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Imperialism and Global
Political Economy

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It has become a cliché to say that the ideas of empire and imperialism have enjoyed a renaissance in the early years of the 21st century. The main reasons for this are, of course, the global primacy of the United States and the arrogance with which the Bush administration has flaunted this pre-eminence, above all in the military field. Marxists should be particularly well equipped to respond to this development, given the importance that their tradition has given to the concept of imperialism. More particularly, the Marxist theory of imperialism is distinctive in that it does not treat empire simply as a transhistorical form of political domination – as in, for example, Michael Doyle's succinct definition of imperialism as 'effective control, whether formal or informal, of a subordinated society by an imperial society' – but rather sets modern imperialism in the context of the historical development of the capitalist mode of production.

[1]

There are, of course, different versions of this intellectual enterprise, which seeks systematically to relate geopolitical relations to the process of capital accumulation. [2] The variant

on which I intend to concentrate was developed during the First World War, notably by Lenin in **Imperialism** (1916) and by Nikolai Bukharin in **Imperialism and World Economy** (1917). Stated most rigorously by Bukharin, what I henceforth call the classical Marxist theory of imperialism affirms that capitalism in its imperialist stage is defined by two potentially conflicting tendencies: (1) the internationalisation of production, circulation and investment and (2) the interpenetration of private capital and the nation-state. In consequence, an increasingly integrated world economy becomes the arena for competition among capitals that tends now to take the form of geopolitical conflict among states. The First and Second World Wars were from this perspective inter-imperialist conflicts reflecting antagonisms at the heart of capitalism in its imperialist stage.

The classical theory of imperialism, particularly in Bukharin's hands, suffered from serious defects – notably, a tendency to view the state as a mere instrument of capital, dependence on Rudolf Hilferding's theory of crises, which reduces them to the effects of imbalances between different branches of production, and the assumption that the trend towards state capitalism was a finished result. [3] Nevertheless, stripped of these features and integrated into a rigorous theorisation of capitalism's crisis tendencies, the classical theory is, in my view, an indispensable instrument for understanding the contemporary world.

From this perspective modern imperialism is what happens where two previously distinct forms of competition merged, as they did in the late 19th century: (1) economic competition between capitals; (2) geopolitical competition between states.

A century or two earlier these two competitive logics had been distinct, rooted in different modes of production: on the one hand economic competition in the nascent capitalist world system; on the other geopolitical competition in what Robert Brenner calls the process of 'political accumulation' – military expansion and state-building – characteristic of feudalism that drove the formation of the European state system. [4]

Imperialism represents the moment at which these two logics become integrated. Geopolitical competition can no longer be pursued without the economic resources that could only be generated within the framework of capitalist relations of production; but capitals involved in increasingly global networks of trade and investment depend on different forms of support, ranging from tariff and subsidy to the assertion of military power, from their nation-state. Another way to put it is that the competitive struggle among what Marx in the **Grundrisse** called ‘many capitals’ now assumes two forms, economic and geopolitical. [5]

David Harvey expresses a very similar view when he calls ‘capitalist imperialism’ the ‘contradictory fusion’ of two logics of power, what he calls (following Giovanni Arrighi) the capitalist and the territorial:

The relationship between these two logics should be seen therefore as problematic and often contradictory (that is, dialectical) rather than as functional or one-sided. This dialectical relationship sets the stage for an analysis of capitalist imperialism in terms of the intersection of these two distinct but intertwined logics of power. The problem for concrete analyses of actual situations is to keep the two sides of this dialectic simultaneously in motion and not to lapse into either a solely political or a predominantly economic mode of argumentation. [6]

Other writers, notably Walden Bello, Peter Gowan, Chris Harman, John Rees and Claude Serfati, have pursued a broadly similar approach. [7] Many contemporary radical theorists, however, argue that the classical Marxist theory of imperialism is no longer pertinent. Hardt and Negri famously assert that inter-imperialist rivalries have been transcended in the transnational network power of Empire. [8]

But a much more carefully stated and empirically supported critique of the classical Marxist theory has been developed in recent years by Leo Panitch and Sam Gindin. [9] Since this is part of a broader effort to transform our understanding of

American imperialism and reorient the radical left, it seems worth paying some attention to it. Accordingly, this article is devoted to assessing this critique and the alternative analysis it seeks to support.

The particular interest of this debate lies in the fact that, whereas the assertion of US global power by the Bush administration is widely seen as constituting the refutation of Hardt's and Negri's theory (which announces the transcendence of national antagonisms under Empire), Panitch and Gindin go to the opposite extreme, arguing that the era of globalisation saw the entrenchment of America's 'informal empire'. At the same time, they move from different premises from those of Hardt and Negri to the same conclusion, that geopolitical competition has largely been transcended in contemporary capitalism.

According to Panitch and Gindin:

The classical theories of imperialism developed at the time [of the First World War], from Hobson's to Lenin's, were founded on a theorisation of capitalism's economic stages and crises. This was a fundamental mistake that has, ever since, continued to plague proper understanding. The classical theories were defective in their historical reading of imperialism, in their treatment of the dynamics of capital accumulation, and in their elevation of a conjunctural moment of inter-imperial rivalry to an immutable law of globalisation (**Global Capitalism and American Empire** (London 2004), hereafter **GCAE**, p. 16).

