4

Capitalist Development in World Historical Perspective

Giovanni Arrighi and Jason W. Moore

The particular way in which we periodize capitalist history largely depends on the temporal and spatial horizons of our observations and on the conceptual frameworks that underlie those observations. Most periodizations have been based on observations and conceptual frameworks that refer implicitly or explicitly to national dynamics of capitalist development. This is a perfectly legitimate and useful way of analyzing and periodizing capitalist development, provided that we do not conflate the dynamic of capitalist development as it unfolds in specific national (or sub-national) locales with the dynamic of capitalist development as it unfolds in a 'world' consisting of a large number and variety of such locales. Although these two dynamics influence one another, each has a logic of its own and must be treated as an object of analysis in its own right.

Our argument in this chapter is that the world dynamic of capitalist development is something more and different that the 'sum' of national dynamics. It is something that can be perceived only if we take, as the unit of analysis, not individual states but the *system* of states in which world capitalism has been embedded. More specifically, we shall argue that from this holistic perspective the initial formation and subsequent expansion of the world capitalist system to its present all-encompassing global dimensions can be broken down into four, partly overlapping 'systemic cycles of accumulation'. Each of these cycles consists of two distinct *phases* of capital accumulation, a phase of material expansion and a phase of financial expansion. In spite of this similar composition, systemic cycles of accumulation are not mere cycles, because each has been associated with a widening or deepening of world-scale processes of capital accumulation. As such, they constitute distinct *stages* of the transformation of the world capitalist system from being *a* 'world' among many 'worlds' to becoming the historical social system of *the* entire world.

Financial capital and systemic cycles of accumulation

Our conceptualization of systemic cycles of accumulation as stages of capitalist development originates in two observations. One is the widely held perception of a close parallel between the beginning and the end of the twentieth century (see, among others, Gordon 1988; Arrighi 1994; Harvey 1995; Hirst and Thompson 1996). Crucial in this respect is the centrality of 'finance capital' in the two periods. At the beginning of the twentieth century, this centrality gave rise to liberal and Marxist theories of 'finance capital' and 'imperialism' as jointly inaugurating a new phase of capitalist development (Hobson [1902] 1938; Hilferding [1910] 1981; Bukharin [1915] 1972; Lenin [1916] 1952). At the end of the century, this same centrality has given rise to the idea that 'globalization' and associated 'financialization of capital' inaugurate an equally new phase of capitalist development. The language and concepts have changed but the idea that finance capital constitutes a new, latest, highest phase or stage in the development of capitalism is at least as widely held today as it was a century ago. Is it possible that this discursive recurrence of finance capital as a new, latest, highest stage of capitalist development conceals its factual recurrence within a cycle too long to be detected within the time horizon ordinarily deployed in the analysis of capitalist development?

The second observation, derived from Fernand Braudel (1982; 1984), suggests an affirmative answer to this question by pointing to the shortsightedness of early twentieth-century characterizations of finance capital as a new phase of capitalist development.

> Hilferding . . . sees the world of capital as a range of possibilities, within which the financial variety – a very recent arrival as he sees it – has tended to win out over the others, penetrating them from within. It is a view with which I am willing to concur, with the proviso that I see the plurality of capitalism as going back a long way. Finance capitalism was no newborn child of the 1900s; I would even argue that in the past – in say Genoa or Amsterdam – *following a wave of growth in commercial capitalism and the accumulation of capital on a scale beyond the normal channels for investment*, finance capitalism was already in a position to take over and dominate, for a *while at least*, all the activities of the business world.
>
> (Braudel 1984: 604; emphasis added)

The idea that long before the early twentieth century the accumulation of capital through the purchase and sale of commodities 'on a scale beyond the normal channels for investment' enabled finance capitalism 'to take over and dominate, for a while at least, all the activities of the business world', is a recurrent theme of the second and third volumes of Braudel's trilogy *Civilization and Capitalism*. It underlies Braudel's contention that the essential feature of historical capitalism over its *longue durée*, that is, over its entire lifetime, has been the 'flexibility' and 'eclecticism' of capital rather than the concrete forms it assumed at different places and at different times.

> Let me emphasize the quality that seems to me to be an essential feature of the general history of capitalism: its unlimited flexibility, its capacity for change and *adaptation*. If there is, as I believe, a certain unity in capitalism, from thirteenth-century Italy to the present-day West, it is here above all that such unity must be located and observed.
>
> (Braudel 1982: 433)

In certain periods, even long periods, capitalism did seem to 'specialize', as in the nineteenth century, when '[it] moved so spectacularly into the new world of industry'. This specialization led many 'to regard industry as the final flowering which gave capitalism its "true" identity'. But this is a short-term view.

> [After] the initial boom of mechanization, the most advanced kind of capitalism reverted to eclecticism, to an indivisibility of interests so to speak, as if the characteristic advantage of standing at the commanding heights of the economy, today just as much as in the days of Jacques Coeur (the fourteenth-century tycoon) consisted precisely of *not* having to confine oneself to a single choice, of being eminently adaptable, hence non-specialized.
>
> (Braudel 1982: 381; translation amended as indicated in Wallerstein 1991: 213)

These passages can be read as a restatement of Karl Marx's general formula of capital, *M–C–M'*. Money capital (M) means liquidity, flexibility, freedom of choice. Commodity capital (C) means capital invested in a particular input–output combination in view of a profit. Hence, it means concreteness, rigidity, and a narrowing down or closing of options. M' means *expanded* liquidity, flexibility and freedom of choice. Thus understood, Marx's formula tells us that capitalist agencies invest money in particular input–output combinations, with all the loss of flexibility and of freedom of choice that goes with it, not as an end in itself. Rather, they do so as a *means* towards the end of securing an even greater flexibility and freedom of choice at some future point in time. Marx's formula also tells us that, if there is no expectation on the part of capitalist agencies that their freedom of choice will increase, or if this expectation goes unfulfilled systematically, capital *tends* to revert to more flexible forms of investment, first and foremost to its money form. In other words, the 'preference' of capitalist agencies for liquidity increases and an unusually large share of their cash flows tends to remain in liquid form.

