not operate in, but actively create space and time and in doing so, distinctive scales for their development’.²⁶ To this Harvey adds the idea that parts and wholes are mutually constitutive of each other. This relationship goes beyond the model of a ‘feedback loop’ to a situation in which the whole reconstitutes the parts, which in turn reconstitute the whole, there is an ‘interchangeability of cause and effect’.²⁷ This will be shown to be an important principle both in terms of how we understand the *historical trajectory* of capitalism, but also in terms of how particular units of social organization found under capitalism, for example states or corporations, relate to the whole *geographic scope* of capitalism in a global economy and the nature of the process of capitalist development, its *core dynamic*.

Throughout the course of this chapter, we will focus almost exclusively on Marx and Engels writings in the three volumes of *Capital*.²⁸ As mentioned above, we will be uncovering the basis for a theory of capitalism that differs from the ‘volume one’ variety in *geographical scope*, *historical trajectory* and *core*

²⁵ This is an important aspect of the approach to international relations that we are developing, in that the relative significance of states, for instance, cannot be established *a priori*.

²⁶ Harvey 1996, p. 50. The question of scale is an extremely important one that we will be coming to in chapters 7 and 8. Neil Smith 1984, pp. 135-147 provides a useful discussion of ‘the spatial scales of capital’.

²⁷ Harvey 1996, p. 50, quoting Levins and Lewontin 1985, p. 274. This point is of particular relevance to Bukharin’s theory of state capitalism, which we will discuss in the next chapter, in which capital becomes organised nationally *because* of international competition which is itself fierce *because* of capital’s organising itself on a national scale.

²⁸ There are other writings by Marx and Engels which arguably form the basis for a theory of actually-existing capitalism, and a few will be referenced here. But it is *Capital* Volumes 1-3, Marx’s great work that Engels was instrumental in developing and completing, that presents their analysis of capitalism in its strongest form.

dynamic. The fact that this critique is so fundamental is a consequence of the dialectical approach outlined above. As Mandel indicated, the problem with the ‘volume one’ approach is not that it is wrong—essence is no less real than appearance—but that it is operating at an advanced level of abstraction inappropriate for direct mapping onto the real world. Within this image of capitalism, its scope, its trajectory and its dynamic, are interrelated and mutually reinforcing, each appears true given the others. By changing one of these characteristics to that which more closely approximates capitalism as it ‘actually exists’, we can begin to problematise the other two. We will start by looking at the geographical scope of the capitalist mode of production and then deal with the other dimensions in turn.

4.3 Geographical Scope of Capital

What is meant by ‘geographical scope’ here is the social unit of analysis in which the capitalist mode of production might be understood, in other words, the ‘society’ to which it might apply. This relates to the dialectical principle discussed above which asserts that the boundaries of the environment within which heterogeneous things internalise processes cannot be established *a priori*. It will be argued that the ‘volume one’ theorists have done just that by naturalising the category of the nation-state or country as the social unit of analysis of capitalism. While they would acknowledge the existence of a capitalist world market, they see individual nation-states or countries, as societies within which capitalist relations may or may not prevail. This is implicit in their definition of capitalism – as a

separation out of a 'purely political' state from its respective civil society – and is reinforced by a particular reading of *Capital* volume one. How this view might be altered in light of the insights provided by volumes 2 and 3 is the subject of this section.

4.3.1 *The Country Model of Capitalism*

In a review of Ellen Wood's *Pristine Culture of Capitalism*, Colin Barker suggests that Wood may share with the 'British Marxist historians'²⁹ a tendency to 'see the development of the world in terms of single countries, taken one at a time.' He questions whether these historians 'entirely overcame the 'national' way of thinking that became predominant within most Marxism from the mid-1920s'.³⁰ Wood, a great, although not uncritical, admirer of E P Thompson's work,³¹ developed her own analysis of the development of capitalism in relation to what Thompson termed 'the peculiarities of the English'. Barker notes that Wood refers in the *Pristine Culture of Capitalism* to England as 'the world's first capitalist society' and that 'she also refers in passing to "other capitalist economies" as if these were discrete entities.' While acknowledging that this may simply be a useful shorthand, he considers whether there might be more behind it. He raises what is a central question in relation to volume one Marxism: '*is it appropriate to treat a country as equivalent to a society?*'³²

Obviously on one level nearly any specified group can be treated as equivalent to a 'society'. Barker is asking whether a country is a meaningful social

²⁹ Most notably Christopher Hill and E P Thompson.

³⁰ Barker 1997, p. 54.

³¹ See Wood 1995, especially chapter 2.

³² Barker 1997, p. 54. Italics mine.

unit for analysing the capitalist mode of production. His answer quite clearly is 'no'. For 'volume one' Marxists the answer appears to be 'yes'. In fact, as the last chapter suggests, it seems to be extremely common practice among contemporary Marxists to distinguish capitalist and non-capitalist 'societies' or 'economies' along country lines, as in the case of 'non-capitalist' Germany versus 'capitalist' England in the Second World War. Moreover, this is done without specific theorisation of the way in which the borders of a territorial state might delineate the boundaries of a mode of production. This naturalisation of the territorial state appears to be an unresolved tension in 'volume one' Marxism which goes unchallenged by their definition of capitalism as a separation of spheres.

Rosenberg's work represents this tension in stark form because he concedes a very large role to the global dimension of capitalism. Acutely aware of the significance of the *international* or *global* spread of the capitalist economy, a.k.a the 'empire of civil society', Rosenberg nevertheless clings to a *national* model of capitalism politically, the 'bordered, sovereign state'.³³ This tension in Rosenberg's thought and his ultimate commitment to a country model of capitalism become clear when, in a short article, he attempts to employ the insights of Trotsky's theory of combined and uneven development.³⁴ Trotsky observed that capital was not creating 'a world after its own image',³⁵ instead it was developing unevenly on a global scale and combining to produce unstable social formations.³⁶

³³ Rosenberg 1994, p. 146.

³⁴ It is interesting that Barker suggests Wood and the 'British Marxist historians' may not have taken the country model path of analysis if they had considered Trotsky's theory of 'uneven and combined development'. Barker 1997, p. 54. And yet, as we shall see, Rosenberg manages to employ precisely that theory to come to even more nation-state-centric conclusions about capitalist and non-capitalist societies.

³⁵ Marx 1967, p.84.

³⁶ Trotsky 1962. See also Löwy 1981 on 'combined and uneven development'.

Rosenberg takes from this that capitalism spreads internationally leaving in its wake, 'capitalist' and 'non-capitalist' societies. He claims that, 'capital did indeed create one world, but not a homogeneous one fashioned in the image of the capitalist societies at its centre.'³⁷ Nazi Germany and Stalinist Russia, for instance, are, for Rosenberg, the result of international capitalism but not themselves capitalist. This places a great deal of emphasis on the territorial state unit to set the parameters of capitalist society.

Perhaps as a result of his own discomfort about the way this sounds—capitalism producing capitalism and non-capitalism—Rosenberg then appears to move the goal posts. He states that the 'uneven and combined development' of capitalism internationally 'threw up *within its own movement* the tormented political forms which liberalism has then confronted as its military competitors.'³⁸ He has swapped 'capitalist society' for 'liberalism' to avoid the formulation that capitalism on a global scale threw up forms which capitalism on a national scale then confronted.

But this is exactly what he is saying. He recognises that 'liberalism, fascism and Stalinism... for all their differences, were actually not separate historical experiences'³⁹ they must be located within the uneven and combined development of global capitalism. And yet, of these three different formations, *all* produced by uneven and combined capitalism, only one of them, the liberal model, is, for Rosenberg, capitalist.

Rosenberg's uncritical approach to territorial states as the societies of capitalism can also be found elsewhere. In *Empire of Civil Society* Rosenberg asks

³⁷ Rosenberg 1998, p. 8.

³⁸ Rosenberg 1998, p. 13.

³⁹ Rosenberg 1998, p. 11.

‘is there an ontological difference between society and the international system?’⁴⁰ he answers that there is not. What he means by this is that both are comprised of social relations and therefore, *contre* Wight,⁴¹ the level of the international should be just as amenable to social theory. However, Rosenberg’s use of an analogy between units of capital within a state and states within an international system, suggests he is unaware of what is a profound ontological difference between society as he has conceived it (a country) and the international system. The former is a *part* of the latter, which is a *whole*. In contrast to Rosenberg, I would argue that the former (a country) *cannot* be seen as a whole analogous to the latter (international society), which *is* a whole when it comes to analyzing capitalist social relations. It is totality, not analogy, which counts.

This is not however to suggest that the totality is an undifferentiated whole. As David Harvey usefully points out in reference to ‘capital in general’, a totality is a differentiated unity, which is heterogenous and often internally contradictory. ‘The discovery of which of these internal differentiations has primacy or significance depends on the historical geographical and theoretical interrogation of material circumstances’.⁴² In other words, it is through analysis of the processes under consideration that we can determine divisions within a whole and the whole itself.

The country model is implicit in the ‘volume one’ definition of capitalism and it is determined *a priori*. This is part of the mutual reinforcement of dimensions referred to earlier: the ‘country’ social unit supports the state/private property definition of capitalism and vice versa. For the ‘volume one theorist’, the separation out of the ‘purely political’ state from its respective civil society is what

⁴⁰ Rosenberg 1994, p. 54.

makes or breaks capitalist social relations. Looking around the world Rosenberg sees one sovereign state authority per territorial state. To find out if they are capitalist he simply checks, *one by one*, whether the state authorities in these territories stand outside a distinct private sphere of surplus extraction.

Has the 'British Marxist historians' tendency to 'see the development of the world in terms of single countries, taken one at a time' been overcome? It would appear not.

4.3.2 Reading Capital

In reading volume one, what is most striking is the artful way in which Marx manages to delineate no geographical boundaries whatsoever. He speaks endlessly of 'social relations', refers occasionally to the 'world of commodities'⁴³, but also provides examples in which a particular country appears to be the relevant unit of analysis.⁴⁴ As Wallerstein comments, 'the geographical boundaries to which the analysis applies are obscure.'⁴⁵ The reason for this is that Marx has made an assumption in volume one, which does away with the international aspect of capitalist systems.

In order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world as one nation and assume that capitalist production is everywhere established and has possessed itself of every branch of industry.⁴⁶

⁴¹ Wight 1966.

⁴² Harvey 1996, p. 66.

⁴³ Marx 1976, pp. 165, 168.

⁴⁴ See in particular Chapter 10 'The working day' where most examples are drawn from England and relate to English law and society. Marx 1976, pp. 340-416.

⁴⁵ Wallerstein in Bottomore 1991, p. 590.

⁴⁶ Marx 1976, p. 727. Rosenberg is quite seriously mistaken to assume from this that 'Marx's analysis is conducted at the level of "domestic" social reproduction.' Rosenberg 1994, p. 154.

What is under analysis in volume one, according to Roman Rosdolsky's careful interpretation, is what Marx described as 'capital in general'.⁴⁷ For Rosdolsky this refers to that which all capitals have in common: valorisation.⁴⁸ This focus on valorisation is evidence of what we discussed above as the 'process reductionism' of Marx's dialectical method. He is concerned in volume one with 'capital becoming' and the most general principles involved in that process. For this purpose, he has abstracted from actual geographical scale, which will have to be reintegrated through a series of mediations at a later point.

For now, however, what we learn in volume one, among other things, is that labour power is the source of surplus value in production. All the other 'factors of production' machinery, tools, etc. contain value and transfer it to the end product, but labour-power alone is capable of creating value. It is by employing wage labour to produce commodities that capitalists valorise their capital. So far so good, as this is the basis of Marx's 'labour theory of value'.

But a problem arises when we look at the different composition of capitals in different sectors of production. On the basis of the assumptions above we would expect to find the highest rates of surplus value, and therefore profit, in those fields of industry which employ the most labour power relative to other factors of production. But, empirically this is not the case. Moreover, according to Marx,

no such variation in the average rate of profit exists between different branches of industry, and it could not exist without abolishing the entire system of capitalist production.⁴⁹

⁴⁷ 'The first two volumes of *Capital* do not fundamentally go beyond the analysis of 'capital in general', the third volume is the place where competition, credit and share capital are introduced...' Rosdolsky 1977, p. 41. For references to Marx's letter to Krugelman 28 Dec, 1862 and other instances of the use of 'capital in general' see Rosdolsky 1977, pp. 41-42.

⁴⁸ Rosdolsky 1977, p. 43.

⁴⁹ Marx 1981, p. 253.

This is a serious puzzle in the labour theory of value, which is not adequately addressed until chapter eight of volume three. At this point in *Capital* we finally drop the assumption that individual commodities exchange in proportion to the value contained within them. We leave behind the idea that the surplus value accruing to each capitalist is the result of the labour-power of the workers that a particular capitalist employs. Instead Marx explains that through a process of competition between many capitals the rate of profit is averaged out.

As Rosdolsky points out, competition between ‘many capitals’ rather than ‘capital in general’ is the object of analysis in volume three. Under conditions of competition, capitals constantly seek out those sectors with higher ratios of labour power because, as we would expect from the assumptions of volume one, they are the most profitable. But, a flooding of capital to these areas creates too much competition, an excess of production, a lowering of demand and therefore price, which affects the rate of profit obtainable in that sphere. Capital continues to move in search of higher rates of profit but competition ensures that a higher rate of profit in any sector does not last long.⁵⁰ On aggregate, through this competitive process of seeking the highest rate of profit, the profit rate is equalised.

This constant migration, the distribution of capital between the different spheres according to where the profit rate is rising and where it is falling is what produces a relationship between supply and demand such that the average profit is the same in the various different spheres, and values are therefore transformed into various prices of production.⁵¹

Prices of production are equal to the cost of producing the commodity plus the average rate of profit applied to that cost price. This means that surplus value which can potentially be *realised*, as opposed to created, in a particular sector of

⁵⁰ Obviously this assumes ‘perfect competition’ without monopoly or other barriers to trade. This is another of Marx’s ‘necessary abstractions’. It is necessary to grasp the workings of capital under conditions of unhindered competition before introducing the distorting effects of competition modified by monopoly and other interferences.

⁵¹ Marx 1981, p. 297.

capital depends on the size of the capital, regardless of its composition, and on the general rate of profit of the *total social capital*.

This has been a very brief and simplified account of Marx's argument in volume three, but it should be obvious nonetheless that this introduction of 'many capitals' and a profit rate based on *total social capital* marks a dramatic shift in perspective from volume one. As Rubin states,

[I]t is hard to overstate the importance of the analysis of 'the transformation of values into prices of production' since it is the key that links the abstract theory of surplus value to the actual day to day workings of the capitalist economy.⁵²

It is clear that Marx saw the third volume of *Capital* as introducing a qualitatively new dimension, more than the sum of insights from Volumes 1 and 2. In fact, he stresses at the beginning of volume three that he has already shown in volume two that 'the capitalist production process taken as a whole is a unity of the production and circulation processes' so,

[i]t cannot be the purpose of the present, third volume simply to make general reflections on this unity. Our concern is rather to discover and present the concrete forms which grow out of *the process of capital's movement considered as a whole*.⁵³

What volume three shows is that surplus value in a given bourgeois society *as a whole* is the starting point for the allocation of individual profit. Marx considered this insight to be his original contribution to the labour theory of value revealed for the first time in *Capital* volume three.⁵⁴

The individual capitalist (or alternatively the sum total of capitalists in a particular sphere of production), whose vision is a restricted one, is right in believing that his profit does not derive just from the labour employed by him or employed in his own branch. This is quite correct as far as his average profit goes. How much this profit is mediated by the overall exploitation of labour by capital as a whole, i.e. by all his fellow-capitalists, this interconnection is a complete mystery to him, and the

⁵² Rubin 1972, p. 135.

⁵³ Marx 1981, p. 117.

⁵⁴ Harvey 1982, p. 61.

more so in that even the bourgeois theorists, the political economists, have not yet revealed it.⁵⁵

Marx revealed that the profit of any individual capitalist is entirely mediated by the exploitation of labour by capital *as a whole*. The totality of the social relations of capital is logically prior to the parts. The surplus value realised by individual capitals has as its prerequisite the *total social capital* of which it is merely an aliquot part. To what geographical space does 'total social capital' correspond? To what else could 'total social capital' be taken to refer, except 'all the capital in the world' or 'global capital'?

4.3.3 *The Society of Capital*

Is it that individuals create society or that society creates individuals? It is both. This question relates to another principle of dialectical materialism that we introduced above: parts and wholes are mutually constitutive of each other. Having reached volume three of *Capital* we can see quite clearly that society, 'total social capital', creates individuals, 'the profits of individual capitalists' as much as 'the profits of individual capitalists' creates 'total social capital'. If we imagine only the latter scenario, we are at risk of performing a simple addition of profits of individuals within a certain geographical space and coming to the conclusion that the result is simply the total social capital of that space.

In volume one where the assumption holds that values translate directly into prices each individual unit of capital appears relatively self-contained. It becomes possible therefore to draw the borders of society in a more *a priori* fashion, around the individual profits of the country's nationals without regard for

⁵⁵ Marx 1981, p. 270.

actual processes and flows of capital between what may be considered by volume one theorists as capitalist and non-capitalist states, e.g. between England and Nazi Germany. But with the indication from Marx, in volume three, that the appropriate model of 'society' for making sense of the capitalist mode of production is that which corresponds to 'total social capital' we are forced to reject any *a priori* specifications of geographical space. We are forced to consider the boundaries of 'total social capital'. What indication do we have of what that might mean, beyond the idea that it is this social dimension which creates the individual dimension?

Obviously we cannot speak of 'total social capital' on a truly global scale from the moment capitalist relations of production first begin to develop. We must recognize that capitalism starts as an international system differentiated into states, but this international system is quite small to begin with and then expands outwards.⁵⁶ Equally, we should note that many parts of the world became integrated into a global network of capitalist relations, i.e. played a role in the establishment of 'total social capital' on a global scale, before they developed the boundaries and infrastructure of nation-states. This, after all, was the nature of Empire. We could argue that in India and China, for instance, capitalism preceded the state. It certainly preceded the modern, sovereign territorial nation-state.

In *The German Ideology* Marx provides the following example to illustrate the way in which the world market has developed world history and '*world-historical, empirically universal individuals in place of local ones*'.⁵⁷

Thus, for instance, if in England a machine is invented, which deprives countless workers of bread in India and China, and overturns the whole form of existence of these empires, this invention becomes a world historical fact.

⁵⁶ The World Systems theory model of capitalism grasps the fact of expansion, but is too limited in the way it depicts the method of that expansion as a relationship between a core, semi-periphery and periphery of states.

⁵⁷ Marx 1974, p. 56.

[T]his transformation of history into world history is... quite a materially verifiable act, an act the proof of which every individual furnishes as he comes and goes, eats, drinks and cloaks himself.⁵⁸

That the world is the 'society' relevant for making sense of the capitalist mode of production, has great political as well as analytical significance for Marx. The world market makes possible for the first time 'the world-historical cooperation of individuals' which he sees as the prerequisite for a global communist society.⁵⁹

Empirically communism is only possible as the act of the dominant peoples 'all at once' and simultaneously, which presupposes the universal development of productive forces and the world intercourse bound up with communism.⁶⁰

Marx believed that communism was possible only because he also believed that capitalism was global and therefore the agent of change was global. 'The mass of propertyless workers... presupposes *the world market* through competition. The proletariat can thus only exist world historically.'⁶¹ This image of the emancipatory potential of the totality is one of the unique features of Marx's thought, as Barker notes.

Marxism is the only theory with the ambition to capture simultaneously the nature of global society as a single capitalist system and the practical prospect of humanity's self-emancipation from that system.⁶²

But how do we respond to Rosenberg's argument regarding combined and uneven development, that the world *market* may be capitalist, i.e. in terms of exchange, but it gives rise to capitalist and non-capitalist nation-states in terms of the relations of production which adhere within? The problem with this conception is that it separates exchange and production on the basis of an assumption about the nation-state boundedness of the mode of production. Marx had quite a different view.

⁵⁸ Marx 1974, p. 58.

⁵⁹ Marx 1974, p. 55.

⁶⁰ Marx 1974, p. 56.

⁶¹ Marx 1974, p. 56.

The conclusion we reach is not that production, distribution, exchange and consumption are identical, but that they all form the members of a totality, distinctions within a unity. Production predominates not only over itself, in the antithetical definition of production, but over the other moments as well. The process always returns to production to begin anew. That exchange and consumption cannot be predominant is self-evident. Likewise, distribution as distribution of products; while as distribution of the agents of production it is itself a moment of production. A definite production thus determines a definite consumption, distribution and exchange as well as definite relations between these different moments. Admittedly, however, in its one-sided form, production is itself determined by the other moments. For example if the market, i.e. the sphere of exchange, expands, then production grows in quantity and the divisions between its different branches become deeper. A change in distribution changes production, e.g. concentration of capital, different distribution of the population between town and country, etc. Finally, the needs of consumption determine production. *Mutual interaction takes place between the different moments. This the case with every organic whole.*⁶³

We can apply the following quote from the *Grundrisse* to capitalist global society to see how much sense Marx would have made of the idea that Nazi Germany was not a capitalist state, despite the capitalist mode of production having created a world market.

In all forms of society there is one specific kind of production which predominates over the rest, whose relations thus assign rank and influence to the others. It is a general illumination which bathes all the other colours and modifies their particularity. It is a particular ether which determines the specific gravity of every being which has materialised within it.⁶⁴

What Marx is saying is that the character of a given society's constituent parts is determined by the mode of production which dominates, in this case, at the global level.

It is striking how much this approach shares with Wood's own answer to a rather different question, of whether pre-capitalist social relations might exist alongside capitalist social relations. The parallels between the two positions reveal the tension in Wood's thought. In the following passage, which is an elaboration on the quote by Marx above, it becomes clear that despite Wood's reluctance to

⁶² Barker 1997, p. 23.

⁶³ Marx 1973 [1999], pp. 98-99. *Italics mine.*

take it to its logical conclusion at the level of global capitalist society, she firmly agrees with the analytical approach as applied *within* a territorial state:

- a) 'form of society' refers to something like... capitalism (or bourgeois society), not simply an individual and unique concrete formation like 'England during the Industrial Revolution'... but a class of concrete phenomena which have some kind of *common socio-historic logic*; and
- b) the point of the passage is, if anything, to stress the unity, not the 'heterogeneity', of a 'social formation'".⁶⁵

Wood's description of the social unit appropriate to analysing capitalism as 'a class of concrete phenomena' with 'a common socio-historic logic' fits perfectly with Marx's comments on 'the world-historical cooperation of individuals' above. In reference again to the origins of capitalism, she goes on to explain that societies (by which she means countries) with 'mixed' social formations, (much as she or Rosenberg might describe global society) should not be seen in terms of 'several modes of production dominated by one', but, rather as 'different branches of production assimilated to the specific character of the branch that predominates'.⁶⁶ Those other 'branches' of production must be seen as capitalist because the form in which they are assimilated cannot be explained otherwise. This is what Marx meant when he said, 'capital at a certain point becomes the dominant force capable of determining the form of society as a whole.'⁶⁷

Elsewhere Wood argues against the idea that 'the very existence of other modes of domination... [within a single country] is taken to demonstrate that capitalism... is not a totalising system.'⁶⁸ In a striking passage she argues,

To deny the totalizing logic of capitalism, it would have to be convincingly demonstrated that these other spheres and identities do not come – or not in any significant way – within the determinative force of capitalism, its system of social property relations, its expansionary

⁶⁴ Marx 1973, pp. 106-107.

⁶⁵ Wood 1995, pp. 57-58. *Italics mine*. In Barker 1997, he suggests that Wood's tendency to treat countries as capitalist societies seems to be less the case in her later writings.

⁶⁶ Wood 1995, p. 58.

⁶⁷ Marx 1973, p. 1028.

⁶⁸ Wood 1995, p. 246.

imperatives, its drive for accumulation, its commodification of all social life, its creation of the market as a necessity, a compulsive mechanism of competition and self-sustaining growth, and so on.⁶⁹

There could hardly be a stronger argument for accepting the capitalist nature of the global system *and* its constituent parts. Volume one theorists do seem to accept the *logic* of abandoning the country model of capitalist development but find it difficult, or unnecessary, to do so given some of their other assumptions. We will look at these other assumptions in the next two sections.

4.4 The Historical Trajectory of Capital

By historical trajectory we mean fundamental tendencies or directions for social change. The tendency under focus here is that of the centralisation of capital. It will be argued that ‘volume one’ marxism tends to focus on competition as an almost timeless force, with little attention to the way in which centralisation continually transforms the conditions of competition, propelling capitalism down a path of increasingly large competitive capitals. To the extent they acknowledge the centralising tendency of capitalism, volume one theorists tend to view it as theoretically unimportant. They reject the idea that the changing forms through which centralisation takes place might, at some stage, implicate the state in a more direct role in capitalist production. This view is reinforced by a particular reading of *Capital* volume one which leaves the concept of ‘centralisation’ undeveloped. How this view might be altered in light of the insights provided by volumes 2 and 3 is the subject of this section.

⁶⁹ Wood 1995, p. 246.

4.4.1 Arrested Development

Volume one marxists have critiqued the Weberian tendency to read back into history that which is unique to capitalism. In this task, they have tended to focus on the novelty of capitalism and how it can be differentiated from pre-capitalism. In a sense they have been looking at what's gone on behind them, rather than what's going on around them, with the effect that they underplay developments *within* capitalism's own history.

For Wood, the 'starting point' of capitalist production is nothing other than 'the historical process of divorcing the producer from the means of production', 'a process of class struggle and coercive intervention by the state on behalf of the expropriating class.'⁷⁰ This is what starts capitalism, but it is the *lack* of 'coercive intervention by the state' that makes capitalism. After capitalism gets started, 'direct political coercion is excluded from the process of surplus extraction and removed to the state'.⁷¹ This is a kind of 'wind up and go' model of capitalist development. Once the producers are separated from the means of production, capitalism can simply unfold according to the laws of motion of capital. These laws of motion are 'purely economic' value relations. They do drive capitalism in particular directions, for example in the direction of geographical expansion and technological advancement,⁷² but they don't challenge the theoretical model of the 'purely political' state. To the extent that the state does intervene from time to time, this is the result of class struggle, a sign of immature capitalism or simply a

⁷⁰ Wood 1995, p. 21.

⁷¹ Wood 1995, p. 44.

⁷² Wood, 1995, pp. 108-145. Technological development is the focus of a whole chapter of *Democracy and Capitalism*.

matter of 'historical contingency', it is not a product of value relations directly.⁷³ State intervention in the form of imperialism, for instance, which some have characterised as capitalism overripe and on its way out,⁷⁴ is for the volume one theorists, capitalism undercooked and on its way in. Imperialism is capitalism 'winding up', not yet going.⁷⁵

Rosenberg's inattention to developments *within* capitalism's history is evident in both his 'theory of anarchy' and his *total* disinterest in 'globalisation theory'. In terms of anarchy, as discussed in the previous chapter, Rosenberg goes wrong where he attempts to *explain* what the realist IR theorists have only *described*.⁷⁶ He is right to point out that their 'explanation' was at best a description, but he is wrong to have accepted their description. In his theory of anarchy he takes the realist image of an anarchical system of states and attempts to historicise it. The image of 'a war of all against all', a timeless, transhistorical, state of nature, endless competition with no overarching authority becomes for Rosenberg, not an *invalid* description of international relations, but instead a description which is historically specific to capitalism. We are left to the conclusion that capitalism takes place as a timeless, transhistorical (within the history of capitalism), 'war of all against all', endless competition with no overarching authority. Anarchy, for Rosenberg, is 'the geopolitical form of capitalist modernity'.⁷⁷ Rosenberg's theory of capitalism is as effectively *static* as

⁷³ Only in so far as class struggle and crisis result from value relations and draw in the state, but then, for Rosenberg and Wood, this is about the breakdown of capitalism, not capitalism per se.

⁷⁴ This position is often attributed to Lenin, who did argue, along with Luxembourg and others that imperialist war may bring about the end of capitalism through a descent into barbarism.

⁷⁵ This is certainly the perspective taken by Rosenberg who sees colonial conquest and subsequent retreat as marking 'the dawn of the modern international [capitalist] system'. Rosenberg 1994, p. 169.

⁷⁶ Rosenberg is attempting to follow in the footsteps of Marx explaining what the political economists only described.

⁷⁷ Rosenberg 2004, pp. 155. His characterisation of 'the repetitive mechanisms of balance of power' as capitalist, p. 9 is equally stunting of the developments internal to capitalism.

the realist's theory of anarchy.⁷⁸ There is no explanation for moments in the history of capitalism when state-market or international relations do not appear anarchic at all, for instance, when the state controls production or when states enter into coordinated bloc behaviour.

It is also therefore no surprise that theories of globalisation should be met by Rosenberg with such derision. He refers to globalisation theory as 'an undescribed, undescribable incomprehensible nothing'. Of its theorists he demands, 'substance, soon, or silence.'⁷⁹ Globalisation theory leaves a lot to be desired, as we discussed in detail in the first chapter of this thesis. However, its inability to adequately grasp the changes taking place in the global capitalist economy does not mean that there are no changes worthy of our attention. This is effectively what Rosenberg claims. Having so carefully argued in *Empire of Civil Society* against the realist idea that 'the state is the state, is the state' transhistorically, Rosenberg argues against globalisation theorists that 'capitalism is capitalism, is capitalism'.

In fact, it is not so much that Rosenberg, or Wood (whose liberal use of the word 'globaloney' sets the tone for her intervention in the globalization debate),⁸⁰ ignore empirical changes taking place as a result of global capitalism, it is that they doubt their *theoretical* significance. Why? Because the basic theoretical model of capitalism has been set up since the peasants were expropriated. Everything else is merely historical detail, the unfolding of a single dynamic within the uneven historical conditions of the world. There is nothing new under the sun of global capitalism and the forecast is no change until the revolution.

⁷⁸ Martin Wight famously claimed that there was no such thing as international theory because the international dimension was unchanging in its character. Wight 1966.

⁷⁹ Rosenberg 2000, p. 165.

⁸⁰ Wood 1997.

4.4.2 Reading Capital

The analysis of the tendency toward centralisation is underdeveloped in volume one. This again relates to Rosdolsky's assessment of volume one dealing with 'capital in general' and volume three dealing with 'many capitals'. As Marx described his plans for *Capital* to Kugelmann in 1862, "capital in general" excludes a study of competition of capitals and the credit system'.⁸¹ Centralisation, which is expressed in credit relations and is the result of competition, is not dealt with properly until we get to volume three. Centralisation of both productive and financial capital are however briefly mentioned in the earlier volumes.

In volume one, Marx discusses the centralisation of productive capitals, 'destruction of their individual independence, expropriation of capitalist by capitalist, transformation into few large capitals'.⁸² Larger capitals with larger scales of production are able to produce cheaper goods, pushing smaller capitals out of business, 'swallowing them up'. This metaphor of big fish swallowing smaller fish is one of the most enduring images of Marx's analysis. We learn from this that centralisation is by no means a barrier to competitive accumulation, nor is it simply a side effect, it is the way that competition and, in turn, capitalism develops.

The centralisation of capitals, or the process of their attraction, becomes more intense in proportion as the specifically capitalist mode of production develops along with accumulation. In its turn, centralisation becomes one of the greatest levers of this development.⁸³

We don't get much more detail on the centralisation of productive capital in volume one. Marx cuts the discussion short with the statement that, '[t]he laws of

⁸¹ Letter to Krugelman quoted in Rosdolsky 1977.

⁸² Marx 1976, p. 777.

⁸³ Marx 1976, p. 778 fn*.

this centralisation of capitals, or of the attraction of capital by capital, cannot be developed here.’⁸⁴ He continues only for a brief comment on the process of financial centralisation.

Apart from this, an altogether new force comes into existence with the development of capitalist production: the credit system. In its first stages, this system furtively creeps in as the humble assistant of accumulation, drawing into the hands of individual or associated capitalists by invisible threads the money resources, which lie scattered in larger or smaller amounts over the surface of society; but it soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralisation of capitals,’⁸⁵

The tendency toward centralisation, and the huge expansion of credit relations, the development of joint stock companies, trusts, stock markets, and the role of the state remain undeveloped in volume one. It is not until volume two that we really begin to understand how credit relations come directly out of capitalist relations of production and how they contribute to centralisation and competition.

In volume two, Marx looks at the circuit of capital in detail. Given the nature of large-scale production, there are times when money capital gained as a result of selling commodities is not adequate for redeployment in production. In this case, a capitalist will lend the money to another capitalist, either directly or through the medium of bank, rather than have it sit idle. Equally, another capitalist, not wishing his means of production to sit idle while waiting for enough profit to start a new cycle of production, will borrow money. In these ways there is a competitive pressure to obtain and supply credit built right into the capitalist system and this competition brings about considerable centralization, of which Marx was well aware.

Talk about centralisation! The credit system, which has its focal point in the allegedly national banks and the big money lenders and usurers that

⁸⁴ Marx 1976, p. 777.

⁸⁵ Marx 1976, pp. 777-778. The text from ‘In its first stages’ onwards was added by Engels to the fourth German edition. See Marx 1976 fn*, pp. 777-778.

surround them, is one enormous centralisation and gives this class of parasites a fabulous power not only to decimate the industrial capitalists periodically but also to interfere in actual production in the most dangerous manner – and this crew knew nothing of production and have nothing at all to do with it.⁸⁶

Banks, for Marx play an important role in the process of financial centralisation. But there is another organisational form which he found particularly fascinating: the joint stock company, which seemed to combine the centralisation of financial and productive capital.⁸⁷ Marx credited joint stock companies with making possible a ‘tremendous expansion in the scale of production, and enterprise, which would be impossible for individual capitalists.’⁸⁸ Joint stock companies raise funds for production through selling shares to money capitalists. These stocks, shares and bonds can at any time be sold on to other investors, on a stock market.⁸⁹ An important feature of a joint-stock company is the fact that those who invest in it expect only a rate of return equal to the rate of interest, rather than equal to the rate of profit which would be expected by the capitalist himself on his own monetary outlay. This allows the capitalist to obtain a large sum of starting capital without the risks associated with the need for it to be immediately recovered. This organisation provides such a competitive edge that it is generalised very quickly throughout the system.

Part way through the discussion of joint stock companies, Engels, the editor of volume three, interrupts to provide an update on the development of ‘second and third degree’ joint stock companies, since Marx’s death. He discusses the fact that cartels have also been developed to help mitigate the effects of competition. ‘The next stage, therefore, in certain branches... was to concentrate the entire

⁸⁶ Marx 1981, pp. 678-679.

⁸⁷ This distinction, between centralisation of financial and productive capital, is unformulated in *Capital* and underdeveloped by Marxists, as will be discussed below.

⁸⁸ Marx 1981, p. 566.

production of the branch of industry in question into *one* big joint-stock company with unified management.’⁹⁰

He added the following footnote to the fourth German edition of volume one,

English and American “trusts” are already striving to attain this goal by attempting to unite at least all the large-scale concerns in one branch of industry into a single great joint-stock company with a practical monopoly.⁹¹

So fascinated was he by these centralising tendencies, Engels wrote a supplement to volume three, on the stock exchange. These pages, which form the very last pages, ‘the last word’, of the Penguin edition of the book, discuss how the stock exchange may have been a secondary element to the capitalist system in 1865, but ‘[n]ow it is different.’⁹²

[S]ince 1865, when this book was written, a change has occurred that gives the stock exchange of today a significantly increased role, and a constantly growing one at that, which, as it develops further, has the tendency to concentrate all of production, industrial as well as agricultural, together with the whole of commerce – means of communication as well as the exchange function – in the hands of stock exchange speculators, so that the Stock Exchange becomes the most pre-eminent representative of capitalist production as such.⁹³

In volumes 1-3, we see small capitals, larger capitals, joint stock companies, and trusts as the centralising forms of productive capital. We also see banks and stock markets centralising financial capital. All are working in the same direction, to constantly try and overcome the pressures of competition individually and collectively.⁹⁴ Other forms this dynamic may take and how the state is involved, remain to be seen. Marx, in *Capital*, did not get far enough on this front. The closest we get may be his discussion of commercial and bank credit, in volume

⁸⁹ For a useful discussion of joint stock companies and fictitious capital see Harvey 1999, pp. 276-277.

⁹⁰ Engels in Marx 1981, p. 569.

⁹¹ Marx 1976, p. 779, fn 10.

⁹² Engels in Marx 1981, pp. 1045-1046.

⁹³ Engels in Marx 1981, p. 1047.

three, where he states provocatively that ‘the connection between the development of this and the development of *state* credit remains outside our discussion.’⁹⁵

The History of Capital

So we have found in Volumes 2 and 3 of *Capital* a historical trajectory with potentially significant consequences for our theory of capitalism. Competition produces centralisation which reproduces competition on an expanded scale. We are beginning to see that capitalism does not involve uninterrupted anarchical relations, it involves constant efforts to overcome the very conditions of anarchy it thrives on. Contre Rosenberg, *anarchy has a tendency* which goes unrecognized through his analogy to Realist IR’s static model. Efforts to overcome anarchy tend toward the centralisation and socialisation of productive and financial capital at various levels and through various organisational forms. Whether one of those is the state is something that Engels discussed in more detail in writings published after Marx’s death.⁹⁶

In *Socialism Utopian and Scientific* Engels discusses how at a certain stage even the joint stock company ‘form of socialisation’ is not enough. Trusts are then developed in order to regulate production. Finally,

[i]n any case, with trusts or without, the official representative of capitalist society - the state - will ultimately have to undertake the direction of production.’*...

*I say “have to”. For only when the means of production and distribution have *actually* outgrown the management by joint

⁹⁴ Harvey discusses how the centralisation of capital may help to improve the capacity for profits to equalise because, for instance, previously it was possible for smaller firms to operate as monopolists simply because of poor communication or transportation. Harvey 1982, pp. 143-145.

⁹⁵ Marx 1981, p. 525.

⁹⁶ Some may argue that Marx would have disagreed with Engels on this direction, but it seems more likely that the tendency, for joint-stock companies, for instance, was simply insufficiently developed in Marx’s lifetime. Some of Engels strongest statements on the role of the state are found in *Anti-Duhring*. This text was discussed in depth with Marx before his death. Draper 1990, p. 84.

stock companies, and when, therefore the state taking them over has become economically inevitable, only then... is there an economic advance, the attainment of another step preliminary to the taking over of all productive forces by society itself.⁹⁷

Engels has an almost linear model in mind, from management by individual companies to joint-stock companies to states. He wrote to Bebel in 1882: ‘the joint stock companies have already provided the proof how very superfluous the bourgeoisie as such is, and to this, statification adds no new grounds of evidence.’⁹⁸ State ownership or control over capital was just a further extension of centralisation of capital in Engels’ mind. Exactly how this would take place is unclear in Marx and Engels writings, but it is an analysis that will be attempted by theorists of actually-existing capitalism over the next two chapters.

It is important at this stage to somewhat qualify this linear model. Both Marx and Engels recognise that centralisation is not a smooth process. A counter-tendency toward *fragmentation*, which Marx specifies is ‘the division of property within capitalist families’⁹⁹. But he also mentions that ‘offshoots split off from the original capitals and start to function as new and independent capitals’ due to other causes.¹⁰⁰ However, as Harvey notes, Marx ‘does not explicitly state what are the “forces of repulsion” that make for decentralisation.’¹⁰¹

Harvey also points out, quite crucially I think, that ‘Marx is not explicit about the kind of centralisation he is talking about (financial, productive, etc.),’ or, I would add, whether he is referring to centralisation of ownership or control or both.¹⁰² The question of how centralisation of ownership and control may differ and may work in the same or opposite directions is a potentially fascinating area of

⁹⁷ Engels 1935, p. 66.

⁹⁸ Marx and Engels 1992, p. 261.

⁹⁹ Marx 1976, p. 776. An occurrence less frequent given the involvement of shareholders and boards of directors who decide when companies split, regardless of the desire of heirs.

¹⁰⁰ Marx 1976, p. 776.

¹⁰¹ Harvey 1982, p. 140.

analysis – one that needs much further investigation. Harvey touches on this when he discusses the way in which companies of a certain size (large scale ownership) recreate conditions of competition (fragmented control) within their company parameters. They set up ‘sub-companies’ that compete and bid against each other for contracts.¹⁰³ The implications of this for judging ‘centralisation’ of production may be significant.

Despite the limitations of Marx and Engels in developing these strands of thought, we have established that the historical trajectory of global capitalism contains within it a centralising tendency in the realm of productive and financial capital. The limits to this and the ways in which countervailing tendencies may hamper its progress do not lessen the fact that it takes place as a direct result of competition and that as long as there is competition there will be pressures toward centralisation. Key to our understanding of the way this centralising tendency works is that it does not eliminate competition, it merely reproduces it in different organisational forms. We have also established that this *may* have implications for the role of the state and its direct involvement in production. What all of this represents together, if accepted, is that there are historical developments within capitalism, which have theoretical implications for the ‘volume one’ definition of capitalism. The transhistorical model of anarchy will not suffice.

Of final note, the reluctance to entertain the notion that the state could centralise capital in its own hands is reinforced by the country model of society discussed in the previous section. Marx makes very clear in volume one that ‘[i]n a

¹⁰² Harvey 1982, p. 140.

¹⁰³ This is an interesting development in parallel with the way that state owned enterprises often force their departments to operate according to ‘best value’ a principle which insists that they match results produced by private contractors in purchasing goods. Competition is enforced despite overall control. Also similar is the practice in the USSR, whereby several separate organisations were maintained and ‘competed’ against each other despite overall government control.

given society this limit [to centralisation] would be reached... when the entire social capital was united in the hands of either a single capitalist or a single capitalist company.’¹⁰⁴ The limits would be reached meaning, beyond this we would not have capitalism. ‘A universal capital, one without alien capitals confronting it, with which it exchanges is therefore a non-thing.’¹⁰⁵

If the ‘given society’ is taken to be a country, the centralisation of capital in the single hands of the state, is taken to be not-capitalism, a non-thing. On the other hand if the given society is global, then the centralisation of capital in the hands of a state, would not mean the centralisation of the entire social capital, and is therefore not necessarily ‘not-capitalism’. The only limits Marx sets to the centralisation of capital, given a global societal framework, is the limit of a single global capital – a single state capital, on the other hand, is never explicitly opposed and is taken by Engels to be a matter of course.¹⁰⁶

What we have at this stage is a hint that nationalization of production and finance may be understood as no less ‘capitalist’ than the privatization of both. This may mean that the current period of privatisation needs to be recast in a light other than simply capitalism ‘business as usual’.