Running through these errors is a failure to appreciate the importance in conceptualising imperialism as a proper understanding of:

states' relatively autonomous role in maintaining social order and securing the conditions of capital accumulation ... Capitalist imperialism, then, must be understood through an extension of the capitalist theory of the state, rather than derived directly from the theory of economic stages or crises. And such a theory needs to comprise not only inter-imperial rivalry, and the conjunctural predominance of one imperial state, but also the structural

penetration of former rivals by one imperial state (GCAE, pp. 18–19).

The repeated phrase ‘one imperial state’ gives the key to Panitch and Gindin’s analysis of imperialism. Rather like J.R.R. Tolkien’s ‘one ring to rule them all’, taking states seriously means for them acknowledging the dominance of one state in particular. More precisely their argument can be rendered down as follows [10]:

1. Following Poulantzas, Panitch and Gindin claim that the post-war era was characterised by ‘the internationalisation of the state, understood as a state’s acceptance of responsibility for managing its own domestic capitalist order in way [sic] that contributes to managing the international capitalist order’ (GCAE, p42). The US used the Cold War system of alliances and the Bretton Woods international financial institutions to construct a global capitalist order in which not simply were the economies of Western Europe and Japan laid open to American capital, but the US state and transnational corporations were able systematically to penetrate and reorganise under its leadership the ruling classes of these zones of advanced capitalism: ‘With American capital a social force within each European country, domestic capital tended to be “dis-articulated” and no longer represented by a coherent and independent national bourgeoisie’ (GCAE, p. 47). [11]
2. This order came under strain with the economic and monetary crisis of the 1970s. Panitch and Gindin rely on a version of what Robert Brenner has called ‘supply-side theories of crisis’: in other words, they trace the recessions, inflation and monetary instability of the 1970s back to the relative strength that organised labour built up during the post-war boom and that it was able to use to increase wages and thereby to bring down the rate of profit. Thus they describe ‘working

class resistance as both a pivotal factor in causing the crisis and a target of its resolution at the end of the 1970s and beginning of the 1980s'. [12] 'The critical "turning point" in policy orientation came in 1979 with the "Volcker shock" – the American state's self-imposed structural adjustment programme' (GCAE, p. 50). The sharp hike in interest rates and imposition of restrictions on the monetary base announced by Paul Volcker, chairman of the Federal Reserve Board, in October 1979 was the US version of Margaret Thatcher's simultaneous monetarist offensive in Britain. It sharply slowed down the American economy, and in doing so, Panitch and Gindin argue, it accelerated the process of industrial restructuring that broke the power of organised labour and attracted capital back to the US. The ensuing profits recovery provided the background against which the global order was 'reconstituted' on a neo-liberal basis that more tightly integrated the ruling classes of advanced capitalism under American leadership through institutions such as the G7 and the International Monetary Fund and through the global economic hegemony of finance, a change that reinforced the dominance of US capitalism.

3. The structure forged at the beginning of the 1980s holds good today, Panitch and Gindin argue. If anything it is stronger now than it was then. Not only has the Soviet Union gone, but, 'while the earlier period was characterised by the relative economic strength of Europe and Japan, the current moment underlines their relative weakness' (GCAE, p. 55). It is, moreover, quite misleading to characterise economic competition within the advanced capitalist world as a case of 'inter-imperialist rivalries'. Not simply does this overstate the extent of the competition, which unfolds within the context of a global neo-liberal economic order dominated by the US, but the implication that these economic tensions

might be translated into geopolitical confrontations, even military rivalries, is entirely false. The European Union's attempts to develop military capabilities are feeble and dependent on NATO, while Japan remains heavily reliant on America's markets and security shield.

The conclusion that Panitch and Gindin draw from this analysis is not to invite us, in the face of the evidence, to conclude that all is well with the contemporary imperial order:

There is indeed a systemic complexity in today's global capitalism that includes, even at its core, instabilities and even crises. Yet this needs to be seen not so much in terms of the old structural crisis tendencies and their outcomes, but as quotidian dimensions of contemporary capitalism's functioning and indeed, as we argued above, even of its successes (GCAE, p. 61).

Well, I think the problem is a bit more than 'systemic complexity'. Let me take three steps towards identifying what's wrong with Panitch and Gindin's argument. First of all, their adherence – identified as (2) above – to a supply-side theory of crisis is a crucial move. What such a theory does is to render the movements of the capitalist economy dependent on those of the class struggle. Hence, once the balance of class forces had shifted back in favour of capital – as it did, not just in the US but throughout advanced capitalism between 1975 and 1985 – the ineluctable consequence was a recovery in profitability and an end to crisis. This differentiates Panitch and Gindin from those, such as Brenner and Harvey, who argue (correctly, in my view) that global capitalism continues to suffer from the crisis of profitability and over-accumulation that first exploded in the mid-1970s.

