UNDERSTANDING THE WORLD ECONOMY BY PHIL SHARPE

The two major approaches for understanding the character of world economics and politics are provided by International Relations and Marxism. However because of ideological differences these two perspectives have only been infrequently combined. In a recent new book by Tobias ten Brink, he is attempting to overcome this one-sidedness and outlines an understanding of the global economy on the basis of the interaction of these approaches. (1) His starting point was that the original concern of Marxism was to explain the connection of geopolitical impulses for conquest, and the creation of colonial empires, with the dynamics of economic competition. In other words the very process of capital accumulation that led to the development of monopoly capital and finance capital was not unconnected to the formation of rival empires that led to geopolitical tensions and ultimately two world wars. The development of colonies does have economic reasons such as the utilisation of surplus profits and access to cheap raw materials, but these impulses cannot be divided from the geopolitical aim to acquire territory at the expense of rivals and to ideologically bring about the undermining of the discontent of the working class. In this context, Kautsky’s conception of ultra-imperialism is wrong because it effectively denies these contradictory impulses and instead reduces imperialism to the mono-causal and economic aim of the collective exploitation of the world by a super-imperialist trust. Lenin argues that this standpoint denies the importance of uneven development which explains the tension between rising powers and those countries that are attempting to conserve domination. This unevenness explains why world war occurs in order to attempt to maintain or gain colonies.

However, this ontology is challenged after 1945. The rivalry of various imperialist powers seems to be transcended by the hegemony of the USA, which imposes a level of cooperation that replaces the dynamics of geopolitical competition and economic tensions. Instead the conflicts of imperialism are replaced by the struggle between the USA and the USSR, or cold war, which has an important ideological and political aspect, and the dynamics of imperialism are based on the domination of former colonies in dependency relationships. However, this standpoint is challenged by Mandel who conceives of emerging inter-imperialist rivalries around the regional blocs of the USA, Western Europe, and Japan. But Leo Panitch and Sam Gindin consider that since 1945 the USA has established a world economy that is based on its imperatives. But other commentators consider that American hegemony ended because of economic decline and military defeat, as in Vietnam, which indicate the increasing inability of the USA to be the decisive power. Various forms of realism would suggest that Marxism cannot explain the development of international tensions in relations to struggles for power and domination. For example, Marxism lacks any satisfactory understanding of the cold war. The realists would also argue that Marxism cannot analyse the unipolar development of American power and how this is the most important aspect of globalisation. Primarily Marxism becomes dogmatic in its reasoning because of economic determinism: “Politics are explained as a derivative phenomenon of the ‘superstructure’ that functions in unmediated ways in line with the interests of the ‘financial oligarchy’, and thus becomes an instrument of ‘monopoly capital’. The formula this predicts, that monopoly=stagnation= a turn outward and or/capital export= imperialist politics does not hold.”(2) This standpoint ignores the important geopolitical reasons for imperialism such as prestige, power, domination and the ideology of expansion.

The latter criticism could be made in relation to understanding German imperialism. The ruling class in Germany was motivated by issues of prestige and the ideology of war in order to promote its domination. This facilitated its pro-war stance in 1914. In 1939 the aims of German imperialism was connected to the Nazi ideology of expansion and survival of the fittest. This meant war with Russia in 1941 when the rational course was to consolidate military gains in Western Europe and continued peace with the USSR. Whilst in 1945 the American aim to maintain hegemony was ideologically motivated by anti-communism and the desire to defend the free world. Both of these situations can be explained by realist discourse, and Marxism can only explain aspects of the behaviour of the elite in Germany and the USA. The point is that from a strictly economic standpoint important aspects of imperialism cannot be explained, and this is why the approach of geo-politics is necessary. It is not possible to explain capitalism strictly in terms of its economic features, or relations between classes, what is also vital is to allow for the importance of the state. This aspect allows for the significance of the geo-political. It is the state which has the ability to carry out diplomatic functions, or justify the action of violence and war against other states, and so it is conceivable that these activities could undermine the economic logic of the accumulation of capital. However, it could also be argued that the actions of states are not separated from the imperatives of competitive accumulation, which could result in international tensions and geopolitical actions. In this manner, the geopolitical and economic are compatible if not necessarily related n a uniform manner.