4.5 The Core Dynamic of Capital

What is meant by ‘core dynamic’ here is the process to which the capitalist mode of production can be reduced, its essential quality. For both the volume one

¹⁰⁴ Marx 1976, p. 779. This is quoted in Rosdolsky 1977, p. 42. He follows this quote with the statement, ‘[h]ence state-capitalism would only be possible with several capitals organised by the state, confronting each other.’ In other words, the state would have to create its own internal competition, create separate ‘owners’ within.

¹⁰⁵ Marx 1973, p. 421.

¹⁰⁶ See Engels 1935, p. 66.

theorists and our classical Marxist alternative, the capitalist mode of production has as its object the self-expansion of value, which is made possible through the competitive accumulation of capital. This competitive accumulation is itself made possible by a particular set of social relations involving the commodification of labour power. Labourers, and indeed capitalists, in a society where these social relations prevail are animated by ‘the law of value’ a law which operates ‘behind their backs’, but nonetheless determines their behaviour. This law of value can be seen as the core dynamic of the capitalist mode of production. As Marx indicated, ‘value is the expression of the *specifically characteristic nature* of the capitalist process of production’.¹⁰⁷ That the law of value is the core dynamic of capitalist society is not in dispute between ‘volume one’ theorists and our alternative. What is at issue is how we understand the law of value to operate, and the implications this may have for our understanding of the direct role of the state as an agent of capital accumulation.

4.5.1 The Pristine Law of Value

It is in the analysis of the law of value as the *core dynamic* of capitalism that the distinction between the ‘volume one’ theorists’ position and our ‘actually existing’ alternative presents itself most starkly. This is because the way in which ‘volume one’ theorists understand the law of value to operate provides, in a very direct sense, the basis for their analysis of the role of the state under capitalism. Theirs is a law of value at odds with a state authority owning and controlling the means of production within its borders, i.e. a state acting directly as the agent of capital

¹⁰⁷ Marx 1933, pp. 6-7.

accumulation. In order to understand why the separation of the state from the sphere of value relations is so important to volume one theorists we need to look at the first volume of *Capital*.

Marx, begins volume one of *Capital* with an analysis of the commodity, the material store of value in the form of abstract labour. He explains that abstract labour, or value, is what all commodities have in common, it is the basis upon which they can be exchanged. Marx understood the exchange-value of commodities to be the way in which social relations between independent producers were expressed in a system of generalized commodity production.

Magnitude of value expresses a relation of social production, it expresses the connection that necessarily exists between a certain article and the portion of total labour-time of society to produce it.¹⁰⁸

Moreover, it is through the exchange of value via commodities that the social relations of capitalist society are constantly created and recreated. This is what Marx meant when he characterized capitalist society in terms of ‘personal independence based on dependence mediated by things’.¹⁰⁹

Since the producers do not come into social contact with each other until they exchange their products, the specific social character of each producer’s labour does not show itself except in the act of exchange. In other words, the labour of the individual asserts itself as a part of the labour of society, only by means of the relations which the act of exchange establishes directly between the products, and indirectly, through them, between the producers.’¹¹⁰

This is what is meant by the idea that the law of value operates ‘behind the backs’ of the independent producers of commodities in a capitalist society.¹¹¹ It is not until goods are exchanged in the market and a price is realized that the value of the labour that went into them can be calculated. It is for this reason that some have referred to the ‘labour theory of value’ as the ‘value theory of labour’. The value of

¹⁰⁸ Marx 1976, p. 196.

¹⁰⁹ This quote comes from a translation of *Grundrisse* cited in Sayer 1991, pp. 13-14.

¹¹⁰ Marx 1976, pp. 165-166.

particular labours only becomes apparent *ex ante* through exchange. It is through exchange that we discover whether the labour time contained in any particular commodity was 'socially necessary'. If more labour time than was socially necessary went into a commodity, the cost of that extra time eats into the profit that particular commodity attracts. Less profit for a certain company's commodities means less capital they will be able to reinvest and the greater chance that they will lose out in competition. In this way the production of commodities is disciplined by 'socially necessary labour time' and social relations are shaped by the desire of individual (or group, corporate, etc.) producers of commodities to reduce the necessary labour time for their particular good below the social average.

While this is a very schematic account, what is important to understand is that the law of value, which operates between units of capital, while not a system of direct control such as exists *within* units of capital, exercises control over the behaviour of individual units nonetheless and socially connects their activities. As Marx explains,

Division of labour *within the workshop* implies the undisputed authority of the capitalist over men, that are but parts of a mechanism that belongs to him. The division of labour *within society* brings into contact independent commodity producers, who acknowledge no other authority other than that of competition, of the coercion exerted by the pressure of their reciprocal interests.¹¹²

It is the fact that the process of surplus extraction under capitalism requires *no authority other than the pressure of competition among independent producers*, that leads the volume one theorists to the view that capitalism is characterized by the absence of the state from the immediate process of production. As Wood makes clear,

¹¹¹ Marx 1976, p. 135.

¹¹² Marx 1976, pp. 476-477.

The capitalist is, of course, subject to the imperatives of accumulation and competition which oblige him to expand surplus value; and the labourer is bound to the capitalist not simply by the latter's personal authority but by the laws of the market which dictate the sale of labour power. In these senses, it is the 'autonomous' laws of the economy and capital 'in the abstract' that exercise power, not the capitalist willfully imposing his personal authority upon labour.¹¹³

It is, for volume one theorists, precisely on the basis of the state remaining outside of the sphere of production and exchange that the law of value can operate. All prices and wages are determined through the market, through exchange, in the realm of civil society, not the state. When Rosenberg describes 'the 'purely political' state, the sovereign state, the state which stands outside production and is therefore *abstracted from the particularities of civil society* – in short, the capitalist state,'¹¹⁴ the 'particularities of civil society' he is referring to are value relations. For the volume one theorist state control and value relations exist in two separate spheres.

It is important to distinguish this volume one position from the idea that the state is outside the capitalist mode of production, the approach taken by the Weberians we discussed in chapter two, who see the state, as political, on the one hand and capitalism, as economic, on the other. Volume one theorists, by contrast, see the political and the economic as a distinction *within* capitalism.¹¹⁵ Without the abstraction of the state, the 'anarchical' operation of the law of value would not be possible. Therefore, this differentiation of the state is seen to be an essential aspect of the mode of production, in no way external to it. What this means is that while

¹¹³ Wood 1995, p. 41.

¹¹⁴ Rosenberg 1994, p. 141.

¹¹⁵ 'The differentiation of the economic and the political in capitalism is, more precisely, a differentiation of political functions themselves and their separate allocation to the private economic sphere and the public sphere of the state' Wood 1995, p. 31. '[C]apitalism is the only case in which this condition of the emergence of a discrete sphere of 'the political' is actually *internal* to the mode of production.' Rosenberg 1995, p. 85.

the volume one theorists place the state *within* the capitalist mode of production, they precisely, and necessarily, place it outside the sphere of value relations.¹¹⁶

Volume one theorists believe that were the state to become involved directly, through owning and controlling the means of production, then value determination of the exchange relation between different commodities, the quantities of different commodities produced, and the proportion of society's total labour time allocated to different enterprises would break down. It would be the state *rather than* the competitive comparison of commodities that would determine prices, wages and the relative quantity and quality of goods.

For volume one theorists, the regulation of 'economic' activity by the state, in terms of centrally planned production and distribution is evidence of non-capitalist social relations. Given that the law of value is the signature feature of capitalism, and that by its very nature it operates in an 'anarchical' fashion, the volume one theorists see state ownership and control of production (i.e. 'planning' as opposed to 'anarchy') as a reflection of non-capitalist social relations. To be fair, as we have discussed it so far, this does seem to correspond to Marx's own view, strongly-put, that '[t]he point of bourgeois society consists precisely in this, that *a priori* there is no conscious social regulation of production.'¹¹⁷

4.5.2 Reading Capital

What we are looking for in this reading of *Capital* volumes one to three is a sense that Marx was developing an understanding of the law of value such that it

¹¹⁶ Wood makes the statement that 'in capitalism, there is a complete separation of private appropriation and public duties'. Wood 1995, p. 31. Rosenberg agrees, as this is the basis for his theory of sovereignty. Rosenberg 1994, pp. 126-129.

¹¹⁷ Marx 'Letter to Kugelmann' quoted in Rosenberg 1994, p. 143.

functions even in the case of state ownership and control of the means of production. What we shall find is that Marx explained that the law of value, *in its very essence*, involves interruption and disruption in the form of conscious regulation of particular scales of production. Without this pattern to the law of value, it could not continue to exist and capitalist relations of production would never have developed. Furthermore, we find in Marx and Engel's writings the suggestion that state control of production and consumption intensifies, rather than destroys, the core dynamic of capitalism.

The first step in making sense of how Marx viewed the operation of the law of value in relation to the state is to consider how he viewed the operation of competition in relation to monopoly, because it is here that the pure dynamic of market exchange meets what the volume one theorists appear to consider its opposite, conscious planning and regulation of prices according to non-market mechanisms. Marx offers the following insights, emphasising the nature of capitalism as a dialectical process or movement.

In practical life we find not only competition, monopoly and the antagonism between them but also the synthesis of the two, which is not a formula, but a movement. Monopoly produces competition, competition produces monopoly. Monopolists are made from competition; competitors become monopolists. If the monopolists restrict their mutual competition by means of partial associations, competition increases among the workers; and the more the mass of the proletarians grows as against the monopolists of one nation, the more desperate competition becomes between the monopolists of different nations. The synthesis is of such a character that monopoly can only maintain itself by continually entering into the struggle of competition.¹¹⁸

Competition, the competitive establishment of wages and prices, is never a smooth process, and cannot be sharply conceptually opposed to their determination directly by a structure of authority. Perfect competition, which it is thought would bring about wages and prices determined by exchange alone, exists only in the

imagination of the bourgeois economist. Imperfect competition, the result of the interference of various monopoly organisations is not only compatible with the competitive drive for capital accumulation, it is the means by which this process takes place. This is what Marx acknowledges and what our previous discussion of the historical trajectory of capitalism suggests. This does not, however, explain what happens to the law of value.

For the reader prepared to go to p. 1001 of the third volume of *Capital*, there is a reward.¹¹⁹ For it is here that Marx explains the way in which monopoly control and the law of value interact in precise ways and lays out his argument that any ‘negation’ of the law of value through monopoly takes place on the basis of the law of value and cannot be otherwise understood.

[I]f the equalization of surplus-value to average profit in the various spheres of production comes upon obstacles in the form of artificial or natural monopolies... so that a monopoly price becomes possible, above both the price of production and value of the commodities this monopoly affects, this does not mean that the limits fixed by commodity value are abolished. A monopoly price for certain commodities simply transfers a portion of the profit made by the other commodity producers to the commodities with the monopoly price. Indirectly there is a local disturbance in the distribution of surplus value among the various spheres of production, but this leaves unaffected the limit of the surplus value itself... *The limits within which monopoly price affects the normal regulation of commodity prices are firmly determined and can be precisely calculated.*¹²⁰

What Marx is saying here is that monopolies of any kind, which involve the setting of wages or prices, do not actually allow the society as a whole to escape the pressures of the law of value. The ‘normal’ regulation of commodity prices is affected in ways that *can only be made sense of* in terms of the operation of the law of value. Monopoly, regulation, or ‘planning’ of the prices of commodities does not take place outside value relations, it is one way in which value relations

¹¹⁸ Marx 1955, p. 132.

¹¹⁹ Marx 1981.

function, just as monopoly and competition are two moments of the same process. What we might call a ‘negation of the law of value on the basis of the law of value’ is key to our understanding of the *core dynamic* of capitalism and what distinguishes our alternative reading of Marx from the ‘volume one’ theorists variety.

So we have explained how competition relates to monopoly and how monopoly remains within the law of value. We now need to consider whether the state can be seen as a kind of monopoly for the purpose of this discussion and this is not something which Marx explicitly reveals.

It may be argued that joint stock companies, trusts or monopolies, all of which have the power to influence prices in ‘non-market’ ways, are analytically distinct from the state as an organizational form. The state is seen by many to represent ‘public’ and not ‘private’ control of the means of production and therefore its activities are seen to be distinct from the activities of private corporations or monopolies and to fall outside the realm of value relations.¹²¹ To help break down this distinction between public and private we need therefore to look in some details at what Marx had to say about types of ownership and how they might influence the operation of the law of value.

Marx notes in volume three that the joint stock company form involves the ‘transformation of the actual functioning capitalist into a mere manager, in charge of other people’s capital, and of the ‘capital owner’ into a mere owner, a mere money capitalist.’¹²² In other words, the shareholders own the company, but do not run it, and the functioning capitalist runs the company, but does not own it. What

¹²⁰ Marx 1981, p. 1001.

¹²¹ Barker makes the interesting point that in the context of the world economy, each separate state may be seen as no more ‘public’ than any corporation in that states legally exclude and include particular individuals on a global scale. Barker, correspondence 2004.

Marx is identifying here is that at a certain level of capitalist development, ownership and control typically become separated. In the case of a joint stock company, owners of the capital invested may have no idea what the productive capitalists who exercise control, are doing with their funds.

Capital, which is inherently based on a social mode of production and presupposes a social concentration of means of production and labour power, now receives the form of social capital (capital of directly associated individuals) in contrast to private capital, and its enterprises appear as social enterprises as opposed to private ones. *This is the abolition of capital as private property within the confines of the capitalist mode of production itself.*¹²³

This wording is very important, for here we have Marx identifying the abolition of capital as private property *within the confines of the capitalist mode of production itself*. This is not capitalism becoming less capitalist or changing into another mode of production as a result of changing organisational form from individual to joint-stock. This is capitalism abolishing private property while remaining capitalism. This is what Marx has referred to elsewhere as ‘private production unchecked by private ownership’.¹²⁴

Marx is referring to the transformation of ownership from individual property to corporate property which is not the abolition of private property in the sense in which Rosenberg and Wood employ the term. For volume one theorists, corporate property is a kind of ‘private property’ in distinction to ‘state property’.¹²⁵ But for Marx, clear from his quote above, corporate property is a kind of ‘social property’ in distinction to ‘private property’. It is no less capitalist, but it takes a social property form. As suggested above, whether Marx would have extended this ‘social property’ description to state property cannot be directly read

¹²² Marx 1981, pp. 567-568.

¹²³ Marx 1981, p. 569. Italics mine.

¹²⁴ Marx 1981, p. 569.

off from his writings in *Capital*. We encounter the same problems we did in the previous section on centralisation: limitations rather than contradictions in his thought.

Engels, however, clearly did view state ownership as a kind of social property indistinct, as such, from corporate property. For Engels state ownership was by no means representative of fundamentally altered relations of production.

But the transformation, either into joint stock companies and trusts, *or into state ownership* does not do away with the capitalistic nature of the productive forces. In the joint-stock companies and trusts this is obvious. And the modern state, again, is only the organisation that bourgeois society takes on in order to support the external conditions of the capitalist mode of production against the encroachments as well of the workers as of individual capitalists. The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal collective capitalist.¹²⁶ ... The capitalist relation is not done away with. It is rather brought to a head.¹²⁷

And elsewhere,

[t]he more productive forces it [the state] takes over, the more it becomes the real collective body of all the capitalists, the more citizens it exploits. The workers remain wage-earners, proletarians. The capitalist relationship is not abolished, rather it is pushed to an extreme.¹²⁸

For Engels, state ownership and control of production is not a negation of capitalism, it is an extreme form of capitalist social relations. The state and its ownership and control of production appear, for Engels, to be wholly compatible with the operation of the law of value.

While Marx said relatively little about this kind of 'state capitalism' he did offer the following very interesting comment on nationalized production, a statement which puts him at odds with the 'volume one' theorists. Many

¹²⁵ This is complicated by the fact that states companies are often shareholders in corporations, but this is not a practice that receives much attention, muddying as it does the 'separation of spheres' definition of capitalism.

¹²⁶ Engels 1954, p. 67. Italics mine. The original phrase 'ideal collective capitalist' was translated into English as the 'ideal personification of total national capital'. Draper 1990, p. 88 fn*. This is a significant distinction given our discussion above about the appropriate social unit for understanding capitalism – i.e. we should not assume it is national capital of which we speak.

¹²⁷ Engels 1954, pp. 67-68.

contemporary Marxists, volume one theorists included, would assert that the land and labour over which the state has direct control is not 'commodified' and its products are not 'commodities' for, they would argue. it is the state *rather than* value relations which have set quantities and qualities and prices. Yet in his criticisms of a textbook by Adolph Wagner, Marx made reference to the products of state owned enterprises, distinguishing them in no way from the products of private enterprises.

Where the state itself is a capitalist producer as in the exploitation of mines, forests, etc, its product is a 'commodity' and hence possesses the specific character of any other commodity.¹²⁹

This must surely come as a revelation to volume one theorists of capital. Marx seems to be suggesting that the kind of wage and price relations involved where the state is employer are not to be distinguished from any other situation of commodified labour power and the product is not to be distinguished from any other commodity.

In the next section we will consider why they may have had such difficulty in accepting the possibility that national monopolies under the control of the state could be viewed as capitalist social forms.

4.5.1 The Dynamic of Capital

There are perhaps two main reasons why the volume one theorists failed to arrive at the conclusion that state ownership and control of production could be compatible with the operation of the law of value. The first has to do with an insufficient degree of process reductionism, in other words their fetishisation of

¹²⁸ Engels 1954 quoted in Cliff 1948 [1988] p. 177.

¹²⁹ Marx and Engels 1982, p. 546.

particular social structures, in this case nation-states, and lack of awareness of the way in which they can be reduced to processes. The second results from the way in which the *core dynamic* relates to the other dimensions by which we have been characterizing capitalism: *geographic scope* and *historical trajectory*. As such, this latter explanation serves as a useful conclusion to the chapter as a whole. We shall consider each, in turn.

Process reductionism, as a central aspect of Marx's dialectical thinking, is essential if we are to understand that multiple social structures can be animated by a common process producing different appearances during the development of that process. To avoid fetishising structure over process we must remember that it is the process of capital accumulation that makes the capitalist, not the capitalist who makes the process of capital accumulation. Marx insisted upon this, that 'the characters who appear on the economic stage are but the personifications of the economic relations that exist between them.'¹³⁰

Capitalism creates its agents in the sense that the process of capital accumulation constantly revolutionizes social relations giving rise to new roles for the participants in its process. The social relations of capitalism animate constellations of human beings in ever-original ways in the effort to continue the process of accumulation. At a particular stage of development the process brings forth the existence of joint-stock companies, at a later stage, we may find it animates the state to act as the agent of accumulation.

All of this means that the operation of the law of value behind the back of independent producers is not a pure event with characters permanently cast: i.e. individual private producers and private property. We accept corporate producers

and corporate property as a form of capitalism that has emerged directly out of the process of competitive accumulation of capital. It may also be possible to accept state producers and state property as a form of capitalism. We should not be concerned with private property in its particular juridical form. We need only be concerned that the producers do not have direct access to the means of production and need to exchange their labour power as a commodity in order to gain the means of reproducing themselves as labourers. This is the case in terms of workers employed by the state, just as it is in when employed by a joint-stock company or individual capitalist.

What we have shown in this section on the core dynamic of capitalism is that the volume one theorists understanding of the law of value operates at a level of abstraction which is highly misleading. In fact, it leads them to the view that any direct control over prices or wages in a sphere of capitalist production, negates the law of value and in this way abolishes peculiarly capitalist social relations. Planning and anarchy, in their understanding, stand in stark opposition. Hence Rosenberg's simplistic analogy to states as islands of order in a sea of anarchical relations.¹³¹ What we find in our alternative reading of Marx is that the constant negation of the law of value on the basis of the law of value is the way the law of value operates and the way the process of competitive capital accumulation takes place. Planning is not the opposite of anarchy it is the means through which an anarchical form of production persists.

However, and this is where the other two dimensions of capitalism come in, planning can only be understood as an aspect of competition where that planning is

¹³⁰ Marx says also, '[e]xcept as personified capital, the capitalist has no historical value...' Marx 1976, p. 739.

not taking place at the level of total social capital, i.e. on a global scale. As long as central control exists only within units of capital (which may be states) operating within a complex division of labour on a global scale, capitalism can be said to exist, as the relations between states can still be seen to be 'independent relations mediated by relations between things'.

We know from our discussion of the *historical trajectory* of capitalism that the law of value is constantly modified in precise ways, through the concentration and centralization of capital on the basis of competition. We know from our discussion of *geographic scope* that as long as we continue to have competition between the various units of production of whatever scale, and whatever degree of centralization, the dynamic of capital accumulation can, at least in theory, persist. How we understand that *core dynamic* involves a more nuanced appreciation of the law of value, in which 'the negation of law of value on the basis of the law of value' is the process through which the law of value develops.

4.6 Conclusion

The purpose of this chapter has been to show that in Marx's own writings, specifically, volumes two and three of *Capital*, we have the basis for an understanding of capitalism, yet to be fully developed. 'Volume one' marxism, has been critically assessed and its insights have been placed in the context of the latter two volumes. A theory of capitalism dramatically different from the 'separation of spheres' variety is beginning to come into view.

¹³¹ The point here is that for Realists the contrast of order and anarchy is one of simple opposition, but for Rosenberg, reading Marx, the contrast is more complex in which the order should be understood as the means through which the anarchy continues.

What has been argued so far is that: 1) the *geographical scope* in which capitalism can be meaningfully understood is global – that is its socio-historical unit. In distinction to volume one theorists we are concerned with ‘totality not analogy’. 2) The *historical trajectory* of capitalism reveals a centralising tendency, the logical limits of which are a single global capital. Unlike the volume one theorists, we would argue that ‘anarchy has a tendency’. Finally, 3) the *core dynamic* of the capitalist mode of production is an anarchical law of value which creates moments of planning which, in turn fuels greater anarchy. We understand the ‘negation of the law of value on the basis of the law of value’ as part of the ongoing dynamic of capitalist accumulation.

Taken together, these revised dimensions of capitalism, allow us to entertain the possibility that state ownership and control of industry is quite compatible with the capitalist mode of production. But in all three aspects, there remains a great deal to be developed over the next two chapters. An understanding of ‘actually existing capitalism’ has been released from presumed barriers in Marx’s theory of capitalism, but it has not yet taken its own shape. In the next chapter we move away from the mere theoretical possibility of ‘state capitalism’ toward the actual development of state capitalist structures in a period of imperialism and war.

Chapter Five

Imperialism and War: State Monopoly Trusts

5.1 Introduction

In this chapter we will be examining Marxist theories of imperialism developed in the early twentieth century with a focus on the works of Rudolph Hilferding, Nikolai Bukharin and Vladimir Ilich Lenin.¹ Some attention will also be given, throughout, to the writings of Leon Trotsky. These theorists provide a bridge between the works of Marx and Engels, discussed in the previous chapter, and contemporary theories of ‘actually existing capitalism’, the subject of the next chapter. By analyzing their work we can begin to piece together a continuity of ideas over the last full century, a theoretical model of capitalism which, unlike the ‘volume one’ version, can accommodate, and make sense of, dramatic changes in state-market relations.

For many, the direct involvement of the state in the period of imperialism changed capitalism beyond recognition and raised doubts as to the enduring significance of Marx’s analysis.² Hilferding, Bukharin and Lenin, by contrast, understood imperialism precisely through extending the theoretical assumptions of *Capital* to make sense of the new historical period. This was a period in which capitalism was becoming truly global in its *geographical scope* and its *historical trajectory* was one of increasing centralisation in the form of cartels, trusts and

¹ The focus on Hilferding, Bukharin, and Lenin as the three founding figures of a Marxist theory of imperialism is not unique to this thesis. See Brewer 1990, p. 79.

monopolies linked to big banks and states all of which remained locked in the competitive *core dynamic* of capitalist value relations. Hilferding, Bukharin and Lenin described these changes in theories of ‘finance capitalism’, ‘state capitalism’ and ‘imperialism’.

The relationship of Marx’s writings to the theories of imperialism under analysis in this chapter has been complicated by the question of what is meant by a ‘new phase’ of capitalist development. Hilferding, Bukharin and Lenin saw imperialism as a new phase in the history of capitalism, perhaps, they thought, even the last phase, characterized by the increasing concentration of capital (monopoly) and its conflict-ridden geopolitical expansion (war). For these theorists, imperialism expressed the way in which the dynamic of capital accumulation, described by Marx, was manifesting itself in new ways at a particular stage in history. On this reading, monopoly and war may be seen as expressions of the dialectical relationship between concentration and competition, central to capitalism in all its historical phases, remarkable here for extent and implication.

Using different criteria for periodisation, theorists of ‘monopoly capitalism’ have argued that imperialism represented not new expressions of an old dynamic, but a new dynamic. Paul Sweezy, for instance, contrasts imperialism with ‘an earlier phase’ of ‘competitive capitalism’ ‘as described by Marx’.³ Sweezy wrongly attributes this position to Hilferding, Bukharin and Lenin, whom he credits with having initiated this break from Marx.

² The trajectory of the Second International away from revolutionary socialism toward social democracy provides some indication of the level of practical and theoretical disorientation caused by imperialism and world war.

³ The contrast between monopoly as analysed by Hilferding, Bukharin and Lenin and competitive capitalism as analysed by Marx is the basis of the approach taken by Sweezy, Baran, Dobb and Steinl. See Zoninsein 1990, pp. 11-12.

...Lenin, who was much influenced by Hilferding's work produced his *Imperialism, the highest stage of capitalism* (written in 1916); and since then it has become a widely, if not universally accepted tenet of Marxist theory that by the end of the nineteenth century the concentration and centralization of capital had proceeded to the point of transforming capitalism from its competitive stage, on which Marx had focused attention, to a new stage variously referred to as finance capitalism, imperialism or monopoly capitalism.⁴

In fact, when we look at the analysis provided by these three theorists, we will see that Sweezy has mischaracterized imperialism as these theorists understood it, *and* misrepresented Marx's analysis of capitalism. Put simply, imperialism is not understood to be 'uncompetitive' and Marx's *Capital* did not restrict itself to describing a 'competitive stage'.⁵ Unfortunately, the misrepresentation of Hilferding, Bukharin and Lenin, by Sweezy and others, has been extremely influential and a major factor in their marginalization from what is understood to be 'classical' Marxist theory.⁶ These three theorists have been ignored by the academy, when not being misunderstood entirely. Lenin, the most 'popular' of the three has survived mainly in the form of a 'one-sided and banal'⁷ interpretation of his theory of imperialism, stripped of its sharper theoretical insights.⁸ Hilferding and Bukharin scarcely receive mention at all. There are a number of reasons for this, in terms of the complexity of the material and delays in translation and publications,⁹ but ultimately the explanation is political and extends beyond a general distaste for Marxism in academia.

Hilferding, Bukharin and Lenin are Marxists who have been rejected by the dominant stream of *Marxist* thought in post-war academia. For many

⁴ Sweezy 1981, p. 60, quoted in Zoninsein 1990, p. 3.

⁵ This point is usefully made in Wheelock 1983.

⁶ Burnham, for instance, makes the comment that we should not pass from Marx to Lenin for the internationalization of Marx's theory. The assumption being that Lenin is not to be trusted. Burnham 1994, p. 22.

⁷ Halliday 1994, p. 49.

⁸ Slavoj Zizek's unorthodox embrace of Lenin in his book *Revolution at the Gates* is a recent exception to this rule suggesting the potential for a revival of interest. Zizek 2004.

contemporary Marxists, these three are irredeemably implicated in the most tragic trajectories of the twentieth century left. The first, from Marx to Hitler through Hilferding, in terms of the failure of social democracy to prevent the rise of Nazism, the second from Marx to Stalin through Lenin and Bukharin, in terms of the lack of democracy in the dictatorship of the proletariat. In rescuing them here, we are suggesting it is time to revisit the contribution of both the second international and the Bolshevik leadership, to separate the theoretical baby from the bathwater of historical defeat.

This chapter will show that Hilferding's theory of finance capital, based on a detailed observation of the centralizing and concentrating tendencies of capitalism, makes a pioneering contribution to our understanding of capitalism's *historical trajectory* picking up directly from Marx. We then look at Bukharin, who takes much from Hilferding, but rejects the latter's attachment to a national model of capitalist development, identifying instead capitalism's global *geographical scope*.¹⁰ Finally, we consider the contribution of Lenin, with a focus not on his theory of imperialism, which makes little advance on that of Hilferding and Bukharin, but on his analysis of the *core dynamic* of capital accumulation, how in Russia it might be modified by the Bolshevik revolution despite the context of a global capitalist society. The insights of Trotsky, particularly his theory of uneven and combined development, are mentioned in several places throughout, as they inform each of these dimensions of capital in its imperialist phase.

This chapter will deal with each of the three main theorists in turn. By the end of the chapter we should have a sense of how, in Trotsky's words,

⁹ Hilferding's *Finance Capital*, for instance, was not published in English until 1981.

¹⁰ Much of this analysis is compatible with and usefully informed by the writings of Leon Trotsky, whose theory of 'uneven and combined development' we will mention in this chapter but look at more thoroughly in the next.

‘nationalised property and economic planning are not only possible under capitalism, they are themselves the historical products of capitalism in its development.’¹¹ Far from the ‘volume one’ theorists’ image of the quintessentially capitalist state remaining outside the productive sphere, we shall see that state ownership and control of production is a necessary form of capitalism at a particular stage in its history.

5.2 Hilferding

In 1910, when Hilferding published his most influential work, *Finance Capital*, it was hailed by Karl Kautsky and Otto Bauer as ‘the fourth volume of capital’.¹² It was adopted by both German social democracy and Russian Bolshevism as a welcome extension of the insights of *Capital* to empirical developments since Marx’s death. Hilferding became ‘the point of departure for all future radical analyses of imperialism and capitalist development’.¹³ He was celebrated as a leading intellectual of the German Social Democratic Party (SPD) and read favourably by Bukharin and Lenin. It has been argued by Anthony Brewer that *Finance Capital* contains ‘almost every major point’ made by Bukharin and Lenin in their later works.¹⁴

¹¹ Trotsky.

¹² Bottomore 1991, p. 1.

¹³ Smaldone 1998, p. 40.

¹⁴ Brewer 1980, p. 79.

5.2.1 Historical trajectory

What makes Hilferding such an important link in the chain between Marx and modern theories of ‘actually existing capitalism’, despite his flaws, is that he has a highly sophisticated understanding of the *historical trajectory* of capitalism. This, more than a theory of imperialism, is the major accomplishment of *Finance Capital*. Hilferding saw the direction of organizational change under capitalism with banks playing an increasingly significant role. He picks up directly where Marx left off his discussion of the increasing centralization of capital and the role of credit therein. At the same time, he retains a sense of the dialectical relationship between the competition and concentration of capital upon which Marx insisted.¹⁵

Throughout *Finance Capital* Hilferding describes the different institutional forms capital takes as it organizes itself on an increasingly large scale in order to compete. This is very similar to Marx’s understanding, as described in the last chapter. Where Hilferding makes his original contribution is in the analysis of the role of the banks. Marx had recognised the role of banks in concentrating many small units of capital into larger units, which could be lent at a rate of interest to other capitalists, but he tended to focus on what Hilferding called ‘circulation credit’, loans to purchase productive input to keep the circuit of capital moving. What Hilferding is interested in is what he called ‘capital credit’, loans for the purchase of fixed capital.

Capital credit differs from circulation credit in that it involves higher sums and a longer period of repayment. ‘What had once been a momentary interest becomes an enduring one’ both in the sense that the bank is now interested in the

long-term health of the company required to repay its loans and in that the company can no longer change banks with ease, when it has committed itself to a long-term debt.¹⁶ Hilferding argues that with this reliance on banks to finance their expansion, 'an ever-increasing part of the capital of industry does not belong to the industrialists who use it.'¹⁷ At the same time banks increasingly become 'collective industrialists', owners of capital employed by multiple industries. This socialization of industrial capital through the banks is what is referred to as 'finance capital'.

An increasingly large section of industrial capital does not belong to the industrialists who apply it. The right to manipulate the capital is obtained by them only through the bank, which in relation to them, appears as the owner of that capital. On the other hand, the bank is compelled to place an ever growing part of its capital in industry. In this way the bank becomes to an ever increasing degree an industrial capitalist. Bank capital, i.e. capital in money form, which has *thus been in reality transformed into industrial capital, I call finance capital*.¹⁸

Hilferding sees banks as the embodiment, in organizational form, of the combined capital of the capitalist class seeking productive investment. Banks develop a relationship of strategic control to industry in that they make decisions about the distribution of socialised capital according to where it will be most profitably employed. Banks have a stake in the profitability of multiple industries. They begin to take a direct interest in production, sitting on boards of directors and attempting to influence company strategy. With insider knowledge of a variety of industries in the economy, they attempt to coordinate activities between units of capital in the interests of stability. They promote the use of cartels and joint-stock

¹⁵ Which distinguishes Hilferding, despite his later failings, from the kind of undialectical analysis seen in the work of Sweezy and other theorists of 'monopoly capitalism'.

¹⁶ Hilferding 1981 [1910], p. 95.

¹⁷ Hilferding 1981 [1910], p. 225.

¹⁸ Hilferding 1981 [1910], p. 225.

companies in order to minimize competition between the companies upon which their profits depend.¹⁹ As Hilferding explains,

Finance capital does not want freedom but domination; it has no regard for the independence of the individual capitalist, but demands his allegiance. It detests the anarchy of competition and wants organization....²⁰

At this point in *Finance Capital*, we have an image of a few large banks controlling their respective national economies through their influence over very large corporations and monopolies. Hilferding explains how banks in this position, dealing with such vast sums of capital, aim to restrict competition between themselves resulting in an effective banking monopoly at a nation-state level. The image of finance capital is one of capital socialised on a national level through the banks, controlled ultimately by key figures in the banking industry. This is an extremely centralized image and the highest stage that Hilferding acknowledges explicitly.

There is however a higher level of centralization, another change in organizational strategy that Hilferding examines at length, but of which he does not recognize the full significance. This is the use of tariffs by the state. Hilferding discusses the change from 'educational' to 'protective' tariffs and the spread of protective tariffs throughout the system.²¹ A protective tariff raises the cost of imports in the domestic market so that domestic producers can charge more for their goods in the home market while still being competitively priced in relation to imported goods.²²

¹⁹ Hilferding 1981 [1910], p. 179.

²⁰ Hilferding 1981 [1910], p. 334.

²¹ The distinction between educational and protective tariffs is also discussed in Bukharin 1972 [1916], pp. 74-75.

²² The desire for a protective tariff is based on recognition that there exists 'world prices' for commodities, that the equalization of the rate of profit takes place on a *global* scale. At no point does Hilferding explicitly recognize this.

The advantage of a protective tariff is that a domestic producer can obtain more than the average rate of profit for their good. They can price their goods according to cost, plus average rate of profit, plus a tariff charge that they themselves do not need to pay. Domestic producers pocket the equivalent of the tariff as additional profit on every sale of goods. This not only helps them to grow faster in their domestic market, it also allows them to 'dump' goods on the international market. Dumping refers to the practice of selling underpriced goods abroad in order to force down the prices of others. If others do not have the benefit of tariffs, they may not be able to compete. Like all the other strategies for combining the forces of capital, protective tariffs quickly generalize throughout the system. Advocates of free trade suddenly become advocates of protectionism as they are forced to respond to the tariffs of others. As Hilferding notes, 'the ideology of imperialism arises on the old liberal ideals, whose naivety it derides.'²³

The use of tariffs can be seen as an organizational strategy for socializing capital at a higher level than monopolies. Tariffs come into existence precisely when monopolies are not, in fact, monopolies on a global scale. In a global capitalist economy, the effectiveness of national monopolies is undermined by free trade. As Hilferding notes, 'free trade hampers cartelization and deprives industries, which are capable of being cartelized, of their monopoly of the domestic market.'²⁴ Tariffs, on the other hand, have the effect of promoting the

²³ Hilferding 1981 [1910], p. 335. As an aside, students of International Relations may be reminded of E H Carr's description of the triumph of realism over utopia in the lead up to the second world war. These were the forces at work. Carr describes tariffs as 'the nemesis of utopia.' Carr is the most sophisticated of the realists whom Rosenberg attempts to discredit in *Empire of Civil Society*. Rosenberg is correct to accuse him of describing without sufficiently explaining, but he has more difficulty forcing Carr into the mould of a realist account of 'anarchy without history'. Carr was, above all, a historian and he paid great attention to the shifts in capitalism from periods of 'free trade' to 'protectionism', an aspect of his work Rosenberg is forced to ignore in order to sustain his own argument. Hilferding, on the other hand, has a theory of capitalism that can accommodate Carr's observations.

²⁴ Hilferding 1981 [1910], p. 312.

establishment of domestic cartels and strengthening monopoly on a nation-state level. They also have the effect of weakening international cartel agreements in that agreements about world prices are effectively broken each time a new tariff level is set. In this way they reduce competition within state territories only to increase competition between state territories.

Tariffs are an instrument of state policy and depend on the exercise of state power, on the development of 'customs' administration, anti-smuggling laws, the levying of state duties, etc. Tariffs enlarge the revenue base of the state, as well as benefiting certain sections of national capital. The state itself becomes an 'organizer' of capital, in line with its own conception of national economic strategy. Tariffs are absolutely central to Hilferding's understanding of imperialism as the 'policy of finance capital'.

The policy of finance capital pursues a threefold aim: first, the creation of the largest possible economic territory, which, secondly, must be protected against foreign competition by tariff walls, and thus, thirdly, must become an area of exploitation for the national monopoly companies.²⁵

This definition of imperialism was considered by Bukharin and Lenin to be an extremely important basis for their own analyses.²⁶ The competitive acquisition of the largest possible economic territory is a logical corollary of the desire to achieve the greatest scale of exploitation by national monopoly companies strengthened behind tariff barriers. This is where the state comes in. 'Finance capital needs a state which is strong enough to pursue an expansionist policy and the annexation of new colonies.'²⁷ 'The political power of the state has become a

²⁵ Hilferding 1981 [1910], p. 326.

²⁶ Bukharin cites this passage in *Imperialism and the World Economy*, p. 107, saying 'it is impossible to describe the fundamental aims of present day politics better'. Lenin is said to have 'copied it out in his notebooks with heavy underlinings and favourable comment'. Brewer 1980, p. 99.

²⁷ Hilferding 1981 [1910], p. 334.

means of competition for finance capital on the world market'.²⁸ This relationship of finance capital to the state is what, for all three theorists of imperialism examined in this chapter, links the very essence of capitalism to monopoly and war.

Once tariff barriers have become a strategy generalized throughout the global system, it becomes more difficult to export goods profitably. At the same time, domestic cartels have generated large amounts of profit, centralized through banks, seeking profitable investment. Capital export allows for production of surplus value abroad, which can then be repatriated through banks and made available again to domestic capitals.²⁹

Banks and joint-stock companies facilitate capital export in that they 'enable capital to migrate out of a country detached from the entrepreneur'.³⁰ Hilferding states that 'the precondition for the export of capital is the variation in rates of profit'.³¹ Less developed countries have lower organic compositions of capital and therefore produce more surplus value. They also have higher interest rates because they lack developed credit and banking facilities.³² The export of capital in the form of loans has the additional effect of encouraging the export of goods, because foreign populations begin to develop the purchasing power required to import more commodities. The export of capital makes the relationship between banks and states more relevant than ever in that it is necessary for banks to feel confident that their long-term interests will be protected overseas.

We have here reached the end point of our discussion of the centralizing and concentrating tendencies of capitalism as understood by Hilferding. We have

²⁸ Hilferding 1981 [1910], p. 332.

²⁹ Hilferding 1981 [1910], p. 314.

³⁰ Hilferding 1981 [1910], p. 314.

³¹ Hilferding 1981 [1910], p. 314.

gone as far as he is prepared to go, to a point at which finance capital, represented by big banks, employs the state, with its war-making and tariff barrier-creating powers, as a tool for its own ends. What Hilferding fails to consider is that the state may itself be an expression of finance capital, the form finance capital takes at a particular stage. The mechanisms by which this comes about have not yet been specified, but what is of key consideration is the question of scale. There is a scale at which capital must organize itself in order to be competitive with other capitals of equal size, of whatever organizational form, and it is as a result of this imperative that the institutional form of capital develops.³³ As discussed in the last chapter, the capitalist can appear in a variety of historical forms, and the capitalist at this stage in history appears to *be* the state.

That Hilferding avoided this conclusion, and accepted an instrumentalist view of the state is unsurprising when we consider that it was a basic principle of the German Social Democratic Party in Hilferding's time that the state could be won over to the cause of a classless society. The state was seen as a relatively neutral body that could be used as an instrument of either socialism or capitalism. James refers to Hilferding's belief in the 'sufficiency of a simply political change in the creation of a new economic order'.³⁴ He believe that the bourgeois state could be used to effect the transition to socialism. As we will see, for Bukharin and Lenin, by contrast, it was precisely the development of finance capital, so well described by Hilferding, which made the social democratic strategy unworkable.

³² Hilferding 1981 [1910], p. 315.

³³ This will be explained in more detail below when we discuss the way that German banking practices developed in order to 'mock up' capitals capable of competing with their British counterparts.

³⁴ James 1981, p. 850. James also discusses Hilferding's role as finance minister and the reformist nature of SPD politics more broadly.

Having examined the changing organizational forms of capital from joint-stock companies to national cartels, syndicates, trusts and monopolies via banks and states, we can now assess, very briefly, whether Hilferding retains a sense of the dialectical relationship between competition and concentration. This is essential if we are to see his work as a continuation of Marx's thought, rather than a break from it. Let us consider the extent to which Hilferding acknowledges the ongoing competitive nature of capitalism despite the increasing monopolisation he has identified.

Large scale production, joint-stock companies, cartels and monopolies all develop in order to form effectively larger units of capital with all of the advantages of efficiency, scale of production, and greater market power which go with their position. These sorts of dominant units of capital are what modern economists call 'price-makers' as opposed to 'price-takers'. In other words, these companies or groups of companies can dictate some of their market conditions and in such a way gain a larger than proportional share of the total social capital. Hilferding expressed this in terms of the fact that 'cartel profit is a deduction from the profits of non-cartelised industry'.³⁵ What this means, for Hilferding, is that far from reducing competition in the system as a whole, the tendency to monopoly *increases* competition among non-cartelised industries and between cartelized and non-cartelised industries. The competitive response is for non-cartelised industries to seek conditions of cartelization themselves.³⁶

Hilferding understands every organizational change discussed above, from large scale individually-owned companies to giant banking trusts, as the consequence and cause of competition, of the anarchy of the market. In his

³⁵ Hilferding 1981 [1910], p. 343.

discussion of finance capital, he notes that 'it detests the anarchy of competition and wants organization, *though of course only to resume competition on a still higher level*'.³⁷ Finance capital resumes competition, according to Hilferding, by using the state as its instrument. Tariffs, diplomacy and military expansion are all methods for 'national banking groups' to compete on a global scale via the state. This applies equally to the export of goods or capital.