Panitch and Gindin criticise 'traditional Marxist theories of structural crises' because 'they sometimes tend to fetishise crises in the sense of abstracting them from history'. They elaborate their own alternative approach thus:

This does not mean that it is no longer useful to speak of contradictions inherent in capitalism, but we must be careful not to make too much of their consequences unless they take the form of class contradictions that raise challenges to capital (in terms of whether it can adapt or respond) and labour (in terms of whether it can develop the political capacity to build on the openings provided). We must dispense with a notion of ‘crisis’ as something that leads capitalism to unravel on its own; our theories of crisis must be politicised to integrate the responses of both states and class actors. [13]

This passage is a strange mixture of truism, implied caricature, and potential error. Truism: of course, capitalism won’t ‘unravel on its own’. But – whatever might or might not have been true in the past – name a serious contemporary Marxist political economist who thinks otherwise (the implication that such exist is the caricature). Potential error: yes, of course, we should ‘integrate the responses of both states and class actors’. But for Panitch and Gindin ‘states and class actors’ don’t just react to booms and crises, they make them. Supply-side theories of crises are agent-centred, since they explain the business cycle in terms of the relative capacities for self-organisation of collective class actors. By contrast, both the theory of crisis that Marx developed in **Capital**, volume III, and the modified theory recently put forward by Brenner explain crises of over-accumulation by a structural tendency towards a falling rate of profit that cannot be altered by acts of collective will on the part of the contending classes – though of course how classes respond to the effects of this tendency is crucial in shaping the resolution of crises. [14]

In my view, Panitch and Gindin are mistaken both in holding to an over-politicised theory of crisis and in asserting that global capitalism in general, and the US in particular, have overcome the crisis of profitability that developed in the 1970s. I don’t have the time or space to argue this here: Brenner has done so elsewhere in a response to a paper by one of Panitch and Gindin’s co-thinkers. [15] The work of Brenner, Harvey and other Marxist political economists such as Gérard Duménil

and Fred Moseley provides plentiful evidence to refute Panitch and Gindin's assertions. If these arguments are correct, the implications are very serious for Panitch and Gindin. Their narrative of post-war capitalism gives primacy to a single actor – the American state – that is able to shape and then reshape the world as its informal empire relatively unconstrained – both because of its power relative to other actors and because of the power of states and capitalist classes collectively to determine the fate of the world economy. But if tendencies to boom and crisis are the consequence of structural realities – in particular, relatively decentralised and anarchic competition among capitals – that are not easily amenable to collective interventions even by the most powerful capitalist states, then these states, the US included, are much more constrained in their actions than Panitch and Gindin are prepared to concede. Here it would be useful to compare their work with that of Harvey, who in *The New Imperialism* seeks to integrate the geopolitical strategy of the US under George W. Bush with the continuing effects of what Brenner calls 'the long downturn' (indeed, Harvey's major theorisation of Marxist political economy in **The Limits to Capital** [1982] already concluded with a discussion of contemporary inter-imperialist rivalries).

Secondly, Panitch and Gindin insist on giving proper weight to the state as a relatively autonomous actor. Thus they write, 'Those who interpreted Japan's trade penetration of American markets and its massive direct foreign investments in the US through the 1980s in terms of inter-imperial rivalry betrayed a misleadingly economistic perspective' (GCAE, p. 59). Insofar as remarks of this kind imply a rejection of instrumentalist conceptions of the state that treat it as a mere tool in the hands of big business, the point is well taken. But, once again, it is hardly news. Marxists have over the past few decades sought to develop theorisations of the state that give proper weight to its role as an independent actor. [16] Moreover, this kind of understanding informs the main contemporary versions of the classical Marxist

theory of imperialism. Harvey, as the passage cited at the start of this paper makes very clear, conceives the relationship between the logics of territorial and capitalist power as a dialectical one in which the two potentially contradict one another. Similarly, I conceptualise imperialism as the intersection of economic and geopolitical competition in part precisely to avoid the suggestion that the latter is an epiphenomenon of the former. [17] Panitch and Gindin might object that in setting the development of capitalist imperialism in the context of the structurally determined crisis-tendencies of the capitalist mode of production Harvey and I are giving ultimate primacy to the economy, but if economic primacy doesn't figure somewhere in the argument what is the point of calling oneself a Marxist?

Thirdly and finally, what about Panitch and Gindin's substantive interpretation of contemporary imperialism as the relatively stable and expanded reproduction of the informal American empire? Here again, there is an important element of truth to their argument. It is undeniable that there is an asymmetrical relationship between the US and even the most powerful of the other advanced capitalisms – Japan, Germany, Britain, France, etc. Moreover, Panitch and Gindin's critique of the idea that interimperialist rivalries persist is a useful corrective to the mistaken claim that, for example, I made in earlier writings that the end of the Cold War would see a return to the fluid and potentially disastrous economic and geopolitical competition among the Great Powers that prevailed during the era of classical imperialism between 1870 and 1945. [18] In retrospect, this claim confused two levels of determination. It is inherent in the nature of imperialism that it involves economic and geopolitical competition among a plurality of major capitalist states. But it does not follow that this competition must necessarily take the form of conflict, ultimately military, among a relatively small number of roughly equal Great Powers or coalitions of Great Powers – as it did in the lead-up to both the First and Second World Wars. Moreover, the idea of a return to

the Great Power rivalries of 1870– 1945, while (as I argue below) containing an important element of truth, stated baldly implied a simple repetition of earlier historical patterns without taking into account the effects of the concrete forms taken by economic and geopolitical competition in the intervening Cold War era.