The point is that the very economic character of capitalism cannot overcome the prospect of geo-political tensions because it is based on the competition of different forms of capital. This situation must result in differences between states, and within states. It is not possible to establish one unified form of capital that would overcome the economic and political tensions of competition. This is precisely why instead of a unified collective capitalist entity there is a plurality of capitalist states with their own economic, political and legal functions. Furthermore, the state is entrusted to ensure ideological cohesion and a sense of unified national consciousness within the different classes. The result of this situation is the competition between distinct states with their own geographical territory. Hence the economic system of production, circulation and consumption represents an economic community that is divided between distinct political states: “Global capitalism takes on its specific ‘political form’ as an international system of states, that is, as the existence of ‘many’ states, of fragmented political spaces, of manifold inter and supranational relationships.”(3) On the one hand the necessity of interaction of states with others means the powers of initiative of the given state are limited. On the other hand the integrity of the state means that it must withstand the competitive pressures of other states. There are tensions between the aspects of the global economy that are truly transnational such as the division of labour and the role of markets. This implies an international attitude towards important aspects of accumulation. But there are also political and cultural aspects that are defined by the role of the distinct state formation. Thus global rivalries can have an international dimension in the competitive tendencies generated by the world market, but they are mediated in terms of the tensions between the distinct states. The choice is not between methodological nationalism and post-national globalisation. Instead: “A global research perspective is thus required precisely so as to study individual capitalisms, states and their variability, and varying geopolitical power strategies.”(4)

The point is that the role of national states cannot be understood outside of the totality of relations between states and their global dynamics. But the given nation state always reacts to the international situation in a distinct manner and in that manner the particular relates to the general. It would be an error to ignore either the global or the specific. Hence the error of the original theories of imperialism was to utilise a methodology of the study of national economies in order to develop vague and ambiguous conclusions about the world economy; whilst the contemporary theories often emphasise the role of the global and ignore its relationship to the national. In this manner, the USA becomes conflated with the global and the competition between states is downplayed. Instead it is necessary to emphasise that the USA is dominant within a competitive process of rivalry between states. Many theories of globalisation outline the transnational aspects of this development, and so ignore the importance of the specific. But the original theories of imperialism could not articulate the global because this view suggested that the national rivalries had been superseded. This was why Kautsky was criticised. Mandel still supported this original approach in his Late Capitalism. (5) His understanding of imperialism had not changed since the time of Lenin and Bukharin. Hence he could not explain the post-war domination of the world economy by the USA. It was necessary to develop an approach that overcame the one-sidedness of both Kautsky and Mandel.

The dynamics of the interaction of the global and national have created large and distinct regional economic blocs such as Europe, North America and Japan. This explains the aspect of competition in the modern world economy. It is important to understand that the competitive character of capital accumulation creates a world market, but it has no leading centre. The arguments is that there is no transnational centre that supersedes the state system, and this is confirmed by the ideological and political reasons for the nation state: “Without ‘national’ class divisions, the modes of integration essential to capitalism would fall away. When class antagonists – wageworkers, employers, and other groups alike – are organised and integrated at the national level and are brought into conflict with their counterparts outside the states territory, then the prospects for successful capital accumulation increase.”(6) The point is that the distinct character of the nation state complements the ability to engage in competitive capital accumulation. These stabilising aspects would be undermined if the system of nations was replaced by transnational economic and political institutions. This does not mean that international organisation and agencies are unimportant such as the World Trade Organisation and the G8 summit. The conditions of economic reproduction are related to these international organisations but the territorial states remain the primary units.

Ten Brink argues that the development of contemporary imperialism is explained by the interaction of economic and geopolitical aspects. The ability of the state to act in accordance with its geo-political dynamics of competition is connected to its economic wealth. A comprehensive military system presupposes economic development, but the ability to win wars also depends on diplomatic skills and the possibility to generate allies and isolate the adversary. The dynamics of geopolitical expansion can be divided into formal expansion, and direct control of other countries or informal expansion, which may mean nothing more than strong states asserting their influence over weaker states. However, in the age of nuclear weapons, the states which possess these informal aspects can put pressure on states that do not. Imperialism can be divided into a period between 1875-45 in which dynamic powers opposed the decline of the British Empire. The second period is that of 1945-89, or the period of the cold war and the rivalry between the USA and the USSR. The third period is that of uncertain American domination since 1989. Competitive pressures have undermined the development of a new global hegemony.