The struggle for markets for goods becomes a conflict among national banking groups over spheres of investment for loan capital, and since rates of interest tend to be equalized on the international market, economic competition is confined here within relatively narrow limits, so that the economic struggle quickly becomes a power struggle in which political weapons are employed.³⁸

Competition is, for Hilferding, resumed at the highest level through the state on behalf of 'national banking groups'. The fact that competition has taken a 'political' form does not deter Hilferding from this assessment. He notes that, 'finance capital demands unlimited power politics'.³⁹ A tariff is no less 'political' than a cartel, which is no less 'political' than a war. In power political competition between states, the dialectical relationship between centralisation and competition is expressed at a very high level, but it is the same relationship in essence.

While this is clearly Hilferding's view in *Finance Capital*, later in his life, when faced with what appears to be the complete merger of the interests of 'national banking groups' under the state during the first world war, his dialectical sense of competition and concentration disappears. We see this clearly in his notion of 'the organized economy', an image totally abstracted from the very *disorganized* global economy of the inter-war period.

We find ourselves at present in the period of capitalism in which the era of free competition during which capitalism was wholly under the sway of

³⁶ Hilferding 1981 [1910], p. 343.

³⁷ Hilferding 1981 [1910], p. 334.

³⁸ Hilferding 1981 [1910], p. 324.

³⁹ Hilferding 1981 [1910], p. 335.

blind market laws, has been essentially superseded, and we are moving towards a capitalist organization of the economy; in short, from an *economy regulated by the free play of forces to an organized economy*.⁴⁰

This quote from Hilferding represents an undialectical contrast between competition and organization, whereby one is contrasted with the other and then turns into the other. Having not fully thought through the implications of his own writings on tariffs and state policy, Hilferding lapsed into this undialectical stance toward the end of his life. In a dialectical approach, by contrast, the contradictory nature of social phenomena is recognised, the seeds of contradiction in one form are seen to give rise to another which contains its own contradictions and so on. There exists in competition always the pressure to centralization and in centralization always the pressure to competition. The Hilferding of *Finance Capital* understood that capitalism had never been ‘blind market forces’ to be contrasted with ‘organisation’. Rather the anarchy of capitalism continually gave rise to new forms of organization, on an increasing scale, which in turn exacerbated the anarchical nature of the system.

5.2.2 Hilferding Revisited

The argument above, in favour of Hilferding’s method in *Finance Capital*, but not his ultimate conclusion in terms of an instrumentalist view of the state, is at odds with the analysis of Jonas Zoinsein who has argued in relation to *Finance Capital* that:

Hilferding’s analysis of the processes of capital concentration and centralization, as well as his conclusions, are based on a poor and confused understanding of Marx’s theory. Both capital concentration and

⁴⁰ Hilferding 1975 [1927], p. 247. Italics in original.

centralization are erroneously associated with the elimination of competition and with banking domination over industry.⁴¹

If Zoninsein is correct in his reading of *Finance Capital*, it is worth noting that Bukharin and Lenin were quite mistaken in finding so little wrong with Hilferding's analysis.⁴² It will be suggested in this discussion that Zoninsein and others have misunderstood Hilferding in a way that Lenin and Bukharin did not.

It has already been argued above that there is little evidence that Hilferding associated capital concentration and centralization with the elimination of competition. His approach was considerably more dialectically informed. He saw each new organisational form as cause and consequence of increased competition, not reduced. His national model of capitalist development, which we will discuss below, did however lead him to believe that once the state became the agent of national capital directly, competition, and therefore capitalism, could be said to have ceased to exist. This is a case of incorrect conclusions having been drawn from a correct method of analysis.

As to whether Hilferding saw banking dominate over industry, this is the most common criticism against him and is not entirely without merit. We will look at it here because it has implications for why Hilferding may not have considered the state as an agent of capital socialised on a national scale.

Hilferding understood finance capital to be a socialisation of industrial capital in the hands of the banks. The control which banks have over industry he believed to be a result of their representation of the capital of multiple industries, coordinated. The power of banks over industry is not a power of 'banking capital'

⁴¹ Zoninsein 1990, pp. 104-105.

⁴² Brewer 1980, p. 79, claims that *Finance Capital* contains 'almost every major point' made by Bukharin and Lenin in their later works. Harvey notes that Lenin 'appears to accept with but one reservation the basic conception of finance capital that Hilferding advances.' Harvey 1990, pp. 289-

over 'industrial capital' so much as it is the power of the socialization of industrial capital on a large scale, through banks, over industrial capital on a smaller scale within individual small units. Banks, as representatives of multiple units of capital have strategic control over any one of those units of capital. That this is how Hilferding understood it, is supported by his reference to the fact that companies of a sufficient size actually have strategic control over small banks, are able to dictate terms and conditions – 'cases in which a bank is so deeply committed to one particular enterprise that its own success or failure is synonymous with that of the enterprise, and it must then meet all the latter's requirements.'⁴³

Hilferding describes at some length the way that banks facilitate growth in the size of corporations which, in turn, require larger banks to fulfill the needs of big business and so on.⁴⁴ It is quite possible for corporations of a sufficient size to gain the upper hand and even purchase their own banks should they wish to. (It is interesting to note, although Hilferding did not, that the same logic applies to states and capitals. English capitals in the era of the East India Company were of a sufficient size vis à vis their competitors that they did not need the state, they could supply their own armed forces and they did. With the rise of huge multi-national companies today, we see the return of this private purchase of deadly force from mercenary companies like Sandline International.) The point Hilferding makes is that it is important not to fetishize finance capital as anything more than industrial capital socialised on a certain scale. It seems fair to say that Hilferding is not guilty of such fetishization, given his definition of finance capital as industrial capital socialised through the banks.

290. Bukharin summarises the analysis given in *Finance Capital* almost point for point in *The ABC of Communism*, Bukharin 1969.

⁴³ Hilferding 1981 [1910], p. 95.

⁴⁴ Hilferding 1981 [1910], p. 95-98.

Another criticism of Hilferding in terms of his supposed insistence that banking is dominant over industry, is that he has incorrectly generalised from the experience of Germany and the US. The criticism runs that banks played an important role and tariffs were an important aspect of imperial strategy in these two countries but not elsewhere.⁴⁵ England for instance, did not have the same banking practices, nor did it use tariffs in the same way at that time.

The problem with this criticism is that it is, itself, based on a national model of capitalist development. The assumption is that Hilferding is describing 'the way capitalism develops', if it did not develop that way in each of its national units, it cannot be an accurate explanation of the way capitalism develops. The fault here lies in the frame of reference and, in this case, Hilferding was much more conscious of the effects of the competitive interaction of nation states than his subsequent critics. Hilferding is aware that the situation in England differs from Germany and the US and he offers an explanation of why this was the case.⁴⁶ The strategy of close involvement of the banks, increased cartelization and tariffs in Germany and the US was developed precisely in response to the larger units of capital coming from England.

We cannot actually make sense of the need to 'mock up' larger units of capital through the use of bank loans, joint-stock companies, cartels, monopolies and tariffs, if we do not understand the competitive pressures to do so. Germany and the US, 'due to backward and belated capitalist development'⁴⁷ did not possess the large units of individually-owned capital common in England. In order to compete against these large units, they had to develop strategies of their own.

⁴⁵ See, for instance, Brewer, p. 83.

⁴⁶ Hilferding 1981 [1910], pp. 301-310.

⁴⁷ Hilferding 1981 [1910], p. 307.

We digress for a moment here, to note that this line of analysis is entirely in keeping with Trotsky's theory of 'uneven and combined development' which sees the *uneven* development of capitalism on a global scale giving rise to a situation where backward countries, 'under the whip of external necessity' are 'compelled to make leaps', to *combine* or 'draw together different stages of the journey' of capitalist development.⁴⁸ What Trotsky's analysis added is an emphasis on the opportunity as well as the imperative of belated development. He referred to the 'privilege of historic backwardness', the fact that advanced techniques of production and social organization could be adopted immediately without the need to pass through all the various stages of development. Where, in an advanced country like Britain, the application of new strategies of accumulation, social or technical, might be hampered by pre-existing relations or methods, less developed countries could instantly take them up on a significant scale. For Trotsky, '[t]he fact that Germany and the United States have now economically outstripped England was made possible by the very backwardness of their capitalist development.'⁴⁹

What we might take from Trotsky's analysis is that the banking system in Britain did not, or was not able, perhaps due to vested interests, to play such a revolutionary role in relation to large units of domestic capital, as it did in Germany and the US. What we must not lose sight of, and Hilferding is wrong not to stress it more strongly, is that banks in Germany and the US had a particularly important role in the time under analysis, *not because they were banks*, smaller banks could not have achieved the same ends, but because they represented

⁴⁸ Trotsky 1933 [1965] Chapter 1. Trotsky used this analysis to explain the development of Russia and its ripeness for revolution. As we shall see below, this was not an analysis of Russia which Hilferding shared.

⁴⁹ Trotsky 1933 [1965] Chapter 1.

industrial capital socialised on a very large scale. It is not banks, *per se*, that are important, but rather it is the effective size of the capital which counts. The relative backwardness of Germany and the US made it both possible and necessary to socialize production through the banks, thus ‘mocking up’ units of capital which were viable on an international level.

A variation on the criticism of Hilferding just discussed is the claim that he was wrong to stress the power of banks, because at a later stage in the development of capitalism they ceased to be important. Smaldone points out that in Germany, for example, in the 1930s, the power of banks over industry broke down. After 1929, the state was forced to intervene to prevent the collapse of the banking system. Banks were nationalized, signalling, for Smaldone, a shift from ‘bank power’ to ‘state power’. Smaldone writes, ‘[a]lthough finance capital would revive after 1945, its temporary eclipse demonstrated its historical specificity.’⁵⁰

Seen in terms of increasing socialization of capital, capable of being organized through banks, states or large companies, the historical changes Smaldone notes *confirm* Hilferding’s projection, we see a progression through increasingly large scales of capital, from large nationally-based banks to the state, itself. If, however, the particular organizational form of socialised capital is fetishised, as it is by Smaldone, we see a constant movement back and forth in dominance between one or the other, ‘banks’ or ‘states’. That the former is Hilferding’s approach makes sense of the fact that Bukharin and Lenin found it so useful in making the transition to theorizing ‘state capitalism’.

However, it is true that Hilferding did not actually follow through on his own logic and this is evident in his subsequent criticisms of the theory of ‘state

⁵⁰ Smaldone, pp. 46-47.

capitalism'. So, while it may be unfair to accuse Hilferding of fetishising the organisational form of the bank, he *does* fetishize the socialization of capital through the state. Suddenly, when capital is socialised through the state it is no longer capital. It has its 'own interests' and 'total' power over the economy.⁵¹

The following is from an article Hilferding wrote toward the end of his life entitled 'State Capitalism or Totalitarian State Economy'. The question concerns the characterization of both Nazi Germany and Stalinist Russia.

The concept of 'state capitalism' can scarcely pass the test of serious economic analysis. Once the state becomes the exclusive owner of all means of production, the functioning of a capitalist economy is rendered impossible by destruction of the mechanism which keeps the life-blood of such a system circulating. A capitalist economy is a market economy.⁵²

Hilferding rejected the notion of 'state capitalism' not because he had always lacked a dialectical conception of capitalism, he had not, but because his unit of analysis was the nation-state. This is the enduring criticism of Hilferding's work, that he employed a national model of capitalist development, not that he was unable to comprehend the dialectic between competition and concentration. For Hilferding, the dialectic of capitalism did not end with Nazi Germany. Capitalism did. Sadly, Hilferding's national model of capitalist development ultimately led him to his theory of totalitarianism, a model which is representative of the kind of 'uncritical eclecticism' he had once described as 'the suicide of political economy'.⁵³

⁵¹ Hilferding 1976 [1940].

⁵² Hilferding 1976 [1940], p. 511

5.3 Bukharin

Nikolai Bukharin was elected to the central committee of the Bolshevik party three months before the October revolution, at the age of 29. In 1915 he had published his own major study of contemporary capitalism, entitled *Imperialism and the World Economy*, introduced by Lenin, and heavily influenced by Hilferding's *Finance Capital*. The key difference between Hilferding's text and Bukharin's is the latter's emphasis on the global economy as the appropriate social unit of analysis. Bukharin agreed with Hilferding's assessment of the centralizing tendencies of capitalism, which in his own work he described as having reached a stage of competing 'state capitalist trusts'. He did not, as is commonly suggested, adopt Hilferding's later position that capitalism was becoming more 'organised'.⁵⁴ For Bukharin, within the context of capitalist development on a world scale, the anarchy at the interstate level prevented this. Bukharin was one of the first to use the term state-capitalism to describe this situation of state-controlled blocks of capital competing in a global economy.

5.3.1 Geographic scope

Whereas for Hilferding, imperialism is the result of developments within capitalist states overflowing their boundaries into the world market, for Bukharin, the starting point of imperialism is developments in the world economy. It is the world economy that creates the imperialist state. This position is absolutely clear in his first published writing on the subject, *Imperialism and World Economy*, the title of

⁵³ Hilferding 1949 [1906], p. 196.

which, before translation, was actually, *World Economy and Imperialism*.⁵⁵ For Bukharin, the world economy is absolutely analytically prior to the behaviour of nation states. Chapter one of *Imperialism and World Economy*, is ‘World Economy Defined’. It is not until he has dealt with ‘World Economy and the Process of Internationalisation of Capital’ and ‘World Economy and the Process of Nationalization of Capital’ that he moves onto the discussion of ‘Imperialism as the Reproduction of Capitalist Competition on a Larger Scale’ in the third part of the book. Imperialism is viewed as the playing out of a global capitalist dynamic through nation-states. The society of capitalism is global. This is something he insists upon in all of his writings.

Contemporary capitalism is world capitalism. This means that the capitalist relations of production dominate the entire world and connect all the parts of our planet with a firm economic bond. Nowadays the concrete manifestation of the social economy is a world economy. The world economy is a *real* living unity.⁵⁶

Throughout *Imperialism and World Economy* Bukharin refers to the ‘national economy’ only in quotation marks. On the first page, he states that ““national economic organisms”... have long ceased being a secluded whole, an “isolated economy””.⁵⁷ That states may only be seen as *parts* of a meaningful whole, rather than *wholes* themselves, is best explained in another of Bukharin’s writings, *The Politics and Economics of the Transition Period*, in the first chapter entitled ‘The Structure of World Capitalism’. There he considers *untrue* the following observation made by theorist, Karl Tyska, that the world market is the sum of its parts:

Just as a national economy is made up of the sum of the economic activities of the individuals of one nation, whether these activities be individual or co-operative, in the same way the *world economy is the sum*

⁵⁴ For an excellent discussion of this issue see Haynes 1985.

⁵⁵ Haynes 1985, p. 24.

⁵⁶ Bukharin 1972 [1916], p. 58.

⁵⁷ Bukharin 1972 [1929], p. 17.

of the national economies. [And] The sum of the national economies, which are considerably influenced by the situation on the world market, makes up the world economy.⁵⁸

It is striking how similar Dr. Tyska's formulation of the global economy is to Rosenberg's as discussed in the last two chapters. For both, nation-states are to the global economy as individual units of capital are to the nation state. We have two sets of simple aggregates with little sense of the organic relationship which unites them within, and distinguishes them from each other. Bukharin writes:

The existence of a *special relationship* is what turns a simple aggregate into a real one. But this sort of aggregate excludes the concept of an arithmetical sum, because it is much greater and more complex than a sum.⁵⁹

Bukharin explains in *Imperialism and World Economy* that an 'international division of labour' is the special relationship existing at the level of the world economy making it much more than the sum of its parts. In this way a real aggregate is formed. He argues that a national economy is not a meaningful whole because in an international division of labour, individual countries can only be seen as parts. 'International exchange', or trade, generally understood to comprise 'the world market', is actually an expression of this international division of labour, or system of world production.⁶⁰ The relationship between production and exchange is at the heart of Bukharin's understanding of the social unit of analysis appropriate for theorising capitalism.

Any connection between producers, who meet in the process of exchange presupposes the individual labours of producers having already become elements of the combined labour of a social whole. Thus production is hidden behind exchange relations, the interrelation of producers is hidden behind the interrelation of commodities. Where connections established through the process of exchange are not of an accidental nature, we have a stable system of production relations which forms the economic structure

⁵⁸ Von Tyska *Das weltwirtschaftliche Problem der modernen Industriestaaten* cited in Bukharin 1979 [1919], p. 58.

⁵⁹ Bukharin 1972 [1916], pp. 58-59.

⁶⁰ Bukharin 1972 [1916], p. 22.

of society. Thus we may define world economy as *a system of production relations and correspondingly of exchange relations on a world scale*.⁶¹

The national model, employed by Hilferding and others, does not fit because what may appear as relations between sovereign units looked at from the point of view of exchange are actually interrelationships within a single whole, viewed from the perspective of the relations of production.

Bukharin goes on to say that '[o]ne must not assume however, that production relations are established solely in the process of commodity exchange.' He quotes Marx, '[w]henver human beings work for one another *in any way*, their labour acquires a social form',⁶² and adds,

[I]n other words, whatever the form of connections established between producers, whether directly or indirectly, once a connection has been established and has acquired a stable character, we may speak of a system of production relations, i.e., of the growth (or formation) of a social economy,'⁶³

In this way Bukharin is introducing the idea that flows of capital, movements of labour, and even political relationships of war or alliance, must all be seen as constitutive of the world economy.⁶⁴ All these processes can be seen to alter the dynamics of production and exchange within a global capitalist society. They alter the structure of an international division of production, in the first two cases, by stimulating new production in particular areas. In the case of war or peace, the international division of labour is altered by, for instance, the extent of trade, land, or labour force, lost or gained, and/or the proportion of production that must be allocated to the manufacture of arms. Here we see that Bukharin's understanding of modern war as a form which capitalist competition takes at a

⁶¹ Bukharin 1972 [1916], pp. 25-26.

⁶² Marx cited in Bukharin 1972 [1916], p. 26. Italics Bukharin's.

⁶³ Bukharin 1972 [1916], p. 26.

⁶⁴ This is quite unlike the position taken by Wallerstein, for instance, for whom the world economy is essentially reduced to relations of exchange.

certain stage, to be discussed below, is underpinned by his analysis of global relations of production and exchange.

Returning to the language employed in the previous chapter during our analysis of *Capital* volumes 1 and 3, Bukharin has an understanding of the global rather than national economy as the framework for making sense of 'total social capital'. It is at the global level that a general rate of profit is formed which is what makes the determination of world prices possible. He also notes an international equalization of interest rates on the same basis. He quotes approvingly the idea that 'the element of finance also shows a tendency to aid in substituting for market conditions of an individual country, the world market conditions.'⁶⁵

The way in which a recognition of the global geographical scope of capitalism influences the theory of the organizational form of the state, will be explored below. It is clear from our discussion of Hilferding, that this is precisely the framework we have been looking for, in order to move forward with our development of a theory of capitalism which can account for periods of state ownership and control of production. But just before doing so, it is worth considering one of the immediate political consequences of subscribing to a global rather than national model of capitalism's development.

One of the most powerful criticisms of the German social democrats, Kautsky and Hilferding, by revolutionaries like Luxemburg, Bukharin, Trotsky and Lenin had at its base this distinction between a national or global frame of reference. Hilferding, nicknamed 'the brakeman of the revolution',⁶⁶ and the 'renegade Kautsky' were opposed to a revolution in Russia because, in their view, capitalism in the country was not sufficiently developed. The alternate 'Bolshevik'

view is well explained by Lenin, in his *April Theses* of 1917,⁶⁷ an argument which is foreshadowed in Trotsky's *Results and Prospects* and discussed at some length in the latter's *The History of the Russian Revolution*.⁶⁸ Far from Russia having to wait for the further development of capitalism before it had a revolution, it was precisely the uneven development of capitalism *globally* that forced revolution in Russia.⁶⁹

It was only by grasping the world totality of capitalism that it was possible and justified for a small exploited minority – the Russian proletariat – to lead an anti-capitalist revolution in a backward, absolutist, semi-feudal country.⁷⁰

We discussed above the shared assumptions of Hilferding and Trotsky as to the effects of uneven development, in relation to banking practices in Germany the US and Britain. What Hilferding showed there, was an ability to make sense of the domestic effects of *international* competition between capitalist states. Lacking a *global* frame of analysis for the development of capitalism, however, he was unable to extend a similar logic of combined and uneven development to make sense of Russia's revolutionary potential. Unfortunately, without the support, above all, of their German comrades, the Russian revolution, would, by the same logic of the global geographic scope of capitalist society, be doomed to failure.

5.3.2 Historical Trajectory Extended

We left off Hilferding's discussion of the historical trajectory of capitalism at the point at which finance capital, represented by big banks, is employing the state as a

⁶⁵ Bukharin quotes Weill *Die Solidarität der Geldmärkte*, Frankfurt 1903 in Bukharin 1972 [1916], p. 25.

⁶⁶ Smaldone 1985, p. 95.

⁶⁷ See Lenin 1961.

⁶⁸ Trotsky 1933 [1965].

⁶⁹ Lenin 1961.

tool to serve national monopoly interests. Tariffs, diplomacy and military force are its weapons. Bukharin, we will find, is in absolute agreement with Hilferding up to this point. In *Imperialism and World Economy* he cites approvingly Hilferding's definition of finance capital, quoted above.⁷¹ The difference with Bukharin's approach is that he comes to this image, having looked first at the process of centralization on an international scale. He starts with 'world finance capitalism and the internationally organized domination of banks' as 'one of the undeniable facts of economic reality'.⁷² He draws attention to the huge number of powerful international trusts and cartels.⁷³ He then seeks to understand the 'nationalisation' of capital as an increasingly dominant countertendency within that.

Bukharin explains the organization of capital on a national scale as a response to increased competition resulting from the internationalization of capitalist relations of production. Expanding capitals need to develop new strategies to compete and rallying behind the military power of the state is an attractive option, quickly generalized throughout the system. We arrive where Hilferding left off, but, for Bukharin, the state's role on behalf of its national monopolies is seen as *a reactive strategy within a global context, rather than an evolutionary strategy within a national context*.

The significance of this distinction is that it avoids naturalizing the state as an organizational form. For Bukharin, capitalist states are formed by capitalist social relations, they do not exist ready-made, waiting to be needed by capitalists. He rejects any notion of the 'creative role of the "state principle"' or any

⁷⁰ Tarbuck 1987, p. 12.

⁷¹ Hilferding in Bukharin 1972 [1916], p. 71.

⁷² Bukharin 1972 [1916], p. 60.

⁷³ Bukharin 1972 [1916], pp. 54-60.

‘predestined harmony between state and society’.⁷⁴ Rather he believes that ‘the very foundation of modern states as definite political entities was caused by economic needs and requirements’, the state is ‘only an expression of economic connections’.⁷⁵ More radically still, Bukharin concludes that the state is ‘just as definitely an economic organization as is a trust or a syndicate’.⁷⁶ How he reaches this conclusion remains to be analysed below.

First we should note that despite their different starting points, Bukharin reaches the same view as Hilferding regarding the centralization of capital within the state. This is most clearly expressed in *The ABC of Communism* where Bukharin, having traced Hilferding’s steps in *Finance Capital*, arrives at the following image.⁷⁷

The industry of the whole country is united into syndicates, trusts, and combined enterprises. All these are united by banks. At the head of the whole economic life there is a small group of great bankers who administer industry in its entirety. The governmental authority simply fulfils the will of these bankers and trusts and magnates.⁷⁸

But now, as Brewer notes, ‘instead of the link-up between finance capital and the state being a conclusion of the argument (as it is in Hilferding), it becomes a step in the argument.’⁷⁹ The next step for Bukharin is as follows.

We can therefore say that a capitalist country under the dominion of financial capital is as a whole transformed into an immense combined trust. At the head of this trust are the banks. The bourgeois government forms its executive committee. The United States, Great Britain and France, etc., are nothing but state capitalist trusts...⁸⁰

The ‘state capitalist trust’ is a concept Bukharin employs to indicate a degree of centralization beyond the looser association of national banking capitals

⁷⁴ Bukharin 1972 [1916], pp. 63.

⁷⁵ Bukharin 1972 [1916], pp. 63.

⁷⁶ Bukharin and Preobrazhensky 1969 [1920], p. 163.

⁷⁷ Bukharin and Preobrazhensky 1969 [1920], pp. 138-146.

⁷⁸ Bukharin and Preobrazhensky 1969 [1920], p. 145.

⁷⁹ Brewer 1980, p. 105.

⁸⁰ Bukharin and Preobrazhensky 1969 [1920], p. 145.

vying for state attention. Here the state itself becomes an agent of capital accumulation. The state 'swallows up' other organizations and 'becomes the sole universal organization of the ruling class'.⁸¹ Representing as it does the combined interests of national capital, the capitalist state in its imperialist phase is, for Bukharin, a 'New Leviathan, beside which the fantasy of Thomas Hobbes looks like a child's toy'.⁸²

Being a very large shareholder in the state capitalist trust, the modern state is the highest and all-embracing organizational culmination of the latter. Hence its colossal, almost monstrous power.⁸³

How this very centralized image of the state is in keeping with a dialectical understanding of capitalism is well-articulated in *The Economics of the Transition Period*.

The centralization of capital devours competition, but, on the other hand, it continuously reproduces this competition on an expanded basis. It abolishes the anarchy of *small* productive units but it subsequently aggravates the anarchic relations between *large*-scale productive bodies. Conflicts in the system disappear in one place, only to reappear on an even greater scale in another. They turn into conflicts between fundamental parts of a huge *world* mechanism.⁸⁴

Bukharin's global analytical framework allows him to extend the dialectic of competition and concentration to a higher level than we saw in the work of Hilferding. In *Imperialism and World Economy*, Bukharin writes:

... even if free competition were entirely eliminated within the boundaries of 'national economies,' crises would still continue as there would remain the anarchically established connections between the 'national' bodies, i.e. there would still remain the anarchic structure of the world economy.⁸⁵

The anarchic structure of the world economy in a period in which competition seemed to be largely eliminated within states was epitomized for Bukharin in the first world war. The pressures towards war, for Bukharin, are those

⁸¹ Bukharin 1982 [1915], p. 31.

⁸² Bukharin 1982 [1915], p. 31.

⁸³ Bukharin 1972 [1916], p. 129.

⁸⁴ Bukharin 1972 [1916], p. 64.

that Hilferding described, a desire to control territories within which to create conditions favourable to national monopolies, both in terms of trade and protection of exported capital. What Bukharin adds is a sense that war is not simply conflict that results from capitalism, but war *is* capitalism, competition at the international level operating through the organisational form of the state.⁸⁶

War serves to produce definite relations of production. War of conquest serves to produce those relations on a wider scale. Simply to define war, however, as conquest is entirely insufficient, for the simple reason that in doing so we fail to indicate the main thing, namely, *what* production relations are strengthened or extended by war, what basis is widened by a given 'policy of conquest'.

This is followed by a footnote which reads:

Clauswitz's declaration that war is a continuation of politics by other means is well-known. Politics itself however, is an active 'continuation' in space of a given mode of production.⁸⁷

What we see with Bukharin is a theory of capitalism that goes a long way toward breaking down the barrier between the 'political' and the 'economic'. The idea that war is a form of capitalist competition is a long way from the 'separation of spheres' approach of the volume 1 marxists and is equally distant from the 'multiple causal factors' approach of the Weberian sociologists. What Bukharin is explaining is that war can be understood as a part of a broader set of capitalist social relations, which themselves cannot be viewed as narrowly 'economic'. War, for Bukharin, is just one of many strategies employed by state capitalist trusts competing at the international level. Tariffs, secret treaties, diplomacy, and arms races are all 'peaceful' means of pursuing the same objectives.

⁸⁵ Bukharin 1972 [1929], pp. 53-54.

⁸⁶ Hilferding seems to understand the same thing as far as tariffs are concerned, but does not quite make the logical extension to war.

⁸⁷ Bukharin 1917 [1987], p. 113.

War, as the most dramatic form of competition between state capitalist trusts, intensifies the process of the centralization of capital in the hands of the state.

The conduct of the imperialist war was differentiated from that of all previous wars, not only by the dimensions of the conflict and by its devastating effects, but in addition by the fact that in every country engaged in imperialist war the whole economic life had to be subordinated to war purposes... To that end it was necessary that the bourgeoisie should place private production, privately owned trusts and syndicates at the disposal of the capitalist robber State. This is what they did for the duration of the war.⁸⁸

In response to the idea that this nationalization of production would have been seen by capitalists as a threat to their income, Bukharin states that it represented simply a transfer of possessions 'from one pocket to another; the possessions remained as large as ever.'⁸⁹ He asks, 'is it not precisely the same thing to a manufacturer... whether he receives his profits from the counting house of a syndicate or from the state bank?'⁹⁰ In fact, due to state centralization of industry, capitalists actually stand to gain from this transfer of control, as the efficiency of the war machine improves the chances of a successful outcome to the war, one that would serve the interests of national capitals. 'War', according to Bukharin, 'is one of the business operations of the modern bourgeoisie'.⁹¹

To understand the full extent to which this is the case, it is necessary to look at the role of state loans and national debt. This is an area in which Bukharin's analysis of imperialism represents a significant advance over that of Hilferding. Having described the way in which production is 'mobilised' for war, Bukharin introduces the concept of 'financial mobilisation'.⁹² With particular reference to Germany, he describes the way in which 'loan banks', state

⁸⁸ Bukharin and Preobrazhensky 1969 [1917], p. 162

⁸⁹ Bukharin and Preobrazhensky 1969 [1917], p. 163

⁹⁰ Bukharin and Preobrazhensky 1969 [1917], p. 163 and 1987 [1915], pp. 155-156.

⁹¹ Bukharin 1972 [1916], p. 148.

institutions dependent upon the Reichsbank (central bank), became very important in terms of supplying credit to the state. Large internal military loans are placed among the public by the central bank in the form of war bonds. This vastly increases the importance of the central bank as it attracts large portions of available capital and uses it to finance the growing state institutional structure. As Bukharin notes, '[t]he central banking institute of the government thus becomes the "golden head" of the entire state capitalist trust.'⁹³

Bukharin also describes how with the enormous increase in state debt, it becomes impossible to cover expenses out of state income from taxes and state owned enterprises. It becomes necessary to extend state monopolies. He notes the extension of monopolies in Germany into vast areas of the economy. This meets with little resistance from German capitalists because of 'the ever growing closeness between state power and the leading spheres of finance capital'.⁹⁴ Exactly how this closeness emerges is described in fascinating detail by McGill, who studied the use of cartels in the German war economy. His account here vividly indicates how state capitalism and war was a direct continuation of the dialectic of concentration and competition in a global economy.

The Nazis succeeded in mobilizing German industry not by gross interference and redirection, which would probably have failed in any case, but by facilitating inherent tendencies which had long been at work. Even rearmament was not a Nazi idea which Hitler thrust upon surprised and delighted industrialists in his Dusseldorf speech of 1932. Germany's wars, particularly the war of 1914-1918, had greatly strengthened the groupings of heavy industry. Between 1926 and 1930 Allied loans helped to build an industrial plant too large for available markets, with capital goods capacity overshadowing the consumer goods industries. This was ready-made for the Nazis. So also was the long-standing concentration and coordination of German industry and the strength of cartels which had their first home in Germany.⁹⁵

⁹² Bukharin 1972 [1916], p. 151.

⁹³ Bukharin 1972 [1916], p. 152.

⁹⁴ Bukharin 1972 [1916], p. 154.

⁹⁵ McGill 1945, p. 36.

Where German capitalists may once have received their income from the office of a trust or syndicate, they would, under conditions of war and preparation for war, receive it from the office of the state banks.⁹⁶ In a situation of intense international conflict, they are better off receiving their income from the state, as it is capital socialised on a sufficient scale to bring about significant competitive advantages, thus securing the longer-term future of their interests.

There is another area where Bukharin's analysis, though only suggestive, is quite pioneering. Where Hilferding tended to focus on the export of capital from banks to foreign producers, or domestic producers abroad, Bukharin looks at the export of capital between one state and another.

In many cases the introduction of capital takes the form of *a loan to the government* of the country into which the capital is introduced, a loan at a fixed rate interest. This means that the borrowing government increases its *national debt*, becomes indebted to the lending government. In such cases the debtor government usually undertakes to float all loans (especially war loans) among the industrials of the creditor state. Thus vast quantities of capital pass from one state to another...⁹⁷

This means the capitalists of a creditor state make a profit from the taxation of the population of the debtor state or from the profits of its state-owned industries. This arises in a situation where a government needs to float its war debts among a population with greater wealth than its own. Typically a creditor state will supply its military allies with these sorts of loans. In times of war, and post-war reconstruction, the expenditure of a debtor state may rise dramatically. Again, in order to cover the interest payments, the debtor state is compelled to extend its monopolies. This is in the interests of the creditor state which wishes a

⁹⁶ Bukharin 1972 [1916], p. 155.

⁹⁷ Bukharin and Preobrazhensky 1969 [1917], p. 151.

steady return on its investment and in the interests of capitalists in the debtor state for whom ‘in the final analysis the strength of the state is their own strength.’⁹⁸

This characterization of events by Bukharin, would later be exemplified in financial strategies like the Marshall Plan and the subsequent development of *national* monopolies in various European countries designed precisely for a *transnational* purpose – the repaying of war loans to the US. This period of transnationalism disguised as nationalism (the growth of national monopolies) will be a feature of the post-war world identified in the next chapter.

5.3.3 Bukharin Revisited

There are two common criticisms of Bukharin that need to be addressed if we are to move forward with his analysis. Both are well-articulated by Brewer in his critical survey of theories of imperialism.

Brewer’s first complaint with regard to Bukharin’s analysis is that ‘it is not true that competition was, then or later, completely suppressed within national boundaries’.⁹⁹ Brewer cites as evidence the spread of multinational companies and the fact, for instance, that major competition in the world motor industry takes place between GM and Ford. This criticism is misplaced in two distinct ways. It represents a parody of Bukharin’s thinking and an inability to see the broader theoretical insight he provided. It overlooks the fact that Bukharin did not suggest that competition was eliminated entirely within the state, even during wartime. What he argued was that there was a tendency to monopoly in the hands of the state in proportion to the external competition faced. For the purpose of

⁹⁸ Bukharin 1972 [1916], p. 154.

understanding the movement back and forth between nationalisation and privatisation, the identification of a causal tendency is sufficient. We need not see either extreme in order to recognise a tendency at work. On the specific example of two large companies like GM and Ford, they are capable of sufficient coordination of their activities should it become essential to the national security of the US.

More seriously, this criticism shows a failure to understand the deeper logic of the analysis Bukharin provided. The idea that the growth of multinational companies refutes his analysis is wrong for similar reasons that Smaldone was wrong to dismiss Hilferding on the grounds that 'the state' took over from 'the banks'. If we understand Bukharin to be referring to capital organised on an ever-increasing scale, which he observed to have reached the level of state-capitalist trusts, there is no reason to dismiss his theory because it appears to be moving beyond the state level. If anything the growth of multinationals can be seen as confirmation of Bukharin's analysis that capital seeks organisation on an ever-greater scale *and* that we should not naturalise or fetishise the state. With these two principles in mind, there is no reason why the historical trajectory of centralisation and competition could not extend beyond the state to a multi-state level whereby monopolies grow up within blocs of states, while competition reigns between blocs. This is something Bukharin mentions in passing in *Imperialism and World Economy*. He states that were all Europe, for instance, to unite, '[t]he struggle among small (small!) state capitalist trusts would be replaced by the struggle between still more colossal trusts.'¹⁰⁰ Bukharin imagines incorrectly that this struggle would be between Europe, on one hand, and America and Asia, on the other, but he is correct about the basic tendency. Both world wars and the cold war

⁹⁹ Brewer 1980, pp. 106-107.

saw the division of the world into two competing blocs within which capital was to some degree socialised. The growth of multinational companies within those blocs can be seen to represent sectors of capitalism socialised on a multi-state level.

The second criticism Brewer makes of Bukharin is that his 'treatment of the state is over-simple'.¹⁰¹ This objection demonstrates the tenacity of the instrumentalist view of the state in modern Marxist thought. Brewer incorrectly assumes Bukharin shares his own view of the state as 'relatively autonomous', the product of the separation of state from the capitalist class as a result of the plurality of capitalist interests. According to Bukharin, with the growth of finance capital, these plural capitalist interests are seen to be cemented into fewer, more powerful units that can exert far greater control over the state. For Brewer, this is an image of capitalists as powerful lobbyists in relation to the state. Brewer acknowledges that this 'contains a grain of truth: big firms can have much more direct links with the apparatuses of the state than can have a multitude of small firms'.¹⁰² However, he points out, the class is not totally unified, the support of professionals and public servants is required and 'there is a need to absorb and contain working-class pressure rather than simply repressing it'.¹⁰³ He concludes that:

For all these reasons, the state has much more autonomy than Bukharin, or the other classical Marxists, admitted. It may represent the *interests* of finance capital; that is not the same thing as acting as their direct *agent*.¹⁰⁴

This objection to Bukharin's theory of the state as an agent of capital accumulation misses the point entirely. It is based on the misperception that Bukharin, like Hilferding, has an instrumentalist view of the state. The distinction for Brewer is simply that in Bukharin's analysis finance capital has an even tighter

¹⁰⁰ Bukharin 1972 [1916], pp. 139-140.

¹⁰¹ Brewer 1980, pp. 106-107.

¹⁰² Brewer 1980, p. 107.

¹⁰³ Brewer 1980, p. 107.

grip on the instrument than Hilferding imagined. Brewer then questions that grip because of other interests involved. What this ignores is the discussion of the role of state debt and taxation that Bukharin introduces. While, the lobbying powers of large trusts *vis a vis* the state are significant, they are not decisive. Lobbying serves to highlight the interests of one or other part of national capital, but the emergence of state debt, in the form of government bonds seals the interests of the state in favour of the national capitalist class as a whole. The interests of state and finance capital are one, because it is finance capital which is coursing through the veins of the state, making it what it is, capable of fighting for the interests of its national monopoly capitals.

In Bukharin's analysis the state is an expression of capital interests on a national level. As we quoted him previously, the state is 'just as definitely an economic organization as is a trust or a syndicate.'¹⁰⁵ It makes no more sense to say that the state is 'autonomous', relative or otherwise, from finance capital than it does to say that large trusts or syndicates are autonomous. The state is the mechanism through which finance capital is securing its interests.¹⁰⁶ The state is an organisational strategy, it *is* a set of social relations, not an object or instrument *for use by* a set of social relations. Brewer refers to the fact that 'Bukharin's vision of the world represents an abolition of the state as a body distinct from "civil society"'.¹⁰⁷ This is something which the 'volume one' theorists would be unable to comprehend as a capitalist social form, convinced as they are of the 'empire of

¹⁰⁴ Brewer 1980, p. 107. Italics his.

¹⁰⁵ Bukharin and Preobrazhensky 1969 [1920], p. 163.

¹⁰⁶ As a theory of 'the capitalist state' Bukharin's writings lack specification. It is beyond the scope of this thesis to fill in this gap. To describe in detail the precise mechanisms by which the state as a particular form of organisation expresses the interests of capital would involve a detailed historical and theoretical analysis of tax, tariffs and war, elements of 'the state as capitalist' to which Bukharin refers. What we are concerned with here, *vis a vis* 'volume one' theorists, is the fact that historically states, as agents of capital, have employed these techniques in order to compete on an international scale. This is an argument which Bukharin convincingly makes.

civil society' model of capitalism, but it is exactly what Bukharin understood to be the case. The state is not distinct from civil society, it is an expression of it.

5.4 Lenin

As mentioned in the introduction to this chapter, Lenin's understanding of imperialism is based largely upon the writings of Hilferding and Bukharin. He shares with Bukharin the analysis of the *historical trajectory* and *geographic scope* of capitalism that we have arrived at thus far, an understanding significantly influenced by Hilferding's work. In the study of these dimensions of capitalism, therefore, he has nothing much original to add to our alternative approach.¹⁰⁸ It is in what we have been studying as the third dimension of capitalism, its *core dynamic*, that Lenin makes his most impressive contribution. What we are concerned with here is Lenin's analysis of the challenges faced by the Bolshevik leadership as they attempted to break the core dynamic of capitalism within the context of a global capitalist economy. In attempting to overcome the law of value through the transition to a socialist society, a great deal was revealed as to the way in which the law of value functions.¹⁰⁹

¹⁰⁷ Brewer 1980, p. 107.

¹⁰⁸ This is not to suggest that Lenin's writings on imperialism have nothing to add to our understanding of the subject but just that in terms of the categories we are employing here, Hilferding and Bukharin led the way. For the significance of Lenin's own writings on imperialism see Harding 1977, 1981.

¹⁰⁹ In placing this importance on the efforts of the revolutionary leadership we concur with Mike Haynes that 'the issue of the transition takes us directly to the heart of contemporary debates about capitalism...' Haynes 1985, p. 1.

5.4.1 Core Dynamic

In the following discussion we refer back to the insight of the previous chapter in which a nuanced understanding of the law of value allows for considerable ‘negation of the law of value on the basis of the law of value’. What is argued here, on the basis of Lenin’s analysis and its practical application, is that despite the most valiant effort, the degree of control and planning exercised by the Bolshevik leadership must be understood as ‘a negation of the law of value’ on a national scale, which remained trapped ‘on the basis of the law of value’ on a global scale. As such, the Russian revolution ultimately must be seen to have failed to escape the *core dynamic* of capitalism, the law of value in a global capitalist economy.

In this analysis we shall focus on the period immediately following the revolution, a period marked by war and civil war from 1917-1921 and also the period that followed that, up until Lenin’s death in 1924. Only very briefly, can we recount the major events of this period in which Czarist Russia, ‘a weak link in the chain’ of global capitalism, erupted in revolution and a Bolshevik vanguard party attempted to lead the transition to socialism. As discussed above, Lenin and Trotsky had argued that it was *because of* its historical backwardness that Russia could and should lead what must be a worldwide revolutionary struggle. Russia’s late development meant that it lacked a strong indigenous bourgeoisie and yet, given the global nature of capitalism, the country represented an important sphere of production in the world economy, equipped with pockets of advanced production and a small but strategically significant working-class. Suffering under the yoke of foreign imperialism, and lacking an effective ruling class, Russia proved ripe for revolution.