Thus the historic achievement of the American state during the 1940s was the construction of a transnational economic and geopolitical space that unified the entire advanced capitalist world under US leadership: much of the material that Panitch and Gindin cite documents this process. One consequence of this arrangement was that capital and commodities flowed with growing freedom within this space, to the benefit, again as Panitch and Gindin show, of US banks and transnational corporations. Another was what I have called the partial dissociation of economic and geopolitical competition: in other words, as a result of the integration of advanced capitalism into a single ‘Western’ geopolitical and ideological bloc, economic rivalries among capitals did not have the same potential to become military confrontations as they had had in the earlier era of classical imperialism, when Germany emerged as both an industrial and naval challenger to British hegemony.

Panitch and Gindin are right to see this achievement as a result of the pursuit of a conscious grand strategy by the American ruling class, as numerous studies have confirmed. But they are insufficiently sensitive to the strains to which it has been increasingly subjected as a result of two overlapping processes. The first is the impact of the long-term structural crisis of profitability and over-accumulation, itself to a significant extent a consequence of the emergence from the 1960s onwards of Japan and Germany as major economic competitors to the US. [19] The second is the development of centrifugal tendencies within the Western geopolitical bloc. While of long standing (and indeed partially related to the first process), these tendencies were reinforced by the collapse of the

Cold War partition of the world in 1989–91, which removed the most obvious rationale for the system of alliances that had knitted together advanced capitalism under US hegemony. The fact that, instead of disintegrating after the Cold War, the transnational economic and geopolitical space constructed in the 1940s became genuinely global was in no sense inevitable. Its extension was a result of the creative political intervention of the American state, particularly under the Clinton administration, for example, to take advantage of the Balkan Wars to force through NATO and EU expansion on terms that preserved and indeed extended the role of the US as the leading military and political power in Eurasia, and to reinforce the role of the Bretton Woods institutions as enforcers of the neo-liberal Washington Consensus on terms favourable to the Anglo-American model of free-market capitalism. [20]

But the fact that the US-dominated space did not fragment does not mean that serious tensions do not exist within it, or that maintaining it intact does not require continuing and contested effort on the part of the American state. The crisis over Iraq brought all this into dramatic focus. [21] Panitch and Gindin's discussion of Iraq is one of the least convincing aspects of their overall argument. According to them the war was a case of the more general problem posed to the American empire by 'rogue' and 'failed' states, and the divisions between the US and Britain, on the one hand, and France and Germany, on the other, 'pertain very little to economic "rivalries",' reflecting rather the latter states' preference for multilateral forms of intervention (GCAE, p. 73).

The difficulty with this line of argument is that it says nothing at all about the strategic thinking behind the Iraq war. Yet if one consults the key documents that reflect the outlook of the neoconservatives apparently exerting a growing influence on US global policy under Bush father and son – the draft *Defense Planning Guidance* of March 1992, the material produced by the Project for the New American Century under Clinton, and *The*

National Security Strategy of the United States of America of September 2002 – running through of all these is precisely what should not exist, according to Panitch and Gindin, namely a preoccupation with preventing the emergence of ‘peer competitors’ to the US. Let a quotation from the last of these texts suffice: ‘Our forces will be strong enough to dissuade potential adversaries from pursuing a military build-up in the hopes of surpassing, or equalling, the power of the United States’. [22]

Moreover, it is important to understand that, whatever is eccentric, aberrant, or disputed about the neocon worldview relative to the broader US national security elite, it is not this concern with addressing the problem of potential peer competitors. If one takes the work of policy intellectuals other than the neoconservatives and in some cases hostile to them or at least critical of the Iraq adventure – for example, Henry Kissinger, Zbigniew Brzezinski, Philip Bobbitt, Joseph Nye and John Mearsheimer, one finds the same preoccupation with the future of US hegemony in the face of a variety of powers that can be expected to challenge it at least at the regional level. [23]

Now, Marx famously said that if essence and appearance coincided then science would be superfluous. All these weighty strategic analyses could be so much epiphenomenal fluff, beneath which lies the reality of a secure and invincible American empire. Personally I find it more economical, however, to take this material at face value, and to treat it as evidence of the very long-standing preoccupation of US grand strategy to prevent the emergence of a hostile Great Power or coalition on the Eurasian landmass. This then supports the interpretation of the Iraq war offered by both Harvey and myself, namely that seizing Iraq would not simply remove a regime long obnoxious to the US, but would both serve as a warning to all states of the costs of defying American military power and, by entrenching this power in the Middle East, give Washington control of what Harvey calls ‘the global oil spigot’ on which

potential challengers in Europe and East Asia are particularly dependent. [24]

Not simply was the conquest of Iraq thus a pre-emptive strike by the US, less against Saddam Hussein than against the other leading powers, but the unfolding of the crisis made the tensions within the Western bloc dramatically visible. The first months of 2003 were remarkable ones in the history of the transatlantic alliance, with France, Germany and Belgium blocking the use of NATO assets for the invasion of Iraq, and Washington mobilising the EU accession states in East and Central Europe against 'Old Europe'. Of course, considerable efforts have been made since the fall of Baghdad, and particularly since Bush's re-election, to heal the wounds between the US and the leading continental European states, but there are definite limits. On the one hand, the administration has if anything strengthened its rhetorical commitment to spreading democracy by the sword. On the other, despite regular predictions to the contrary by Washington, London and a significant section of the Marxist left, France and Germany continue to resist American pressure to participate in the occupation of Iraq. The trend is rather in the opposite direction, as various 'New European' states that sent troops to Iraq fall over each other rushing for the exit.