This second reading is implicit in Braudel's characterization of 'financial expansion' as a symptom of maturity of a particular phase of capitalist development. In discussing the withdrawal of the Dutch from commerce around 1740 to become 'the bankers of Europe', Braudel suggests that this withdrawal is a recurrent world-systemic tendency. The same tendency had already been in evidence in fifteenth-century Italy, and again around 1560, when the leading groups of the Genoese business diaspora gradually withdrew from commerce to exercise for about seventy years a rule over European finances comparable to that exercised in the twentieth century by the Bank of International Settlement at Basle – 'a rule that was so discreet and sophisticated that historians for a long time failed to notice it'. After the Dutch, the tendency was replicated by the English during and after the Great Depression of 1873–96, when the end of 'the fantastic venture of the industrial revolution' created an overabundance of money capital (Braudel 1984: 157, 164, 242–3, 246).

After the equally fantastic venture of so-called Fordism-Keynesianism, US capital since the 1970s has followed a similar trajectory. Braudel does not discuss the financial expansion of our days, which gained momentum in the 1980s, that is, after he had completed his trilogy on *Civilization and Capitalism*. Nevertheless, we can easily recognize in this latest 'rebirth' of finance capital yet another instance of that recurrent reversal to 'eclecticism' which in the past has been associated with the maturity of a major capitalist development. '[Every] capitalist development of this order seems, by reaching the stage of financial expansion, to have in some sense announced its maturity: it [is] *a sign of autumn*' (Braudel 1984: 246; emphasis added).

In light of these observations, we may interpret Marx's general formula of capital (M–C–M') as depicting not just the logic of individual capitalist investments, but also a recurrent pattern of historical capitalism as world system. The central aspect of this pattern is the alternation of epochs of material expansion (that is, M–C phases of capital accumulation) with phases of financial rebirth and expansion (that is, C–M' phases). In phases of material expansion, money capital 'sets in motion' an increasing mass of commodities (commoditized labour-power and gifts of nature included); and in phases of financial expansion an increasing mass of money capital 'sets itself free' from its commodity form and accumulation proceeds through financial deals (as in Marx's abridged formula M–M'). Taken together, the two epochs or phases constitute a full *systemic cycle of accumulation* (M–C–M').

Starting from these premises (and relying on Braudel's dating of the recurrent switches of the leading agencies of world-scale processes of capital accumulation from trade and production to high finance) we can identify four systemic cycles of accumulation: a Genoese-Iberian cycle, stretching from the fifteenth century through the early seventeenth; a Dutch cycle, stretching from the late sixteenth century through the late eighteenth; a British cycle, stretching from the mid-eighteenth century through the early twentieth; and a US cycle, stretching from the late nineteenth century through the current phase of financial expansion. Each cycle is named after (and defined by) the particular complex of governmental and business agencies that led the world capitalist *system*, first towards the material and then towards the financial expansions that jointly constitute the cycle. The strategies and structures through which these leading agencies have promoted, organized and regulated the expansion or the restructuring of the capitalist world-economy is what we shall understand by regime of accumulation on a world scale. The main purpose of the concept of systemic cycles is to describe and elucidate the formation, consolidation and disintegration of the successive regimes through which the world capitalist system has expanded from its late-medieval regional embryo to its present global dimension.

As the above periodization implies, consecutive systemic cycles of accumulation overlap with one another at their beginnings and ends. This is because, historically, phases of financial expansion have not just been (to paraphrase Braudel) the 'autumn' of a major development of world capitalism. They have also been periods of transition from one leadership and regime to another in world-scale processes of capital accumulation. They have been the time when the organizing centres of the subsequent cycle emerged interstitially within the structures of the cycle that was drawing to a close, and gradually acquired the capacity to lead world capitalism through a new phase of material expansion.

The historical underpinnings of this conceptualization and periodization of world capitalism have been laid out in detail in two studies, one focused on the cycles themselves (Arrighi 1994) and one on transitions from cycle to cycle (Arrighi and Silver *et al.* 1999). Here we shall limit ourselves to elucidate the logic and mechanisms that underlie the dynamics of the cycles and the transitions. We shall focus first on financial expansions as *recurrent phases* of world capitalism from its earliest beginnings right up to the present. We shall then deal more specifically with systemic cycles of accumulation as *stages* of capitalist development.

The logic and mechanisms of financial expansions

Let us begin by emphasizing that phases of material and financial expansion are both processes of the world capitalist system – a system which has increased in scale and scope over the centuries but has encompassed from its earliest beginnings a large number and variety of governmental and business agencies. Material expansions occur because of the emergence of a particular bloc of governmental and business agencies capable of leading the system towards wider or deeper divisions of labour that create conditions of increasing returns to capital invested in trade and production. Under these conditions profits tend to be ploughed back into the further expansion of trade and production more or less routinely; and, knowingly or unknowingly, the system's main centres cooperate in sustaining one another's expansion. Over time, however, the investment of an ever-growing mass of profits in the further expansion of trade and production inevitably leads to the accumulation of capital 'on a scale beyond the normal channels for investment', as Braudel put it, or, as we would say, over and above what can be reinvested in the purchase and sale of commodities without drastically reducing profit margins. Decreasing returns set in; competitive pressures on the system's governmental and business agencies intensify; and the stage is set for the change of phase from material to financial expansion.

In this progression from increasing to decreasing returns, from cooperation to competition, the relevant organizational structures are not those of the units of the system but those of the system itself. Thus, with specific reference to the latest US cycle, the relevant organizational structures are not merely those of the vertically integrated, bureaucratically managed corporations, which were only one component of the bloc of governmental and business agencies that led world capitalism through the material expansion of the 1950s and 1960s. Rather, they are the organizational structures of the cold war world order in which the expansion was embedded. As the expansion unfolded, it generated three closely related tendencies that progressively undermined the capacity of those structures to sustain the expansion: the tendency of competitive pressures on US corporations to intensify; the tendency of subordinate groups to claim a larger share of the pie; and the tendency of US corporations to hoard the profits of the material expansion in extraterritorial financial markets. Already in evidence in the late 1960s and early 1970s, these were the tendencies that triggered the change of phase from material to financial expansion (Arrighi 1994: chapter 4; Silver and Slater 1999: 211–16).