The author is arguing that the periods of British or USA hegemony of the world economy has been temporary, and instead the situation has been characterised by increasing competition between the rising and dominant power. The UK and USA were able to acquire supremacy because they defined the character of capital accumulation, and became the leading centres for the international flow of commodities, money and capital, and developed new technologies that influenced the process of capital accumulation like Fordism. It is argued that the perspective of a global hegemonic centre or trans-nationalisation without distinct national domination is false. The author accepts that the current neoliberal economy is influenced by the dominant role of the USA, but the tendency is also for the creation of the competitive rivalry of Western Europe and Japan. There has also been the crisis of the American system of capital accumulation, Fordism, and the rise of new export competitive countries. The period of state intervention based on the development of the welfare state was increasingly ended in the 1970’s and replaced by market liberal stateism. This represents the development of a state which is competitive within the global economy. The result of this situation is the globally dominant USA which has unprecedented influence over world events, but is not hegemonic. There are also leading states at a macro-regional level like the EU, China and Japan. Potential macro-regional powers like Russia, Brazil and India. Strong states with limited global reach like South Korea, Israel, and Turkey. (Sub-imperialist)

The development of imperialism had periods of hard geopolitical policies that involved military control and soft geopolitics that rely on political and diplomatic policies. Up to 1870 soft geopolitics dominated and this came to an end when British hegemony was called into question. Then a period up to 1945 that relied on hard geopolitical measures of world war and military expansion. From 1945-89 the cold war was generally characterised by soft geopolitics despite the threat of nuclear war and the development of war in Korea and Vietnam. (The period since 1989 has increasingly been characterised by resort to hard geopolitical measures.) Creating the arms economy generated the prospect for the USA to improve its rate of profit. This development was related to concerns about the Soviet expansion into Eastern Europe and the undermining of the ability to construct a capitalist world economy. But the Soviet leaders reacted to their isolation by developing a form of capital accumulation which represented the development of state capitalism. The failure to adapt to the modernisation of the world economy, combined with the internal limitations of the economic system, led to a crisis of the party-state. The apparent victory of the USA in the cold war only enhanced its belief in the historic mission of the country, and this promoted the active interventionism of the USA in the internal affairs of other countries during the next two decades. The result is the increasing utilisation of hard geopolitics and wars in order to impose the standpoint of the USA. Hence the USA is able to take advantage of its military dominance in order to impose domination over weak states, but this does not mean the American empire is being realised: “The desire for a ‘US empire is often challenged by the reality of ‘imperialism’, that is the geopolitical power rivalries within the state system and the instability of the world economy.”(7) The USA had tensions with the EU concerning its influence over the Eastern countries within the EU and opposition to the Anglo-American model of the neoliberal economy. Thus the activity of the USA constitutes crisis management rather than hegemonic or imperial ambitions, and while it is dominant within the world economy this situation is contested.

The unified Germany has increasing ambitions to be dissatisfied with subordination to the USA. France and Germany seem to favour the development of a multilateral world. But the rise of China provides the greatest challenge to the supremacy of the USA. China has a type of state capitalism that has been integrated into the world economy and has a competitive dynamic of a high level of exports. The rise of China has led to important currency disputes with the USA. Therefore: “Overall China’s state leadership vacillates between the often-unintended risks involved with challenging US global supremacy and pragmatically adapting to them. It is unlikely at the moment that the rivalry between the US and China will escalate to the level of interstate military conflict. However, this does not mean that we should ignore the various forms of competition and conflict that both play out below the surface of manifest geopolitical conflict and characterise the relationship between aspirational China and the global dominance of the US.”(8)

In conclusion the dynamics of capital accumulation is international, in that it has a tendency to go beyond national limits, but the national state is attractive in order to promote locations for production and investment. This means the state has a geopolitical dynamic to facilitate the international restructuring of capital realisation. These developments explain the utilisation of either hard or soft geopolitics in order to promote the aim of the state within the process of capital accumulation. Thus the cold war system was characterised by the state capitalism of the Soviet bloc in order to generate accumulation and was utilised in order to oppose the competitive pressures of the West. This bipolar world was replaced by the unipolar domination of the USA after 1989, but the dynamics of the development of a transnational economy has not overcome the importance of the domestic economy and this means the competitive rivalry of nations is more important than global cooperation: “Therefore the potential for geopolitical conflict is inherent in both the socio-economic conflict between individual states, and currency competition.”(9) Thus: “The desire held by US power elites (and shared by segments of other power elites) for a ‘US empire’ is undermined by the reality of geopolitical competitive relations within the international system, the instability of the world economy, and competitive relations in the areas of monetary and currency relations.”(10)