Behind this lies, of course, the failure of the occupation itself. Despite numerous announcements of a new dawn, most recently at the elections in January 2005, the US is confronted with the opposition of a large majority of the Iraqi people to its presence, and with the armed resistance of a determined and well-rooted minority. The result has been a signal lesson in the limits of even American military might – overwhelming superiority in fire power doesn't confer control over a large, dispersed, and predominantly hostile population. [25] Panitch and Gindin indeed see the Iraq crisis highlighting 'the danger posed to the broader legitimacy of the other capitalist states now that they are located in a framework of American imperialism that is so unconcealed' (GCAE, p. 73). Giovanni Arrighi goes much

further, suggesting that, ‘while its difficulties in Vietnam precipitated the “signal crisis” of US hegemony, in retrospect US difficulties in Iraq will be seen as having precipitated its “terminal crisis”,’ marking the transition to ‘dominance without hegemony’, where US global pre-eminence comes to rest on military might alone, losing the consent of other capitalist classes who had seen it as in their interest as well. [26]

Even if Arrighi is right to suggest that US hegemony is ‘unravelling’, it is important to state the implications with care. Let us return to the issue of inter-imperialist rivalries. Claude Serfati has given a good account of why, in his view, ‘there is no chance that the inter-capitalist economic rivalries among countries of the transatlantic zone will break out into military confrontations’. [27] The reasons he gives are both positive and negative. Negatively, the military gap between the US and all other states singly and combined is so great as to create very strong ‘threshold effects’ impeding any state (or, more realistically, block of states, such as the EU) from developing military capabilities comparable to the US. Positively, the extent of the interdependence among the leading capitalist economies gives them strong incentives to cooperate and means that US hegemony is the source of ‘public goods’ that benefit them all.

All of this is fair enough, and one can add other specific reasons why economic competition within the Western bloc need not translate into military conflict. Transatlantic tensions reached their height when, in the early months of 2003, the Bush administration apparently embraced a policy, not (as had traditionally been US strategy) of encouraging further European integration, but of divide and rule. This shift gave France and Germany a strong incentive to develop greater autonomy from the US – but it also made this harder to achieve, given the existence of a bloc of EU states more closely aligned with Washington and led by Britain, whose cooperation would be essential to any serious attempt to enhance European military capabilities. [28] The defeat of the European Constitution in the

French and Dutch referendums of May 2005 has reignited the conflict between ‘New’ and ‘Old’ Europe, this time over domestic economic policy, as the former, under the leadership of a reinvigorated Tony Blair, presses for more rapid neo-liberal ‘reforms’. All the same, it would be foolish to ignore the emergence of what Serfati himself describes as the ‘alter-imperialism’ of the EU and the increasing effort that, as he shows, is being put into developing the European Security and Defence Policy. [29]

Moreover, it would be a mistake to underestimate the reality and the destabilising potential of conflicts among the advanced capitalist states. Economic rivalries among transnational corporations whose investments and markets are concentrated in one of the three points of the G7 triad – North America, Western Europe and Japan – and that rely on state support in their competitive struggles remain a structural feature of the contemporary global political economy. [30] An obvious example is provided by the endemic and serious tensions between the US and the EU over trade: the current dispute over state subsidies to, respectively, Boeing and Airbus seems especially bitter and hard to resolve. Moreover, in Latin America the role that the US has played in promoting neo-liberal policies that open up previously relatively protected markets to foreign capital had, according to Paul Cammack, the ironic effect of benefiting primarily European transnationals rather than American capitalism, despite the latter’s putative dominance of the region. This case illustrates how the activities of the US to provide ‘public goods’ to the benefit of the advanced capitalisms generally may be to the disadvantage of American capitalism in particular. Like all human phenomena, US imperialism is subject to the law of unintended consequences. [31]

But perhaps the most serious transatlantic row since the invasion of Iraq has been over EU plans to end the arms embargo imposed on China after the Tiananmen Square massacre of June 1989. American politicians and commentators

have tended to portray the affair as a case of parochial, money-obsessed Europeans failing to see the bigger geopolitical picture. This doesn't seem right at all: no doubt concern to get better access to what has become the powerhouse of the world economy was an important reason behind the proposed policy change. But the aim of the French president, Jacques Chirac, seems to have been straightforwardly geopolitical – to find in the rising power of China a counter-weight to American hegemony. A recent CIA assessment went even further, predicting: 'An EU-China alliance, though still unlikely, is not unthinkable'. [32]