As Robert Pollin has pointed out, the idea of recurrent and protracted phases of financial expansion poses a basic question: 'Where do the profits come from if not from the production and exchange of commodities?' As he suggests, this question has three possible answers, each pointing to a different source of profits. First, some capitalists are making money at the expense of other capitalists, so that there is a redistribution of profits within the capitalist class but no expansion of profits for the capitalist class as a whole. Second, profits for the capitalist class as a whole expand because financial deals enable capitalists to force a redistribution of wealth and income in their favour, either by breaking previous commitments to workers and communities or by inducing governments to squeeze their populations to make payments to their capitalist creditors. Finally, 'financial deals can be profitable on a sustained basis... if [they enable] capitalists to move their funds out of less profitable and into more profitable areas of production and exchange' (1996: 115–16).

In our conceptualization of financial expansions, each of these three sources of profitability plays a distinct role. The first source provides the link between the crises of overaccumulation that signal the end of material expansions and the beginning of the financial expansions that follow. Thus, at the onset of each financial expansion,

> an overaccumulation of capital leads capitalist organizations to invade one another's spheres of operation; the division of labor that previously defined the terms of their mutual cooperation breaks down; and, increasingly, the losses of one organization are the condition of the profits of another. In short, competition turns from a positive-sum into a zero-sum (or even a negative-sum) game. It becomes cut-throat competition.
>
> (Arrighi 1994: 227)

In and by itself, this source of profits does not provide a plausible explanation of the long periods of financial expansion – longer, as a rule, than half a century – that have intervened between the end of every phase of material expansion and the beginnings of the next. Nevertheless, cut-throat competition among capitalist agencies consolidates what we may call the 'supply' conditions of sustained financial expansions. That is to say, by accentuating the overall tendency of profit margins in trade and production to fall, it strengthens the disposition of capitalist agencies to keep in liquid form a growing proportion of their incoming cash flows.

Sustained financial expansions materialize only when the enhanced liquidity preference of capitalist agencies is matched by adequate 'demand' conditions. Historically, the crucial factor in creating the demand conditions of all financial expansions has been an intensification of interstate competition for mobile capital. Braudel says nothing about such a competition, in spite of Max Weber's observation that it constitutes 'the world-historical distinctiveness of [the modern] era' (1978: 354). Whereas in pre-modern times the formation of world empires swept away freedoms and powers of the cities that constituted the main loci of capitalist expansion, in the modern era these loci came under the sway of 'competing national states in a condition of perpetual struggle for power in peace or war... The separate states had to compete for mobile capital, which dictated to them the conditions under which it would assist them to power.' This competitive struggle has created the largest opportunities for modern capitalism, 'and as long as the national state does not give place to a world empire capitalism also will endure' (Weber 1961: 249).

The occurrence of financial expansions in periods of particularly intense interstate competition for mobile capital is no mere historical accident. Rather, it is the outcome of a double tendency engendered by particularly rapid, extensive and profitable expansions of trade and production. On the one hand, capitalist organizations and individuals respond to the accumulation of capital over and above what can be reinvested profitably in established channels of trade and production by holding in liquid form a growing proportion of their incoming cash flows. This tendency creates an overabundant mass of liquidity that can be mobilized directly or through intermediaries in speculation, borrowing and lending. On the other hand, territorial organizations respond to the tighter budget constraints that ensue from the slowdown in the expansion of trade and production by competing intensely with one another for the capital that accumulates in financial markets. This tendency brings about massive, system-wide redistributions of income and wealth from all kinds of communities to the agencies that control mobile capital, thereby inflating and sustaining the profitability of financial deals largely divorced from commodity trade and production (Pollin's second source of financial profits). All the *belles époques* of finance capitalism – from Renaissance Florence to the Reagan and Clinton eras, through the Age of the Genoese, the periwig period of Dutch history and Britain's Edwardian era – have been the outcome of the combined if uneven development of these two complementary tendencies (Arrighi 1994: 11–13, 16, 105, 172–4, 231, 314–17, 330; Arrighi and Silver *et al.* 1999: especially chapter 3).

Finally, Pollin's third source of financial profit – the reallocation of funds from less to more profitable areas of material production and exchange – comes into the picture, not as a critical factor that makes financial deals profitable on a sustained basis, but as a factor in the *supersession* of financial expansions by a new phase of material expansion. Particularly illuminating in this connection is Marx's observation that the credit system has been a key instrument, both nationally and internationally, of the transfer of surplus capital from declining to rising centres of capitalist trade and production. Like Weber, Marx attributed great importance to the role played by the system of national debts pioneered by Genoa and Venice in the late middle ages in propelling the initial expansion of modern capitalism.

> National debt, i.e., the alienation of the state – whether despotic, constitutional or republican – marked with its stamp the capitalistic era.... As with the stroke of an enchanter's wand, [the public debt] endows barren money with the power of breeding and thus turns it into capital, without the necessity of its exposing itself to the troubles and risks inseparable from its employment in industry or even in usury. The state-creditors actually give nothing away, for the sum lent is transformed into public bonds, easily negotiable, which can go on functioning in their hands just as so much hard cash would.
>
> (Marx 1959: 754–5)

Since Marx's core argument in *Capital* abstracts from the role of states in processes of capital accumulation, national debts and the alienation of the assets and future revenues of states are dealt with under the rubric of 'primitive accumulation' – Adam Smith's 'previous accumulation', 'an accumulation not the result of the capitalist mode of production, but its starting point' (Marx 1959: 713). This conceptualization prevented Marx from appreciating the continuing historical significance of national debts in a world capitalist system embedded in states continually competing with one another for mobile capital. Nevertheless, Marx did acknowledge the continuing significance of national debts, not as an expression of interstate competition, but as means of an 'invisible' inter-capitalist co-operation that 'started' capital accumulation over and over again across the space-time of the world capitalist system from its inception through his own days:

> With the national debt arose an international credit system, which often conceals one of the sources of primitive accumulation in this or that people. Thus the villainies of the Venetian thieving system formed one of the secret bases of the capital-wealth of Holland to whom Venice in her decadence lent large sums of money. So was it with Holland and England. By the beginning of the 18th century.... Holland had ceased to be the nation preponderant in commerce and industry. One of its main lines of business, therefore, [became] the lending out of enormous amounts of capital, especially to its great rival England. [And the] same thing is going on to-day between England and the United States.
>
> (Marx 1959: 755–6)

Marx never developed the theoretical implications of this historical observation. In spite of the considerable space dedicated to 'money-dealing capital' in volume III of *Capital*, he never rescued national debts and the alienation of the state from their confinement to the mechanisms of an accumulation that is 'not the result of the capitalist mode of production but its starting point'. And yet, in his own historical observation, what appears as a 'starting point' in one centre (Holland, England, the United States) is at the same time the 'result' of long periods of capital accumulation in previously established centres (Venice, Holland, England). To use Braudel's imagery, each and every financial expansion is simultaneously the 'autumn' of a capitalist development of world-historical significance that has reached its limits in one place and the 'spring' of a development of equal or even greater significance that is about to begin in another place.