However, and this is key, it was never the expectation of those who attempted to lead and guide the Bolshevik revolution, that it would be able to succeed in making the transition to socialism without revolution also taking place in more developed countries, particularly Germany. Without international support, the Bolsheviks understood they would become the victims of 'the capitalists and landowners, lying in wait abroad and supported by the world bourgeoisie'.¹¹⁰ The total political disorientation of the Second International, the capitulation of the German left to social democracy and its subsequent obliteration by the Nazi regime, ensured the isolation of Russia. Without revolution elsewhere, Russia was faced with the enormous obstacle of battling imperialist forces externally while trying to develop the means of production internally. Russia became, in Lenin's words, 'a besieged fortress' 'a blockaded country'.¹¹¹ What's more, the Bolsheviks had accomplished a worker's revolution in a country in which the majority of the population was not workers but peasants, independent small-scale producers whose immediate interests did not coincide with those of the workers. And this peasant majority was made even more dominant following the cull of the proletariat by imperialist forces during the civil war.¹¹²

It is in this context that the policies and strategies of the Bolshevik leadership were played out. Their aim was to break the core dynamic of capital accumulation on a global scale, knowing that to attempt to do so on a national scale would fail. The tasks that presented them following the revolution, isolated in a world economy driven by capitalist imperatives, made the goal of post-capitalist society unreachable. Events conspired against them almost immediately as they

¹¹⁰ Lenin 1965a, p. 360.

¹¹¹ Lenin 1965a, p. 352.

¹¹² 'The civil war of 1918-1920 aggravated the havoc in the country, retarded the restoration of its productive forces, and bled the proletariat more than any other class.' Lenin 1965a, p. 341.

plunged into civil war, against enemies backed by imperialist powers abroad.¹¹³ It was in this context that the Russian state developed the policy of War Communism involving a dramatic centralization of power and direction of production. Lenin explains how the situation of war distorted the priorities of the revolutionary leadership. 'It was the war and the ruin that forced us into War Communism. It was not, and could not be, a policy that corresponded to the economic tasks of the proletariat. It was makeshift.'¹¹⁴

After the civil war, more makeshift solutions followed as Lenin led the Bolshevik Party down the road of 'state capitalism' coexisting with the dictatorship of the proletariat in an attempt to raise productivity to the point where some recovery, internal stability and development could take place. The New Economic Policy, the tax in kind, and the concessions to international business represented, for Lenin, a retreat back to state capitalism to consolidate some of the gains of the revolution in a global situation in which socialism was not yet possible. It was Lenin's strategy that in order to ensure survival *vis a vis* other 'bourgeois 'state capitalisms', and in order to maintain the cooperation of the peasants, only state capitalism would do.

While the revolution in Germany is still slow in 'coming forth', our task is to *study* the state capitalism of the Germans, to *spare no effort* in copying it and not shrink from adopting dictatorial methods to hasten the copying of Western culture by barbarian Russia, without hesitating to use barbarous methods in fighting barbarism.'¹¹⁵

'What compels us to do this? We are not alone in the world. We exist in a system of capitalist states.'¹¹⁶ 'Until the final issue is decided [i.e. rule of

¹¹³ See Trotsky 1933 [1969] and Deutscher 1967.

¹¹⁴ Lenin 1965a, p. 335.

¹¹⁵ Lenin 1965a, p. 335.

¹¹⁶ Lenin 1965b, p. 491.

capitalists or rule of proletariat] this awful state of war will continue.’¹¹⁷ Lenin responded to his detractors and others who would argue that ‘it is unbecoming for us revolutionaries to “take lessons” from German imperialism, in no uncertain terms. ‘There is only one thing we can say in reply: the revolution that took these people seriously would perish irrevocably (and deservedly).’¹¹⁸

It is in this context of striving for survival at the international level that the New Economic Policy was launched. Its intention was to assist the proletariat in retaining power through encouraging the production and market distribution of food by the peasants (internal security) and the development of large scale industry for defense and other purposes (external security).

The real nature of the New Economic Policy is this – firstly, the proletarian state has given small producers freedom to trade; and secondly, in respect of the means of production in large-scale industry, the proletarian state is applying a number of principles of what in capitalist economics is called ‘state capitalism’.¹¹⁹

The situation in which we are carrying on our work has not been created by ourselves alone; it is bound up with the economic struggle and our relations with other countries. Things so turned out that last spring we had to discuss the question of leasing, and today we have to discuss the question of trade and the money system.¹²⁰

Lenin believed that it was possible to make the transition to socialism through state capitalism ruled by the proletariat.¹²¹ But there was no mistaking for Lenin, that this was capitalism, the kind of capitalism necessary for the new regime’s survival.

We must organize things in such a way as to make possible the customary operation of capitalist economy and capitalist exchange, because this is essential for the people. Without it, existence is impossible.

¹¹⁷ Lenin 1965b, p. 495.

¹¹⁸ Lenin 1965a, p. 335.

¹¹⁹ Lenin 1966a, p. 407.

¹²⁰ Lenin 1966b, p. 105.

¹²¹ ‘One possible way to proceed to communism is through state capitalism, provided the state is controlled by the working class.’ Lenin 1966a, p. 407.

The extent to which Russia came to operate like other state monopoly trusts in relation to the world market, is suggested in the following comment by Lenin in an interview with the *Manchester Guardian*.

The foreign trade monopoly... will help us to keep the Nepmen in hand, for, without consulting them, prices will be determined by the price of production abroad plus the extra charge imposed by the state for the purpose of subsidizing production.¹²²

In this way the Bolshevik regime was operating like any other state capitalist trust, creating a monopoly from which it could obtain a certain proportion of surplus value created on a global scale.

Lenin referred to this kind of proletariat 'state capitalism' as 'capitalism that we must confine within certain bounds' but he also admitted, 'we have not yet learned to confine it within those bounds.'¹²³ The pressure to accumulate currency in order to develop large-scale industry, for instance, shaped the whole development of Russian society.

We must economise now although it is at the expense of the population... We are economizing in all things, even in schools. We must do this because we know that unless we save heavy industry, unless we restore it, we shall not be able to build up an industry at all; and without an industry we shall go under as an independent country. We realize this very well.¹²⁴

Allowing peasant trading and foreign investment, had effects on Russian society that were quite unpredictable. One year into the NEP, Lenin makes the following observation.

Well, we have lived through a year, the state is in our hands; but has it operated the New Economic Policy in the way we wanted in this past year? No.... How did it operate? The machine refused to obey the hand that guided it. It was like a car not going in the direction the driver desired, but in the direction someone else desired; as if it were being driven by some mysterious hand, God knows whose, perhaps of a profiteer, or of a private capitalist, or of both. Be that as it may, the car is not going quite in the direction that the man at the wheel imagines, and

¹²² Lenin 1966a, p. 409.

¹²³ Lenin 1966c, p. 279.

¹²⁴ Lenin 1966d, p. 426.

often it goes in an altogether different direction. This is the main thing that must be remembered in regard to state capitalism.¹²⁵

In this statement Lenin explicitly acknowledges that the organisation of the Russian economy was being shaped and determined by forces other than the conscious will of his leadership. 'Behind the backs' of the Bolshevik leadership, the organization of the Russian economy was developing in relation to competition elsewhere. In this way we might say that it continued to be vulnerable to the law of value, albeit mediated through other capitalist trusts, on a global scale.

But is it really accurate to describe Bolshevik Party policies as being *determined* by the law of value? Referring back to the last chapter, we recall that the volume one Marxists believe that were the state to become involved directly, through owning and controlling the means of production, then value determination of the exchange relation between different commodities, the quantities of different commodities produced, and the proportion of society's total labour time allocated to different enterprises would break down. It would be the state *rather than* the competitive comparison of commodities that would determine prices, wages and the relative quantity and quality of goods. Let us consider briefly what this might mean in the context of the Bolshevik regime's efforts to control and plan production and trade.

It is certainly possible to argue that it was the Bolshevik Party *rather than* the law of value that determined which commodities were produced in Russia between 1917-1924 in what quantities they were produced, and at what price they were exchanged. But what exactly would this mean? As we have argued above, in a period of war and civil war the Russian economy behaved like any capitalist war economy, production was planned and carried out according to what was

¹²⁵ Lenin 1966c, pp. 279-280.

considered necessary in order to compete with imperialist forces on a global scale. The international imperative of war shaped all aspects of domestic production.

As we know from the last chapter, the law of value transforms concrete individual labour into abstract social labour. How can we see this taking place in the context of Russia 1917-1924? The key is to examine its development as social labour on a level beyond that of a single territorial state. Let us consider the organization of labour in Russia and Britain together, for example, in this period. Is labour power allocated between different productive tasks according to conscious decision, for example Russia will make bullets and Britain will make guns? Or does it develop through the blind interaction of different acts of labour organized independently of each other, for example, both Russia and Britain making bullets and guns in a quantity and quality that will help to ensure their survival as independent countries? It is the latter. In war, the allocation of labour within each state takes place in relation to, in competition with, the allocation of labour in the other state. It is in this way, during war, that concrete individual labour is transformed into abstract social labour, not only through the market, but also through military conflict.

The idea that the goods which compete in war are somehow of an ontologically different kind from the goods which compete in peace is absurd. Why should we not see, as our theorists of imperialism have argued, competition in war as an extension of competition in peace? As Engels usefully pointed out ‘the triumph of force is based on the production of arms, and this in turn on production in general – therefore on ‘economic power’ on the ‘economic order’ on the material means which force has at its disposal.’¹²⁶ As Bukharin made clear, war is

¹²⁶ Engels 1954, p. 231.

never war in general, it is war for the establishment of a particular set of social relations and in the period under examination here, we are talking about capitalist war. This was a capitalist war in which the Bolshevik regime was forced to engage. We introduce here the idea that the law of value worked through military competition to shape social relations within Russia. The argument that military competition *alone* can transmit the law of value, will require greater specification in the next chapter which covers a period in which the USSR, under Stalin, had little or no market exchange with the West.

For now, however, if we accept that any state at war within a global capitalist economy is engaged in planning which represents ‘a negation of the law of value on the basis of the law of value’; and, if we accept that the ‘negation of the law of value on the basis of the law of value’ is the way in which the law of value proceeds, then, the argument that the Soviet regime was exercising its own priorities *in distinction to* those dictated by the pressures of competitive capital accumulation on a global scale begins to break down. We will now turn to a particular criticism of Lenin which allows us to look at this question in more detail.

5.4.2 Lenin Revisited

There have been many criticisms of Lenin’s writings on imperialism, adequately outlined and debated elsewhere, stemming from a variety of political perspectives.¹²⁷ There have also been many unfavourable assessments of Lenin’s theorization of the role of the vanguard party and the development of a dictatorship of the proletariat. These latter criticisms have come particularly from social

¹²⁷ For a useful account of these criticisms see Brewer 1990, pp. 108-137.

democratic and anarchist thinkers, who have argued that Lenin had an elitist theory of revolutionary struggle and crushed the democratic spirit of the revolution through centralization of control.¹²⁸ These are variants of the bourgeois historian's 'Lenin-led-directly-to-Stalin' argument and are at odds with the argument presented here. But we shall not dwell on these well-rehearsed debates now.¹²⁹ What we are concerned with here is a criticism of Lenin from quite a different angle altogether. This is the criticism made by Preobrazhensky, one of the foremost theorists of the Left Opposition,¹³⁰ and others, notably European and North American representatives of the Communist International,¹³¹ that Lenin had retreated too far towards capitalism and had opened the door too widely to the law of value. We shall concentrate here on Preobrazhensky's position.

Preobrazhensky's concern emerged in the context of the New Economic Policy and the granting of concessions to international capitalist concerns and continued after Lenin's death as Preobrazhensky debated with Bukharin and eventually capitulated to Stalin.¹³² At the root of Preobrazhensky's criticism of Lenin was the idea that the law of value (which he associated with market

¹²⁸ This social democratic argument was made by Kautsky after 1917. See Kautsky 1919. A good general survey of all a variety of views can be found in Bell 1958. The most widely discussed anarchist attempt to argue this is probably Brinton 1975.

¹²⁹ For a discussion of these debates see especially Cohen 1977 and Haynes 1998. See also Volkogonov 1991; 1994; 1996 for a recent revival of the critique.

¹³⁰ Day 1981, p. 229.

¹³¹ There is a fascinating exchange of letters between Lenin and members of the Communist International as they react with horror to the NEP. In a speech to the Eleventh Congress of the Russian Communist Party Lenin refers to a meeting of the Executive Committee of the Communist International where '[m]oved by the best communist sentiments and communist aspirations, several of the comrades burst into tears because – oh horror!- the good Russian Communists were retreating.' To which Lenin replied 'we have no time for sentiment.' His argument, which we have touched on above, was that the retreat to state capitalism was necessary in order to secure the advances made, chiefly the survival of the dictatorship of the proletariat. Lenin 1966c, p. 281.

¹³² The following discussion of the crucial difference between the position taken by Preobrazhensky and that taken by Lenin and Bukharin owes much to Mike Haynes engaging analysis in Haynes 1985, pp. 85-88. This interpretation of Bukharin is at odds with Day, who argues that Bukharin, like Hilferding lacked the dialectical understanding of the relationship between planning and anarchy, and as a result came under attack from Lenin. Day 1981, p. 34. I find Haynes' evaluation of the evidence more convincing.

relations) and the law of primitive accumulation (which he associated with state planning) were in constant battle in the society in transition and if the former were to gain ground over the latter this would signal a step backward to capitalism rather than a step forward to socialism.¹³³ It is in this context, as Haynes points out, that he would eventually side with Stalin, keen to see that ‘the plan’ was finally in ascendancy over ‘the market’.

Preobrazhensky believed that there was a fundamental conflict between the ‘law of value’ and the ‘law of planning’¹³⁴ and that the former could be overcome by the latter if economic development was more closely under the control of the state. As Haynes remarks, ‘[w]hat Preobrazhensky did was to counterpose the market and planning as two exclusive categories, defined basically on the distinction between state and private property.’¹³⁵ This may sound familiar. It is a variant on the Weberian association of capitalism with commodity production, associated with the market, and contrasted with something other than capitalism, represented by planning and control by the state. This fetishization of categories, with the state placed in stark contrast to market relations which are seen to represent the essence of capitalism, is what Peter Binns has called ‘the fetishism of “commodity fetishism”’¹³⁶ Haynes explains.

This involved an obsession with the commodity form which led to the erection of a basically static conception of capitalism as a market form and a misunderstanding of the very dynamic of capitalism and the way in which it tends to modify both the market and the commodity as it develops.¹³⁷

¹³³ See Filtzer 1978, pp. 68-70.

¹³⁴ Bettelheim credits Preobrazhensky with being the first to identify this conflict. Filtzer 1978, p. 70.

¹³⁵ Haynes 1981, p. 86. Haynes goes on to note that in practice Preobrazhensky’s argument was ‘much less crude than this. Like Bukharin [and Lenin] he laid stress on the form of the state and working class control.’

¹³⁶ Binns 1980, pp. 105-109. This is cited in Haynes 1985, p. 88.

¹³⁷ Haynes 1985, p. 88.

Preobrazhensky was not an unsophisticated thinker. He demonstrated an awareness in *The New Economics* of the principle that '[w]hen there is trustification or syndication... prices *systematically* deviate from value...' ¹³⁸ In this, he shows an awareness that planning within a monopoly formation may deviate from the law of value but does so in ways that never escape the logic of that law of value, that cannot be understood other than in relation to the law of value. Yet elsewhere in the same text, while discussing German state capitalism, Preobrazhensky made the following observation,

The regulation of the whole of capitalist production by the bourgeois state reached a degree unprecedented in the history of capitalism... Free competition was abolished, and the working of the law of value in many respects was almost completely replaced by the planning principle of state capitalism'. ¹³⁹

It is this undialectical understanding of the relationship between planning and value relations, at the level of the territorial state, that led him in *The Decline of Capitalism* to the view that capitalism had become so disconnected from the law of value, that it could no longer function. As Day explains, for Preobrazhensky, 'fascism was the typical political superstructure of state-monopoly capitalism, the necessary consequence of interference with the law of value, the most direct evidence of the historic decline of the capitalist mode of production'. ¹⁴⁰

Preobrazhensky arrived at this view because he did not share with Bukharin and Lenin, the view that planning within a state monopoly formation is a means by which the anarchy of value relations continues. Lenin and Bukharin understood that planning and the market were not opposites and that both could express the same essence. ¹⁴¹ It is this principle that Lenin acted on in allowing an internal

¹³⁸ Preobrazhensky 1965, p. 152. Italics mine.

¹³⁹ Preobrazhensky 1965, p. 85.

¹⁴⁰ Day 1981, p. 242.

¹⁴¹ Haynes makes this point in reference to Bukharin 1985, p. 85.

market to develop within Russia and it is this that made him resolutely realistic about the fact that however much planning took place within Russia, it was state capitalism and not socialism that they were creating.

Lenin objected to Preobrazhensky's stance in both theoretical and practical terms. Theoretically he was opposed to 'the very concept of purity' in terms of planning or anarchy, which he believed indicated 'a certain narrowness, a one-sided cognition, which cannot embrace an object in all its totality and complexity.'¹⁴² Practically, he believed that planning, in and of itself, was 'no more socialist than a locomotive is socialist'¹⁴³ and that 'planning does not make the worker less of a slave, but it allows the capitalist to make his profits according to a plan'.¹⁴⁴ He notes that

...however much they do plan, however much the capitalist magnates calculate in advance the volume of production on a national scale, and however much they systematically regulate it, we still remain under capitalism...¹⁴⁵

Adapting a well-worn mantra of critical IR theory, we can concur with Lenin that 'planning is always for some one or some thing.'¹⁴⁶ For Lenin, it is who is doing the planning that matters and in whose interests. What counts is not the *state's control over production*, i.e. planning, but *the workers' control over the state*, i.e. democracy of the means of production. It is for this reason that the argument that 'Lenin-led-directly-to-Stalin' is so weak. Lenin was a champion of radical democracy, his every effort was channeled to improve the conditions within which the democratic control of production in Russia could take place. Planning by the proletariat, in their own interests, was what Lenin sought as the objective of the

¹⁴² Lenin quoted in Day 1981, p. 34.

¹⁴³ Lenin 1964a, p. 304.

¹⁴⁴ Lenin 1964a, p. 306.

¹⁴⁵ Lenin 1964b, p. 443.

¹⁴⁶ This is a reference to the mantra of the father of critical theory in IR, Robert Cox, who reminds us that 'theory is always for some one and some purpose'. Cox 1996, p. 87.

struggle of socialism. Planning, in and of itself, meant nothing and in the context of anarchical capitalist relations on a global scale, in war or 'peace', did not allow 'planners' to escape the law of value.

5.5 Conclusion

What we have done over the course of this chapter is examine Hilferding, Bukharin and Lenin's writings on imperialism in order to make sense of the 'advance of the state' in their time. We looked first at Hilferding's national model of capitalist development within which the *historical trajectory* of centralization and competition on an ever-increasing scale was facilitated enormously by joint-stock companies and the involvement of banks. This brought us to an understanding of the state as an expression of the interests of finance capital acting on behalf of national monopoly capitalists. From here, Bukharin took the analysis one step further, the state became more than an instrument, it was seen as an agent of capital accumulation in its own right within the *geographic scope* of capitalism on a global scale. With this came an understanding of war as a kind of capitalist competition. Finally, with Lenin, we saw that given the presence of anarchical capitalist relations on a global scale, in war or peace, individual states cannot escape the law of value, the *core dynamic* of capitalism on a global scale. National planning cannot be contrasted with anarchy, it must be understood as a means through which that anarchy continues.

We were set the challenge by Trotsky, at the end of chapter three not 'to throw out of reality, for the sake of logical completeness' aspects of actually existing capitalism which appeared to be at odds with our understanding of

capitalism. For the volume one theorists this includes any ownership and control of production by the state. Hilferding, Bukharin and Lenin, by contrast, represent an alternative tradition of classical Marxism, interested in making sense of capitalism as it has 'actually existed' through periods of nationalized production and war. As Haynes notes this involves a conception of capitalism which is precisely not an abstract model, 'not an ideal type which is held up to the world.' He adds that capitalism cannot be reduced to 'a simple formula whether that be commodity exchange, wage labour, the market or whatever'. Capitalism is 'a dynamic mode of production which is constantly in the process of transforming itself.' Haynes advises that 'what Marxists must do is to understand the nature of this constant transformation and not erect timeless categories into which an intransient reality has to be hammered.'¹⁴⁷ It is this that the theorists of imperialism examined here have done. This is a method of engagement we will follow through into the next chapter in order to better understand the development of post-war capitalist relations as they have 'actually existed'.

¹⁴⁷ Haynes 1985, p. 126.

Chapter Six

Cold War: State Capitalism and Beyond

6.1 Introduction

Over the last two chapters we have been developing a theory of capitalism, based on an alternative tradition of classical Marxism capable of making sense of significant variations in state-market behaviour, of which the apparent ‘retreat of the state’ over the last two decades is one example. Specifically, we have been attempting to understand extensive state ownership and control of the means of production, as an aspect of actually existing capitalism on a global scale. It is hoped that we will be able to make better sense of a historic process like the ‘privatisation revolution’, if we can first understand the state ownership which logically and historically preceded it. The ‘volume one’ Marxism of Rosenberg and others denies that state ownership and control can be understood as capitalist in its nature, and as a result fails to engage analytically with the structural changes in the nature of capitalism which ‘globalisation’ represents. This is the third of three chapters which present an alternative classical Marxist approach to capitalism as it ‘actually exists’.

In chapter five we argued that the theoretical possibility of capitalism taking the form of state ownership and control of the means of production, was evident in the writings of Marx and Engels. In chapter six we traced the actual historical development of ‘state capitalism’ in the form of imperialism and world war, as analysed by Hilferding, Bukharin and Lenin. In this chapter, we shall focus on the immediate post-war period and through the 1950s and 60s during the height of the Cold War. We will be attempting to make sense of the enormous growth in the role of

the state throughout the world in the post-war period. This historical moment is of particular significance for our understanding of 'the retreat of the state' because it is the apparent *stability* of individual states and the state system over several decades following World War Two that has formed the backdrop for later assumptions about *change*, in terms of the last decade of privatisation and globalisation.¹ In other words, had it not been for the scale and scope of state ownership and control of production following the Second World War, the privatization of the last two decades would not appear to represent such a revolutionary *volte-face*.

In the first half of this chapter there will be a particular focus on the nature of the Soviet Union. The USSR represented a clear case of state ownership and control of the means of production, tightly managed within the borders of a territorial state, yet existing within a global economy driven by the imperatives of capital accumulation. As such, it represents an important case, allowing us to study the strengths and limitations of the perspective we have been developing so far. In the last chapter, we looked at Russia in the period following the Bolshevik revolution and found considerable evidence of adaption to market mechanisms internally, and externally, through the NEP. In the period under consideration here, however, the USSR under Stalin and throughout the Cold War, complete state control was the guiding principle and very little international exchange took place.² How we

¹ In chapter two we discussed the way in which many theorists of globalisation had naturalised aspects of state market behaviour which were in fact quite historically peculiar to the post-war period.

² International exchange did begin to develop on a greater scale in the 1970s in a period of détente, a cooling of Cold War tensions. Poland, for instance, attempted to break out of the crisis of a stagnating economy by seeking Western investment and borrowing extensively 'in the hopes that they would find a favourable place in the international division of labour'. Barker recalls a joke in the 1970s that if Poland was socialist, the tractor workers in Warsaw who worked both for the Polish state and Massey-Ferguson (in a joint enterprise) changed their relations of production every lunch time. In the morning they just made tractors in the afternoon they also produced surplus value for capital. Barker 2004 correspondence. This joke highlights the inadequacy of a 'volume one' approach which cannot make sense of such a formation.

understand the dynamic of social relations in the Soviet Union will reveal a great deal about the relative strength of our alternative theory of capitalism.

The idea that the post-war world was divided into countries that were capitalist, 'non-capitalist' or somehow 'mixed' of the two, has been the prevailing view in International Relations and throughout most of the social sciences.³ The Cold War was seen as, in some sense, a war between capitalism and 'something other' than capitalism, whether that 'other' was understood to be communism, 'actually existing socialism', or some other label for describing the centrally planned authoritarian states of the 'second world'. Notoriously shy of the word 'capitalism', IR theorists showed more interest in the external manifestation of the Cold War conflict in terms of balances of power, patterns of alliance and domino theories, than the more fundamental question of the nature of social relations within these societies. From a classical Marxist perspective, we might argue that what was required was a movement beyond labels, toward an ongoing analysis of the historical development of global capitalism which could make sense of both the 'centrally planned' Soviet Union *and* the increased role of the state in the West and South. Without this we cannot make sense of the central conflict of the post-war world. The Cold War cannot be explained within the terms conventionally set and cannot really be explained outside them, unless the dynamic of the Soviet Union is understood.

Similarly, since 'actually existing capitalism', in all its post-war forms contains major elements that we associate with the Soviet Union, those aspects too become inexplicable.⁴ The paradox is that we have no theory (we have only description) of late capitalism because late capitalism is at odds with the volume one

³ Typical in this regard is the text by Davis and Scase, *Western Capitalism and State Socialism* although they note that their view of 'state socialist societies' as 'distinctive social types' existed only since the 1960s. Davis and Scase 1985, p. 1.

⁴ State ownership and control of production in the Keynesian welfare state, for instance.

analysis that traditional accounts gravitate toward. Reality is not matching up with theory and we are experiencing intellectual crisis. It is no exaggeration to say that contemporary 'theories' of the Cold War provide ample evidence that such a crisis exists.⁵ We might suggest that what is required here is nothing short of a 'paradigm shift'. Kuhn argued that scientific advancement was not evolutionary but rather involved a 'series of peaceful interludes punctuated by intellectually violent revolutions', and in those revolutions 'one conceptual world view is replaced by another'.⁶ Scientific revolutions occur when anomalies arise which cannot be explained by the current paradigm. The inability of mainstream academia and much classical Marxism to provide an explanation of late capitalism as it 'actually exists' is one such (rather major!) anomaly.⁷

The advantage of the approach that we have been developing over the last few chapters is that, by itself, state ownership and control of production in the Soviet Union appears not to preclude it from being considered capitalist. It may be understood as a form of state capitalist trust competing in a global capitalist system of states. This would be an approach quintessentially at home in the discipline of IR and IPE, as it places considerable analytical weight on the dimension of the international. What is more, in explaining *both* the development of the USSR and the rest of the world through an analysis of a single world historical dynamic, it would represent a considerable advance over mainstream IR. It would avoid the breaking down of the social world into separate parts to be mechanically interrelated in ahistorical models like 'the balance of power' or into mystifications of ideological impasse.

⁵ Cox 1999 makes this explicit.

⁶ Kuhn 1962 [1996], p. 122.

⁷ It is this anomaly that makes the quest for an explanation of 'actually existing' capitalism legitimate. We have reached a stage where the current paradigm is so limiting that we need a revolution in our thinking in order to understand the world as it 'actually exists'.

The first section of this chapter looks at the main answers to ‘the Russia question’ among Marxists in the post-war period. Orthodox Trotskyist and New Class theories of the nature of Russian society are considered as well as two versions of what is known as a ‘state capitalist’ analysis. These four positions are distinguished along the lines of whether or not class relations are seen to exist in Russia, the significance of state ownership and control of production in characterizing the Russian state, and the frame of reference for analysis, whether it is national or global. What we find is that one of the ‘state capitalist’ approaches we examine fits well within our understanding of the nature of capitalism, as developed through our alternative classical Marxist approach.

In the second section of the chapter we look in more detail at this particular answer to ‘the Russia question’ which was formulated by Tony Cliff and described as a ‘bureaucratic state capitalist’ perspective. This is an approach well-formulated in terms of the *geographical scope* and *historical trajectory* of capitalism as it ‘actually exists’, and consistent with our understanding of its *core dynamic*. It appears to provide an analysis of the post-war period which continues the alternative tradition of classical Marxism that we have been developing. The impetus for this approach was Cliff’s attempt to orient himself politically within the Cold War. Unfortunately, he develops his perspective in a quite unselfconscious way, avoiding explicitly elaborating his understanding of Russia into a more developed theory of capitalism.

In the third section of the chapter we move ‘beyond Russia’ to consider the implications of Cliff’s analysis for our ongoing development of a theory of capitalism as it actually exists. While there are many strands of Cliff’s analysis that we could develop, here we will focus on the question of whether free wage labour is essential to the functioning of capitalism, a debate which has arisen directly out of Cliff’s

characterisation of Stalin's USSR as 'state capitalist'. For the present thesis, this is an important debate as it exposes in stark form the difference between the volume one marxists, for whom free wage labour is *the* essential ingredient of capitalism, and the alternative tradition who, following Cliff, acknowledge that no such ingredient existed in the USSR. At this stage in the argument we also move 'beyond Russia' in the geographical sense, with comment on the nature of free wage labour in the West and consideration of whether state-capitalism usefully describes the post-war 'nationalisation revolution' in the West and South.

Finally, in the last section of the chapter, in the final 'movement beyond', we try and transcend the limitations of the theory of 'state capitalism' itself. It is argued that, despite the many virtues of Cliff's approach, (not least that he kept alive an anti-Stalinist tradition of classical Marxism throughout the Cold War), if what we are trying to understand is the high levels of state ownership and control of production during this period we need to develop our analysis of nation-state capitalism into a theory of 'bloc capitalism'. This argument is counter-intuitive given that vast sectors of industry during this period were *nationalized*, but we will be arguing that nationalization within individual western countries (and within many developing countries) was evidence of *international coordination* aimed at surviving bloc capitalist competition with the USSR. In this way we come to understand the high levels of nationalization of industry characteristic of the Cold War as an expression of the rivalry of competing bloc capitals. We arrive at this position through extending the alternative tradition of classical Marxism we have been developing, beyond the point where Cliff's state capitalism has left it.

6.2 The Russia question

Over the last half century or more, Marxists who have understood state ownership and control of the means of production as a logical and historical step in the development of global capitalism, have employed the central insights of this approach to understanding Russia and other centrally planned economies as in some sense capitalist. This is in line with the kind of analysis we have developed over the last two chapters. But this was, and remains, a minority position. A brief overview of other, more popular, answers to the ‘Russia question’ is necessary first in order to contextualise the state capitalist approach we are interested in. In very broad outline we can distinguish at least four main positions on Russia that became dominant among Marxists during the Cold War: orthodox Trotskyist, new class theories and two versions of what might be called a theory of ‘state capitalism’.⁸

6.2.1 *The Orthodox Trotskyist Position*

The ‘orthodox Trotskyist’ position on the nature of the USSR, is most closely associated with Ernest Mandel, but was also adopted by many bourgeois writers without attribution.⁹ Influenced by Trotsky, Mandel saw central planning and state ownership of the means of production in Russia, and then the USSR, as in some sense ‘progressive’ and characteristic of a definitive break with capitalism.¹⁰ Although well aware of the lack of genuine worker’s democracy within Russia, neither Mandel nor

⁸ Barker 1981, is an invaluable guide to these debates.

⁹ See Callinicos 1990, for a useful discussion of Mandel. As for other writers, the key is that if they do not accept that Russia was socialist (which most do not), they tend to fall into the ‘degenerate worker’s state’ position which relates to what they think it could have been, not what they think it was.

¹⁰ Trotsky made apparently conflicting statements as to whether state planning and ownership are compatible with capitalism. It seems that he was capable of recognizing this compatibility in relation to other countries, for instance Mexico, but did not find it a convincing description of Stalinist Russia.

Trotsky believed that the bureaucracy comprised an exploiting class with its own distinct interests. Russia was not seen as a class society of any kind. Rather, the outcome of the 1917 revolution was a kind of worker's state, but one which had degenerated into an undemocratic form. This is a theory of Russia as in some sense 'transitional' between capitalism and socialism, having left one behind through the development of state planning and ownership and not fully realized the other in terms of worker's democracy.

There is mixed evidence as to whether Trotsky held this view right up until his death. He certainly did not believe it was a state of affairs that could survive for long, without either the workers crushing the bureaucracy or the whole society reverting to capitalism. As he said, '[i]n reality a backslide to capitalism is wholly possible.'¹¹ In fact, the only thing that could prevent the latter, in Trotsky's view, was the spreading of the revolution to the rest of the world. It is therefore somewhat puzzling that this 'transitional society' image would be held by those, like Mandel, who have lived to witness decades of stability in the internal social relations of the Soviet Union. This is the major limitation of their position, and by extension all those who subscribe to it explicitly or otherwise, that it leaves the USSR stranded historically and geographically – in 'transition' for fifty years and stripped of its international context. As late as 1990, Mandel claimed that 'the fate of the USSR as a transitional society between capitalism and socialism 'frozen' at its present stage by the bureaucratic dictatorship, has not yet been settled by history.'¹²

¹¹ Trotsky 1972, p. 241.

¹² Mandel 1990, p. 47.

6.2.2 New Class Theories

The second major position is held by those who view the social relations of production in Russia as indicative of a 'new class society' of some kind. On this reading, the USSR and other centrally planned countries are neither socialist nor capitalist but represent some 'other' kind of class-based mode of production. These ideas developed in the 1930s among dissident members of the Fourth International like Max Shachtman and James Burnham.¹³ A number of East European intellectuals, including Svetozar Stojanovic and Rudolf Bahro, also developed this analysis of the Soviet Union around the journal *Praxis*, in the 1970s.¹⁴ In the West, these views were taken up by, among others, Hillel Ticktin around the journal *Critique*.¹⁵ This perspective on Russia is also known as an 'exceptionalist' position as it sees centrally planned economies as having taken a separate, or 'exceptional' path from either socialism or capitalism.¹⁶

Despite important distinctions, these writers have a very similar understanding of what state ownership and control of the means of production in Russia signifies. They hold the view that state property is a new kind of class property and, unlike the orthodox Trotskyist position, that this is not progressive, or transitional, but rather evidence of a bureaucratic class exploiting workers collectively through the mechanism of the state. The label given for these countries is 'bureaucratic collectivist' or 'state collectivist'. The means of production in this case are not held

¹³ Burnham 1942.

¹⁴ Bahro 1978; Stojanovic 1973.

¹⁵ Important to note that in some ways Ticktin does not fit neatly in this category as he does not actually believe Russia was a class society because he does not see class as an appropriate concept with which to analyse it. He does however see it as *sui generis* which is why he never extends his analysis to the Eastern bloc. Thanks to Haynes for this clarification. See Molyneux 1987. Ticktin 1973, 1976. See also Carlo 1974; Fantham and Machover 1979; Füredi 1986.

¹⁶ There is nothing to stop them applying this description to other periods of history.

privately, by individual capitalists, but nor are they under the control of the working class. The state is more than an instrument of class repression, it directly organizes the mode of production. Stojanovic employs the term 'statism' much in the way that Hilferding did, to describe this phenomenon of direct state control over the economy. Bahro, uses this same concept to explain post-war third world developmental states.¹⁷

'Volume one' Marxists, and other Marxists who have paid little direct attention to the nature of the Soviet Union, subscribe to some version of this account in which centrally planned countries are seen to have failed at producing socialism and to have developed essentially in parallel to capitalism.¹⁸ Wood has been unwilling to specify the nature of the USSR and other centrally planned economies, referring to them simply as 'Soviet-type' states,¹⁹ and, as we have noted, Rosenberg's understanding of the Soviet Union is that it is not capitalist, but has been produced by capitalism, in parallel to capitalist (i.e. liberal democratic) societies.²⁰ We do not have the space here to discuss the limitations of this answer to the Russia question, something which has been done quite successfully by others.²¹ What can be said here is simply that this approach is very largely descriptive and assumes a country-model of development.

What these first two positions, 'degenerate worker's state' and 'new class society' have in common, despite holding contrasting views about something as fundamental as whether or not class relations exist within centrally planned economies, is that they both consider state ownership and control of the means of production to be inimical to capitalism. This means that neither the theorists subscribing to a 'degenerate worker's state' position nor any one of the 'new class

¹⁷ Bahro 1978.

¹⁸ See Fantham and Machover 1979, p. 4.

¹⁹ Wood 1995, p. 33 cited in Barker 1997, p. 57.

²⁰ See the argument in Chapter Three of this thesis.

²¹ See for example, Barker 1981 and Haynes 1998.

society' adherents would accept that centrally planned economies could be described as capitalist states.

The next two positions, two versions of a 'state capitalist' analysis, take the view that these societies *can* be described as capitalist. Understood here as the third and fourth significant Marxist answer to the Russian question, the label of 'state capitalism' has confusingly been used to describe two very different positions. The first group of Marxists who perceived Russia and other CPEs as 'state capitalist', argued that capitalist market relations, had been restored *within* these societies, while the second group did not. Michael Howard and John King recently described these approaches as 'internalist' and 'externalist' theories of state capitalism, respectively.²² We shall turn to those now.

6.2.3 Internal Theories of State Capitalism

The central and most sophisticated proponent of the 'internal' state capitalism position is Charles Bettelheim, but a similar analysis can be found in the work of Bordiga and in the writings of the Chinese Communist Party.²³ Bettelheim lays out his theory of state capitalism most clearly in *Economic Calculations and Forms of Property*.²⁴ He traces the history of the reversion to capitalism of Russia and Eastern Europe in a three-volume work entitled *Class Struggles in the USSR* covering the period 1917 to 1941.²⁵ The gist of Bettelheim's argument is that in the transition to socialism, the 'economistic' Marxism of the Bolshevik Party was decisive in allowing the conditions of market capitalism to re-establish themselves. He argues that the

²² Howard and King 2003.

²³ Barker 1981, p. 29.

²⁴ Bettelheim 1976a.

²⁵ Bettelheim 1976b, 1978 and 1982.

focus on industrialization, on building the means of production, meant that the development of the appropriate social relations of production, particularly an alliance of workers and peasants, required to ensure a successful transition to socialism, did not take place.²⁶ Without this, a state bourgeoisie emerged and conditions for market capitalism were re-established. On this reading, the Soviet Union and its legacy represent the failure of class struggle in the moment of transition from capitalism to socialism.

The most significant thing about Bettelheim's position, for our purposes, is that he rejects a formalistic equation of state ownership and control of property and production with the absence of capitalist relations of production. Rather, Bettelheim sees Russian capitalism as a version of capitalism in which the state is owner and controller of the means of production. However, in order to argue that capitalist commodity relations exist within Russia, as a result of market conditions having been re-established, Bettelheim makes a number of unsubstantiated claims about the nature of Russian society. Light on empirical evidence, Bettelheim nevertheless claims that Russian industry operated in terms of a number of effectively independent (although state-owned) enterprises that competed with one another under market conditions not dissimilar to those prevailing in the West. The role of money in Russia, Bettelheim believed, was that which you would expect to find under conditions of generalized commodity production. Wage relations existed between workers and enterprises and money served as a means of extracting surplus value, which was then realized through the market.

It is very difficult to find empirical studies that provide any evidence of the kind of 'independence' Bettelheim attributes to Russian enterprise in the period under

²⁶ Following this logic, Bettelheim was very interested in the Chinese Revolution, the emphasis on a worker-peasant alliance and what he perceived to be the more favourable relative weight given to cultural as opposed to industrial development. See Barker 1981, p. 33 and Bettelheim 1978, p. 315.

examination.²⁷ Nor does Bettelheim, despite his lengthy examination of Russia, actually provide that evidence himself. Russian enterprises were not free to set wages or prices. They did not choose the goods that they made or who supplied or bought them. They did not make independent decisions about reinvestment and long-term planning. Bettelheim's characterization of Russian society as dominated by spontaneously created internal capitalist market relations does not, in fact, hold up. The more conventional description of Russian society, held by most Marxists and non-Marxists alike, that it is a centrally planned economy, is more heavily supported by the evidence.

While there is a great deal more that could be said about Bettelheim's position, his inability to establish the existence of 'independent' competing enterprises, upon which his theory depends, allows us to dismiss him at this stage for the purposes of this thesis. Without independent competing units of production within the country, this theory does not support the description of Russia as a capitalist country. Without competition there is no operation of the law of value, without which the dynamic of capital accumulation does not take place.

Where does this leave us in terms of developing a theory of actually existing capitalism which could make sense of the social relations of production obtaining in centrally planned economies? It leads us back to the insights of the previous two chapters which suggest an answer to the Russian question quite distinct from those provided thus far. What all three of the positions above have in common, despite their lack of agreement on something as significant as whether Russia was socialist, capitalist, something other, or something in between, is that they are looking at the

²⁷ The possible exception to this is Filtzer 2002, 1994, 1992.

social relations obtaining *within* centrally-planned states in order to arrive at their characterization of these countries.

One of the central tenets of the theory of actually existing capitalism we have been tracking over the last two chapters is that capitalism is a global system. The social relations of production *within* an individual country cannot, therefore, be theorized in isolation. Russian revolutionaries who were opposed to the idea of socialism in one country held this view both because they felt that Russia lacked the internal resources to go forward and because of the contradiction they felt between capitalism as a global system and an individual revolutionary state.²⁸ We need to find a theory of Russia which recognizes that reality.

6.2.4 *International Theories of State Capitalism*

We turn now to the final major Marxist position on the Russian question known both as ‘state capitalist’ or ‘bureaucratic state capitalist’. This position distinguishes itself from all others in that it seeks to make sense of the social relations within ‘centrally planned economies’ as part of global capitalist relations. This is what Howard and King refer to as an ‘externalist’ state capitalist position, and we shall refer to as an ‘international’ theory of state capitalism.²⁹ On this reading, Russia should be understood as a state-capitalist formation because of *international* not internal social relations of production.

One of the first proponents of the theory of ‘international’ state capitalism applied to the post-war period was Tony Cliff.³⁰ In 1948 Cliff wrote *The Nature of*

²⁸ This was discussed in the last chapter in terms of Lenin and Trotsky’s analysis of the revolution.

²⁹ Howard and King 2003.

³⁰ Other theorists with what is arguably a similar position include C L R James and Raya Dunayevskaya writing under the label of the Johnson Forest Tendency (JFT). However, while the JFT

Stalinist Russia which was subsequently published in several different versions.³¹ In this work Cliff attempted to 'locate the underlying dynamic of the Russian system and see it in world historical terms'.³² He rejected both the orthodox Trotskyist position that Russia was a degenerate worker's state, and the 'exceptionalist' position that it was neither capitalist nor socialist. Yet, unlike Bettelheim, he did not look at Russia's internal relations alone to determine its capitalist nature.

Cliff's position was that Russia had been a struggling worker's state until 1928, when its internal social relations finally took the form of a capitalist war economy. It was with the first five year plan, that the bureaucracy under Stalin finally constituted itself as a ruling class and began to systematically exploit the workers in competition, largely military competition, with capitalist states elsewhere. Social relations *within* Russia were like relations within a capitalist enterprise.³³ There was 'despotism' within Russia and 'anarchy' between Russia and other states. It is the *external* relations of military competition which give Russia, its capitalist character.