An even more striking feature of the row over lifting the arms embargo (a decision has now been postponed under intense US pressure) was that American critics of the policy openly objected on the grounds that a war between the US and China, 'though still unlikely, is [also] not unthinkable'. Nor was this said simply by members of the Taiwan lobby or bug-eyed Republican China-bashers. Michael O'Hanlon of the eminently sane and middle of the road Brookings Institution wrote recently, 'There really is a chance of a Sino-US war over Taiwan, which may ebb and flow month to month but nonetheless remains quite real. And any European decision to lift the embargo could make any war more likely and more costly in lives and assets'. [33]

Remarks of this nature rather put into perspective any predictions that the future course of capitalist development will be pacific. Panitch and Gindin do acknowledge the possibility that China may come to constitute a counter-example to their general analysis:

China may perhaps emerge eventually as a pole of inter-imperial power, but it will obviously remain very far from reaching such a status for a good many decades. The fact that certain elements in the American states are concerned to ensure that its 'unipolar' power today is used to prevent the possible emergence of imperial rivals tomorrow can hardly be used as evidence that such rivals already exist (GCAE, pp. 59–60).

This polarisation of present and future seriously underestimates the fluidity of contemporary geopolitics. The row over the lifting of the European arms embargo hardly suggests that the military threat from China is seen as being ‘a good many decades’ away – a series of senior US national security officials from Porter Goss, the Director of Central Intelligence, down have in the past few months been warning of the strategic threat represented by China and in particular of Beijing’s rapid modernisation of its naval and air forces. The **Financial Times** reports: ‘Policymakers in Washington are questioning the assumption that a Chinese challenge to US military domination of the Asia-Pacific region lies decades in the future’. [34] The Pentagon’s annual report on the Chinese military is a compromise document, on the one hand affirming that the People’s Liberation Army’s current ability to ‘project conventional military power beyond its periphery remains limited’, on the other hand warning that, ‘over the longer term, if current trends persist, PLA capabilities could pose a credible threat to other modern militaries operating in the region’. [35] Even if such fears are overstated (the CIA is hardly the most credible of intelligence sources after 9/11 and the non-existent Iraqi WMD), there is always the danger that steps taken by the US to prevent China from becoming a threat may simply give the latter’s rulers a greater incentive to build up their military capabilities quickly.

Panitch and Gindin are also dismissive of the increasingly important role played by the central banks of China and other East Asian states in financing the US fiscal and trade deficits: ‘To suggest, as Arrighi does, that because the holders of American Treasury bills are now primarily in Asia we are therefore witnessing a shift in the regional balance of power, is to confuse the distribution of assets with the distribution of power’. [36] Here distinctions need to be made with more care than they do. In the first place, it is undoubtedly a sign of the economic and political strength of American capitalism – and, in particular, of the comparative advantage it gains from being able

freely to issue, without any backing in gold or whatever, the world's main reserve currency and thus to create new means of payment – that it has been able to finance the deficit through a massive inflow of capital from the rest of the world. But it doesn't follow that we should subscribe to the theory affirmed by Vice-President Dick Cheney when he told the then US Treasury secretary, Paul O' Neill, 'Reagan proved that deficits don't matter'. [37]

The Cheney theory implies that the US could easily continue a trade deficit that, on current trends, will rise from 6 percent to 10 percent of GDP by the start of the next decade. It would be easier to believe that it could if the inflow of capital financing the deficit were attracted by higher profits than are obtainable elsewhere: but, in fact, to judge by the fact that American corporations receive higher returns on their foreign direct investments than they do from their assets within the US, the reverse is true. [38] No doubt the US has other economic attractions than sheer profitability – the security and mobility of capital, for example. But the role, already noted, that Asian central banks now play in financing the deficit highlights the role of more political or more political-economic considerations in this policy – for example, avoiding the dependence on foreign capital that had such a devastating impact during the crisis of 1997–98 and keeping Asian currencies at a competitive level against the dollar and thereby permitting the maintenance of the high-export economic model on which East Asian capitalism is based. In this context, there was an element of playing with fire in the recent campaign in the US and the EU for renminbi revaluation. [39]

From a broader historical perspective, it seems simply perverse to deny any broader economic and geopolitical significance to the role played by China in particular and East Asian capitalism in general in financing the US deficit. Arrighi's analysis of the crisis of US hegemony is set against the background of a much broader cyclical theory of history in

which capitalist powers win and lose hegemony according to a definite and fixed pattern. [40] One doesn't have to sign up to this kind of theory to recognise that it was a significant historical moment when Britain became financially indebted to the United States during the First World War, even if it took another 30 years for this to be translated into the definitive displacement of one by the other as the leading capitalist power. Even if one discounts any such displacement of the US by China, the profound tensions being concentrated in East Asia cannot be ignored.

The Chinese boom has played an important role in reorienting the global political economy, as China has become a major supplier of cheap manufactured goods to the US and the rest of the advanced capitalist world, as well as a key purchaser of intermediate goods from Japan, South Korea and the EU, and of raw materials from the Middle East, Latin America and Africa. [41] Moreover, as we have already seen, China and the other East Asian states now closely bound up economically with it have become the underwriters of the continued expansion of American capitalism. Simultaneously China has also become a lightning-rod for geopolitical tensions, has supplanted Japan as the main object of protectionist agitation in the US, and has been identified by the Pentagon and the CIA as the Great Power with which America is most likely to go to war. [42]

The contradictions that are now concentrated in China are thus symptomatic of the current state of the global political economy – of, not the stable incorporation of world capitalism within the American informal empire, but the fragility of the global accumulation process and of geopolitics today. We must hope – and act to ensure – that this fragility does not make itself felt in too brutal and destructive a way.