This conceptualization of systemic cycles of accumulation generates the periodization of capitalist history summed up in the diagrammatic representation of Figure 4.1. As the figure shows, Joseph Schumpeter (1954: 163) was perfectly justified in suggesting that, in matters of capitalist development, a century is a 'short run'. As it turns out, in matters of development of the world capitalist system, a century does not constitute even

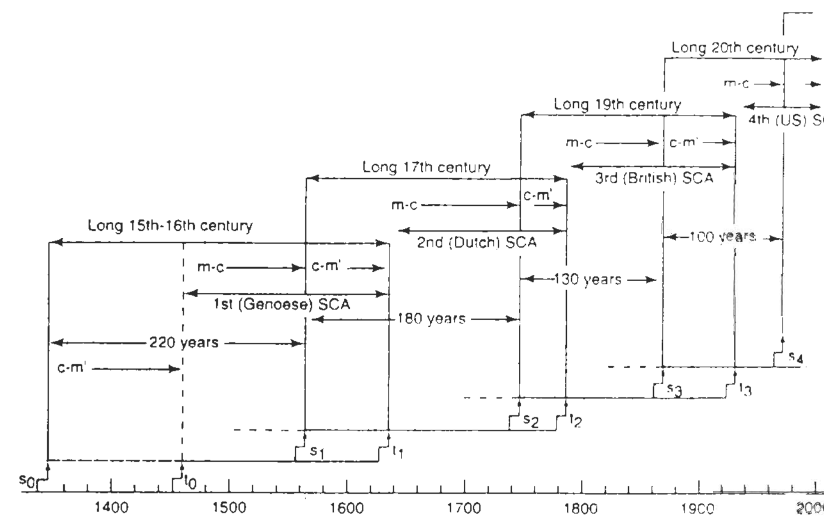

Figure 4.1 Long centuries and systemic cycles of accumulation (SCAs).

a 'short run'. Thus, Immanuel Wallerstein (1974) borrowed Braudel's notion of a 'long sixteenth century' (1450–1640) as the proper unit of analysis of what in his scheme of things is the first (formative) stage of the capitalist world-economy. Eric Hobsbawm (1987: 8–9) similarly speaks of a 'long nineteenth century' (1776–1914) as the appropriate time frame for the analysis of what he envisages as the bourgeois-liberal (British) stage of historical capitalism. In our representation we have not two but four 'long centuries' as the appropriate time frame for the analysis of the rise, full expansion and eventual supersession of the agencies, strategies and structures that define distinct systemic cycles of accumulation. The long centuries that encompass the cycles overlap because, as a rule, the agencies, strategies and structures of each cycle (in short, their regimes) formed and rose to preeminence during the phase of financial expansion of the preceding cycle.

All long centuries thus consist of three distinct segments or periods: (1) a first period of financial expansion (stretching from S_{n-1} to T_{n-1}) in the course of which the new regime of accumulation develops within the old – its development being an integral aspect of the full expansion and contradictions of the latter; (2) a period of consolidation and further development of the new regime of accumulation (stretching from T_{n-1} to S_n) in the course of which its leading agencies promote, monitor and profit from the material expansion of the world capitalist system as a whole; (3) a second period of financial expansion (from S_n to T_n) in the course of which the contradictions of the fully developed regime of accumulation create the space for, and are deepened by, the emergence of competing and alternative regimes, one of which will eventually (that is, at time T_n) become the new dominant regime.

Borrowing an expression from Gerhard Mensch (1979: 75), we designate the beginning of every financial expansion (and therefore of every long century) as the '*signal* crisis' (S_1, S_2, S_3, and S_4 in Figure 4.1) of the dominant regime of accumulation. It is at this time that the leading agency of systemic processes of accumulation begins to switch ever more massively its capital from trade and production to financial intermediation and speculation. The switch is the expression of a 'crisis' in the sense that it marks a 'turning point', a 'crucial time of decision' when the leading agency of systemic processes of capital accumulation reveals, through the switch, both a positive and a negative judgement. The negative judgement concerns the possibility to go on profiting from the reinvestment of incoming cash flows in the trade and production of commodities, that is, in the existing M–C–M' circuit. And the positive judgement concerns the possibility of prolonging in time and space its leadership and dominance through a greater specialization in high finance, that is, in an M–M' circuit.

This crisis is the 'signal' of a deeper underlying systemic crisis, which the switch to high finance nonetheless forestalls for the time being. Indeed, the switch can do more than that. It may turn the end of material expansion into a 'wonderful moment' (a *belle époque*) of renewed wealth and power for its promoters and organizers. To a different extent and in different ways it has done so in all four systemic cycles of accumulation. However wonderful this moment might be for those who benefit most from the end of the material expansion, in past cycles it has never been the expression of a lasting resolution of the underlying systemic crisis. On the contrary, it has always been the preamble to a deepening of the crisis and to the eventual supersession of the still dominant regime of accumulation by a new one. We call the event, or series of events, that lead to this final supersession the '*terminal* crisis' (T_1, T_2, T_3 in Figure 4.1) of the dominant regime of accumulation, and we take it to mark the end of the long century that encompasses the rise, full expansion and demise of that regime.

As shown in the figure, our assessment is that the present US regime has already experienced its signal crisis – a crisis which we situate around 1970 – but not yet its terminal crisis. Two closely related questions then arise: (1) Is the US cycle bound to end like all previous cycles in a terminal crisis? (2) And if it is, what new paths of world capitalist development, if any, can be expected to emerge out of the terminal crisis? These questions cannot be answered by treating systemic cycles of accumulation as mere cycles, as we have done so far. Rather, even the most tentative of answers requires that we deal with them as *stages* in an evolutionary process of expansion and transformation of world capitalism.