The Stalinist state like a factory owner, decides the division of labour within the factory – it is planned. But it is planned in relation to world competition – the division of labour is not arbitrary. The rate of exploitation is not the arbitrary will of the Stalinist state, but is dictated by world capitalism. When Russia is viewed within the international economy the basic features of capitalism can be discerned: anarchy in the social division of labour and despotism in that of the workshop are mutual conditions the one of the other.³⁴

Before explaining Cliff's analysis more fully, it is worth drawing attention to something we prefigured in chapter three. Cliff's analysis, which epitomizes our

share Cliff's *image* of the USSR as 'like a factory' among other 'factories' (states monopoly formations) within a global capitalist society, they focus on the vertical relationship (of state as employer) and fail to combine it with the horizontal relationship (of competition between states) in order to derive their sense of the capitalist dynamic of the USSR. See Dunayevskaya 1941 [1992] and James 1969. See also Callinicos 1990b, pp. 73-85 for a useful discussion of the distinction between these two positions and that of Cliff.

³¹ Cliff 1988.

³² Harman in Cliff 1988, p. 18.

³³ The word 'enterprise' here is preferable to the word 'factory' which has been misunderstood to be a fetishisation of the industrialisation of the USSR.

³⁴ Cliff 1988, pp. 221-222.

alternative to ‘volume one’ Marxism, is strangely similar to Rosenberg’s presentation of global capitalism in *Empire of Civil Society*. As just explained, Cliff sees Russia as capitalist because anarchical capitalist relations persist at the international level (shaping domestic social relations in Russia in such away that they cannot be understood as anything but capitalist). Both Cliff and Rosenberg have an understanding of capitalism in which nation-states may be seen as islands of order within a sea of anarchy, both see the anarchy of competition between states as a defining feature of capitalist social relations on a global scale. This, remember, was Rosenberg’s ‘unexpected discovery’ – that Marx had a theory of interstate anarchy.

The difference, and what makes Cliff’s analysis coherent where Rosenberg’s is not, is precisely that Cliff has an historical understanding of state capitalism, i.e. he accepts that capitalist states can be owners and controllers of nationalized production, and that this is a moment in the development of capitalism on a global scale. Rosenberg believes quite the opposite, arguing at length that this role for the state is inimical to capitalism, a belief which leads him, among other things, to dismiss the idea that the USSR is capitalist and, more obviously erroneously, to a position where he must ignore the fact that for Realists the Cold War is an example of the balance of power.³⁵

Cliff has a theory of capitalism as it actually exists and has developed historically, based on a particular tradition of classical Marxism. This allows him to make sense of the USSR and the Cold War. Rosenberg has two sets of descriptions, one taken from the crudest Realist IR, the other from volume of one of *Capital*, both highly abstract. He maps the latter onto the former, a superficial exercise that leaves

³⁵ Rosenberg as discussed in Chapter Three of this thesis. Rosenberg 1994. Unfortunately, this lead him to argue, along with the ‘new class theorists’ that Russia and other centrally planned economies develop in parallel to capitalism. Rosenberg 1998. An awkward conclusion for someone who is otherwise so attuned to the notion of the totality of social relations, as evidenced in his critic of the Weberian eclecticists.

him open to the kind of objections lodged at length in Chapter Three of this thesis. The question which follows is how is it that Cliff's analysis can have been so dismissed by the academy, while Rosenberg's analysis has been lauded as one of the most significant breakthroughs in Marxist theory of the International?³⁶

There are several explanations I would like to note. The first is that an analysis of the Soviet Union as capitalist has been totally unpalatable to a generation of Marxist academics who spent their youths, if not their lives, believing in the Russian model as a progressive alternative to Western capitalism.³⁷ The second, is that the theory of 'state-capitalism', as introduced by Cliff, has been somewhat self-ghettoizing. It was an analysis developed for a practical purpose and has therefore had little academic ambition. It served to orient an organization of revolutionary socialists away from the dead end of Stalinist apologia, and its theorists, few in number, were amply occupied by this task.³⁸ The third, and most theoretically significant, explanation for the neglect of this perspective is that, at first glance, this analysis of Russia is totally at odds with a classical Marxist understanding of capitalism. A 'paradigm shift', as discussed in the introduction to this chapter, is required. The task in the next section, is to explain precisely how Cliff's approach assists in this shift, how it develops the classical Marxist tradition we have been examining.

³⁶ See Hobden and Wyn Jones 1997 p. 143. Rosenberg won the prestigious Isaac Deutscher Prize in 1994.

³⁷ See Callinicos 1990a, pp. 78-79. Callinicos describes how Perry Anderson, and others were concerned that a class analysis of the USSR involved an accommodation with Western capitalism. See Anderson 1984. The disorientation that this belief has caused should not be underestimated. It is only in the last decade, with the collapse of the Soviet Union, that a new generation of academics is emerging who do not associate socialism with the centrally planned economies of the twentieth century. See Smith and Rupert 2002 for some examples of this recent scholarship in IR.

³⁸ Exceptions can be found in work of Barker, Callinicos and Haynes, but they are few in number.

6.3 The State Capitalist Answer

It is argued here that there is a clear continuity of thought as we move from the insights of Marx and Engels, through the analysis of imperialism outlined by Hilferding, Bukharin and Lenin, into the understanding of the Soviet Union provided by Cliff's theory of state capitalism. Cliff's is an understanding of state ownership and control of production as an important phase in the development of a global capitalist system. His *geographical scope* of analysis is global. He views the centralization of production in Russia as a response to competition, on an increasing scale, thus echoing our thoughts so far on the *historical trajectory* of capitalism. Finally like Bukharin and Lenin, Cliff sees military competition as a form of capitalist competition within the context of a global capitalist system. Thus the *core dynamic* persists, the negation of the law of value within the state is on the basis of the law of value operating between states through military competition.

We will look briefly at the first two dimensions of Cliff's argument and then focus more closely on the third. The argument that military competition can replace market competition in transmitting the law of value between states will need further specification. Bukharin and Lenin's important contributions to this discussion, introduced in the last chapter, covered only the period up until Lenin's death. Cliff is interested in explaining the core dynamic of Soviet Russia during the Cold War. This is a more challenging task given the complete control that Stalin exercised over the Soviet economy and the insignificant levels of international trade. Cliff needs to make the more difficult case that the internal dynamics of the Soviet Union express the law of value despite its planned economy and its restricted access to the global market.

6.3.1 Geographic scope

Cliff analyses the dynamic of the Russian economy within a global capitalist system. Like Bukharin, it is through the prism of the global that he makes sense of the national.³⁹ Cliff understands the USSR to be like a factory, a single unit of production, a single enterprise, owned and controlled by the state bureaucracy within a world system made up of competing units of capital.⁴⁰ This concept only makes sense within the framework of the global, a society containing other such enterprises and states, i.e. other units of capital and state capital, with which the Soviet Union competes and from which it derives its peculiar internal dynamics. In this sense, Cliff's theory is quintessentially a theory of international relations. Viewed in isolation from world capitalism, the USSR cannot be viewed as a capitalist society of any kind. On a global scale, however, it can *only* be understood as capitalist in its nature. As quoted above, for Cliff

[w]hen Russia is viewed within the international economy, the basic features of capitalism can be discerned: 'anarchy in the social division of labour and despotism in that of the workshop are mutual conditions the one of the other.'⁴¹

Attempts to understand Russia as capitalist, along the lines of a country-model of development will fail. Russian state ownership and control of production viewed in isolation would represent the exploitation of one class by another, but we would have no way of making sense of the dynamic which compels this class to do so – the dynamic of competitive accumulation of capital on a global scale.⁴² How this dynamic

³⁹ While for a long time Cliff was one of the few theorists to make reference to Bukharin at all, his references are relatively few in terms of explicitly drawing out the latter's analysis. Haynes, however, has done much to make the connection between Bukharin's means of analysis and Cliff's end result. See Haynes 1985.

⁴⁰ See Cliff 1988 and Binns 1987 for more detail.

⁴¹ Cliff 1988, pp. 221-222.

⁴² This is the major limitation of the approach taken by the Johnson Forest Tendency. For a discussion of which, see above.

is transmitted on the basis of the law of value, without an internal wage labour market and without external price competition, remains to be discussed below. But what is not in doubt is that, for Cliff, the nature of Russian society can only be understood as a moment in the uneven development of capitalism on a global scale.

Can a worker's revolution in a backward country isolated by triumphant capitalism be anything but a point in the process of development of capitalism even if the capitalist class is abolished?⁴³

6.3.2 *Historical trajectory*

How and why state capitalisms like Russia have emerged, i.e. the *historical trajectory* of capitalism, is understood by Cliff in much the same terms as it has been explained by Bukharin and Lenin, influenced by Hilferding. Russia, for Cliff, is a state monopoly capitalist formation, along the lines of a capitalist war economy, evolved through a dialectic of competition and centralization. Centralised control of production develops in relation to competition with other capitals.

Failing the international spread of socialist revolution, Russia was faced with the prospect of reassuming its subordinate position within an international division of labour or attempting to compete with advanced capitalist states. Given its enormous natural resources, the latter presented itself as a viable option, but it required considerable centralization and socialization of production in order to begin to match the capability of large foreign capitals. Stalin's five year plans allowed Russia to catch up and compete. As Stalin noted, it did so on pain of extinction.

To slacken the pace (of industrialisation) would mean to lag behind; and those who lag behind are beaten. We do not want to be beaten... We are fifty or a hundred years behind the advanced countries. We must make good this lag in ten years. Either we do it or they crush us.⁴⁴

⁴³ Cliff 1988 [1948], p. 164.

⁴⁴ Deutscher 1966, p. 232.

Unlike, for instance, Bettelheim, Cliff can acknowledge the full extent of coercive control over all aspects of the economy within the Stalinist state because his global frame of analysis allows him to continue to recognize competition at the level of competing state capitals. The dialectic sense of concentration and competition of capital is preserved in the international state capitalist approach.

6.3.3 *Core dynamic*

We turn now to the most controversial aspect of Cliff's analysis. We are looking for evidence that the *core dynamic* of capitalism can be found in relation to the USSR despite its centrally planned nature and its almost nonexistent international trade. In other words we are expecting to find the law of value expressed through the social relations of production of an isolated centrally planned economy.

As argued in Marx's own writings, and in the writings of Hilferding, Bukharin and Lenin, as discussed in the chapters above, the dynamic of actually existing capitalism is such that the negation of the law of value on the basis of the law of value is a consistent feature. This is the very dynamic of capitalism, this is the process of self-expansion of capital, rather than a deviation from its course. It is with this observation that Cliff also begins to build his case. In *State Capitalism in Russia* he starts to approach the question of value relations in Russia by considering how the law of value relates to monopoly formations. He explains that the law of value is altered by everything from the slightest monopoly advantage to complete state ownership and control of the means of production.

The law of value assumes the regulation of economic functions in an anarchical way. It determines the exchange relations between different branches of the economy, and explains how relations between people appear, not as direct, crystal clear relations, but indirectly, lost in mysticism. Now the

law of value holds absolute sway only under conditions of free competition, i.e. when there is free movement of capital, commodities and labour power. Therefore, even the most elementary forms of monopolistic organisation already negate the law of value to a certain extent.⁴⁵

The distinction between the negation of the law of value by monopoly companies and its negation by the state, is, for Cliff, a question of degree, not kind and at no point is the law of value negated entirely. What happens rather, is that the law of value is partially negated, *on the basis of the law of value itself*.⁴⁶ This should, by now, sound familiar as this is exactly the point that Marx was making in his discussion of the inter-relationship between monopoly and competition, which we looked at in chapter four of this thesis.⁴⁷

Like the theorists of the last two chapters, Cliff does not believe that the partial negation of the law of value frees the economy from the law of value altogether. Rather the economy as a whole is subordinated to it even more, as heightened state competition is produced on a global scale. When monopoly power, state subsidies, or even state ownership allow an enterprise to sell its goods below its costs of production, it means that total surplus value is distributed in favour of that enterprise, intensifying conditions of competition elsewhere. Cliff explains the way in which this logic is inescapable:

The total labour time of society and the total labour time directed to the production of the necessities of life of the workers as a whole determine the rate of exploitation, the rate of surplus value. The total labour time allotted to the production of new means of production determines the rate of accumulation. While the price of every commodity does not exactly express its value (this did not happen, except accidentally, even under individual capitalism) the division of the total product of society among the different classes, as also its allotment to accumulation and consumption, is dependent on the law of value. Where the state owns all the means of production and the workers are exploited while the *world* economy is as yet disunited and atomised, this dependence receives its purest, most direct and absolute form.⁴⁸

⁴⁵ Cliff 1988, p. 173.

⁴⁶ Cliff 1988, p. 212.

⁴⁷ Marx 1955, p. 132, as referred to in s.4.5.2 above.

⁴⁸ Cliff 1988, p. 173.

For Cliff, therefore, the law of value is by no means negated by state ownership and control of production. The distinguishing feature of capitalism is ‘accumulation for accumulation sake’ with the object of standing up to competition.⁴⁹ Competition between capitals, the relations between capitalists, is what gives capitalism its peculiar dynamism. As long as competition exists, and it does between states, as between large monopolies, the law of value will operate, although in a modified way. The fact of the size of individual enterprises and their relative sway affects which enterprises obtain larger portions of surplus value, but does not affect that accumulation is motivated by competition. As Cliff notes, ‘their relations to each other in production [still] assume a material character independent of their control and conscious individual actions.’⁵⁰

Cliff applies this analysis of the law of value to Nazi Germany where the state controlled much of the production and distribution of goods. In this situation, he argues, production is not governed by conscious will, but rather is subject to blind economic forces. Decisions about which companies would be awarded contracts, how those companies would organise themselves to win contracts, etc. was determined by the pressure of competition. It was *military* competition that increasingly determined the division of the total national product between different classes and the distribution of labour time between production and consumption. The law of value is understood by Cliff to have worked through military competition in this case. It is military competition that determines the total quantity of commodities of one kind that will be produced compared with commodities of another kind, and therefore, the division of total labour time of society among different enterprises.

⁴⁹ Cliff 1988, p. 180.

⁵⁰ Cliff quoting Marx, Cliff 1988, p. 211.

Cliff then extends the logic of this analysis to the Russian case. Russian society is planned centrally, but like any capitalist enterprise, the division of total labour time within, is not arbitrary, it is dictated by competition with outside forces.

The rate of exploitation, that is, the ratio between surplus value and wages (s/v) does not depend on the arbitrary will of the Stalinist government, but is dictated by world capitalism. The same applies to improvements in technique... [i.e. the relation between constant capital (machinery, etc) and variable capital (wages)]. The same therefore applies to the division of the total labour time of Russian society between production of the means of production and of means of consumption.⁵¹

In the case of the Soviet Union these outside forces are felt, not through market mechanisms, but through the pressure of military competition.⁵² For Cliff 'price is not the medium through which Russian production and the division of labour in Russian society as a whole are regulated.'⁵³ In this way he makes explicit his argument that price competition is not the only means by which the law of value can be transmitted.

Cliff is interested in the fundamental meaning of 'value' under capitalism. He notes that it represents 'the only expression of the social character of labour in a society of independent producers'.⁵⁴ His argument runs that where the development of capitalism has reached a stage where the state plays a role in organizing production, including military production, the value of the labour undertaken within each state is *determined after the fact* of military competition. Social relations are mediated by relations between things, in this case military hardware. Independently direct labours are 'systematically compared' through military competition and the consequences of this competition shape the structures and relations of production within the two societies. It is in this way that Cliff can argue that 'the law of value... is the arbiter of

⁵¹ Cliff 1988, pp. 221-222.

⁵² Cliff 1988, p. 222.

⁵³ Cliff 1988, p. 216.

⁵⁴ Cliff 1988, p. 222.

the Russian economic structure' as soon as it is seen in its 'concrete historical situation'.⁵⁵

It is worth noting, as Cliff does, that he has on his side in this argument, official theorists of the centrally planned Soviet economy, themselves, who acknowledged in a 1943 journal article that the law of value shaped the economy of Russia.⁵⁶ This article, entitled 'Some Questions of Teaching Political Economy' represented a complete break with the official analysis in the USSR up to that date. The authors claimed that law of value did in fact operate in Russia and, in order to explain this, they further asserted that it was not therefore a basic law of capitalism. Their logic was that it could obviously be found under socialism, as it existed in the USSR! Three volumes of *Capital* were thus swept aside in respect of the theory of socialism, but this major ideological shift allowed those directing the Soviet economy the space to address value issues in theory and practice.⁵⁷

While greater elaboration of Cliff's theory and its implications are required, they are not possible within the bounds of this thesis. Moreover, it is an area of Marxist theory that remains significantly underdeveloped. In the next section of this chapter we will consider what implications the theory has for our understanding of the significance of wage labour under capitalism. But this moves well beyond Cliff's own interest in the topic. Here, we will simply briefly consider one of the possible consequences of not accepting Cliff's characterization of 'centrally planned' economies as 'state capitalist', as indeed a majority of Marxist academics would not.

Cliff's view of value relations as capable of transmission through non-market means is one sharply at odds with that taken by most Marxists today. Typical of those

⁵⁵ Cliff 1988, p. 224.

⁵⁶ Cliff 1988, pp. 202-203.

⁵⁷ I thank Mike Haynes for this point.

rejecting the scenario in which military competition transmits the law of value is Mandel who asserts, as if it were a revealed truth that,

[a]ny rule of the law of value ‘through the intermediary of the world market’ has to operate via trade, like anything to do with capitalism. Enterprises that fail to compete with imported goods are doomed to go under. At least two thirds if not more of Soviet enterprises do not compete with imperialist enterprises. If they were subject to the law of value operating ‘through the intermediary of the world market’ they would be doomed to fail.⁵⁸

Mandel is correct that if Soviet goods were subject to the law of value operating ‘through the intermediary of the world market’ they would be doomed to fail – just as the goods of a great many countries would be doomed to fail without tariffs. That doesn’t mean that they do not form part of the capitalist mode of production on a global scale, it simply means that the law of value is nowhere pristine.

If Mandel were correct in his assertion that any capitalist competition has to operate via trade, he would have to argue that Britain and Germany were not competing capitalist countries during the Second World War or at least that the nature of their competition was not capitalist. In this way capitalist competition and state competition, i.e. war, are analytically separated and states and markets take up their autonomous positions. Weberian eclecticism with all its inherent weaknesses is permitted free reign. All of our efforts, thus far in this thesis, have been directed precisely toward escaping Weberian eclecticism while still remaining faithful to an image of capitalism as it actually exists. Cliff’s analysis, building on the tradition of classical Marxism we have been developing, appears to provide a way forward.

⁵⁸ Mandel 1990, p 47.

6.4 Beyond Russia

It has been argued above that Cliff's analysis of Russia, more than any other developed in the post-war period, appears to represent, and even advance, the alternative tradition of classical Marxism mapped out over the last two chapters.⁵⁹ However, and what is crucial in terms of the rest of this chapter, is that Cliff himself did little to elaborate his analysis of Russia into a theory of capitalism or to extend it to make sense of the pattern of capitalist development in the West.⁶⁰ In this sense, Cliff's work represents the most useful link in the chain developing analysis of capitalism as it actually exists, but it is nevertheless a fairly weak link.⁶¹ It may be fair to suggest that Cliff's work, and that of those influenced by his writings, has been insufficiently self-conscious of the role it may have to play in developing an alternative tradition of classical Marxism. Mike Haynes makes this point.

In particular, we ourselves have failed to insist on the central issue—namely that state capitalism is not an analysis of Eastern Europe but an analysis of capitalism in general of which these societies are a part. To the extent that state capitalism has been presented as a theory of Eastern Europe it has contributed to the more general growth of theories based on 'exceptionalism' which hivel off parts of the world and try and explain them 'in their own terms'.⁶²

Derek Howl, too, notes that many critics have missed the point that '[a]t issue is not only how the USSR and Eastern Europe should be characterised, but also how the concepts of Marx's *Capital* should be applied.'⁶³

⁵⁹ Cliff's analysis may be seen to advance the theory of capitalism we have been developing in that he tests it at an extreme by applying it to post-war Russia, a 'centrally planned economy' with few market relations with capitalist countries elsewhere.

⁶⁰ He did, however, extend his analysis to attempt to explain third world revolutions in China, Algeria and Cuba. See Cliff 1962.

⁶¹ Cliff's position, outside academia, has meant that some of his insights and those of his supporters have been rather haphazardly related to academic debates over the nature of capitalism.

⁶² Binns and Haynes 1980, p. 34.

⁶³ Howl 1990, p. 89.

Taking these concerns seriously, there are two tasks which this section of the chapter will undertake. The first is to consider how the theory of state capitalism might alter our analysis of capitalism in general, in theoretical terms, beyond its application to Russia, and the second is to extend its insights to an analysis of capitalism as it exists throughout the world, geographically ‘beyond Russia’. Given that we have been shaping our alternative tradition of classical Marxism in contrast to the ‘volume one’ variety, we shall focus first on how the hallmark of volume one Marxism: free wage labour, accords with the theory of state capitalism. Then, we shall consider how a state capitalist analysis might help us to understand the high levels of state ownership and control of production in the West, during the Cold War.

6.4.1 State Capitalism and Free Wage Labour

One of the most significant sources of misunderstanding for those trying to make sense of Cliff’s theory of state-capitalism is the role of wage labour in the functioning of the law of value. We look at it here, given the theoretical significance of ‘free wage labour’ for the volume one theorists. For these theorists, it is the abstraction of the state from the process of surplus production which defines capitalism *because* it is this that allows labour to be commodified, i.e. to become ‘free wage labour’. It is the expropriation and commodification of the labourer which, for them, defines the capitalist system.

It is argued by Cliff, *contre* Bettelheim, that there was no internal market for labour in the USSR and only one employer, the state. In this way, the Soviet economy falls outside Marx’s understanding of commodified labour power in terms of the worker’s ‘periodic sale of himself, by his change of masters, and by the oscillations in

the market price of labour'.⁶⁴ As Cliff notes, in the USSR 'a "change of masters" is impossible and the "periodic sale of himself" becomes a formality'.⁶⁵ How then can the USSR be said to be capitalist when it is commodified labour which creates surplus value and the competitive accumulation of value which defines the capitalist system? Marx's comments on the subject are far from ambiguous: '[c]apital presupposes wage labour; wage-labour presupposes capital. They reciprocally condition each other; they reciprocally bring forth each other.'⁶⁶

In an article published in 1980, Binns and Haynes first tackled the question of how Cliff's analysis might relate to Marx's category of wage labour. They argued that wage labour in the formal sense in which Marx described it, could not be found in the USSR. By this they meant, following Cliff, that labour power was not a commodity in Russia because there was not a market for it.⁶⁷ They then cited approvingly Carlo's idea that 'wage labour is not necessary for capital.'⁶⁸ The truth of this claim was demonstrated for Binns and Haynes by the fact that in the American slave south, for instance, free wage labour did not exist and yet that system of production was clearly subordinate to a broader capitalist mode of production into which it fed. Moreover, they note, it was Marx who said: 'not only do we call the plantation owners in America capitalists, but they are capitalists'.⁶⁹

The dynamic of slave production in the US, its pace and its intensity, was set by the needs of a global capitalist mode of production. Binns and Haynes point out that the difference between the systematic subordination of labour in the US cotton fields and the character of exploitation in pre-capitalist slave societies, is significant

⁶⁴ Marx 1976, p. 663.

⁶⁵ Cliff 1988, pp. 219-220. Cliff notes that there do exist in the USSR 'oscillations in the market price of labour' but that 'total real wages are directly fixed by the state'.

⁶⁶ Marx 1847.

⁶⁷ See Binns and Haynes 1980, p. 29.

⁶⁸ Binns and Haynes 1980, p. 29 citing Carlo 1974.

⁶⁹ Binns and Haynes 1980, p. 23, citing Marx 1977, p. 513.

enough to suggest that looking at a simple, local, labour relation is not an adequate basis for determining the overriding social relations of production. Banaji, who Haynes invokes in a reply to his critics, accounts for the complexity of the situation in the following way: '[i]n short, the slave plantations were capitalist enterprises of a patriarchal and feudal character producing absolute surplus value on the basis of slave labour and a monopoly of land.'⁷⁰ In this way he acknowledges that the labour relation does not have to be freely-waged, in order for the systematic exploitation of capitalism to work through it.⁷¹

In an appendix to their paper, Binns and Haynes do more to flesh out the theoretical justification for the claim that surplus value can be produced even if the labour that creates it is not freely-waged. To make this argument they separate out two conceptually distinct moments in the creation of surplus value: 'the production of surpluses and the valorisation of these surpluses in the form of surplus value.'⁷² The two processes, they note, can be separated in time and space. In fact, one often happens without the other. A good produced, which does not get sold, does not produce profit – the surplus contained within it is not *realised* as surplus value. In other words, there is a 'capital-positing moment' and a 'capital-realising moment'. Binns and Haynes argue that non-wage labour can be capital positing, but it is only through freely-waged labour that capital, or surplus value, can be realised or valorised. The process of valorisation is the process through which a good produced is systematically compared with other goods, usually through the price mechanisms of

⁷⁰ Banaji, 1977, p. 17. See also Banaji 2003.

⁷¹ A far less satisfactory formulation, in my view, is provided by Robert Mies, who refers, for instance, to 'a slave mode of production' in South Africa existing along side a capitalist mode of production in other countries. This image ignores that fact that the capitalist *mode of production* was global and whatever the nature of local labour relations in South Africa, that society formed part of a global capitalist division of labour in which the dynamic of capital accumulation was dominant. Mies 1987, pp. 215-217.

⁷² Binns and Haynes 1980, p. 46.

the market, in order to determine whether it contains more or less socially necessary labour time. Socially necessary labour time is expressed in the price which the good exchanges for in the market if it is more than the cost of the labour power that went into it, surplus value is produced. This is the law of value which is the basis of the self-expansion of capital.⁷³

What Binns and Haynes argue is that surplus can be produced from non-wage forms of labour and then, through exchange with commodities (based on wage labour) become valorised with respect to all other commodities. Speaking this time about Russian serfdom and the way in which peasant-produced wheat and cotton comprised part of the capitalist mode of production on a global scale, they say, 'the surplus products become surplus values and their owners become capitalists. But the workers who produced them did *not* thereby become wage-labourers.'⁷⁴

We can see from this that it was misleading of Binns and Haynes to have suggested that 'wage labour is not necessary for capital'. This was a misstatement which they correct in a later piece by saying that 'capitalism cannot exist without forms of wage labour'.⁷⁵ They add that 'the concept of wage labour is not a self-evident one' and 'the forms of wage labour that do exist can only be analysed if we have a prior appreciation of the nature of value and capital and the way their domination works through a particular society'.⁷⁶ It seems they would acknowledge that it is only with generalised commodification of labour power that capitalism can be understood to exist. This does not mean however that non-commodified labour cannot posit surplus which produces surplus value in the course, for instance, of

⁷³ In the case of the USSR, SNLT is expressed in the equivalent arms it exchanges for. We see here very clearly how capitalism works *ex post facto*, the characterization of the USSR's goods as commodities comes from systematic comparison with the west through arms competition.

⁷⁴ Binns and Haynes 1980, p. 46.

⁷⁵ Haynes 1982, p. 3.

⁷⁶ Haynes 1982, p. 3.

exchange on the market. More to the point, the nature of non-commodified labour in a system of generalized commodity production cannot be understood in isolation.

What is required for this analysis to apply to the USSR, is that within the context of generalised commodification of labour power on a global scale, the surplus-produced under the authority of a single employer, the state, on a non-wage basis, is somehow valorised through exchange with commodities produced elsewhere in the world. In other words, 'the surplus products become surplus values and state bureaucrats become capitalists, without the workers themselves being wage labourers'. But how is this surplus valorised? What Binns and Haynes argue, in line with Cliff, is that military competition can substitute for market competition in the case of competition between state capitals. What is important is that goods should be 'systematically compared'. This is the argument for the transmission of the law of value through military competition that we have already introduced.

In a useful critique of Binns and Haynes, from within the same tradition, Alex Callinicos responded to their argument by accepting the transmission scenario, but *only* on the basis of wage labour within Russia itself. In his response Callinicos was attempting to reassert the 'essential connection between wage labour and the capitalist mode of production'.⁷⁷ In so doing, he relied upon an aspect of the definition of capitalism favoured by the volume one theorists discussed in chapter three.

The distinction between wage-labour and the two other (class) modes of production which I shall discuss here, slavery and feudalism, is that the extraction of surplus-labour through the wage form depends primarily on economic compulsion rather than physical coercion. The wage labourer possesses no property other than his or her labour power.⁷⁸

Yet unlike volume one theorists, Callinicos would not claim that the state ownership of the means of production in the USSR, qualified its exclusive nature *vis a*

⁷⁷ Callinicos 1980, p. 97.

⁷⁸ Callinicos 1980, p. 99.

vis the producers. In the USSR labourers possessed no property other than their labour power. He has no illusions in the 'public' nature of state ownership, therefore the separation exists, and he is half way to finding wage labour in Russia. Unfortunately the other half involves finding dependence on economic compulsion rather than physical coercion. He cannot find such a freely-waged labour in the USSR, but then he notes this 'ideal type' does not, in fact, exist elsewhere.

Callinicos contribution highlights the problematic nature of assumptions about free wage labour throughout the capitalist world and throughout the history of capitalism. The idea that in order for labour to be considered capitalist, labourers must be individually bought and sold freely on a market, motivated by economic compulsion alone, leaves out a great deal of the labour which has contributed to the development of the capitalist mode of production on a global scale, and continues to do so. How, for instance, do we understand the planned allocation of labour in a western war economy? Do we really want to be left with a situation where Britain between 1910 and 1950 was capitalist, non-capitalist, capitalist, non-capitalist, and then capitalist again? During the second World War, was the US Navy, recruiting on a voluntary basis, more capitalist than the army, using the compulsory draft system?⁷⁹ Are we really going to say that the use of Nazi slave labour was not part of the development of German capitalism?

In fact, when looked at closely, throughout most of the history of capitalism, peacetime or war, the wage labour market is a complex phenomenon in which physical coercion has replaced economic compulsion wherever necessary. This was a process that has historically lasted a lot longer than primitive accumulation, i.e. the expropriation of the peasantry from the land. Vagabondage in Victorian England was

⁷⁹ Joseph 1943, p. 4.

punished by physical violence, beatings and draggings through the streets.⁸⁰ Work houses were established for no other reason than to force labour. More recently, workfare, reductions in welfare, and the criminalisation of poverty, punishable by prison, all serve to promote the extraction of surplus in a coercive way. The ILO recently reported that, '[f]orced labour, slavery and criminal trafficking in human beings - especially women and children - are on the rise worldwide and taking new and insidious forms.'⁸¹ How much of actually existing capitalism do we lose if we stick to our formal definition of free wage labour?

To what extent can we take seriously the volume one theorists objection that capitalist labour must be the product of economic compulsion not physical coercion? We quoted Rosenberg explaining in Chapter Three of this thesis that capitalism 'sometimes takes bayonets and tear gas to drive workers into factories'.⁸² For him, these labour relations were nevertheless capitalist because the factories, Hyundai and Samsung corporations, were not state-owned. Focused on making the point about state versus private ownership, he seems relatively unconcerned in this case about the direct physical coercion involved in the abstraction of surplus value.

To conclude on this issue, the assumption that there needs to be freely-waged labour *within* the USSR in order for its internal dynamics to be viewed as capitalist, stems from the kind of country model of the development of capitalism against which we have argued from the start. It is this method of theorising capitalism which so distorted our understanding of the nature of the Eastern bloc during the Cold War and did nothing to aid our understanding of the West. Haynes warned in the early 1980s, that we did not want to end up with:

⁸⁰ See, for instance, Hufton 1972 and McMullan 1984.

⁸¹ ILO 2001a.

⁸² Rosenberg 1994, footnote 2, p. 198.

the erection of a multiplicity of differing modes of production which coexist with one another. When the discussion of Russia will be the discussion of a special case and it will rest on trite questions about whether there is a 49% capitalist labour market there – in which case it is non-capitalist or if there is a 51% capitalist labour market there in which case it is capitalist....⁸³

Yet, if the study of International Relations is anything to go by, that is precisely the kind of analysis of the Cold War we had, adopted in some form or another by an alarming number of Marxists. The logic of the categorization of ‘capitalist’, ‘other-than-capitalism’, and ‘mixed’ economies is precisely one of ideal types related to country models of development. It is fundamentally at odds with our alternative tradition of classical Marxism.

6.4.2 The Nationalisation Revolution on a Global Scale

We now turn to the question of the significance of nationalization of production in the rest of the world following the Second World War. Haynes makes the point that the distinction between ‘centrally planned’ economies and others was by no means straightforward.

Although the nominally ‘socialist’ nations (Bulgaria, East Germany, Poland, USSR and Yugoslavia) show a greater average degree of public ownership than the nominally “capitalist” nations, the range among nations with the same nominal system is sometimes greater than the difference between the average for the two systems. Indeed several ‘capitalist’ nations have a higher labour share in the public sector than Yugoslavia...⁸⁴

One of the features of the world economy after 1945 was large public sectors and high levels of state ownership and control of production. In Britain, for instance, important sectors of the economy were nationalized in the 1940s, including steel, electricity, coal, and the railways.⁸⁵ The National Health Service and the modern

⁸³ Haynes 1980, p. 29.

⁸⁴ Haynes 1980, p. 30.

⁸⁵ Shepherd 1976, p. 5.

system of comprehensive schooling were also initiated. A similar process took place in France, Germany, Italy and Japan, in as much as post-war reconstruction in all these countries involved a strong state, planning economic recovery and development. In the so-called developing world, newly independent states, no longer dominated by what was now dramatically weakened European capital, and lacking strong indigenous bourgeoisies of their own, also adapted to the idea of state-led development. The United States, for its part, while not planning its domestic economy as a whole, owned and controlled a vast sector of production in the military sphere.⁸⁶ Defense contracts played an enormous role in the shaping of the US economy after 1945.

The historian, Eric Hobsbawm, notes that this kind of state ownership and control of production was a feature throughout the post-war world.

Western constitutional capitalism, communist systems, and the third world... were virtually all states which deliberately and actively, rejected the supremacy of the market and believed in the active management and planning of the state... Capitalist governments were convinced that only economic interventionism could prevent a return to the economic catastrophes between the wars... Third World countries believed that only public action could lift their economies out of backwardness and dependency.⁸⁷

It is from the starting point of the state's significant post-war role that the entire characterization of the 'retreat of the state' in the globalisation literature is understood. It is important therefore, that we understand it, and it is suggested here that it may have been misunderstood by the theorists of state capitalism, following Cliff.

The first systematic attempt to apply the theory of state capitalism to the West was Mike Kidron's *Western Capitalism Since the War*.⁸⁸ Kidron had been a close

⁸⁶ Harris 1983, p. 38. Between 1949 and 1953, in the space of only four years, US military production increased from an annual figure of \$13 billion to \$50 billion. The US federal and state government was, and continues to be, the largest employer in the country, with Wal-Mart a close second.

⁸⁷ Hobsbawm 1994, pp. 177-177.

⁸⁸ Kidron 1968.

collaborator of Cliff's and had done much to shape the original theory of state capitalism as applied to the Soviet Union.⁸⁹ His application of the theory to the West began with the promising statement that 'western capitalism, the outgrowth of the original private enterprise model, cannot be understood except in terms of the world system, and particularly in terms of its competitive relations with state capitalism'.⁹⁰

From this statement, we might assume, following on from Hilferding's analysis of the dialectic between competition and centralization of capital, that we would find in Kidron a recognition of the extent to which capitalist production in the West was coordinated on a 'bloc scale' in order to compete with the East under the direction of the USSR. This was something which Bukharin had predicted: a stage beyond nation-state capitalism. We could imagine that the great merit of Cliff's approach, was that it could acknowledge a high degree of planning in the West in terms of international economic organizations like the OECD, IMF, World Bank and GATT and even military organizations like NATO, without it appearing that capitalism, *per se* was becoming any less competitive, or anarchical, because competition continued at the bloc level, militarily.

What we find instead with Kidron is a model of the West in which Western capitalist countries are seen to have a relationship with one another *like* the relationship between the two blocs, i.e. orderly within, and anarchical between. On the evidence of high levels of state planning and nationalization of production in the post-war West, he claims,

[w]hile the planlessness, or competitiveness, or 'anarchy of production' within each national sphere has been tempered by government intervention,

⁸⁹ Kidron and Cliff also developed a theory of the 'permanent arms economy' to explain the stability of the Soviet system and, later, the post-war boom in the West. The basic gist of that argument was that the production of arms slowed the tendency of the rate of profit to fall, as these means of destruction did not re-enter the cycle of production. This is a complicated argument that will not be addressed in this thesis. See Kidron 1968. See Callinicos 1990, pp. 81-86 for a brief account of the theory.

⁹⁰ Kidron 1968, p. 9.

so that spontaneous decisions of individual capitals are to some extent pre-ordained by decisions covering a wider sphere, anarchy remains very nearly absolute internationally.⁹¹

Kidron's is a model of planning *within* and 'very nearly absolute' anarchy *between* western capitalist states in the post-war world, countries like Germany, France and Japan. Yet, inter-state relations of the 1950s are nothing like those of the 1930s when economic anarchy between these competing imperial powers, culminated in two world wars.⁹² The novelty of the post-war period stems precisely from the fact that after these wars, the economies of France, Germany and Japan, for example, were to a large extent, organised on a *bloc scale*. This began with lend lease during the war and continued with the Marshall Plan and the economic architecture of Bretton Woods. Economically and militarily we see an unprecedented period of coordination of national economies within the West. There was a degree of planning *within* the Western bloc, as we might expect from our analysis thus far, in relation to anarchy *between* the two blocs: East and West.⁹³

So why would Kidron be tempted to describe the post-war West in terms of 'unrestrained economic competition between independent economies'?⁹⁴ Why when presented with the more plausible image of East and West as two enormous empires, within which nation-states jostled for position, would he claim '[t]here are no empires left. There are only independent states more or less powerful militarily and economically, with more or less integrated and secure ruling classes?'⁹⁵

⁹¹ Kidron 1968, p. 56.

⁹² Or as Harris, better explains it, nineteenth century capitalism which culminated in two world wars, was 'economically a much more national one than that which exists today, or rather, an imperial one, for the dominant powers each controlled geographic areas beyond their frontiers. Harris 1983, p. 33-34.

⁹³ Our analysis so far has indicated that anarchy and planning mutually condition each other. The dialectic of competition and centralization continues. This is not to suggest that planning within the blocs is total and no competing interests on a nation state level exist, but simply that we should expect a degree of coordination in relation to the competition faced outside, and in fact we do find that historically.

⁹⁴ Kidron 1968, p. 64.

⁹⁵ Kidron 1977, p. 4.

It is suggested here that the reason for Kidron seeing *anarchy between* nation-states in the West, was that he saw *planning within* nation-states in the form of state ownership and control of production. The problem is that Kidron has looked at the *form* of nationalization without sufficiently considering its *content*. Certainly we do see widespread nation-state level ownership and control of production in the post-war period, this is what the ‘nationalisation revolution’ represents, but the content of that planning and production is such that it cannot be understood to be independent of that going on in other states of the Western bloc. There was an international division of labour on a bloc scale and bloc level finance capital to accompany it. Capital accumulation in the post-war world appears to have been organized, through various international organizations and projects, on the scale of the bloc, not the nation.

That this post-nation-state model of capitalism might be adopted by those who subscribe to a state-capitalist theory of the USSR seemed possible when, in 1977, Chris Harman suggested that Kidron had overstated one feature of post-war capitalism at the expense of another.⁹⁶ Harman argued:

The trend is towards state capitalism, towards the complete merger of individual capitals in each country with the national state. But the trend is also to the internationalization of production: the most modern techniques are developed on an international scale; the resources for participation in key industries like chemicals, aerospace, computers, and increasingly, motors can be obtained by pooling the resources of more than one country.⁹⁷

Not only does he acknowledge the internationalization of *production* in the Western bloc, but Harman points to *financial* integration, a new form of finance capital brought about by the power of Western, ‘and particularly American’ banks. He notes that, ‘the banks are able to exploit the existence of a world market to deploy resources on an international scale, to move funds across national frontiers and back

⁹⁶ Harman 1977.

⁹⁷ Harman 1977, p. 10.

again, leaving national governments helpless and bemused.’⁹⁸ In this he seems to be acknowledging the way in which transnational organization of production was taking place through the discipline of multinational, mainly US, banks. Yet later in the same article he asserts uncritically that ‘each national capital competes both economically and militarily’.⁹⁹ He credits Lenin and Bukharin with this insight. He does not consider the fact that this may have been a feature of capitalism in their time, which has now, to some degree, been superseded.

Several years after Harman’s response to Kidron, Nigel Harris, another theorist influenced by Cliff, wrote a book entitled *Of Bread and Guns: The World Economy in Crisis* in which he declared ‘the end of capitalism in one country’.¹⁰⁰ His argument was understood to represent the antithesis of the argument made by Kidron in the 1960s.¹⁰¹ Harris was arguing that despite the appearance of increasing state control over national economies in the form of Keynesianism interventionism, nationalized production and the ‘managed economy’, ‘the state as an economy agency was becoming increasingly obsolete’.¹⁰² Harris’ argument was that the international economy within the Western bloc was so integrated that it was impossible for states to solve their own domestic crises in terms of overproduction and unemployment, without damaging the world system and thereby their own ‘domestic economy’.

Harris argument, which was flawed in certain important respects,¹⁰³ had the merit of once again drawing the attention of post-war theorists of nation-state capitalism to the fact that capitalism was organising beyond the level of the nation-

⁹⁸ Harman 1977, p. 10.

⁹⁹ Harman 1977, p. 11.

¹⁰⁰ Harris 1983, p. 237.

¹⁰¹ Green 1983, p. 94 ‘he has adopted the diametrically opposite position to Kidron – the world market is all, the states are obsolete.’

¹⁰² Harris 1983, pp. 67-68.