Notes

[1.](#) M. Doyle, **Empires** (Ithaca NY, 1986), p. 30. This article was originally delivered as a paper at the conference on *Korean Economy: Marxist Perspectives* at the Institute for Social Sciences, Gyeongsang National University, Jinju, South Korea, 20 May 2005, which was funded by a Korean Research Foundation Grant (KRF-2003-005-B00006).

[2.](#) See A. Callinicos, *Marxism and Global Governance*, in D. Held and A. McGrew (eds.), **Governing Globalisation** (Cambridge 2002).

[3.](#) A. Callinicos, *Imperialism, Capitalism, and the State Today*, **International Socialism 2 : 35** (Summer 1987), pp. 84–88.

[4.](#) R. Brenner, *The Social Basis of Economic Development*, in J. Roemer (ed.), **Analytical Marxism** (Cambridge 1986). For a flawed attempt to use Brenner's concept of political accumulation to trace the origins of the modern state system see B. Teschke, **The Myth of 1648** (London 2003). Many of Brenner's supporters and critics share the assumption that, if the state system originated before the capitalist mode of production became dominant, it cannot now be intrinsic to that mode. But this is a *non sequitur* that confuses genesis and structure: the state system first took shape in the early modern era of the transition from feudalism to capitalism but was transformed as the capitalist mode became dominant and is now a constitutive dimension of that mode. For discussion of related issues, see A. Callinicos, [Bourgeois Revolutions and Historical Materialism](#), **International Socialism 2 : 43** (Summer 1989), and *Marxism and the International*, **British Journal of Politics and International Relations 6** (2004).

[5.](#) I have elaborated this perspective in A. Callinicos, **Making History** (2nd edn, Leiden 2004), pp. 179–199; [Marxism and Imperialism Today](#), **International Socialism 2 : 50** (Spring 1991); *Periodising Capitalism and Analysing Imperialism*, in R. Albritton et al. (eds.), **Phases of Capitalist Development** (Houndmills 2001); **An Anti-Capitalist Manifesto** (Cambridge 2003), pp. 50–65; and **The New Mandarins of American Power** (Cambridge 2003), esp. ch. 5.

[6.](#) D. Harvey, **The New Imperialism** (Oxford 2003), pp. 26, 30. Arrighi's masterpiece is **The Long Twentieth Century** (London 1994).

[7.](#) W. Bello, **Dilemmas of Domination** (New York 2005); P. Gowan, **The Global Gamble** (London 1999); C. Harman, [Analysing Imperialism](#), **International Socialism 2 : 99** (Summer 2003); J. Rees,

Imperialism: Globalisation, the State and War, **International Socialism 2 : 93** (Winter 2001); and C. Serfati, **Impérialisme et militarisme** (Lausanne 2004).

8. See the critical responses collected in G. Balakrishnan (*ed.*), *Debating Empire* (London 2003), and A. Boron, **Empire and Imperialism** (London 2005).

9. L. Panitch and S. Gindin, **Global Capitalism and American Empire** (London 2004), originally published in L. Panitch and C. Leys (*eds.*), **The New Imperial Challenge, Socialist Register 2004** (London 2003), hereinafter **GCAE**, and *Finance and American Empire*, in L. Panitch and C. Leys (*eds.*), **The Empire Reloaded, Socialist Register 2005** (London 2004).

10. Panitch and Gindin make various assertions about the history of imperialism and of the classical theory, some correct, others not, that I don't have the time or space to address here.

11. For Poulantzas's influence on this analysis, see N. Poulantzas, **Les Classes sociales en capitalisme aujourd'hui** (Paris 1974), ch. 1, and L. Panitch, *The New Imperial State*, **New Left Review (II) 2** (2000), especially pp. 8–10.

12. L. Panitch and S. Gindin, *Finance and American Empire*, as above, p. 81 n72. R. Brenner, *The Economics of Global Turbulence*, **New Left Review (I) 229** (1998) is, among other things, a devastating critique of this kind of theory of crisis.

13. L. Panitch and S. Gindin, *Finance and American Empire*, as above, p. 74.

14. For a comparative account of these two theories, see A. Callinicos, *Capitalism, Crisis, and Profits*, **Historical Materialism 4** (1999).

15. R. Brenner, *The Capitalist Economy, 1945–2000. A Reply to Konings and to Panitch and Gindin*, in D. Coates (*ed.*), **Varieties of Capitalism, Varieties of Approaches** (Basingstoke 2005).

16. For two of the most important contributions, see R. Miliband, *State Power and Class Interests*, **New Left Review (I) 138** (1983), and C. Harman, *The State and Capitalism Today*, **International Socialism 2 : 51** (Summer 1991).