Systemic cycles of accumulation as stages of capitalist development

Let us begin by noticing that all the long centuries depicted in Figure 4.1 consist of three analogous segments and are all longer than a century, but over time they have grown shorter. That is to say, as we move from the earlier to the later stages of capitalist development, it has taken less and less time for systemic regimes of accumulation to rise, develop fully, and be superseded. This speed-up can be gauged with some precision by comparing the periods of time that separate successive signal crises. These periods measure the time that it has taken successive regimes, first, to become dominant after the signal crisis of the preceding regime and, second, to attain the limits of their own capabilities to go on profiting from the material expansion of the world-economy. As shown in Figure 4.1, this time has decreased steadily, from about 220 years in the case of the Genoese regime, to about 180 years in the case of the Dutch regime, to about 130 years in the case of the British regime and to about 100 years in the case of the US regime.

While the time taken by successive regimes of accumulation to rise to dominance and attain their maturity has been decreasing, the size and organizational complexity of the leading agencies of these successive regimes has been increasing. The latter tendency is most clearly perceived by focusing on the 'containers of power' (that is, on the states) that have housed the 'headquarters' of the leading capitalist agencies of the successive regimes: the Republic of Genoa, the United Provinces, the United Kingdom and the United States.

At the time of the rise and full expansion of the Genoese regime, the Republic of Genoa was a city-state small in size and simple in organization which contained very little power indeed. Deeply divided socially, and rather defenceless militarily, it was by most criteria a weak state in comparison with and in relation to all the great powers of the time, among which its old rival Venice still ranked fairly high. Yet, thanks to its far-flung commercial and financial networks the Genoese capitalist class, organized in a cosmopolitan diaspora, could deal on a par with the most powerful territorialist rulers of Europe, and turn the relentless competition for mobile capital among these rulers into a powerful engine for the self-expansion of its own capital (Arrighi 1994: 109–32, 145–51).

At the time of the rise and full expansion of the Dutch regime of accumulation, the United Provinces was a hybrid kind of organization that combined some of the features of the disappearing city-states with some of the features of the rising nation-states. A larger and far more complex organization than the Republic of Genoa, the United Provinces 'contained' sufficient power to win independence from imperial Spain, to carve out of the latter's seaborne and territorial empire a highly profitable empire of commercial outposts, and to keep at bay the military challenges of England by sea and France by land. This greater power of the Dutch state relative to the Genoese enabled the Dutch capitalist class to do what the Genoese had already been doing – turn interstate competition for mobile capital into an engine for the self-expansion of its own capital – but without having to 'buy' protection from territorialist states, as the Genoese had done through a relationship of political exchange with Iberian rulers. The Dutch regime, in other words, 'internalized' the protection costs that the Genoese had 'externalized' (Arrighi 1994: 36–47, 127–51).

At the time of the rise and full expansion of the British regime of accumulation, the United Kingdom was not only a fully developed nation-state and, as such, a larger and more complex organization than the United Provinces had ever been. In addition, it was in the process of conquering a world-encompassing commercial and territorial empire that gave its ruling groups and its capitalist class a command over the world's human and natural resources without parallel or precedent. This command enabled the British capitalist class to do what the Dutch had already been able to do – turn to its own advantage interstate competition for mobile capital and 'produce' all the protection required by the self-expansion of its capital – but without having to rely on foreign and often hostile territorialist organizations for most of the agro-industrial production on which the profitability of its commercial activities rested. If the Dutch regime relative to the Genoese had internalized protection costs, the British regime relative to the Dutch internalized production costs as well (Arrighi 1994: 43–58, 174–238).

Finally, at the time of the rise and full expansion of the US regime of accumulation, the US was already something more than a fully developed nation-state. It was a continental military-industrial complex with sufficient power to provide a wide range of subordinate and allied governments with effective protection and to make credible threats of economic strangulation or military annihilation towards unfriendly governments anywhere in the world. Combined with the size, insularity and natural wealth of its domestic territory, this power enabled the US capitalist class to 'internalize' not just protection and production costs – as the British capitalist class had already done – but transaction costs as well, that is to say, the markets on which the self-expansion of its capital depended (Arrighi 1994: 58–74 and chapter 4).

This steady increase in the size, complexity and power of the leading agencies of world capitalist development is somewhat obscured by another feature of the temporal sequence sketched in Figure 4.1. This feature is the double movement – forward and backward at the same time – that has characterized the sequential development of systemic cycles of accumulation. For each step forward in the process of internalization of costs by a new regime of accumulation has involved a revival of governmental and business strategies and structures that had been superseded by the preceding regime.

Thus, the internalization of protection costs by the Dutch regime in comparison with, and in relation to, the Genoese regime occurred through a revival of the strategies and structures of Venetian state monopoly capitalism which the Genoese regime had superseded. Similarly, the internalization of production costs by the British regime in comparison with, and in relation to, the Dutch regime occurred through a revival in new, enlarged and more complex forms of the strategies and structures of Genoese cosmopolitan capitalism and Iberian global territorialism, the combination of which had been superseded by the Dutch regime. And the same pattern recurred once again with the rise and full expansion of the US regime, which internalized transaction costs by reviving in new, enlarged and more complex forms the strategies and structures of Dutch corporate capitalism which had been superseded by the British regime (Arrighi 1994: 57–8, 70–2, 243ff.).

This recurrent revival of previously superseded strategies and structures of accumulation generates a pendulum-like movement back and forth between 'cosmopolitan-imperial' and 'corporate-national' organizational structures, the first being typical of 'extensive' regimes – as the Genoese and the British were – and the second of 'intensive' regimes – as the Dutch and the US were. The Genoese and British 'cosmopolitan-imperial' regimes were extensive in the sense that they have been responsible for most of the geographical expansion of the world capitalist system. Under the Genoese regime, the world was 'discovered', and under the British it was 'conquered'.

The Dutch and the US 'corporate-national' regimes, in contrast, were intensive in the sense that they have been responsible for the geographical consolidation rather than expansion of the world capitalist system. Under the Dutch regime, the 'discovery' of the world realized primarily by the Iberian partners of the Genoese was consolidated into an Amsterdam-centred system of commercial entrepots and joint-stock chartered companies. And under the US regime, the 'conquest' of the world realized primarily by the British themselves was consolidated into a US-centred system of national markets and transnational corporations.