¹⁰³ Significantly, in attempting to show that the nation-state could not control internationally organised capital, Harris falls into the globalisation literature’s trap of separating the dynamic of capital accumulation from a supposedly separate state, or interstate, dynamic. See Green 1983 for this critique of Harris.

state. In this way it seemed to confirm and extend Harman's critique of Kidron. However, Harris's critics argued that he had gone too far. Pete Green argued that Harris had overstated the internationalization of capital. Green preferred Harman's writings at the time with their 'repeated emphasis on a world of "competing state capitals"'.¹⁰⁴ Green argued 'what is missing from [Harris'] account is the role of the state as an agent of capital accumulation not just "the state and capital", but the "state as capital"'.¹⁰⁵

The 'state as capital' argument is associated chiefly with the writings of Colin Barker, another theorist influenced by Cliff's work.¹⁰⁶ It was this phrase which represented Barker's major contribution to the state debate of the 1970s. He argued that the state could not be analysed in the singular. Following the kind of alternative tradition of classical Marxism we have been mapping, they argued that capitalism from its beginning presupposed a world market. From this Barker claimed that 'the state form within the capitalist mode of production is... a system of national states whose relations with each other are antagonistic.'¹⁰⁷ 'When we talk of the capitalist state, we always mean the nation-state, or rather the nation-state system.'¹⁰⁸

Evident in Barker's work, is the idea that the nationalization of capital is an ever present tendency which exists in a dialectical relationship with the tendency to the internationalization of capital.¹⁰⁹ This is similar to Bukharin's understanding of the nation-state as a unit for the organization of capital accumulation except that Bukharin saw this as a historical moment which would pass as capitalism developed

¹⁰⁴ Green 1983, p. 84.

¹⁰⁵ Green 1983, p. 99. While Green was right to insist that Harris not separate the motives of capital from those of the state, he is wrong in so far as he identifies 'state-capitalism' in the post-war world with the boundaries of individual countries.

¹⁰⁶ Barker 1978, reprinted in Clarke 1991.

¹⁰⁷ Barker 1978, pp. 18-19.

¹⁰⁸ Barker 1978, p. 19.

¹⁰⁹ See especially Harman 1991. In this article, Harman brings up to date the IS position, critiquing both Kidron and Harris. His views on the internationalisation of capital post-1970 will be discussed in the next chapter.

to a higher stage. There was nothing essential about the nation-state for Bukharin, there was just global capitalism which produced within it increasing scales of organization for competition. That nation-state was one of those.

Capitalism, in the post-war period, described by the theorists of state capitalism, in terms similar to those used by Bukharin, had actually progressed to a stage beyond that which was in existence when Bukharin was alive. The theorists of state capitalism in the post-war world, lived to see the bloc capitalist formations he predicted, but failed to recognize them. Or rather, they recognized the significance of bloc capitalism in terms of military competition between East and West, but did not, following the logic of their own analysis, sufficiently modify their image of market competition within the Western bloc.

The reason why the discussion of national ownership and production at the start of this section is of interest is because it is this activity which lent support to the state capitalist theorists' image of Western states as nationally-organised units of capital accumulation involved in inter-state capitalist competition in market terms.¹¹⁰ We have on the one hand the USSR as a 'state capitalist' competing militarily with the West as a bloc and, on the other hand, market competition between nation-'states as capital' within the Western bloc. That this is not an accurate image, and that it is flawed *on the basis of the very logic to which these theorists subscribe*, remains to be explained in more detail below.

¹¹⁰ See for instance Barker's emphasis on this in Clarke 1991, pp. 33-36.

6.5 Beyond State Capitalism

The implication of the theory of bloc capitalism introduced above, is that the ‘nationalization revolution’ of the 1940s and 50s was not about the independent strength of the nation-state. In fact the ‘nationalization revolution’ of the post-war period was merely a step in the process of strengthening capital on a bloc scale, already beyond the level of the nation-state. In making this argument below, we will be drawing on those theorists who have taken the formation of bloc capitalism seriously. In particular, Kees van der Pijl and Peter Gowan have usefully drawn attention to this feature of the post-war world.¹¹¹ Van der Pijl has looked at transnational class formation in the post-war West and Gowan has looked at US dollar hegemony in the Western bloc. Neither of these theorists are subscribers to Cliff’s analysis of the USSR, but, and rather, both give due consideration to the actual appearance of capitalism in the West post-war.

What will be argued below is that the post war world is not, in fact, best characterized in terms of competing state capitalisms, where those states are understood to be on the scale of the nation-state. The logical extension and application of our alternative tradition of classical Marxism leads us beyond ‘state capitalism’ in the sense of ‘nation-state capitalism’ to ‘bloc capitalism’ in the sense of ‘transnational capitalism’. To make this argument, we revert once again to our three dimensions of capitalism in terms of its geographic scope, historical trajectory and core dynamic. We shall argue here that in all three dimensions, a ‘bloc capitalist’ approach is superior to what appears to be the ‘nation state-capitalist’ analysis of theorists following on from Cliff’s analysis of Russia.

¹¹¹ Pijl 1984; Gowan 1999.

6.5.1 Geographic Scope

For Bukharin, it was not the development of capitalism within individual countries that produced state-capitalist blocs, it was the dynamics of capital accumulation on a global scale that gave rise to the imperialist state. The aggressive militaristic economically protectionist imperialist state was a *reaction* to global capitalism. The global dimension of capitalism is considered to be analytically prior and no sub unit of capitalism, whether the individual, the corporation, the joint stock company, the cartel, or, we should now add, *the nation-state* should be fetishised or naturalized. Capitalism in its global reach produces the variety of forms of organization which historically have competed. Capitalism is revolutionary and its forms are constantly changing.

The Second World War epitomized capitalist competition on a global scale in its arch-imperialist phase. The intensity of competition at this time was so incredible, and the scale of what was at stake so great, that all engaged forces gathered behind one of two possible contenders: the Allied and the Axis powers. At this point, during the war, the world was already divided in what were essentially two capitalist blocs. They coordinated their actions and resources *as blocs* locked in competition to the death (or rather the millions of deaths of their respective populations). The Allied/Axis competitive blocs then became Cold War competitive blocs according to the division of spoils between those left standing, the US and the USSR. The Iron Curtain marked the boundary of their respective 'spheres of influence'.

Van der Pijl vividly describes how already after World War One the potential for organizing an empire beyond the size of those currently in existence was very real.

When the defeat of the central powers cut down German imperialism to size, and the Russian Revolution struck two decades of capital investment from the

books of the French and Belgian capitalists, the Atlantic circuit, with Britain now a debtor of America, could serve as a viable launching ground for an experiment in ultra-imperialism.¹¹²

The universalism of Wilson was an attempt at such a project, a revised version of which would not emerge until after the Second World War. An ultra-imperialist power, a 'superpower', did emerge after 1945, and it emerged on the basis of, in reaction to, developments at the global level, crisis and war.

What is important to remember in terms of the geographical scope of 'actually existing capital' is that the society of capital is global. Total social capital operates on a world scale. We warned in chapter four of this thesis against drawing the borders of the society of capital in an *a priori* fashion. The dynamics of capital accumulation on a global scale bring forth different scales of organization. To assume, as the theorists of the 'nation-state as capital', and as we have already noted the 'volume one' theorists, do that the borders of nation-states are somehow of transhistorical significance (within the history of capitalism) is at odds with our understanding of the development of actually existing capitalism on a global scale.¹¹³

This is not to suggest that the differentiation of states within blocs is insignificant. It is not. Nor should we forget that during the Cold War certain states appear to fall outside either bloc, or to enter and exit blocs at different points in time. The process of organization within blocs is never complete, nor should we expect it to be. Capitalism develops unevenly and necessarily so. We will look at this again in the next chapter, when we make the case that 'beyond bloc capitalism' by no means suggests beyond unevenness and conflict. Having extricated the best from Hilferding through Bukharin, we are under no illusion about 'organised capitalism'. In absolute terms, it is a contradiction. What we are getting at here is that in the post-war period

¹¹² Pijl 1984, p. 56.

¹¹³ This criticism has also been made by Robinson with reference to Ellen Wood's work. Robinson however traces this flawed technique to Marx, where I have not. Robinson 2000.

we can recognize a degree of planning and coordination on a supranational scale, roughly corresponding to Cold War blocs, which is not insignificant, and which if our alternative tradition of classical Marxism has been on the right track, we should expect.

The context for developing a theory of bloc capitalism at present is that we have, on the one hand, theorists of state capitalism who are theoretically stuck on the nation-state and, on the other hand, theorists like van der Pijl and Gowan, who have moved beyond the nation-state, but have not done so on the basis of the alternative tradition of classical Marxism we have been attempting to recover. One of the limitations of the method of the latter group is that the coordinated transnational response they describe is not understood to have developed in response to *capitalist* competition between East and West. For them the ‘centrally-planned’ economies were not capitalist, therefore capitalism elsewhere, is capitalism full stop. What this means is that Western bloc capitalism has been analysed as a whole, not a part. It is perhaps for this reason that van der Pijl, for instance, places such significance on ideology or the acts of individuals in accounting for the trend towards unification of capitalist class interests. He does not see Cold War competition as capitalist competition and does not therefore interpret the unification of interests in the West in terms of the historical trajectory of concentration and competition of capital on an increasing scale.¹¹⁴

¹¹⁴ Although this is not true in so far as he does recognise the role of ‘contender states’ in shaping social relations within states in the West. The problem with this however is that it is still not *capitalist* competition at work, which leaves him vulnerable to a Weberian separation of state and market.

6.5.2 Historical Trajectory

The question of the historical trajectory of capitalism is key to our discussion of whether the post-war period is best described in terms of state or bloc capitalism. In making the argument for the reinterpretation of post-war nation-state capitalism as bloc capitalism, what we are talking about is a reevaluation of the *scale* of organization of production. In our previous discussions of historical trajectory we have been looking at how competition leads to concentration of capital on ever-increasing scales. Capitalism reaches the level of 'socialized' bloc capitals only after competition in the form of inter-imperialist war. It is at this point that capital accumulation is organized, or socialized, on an ultra-imperialist or bloc level.

Hilferding's definition of imperialism involved the creation of the largest possible economic territory, protected against foreign competition by tariff walls, in order to be an area of exploitation for national monopoly companies. The United States, as an imperial power in its own right, came into the Second World War, under the assumption that such a prize would be won. The USSR which lost between 10 and 20 per cent of its total population in the war, felt equally deserving of reward.¹¹⁵ Their strengths at this time were reasonably balanced, and perhaps more to the point, neither had the resources to exercise influence over the world as a whole. They each gained enormous 'economic territories' protected not merely by tariff walls, but by actual walls of brick, and stockpiles of weaponry. These were areas of exploitation for the national monopoly companies of the US and the USSR.

Focussing on developments in the West, the US feared another depression on the scale it had experienced in the interwar period. It therefore needed external

¹¹⁵ Hobsbawm makes this point quite clearly. Hobsbawm 1994, p. 43. See Haynes 2003 on the Soviet death toll.

markets for its manufactured goods and it needed to get US dollars into European hands.¹¹⁶ The Marshall Plan, following on from lend-lease arrangements during the war,¹¹⁷ began this process.¹¹⁸ What is often overlooked is the fact that the Marshall Plan granted aid on the condition that European countries coordinated their needs and submitted a joint proposal. This was done so as to rationalize the industrial organisation of production within Europe *and* to make it compatible with the US.¹¹⁹ Van der Pijl refers to international integration as a mode of socialization of capital. What he means by socialization, or *Vergesellschaftung*, is the ‘planned interdependence... of functionally divided social activity’.

A structure of socialization is needed because:

[a]s production becomes more complex, the supply of these elements [land, labour, and money], which the discipline of the market presumes are forthcoming by the same mechanisms as other commodities, has to be safeguarded by certain interventions meant to curb the destructive effects on the social and natural substratum of the market economy (as well as on its monetary system).¹²⁰

Why does production become more complex? Van der Pijl does not provide this answer, but we know that technological innovation under capitalism results from the pressure to compete. The pressure to compete at this level at this point in history,

¹¹⁶ See Kolko 1969, pp. 252-253. He quotes the US State Department saying ‘trade cooperation will help us a great deal... We’ve got to plan on enormously increased production in this country after the war and the American domestic market can’t absorb all that production indefinitely. There won’t be any question about us needing greatly increased foreign markets.’

¹¹⁷ Although the crucial difference between the two being that one was a gift and the other was a loan to be repaid. See Kolko 1969, pp. 490-492.

¹¹⁸ See Pijl 1984, p. 28 on the significance of the Marshall Plan to establishing transatlantic class relations.

¹¹⁹ First hand reports from the Marshall Plan archives include the following: ‘most people I knew felt that the generosity of Americans was a self-serving one, in the sense that they thought of Europe as an outlet for their goods, as a market to export stuff and we thought that we could see that in the types of thing that they wanted us to buy with the money that they lent us. And we were very skeptical about the disinterested motives of the Marshall Plans and we even thought that in some areas they were trying to prevent French industry from building up again in order to export some of their goods and some of their stuff to Europe.’

www.gwu.edu/~nsarchiv/coldwar/interviews/episode-3/debouzy1.html

¹²⁰ Pijl 1998, p. 15.

comes from capitalist inter-bloc competition, a level of capitalist competition, which van der Pijl, not following Cliff's analysis, would not recognize as such.¹²¹

Despite these differences in analysis, van der Pijl does accurately capture the way in which, through the Marshall Plan and other strategies, capital accumulation was reorganized on a transatlantic scale.

Through recurrent offensives of the US and concomitant accelerations of the internationalization of finance capital, a restructuration of Atlantic class relations was brought about which ultimately eliminated the lag hitherto separating the pattern of capital accumulation and internationalization in Europe from that of the United States.¹²²

From this kind of account we can begin to rethink the 'nationalisation revolution' of the post-war period in transnational terms. Nationalisation of industry, in Europe and throughout the world, was made possible by the extension of US loans.¹²³ European and developing country state capitalisms were an investment for US and European capital at a time when post-war instability made private debtors more risky.¹²⁴ US dollars were loaned on a scale and in directions that suited the needs of transnational finance capital. The Bretton Woods institutions, the IMF and the IBRD, later the World Bank, were international organisations of the post-war period which shaped these developments. In the same way as the major banks within Germany rationalised domestic industry to make it more efficient, to make it 'fighting fit', through extending and denying credit to various sectors of the economy, leading

¹²¹ Again, this may help to explain why he, and others, attempt to understand such changes in 'regime' in terms of the acts of individuals or the ideology of classes. In mainstream IR, see Ruggie 1982 for this analysis elevated to the level of a theoretical approach.

¹²² Pijl 1984, p. xvi.

¹²³ There are fascinating discussions at this time about how to justify the fact that the US was encouraging, and many conservative European governments were implementing, nationalisation of industry when it was precisely state ownership and control in the USSR which represented the enemy. See a very interesting series of interviews available at <http://www.gwu.edu/~nsarchiv/coldwar/interviews/episode-3>. Also in the confidential discussions leading up to the Marshall Plan, it was absolutely clear that it was the state-planning of the USSR, a level and kind of planning the West recognised in itself only in war time, that became the object of competition. That the US was shaping Western bloc capitalism in relation to developments in the USSR is beyond a doubt.

¹²⁴ In the sense that unlike the state, private recipients of US loans could become bankrupt if new post-war enterprises did not find an adequate market.

Western capitalists states, through the IMF and World Bank, took up this role within the Western bloc.

This ability to coordinate production through the manipulation of financial arrangements is something which Gowan has looked at in his study of the post-war international monetary system. Following on from Hilferding and Bukharin he describes the relationship between productive capital and money capital as one in which the former is 'determinant', but the latter is 'dominant'.

The productive sector is determinant because it produces the stream of value out of which the money-capitalists in the financial sector ultimately gain their royalties, directly or indirectly. On the other hand the financial sector is dominant because it decides where it will channel the savings from the past and the new fictitious credit-money – who will get the streams of finance and who will not.¹²⁵

For Gowan, as for Hilferding, the differentiation of money and productive capital is important because it 'enables money capital as the controller of funds to play a *planning* role in capitalist development.'¹²⁶ This is a role he grants to the US in the post-war world as, he argues, the openness of the system allows for the overwhelming strength and size of US finance capital to be felt throughout the rest of the bloc.

John Gerard Ruggie, a fairly mainstream IPE theorist, has referred to the several decades after the Second World War as a period of 'embedded liberalism'.¹²⁷ He described it as follows: 'unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism.'¹²⁸ Ruggie is drawing attention to the fact that this period cannot be described in the same terms as the 1930s, the height of nation-state capitalism. For Ruggie, something else was going

¹²⁵ Gowan 1999, p. 13.

¹²⁶ Gowan 1999, p. 13. See similar statements from Hilferding in the last chapter.

¹²⁷ Ruggie 1982, p. 392.

¹²⁸ Ruggie 1982, p. 393.

on after 1945, a multilateralism that would allow a certain degree of domestic stability. That stability, should be understood to be the result of the permissive context of multilateralism, it should not be seen to be the consequences of domestic policies as though they existed in a vacuum. Ruggie refers to the development of the West as a 'single entity', and sees this as the first time that 'international public responsibility' was taken for 'supplementing the market mechanism' at this bloc level.¹²⁹

What is suggested in this account, with the Marshall Plan as a particularly vivid moment in a general process, is that *planning* took place on a bloc scale within the West, just as it did in the East. The many meetings and negotiations to establish these international organizations are evidence of planning on a bloc scale.¹³⁰ The anarchy of capitalist competition was considerably subdued at the intra-bloc level to maximize the chance of successful competition at the inter-bloc level. This certainly does not mean that every aspect of intra-bloc relations was planned and coordinated. It need not be. With certain international financial organisations playing an overarching role, there was considerable scope for independent activity within nation-states, under the label of Keynesianism. That this independent activity was, in fact, severely and inherently restricted, was something which would only become more obvious once the boom ended in the 1970s.

But perhaps some would argue, despite the provisos, that with the image above, we are at risk of underplaying the economic competition between capitalist states in the West which continued in the post-war period. What about, for instance, the trade wars between the US and Japan throughout the 1980s? There were books written and even careers made in the 1980s and early 1990s on the basis of the

¹²⁹ Ruggie 1982, p. 398.

¹³⁰ See Pijl 1984 for a good discussion of these planning sessions.

argument that Japan had battled the US and won.¹³¹ Burbach and Robinson provide a useful counter-argument to this nation-baiting. They note that ‘at the height of “Japanese bashing” in the US the ratio of US exports of cars to Europe was 1:9, whereas for Japan it was about 1:6. ‘In other words the US maintained a more unfavourable trade relation in cars with Europe than with Japan.’ What was there really to worry about in terms of a Japanese threat? Burbach and Robinson point out that, ‘by the 1990s US, European, and Japanese auto firms had become so interpenetrated that national distinctions had lost meaning’.¹³²

Gowan is equally skeptical, arguing that the US ‘need not constantly fear that other parts of the world are growing faster than the US domestic economy, as mercantilists would claim: after all this growth should be growth for the US companies playing a decisive role in these areas.’¹³³ As evidence of bloc planning, Gowan describes ‘managed trade’ between the US and Japan whereby Japan must accept ‘certain quantitative targets for their imports and exports of particular sets of goods, as in Comecon-style trade planning.’¹³⁴ If nothing else, Gowan’s understanding of US-Japanese relations is preferable to that of those who exaggerate competition between western nation-states, in that it prevents us having to deal with another case of ‘engendering of conquerors’. After all, if we discuss these matters in terms of competition between these two countries, it was the US who *created* the Japanese post-war economy... only to find itself victim to it a few decades later?

¹³¹ Including such dated titles as *Trading Places: How We Allowed Japan to Take the Lead*, Prestowitz 1988; *A Cold Peace: America, Japan, Germany and the Struggle for Supremacy* Garten 1992; and *The Endangered American Dream: How to Stop the US from Becoming a Third World Country* Luttwak 1993.

¹³² Burbach and Robinson 1999, pp. 25-27.

¹³³ Gowan 1999, p. 68.

¹³⁴ Gowan 1999, p. 86.

Unfortunately it is beyond the scope of this thesis to account in detail for the structure and dynamics of these blocs.¹³⁵ The point to be made is that there is no reason to reject models of post-war capitalist development, like van der Pijl's and Gowan's, which involve a considerable degree of planning at the bloc level. We may wish to debate the extent of this planning, but we must acknowledge the considerable evidence that it took place in practice and, moreover, that there is no need to resist the image in principle. If we recall Marx's observation on centralization quoted in chapter three, he said '[i]n a given society this limit [to centralization] would be reached... when the entire social capital was united in the hands of either a single capitalist or a single capitalist company.'¹³⁶ The state-capitalist analysis provides a way of understanding centralization in the hands of a nation-state in terms of capitalism, given competition at the international level. The understanding of the post-war period in terms of 'bloc capitalism' provides for an acknowledgement of centralization at the bloc level, with the same proviso that we see capitalist competition at the inter-bloc level. This, surely, is what the theory of the Cold War provided by the 'international state capitalist' approach allows us to do. We can retain a clear sense of global capitalist relations while nevertheless acknowledging high levels of economic planning on an international scale.

6.5.3 Core Dynamic

Perhaps the most bewildering aspect of the state capitalist approach to the post-war West is their separation of economic and military competition. After all, was it not the theorists of state capitalism who argued, when claiming the law of value could be

¹³⁵ A great deal of empirical work would have to be done to establish the boundaries of these blocs and the ongoing significance of nation-state borders within.

¹³⁶ Marx 1976, p. 779.

transmitted by either market or military means, that military and economic competition were two aspects of the same phenomenon? Yet, convinced of an image of nation-states competing *within* the Western bloc, and still employing the historically specific tools which Bukharin and Lenin supplied, (rather than adapting the tools to changed circumstances, as Bukharin and Lenin had), Harman claimed that 'each national capital competes both economically and militarily'.¹³⁷

Where is the evidence for this image in the post-war world? Has Japan, for instance, really been trying to compete militarily with the US for the last 50 years? Of course not, and that it has not, is not a minor feature of its existence. Were the Japanese to attempt to compete militarily with the US, their economy would bear absolutely no resemblance to that which we have known. The entire structure and content of the Japanese economy is predicated on the fact that it does *not* need to compete militarily as an independent nation state. Cox in his analysis of the postwar global economy refers to this when he describes how Germany and Japan continued to support the US payments deficit in return for US military presence.¹³⁸

By extension, and in support of the arguments made by Gowan in the section above, to the extent that Japan could be said to compete with the US economically, they do so at the grace of the US. What is meant by this is that *were they* to have to structure their economy around defending themselves militarily, as an independent nation state, their economy would be so distorted as to represent no economic competition whatsoever. The US economy, of course, would also look nothing like the US economy does now if it were engaged in military and economic competition with all other nation-states. The whole point is that where once competing empires allowed for significant inter-state rivalry, or rather inter-imperial rivalry, in the post-

¹³⁷ Harman as cited above.

¹³⁸ Cox 2002, p. 34.

war period the US-led Western bloc represented an empire which dominated more than half the world. Production was now organized on a bloc level, with an international division of labour. This has meant that the US could get up every morning and make weapons *because* another country was making the coffee.

The way it has been described by some theorists of state capitalism, Japan and Germany were catching up with the US and were about to overtake because they were 'economically competitive' whereas the US was no longer, having tried for too long to be 'militarily competitive'. Barker argues:

At the same time, forces of 'economic' competition undermined arms spending in the US in a different way, as the 'non-military state capitalisms' of Japan and Germany were able, through higher levels of investment in 'peaceful' trade goods, to undermine the competitive position of major US industries, and thus to compel a fall in the proportion of US spending devoted to arms. 'The dynamic of market competition was relentlessly undercutting the dynamic of military competition.'¹³⁹

Yet it was the theorists of 'international state capital', following Cliff, who had argued that *capitalist* competition had reached a stage of warring blocs. This was the form which capitalist competition had taken. There may be a jostling for position within the bloc and the bloc certainly constitutes a differentiated mass, but that does not mean that capitalist competition, military *or* economic, can be assumed to correspond to the borders of particular countries within the bloc. The kind of pressures which Barker describes above relate to the crisis of profitability within major US industries and the Western bloc as a whole. These are problems inherent to capitalism, not the result of intra-bloc manoeuvring. The US would no more want to 'outcompete' Japan and Germany than those countries would wish to see the US bankrupt.¹⁴⁰ Capital seeks out higher than average rates of profit throughout the

¹³⁹ Barker 1998, p. 98. This is based on analysis by Harman 1984, pp. 93-99.

¹⁴⁰ Which is one of the reasons why it is allowed to maintain such a high debt level.

system and it is more than capable of crossing the borders of states in the Western bloc, the fates of which were, and are, intimately bound up together.

Why did the theorists of state-capitalism take this view? Perhaps it is because they did not sufficiently extend their own analysis. Perhaps they could not quite shake the image which the vast majority of Marxists and non-Marxists held, that 'capitalism' referred simply to the economies of the West.¹⁴¹ Viewed in isolation, these Western states were behaving, in the post-war period, in what were remarkably harmonious ways: lending each other money, sharing weapons, establishing, as van der Pijl describes, a huge number of joint planning organisations, etc.¹⁴² Perhaps it was felt that this kind of capitalism seemed to support Kautsky's projections of a peaceful ultimate stage of capitalist development.¹⁴³

Well, the answer to that is that, it would, *if* it were taking place on a global scale. But surely, the whole point of the state capitalist analysis introduced by Cliff was that on a global scale what we had was capitalist competition at its highest stage, i.e. mutually assured destruction – a sufficient contrast to Kautsky's image of peaceful capitalism! We do not need to try and maintain the view that the competitive and violent nature of contemporary capitalism was such that at any point trade war among Western countries could have turned into real war. If we did, we would be doing so at the expense of reality. War between... Japan and the US? France and Germany? Canada and Mexico? With an international division of production and shared capital,

¹⁴¹ Not centrally planned, but we should note, significantly planned on a bloc level.

¹⁴² Pijl 1984.

¹⁴³ Harman, for instance, says that the logic of Harris' argument is that which 'led Bernstein and Kautsky to drop their differences.' Harman 1991, p. 5. Harman's critique of Harris assumes the latter to be saying that if not the nation-state, then no state. We are saying here, if not the nation-state, the bloc formation with all its combined military ferocity directed at the East and parts of the South tempted to go the way of the East.

how would they decide who got the weapons they jointly built and how would they divide the proceeds of war?¹⁴⁴

It is generally understood that a function of the state is to take care of general conditions of production and reproduction that are beyond the reach of individual producers. If we accept that capitalism in the post-war world had reached a stage of competing capitalist blocs, then at least part of what is necessary for the production and reproduction of individual producers in that Western bloc is protection from the other bloc. This kind of protection was only possible on a bloc level which means that however nationally-bound these units appeared, they were intimately tied into a socialized bloc of capital which was capable of developing defence on that scale.

6.6 Conclusion

This has been an ambitious chapter. Its objective has been to provide a theoretical analysis of Cold War nationalisation of production on a global scale, such as it exists as the historical backdrop to the privatization revolution of the last few decades. To do this, it takes the most dominant example of large scale state ownership and control of production in the twentieth century and attempts to explain it in terms of actually existing 'state capitalism' according to an alternative tradition of classical Marxism. It then uses the Russian case as a basis from which to reconsider a central assumption about the nature of capitalism, i.e. its dependence on free wage labour, thus demonstrating how an understanding of Russia so alien to mainstream Marxism can be understood as rooted in a classical Marxist analysis. Finally, it suggests that the theory of 'state capitalism', while it has contributed to our ongoing development of a

¹⁴⁴ War among advanced capitalist countries is of course conceivable where it comes about as a result of the breakdown of one of the societies, but given the advanced stage which weapons manufacturing has reached, the rebel society could not last long in isolation without the support of an opposing bloc.

theory of capitalism, may not, in fact, provide the best means of characterizing the period of the Cold War. It is suggested that 'bloc capitalism' more accurately captures actually existing capitalism at this time.

So, the chapter attempts to grapple with Russia question by providing a state-capitalist answer, and then moves both 'beyond Russia' and 'beyond state capitalism'. A great deal more could have been said in every section of this chapter. The task here, however, has been to continue to develop our alternative tradition of classical Marxism, to try and shed some light on various apparent anomalies of the post-war period. This is in order to better understand capitalism on a global scale prior to the period understood in terms of 'globalisation'.

The argument in the last section above represents only tentative steps in the direction of reorienting the alternative tradition of classical Marxism away from its arrest at the level of nation state-capitalism, toward bloc-capitalism. It would take another thesis to adequately draw out the image of bloc-capitalism sketched here. Of particular importance would be a theorization of the ongoing significance of the differentiation of blocs into states, rather than simply the general statement we have above, building on our defense of Bukharin, that the extent of coordination can be understood in relation to the extent of competition.¹⁴⁵ Rather than attempt to do that, however, we will move forward on the basis of this sketch, to look at how bloc capitalism has evolved and what globalization, with bloc capitalism as a backdrop, might mean.

¹⁴⁵ In chapter five we responded to Brewer's criticism of Bukharin, on the assumption that the latter had argued that all competition was suppressed within the state. In fact, it is more accurate to say that Bukharin argued that competition would be suppressed *within* in relation to competition existing *without*.

PART THREE

RETHINKING GLOBALISATION AND THE RETREAT OF THE STATE

We have now reached the end of our three chapters in which an alternative tradition of classical Marxism for International Relations has been mapped out and applied to make sense of ‘actually existing capitalism’. Let us revisit the reasons for initiating this project.

We were frustrated in our attempt to make sense of the apparent ‘retreat of the state’ as a result of ‘globalisation’. We had evidence of structural changes in state-market relations in the form of the ‘privatisation revolution’, but we lacked a theoretical model of capitalism within which to understand it. Weberian-based IPE and Historical Sociology could describe the interactions of ontologically distinct state and market forces, but were unable to explain them within a broader social and historical framework. The ‘volume one’ Marxists had a clear understanding of a broader set of capitalist social relations within which states and markets appeared separate, but were unable to make sense of those moments when they did not appear separate at all.

What was required was a theory of capitalism which could explain the direct ownership and control of production by the nation-state, as well as the relinquishment of that control in the current period. In other words, both the ‘advance’ and ‘retreat’ of the state. The last three chapters have suggested an alternative classical Marxist approach and have applied it to making sense of the ‘advance of the state’. In the next chapter we will be considering how the same classical Marxist analysis might be able to make sense of the state’s ‘retreat’.

In this final chapter we will extend our analysis to the period of the 1970s and beyond to consider what globalization looks like through the lens of our alternative approach. We will consider how this account is an improvement over other attempts to theorise this period. Does it allow us to acknowledge the significance of globalisation where ‘volume one’ theorists cannot? In what ways does it assist us to move beyond the descriptions of Weberian-influenced IPE and Historical Sociology? What might our contribution to the globalisation debate over ‘the retreat of the state’ now look like?

This final part of the thesis represents an application of the theory developed in chapters four, five and six, to explain the subject matter of chapter one, in a way that the approaches to state-market relations outlined and critiqued in chapters two and three could not. As such, it represents a rethinking of globalisation and the retreat of the state on the basis of an alternative classical Marxist analysis of actually existing capitalism.

This chapter is necessarily speculative as we do not have the space to engage with the detailed empirical work which might complement this theoretical framework. In that sense, this thesis has brought us only part way through Marx’s dialectical method as discussed in Chapter Four. We started with a concrete phenomenon, the privatisation revolution, we challenged the way in which that process had been theorised by globalisation theorists as the ‘retreat of the state’. We then suggested a more nuanced theory of capitalism, a more robust abstraction of reality, than that offered by Weberian and classical Marxist scholars in IPE and IR, in the hopes of accommodating a greater degree of the concrete – capitalism as it ‘actually exists’. But that task of more fully appropriating the concrete, using a new theoretical model of capitalism, will be one taken up at a later date, or by others, should they find the

model of capitalism provided here to be of use. Marx's 'rich totality of many determinations and relations' comprehensible within an abstract model is the never-ending task of a new research agenda. Only the first tentative steps are taken here.

Chapter Seven

Actually Existing Globalisation

7.1 Introduction

In this final chapter we revisit the subject matter of chapter one and apply to it the insights we have gathered throughout the thesis as a whole. We will be looking at the events which have been characterised as ‘globalisation’ and the way in which they have been theorised. We will apply our own analytical framework to make better sense of this moment in the history of global capitalism and we will determine the ‘value added’ by the approach we have taken. Does an alternative tradition of classical Marxism really deliver when it comes to making sense of globalisation and the retreat of the state?

The structure of this chapter is as follows. First, we will look at *globalisation in practice*, i.e. the material changes in the political economy on a global scale which have given rise to theories under the label of ‘globalisation’. We approach these events in two stages and our account of them is informed by our analysis so far. The first stage begins in the 1970s, a period of economic ‘interdependence’ when the limitations of post-war national planning first began to be noticed. The second stage begins in the 1990s, following the collapse of the ‘centrally planned’ economies of Eastern Europe and the USSR. This period marks the beginning of the emphasis on globalisation, as such, with capital capable of organising on a truly global scale and the very existence of the nation-state as a viable unit of social organisation in question.

In the second section of the chapter we will look at *globalisation in theory*, according to the alternative classical Marxist theory of ‘actually existing capitalism’ we have been developing. Here we return for the final time to our three dimensions of capitalism: its space, time and motion. We shall look at the *geographic scope*, *historical trajectory* and *core dynamic* of ‘globalisation’ to show the continuity of capital accumulation despite its changing appearance.

The third section of the chapter will revisit the critiques made in chapters two and three of the thesis. There we looked at two models for making sense of state-market relations under capitalism. The first was the Weberian-influenced IPE image of the *separation of states and markets* and the second was ‘volume one’ Marxism, influential in IR, with its definition of capitalism in terms of the *apparent separation of states and markets*. We return to these now in order to make the argument that neither is a necessary nor useful means of analysing capitalism as it actually exists.

Finally, at the end of this chapter, we rethink the idea of the ‘retreat of the state’. We return to the ‘globalisation paradox’ which characterised all three waves of the literature on the retreat of the state: the idea that the nation-state had created the very forces to which it has now fallen victim. We are able, finally, in this last section of the last chapter of the thesis to resolve this paradox, to move away from the formulation of this problem in such paradoxical terms.

7.2 Globalisation in Practice

For many theorists of globalisation, there are two key moments in the twentieth century corresponding to stages in the retreat of the nation-state as a result of world market forces. There is a significant period of interdependence after the early 1970s,

within the West, when the nation-state is noticeably constrained in its actions. Then, there is globalisation proper from the 1990s onwards, when the nation-state is seen, by many, to have been entirely overrun. This was the understanding of events articulated by the globalisers, Horsman, Marshall, and Reich, in chapter one of the thesis.¹ It is, for them, as though the state stumbles in the 1970s and then falls two decades later. There is interdependence and then even greater interdependence until the state can bear it no longer. The period as a whole from roughly 1973 to the present day tends to get treated as a single trajectory in which we find a strengthening global market and a weakening nation state. Even Hirst and Thompson's analysis supports this image. They accept the idea that the period 1945-1973 marked an era of 'classical national economic management' which is now, they believe, 'largely obsolete'.²

One of the implications of the 'bloc capitalist' characterisation of the post-war period introduced in the last chapter, is that we may question the significance placed on the 1970s as the point at which 'globalisation' really began to take off. Rather, from the analysis sketched out briefly at the end of chapter six, it would appear that 1945 more accurately marks the moment at which global capitalism began to develop on a truly 'multinational' scale.³ It was at this stage that international organisations and structures were established which intimately intertwined the fates of the economies of the developed world. That the extent of this interdependence was not

¹ Horsman and Marshall 1994 and Reich 1992 as discussed in chapter one.

² Hirst and Thompson 1996, p. 199.

³ Shaw makes the point that 'the importance of 1945 leading to a profound reorganisation of military-political and hence socio-economic and cultural space is only fully recognizable today.' Shaw is a Weberian historical sociologist who adds together military, political, and economic phenomenon in a rather descriptive fashion. However, his desire to be descriptively accurate is such that he gives adequate attention to both military and economic developments. He refers to the Western bloc between 1945-1990 as the 'Western state' such is his belief that it represents a meaningful unit. He refers to the period post-1990 as one in which we see the development of a 'global state'. I would argue that this is an unhelpful formulation but that it stems from a recognition of post-Cold War developments in the military and economic organisation of capital. Shaw 1997, pp. 498-513.

recognised until the 1970s remains to be explained, but what is suggested here is that the 1970s is merely a period of *recognition* of what was a pre-existing *reality*.

What this means is that the period between 1945 and the early 1990s should perhaps be seen as one significant phase in the structural organisation of global capitalism, and the period since the early 1990s should be seen as another. We will, of course, have to provide some explanation for the events of the 1970s, or at the very least, for the common perception of them as a pivotal moment. We will start here.

7.2.1 The 1970s

1973 is a significant date in the diary of every serious theorist of globalisation. It was in this year that the Bretton Woods system of fixed exchange rates came to an end and OPEC countries quadrupled the price of oil. What resulted was a depression of the global economy in the mid-1970s, which was deep by post-war standards. Inflation was high and unemployment soared. Governments attempting to curb inflation by cutting the money supply, found that under a system of floating exchange rates, their policies were self-defeating. The consequent rise in the domestic interest rate caused an inflow of capital which defeated the original attempt to combat inflation. Countries began to feel themselves harshly disciplined by the movements of speculative capital on a global scale.

The crude orthodox globalisation image of this transition from fixed to floating exchange rates is that, one minute, prior to 1973 the state was happily determining its own domestic policies and the next minute they were facing the discipline of global capital markets. This is a mischaracterisation of events that should be clarified if we are to move forward. What needs to be recognised is that constraints

on the economic policy-making of nation-states existed under both fixed and floating exchange rate systems. Further, that the need to shift from one to the other can only be explained in terms of the pressures to release capital controls. These pressures, themselves, must be understood in the context of a crisis of profitability due to overproduction. We have limited space to make this argument, but it is necessary to outline it in brief.

In Gilpin's discussion of the post-war system he notes, that '[u]nder the Bretton Woods system of fixed exchange rates, national economies had become closely linked, thereby constraining domestic policy options.'⁴ The Bretton Woods system of fixed exchange rates had been designed to prevent destabilising capital flows like those which had plagued the system in the 1930s. All currencies were pegged to the dollar which itself was meant to maintain a convertibility into gold at a fixed rate. The United States assumed responsibility for the world monetary system under the guise of the IMF. As Gilpin notes, '[t]he Federal Reserve became the world's banker, and the dollar became the basis of the international monetary system.'⁵ A country could find itself in balance of payments difficulties and would need to use its foreign exchange reserves to defend its currency or it could persuade the IMF, or the US itself, to help.

This all changed when the system of fixed exchange rates came to an end. With the breakdown of the Bretton Woods system, as Gowan puts it, the basis of a currency's stability became its '*creditworthiness in private international financial markets*'.⁶

⁴ Gilpin 1987, p. 143.

⁵ Gilpin 1987, pp. 133-134.

⁶ Gowan 1999, p. 23. Italics his.

Under the previous system, private financial markets had been largely excluded – banned by ‘financial repression’ – from involvement in the international monetary system. Now they were to play a central role.⁷

While extremely valuable in a number of ways, something which is missing from Gowan’s account is an understanding of the significance of the European removal of capital controls already in the 1950s.⁸ With the City of London acting as an ‘off-shore’ unregulated centre for international private capital flows, the speculative power of capital was developing apace. The question is why was this taking place? Perhaps we can understand the same pressures which gave rise to the London-based Eurodollar market as ultimately necessitating the collapse of the Bretton Woods system, rather than seeing the US decision to end the system of fixed exchange as the permissive condition for the rise of speculative capital. The former approach suggests that there were ongoing pressures to relieve controls on capital building up throughout the boom of the 1950s and 1960s, but they did not reach a critical mass until the early 1970s.

Gowan has persuasively argued that the breakdown of the Bretton Woods system was of significant benefit to the United States, rather than ‘a defeat for a weakened American capitalism’.

The Nixon administration was determined to break out of a set of institutionalised arrangements which limited US dominance in international monetary politics in order to establish a new regime which would give it monocratic power over international monetary affairs.... The break up of the Bretton Woods system was part of a strategy for restoring the dominance of US capitals through turning the international monetary system into a dollar-standard regime.⁹

While the collapse of Bretton Woods may not signal a defeat for weakened American capitalism, it must be seen as evidence of capitalism on a global scale (of which US capital was dominant) straining to find a means of accommodating an

⁷ Gowan 1999, p. 23.

⁸ He does note that this took place, but does not give it any analytical significance. Gowan 1999, p. 22.

⁹ Gowan 1999, p. 19.

enormous overproduction of capital. When, after the 1970s, we see a huge rise in speculative capital with all its disorienting effects on national policy-making, this must be understood in the context of the build-up of such capital flows over a number of decades. Gilpin notes that already by the mid-1970s 'the volume of the international flow of capital assets exceeded the volume of world trade many times over,' and between 1979 and 1984, the ratio of foreign exchange trading to total exports would double.¹⁰

In the context of the characterisation of the pre and post-Bretton Woods systems above, we need to rethink what it was that the developed countries agreed to in the post-war period which anchored them into a system in which they would later have such little control over their own economies. The key to this is the role of the US as banker in the post-war system, starting with the Marshall Plan and continuing through the IMF. The Marshall Plan and the activities of the IMF can be seen as a means by which a general pattern of capitalist relations are imposed on the West as a whole.

The Marshall Plan has been described by Eichengreen and De Long as 'history's most successful structural adjustment programme'.¹¹ They argue that US aid 'made the relaxation of controls and the return to markets politically palatable' in the post-war period.¹² From this perspective, the system of fixed exchange rates appears almost as a set of training wheels placed on the global economy while trade and investment were revived on a significant scale. Once the economies were sufficiently strong and sufficiently integrated, and once many productive outlets for capital accumulation had been exhausted, the training wheels were removed and the

¹⁰ Gilpin 1987, p. 144.

¹¹ Eichengreen and De Long 1993. This is the title of their paper.

¹² Eichengreen and De Long 1993, p. 220.

dynamics of advanced capital accumulation and crisis on a global scale reasserted themselves.

What the above image of the post-war international economy does, is suggest that we are making a mistake if we place too much importance on the changes in the economy in the 1970s. These changes reflect developments within a structure of the international economy which was established in the immediate post-war period. From our analysis of bloc capitalism in the last chapter, we would say that this post-war structure involved extensive interdependence from the outset. The institutions of Bretton Woods were designed to prevent the collapse of the US economy and to restructure capitalist relations on a bloc scale. The crises inherent in capitalism took their toll on this structure but should be seen as acting through it, rather than breaking from it.

This line of analysis moves us sharply away from those who would suggest that the post-war boom resulted from strategies of national economic management, or new Fordist regimes of accumulation. These approaches are flawed, not least because they grant causal independence to the release of capital controls, suggesting it was this that destroyed the Keynesian or Fordist project. Simon Clarke usefully challenges this line of thinking and, in fact, nicely supports our image of post-war bloc capitalism and the relative insignificance of the 1970s. We will quote him at length here, from a contribution he made to a discussion on 'the phases of capitalist development'.¹³

Clarke rejects the 'conventional interpretation of the post-war boom' in terms of the idea that increased direction of the economy by the state could contain the tendency to overaccumulation and crisis. This, we might note, is the starting point of orthodox theories of globalisation.