17. A. Callinicos, **The New Mandarins of American Power**, as above, pp. 104–106.

- [18.](#) A. Callinicos, *Marxism and Imperialism Today*, as above, pp. 27–31, and **The Revenge of History** (Cambridge 1991), pp. 67–82.
- [19.](#) C. Harman, **Explaining the Crisis** (London 1984), and R. Brenner, *The Economics of Global Turbulence*, as above.
- [20.](#) The best account of US strategy in successfully addressing these crises is provided by Gowan: see especially **The Global Gamble** and *The Euro-Atlantic Origins of NATO's Attack on Yugoslavia*, in T. Ali (ed.), **Masters of the Universe** (London 2000). His treatment is superior to that offered by Panitch and Gindin because he presents the economic and financial crisis of the 1970s and the end of the Cold War as moments of discontinuity that threatened US hegemony and stresses that actual or potential rivalry from Europe and Japan is an important dimension of both these challenges.
- [21.](#) More detailed analysis of the causes and consequences of the Iraq war will be found in A. Callinicos, **The New Mandarins of American Power**, as above, and *Iraq: Fulcrum of World Politics*, **Third World Quarterly** 26 (2005).
- [22.](#) *The National Security Strategy of the United States of America*, September 2002, www.whitehouse.gov, p. 30.
- [23.](#) H. Kissinger, **Diplomacy** (New York 1996); Z. Brzezinski, **The Global Chessboard** (New York 1997), and **The Choice** (New York 2004); J. Nye, **The Paradox of American Power** (Oxford 2002); P. Bobbitt, **The Shield of Achilles** (London 2002); and J. Mearsheimer, **The Tragedy of Great Power Politics** (New York 2001).
- [24.](#) D. Harvey, **The New Imperialism**, as above, p. 19; see also pp. 25, 201–202.
- [25.](#) M. Mann, **Incoherent Empire** (London 2003).
- [26.](#) G. Arrighi, *Hegemony Unravelling, I*, **New Left Review (II)** 32 (2005), p. 57.
- [27.](#) C. Serfati, **Impérialisme et militarisme**, as above, p. 184.
- [28.](#) A. Callinicos, **The New Mandarins of American Power**, as above, pp. 119–127.
- [29.](#) C. Serfati, **Impérialisme et militarisme**, as above, chs. 8 and 9.
- [30.](#) The case for this proposition is argued very powerfully by Peter Gowan in an unpublished paper, *Industrial Dynamics and Interstate Relations in the Core*.

[31.](#) P. Cammack, “*Signs of the Times*”: *Capitalism, Competitiveness, and the New Face of Empire in Latin America*, in L. Panitch and C. Leys (eds.), **The Empire Reloaded**. The growing European and Chinese economic presence in Latin America has had the effect in turn of increasing the room for manoeuvre of states such as Brazil and Venezuela relative to Washington: see, for example, R. Lapper, *Latin Lessons*, **Financial Times**, 17 May 2005.

[32.](#) D. Dombey and P. Spiegel, *Up in Arms*, **Financial Times**, 10 February 2005.

[33.](#) M. O’Hanlon, *The Risk of War over Taiwan is Real*, **Financial Times**, 2 May 2005.

[34.](#) V. Mallet, *Strait Ahead?*, **Financial Times**, 7 April 2005.

[35.](#) **Financial Times**, 20 and 21 July 2005.

[36.](#) L. Panitch and S. Gindin, *Finance and American Empire*, as above, p. 73. Arrighi documents the growing economic and financial power of East Asia most recently in *Hegemony Unravelling, I*, pp. 61–80.

[37.](#) R. Suskind, **The Price of Loyalty** (London 2004), p. 291.

[38.](#) N. Ferguson, **Colossus** (London 2004), p. 281. Anyone who doubts the real problems posed by the American deficit could do worse than to consult the excellent series of articles on the subject by Martin Wolf published in the **Financial Times** on 1, 8 and 22 December 2004.

[39.](#) See, for example, N. Roubini, *Ten Reasons Why China Should Move Its Peg and Pull the Plug on the US Reckless Policies* March 2005, www.stern.nyu/globalmacro. China’s decision in July 2005 to revalue the renminbi by 2.1 percent and allow it to fluctuate mildly against a basket of currencies is unlikely to eliminate these pressures.

[40.](#) G. Arrighi, **The Long Twentieth Century**, as above; G. Arrighi, B. Silver *et al.*, **Chaos and Governance in the Modern World System** (Minneapolis 1999); and G. Arrighi, *Hegemony Unravelling, II*, **New Left Review (II)** 33 (2005).

[41.](#) Martin Hart-Landsberg and Paul Burkett give an excellent analysis of China’s place in the world economy in *China and the Dynamics of Transnational Capital Accumulation*, paper for the conference on *Korean Economy: Marxist Perspectives*, as above.

[42](#). The case of Japan underlines the importance of not reducing geopolitical to economic relations. Japan's uneasy recovery from the long slump of the 1990s has depended critically on feeding the Chinese boom, but the Koizumi government's aggressive nationalist stance (symbolised by the conflicts over Japan's war record) has involved sending troops to Iraq and, more significantly, aligning itself with Washington's strategy of militarily containing China: see, for example, G. McCormack, *Remilitarising Japan*, **New Left Review (II) 29** (2004). Japan's close geopolitical alignment with the US might seem to confirm Panitch's and Gindin's analysis, but the long-term effect is likely to be to stoke up the tensions that they underplay.