This alternation of extensive and intensive regimes naturally blurs our perception of the underlying, truly long-term, tendency of the leading agencies of systemic processes of capital accumulation to increase in size, complexity and power. When the pendulum swings in the direction of extensive regimes – as in the transition from the Dutch to the British – the underlying trend is magnified. And when it swings in the direction of intensive regimes – as in the transitions from the Genoese to the Dutch and from the British to the US regimes – the underlying trend appears to have been less significant than it really was.

Nevertheless, once we control for these swings in the pendulum by comparing the two intensive and the two extensive regimes with one another – the Genoese with the British, and the Dutch with the US – the underlying trend becomes unmistakable. The development of historical capitalism as a world system has been based on the formation of ever more powerful cosmopolitan-imperial (or corporate-national) blocs of governmental and business organizations endowed with the capability of widening (or deepening) the functional and spatial scope of the world capitalist system. And yet, the more powerful these blocs have become, the shorter have been the life-cycles of the regimes of accumulation they have brought into being – the shorter, that is, has been the time it has taken for these regimes to emerge out of the crisis of the preceding dominant regime, to become themselves dominant, and to attain their limits as signalled by the beginning of a new financial expansion. In the case of the British regime, this time was 130 years, or about 40 per cent less than it had been for the Genoese regime; and in the case of the US regime it was 100 years, or about 45 per cent less than for the Dutch regime.

This pattern of capitalist development, whereby an increase in the power of regimes of accumulation is associated with a decrease in their duration, is reminiscent of Marx's contention that '*the real barrier* of capitalist production is *capital itself*' and that capitalist production continually overcomes its immanent barriers 'only by means which again place these barriers in its way on a more formidable scale' (Marx 1962: 245).

> The contradiction, to put it in a very general way, consists in that the capitalist mode of production involves a tendency towards absolute development of the productive forces... regardless of the social conditions under which capitalist production takes place; while, on the other hand, its aim is to preserve the value of existing capital and promote its self-expansion (i.e. to promote an ever more rapid growth of this value)... It is that capital and its self-expansion appear as the starting and closing point, the motive and purpose of production; that production is only production for capital and not vice versa... The means – unconditional development of the productive forces of society – comes continually into conflict with the limited purpose, the self-expansion of capital. [If the] capitalist mode of production is, for this reason, a historical means of developing the material forces of production and creating an appropriate world-market, [it] is, at the same time, a continual conflict between this... historical task and its own corresponding relations of social production.
>
> (Marx 1962: 244–5)

This contradiction between the self-expansion of capital on the one side, and the development of the material forces of production and of an appropriate world market on the other, can in fact be reformulated in even more general terms than Marx did. For historical capitalism as world system of accumulation became a 'mode of production' – that is, it internalized production costs – only in its third (British) stage of development. And yet, the principle that the real barrier of capitalist development is capital itself, that the self-expansion of existing capital is in constant tension, and recurrently enters in open contradiction, with the expansion of world trade and production and the creation of an appropriate world market – all this was clearly at work already in the first two stages of development, notwithstanding the continuing externalization of agro-industrial production by the leading agencies of capital accumulation on a world scale.

In both stages the starting and closing point of the expansion of world trade and production was the pursuit of profit as an end in itself on the part of a particular capitalist agency. In the first stage, the 'Great Discoveries', the organization of long-distance trade within and across the boundaries of the far-flung Iberian empire(s), and the creation of an embryonic 'world market' in Antwerp, Lyons and Seville were to Genoese capital mere means of its own self-expansion. And when around 1560 these means no longer served this purpose, Genoese capital promptly pulled out of trade to specialize in high finance. Likewise, the undertaking of carrying trade among separate and often distant political jurisdictions, the centralization of entrepot trade in Amsterdam and of high-value-added industries in Holland, the creation of a worldwide network of commercial outposts and exchanges, and the 'production' of whatever protection was required by all these activities, were to Dutch capital mere means of its own self-expansion. And again, when around 1740 these means no longer served this purpose, Dutch capital – like Genoese capital 180 years earlier – abandoned them in favour of a more thorough specialization in high finance.

From this angle of vision, in the nineteenth century British capital simply repeated a pattern that had been established long before historical capitalism as mode of accumulation had become also a mode of production. The only difference was that, in addition to carrying, entrepot and other kinds of long-distance and short-distance trade and related protection and production activities, in the British cycle extractive and manufacturing activities – that is, what we may call production in a narrow sense – had become critical means of the self-expansion of capital. But around 1870, when production and related trade activities no longer served this purpose, British capital moved fast towards specialization in financial speculation and intermediation, just like Dutch capital had done 130 years earlier and Genoese capital 310 years earlier.

The same pattern was repeated 100 years later by US capital. This latest switch from trade and production to financial speculation and intermediation – like the three analogous switches of earlier centuries – can be interpreted as reflecting the same underlying contradiction between the self-expansion of capital and the expansion of world trade and production, which in our scheme corresponds to Marx's 'development of the productive forces of [world] society'. The contradiction is that the expansion of world trade and production was in all instances mere means in endeavours aimed primarily at increasing the value of capital and yet, over time, it tended to drive down the rate of profit and thereby curtail the value of capital. Thanks to their continuing centrality in networks of high finance, the established organizing centres are best positioned to turn the intensifying competition for mobile capital to their advantage, and thereby reflate their profits and power at the expense of the rest of the system. From this point of view, the present reflation of US profits and power follows a pattern that has been typical of world capitalism from its earliest beginnings. The question that remains open, and to which we shall now turn by way of conclusion, is whether this long-established pattern can be expected to result in the future as it did in the past in the replacement of the still dominant regime by another regime.

Possible futures

Systemic cycles of accumulation describe both patterns of recurrence and patterns of evolution. Figure 4.1 only shows the pattern of recurrence that consists of alternating phases of material and financial expansion and the pattern of evolution that consists of a speed-up of world-scale processes of accumulation from cycle to cycle. It does not show the pattern of recurrence that consists of alternating extensive ('cosmopolitan-imperial') and intensive ('corporate-national') stages of world capitalist development. Nor does it show the increasing scale and scope of successive cycles. As we have seen, this increasing scale and scope can be gauged both by the greater size and power of the cycles' organizing centres relative to their predecessors and by the progressive internalization of costs within the structures of successive regimes. Figure 4.2 complements and supplements Figure 4.1 by focusing specifically on these patterns.