¹³ This is the title of the collection in which Clarke 2001 can be found.

According to this view, the limits of these modes of regulation were determined by the fact that they were established on a national basis, and so have been progressively undermined by the internationalisation of capital.¹⁴

For Clarke, rather,

[t]he internationalisation of capital was not the source of the recurrent crisis of the last quarter century. The growing pressure of international competition expressed not so much the internationalisation of capital, as the growing overaccumulation of capital on a world scale... Similarly, the speculative movements of international money expressed not the breakdown of earlier 'national' modes of regulation, but the uneven development of capital which underlay the growing imbalances in international payments which international capital was called upon to finance. The internationalisation of money capital made it possible to sustain accumulation, despite such imbalances, by the massive expansion of international credit. Thus the crisis is not the result of internationalisation of capital, but rather expresses the fact that such internationalisation had reached its limits.¹⁵

The same applies, for Clarke, when considering the significance of Fordist or post-Fordist regimes of accumulation.

The belief that the post-war boom was based on the institutionalisation of modes of regulation of accumulation through which the accumulation of capital was subject to the direction of the nation state is equally false...

The bottom line for Clarke, and implicit in our discussion of bloc capitalism in the previous chapter, is the idea that the 1970s have reaped what the 1940s sowed.

The tendencies towards the internationalisation of capital and the liberalisation of capitalist regulation are by no means new, but have been the dominant tendencies ever since the Second World War, central features of the boom as much as of the crisis.¹⁶

Capitalism expanded on a bloc scale in the post-war period, organising itself in competition with the USSR, under the direction of the United States. Clarke, though he would not characterise East-West competition as capitalist in its nature, arrives at a very similar account of the post-war order as guided by the US state and capital.¹⁷

¹⁴ Clarke 2001, p. 82.

¹⁵ Clarke 2001, p. 82.

¹⁶ Clarke 2001, p. 82.

¹⁷ The downside for him, or rather for us reading him, is that he is unable to explain the rivalry of the two superpowers in capitalist terms.

The priority of the bourgeoisie was to avoid repeating this experience [of 1929] by using the interventionist apparatus of the state to restructure the productive forces, on the one hand, and to develop appropriate financial institutions of the other, which could ensure a smooth restoration of the liberal order. Although the details of this strategy differed from one country to another, the task was a global one, coordinated by US capital and the US state.¹⁸

Finally, he gets to the heart of the issue which is that the post-war period was and could only be understood as a phase in the history of capitalism on a global scale in which it organised itself on a multinational level. This period was characterised by an international division of labour on a bloc scale, an enormous volume of international trade, and associated multinational financial infrastructure. As Clarke notes,

[t]he idea of national reconstruction was a myth... because the uneven development of the forces of production made reconstruction on the basis of national self-sufficiency inconceivable. The priority of national reconstruction was to expand exports, which would provide outlets for the surplus products of the more highly developed branches of production and provide the means of international payment with which to purchase urgently needed means of production and subsistence. *Thus national reconstruction could take place only within the framework of international reconstruction.*¹⁹

What is so useful about Clarke's account is that it acknowledges that in the post-war period, *nationalisation* was an aspect of the internationalisation of capital accumulation. Nationalisation was not just about the nation-state, its economic health or independence, it was about establishing the conditions for international capital accumulation, the benefits of which the boom reflected. Clarke explains.

The post-war reconstruction boom had been based on the reintegration of the global capitalist economy on the basis of the dismantling of the barriers to the free movement of commodities that had been erected in the inter-war period as national governments had sought to protect their domestic economies from the ravages of depression.²⁰

So what then is the significance of the 1970s? For Clarke they represent a period of 'overaccumulation and uneven development of capital' which led to an economic crisis as well as a political one, which appeared as the crisis of

¹⁸ Clarke 2001, p. 83.

¹⁹ Clarke 2001, p. 83. Italics mine.

²⁰ Clarke 2001, p. 87.

Keynesianism, i.e. national capitalism, but was in fact evidence of crisis inherent to capitalism. The apparent success of Keynesianism in the first place, and the strength of 'independent' nation-states, was only made possible by the relative prosperity of the boom.

It was the sustained accumulation of the post-war boom, based on the rapid internationalisation of capital and liberalisation of the international movements of commodity, money and productive capital, which made possible the national policies of Keynesian interventionism and economic planning, whose success enabled politicians then to claim that they had tamed capitalism.²¹

In this account, the internationalism of the 1970s is not a *problem* which the nation-state faces, it is a *solution* which capital has found to assist it in overcoming its inherent limitations.²² That these limitations and their various solutions impact on countries throughout the Western bloc, is not evidence of the power of internationalism over nationalism, but rather is simply the result of the fact that these countries structured themselves on the basis of bloc organisation of capitalism since the early post-war period. In other words, the notion of 'globalisation', or 'internationalisation' as it was more commonly expressed at the time, has no explanatory power in the 1970s, just as it does not in the current period.²³

²¹ Clarke 2001, p. 84.

²² Brenner's *Economics of Global Turbulence* follows a similar timeline in that he sees the period after 1973 as a continuation of a crisis of profitability that first becomes apparent around 1965 and continues right up to the present day. This is for Brenner, a crisis of profitability, exacerbated by competition between states, the underlying fundamentals of which are due to overproduction. Brenner 1999.

²³ We have not discussed here the impact on developing countries of the post-war restructuring of capitalist relations on a bloc scale. There is a body of literature which suggests that the apparent economic nationalism of post-war developing countries belies an embedded internationalism. The idea of 'embedded internationalism' was introduced in a discussion of the strategy of import substitutionism in the post-war world. Lipietz has drawn the comparison between Fordism and import substitutionism in the developing world in a way which is quite compatible with Clarke's discussion of Fordism above. Lipietz 2001, p. 17. Bina and Yaghmaian refer to the import substitution phase of development in the Third World in similar terms, that is to say that they argue that this development strategy is apparently a sign of the independence of national economies, but in fact represents an essential stage in the restructuring of a broader internationalised, what we would call 'bloc', capitalism. Bina and Yaghmaian 1991, p. 126.

7.2.2 *The 1990s and Beyond*

In the early 1990s, the world lurched forward. In quick succession, we witnessed the fall of the Berlin Wall in 1989, the rise of independence movements in the Baltics, Armenia and other Soviet republics and then the collapse of the USSR in 1991.²⁴ This was an extraordinary series of events with dramatic implications for the international system. According to the analysis we have been developing above, this would represent the first opportunity for a major restructuring of the global economy since the Second World War.

Two important things need to be said about the collapse of Eastern Europe and the USSR in relation to the alternative tradition of classical Marxism we have been developing thus far. The first is that the theorists of state-capitalism, following Cliff, predicted this collapse in a way that sovietologists of every political persuasion did not.²⁵ Haynes, for instance, in 1980 and 1987 drew attention to the crisis of Eastern European and Soviet economies in the context of the broader crisis of global capitalism.²⁶ He was able to do this because the tradition of classical Marxism to which he subscribed located these countries within a single global capitalist society.

The second, is that the theorists of state capitalism took from these events an interpretation quite opposite to that of the mainstream. While Fukuyama's view that the collapse of the USSR signalled the end of history and the triumph of capitalism, may have been extreme, it was an exaggeration of what was a widely held belief.²⁷

²⁴ See Haynes 2002, pp. 191-219 for a useful discussion of the dynamics of this period.

²⁵ That sovietologists did not, is the dominant message in Cox 1999. Remnick 1994, is quoted in Cox 1999, p. 2 saying 'how could we get it so wrong?'. Moises Naim, the editor of *Foreign Policy* is expresses a similar sense of bewilderment. Naim 1998.

²⁶ Haynes 1980, 1987. Cox is, in fact, quite wrong to suggest that Haynes argued that the end for the USSR was nowhere in sight. What Haynes argued was that the stagnation and decay of Eastern Europe and the USSR could not be understood in isolation from crises in the global capitalist economy as a whole, although there were specific features of the Eastern experience. Cox 1999 p. 26.

²⁷ Fukuyama 1992.

Capitalism had won. This conclusion, however unpalatable, seemed, to many on the left, to be unavoidable in some form or other. This was a period of great disorientation for Marxists, and for many others who had been critical of capitalism in the West. For theorists of state capitalism, however, these events caused little confusion. The collapse of the USSR was not evidence of the triumph of capitalism, it was a manifestation of capitalism in crisis, a crisis they had been tracking for the last several decades. This crisis had global as well as regional causes and consequences, but it was without a doubt *a crisis of capitalism*.

In an article published in 1987, Haynes looked at the general crisis of state capitalism and then the particular crisis of USSR-type state capitalisms and came to the conclusion that every state capitalist economy, East and West, suffers from a reluctance to allow bankruptcies to solve the problems of overproduction.²⁸ In this way the ground clearing that is necessary to counteract the tendency for the rate of profit to fall, does not take place. Industries which are strategically and politically important for states are not allowed to go to the wall no matter how uncompetitive they might be. Through taxation and subsidy, the inefficiencies of one sector are generalised throughout the economy as a whole. This is the crisis which befalls all state capitalisms.

In addition there is a particular problem associated with what Haynes calls the *autarchic* state capitals of the East. These economies are at a disadvantage because they do not benefit from the enormous international division of labour which structures capital accumulation in the West, nor do they possess access to vast markets. State enterprises in the East were unable to take advantage of the economies

²⁸ Haynes 1987, p. 43.

of scale and long production runs that were available to enterprises in the West.²⁹ As Barker notes, 'The original "advantage" which Russia held under Stalin, namely its more advanced centralisation of capital, has been lost through the continuing and enormous degree of centralisation of capital in the West.'³⁰

In other words, bloc capitalism, a coordination of the conditions for capital accumulation, as part of a Cold War competitive strategy, was more effective in West than East, and the latter lost. It was in many ways incredible that the USSR survived as long as it did, given the enormous pressure of competition from the West. The competitive advantage of the combined productive capacity of the West was such that no other force in the world could hope to rival it, and this included China, who began to make its accommodations in the 1970s. Harris describes the trap which the USSR found itself in, which prevented it from being internationally competitive. It needed its enormous arms sector in order to compete in the *world economy*, but it was this same arms sector which ensured it would remain uncompetitive in *world market* terms.

Being self-reliant requires a nationally independent economy, capable of producing the full diversified range of output, services and foodstuffs which guarantee survival and which match the pattern of output produced in rival states. An independent economy will include sectors or activities which, by criterion of the market are unprofitable, but are necessary both for self-reliance and to retain other activities that are profitable; the profitable and unprofitable are interdependent wholes, and the unprofitable is necessary to keep companies in operation which are profitable.³¹

As Kidron noted already in the 1970s, 'the minimum cost of entry into the world market is growing every day. The resources by which to fund it in backward

²⁹ Binns and Haynes 1980, pp. 43-44.

³⁰ Barker 1981, p. 65.

³¹ Harris 1983, p. 232

countries are not.' The result was to bring to a 'close the period in which a Russian-style state capitalist development could be thought feasible for backward countries'.³²

When we refer to the end of Eastern bloc capitalism in 1989-1991, it must be noted that we are talking about its formal trappings, Comecon itself, for instance. The actual collapse or integration of the Soviet bloc was a much longer and more uneven process even just within the USSR.³³ Trade with the West expanded under Brezhnev, then contracted again as relations with the US soured. Then again under Gorbachev there was 'reform' of international trade which allowed many individuals within the Eastern bloc to amass private fortunes. In the 1980s there was a reduction of imports to help pay hard currency debts. By 1987, the USSR had requested observer status in GATT and in 1988 they signed a preliminary agreement with the EEC. In a sense, 1991 follows rather than leads the way toward the integration of the Eastern bloc in the global economy.

In any case, where does this leave us post-1991? We are alone in the world with 'Western capitalism'. The collapse of the USSR and Eastern Europe signals the end of capitalism organised on a bloc scale and the movement toward capitalism organised on a truly global scale. What is meant by this is that for the first time international organisations like the IMF, World Bank, and, since 1996, the WTO have 'the world as a whole' as their object of intervention.³⁴ The development of the WTO from GATT is particularly instructive in this regard. The WTO aims to reduce tariff and non-tariff barriers throughout the world. In the 1930s tariffs were a strategy of nation-state capital competition, during the Cold War tariffs came down within the bloc according to GATT rules, but there were significant barriers to trade between

³² Kidron 1974 , pp. 171-172.

³³ See Haynes 2002.

³⁴ The Russian Federation applied to the WTO in June 1993. Since that time they have been negotiating their entry, shaping their economy in order to meet WTO guidelines. China joined the WTO in 2001.

East and West. Now, the organisation of the trading system is truly global. The reduction of barriers to trade is the core agenda of the WTO, and the IMF and World Bank facilitate this process.³⁵

What is significant about the period since 1990 is that it paves the way for a major restructuring of the organisation of capitalism. The 'new international division of labour', may not be entirely new, but to the extent that it has been an ongoing development, it is in response to the same sort of pressures which brought about the collapse of the USSR. The latter is a sign that the need for a restructuring of capital was required. In a sense, the USSR and other state capitalisms represented barriers to trade, barriers to the export of goods. The collapse of these economies represents a new source of markets and access to cheap raw materials both of which are potentially useful in restoring profitability in the global economy as a whole. As Clarke notes,

With the collapse of the Soviet bloc and economic reform in China new horizons opened up before global capital in the 1990s, to supplement the more limited opportunities presented by the Asian tigers and the opening of Latin America. For the first time since 1914 capital was free to roam the whole world in search of profitable outlets for investment.³⁶

In this characterisation of post-1990s 'globalisation' we are acknowledging to a very significant degree the image painted by the globalisers. The nation-state scale of organisation of capital has been surpassed (we argue since the Second World War). Bloc-capitalism has truly collapsed in the 1990s (with the capitulation of the USSR) and we now have a single set of structures designed to serve the interests of capital in general on a global level. Whereas we might once have identified a coherent national banking system which served the interests of national capitals, within a bloc capital formation, we now have an effectively global banking system. As Tony Smith points out,

³⁵ Obviously this process is selective. Continuing state subsidies in the US and Europe suggest an uneven application of the free trade agenda.

³⁶ Clarke 2001, p. 89.

All local forms of money must ultimately be defined by their relationship to world money. Even neoliberals grant that the world market requires 'appropriate' monetary decisions by states (especially their central banks)³⁷ regarding the relationship between national currency and the form(s) of world money in force at a particular historical conjuncture.³⁸

Where once legal rules were decided on a nation-state basis, within the framework of the bloc, we have the ongoing development of a 'global neoliberal constitution'. This, after all, is what the General Agreement on Trade and Services (GATS) and all of the rules of the WTO represent.³⁹ As Robinson notes,

This process parallels the nation building stage of early capitalism that constructed an integrated national market with common laws, taxes, currency, and political consolidation around a common state. Globalization is repeating this process, but on a world scale.⁴⁰

This is not an argument about nation-states weakening in the face of market forces, it is about capitalism seeking to organise itself in terms of *global* security, *global* trade, and *global* financial regulation. This is not about one set of social relations (states) being set against another (markets), it is about a particular set of social relations (capitalism) constantly reorganising itself on a larger scale in an effort to overcome its own contradictions. The work of van der Pijl and Robinson is instructive in this regard.⁴¹ The class relations which characterise capitalism in all its phases have been reorganised to a significant degree in the period following the second world war up through the 1990s and beyond. There is a very real coordination of elite interests at the transnational level and a wide range of organisations and planning instruments that reflect their interests. Robinson refers to the World

³⁷ Robinson points out that it is not uncommon to have central bank presidents appointed by the IMF or World Bank. Robinson 2000 p. 45.

³⁸ Smith 2003b.

³⁹ The World Development Movement, which campaigns against GATS, has been persuasive in arguing that the GATS rules constitutionalise neo-liberalism. 'GATS will ensure that once governments have opened up particular service sectors to WTO rules, there is no going back. The decision of how to organise service delivery is effectively being removed from the political arena. In future, citizens will no longer have the democratic right to decide whether or not services should be regulated.'

⁴⁰ Robinson 2000, p. 55. Robinson is wrong, however, to see this as an evolutionary process within the nation state and then beyond to the global.

⁴¹ Pijl 1984, 1988; and Robinson 2000.

Economic Forum as the 'international' of capitalism.⁴² When the G7 became the G8 it reflected the interests of a now global transnational class in policy coordination on a world level.

Of course, it is a nation-state that signs these agreements,⁴³ and a nation-state that will have to negotiate the rescue of failing capitals where necessary and possible,⁴⁴ and a nation-state that cracks down violently on its population when they protest at being pimped in the global economy.⁴⁵ These are banal observations. The question is what is it that animates a nation-state to do any of these things? Is it capital accumulation organised on a national or imperial basis? Or is it the fraction of total global capital which the state secures for itself? It is the latter. Without that fraction, which requires above all the continued profitability of capitalism organised on a global level, the nation-state can do nothing. The borders of nation-states do not, in the current historical moment, indicate effective boundaries of economic, political, or military *sovereignty* if that word is to have any significant meaning.

To reiterate, we are talking about scale of organisation, not the dominance of one kind of organisation over another. We should not have to keep acknowledging the continued significance of the nation-state level of organisation. The economic crises we have witnessed in the late 20th century suggest that, for even those states considered by many to be extremely strong and 'competitive', such *organisation* is not to be had. Where it appears to exist, it can be *disorganised* by global capital overnight. Consider the following report on the crisis in the Asian economies.

⁴² Robinson 2000 p. 133.

⁴³ Although it is often the case that trade negotiations are too complex for certain countries to be able to represent themselves. Canadian lawyers, for instance, were contracted by the Mexican government to help them negotiate the Mexican government's own position in NAFTA!

⁴⁴ A situation may of course arise whereby a government is forced to rescue a company which is 'foreign-owned'. Milner reports on the German state hoping to benefit from UK rail privatisation in 2003 '[p]art of Britain's railway system may pass back into state ownership next year, but it will not be the British government taking control.' Milner 2003.

⁴⁵ Although in Genoa, for instance, it was very much the governments of the G8 together who allowed their respective citizens to be beaten down by the Italian police.

“If you structured your whole economic policy on your anchor to the dollar and you're a little \$100 billion economy, you get flung around like a cork on the end of a whip,” Mr. Courtis said. Kenneth Courtis, chief economist for Deutsche Bank Group Asia Pacific, says the crisis has more to do with countries’ reliance on the U.S. dollar, Japan’s persistent recession and worldwide overcapacity in industries producing such things as cars, electronics and textiles.⁴⁶

And yet, in response to this there are those who wish to maintain that capital *is* organised according to national boundaries, that the national capital class has not splintered and re-formed at a global level, and, moreover, that the borders of individual countries accurately reflect the exercise of sovereign power in a global political economy. Wood, for instance, writes:

If ‘globalisation’ means the decline of national capitalist classes and the nation-state, the transfer of sovereignty from the state to the organs of some kind of unified transnational capital, it certainly hasn’t happened yet and seems unlikely ever to happen. It is hard to see the day when capital will stop being organised on national principles.⁴⁷

Not only does Wood see the borders of particular countries as *the* organising principle for capitalism, but she cannot imagine how it could ever be otherwise. In our critique of the country-model of capitalism in chapter four of this thesis, we assessed that kind of transhistorical (within the history of capitalism) image of the state. In the last chapter we also took issue with the state capitalist theorists’ attachment to the ‘nation-state as capital’. Their scepticism about the organisation of capital beyond the nation-state is echoed in Wood’s dismissive reference above to ‘*some kind of* unified transnational capital’. Implicit in this description is the question, how is it supposed that capital can float free from its dependence on nation-states?

It is instructive here to consider a critical review of Hardt and Negri’s *Empire*, by Callinicos. For Callinicos, one of the problems with *Empire* is that the authors seem to suggest that capital could survive without the nation-state. It is likely that

⁴⁶ Fuller 1998.

⁴⁷ Wood 1999, p. 22.

Callinicos would find the same fault in our account of ‘beyond bloc-capitalism’ above. Let us consider the work of *Empire*, a text which despite its many flaws, illuminates a number of important issues.

We can start by noting that Hardt and Negri’s analysis of globalisation, or ‘empire’, takes its departure, as we do, from the post-war world rather than changes following the 1970s.

As a result of the project of economic and social reform under US hegemony the imperialist politics of the dominant capitalist countries was transformed in the postwar period.⁴⁸

Their evaluation of the historical specificity of the ‘nation-state as capital’ is something with which, on the basis of the alternative tradition of classical Marxism we have been tracing, we can agree.

[T]he decline of the nation-state is not simply the result of an ideological position that might be reversed by an act of political will: it is a structural and irreversible process. The nation was not only a cultural formulation, a feeling of belonging, and a shared heritage, but also and perhaps primarily a juridico-economic structure. The declining effectiveness of this structure can be traced clearly through the evolution of a whole series of global juridico-economic bodies, such as GATT, the World Trade Organisation, The World Bank and the IMF. The globalisation of production and circulation, supported by this supranational juridical scaffolding supersedes the effectiveness of national juridical structures.⁴⁹

This characterisation of the state is quite in line with Bukharin’s remarks on the subject, the idea that the state is ‘just as definitely an economic organization as is a trust or a syndicate’.⁵⁰ What Hardt and Negri draw attention to is the fact that the economic organisation of capital has reached a level beyond the nation-state.

Callinicos responds to Hardt and Negri by acknowledging that,

the development of what are called “forms of global governance” such as the G7, NATO, the EU and the WTO suggest that sovereignty has become hybrid, so that state actions are often legitimised not on the basis of their

⁴⁸ Hardt and Negri 2000, p. 244.

⁴⁹ Hardt and Negri 2000, p. 244.

⁵⁰ Bukharin and Preobrazhensky 1969 [1917], p. 163.

national constitutional procedures, but rather under the authority of some international institution.⁵¹

Callinicos is acknowledging that the *ideological justifications* for state behaviour seem to have been transferred to the international level. Yet, Hardt and Negri have stated clearly that what they call 'the decline of the nation-state' 'is *not* simply the result of an ideological position', they are pointing to very real structural transformations. Yet Callinicos continues,

[t]his ideological shift does not, however, determine the actual distribution of geopolitical power...Not to recognise the depth of these antagonisms between rival centres of capitalist power is badly to misunderstand the nature of the contemporary world.⁵²

Callinicos then reveals the source of his concern:

It is also to come dangerously close to offering an apologetic view of this world. This tendency is indeed the second major weakness of *Empire*. The conception of *Empire* as a 'smooth space', a decentred network in which power 'is everywhere and nowhere', is not that far removed from the idea favoured by theorists of the Third Way such as Anthony Giddens that 'political globalisation' is accompanying economic globalisation and subordinating the world market to democratic forms of 'global governance'. Hardt and Negri are critical of this idea, but some of their formulations lend themselves to appropriation for very different political purposes.⁵³

However much we may disagree with Hardt and Negri's characterisation of capitalism as 'a smooth space', and we should, there is *nothing* in their argument to suggest they see democratic global governance on the horizon. Far from it. Callinicos realises that, but he remains uncomfortable with references to capital 'beyond-the-nation-state'.

As things stand, with this kind of critique of *Empire*, we may have missed an opportunity to engage with the real issue of whether there are, in fact, organisational structures which facilitate the centralisation and concentration of capital at a level beyond the nation state. Hardt and Negri believe there are and Callinicos provides

⁵¹ Callinicos 2001 p. 52.

⁵² Callinicos 2001 p. 52.

⁵³ Callinicos 2001 p. 52.

insufficient evidence that there are not. We have indicated from our discussion over the last few chapters that we side with Hardt and Negri on this and believe that Callincos, on the basis of his own logic, should too.

7.3 Globalisation in Theory

In the discussion of globalisation above, we have identified a movement beyond nation-state and bloc scales in terms of understanding the organisational structures of global capitalism. We will now attempt to show that this is an understanding of globalisation which is compatible with the analysis of ‘actually existing capitalism’ we have been mapping throughout the last three chapters. It will be argued that the *time, space* and *motion* of capitalism at this stage can be clearly recognised as a development from, rather than a break with, our understanding of capitalism thus far.

Throughout the next section, it will emerge that the image of globalisation we have produced *does* differ from that of ‘volume one’ Marxism, in the ways we might expect from the critique of their position in chapter four of this thesis. However, it *need not* break from the theoretical tradition of ‘state capitalism’, explored in chapter six, such as that body of work has been an important link in the theoretical chain of an alternative classical Marxist analysis of capitalism.

7.3.1 Geographic scope

We started our discussion of the ‘geographic scope’ of capitalism in this thesis by asking what might be the ‘society’ within which we could theorise the capitalist mode of production. We decided that this society, the meaningful social totality, was global.

We agreed that there might be sub-societies worthy of analysis, but that they should not be assumed *a priori* to fall within, for example, the borders of particular countries, when the processes and social relations involved in capital accumulation may indicate otherwise.

In line with this approach, we can follow the suggestion of Tony Smith who has argued that a Marxist approach to globalisation should take as one of its starting points the idea that the process of capital accumulation ultimately occurs on a global scale.⁵⁴ He rejects the idea that capitalism consists of an 'aggregate of independent national economies externally related through trade and money flows'. He states that:

[t]he world market is a distinct level of determinations with its own emergent properties. National economies – and the states attempting to regulate them – have always been incorporated as moments within the world market and interstate system. The world dynamic of capitalist development is something more and different than the 'sum' of national dynamics.⁵⁵

We may recall that for Bukharin the national economy, such as it formed, was a reaction to the pressures of global accumulation. The nation-state as capital was not an evolutionary point the state had reached, but a strategy which served the purposes of capital accumulation on a global scale. This characterisation is in line with von Brauhmuhl, who contributed to the 'state debate' of the 1970s, and who owes some debt to Bukharin. Von Braumuhl stated quite clearly that 'capitalist relations of production emerge in and on the basis of a world economy 'within which statehood arises and consolidates itself.'⁵⁶

On this understanding we have a sense that it is capital 'as a set of social relations' on a global scale which creates the state as an agent of capital, rather than the state as an agent which creates capitalism. Capital as a set of social relations

⁵⁴ Smith 2001, p. 3. He actually says 'world market' a different description from 'world economy' which belies the fact that for Smith, as for most Marxists, war would not fall under the heading of strategies of capital accumulation.

⁵⁵ Smith 2001, p. 3.

⁵⁶ Von Braumuhl 1978, p. 167.

created the corporation, the joint stock company, and the trust, and it also reached a stage at which it created the modern 'nation-state as capital' in reaction to the pressures of competitive accumulation on a global scale.

It is absolutely fundamental to Marx's perspective that it is capital which creates the capitalist not the other way around.⁵⁷ This principle extends to the level of the state, as Bukharin made clear. It also extends to the concept of 'bloc capital', as we saw that, following the second world war, capitalism needed to develop on a bloc level or not at all, and it created the bloc capitalist structures necessary to facilitate this. Now, we would wish to argue that this principle should also be seen to extend to the level of global capitalist structures of organisation. Capital, in its attempt to overcome its own limitations, has internationalised, bringing forth new forms of global organisation and new institutions.

Despite the protestations of many theorists of state capitalism who are unhappy extending the idea of capitalist social relations to a global level of organisation, it is on the basis of their mode of analysis that we arrive at this position. It was the pressures of capital accumulation on a global scale that brought down the USSR, as they acknowledge. With their recognition that the social unit of capitalism is global, theorists of state capitalism helped explain that the collapse of the Soviet Union should be understood not as the failure of a trajectory of development which differed from those taking place within countries in the West, but as a response to the same pressures developing unevenly throughout the world. From start to finish, the history of modern Russia is part of the history of global capitalism. The Bolshevik Revolution through to the collapse of the Berlin Wall cannot be viewed as an independent chain of events to be compared and tested against the West.

⁵⁷ 'Except as personified capital, the capitalist has no historical value...' Marx 1976, p. 739.

A problem with the state capitalist position which we have identified above is that there is not a sufficient distinction made between the 'sovereignty' of powers within the West and the 'sovereignty' of East and West? Nation-states within the West appeared to these theorists as sovereign while, in fact, they were heavily locked into a bloc division of labour, their economies totally shaped by their existence as part of a bloc. The East, by contrast, was genuinely sovereign *vis a vis* the West, in that it had its own international division of labour. As we saw, however, it was not able to maintain that position and has since taken its place within what is now a global division of labour.

Capitalism now exists as a set of global social relations which in the current conjuncture has organised for its reproduction on a global level. No longer competing states, empires, or blocs, we now have a territorially global division of labour. This does not however mean that competition has ceased to exist, nor does it mean that organisation on a global level is the last word in the development of capitalism, as we shall see below.

7.3.2 Historical Trajectory

By historical trajectory we refer to the fundamental tendencies or directions for social change that propel capitalist social relations forward. In chapter four we rejected a static model of capitalism held by the volume one theorists. In their analysis there appeared to be capitalism on the one hand and history on the other. *Capitalism* was a pure set of conditions involving anarchy between and order within units of capital, *history* was why these relations sometimes appeared otherwise, for instance, in times of state intervention. What we argued then was that there exists in capitalism, as a

response to the pressures of competitive accumulation, a tendency toward the centralisation and concentration of capital into progressively larger units. These larger units include corporations, joint stock companies and trusts. All of these and then the 'nation-state as capital' and 'bloc capital' are examples of centralised, socialised, capital as a competitive strategy.

If all this is true, and we have witnessed in 1991, a movement beyond bloc capitalism did we then thereby witness *not* 'the end of socialism', but 'the end of capitalism'? If what we are saying is that we have seen the highest stage of capitalist competition concluded, then there is a potentially fatal flaw in the analysis we have been mapping out over the last few chapters. At a very schematic level, what we seem to be saying is that the historical trajectory of capitalism is such that competition led to concentration of capital on increasing scales up to the point where there were only really two 'capitals' left in the world and they competed until the Eastern bloc surrendered.

Then there was one.

How do we understand 'one capital'? A single capital with no other capital with which to compete is a non-capital, for as we know from our earlier discussion of *Capital*, the essence of capitalism is competition. Have we talked ourselves up through nation-state capitalism to bloc capitalism, only to arrive at *non-capitalism*? Is non-capitalism the stage beyond bloc capitalism?

The answer to this is no, and there are two main strands of reasoning behind it. First, we must remember Bukharin's comment that whenever capitals coordinate in order to compete they do not coordinate absolutely, and competition continues at lower levels. Whether in its nation-state or bloc-capitalist form, competition between capitals within these territorial units still existed. As Harman explains,

even at the high point of [nation] state capitalism “national planning” was very much a myth: what in reality occurred was a continual jockeying for position between different interest groups, each using political influence to get its way. Yet there could never be a complete breakdown of the national entity since access to political influence meant putting forward a programme which seemed to relate to the interest of the whole state capital.⁵⁸

Is this not a useful characterisation of the way in which bloc capitalist ‘planning’ and now global capitalist ‘planning’ may be viewed, as both a material reality and a myth? At the same time as there are institutions which help to ensure that the general conditions for capital accumulation are maintained and extended, there is a constant jockeying for position within that. This jockeying may appear in the form of multinationals competing directly in the global market, or through states negotiating better terms for capital with which they have close ties, or even heads of business within sector-specific planning groups determining each other’s cut of the market.

The imperative to coordinate and centralise in order to compete on a bloc level is gone, so in that sense the will to coordinate is gone, but the imperative exists for individual capitals as they grow and merge to form giant conglomerates of capital which can throw their weight around at a global level. The drive to maintain and extend general conditions of capital accumulation also exists simply in response to capitalism’s own crises, crises which result from the competitive accumulation of capital which continues.

The second reason we have not reached a point at which capitalism becomes noncompetitive is because capitalism continues to expand unevenly. The relationship between ‘uneven geographical development’ and capitalist competition and crisis is well explained by David Harvey.⁵⁹ He refers to regional ‘revolutions in technology, in means of communication and transport, in the centralisation and decentralisation of

⁵⁸ Harman 1991, p. 3.

⁵⁹ See Harvey 1982 [1999], pp. 413-442.

capital... in monetary and credit arrangements, [and] in social and physical infrastructures...'.⁶⁰ Neil Smith, the geographer and student of Harvey, has argued that 'as the scale of concentration and centralisation of capital has proceeded, the scale of uneven development has worsened.'⁶¹

The uneven geographical nature of capitalism is such that relative territorial and sectoral advantages appear and disappear all the time.⁶² This takes place, in part, as a result of the interaction between natural resources and technological developments. For instance, a given technological development can result in a previously neglected part of the world suddenly possessing strategically significant resources or the exhaustion of those resources can result in a slowing of capitalist investment to that area. As Smith has usefully put it, 'uneven development, thy name is war'.⁶³ Uneven development and competition go hand in hand.

Capital, in its *modus operandi*, constantly moves around the world seeking the highest return, developing and neglecting areas as investment floods in and out. Added to this is the fact that periodic crises inherent in the capitalist mode of production serve to destroy value in various parts of the world, and sectors of industry, in relation to each other, creating a kind of roller coaster of capitalist development which tests even the most cordial of relations. Though we might acknowledge, for instance, a high degree of cooperation between global elites, we can see splits in this emerge in periods of crisis. Robinson argues for instance that within the transnational capitalist class (TCC) there have been significant splits, particularly resulting from crises in Mexico 1995, Asia 1997 and Russia and Brazil 1998. He

⁶⁰ Harvey 1982 [1999], pp. 418-419.

⁶¹ Smith 2003. He provides in evidence the following ratios of per capita income in the richest and poorest regions of the global economy. 1913: 9 to 1; 1950: 11 to 1; 1973: 12 to 1; 1992 16 to 1.

⁶² On 'uneven development' see also Smith 1990 and Bond 1997.

⁶³ Smith 1984, p. 158.

characterises these as 'important contradictions and growing splits in the globalisation bloc'.⁶⁴

What is suggested here therefore is that the dialectic of competition and centralisation continued, reaching a stage at which there was a degree of centralisation within two blocs. This stage has been surpassed and now competition has come to the fore along different lines. In the last chapter we introduced van der Pijl's use of the term *Vergesellschaftung*, or socialisation, which referred to the 'planned interdependence... of functionally divided social activity'.⁶⁵ Central to van der Pijl's use of this concept is the idea that one structure of socialization can be embedded in another.⁶⁶ He gives the example of how a machine tool corporation might be embedded within the British national state – one social organisation of capital within another.⁶⁷ The nation-state itself, in a period of bloc capitalism, was embedded within a bloc, West or East. The global economy is a mass of functionally divided social activity the interdependence of which is planned on different scales, in some cases across borders, in some cases within national boundaries, according to the uneven development of capital on a world scale.

Something which is very important which may not have been accurately conveyed by theories of state capitalism is that there while there does appear to be a tendency toward internationalisation which produces a counter-tendency, as Bukharin described, there is no reason to suppose that this counter-tendency is toward nationalisation of capital. i.e. a reversion to organisation of production within the *nation-state* as such. For one thing, for even the largest and most productive states,

⁶⁴ Robinson 2000 p. 42.

⁶⁵ Pijl 1998, p. 15.

⁶⁶ Pijl 1998, pp. 15-16.

⁶⁷ Pijl 1998, pp. 15-16.

the US and China, this would involve an enormous leap backwards in their material development.

From the point of view of the perspective we have developed over the last few chapters, it is extremely difficult to imagine a day when capitalism will revert to being organised along specifically national lines unless it is in the wake of an enormous destruction of value on a global scale. Already in 1975 Hugo Radice was remarking upon the fact that 'the British industrial economy no longer exists as an economic unit: the reproduction and renewal of its material basis is no longer autonomous....'⁶⁸ He noted the way in which British engineering firms rely upon a concrete international division of labour.

The means of production form a complex whole in which various often highly specific use-values under different ownerships and locations are brought together... the productive structure of the British national industrial economy today has become disintegrated. Because the organisation of production and exchange no longer privileges links within the nation-state, customer-supplier links no longer function to integrate the national industrial economy.... this *material* impact of internationalisation has been largely overlooked in the discussion of the effects of MNCs...⁶⁹

In the same way as British engineering firms were predicated on capitalism organised on a global scale, so now are a vast number of industries and services. It is now extremely difficult to imagine the circumstances in which Vivendi, for instance, would revert to being a water company of the French state with a national monopoly on water services within France. Vivendi's internationalisation was an attempted solution to the inherent crisis-tendencies of capital, to the effects of overproduction. Only a massive destruction of use-values could serve a similar purpose.

The state capitalist model, which sees nationalisation as an ever present counter-tendency to internationalisation suggests that there exists a transhistorical (within the history of capitalism) alternation between poles of attraction, when in fact

⁶⁸ Radice 1975, p. 134.

⁶⁹ Radice 1975, p. 135.

the very concrete development of increasingly large scale productive structures based on an international division of labour, suggests otherwise.

7.3.3 Core Dynamic

What distinguishes the ‘volume one’ Marxist approach to the law of value from the alternative tradition which we have been developing is that the first group of theorists operate at a very high level of abstraction. This allows these theorists to grant the ‘law of value’ a certain pristine hue, such that much of its actual operation is then viewed as falling outside the dynamics of capitalism, *per se*. An example of this is when the state takes direct control and ownership over the means of production. This, for the volume one theorists is when the state appears to be ‘planning’, rather than the market exerting its ‘anarchical force’. We have argued against this undialectical opposition throughout the thesis. Working our way through various monopoly scenarios, we have argued that the law of value continues to operate through the nation-state and even through the bloc of capitalist interests. To the extent that these organisational forms negate the law of value, we have argued that they do so on the basis of the law of value.

There are two dangers when we attempt to track the law of value through to the contemporary period of apparent ‘globalisation’. The first is that we might imagine that the world is becoming increasingly deregulated and therefore the law of value is re-emerging after a period of relative dormancy, or at least obscurity, during the Cold War, when states ‘interfered’. There are two things to be said in response to this. We have tried throughout to make clear that the ‘negation of the law of value on the basis of the law of value’ is *the way that the law of value works*. We

have not left a period of the 'law of value' tainted by war and state regulation, now to enter a period in which it actually reigns supreme. This is a version of the neo-liberal fantasy that the 'market' can work without the 'state' and may finally get the chance to do so now that the Cold War is over. The second, related, point, which has become the observation *de rigueur* of the second wave of globalisation theory is that the deregulation of the current period in fact involves a great deal of *reregulation*, i.e. interference by 'non-market' forces. Having noted this, however, and viewing the US as the leader of the pack of reregulators, we encounter another danger.

This second potential pitfall is that we might suggest that the law of value may be more constrained than ever because we now have the ultimate 'central planner', a planner without rival to subject it through competition to the anarchy of capital accumulation: the United States. Here we raise a rather thorny issue which we have avoided thus far. What happens to the role of the United States in the shift from a bloc to a global organisation of the capitalist mode of production?

This important question emerges in relation to Gowan's work on the role of the US in the development of global capitalism in the late 20th century. We will consider the debates surrounding his approach. Gowan sees globalisation as a political strategy of the US state. He quotes Joe Quinlan, senior analyst for the investment bank Morgan Stanley, saying 'no one has reaped more benefits from globalisation than the United States and Corporate America'.⁷⁰ He argues that the 'central nervous system' of globalisation is the international monetary and financial relations which have been 'redesigned and managed over the last quarter of a century' by the US state.⁷¹

This new monetary and financial regime has been one of the central motors of the interlocking mechanisms of the whole dynamic known as

⁷⁰ Quinlan quoted in Gowan 1999, p. 3.

⁷¹ Gowan 1999, p. 4.

globalisation. And it has been not in the least a spontaneous outcome of organic economic or technological processes, but a deeply political result of political choices made by successive governments of one state: the United States.⁷²

Gowan has labelled this US project, the Dollar Wall Street Regime (DWSR).

Under this heading he makes a number of observations about the role of the US as financial hegemon. For instance, he argues that the breakdown of the Bretton Woods system gives the US 'monocratic power' over international monetary affairs⁷³ and by way of illustrating the extent to which it served the interests of the US above all others, he quotes Williamson saying that:

The central political fact is that a dollar standard places the direction of the world monetary policy in the hands of a single currency which thereby acquires great influence over the economic destiny of others. It is one thing to sacrifice sovereignty in the interests of interdependence; it is quite another when the relationship is one way.⁷⁴

Callinicos has pointed out, where Gowan goes wrong is perhaps that he fails to acknowledge the way in which what the US does is of value to the system as a whole.⁷⁵ In this way we might see Gowan's thesis as too nation-state based. Implicit in Callinicos's critique is the idea that the 'design' of international monetary and financial relations may not be about the US state, as such, but rather about the ongoing viability of capitalism in general.

If this is what Callinicos is saying, it is an interesting observation on his part given that one of the weaknesses of the state capitalist tradition is, arguably, that their own understanding of the post-war period is too nation state-based.⁷⁶ They recognise the limitations of this when it comes to the agency attributed to the US by Gowan, but not when they are arguing about the ongoing significance of 'all nation-states as agents on behalf of their respective capitals'. One of the ways in which the tension of

⁷² Gowan 1999, p. 4.

⁷³ Gowan 1999, p. 19.

⁷⁴ Williamson quoted in Gowan 1999, p. 20.

⁷⁵ Callinicos 2002.

⁷⁶ This is what we have argued above.

this position manifests itself in the work of Callincos, and others, is that when attempting to supply evidence of the ongoing relevance of the nation-state as an organiser of capitalist relations, they most often use the US as an example.⁷⁷ This is a problem because the US *does* have a unique place in the global economy, (although not in the way that Gowan thinks it does), which they are not acknowledging when using the actions of the US as merely an illustration of capabilities they attribute to all nation-states.

The US does not have the same kind of relationship to the global economy as other nation-states. This is an obvious point when we consider Canada for instance, or even Germany or Japan. If we accept a 'bloc capital' or global model which we have argued is preferable to what in the state-capitalist tradition seems almost to be a model of equally 'sovereign' states, we cannot use the behaviour of the US as an example to illustrate the behaviour of 'nation-states'. We have argued that the organic totality of the bloc and then globe is such that the US is not simply one 'part' to be added to other 'parts' to form the whole. The US plays a role in relation to the organic totality, of bloc capital during the Cold War, and global capital now, which is unique.