The author has outlined how the importance of the nation state for economic development, and political integration of the various classes of society, means that it remains a crucial aspect of the generation of capital accumulation. The very dynamics of capitalism are based on the interaction of the global and the national. Consequently, the result of this situation is the constant competition between nations in order to gain advantageous positions within the process of capital accumulation. This means the promotion of geopolitical conflict in order to undermine the economic and political aims of rivals. The major disadvantage of this standpoint is the underestimation of the extent of the influence of the USA within the post-war economy, and in relation to the situation after 1989. However, Brink accepts that the inter-imperialist rivalries of the pre 1945 period are over, and he attempts to locate different contradictions of the system of neoliberalism, and also emphasises the possible rivalry of the USA and China. His achievement is to establish a systematic conception of the relationship of the geopolitical to the economic, which we can compare with the work of Alex Callinicos.

Callinicos broadly agrees with Brink in that he also equates imperialism with the competitive struggles involving Europe, the USA and South-east Asia that will result in geopolitical conflicts. (11) He outlines his approach in terms of the standpoint of Bukharin who establishes the competition between national state capitalist trusts within an inter-dependent world economy. The problem with this standpoint was that it could not explain the development of economic crisis, but it was able to explain the tendency towards world war without being able to anticipate the post-war hegemony of USA imperialism. The point is that features of imperialism could be accurately outlined but the dynamics of inter-imperialist conflict were simplified to various economic aspects that ignored the actual strategies of Germany in the form of military expansion and the attempt of America to create an open economy receptive to international trade and investment. Callinicos suggests that himself, and David Harvey, have attempted to overcome the various limitations of the traditional theories of imperialism by outlining the relationship of the geopolitical and economic logics of this form of capitalism and this means rejecting any dogmatic relationship of imperialism to a given form of capitalism such as finance capital, monopoly capital, or state capitalism, whilst avoiding an economic reductionist understanding of geopolitical conflicts. Instead the conclusion to be made is that the dynamics of competition occur because global capital cannot be realised and instead there is the tensions and conflicts between distinct territorial states. However, this does not mean that there are two distinct logics to capitalism but instead these logics are an interrelated aspect of the capitalist mode of production: “My claim is that any development of Marx’s theory on the assumption that the capitalist mode of production is dominant must introduce, at the appropriate stage in the analysis a distinct form of competition with its own patterns and goals as a property of the state system. From this perspective, in a certain way it is misleading to pose the issue in terms of two logics or forms of competition, however necessary this must be when conceptualizing imperialism, since the state system and the interstate conflicts inherent in it are simply one among a multiplicity of determinations that, when correctly conceptualized and ordered, a theory of the capitalist mode of production must incorporate.”(12)

The attempt to address economic reductionism is welcome, but it is not the most important problem because the traditional theories of imperialism were challenged by the actual development of the post-war world. Thus the question of the connection of the geopolitical and economic logic must relate to this situation and the unprecedented ascendency of US capitalism. The ability to tackle this challenge can only be established by confirmation of Callinicos’s historical attempt to relate the economic and geo-political logics of imperialism.

Callinicos agrees with Brink’s classification of the periods of imperialism, firstly the period of competition that led to two world wars, secondly the rivalry between the USA and USSR, and ultimately the period of USA supremacy since 1991. However he defines these periods in relation to the role of hegemony, of the ability of a state to influence the policies of other states. The UK maintained its domination against the industrial competition of the USA and Germany by geo-political expansion and control of the empire. The empire, via control of food and raw materials, was a decisive advantage that enabled the UK to ultimately defeat Germany in the First World War. Hence, the aim of German imperialism, via the political domination of the Nazis, was war in order to obtain food and raw materials in order to become a rival to the British Empire. Japan went to war for similar reasons and attempted to undermine the British and Dutch empires in order to obtain access to economic resources. The ideology of racism was utilised in order to justify imperialism.

Callinicos has outlined how the period 1870-1945 confirms to the dual dynamics of the geo-political and the economic. The process of colonial expansion enabled the development of the economic capacity to obtain food and raw materials. He also outlines how Bukharin’s understanding of the development of state capitalism was the structural basis of inter-imperialist competition in the period after the First World War. What is not discussed in any detail is how British imperialism was reluctant to engage in the Second World War which occurred because of the aims of fascism and Nazism. The ideology of the Nazis was integral to the development of war which was considered to be an expression of national identity. Thus ideology has to be considered to be an integral aspect of imperialism. In this sense it can be connected to geo-political aims such as German expansion into Western Europe and the attack on the USSR in 1941.