Were the future of world capitalism fully inscribed in its past patterns of recurrence and evolution – which is even less likely to be the case in the present than it was in past transitions, as we shall presently see – the task of forecasting what to expect over the next half century or so would be straightforward. Our expectations would be the following. First, within 10 or at most 20 years that US regime would experience its terminal crisis. Second, over time (let us say, in another 20 years or so) the crisis would be superseded by the formation of a new regime capable of sustaining a new material expansion of world capitalism. Third, the leading governmental organization of this new regime would approximate the features of a 'world-state' more closely than the United States already has. Fourth, unlike the US regime, the new regime would be of the extensive ('cosmopolitan-imperial') rather than of the intensive ('corporate-national') variety. Finally, and most important, the new regime would internalize reproduction costs, that is, the kind of costs that the US regime has tended to externalize ever more massively.

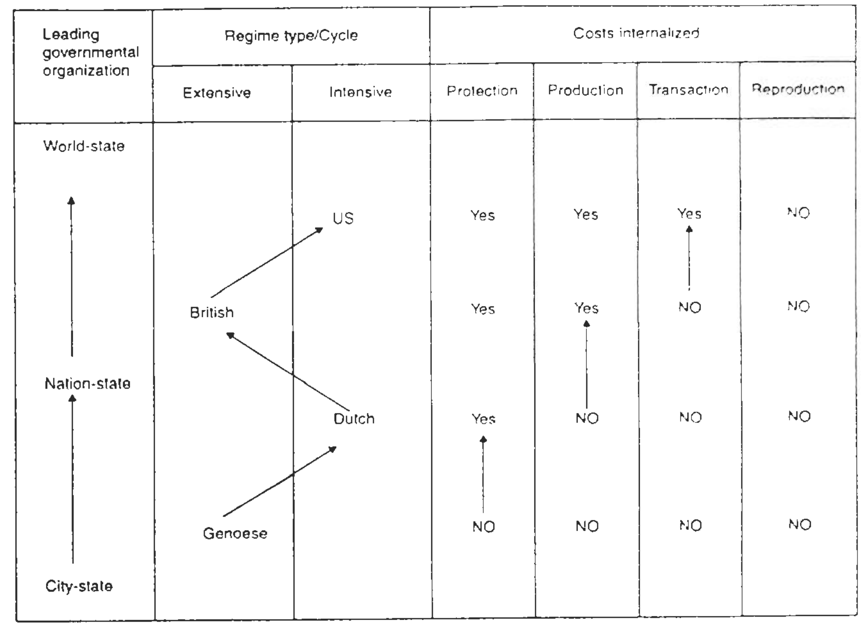

Figure 4.2 Evolutionary patterns of world capitalism.

It is certainly within the realm of historical possibilities that these expectations will actually be fulfilled. But their fulfilment is neither the only nor, indeed, the most likely of possible futures, because transitions from one regime to another are not fully inscribed in previously established patterns. Established patterns of recurrence and evolution show that the *succession* of emergent developmental paths that over the centuries has propelled the expansion of the world capitalist system to its present, all-encompassing global dimensions, has not been a purely random process. But the emergence of a newly successful developmental path in the course of each and every transition has been contingent upon, and thoroughly shaped by, a range of historical and geographical factors that were themselves transformed and recombined by the competition and struggles that underlie financial expansions.

The patterns we observe *ex post*, in other words, are as much the outcome of geographical and historical contingencies as they are of historical necessity. In speculating *ex ante* about future outcomes of the present transition, therefore, we must pay equal attention to occurrences that fit into past patterns of recurrence and evolution and to occurrences that do not, that is, to significant anomalies that can be expected to make future outcomes deviate from past patterns. An in-depth analysis of the dynamic of the present transition in comparison with past transitions (Arrighi and Silver *et al.* 1999) has identified a number of such anomalies, three of which deserve particular attention as a warning against any mechanical projection of past patterns into the future.

First, in past transitions financial expansions were characterized by the interstitial emergence of governmental-business complexes that were (or could be plausibly expected to become) more powerful both militarily and financially than the still dominant governmental-business complex – as the US complex was relative to the British in the early twentieth century, the British complex relative to the Dutch in the early eighteenth century, and the Dutch relative to the Genoese in the late sixteenth century. In the present transition, in contrast, no such emergence can be detected. What we observe instead is a bifurcation of global military and financial resources that has no precedent in earlier transitions. As in past transitions, the declining but still dominant (US) complex has been transformed from the world's leading creditor into the world's leading debtor nation. As in no past transitions, however, military resources have become more than ever concentrated in the hands of the still dominant complex, while the emerging creditor nations can at most aspire to become military powers of no more than regional significance (Arrighi and Silver *et al.* 1999: 88–96, 275–8).

Second, and closely related to the above, the world's emerging creditor nations (most notably Japan and the overseas Chinese diaspora operating out of Taiwan, Hong Kong and Singapore) all belong to a non-Western civilization (the China-centred regional world system) and are organized politically in city-states (one sovereign, Singapore, and one semi-sovereign, Hong Kong), a semi-sovereign province (Taiwan) and a military protectorate of the United States (Japan). This constitutes a double anomaly, because in past transitions the change of guard at the commanding heights of world capitalism always involved a shift of financial power from the non-Western to the Western world, and within the Western world, from city-states and semi-sovereign political formations to empire-building nation-states of increasing scale and complexity. The anomalous bifurcation of military and financial power is thus accompanied by an equally anomalous reversal of the tendency towards an increasing concentration of financial power in the hands of *Western* states of growing size and complexity (Arrighi and Silver *et al.* 1999: 141–50, 263–70, 286–9).