Having said that it is unique, however, we would not want to say, as Gowan seems to, that the US can act upon the rest of the global economy in a deterministic fashion. It cannot because it is caught up in it. It is not, as he almost seems to suggest 'relatively autonomous' of the imperatives of capital accumulation. The largest units of corporate capital in the world tend to act through the infrastructure of the US and

⁷⁷ Typical in this respect is Harman's comment that '[s]tate intervention – particularly in the US where the state poured tens of billions of dollars into the financial system – was central in preventing the financial crisis spilling over into a crisis of the rest of the system in October 1987. What is more, individual finance capitalists responded to the crisis by rushing back to the relative security of their national states.' He then cites a number of US-pension funds dumping foreign and holding domestic investments. Again, the 'vital role' the state plays was held to be evident from the Savings and Loan bail out in the US. Harman 1991. Yet, there was no such vital state role when it came to the Mexican bail-out. There, international organisations took the place of the state.

the international organisations which the US dominates, but these are simply mechanisms for organising capital accumulation, all of them. The fundamental contradictions of capital accumulation are such that no organisational structure can overcome them. This has been the case all the way through our analysis, neither the joint-stock company, the trust, the nation-state, 'bloc capitals' or a 'US-led global capital' can rise above the relentless dynamic of the law of value.

The United States is subject to the same law of value that the rest of the world is. It is transmitted through the money form and no amount of planning can overcome its anarchical tendencies. It exists as something which stands over the particular governmental structures of the US state, in the form of international money markets. The US cannot influence or rein-in these money markets without compounding the crisis-tendencies of capitalism. The US government is not 'owner' of all that capital, capital is a social relation which shapes the US as much as any other state.⁷⁸

As Marx reminds us, money, as it appears in the market,

is not represented by single capitalists, by the owner of this or that particle of capital present in the market, but it appears as a concentrated, organised mass, which, entirely unlike real production is subject to the control of bankers representing social capital.⁷⁹

At this stage in capitalism's development, even the bankers are just representatives of global social capital. To the extent that the US plays the role of banker, the position is well-described by Tony Smith:

The currency of the hegemonic state necessarily tends to play a privileged role in the world market; this currency necessarily tends to become the main *de facto* form of world money. As a result that hegemonic state necessarily tends to enjoy certain privileges in the world market. For one thing, it will not face limits on the ability to create credit money that are imposed on other nations. For another, it will be able to fund massive trade deficits without significant loss in the value of its currency, at least for an extended period of time. These privileges rest on the need and desire of foreign agents to obtain the dominant reserve currency of the world market for the sake of international payments and investments. As long as credit flows into the

⁷⁸ Again, as Marx reminds us, it is capital that makes the capitalist, not the other way around.

⁷⁹ Marx cited in Pijl 1985 pp. 5-6.

hegemonic state continue, that is, as long as loans are rolled over by new loans, trade deficits can become ever more massive, with the result that more and more of the world's output is consumed in the domestic market of the dominant region.⁸⁰

What is being suggested here is that the 'hegemony' of the US, both under a system of bloc capitalism and more recently needs to be reconsidered. It is beyond the scope of this thesis to do that, but this is the kind of question our new understanding of capitalism raises. A possible starting point is offered by Alnasseri et al., in a study of the phases of capitalism. They 'consider it useful to conceptualise international hegemony not in terms of a nation-state, but in terms of a mode of development.'⁸¹

They explain,

[t]he internationalisation of capital has proceeded to a point such that the problem of macroeconomic coherence should no longer be seen in national contexts, but rather in a global framework. So, for example, the US supported by the absolute size of its economy and the international imposition of the dollar, currently assumes the role of global consumer, it absorbs the trade surpluses of Germany and Japan... the latter countries in turn accept the role of financing the structural balance of payments deficits by means of credit.⁸²

In this way we can recognise that the fates of all capitals are deeply intertwined and the 'design', such as it exists, of international monetary and financial relations is a slave to the necessary anarchy of capital accumulation. Planning and anarchy, as always, exist in dialectical relation to one another. Though it may sometimes appear that the US, as an individual nation-state, has planned the anarchy to which the world's population and its environment is subject to its detriment, this is not the case. Within the logic of capitalism, which *is* the logic of the contemporary system of nation-states, 'There Is No Alternative'.⁸³ The overwhelming conclusion which stems from our alternative theory of classical Marxism is well-expressed by

⁸⁰ Smith 2003b.

⁸¹ Alnasseri et al 2001, p. 163.

⁸² Alnaressi et al. 2001, p. 163.

⁸³ This is, of course, with reference to what is possible *under capitalism*. In this sense the statement is a critique of capitalism not an endorsement of states or state leaders who fail to see beyond it.

Smith when he stresses that '[e]ven the hegemonic power in the system of states cannot escape the law of value governing the world market.'⁸⁴

7.4 Rethinking States and Markets

In this section of the chapter we will briefly suggest what might be the 'value added' to our understanding of capitalism as it 'actually exists', by the alternative tradition of classical Marxism that we have attempted to develop throughout the thesis.

7.4.1 A Riposte to Volume One Marxism

The starting point for 'volume one' theorists is that capitalism is a system of social relations characterised by the indirect extraction of surplus, through the mechanism of market exchange. This system requires private property and free wage labour. State property and forced labour characterise 'another mode of production' which is not capitalist. 'Volume one' Marxists look around the world, within the borders of particular countries, and assess whether or not these conditions prevail and subsequently describe these nation-states as capitalist or 'otherwise'.

The 'volume one' analysis of capitalism is based on: (1) a country-model of development, (the world economy is the sum of its parts); (2) a static understanding of the relationship between planning and anarchy (anarchy has no tendency); and, (3) a pristine law of value (the negation of which is the negation of the capitalist mode of production). It has been argued throughout this thesis that on these three dimensions: the space, time and motion of capitalism, the 'volume one' theorists are misguided.

⁸⁴ Smith 2003b.

We have offered in its place a theory of capitalism which sees: (1) the world economy as an organic totality within which capitalist social relations take various organisational forms; (2) the historical development of capitalism in terms of a dialectical process of competition and centralisation on an ever-increasing scale, which at a particular historical stage has involved the nation-state as an agent of capital accumulation; (3) a law of value which is the 'impure' dynamic behind capitalist accumulation, such that anarchy does not disappear despite moments of planning, ownership and 'control' by the nation-state.

Capital volume one provides a theoretical model for making sense of, among other things, the apparent separation of economic and political spheres. Marx explained how it was that capitalism was uniquely capable of taking an apparently 'purely economic' form. He did not argue that it would always appear so. It remained for the model to be read through history. Capital is not a thing, it is a set of social relations, and as such it cannot be separated from concrete space and time. Alnasseri et al. in trying to make sense of capitalism's development through time and space note the following:

An adequate understanding of the spatial dimension of capitalist development has often been obscured because the relationship between the capitalist mode of production and the nation-state has frequently been perceived not in terms of a historic coincidence, but of a logical necessity.⁸⁵

The 'historic coincidence' of the nation-state and the capitalist mode of production is such that at a particular point in time, the latter creates the former as an agent of capital. The process of competitive capital accumulation on a global scale brings forth the nation-state as its agent at a particular point in history. In so doing, it does not negate the law of value, it reproduces it on a different scale. The nation-state is an historically-specific expression of capitalist accumulation. As such it is neither

⁸⁵ Alnasseri et al. 2001, p. 163.

‘separate’ from it, as the Weberian influenced social theorists would argue, nor will it always be ‘apparently separate’ as the volume one theorists suggest.

The ‘value-added’ by our approach to understanding capitalism, over that of the volume one theorists, is that we have something to say about the changing relationship between states and markets and the changing forms of competition. We can make sense of moments when state and market appear to be separate and, crucially, we can make sense of moments when they do not. Without an explanation for the latter and for the range of behaviour between the two we would be forced to avoid commenting on the specifically *capitalist* nature of changing global social relations over the last long century: nationalisation and privatisation, war and peace.

The fact that ‘volume one’ theorists of capitalism do not remark upon the novelty of the current historical moment in the development of capitalism, understood as globalisation, is a problem in and of itself. We may not wish to say that globalisation marks an ‘epochal shift’ in the development of the world capitalist system, the transition from a nation-state phase to a new trans-national phase of capitalism, this formulation is such that it *was one way and is now another*. Nor would we agree with the ‘volume one’ theorists that it as *one way and never another*. We have attempted to characterise it in terms of a historical process within which *both and even other* phases have existed and can be made sense of in relation to the dynamic of capital accumulation. In this way we have tried to grapple with what are ever-changing forms of a single historical process. As social theorists we have a responsibility to explain change as it is experienced, despite, and *in light of*, our underlying understanding of continuity. The problem with ‘volume one’ Marxism is that it has singularly failed to do this.

7.4.2 A Rejoinder to IPE

The conversation between IPE and ‘volume one’ Marxists which we encountered at the beginning of the thesis ran something like this. The Marxists accused the IPE theorists of assuming that states and markets were separate social forces when, they argued, it was only under capitalism that they appeared that way. The IPE theorists replied that they did not believe states and markets appeared that way at all, their whole project was to analyse the changing relationship between the two social forms which included a great many moments when they were virtually indistinguishable. This was the stalemate we began with. The IPE theorists had extremely valuable descriptions of state-market relations in all their variation, the ‘volume one’ theorists had a theoretical model in which such variation could not be understood.

Changes in the global economy, including globalisation presented no problem for Weberian-influenced IPE. We were witnessing political, economic and ideological power coming together in new and interesting ways. In fact, the IPE theorists had so much to say about globalisation, they were happy to ‘explain’ it twice: in the 1970s and again in the 1990s. But two debates over the interdependence of states brought them no closer to an explanation, and this is where they have stayed. Weberian influenced IPE like mainstream IR has no analytical purchase because it has no theory of the social relations from which the social forms they study emerge.

IPE theorists, and chief among them neo-Gramscian IPE theorists, were however correct to seek an explanation of the changing social forms they witnessed. Cox was correct to ask why if, as Rosenberg, Burnham, Bromley and Boyle suggested, relations between states and markets had a specific relationship to one another ‘under capitalism’, did this relationship appear so different at different points

in time? This was a reasonable question and one which needed to be answered if classical Marxist theory was to be responsive to the changing social world. Cox's notion of the 'hegemonic bloc', though flawed, was an attempt to describe what we explained above in terms of a stage of bloc capitalism. This was an important phase in global capitalism which it was necessary to attempt to come to grips with. The neo-gramscians recognised that. For volume one Marxists, rather, it was more of the same. For Rosenberg, it was a case of 'don't mention the war' (any war), because he could not explain it. Our alternative tradition of classical Marxism, by contrast, attempts to get to grips with social reality in such a way that both continuity of process and change of form are understood. Nationalisation and privatisation, peace and war.

States and markets are not separate spheres with separate logics, one which can be related to another. States and markets take different forms at different points in history as they both express social relations of capital accumulation as they develop on a global scale. The variation in their appearance can be explained in terms of the way in which a particular dynamic animates social relations and works through concrete time and space. IPE theorists are right to notice these changes, but they are wrong not to investigate the fundamental social relations which the changes express. Given the 'volume one' Marxism that was offered as an alternative, it is perhaps understandable why they did not believe that the concept of 'capitalism' could capture the variation of social relations at work. Our alternative tradition of classical Marxism provides that possibility.

7.5 Rethinking the Retreat of the State

In chapter one of the thesis we looked at the globalisation debate and identified a fundamental paradox whereby the state was seen to have fallen victim to the very market forces which it had, itself, created. This formulation was based on the idea that the nation-state has its 'own' power. This power, according to the three waves of globalisation theory may be *less than* or *equal* or even *adaptive* to that of the market in the current conjuncture.

What we have argued throughout the rest of the thesis is that the nation-state cannot be seen to possess any power of its 'own' vis à vis capitalist social relations. Like a corporation, or trust, the state is a means of organising capital accumulation and cannot be seen separately. The state is animated by capital, it cannot exist without it, and so it is meaningless to counterpose the two. It is equally meaningless to suggest that one is *adaptive* to the other, although as we noted in chapter one, is the most superficially accurate.

7.5.1 The Globalisation Paradox Resolved

The alternative tradition of classical Marxism which we have developed over the core chapters of this thesis allowed us to explain the 'advance of the state' in the post-war period in order to make sense of the 'retreat of the state' since. What we discovered was that the nation-state, as such, advanced in the 1930s, in a period of state-capitalism, as theorised by Bukharin. This was a competitive strategy undertaken by states, in order to overcome crises of profit, through the aggressive internationalisation of capital. The state was a vehicle for that internationalisation

process which resulted in world war. The state in war was animated through the taxation of profits of its respective national capitals and direct ownership and control of production.

In the post-war period it appeared as though the nation-state was still 'advancing'. In a sense it was, as it was necessary for the nation-states of the West to coordinate production in such a way that they could compete with the military force of the USSR and satellite states in the East and *vice versa*. Individual nation-states retained considerable control over their respective infrastructures and in the production of many key resources like steel and oil, all of which were of strategic significance. The idea that this was a period in which capitalist competition took a military form was something we understood from the post-war theorists of state capitalism.

The crucial insight which we derived from developing our alternative tradition of classical marxism, in a slightly different direction from the post-war state capitalists, was that we needed to understand the period after 1945 in terms of 'bloc capitalism'. Nationalisation, the direct ownership and control of production by the nation-state, was seen to be an aspect of internationalisation on a bloc scale. The significance of the period of bloc capitalism is that the nation-state did not possess the independent capabilities which it was presumed to possess, but the boom gave it the appearance that it did, even while tariffs were coming down and debts were going up.

In the 1970s, when the bloc capitalist system began to experience a classic crisis of overproduction, the interdependence of Western economies began to be felt. It was at this time that ideas about the 'retreat of the state' began to emerge. What we understand from our analysis of actually existing capitalism is that the apparent 'retreat of the state' was an aspect of global capitalist development. Apparently

‘domestic’ difficulties cannot be understood in abstraction from the global context. The limits of the state at this time were limits imposed by the organisation of capital accumulation on a global scale in the post-war period.

By the early 1990s, crises had hit both Western and Eastern blocs and the latter experienced a crisis from which it could not recover. This crisis was one of many over a period of two decades, including one in Mexico and in the East Asian economies. When the USSR collapsed, so did a bloc scale international division of labour which had existed in parallel to that of the West. The fall of the Eastern bloc meant the development of a new international division of labour and the ability of capital to reorganise itself on a truly global scale. Over the period since the end of war, bloc institutions like the GATT had developed, out of them now emerged organisations like the WTO. The IMF and the World Bank took on an increasingly important role.

It is important to note that when the IMF, World Bank or WTO force particular adjustments on a nation-state, this is not evidence of market forces overriding state forces. The political state is not in retreat in the face of global economic forces, rather the IMF, WB and WTO are just as political as the nation-state ever was, it is just that they are representing the interests of capital accumulation on a much greater scale than the nation-state did in its time.⁸⁶ NATO and US or UN forces

⁸⁶ Bina and Yaghmaian argue that ‘[i]n economic terms, the IMF has been increasingly adopting the status of an international state, implementing policies that are intended to achieve global capitalist accumulation and stability.’ Their use of the word ‘state’ suggests they are trying to get at something more than mere financial institution. Bina and Yaghmaian 1991, p. 125. As Smaldone notes the IMF and World Bank’s ‘control over capital resources allows them not only to promote “development” projects, but to directly and indirectly shape the economic—and ultimately the political—policies of their clients.’ Smaldone 1998, p. 212.

also represent the interests of capital accumulation on this scale although their 'economic' nature is not always recognised.⁸⁷

On the basis of the alternative tradition of classical Marxism that we have sketched in this thesis we have a greater sense of the *continuity* of social relations such that the globalisation paradox is resolved. Rather than representing a dramatic reversal in the fortunes of the state as an actor, we can begin to see the post-war period as a time in which the nation-state expressed the interests of capital accumulation in one way and the present period when it does so in another way. The system of capitalist nation-states has no alternative to the capitalist world market, they are of a piece. As we stated above, globalisation of capital is not a *problem* for the nation-state, it is an attempted *solution* to the overproduction of capitalism on a global scale.

7.6 Conclusion

The purpose of this present chapter within the thesis was to begin to reassess the current period of globalisation, to try and make sense of it in light of the alternative tradition of classical Marxism we have been sketching. We have revisited the theoretical options provided in chapters two and three of the thesis and suggested the ways in which the alternative provided here is superior.

What should stand out from the discussion in this chapter is the idea that it *is* possible to make sense of the enormous variation in state market relations we have witnessed over the last century, without losing the theoretical thread of classical Marxism. Within the disciplines of International Relations and IPE, many Marxists

⁸⁷ The negative public perception of the recent war on Iraq does however provide some evidence that awareness of 'economic' motives behind US, UN and Nato force intervention is actually quite strong. See Klein 2003.

are attempting to grapple with the changing nature of the social world. Many of them do so under the heading of globalisation. Few however, possess an understanding of capitalism which can explain, both the advance and retreat of the state as a product of global capitalism. Yet it is this movement away from an image of the 'pre-existing or traditional state that plays its *own* role in relation to capitalism' which will help us to break from the dead end of globalisation theory as well as the dead end of political reformism. We will take up this point now, in the concluding chapter, in the context of developing an appropriate stance on privatisation.

Conclusion

The Privatisation Revolution as Post-Cold War Reconstruction

We began this thesis with Susan George asking why governments around the world seemed to be giving up so much and getting so little in return. We looked at the extent to which the globalisation debate was able to provide an answer to that question. We concluded that ‘the retreat of the state’ was something that globalisation theorists had exchanged descriptions about, but had been unable to explain. We then looked to the discipline which on paper, was mostly likely to provide an analysis: IPE. There, Susan Strange, one of the discipline’s founders, had identified a similar question, a decade earlier. Strange had concluded that *the* question which faced IPE was:

why do states fail to act to regulate and stabilize an international financial system which is known to be vitally necessary to the ‘real economy’ but which all the experts in and out of government agree is in dangerous need of more regulation for its own safety?¹

Strange specifically identified this question as a ‘puzzle’ or ‘paradox’.

Strange and George had identified the same problem: where once the state seemed to assume responsibility for the shape of the national economy, it was no longer doing so, despite to all outward appearances being as capable as ever, should it choose to assume its ‘traditional’ role. George wanted an answer to her question. Strange wanted that *and* an answer to a second question of why IPE was failing to provide an answer to the first. The rest of the thesis, has, in a sense, been dedicated to that task, through a dramatic rethinking of our understanding of capitalism.

In this conclusion, we will look first at how we might understand the ‘privatisation revolution’ using the perspective we have been developing over the course of the thesis. How can we answer the question posed by George? We will then

¹ Strange 1988, p. 11.

turn to look at the strengths and limitations of the thesis as a whole in providing an alternative to mainstream IPE that can explain capitalism as it 'actually exists'. Have we answered the question about the limitations of the discipline, as posed by Strange?

The privatisation revolution of the last several decades has been a disorienting political process. It has appeared to many that a state which once served the interests of all is now no longer willing or able to do so. There is a temptation to wish the state back to its earlier role, without properly understanding what that role was. What has been argued over the course of this thesis is that both the post-war period of wide scale nationalisation *and* the contemporary period of global privatisation, must be seen as stages in the development of 'actually existing capitalism'. In fact, privatisation can be seen to follow precisely the same logic as nationalisation, in that historically both have allowed for the reorganisation of capital on an increasing scale.

It was argued in chapter six that post-war nationalisation of industry and services throughout Europe and the rest of the world in terms of the various models of state ownership and control of production, must be understood as a key aspect of capital competing on bloc scales. Nationalisation in the West was a means by which capitalism was restructured in the post-war period under the supervision of the United States. Government ownership and control of production allowed for the rebuilding of key sectors of European economies in which the US directly and indirectly invested and it provided a responsible borrower for US dollars, in the form of the nation-state. The creation of international financial organisations like the IMF and WTO ensured the development of capitalist relations within the bloc in a manner that suited the interests of US capital. Military dependency on the US provided the opportunity for

other Western economies to recover, but at the same time sealed their subordinate place within the bloc.

The current period of 'privatisation revolution' can be seen as post-Cold War reconstruction, in that over the last few decades, and at great pace including the collapse of the USSR, privatisation has allowed for a restructuring of capital on a truly global scale. Privatisation provides the means by which barriers to the organisation of capitalist enterprise on an unprecedented scale are eliminated, thus providing new outlets for surplus capital, and new opportunities for capital accumulation.

The world trade in services provides a useful illustration. In the 1980s, services comprised two-thirds of all economic activity and employment in OECD countries. Four major services constituted 25 per cent of economic activity and a large share of the indirect costs of manufacturing: electricity, air and ground transport, retail distribution and telecommunications.² Schwartz notes that 'the largest barrier to international trade in these areas was public ownership and/or regulation'.³ The GATT and WTO, responding to the needs of dominant units of capital, pushed a strong privatisation agenda that allowed those companies who were most competitive on a global scale to gain considerable advantage. According to Schwartz, the US service sector experienced a \$65 billion trade surplus per year, throughout the 1990s as it entered a freer market in services and successfully out-competed its rivals.

Outside the OECD as well, US capital has tried to dismantle state-run industrialisation programs and open up service sector markets, particularly in finance, in order to 'get a piece of the action as owners and not just lenders'.⁴ Financial crises in various parts of the world have made it possible for the IMF to impose privatisation

² Schwartz 2000, p. 277.

³ Schwartz 2000, p. 277.

⁴ Schwartz 2000, p. 302.

as a condition in return for financial assistance. The Mexican peso crisis in 1995, the financial crisis in the Asian economies in 1997-98, and the ongoing crises in Eastern Europe have rendered these economies ripe for IMF/US restructuring.⁵ The US is able to use economic instability, and the rapid devaluation of capital which follows, to strengthen its own position. Stiglitz has been critical of the role of the IMF in causing crises through the rapid deregulation of capital markets.⁶ As Smith notes, however, what the IMF does in terms of contributing to economic crisis in vulnerable countries is rational in the sense that it shifts the burden of devaluation to these parts of the world.⁷ Crises of overproduction are endemic to the system as a whole, an unavoidable aspect of the logic of capitalism. Who pays the price in those crises, however, is something which powerful actors can significantly influence.

The kinds of crises that can provide the opportunity for a new round of capital accumulation can involve purely financial devaluation or physical material destruction of capital. Both are, in capitalist terms, events of 'creative destruction'. Accumulated value is destroyed which allows profit rates to be restored, and it also provides an opportunity for organisational innovation. The organisation of capital on a bloc scale was a 'territorial fix' for ailing Western capitalism after the War, made possible by the fact that two world wars had physically destroyed vast sectors of industry. The US needed markets and a place to invest surplus capital and the countries of Europe and Japan needed large amounts of investment and development. In the current period, by contrast, there is an overproduction of capital without the kind of massive devaluation of fixed capital brought about by both World wars. Instead what we have are economic crises that wipe out huge values from economies overnight, providing new opportunities for already dominant capitals.

⁵ Schwartz 2000, p. 301.

⁶ Stiglitz 2002.

⁷ Smith 2003.

What we also have is privatisation, which David Harvey has described as 'accumulation by dispossession'.⁸ Privatisation opens up new areas for exploitation: health, education, pensions, transport, all of which have, in the post-war period, had a mediated relationship to the dynamic of capital accumulation. Privatisation brings new outlets for investment *and* the opportunity for the development of even larger scale production. We now have truly global firms, like Vivendi, and Bechtel. We have opened up the possibility of a global provider for health care, or water, or education. From the perspective of 'actually existing capitalism' privatisation can be seen as part of what Harvey calls a 'spectacular phase of reconsolidation of capitalism' on a global scale.⁹

Harvey also uses the notion of 'reconsolidation' to describe what he calls the 'new imperialism'.¹⁰ He makes specific reference to the war on Iraq as another aspect of the global restructuring of capitalism in the post-Cold War era. It is interesting for us to look at this here, because the privatisation motive behind this conflict has come so much to the fore. This war can be seen, in part, as a peculiarly violent privatisation process. Our understanding of war as a means by which economic ends are pursued under capitalism, an analysis we get from Hilferding, Bukharin and Lenin, has a vivid contemporary illustration. Our understanding of the privatisation revolution is enriched by seeing the war in Iraq as one particular means to the end of restructuring capitalism through privatisation.

Very shortly after the bombing of Iraq began, Philip Materra, an independent journalist, wrote a short article about how post-war Iraq would be a showcase for privatisation.¹¹ As soon as the war had begun, Robert McFarlane, National Security

⁸ Harvey 2002.

⁹ Harvey 2002.

¹⁰ Harvey 2002.

¹¹ Materra 2003.

Adviser during the Reagan administration and Michael Bleyzer, chief executive of an equity fund management company, published an article in the Wall Street Journal headlined 'Taking Iraq Private'.¹² It was argued in the article that the US and its allies should bring together corporate business leaders to supervise the restructuring of the Iraqi economy. Iraq has an extremely profitable state sector from which a US-led coalition could profit enormously.

Materra quotes from another report by the American research institute, the Heritage Foundation, in which it is argued:

To rehabilitate and modernise its economy, a post-Saddam government will need to move simultaneously on a number of economic policy fronts, utilising the experience of privatisation campaigns and structural reform in other countries.... Lesson No. 1: Privatisation works everywhere.¹³

In his eagerness to rapidly privatise all Iraqi state assets, Paul Bremer introduced order 39 which opened up Iraqi industry to 100% foreign investment. This was part of what the *Economist* referred to as Iraq becoming a 'capitalist dream'.¹⁴ As Klein has noted, however, this proposal goes against the Geneva conventions of 1949, which specify what an occupying power can do. In Klein's words, the US government 'can only act as caretaker of Iraq's economic assets, not its auctioneer'.¹⁵ The possibility that a sovereign Iraqi government could subsequently overturn the US order, has apparently left investors nervous and the plans to privatise 200 state firms have been scaled down.

What is so extraordinary about this strategy to privatise Iraq through the use of military force rather than economic compulsion, is that it has been recognised as a test case for the rest of the Arab world.¹⁶ This is a part of the world where oil riches have

¹² Bleyzer 2003.

¹³ Cohen and O'Driscoll 2002 cited in Materra 2003.

¹⁴ Cited in Klein 2004.

¹⁵ Klein 2004.

¹⁶ Ali 2003.

made states much less vulnerable to economic crisis and less likely to find their economies restructured by the IMF. Where the IMF cannot reach through economic compulsion, the US and its allies can strike with military might. This is certainly a vivid illustration of what Harvey refers to as ‘accumulation by dispossession’.¹⁷ This is as far from the ‘volume one’ model of capitalism as we could hope to go, and yet it is precisely the way in which capitalism is functioning in the early twenty-first century. This is the post-Cold war restructuring of capitalism on a global scale, by any means necessary. This is capitalism as it actually exists.

Before we move to an assessment of the thesis as a whole, it is worth addressing the question of how we relate to privatisation on the basis of the analysis above. If nationalisation was one phase of capitalism and privatisation is another, what have we to choose between them? How should we orient ourselves to nation-states in the process of privatisation?

The importance of a clear analysis of privatisation is very clear when we consider the unfortunate political positions that can emerge from a faulty analysis. Illustrative of this, is the position taken by Mandel in the early 1990s. Following the change of regime in Eastern Europe and the USSR, Mandel argued that socialists in these countries must fight on two fronts: ‘against privatisation and for democratic rights’.¹⁸ He saw the fight against privatisation as a fight against ‘capitalist restoration’.¹⁹

¹⁷ Harvey 2003.

¹⁸ Mandel 1992, p. 156.

¹⁹ Mandel 1992, p. 135. In rejecting the analysis that these countries had been capitalist prior to 1989, he said ‘how is it possible under capitalism to restore capitalism?’ This has been explained, in the thesis above, in terms of a restructuring of global capitalism, but for Mandel this was a nonsense question illustrating the poverty of theories of state capitalism.

Callinicos responded to Mandel's argument by pointing out that 'the key issue is not preserving the legal property form of state ownership, but the development by workers of organisations capable of defending jobs, wages, conditions and services.'²⁰ This is very much along the lines of the argument presented in chapter five above, that what counts is not whether the state controls the market, but whether the workers control the state. Socialism involves the radical democratisation of the means of production, this is its meaning for both Callinicos and Mandel. Mandel however, responded by insisting on the benefits that Soviet workers derived from 'nationalised property' and declared that 'we are unconditionally on the side of those workers who oppose privatisation, regardless with what ideology and regardless of whether a section of the bureaucracy also supports them.'²¹ In this way Mandel seems precisely to be saying, it is not about whether the workers control the state, it is about whether the state controls the market.

What we have developed in the thesis above, is an analysis of capitalism in which the state does not control the market. Full stop. In a global capitalist economy, the state does not represent an alternative to the market logically, and has not historically. The state has been a means through which the logic of the market persists. The state has always been a necessary adjunct to the market. Planning is a form of competition, not its opposite. The biggest myth of the twentieth century has been the idea that the state offers an alternative to the market. It is this erroneous view which lent credence to the idea that the nationalist dictatorships of the USSR, Cuba, and China, represented progressive alternatives to the West. It is also this perspective that fuels reformist sentiment in the West and ultimately political disorientation. It is this myth we must dispense with.

²⁰ Callinicos 1992.

²¹ Mandel 1992.

Callinicos' suggestion that 'the key issue is not preserving the legal property form of state ownership, but the development by workers of organisations capable of defending jobs, wages, conditions and services', applies to both East and West. It is part of mainstream British history that in the post-war period, the workers fought for the welfare state. It is theirs to defend. What is more accurate, however, is that in the post-war period the workers fought. What they got was the welfare state. In the last several decades as that welfare state has been dismantled, we have had the opportunity to better understand its limitations. Democracy at all levels of society in East and West, Mandel's second fighting front, has been missing, and it is this lack of accountability that has allowed state owned sectors of the economy to be so easily dismantled. The rhetoric of 'public interest' has slipped, as the reality of 'private profit' comes to the fore. This is a disorienting political process, but it is useful that the veil has come off. In its 'retreat', we have the opportunity to see the state for what it always has been, an agent of capital accumulation.

Assessing the thesis as a whole

This thesis took as its starting point a widespread confusion over what seemed to be the state's retreat in the face of market forces, specifically the privatisation of public industry and services. We have not, however, looked in detail at the process of privatisation itself, something that is adequately documented elsewhere. Instead, the thesis has taken the form of a theoretical intervention. The 'globalisation debate' has been running for over a decade now with remarkably little progress. As argued in chapter one, the terms of the debate involve little more than an exchange of descriptions, a conversation that could continue well into the next decade. What we

have tried to do here is explain why that debate has been so unsuccessful and to offer an alternative approach to the problem. The thesis attempts to pick up the globalisation debate from where it has been frustrated and put it down on more intellectually fertile ground.

Establishing the need to offer an alternative theoretical framework, through the critique of two dominant theoretical approaches: Weberian IPE *and* their classical Marxist critics, was only the start. In Part One of the thesis we attempted to do justice to the range of views which fall within the discipline of IPE and to draw out the critiques of the IPE method as articulated by theorists of classical Marxism. The point in this section of the thesis was to show that IPE could reasonably be supposed to address the question of the retreat of the state. It is a discipline that was conceived with that task in mind. However, as the classical Marxists persuasively argued, IPE theorists had done little more than describe the changes they saw taking place and, as such, were no better equipped than the participants in the globalisation debate.

Also in Part One we attempted to show that while the limitations of the Weberian approach may have been well-identified by its 'classical Marxist' critics, those critics did not offer an alternative that could grapple with the subject matter which concerned IPE theorists. That is, the classical Marxist critiques of IPE had no alternative theory of changing state-market relations. While they seemed to have correctly identified the fact that Weberian theorists had naturalised the separation between state and market, their own understanding of capitalism, based on the 'apparent separation of state and market', did little to help our understanding of capitalism as it 'actually exists'.

In Part Two of the thesis we began to map out an alternative approach to that taken by the classical Marxists. Through a rereading of *Capital* volumes 1-3, we made

the argument that the ‘apparent separation of spheres approach’ is based on an understanding of capitalism limited to a particular reading of volume one. It was argued that given Marx’s dialectical approach, a richer understanding of capitalism can be arrived at if all three books inform our analysis. In chapter four, we reconsidered the *geographic scope*, *historical trajectory* and *core dynamic* of capitalism in a way that allowed us to begin to better understand the changing nature of state-market relations. In chapter five, we looked at these three dimensions again as they are developed in the writings of Hilferding, Bukharin and Lenin, who sought to explain changing state-market relations in a period of imperialism and war. Finally in chapter six, capitalism reconceived in terms of its geography, history, and dynamic, was used to explain the post-war period, specifically the Cold War and the social forms of capitalism, East and West.

Part Three of the thesis brought us to the point where we could begin to try to rethink the subject matter of chapter one: globalisation and the retreat of the state, in light of the analysis of capitalism we had developed in Part Two, in a way that was not possible using the dominant approaches critiqued in Part One. We arrived at a position where the changing role of the state could be understood as part of a continuous process of capital accumulation. Rather than seeing the state in retreat, we could see the state adapting its organisational form to suit the changing needs of capital accumulation. Like the joint-stock company, the corporation and the trust, at a particular stage in the history of capitalism, the state becomes a particular kind of agent of capital accumulation, and it changes as capitalism develops. Imperialism, as theorised by Hilferding, Bukharin, and Lenin, involved states as agents of capital accumulation on a national scale, following the second world war they were agents of

capital accumulation on a bloc scale, and at present they are organised in order to facilitate the survival of capitalism on a global scale.

Our analysis above stems from our understanding of capitalism as a system that is global in its scope, which has developed historically through competition and coordination on ever greater scales, and which has as its dynamic a 'law of value', that operates through an ongoing negation of itself. This allows us to explain how it is that 'the capitalist state, is not the capitalist state, is not the capitalist state', ever separate from market forces if it is to be understood as capitalist, but is rather a set of social relations that change over time.²² The state is no less capitalist when at war or when nationalising large sections of the economy. Actually existing capitalism includes all these moments and our alternative tradition of classical Marxism can capture them.

There is a certain strangeness in the fact that the volume one Marxists, who have made so much of the distinction between publicly and privately owned means of production (for them the very definition of capitalism depends on it), have shown so little interest in the very real and wide-scale transfer of ownership and control from public to private hands in an era of 'globalisation'. One would think this would signal for them an important transition, worthy of note, viewed by them as the adoption of 'capitalist' social relations in more and more sectors of society. We, on the other hand, who see capitalism in terms of *both* publicly and privately owned means of production, could be expected to be less interested in such changes in the real world. Instead what we find is that, for us, the privatisation revolution marks an important

²² What the 'volume one' theorists have been good at pointing out, and what is part of the basis of their critique of Weberian IPE, is that it is incorrect to think of that 'the state is the state is the state' transhistorically and not notice the fundamentally different forms the state takes in relation to different modes of production. Rosenberg 1994. What they have failed to notice is the way the state form changes over time under capitalism and the extent to which it is only ever a differentiated part of a totality of capitalist social relations.

new phase in the restructuring of ‘actually existing capitalism’ on a global scale. Whereas, for the ‘volume one’ theorists, it is just ‘business as usual’. The inability of ‘volume one’ marxists to theorise changing state-market relations within capitalism, has meant they have ignored important developments in the global economy which, once noted, can enrich our understanding of capitalism.

This thesis has been a theoretical intervention which has sought to provide a more constructive critique of IPE from a Marxist perspective than that provided by classical Marxist theorists of IR. This has been in order to end the dialogue of the deaf between the Weberian pluralists and their critics, and to put IPE on a footing where it might begin to answer some of the questions posed by the globalisation debate. The core contribution has been an original critique of classical Marxism in IR as ‘volume one’ Marxism. The ‘volume one’ approach is seen to involve the mapping of a highly abstract analysis of capitalism directly onto the changing social forms of state-market relations. Where abstraction did not match the social relations which exist, the latter were ignored, or documented separately in a descriptive fashion no more sophisticated than that found within mainstream IPE.²³ What was missing was an analysis which connects the *essence* of volume one with the *appearance* of changing state-market relations. This was the promise of *Capital* in all its volumes, and it remains for us to attempt to realise that analytical project. Through the exploration of an alternative tradition of classical Marxism this thesis has attempted to sketch the outline of such a project.

²³ Rosenberg is unusual in the extent to which he is guilty of the former approach, Wood, Burnham, Holloway, Picciotto and most other ‘volume one’ theorists take the latter approach in their work.

Limitations

It is appropriate to acknowledge that this thesis has involved the ‘sketching’ of an alternative approach rather than a systematic and detailed application of such a mode of analysis. It has been useful to make the argument that there exists a need for an alternative approach, that debate is stagnating without it and that theorists are talking past each other with no end in sight. It has been important to attempt to pinpoint where the aspirations of classical Marxism have been thwarted by their ‘volume one’ limitations. It has been essential to begin to explore an alternative tradition that seems to provide a way out of this cul-de-sac in social theory. However, it is another project altogether to really draw out the potential of that alternative approach and to apply it to the history of the last two hundred years or more. There is a sense in which the latter chapters of this thesis are necessarily schematic and suggestive, rather than detailed and conclusive. A major change in approach is being advocated and that simply suggesting a reorientation is a thesis in itself – this thesis. The limitations of this thesis could only be overcome with a great deal of empirical research, essentially, another thesis. It is the implicit argument of this project as whole that the empirical research would support the more general descriptions provided, but that detail is not present in this work.

There is one area in particular where it would be useful for this kind of empirical analysis to begin, in order to strengthen the argument overall. The notion of ‘bloc capitalism’ is one of the more original parts of the thesis, but it remains underdeveloped. The insistence that capitalism in the post-war period must be viewed in terms of its organisation on a bloc scale is not something that has been stressed by other theorists who fall within the alternative tradition of classical Marxism we

examined in Part Two of the thesis. It is however a feature of post-war capitalism noted by theorists of IPE, van der Pijl among them. It seems to me that this awareness of the bloc formation of capital coming out of World War Two is very important and in fact more closely continues the tradition of thought developed by the theorists discussed in Part Two. However, there are two empirical projects which need to be done to flesh out the concept and make it more useful. These relate to the external boundaries of bloc capitalism and the internal differentiation of states within the bloc.

Very roughly, the external boundaries of bloc capitalisms in the post-war period may be seen to reflect the division of the Cold War world. Military competition is an important feature of 'actually existing capitalism'. The logic of our argument in Part Two is that the battle lines drawn in the Cold War should, in some albeit mediated sense, reflect the organisation of capitalism in that period. However, battlegrounds are messy places and countries do not neatly fit under the heading of one or other bloc throughout the period under question. It is only through empirical study that we could establish which countries fell within which blocs in terms of their place in either sides' complex division of labour. We would need to look at military and other goods production and consumption structures as well as trade, aid, and investment networks. We might expect to find that the boundaries of bloc capitalism have shifted as the system has developed; perhaps also that the two major blocs are not equal in terms of the coherence of their boundaries.

As noted in chapter six, the boundaries of bloc capitalism in the West in the post-war period are relatively easy to discern. There is a great deal of coordination between Western Europe, North America and Japan after the war. There is planning by the US directly and through international organisations on a scale which includes these regions. Their relationship to less-developed parts of the world, however, is far

more fluid. In the East, the boundaries of bloc capitalism appear to be more rigid and changes in the relationship of nation-states to the bloc appear to be more distinct because of the overt political relationship between countries outside the Western alliance. The changing status of China and Cuba as allies of the USSR was, for instance, a sharper process, more clearly delineated in time and space, than, for instance, the more gradual drawing of Newly Industrialised Countries into the Western fold. All of this blurring of boundaries indicates the need for empirical analysis, but does not necessarily weaken the utility of the concept of 'bloc capitalism'.

It is worth stressing that the concept of 'bloc capitalism' is a necessary corrective to the model of nation-states as competing wholes. It stresses instead their existence as part of the singular but differentiated totality of global capitalist society. While the Marxist state debate of the 1970s may have concluded that we needed to move beyond an analysis of 'the state' in singular and pointed out that we were dealing with a system of competing nation-states, it did not go far enough to stress that the system was a differentiated whole rather than a sum of its parts. We need to move beyond what IR theorists refer to as the 'billiard ball model' of states and think more about the totality of capitalist relations and the changing differentiation of social forms within.

States are not like-objects, they are not like-sets of social relations.²⁴ The erroneous assumption that they are, has continued up to the present day in analyses of globalisation that discuss the US as though it were just 'another state'. As argued in chapter seven, this analysis is flawed and it is flawed on the basis of the logic of the alternative approach we have developed. Capitalist social relations form a totality that

²⁴ That they are not, is recognised in IR in terms of the fact that students of the discipline are noted to be confused by the idea that all states are sovereign, but some states are more sovereign than others.

is global in its scope and the appropriate 'parts' are determined not *a priori* in the form of territorial nation-states, but rather through an understanding of the changing nature of capitalism as a whole. Acknowledging this, however, we must recognise that the significance of the differentiation of states within the bloc is not immediately apparent.

There is obviously some sense in which nation-states *are* like-objects, but crucially, this sense changes over time and throughout the history of capitalism. The borders between states play different roles at different times: in periods of military alliance and rivalry, whether there exists monetary union or not, given trade agreements or disputes, and in periods of widespread labour mobility or rigid immigration control. How significant are the boundaries and functions of states for our understanding of the way that capitalism develops? This questions remains to be answered in increasing depth. Theorisation of the state in terms of that which all states have in common will, of course, be useful in this analysis.²⁵ Formal law-making capacity and the ability to demand taxes are two key functions of any state. The former has been studied a great deal more than the latter.²⁶ The changing role of taxation under capitalism and the difference in methods of taxation between states are both valuable areas for study if we are to better understand the significance of the differentiation of capitalist social relations into nation-state forms. It should be noted that it is only once we begin to move away from the 'volume one' definition of capitalism that the significance of taxation comes to the fore. Taxation can be seen as an aspect of actually existing capital accumulation rather than a fundamentally different kind of practice, to be studied separately from capitalism, as such.

²⁵ See especially the state debate, Clarke 1991.

²⁶ Barker has argued strongly that a Marxist analysis of taxation would greatly inform our understanding of the state. Barker 1997.

In conclusion on the concept of bloc capitalism, all that has been possible in this thesis is to suggest that it may be illuminating to see this as a form which capitalism is capable of taking at a particular stage in its development. It has been argued that this is superior to the alternative widely-held view of capitalism as having always taken the form of competing nation states.

Finally

All that remains to be said is that we look forward to the development of IPE theory in the directions indicated by the thesis above, based on the classical Marxist tradition provided. So-called 'classical', or 'volume one', Marxism in IR has for too long been ghettoised as a result of its high level of abstraction and its unconstructive critique of mainstream IPE. IPE has for too long contented itself with detailed descriptions of state-market relations and has lacked a coherent analysis of capitalism to which these descriptions could be related. Most exciting, the possibility of a more fruitful discussion between these two fields of thought brings with it the promise of the beginning of the end of the torturous 'globalisation debate'.

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