Callinicos indicates that the policy of the USA was based on the aim of increasing economic influence without the development of formal colonies, except in exceptional instances. This standpoint enabled the USA to reconstruct the USA after the First World War in its interests, and the policy can be expressed as: “For American policy makers, the solution lay in constructing a liberal international order where US capital and commodities could freely flow and from which European Great Power rivalries were banished.”(13) In the inter-war period the major opponent of this aim was the protectionist British Empire, but for geo-political and ideological reasons the USA became an ally of the UK in the Second World War. But, the USA could also extract economic concessions from the UK in order to provide material support for the war effort, and this meant the end of imperial preference. In the post-war period the USA provided the support to enable the European economy to recover, but at the expense of the continual decline of the UK, and the revival of Germany and Japan was connected to the geo-political aims of defeating the rivalry of the USSR. The development of the arms economy contributed to the economic development of the USA. The USA was the hegemonic power over the world economy, but increasing competition developed between Europe, South East Asia and the USA. But these economic rivalries did not result in war. This was because the bipolar conflict of the USA with the USSR meant that the emerging economic rivals of the USA still maintained political unity. Also the USA aimed to maintain its hegemony, as with the rejection of the French-UK attempt to gain control of the Suez Canal. But, primarily the various national economic powers gained from the global economy established by the USA, and so the USA despite tensions had constructed a liberal world economy that was of mutual benefit.

It is argued that both the UK and the USA have exercised hegemony. The structural basis of the UK’s domination was small firms that were able to take advantage of the role of the empire, whilst the USA has large corporations that have operated in a relatively open world economy. But the crisis of profitability, and the increasing militancy of the working class, led to the imposition of neoliberalism in order to impose discipline but the result has not been the restoration of high levels pf profitability. The statistics seem to indicate the relative decline of the USA and the rise of China, however the EU enhanced economic competiveness is not matched by an ability to challenge the military might of the USA. Furthermore, differences within the EU undermine its ability to become a super-state able to oppose the supremacy of the USA. Russia is also not economically strong enough to become a serious rival of the USA. Thus inter-imperialist conflict is unlikely because of the overwhelming superiority of the USA, the continued interdependence of the advanced economies, and the political solidarity of the leading capitalist countries. This situation is reinforced by the caution imposed by the prospect of nuclear war. Hence war is carried out by the USA against various peripheral states. However, this policy has been discredited by the failure of the USA intervention in Iraq. In addition China poses as a significant potential rival of the USA. Thus Callinicos concludes that the USA is a declining hegemonic power confronting increasing rivalry from Europe, East Asia and the Middle East, but it retains its overwhelming economic and military capability. Inter-imperialist rivalries remain a feature of the world economy, but not in the form they took in the early 20th century.

Callinicos has modified the past analysis of the SWP in that he has related the question of inter-imperialist rivalries to the continued importance since the post-war period of the hegemon of the USA. He has also outlined how globalisation and the political objective of the USA are shared by many of its rivals. Thus he has explained why inter-imperialist tensions are unlikely to result in war and instead the situation is characterised by tendencies towards accommodation and not conflict. However he also explains that the relationship of the USA and China could become problematical because of the economic dynamism of China and its growing ability to challenge the dominance of the USA. But even in this contradictory relationship there are still tendencies for a reconciliation of interests. Thus the most intransigent imperialist opponent of the USA is Russia, which is economically weak and unable to become a serious challenger to the hegemony of the USA. In other words, Callinicos’s starting point is the hegemony of the USA despite problems and the tendency to decline. This approach seems to be accurate and a correction of Brink’s rejection of the conception of hegemony in terms of his understanding of the relationship of the global system and the role of the nation state. However despite this limitation the approach of Brink seems to be more systematic and a better guide to the understanding of the world economy than the generally empirical approach of Callinicos. This does not mean that Callinicos has not outlined an important understanding of the world economy based on the connection of classical theory to the changing empirical facts of the 20th century.

FOOTNOTES:

(1) Tobias Ten Brink: Global Political Economy, Haymarket books, Chicago, 2015

(2) ibid p33

(3) ibid p64

(4) ibid p66

(5) Ernest Mandel: Late Capitalism, New Left Boks, London, 1975 p331-335

(6) Ten Brink op cit p85

(7) ibid p211

(8) ibid p233

(9) ibid p239

(10) ibid p241

(11) Alex Callinicos: Imperialism and Global Political Economy, Polity Press, Cambridge, 2009 p17

(12) ibid p83

(13) ibid p167-168