Third, and probably most important, past transitions were all shaped by escalating social conflict. But escalating social conflict was far more a consequence than a cause of the inter-capitalist competition and struggles that underlay financial expansions. In the present transition, in contrast, social conflict has precipitated and shaped the financial expansion from the very start. Indeed, in a very real sense the present financial expansion has been primarily an instrument – to paraphrase Immanuel Wallerstein (1995: 25) – of the containment of the combined demands of the peoples of the non-Western world (for relatively little per person but for a lot of people) and of

the Western working classes (for relatively few people but for quite a lot per person). The financial expansion and associated restructuring of the global political economy have undoubtedly succeeded in disorganizing the social forces that were the bearers of these demands in the upheavals of the late 1960s and 1970s. At the same time, however, the underlying contradiction of a world capitalist system that promotes the formation of a world proletariat but cannot accommodate a generalized living wage (that is, the most basic of reproduction costs), far from being solved, has become more acute than ever (Arrighi and Silver *et al.* 1999: 211–6, 282–6).

The combination of these anomalies points to the pitfalls involved in any simple extrapolation into the future of the long-term tendencies depicted in Figure 4.2. Social pressures for the internalization of reproduction costs within the structures of world capitalism have not been eliminated. And yet, the bifurcation of military and financial power and the decentralization of financial power in otherwise politically weak states do not augur well for an easy or imminent accommodation of those pressures. This does not mean that there are no solutions to the crisis of overaccumulation that underlies the ongoing financial expansion. Rather, it means that the crisis has more than one possible solution – some involving a continuation of past patterns, others their reversal, and still others the emergence of new patterns. Which particular solution will eventually materialize depends on an ongoing process of struggle that for the most part still lies in front of us.

Also by Robert Albritton

A JAPANESE APPROACH TO STAGES OF CAPITALIST DEVELOPMENT

DIALECTICS AND DECONSTRUCTION IN POLITICAL ECONOMY

Also by Makoto Itoh

POLITICAL ECONOMY FOR SOCIALISM

POLITICAL ECONOMY OF MONEY AND FINANCE (*with Costas Lapavitsas*)

THE BASIC THEORY OF CAPITALISM

THE JAPANESE ECONOMY RECONSIDERED

THE WORLD ECONOMIC CRISIS AND JAPANESE CAPITALISM

Phases of Capitalist Development

Booms, Crises and Globalizations

Edited by

Robert Albritton
Associate Professor of Political Science
York University
Toronto
Canada

Makoto Itoh
Professor of Economics
Kokugakuin University
Tokyo
Japan

Richard Westra
Lecturer in Political Science
School of Social Science
College of the Bahamas
Nassau
Bahamas

and

Alan Zuege
Department of Political Science
York University
Toronto
Canada

palgrave

First published 2001 by
PALGRAVE
Houndmills, Basingstoke, Hampshire RG21 6XS and
175 Fifth Avenue, New York, N.Y. 10010
Companies and representatives throughout the world

PALGRAVE is the new global academic imprint of St. Martin's Press LLC Scholarly and Reference Division and Palgrave Publishers Ltd (formerly Macmillan Press Ltd).

ISBN 0–333–75316–X hardback
ISBN 0–333–94838–6 paperback

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data
Phases of capitalist development : booms, crises, and globalizations / edited by Robert Albritton ... [et al.].
p. cm.
Includes bibliographical references and index.
ISBN 0–333–75316–X
1. Capitalism. 2. Economic development. 3. Financial crises. 4. Globalization. I. Albritton, Robert, 1941–
HB501 .P4175 2000
338.9—dc21
00–053063

10 9 8 7 6 5 4 3 2 1
10 09 08 07 06 05 04 03 02 01

Printed in Great Britain by Antony Rowe Ltd, Chippenham, Wiltshire

Contents

Preface vii
Notes on the Contributors viii
Introduction xii

1 International Relations and Capitalist Discipline 1
Kees van der Pijl
2 The Fortunes and Misfortunes of Post-Fordism 17
Alain Lipietz
3 The Disintegration of Capitalism: A Phase of Ex-Capitalist Transition 37
John Bell and Thomas T. Sekine
4 Capitalist Development in World Historical Perspective 56
Giovanni Arrighi and Jason W. Moore
5 Class Struggle and the Global Overaccumulation of Capital 76
Simon Clarke
6 The State, Globalization and Phases of Capitalist Development 93
David M. Kotz
7 Spiral Reversal of Capitalist Development: What Does It Imply for the Twenty-First Century? 110
Makoto Itoh
8 Capitalism in the Future Perfect Tense 125
Robert Albritton
9 Periodizing Capitalism: Technology, Institutions and Relations of Production 141
Gérard Duménil and Dominique Lévy
10 Space, Regulation and the Periodization of Capitalism 163
Sabah Alnasseri, Ulrich Brand, Thomas Sablowski and Jens Winter
11 Class, Contradiction and the Capitalist Economy 179
Stephen Resnick
12 Has the Empire Struck Back? 195
Alan Freeman
13 Imperialist Contradictions at the Threshold of the Third Millennium: A New Phase? 215
Guglielmo Carchedi

14 Periodizing Capitalism and Analyzing Imperialism: Classical Marxism and Capitalist Evolution 230
Alex Callinicos
15 Growth and Change in the World Economy Since 1950 246
Michael J. Webber and David L. Rigby
16 Globalize, Globa-lize, Global Lies: Myths of the World Economy in the 1990s 263
John Weeks
17 What Follows Fordism? On the Periodization of Capitalism and Its Regulation 283
Bob Jessop
18 Phases of Capitalism and Post-Capitalist Social Change 301
Richard Westra

Bibliography and Select Readings 318
Name Index 340
Subject Index 342

Preface

This volume reflects the intellectual interest of the editors in navigating a sprawling research territory in political economy – the study of phases of capitalist development. The idea for the volume originated with Richard Westra following the publication of his article 'Periodizing Capitalism and the Political Economy of Post-War Japan' in *Journal of Contemporary Asia*. That elicited a response from a small US publishing house that proposed he edit a collection of essays on the topic of periodizing capitalism. From there the idea blossomed into the major collaborative effort that is this volume. Following extensive preparatory discussions among the editors, this effort entailed the selection and forwarding of invitations to world-renowned political economists representing a broad range of perspectives. All were asked to focus upon what the editors believed to be the most important questions facing the research domain of phases of capitalist development. Beyond this rudimentary prompting however the contributors were given complete intellectual freedom and encouragement to expound upon or defend their own position. The editors wish to acknowledge the foresight of Palgrave Publishers for agreeing to publish such an extended collection of essays.