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The challenge of globalization

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ABSTRACT

This article seeks to place contemporary globalization in its right historical place, in two senses. First, it assumes that globalization, associated with the spread and deepening of capitalism, has a long history. It therefore asks what aspects of contemporary globalization can be considered genuinely new. Second, the article offers a historicized perspective, and draws on Marx, Braudel, Polanyi and world-systems theory to defend a non-economistic interpretation of capitalist globalization. It stresses the need to recognize the social and institutional contextualization of globalization in time and space, but without losing sight of the core principles of marxist analysis.

KEYWORDS

Globalization; Marx; Polanyi; Braudel; world-systems theory; 'financialization'.

INTRODUCTION

There is undoubtedly a fairly broad consensus regarding the principal characteristics of the challenge facing contemporary societies, at least regarding the following four points:

- 1 Since the beginning of the 1970s the economic system has been in a long period of relative stagnation (in comparison with the postwar phase of exceptional growth). Whether or not one terms our age as the downward swing of a Kondratieff cycle, the fact remains that rates of growth and investment in the expansion of systems of production have been lower for the last twenty years than they were during the two preceding decades. The entry of the system into this long-term stagnation has put an end to the illusions that were created by the

previous period: that of full employment and indefinite growth in the west, that of development in the south, and that of 'catching up' through socialism in the east.

- 2 The dominant economic actors of the current day – large multinational firms – are capable of developing global strategies of their own, which to a great extent free them from the tutelage of states' national policies (whose impotence is recognized by both those who deplore it and those who rejoice in it). The economic system has become much more globalized than it was thirty years ago.
- 3 Financial preoccupations have gradually assumed more importance than those concerning economic growth or the expansion of systems of production. For some, this 'financialization' of capital encourages usurious behaviour with negative consequences for economic and social development. It is therefore largely responsible for the longevity of stagnation and the severity of unemployment, as it locks economic policies into a deflationary spiral. For others, it is both necessary and desirable as it conditions the restructuring of systems of production and thus paves the way for a new period of growth.
- 4 Finally, on the ideological and political levels the fundamental concepts of a socialist alternative – better socially and at least as effective economically as capitalism – based on a delinking from the global system, are once again being questioned: some deplore this fact and simply attribute the failures of experience to errors in putting the theory into practice (while the theoretical principles remain sound); others make a much more radical criticism of such attempts and consider that the strategy which defined them no longer corresponds to contemporary challenges; some, finally, welcome the failure as it comfortably confirms that any attempt to reject capitalism is utopian.

The first three characteristics of the current crisis are not altogether new developments. The history of capitalism has already seen long periods of stagnation, phases of intensified financialization and even globalization; this is attributed to the fact that economic agents active outside the frontiers of their country escape its laws. None of this is without precedent. We will see below, however, that some of these characteristics are presenting new aspects. The fourth of the above characteristics is, of course, clearly more recent.

However, if agreement exists around what we could call the broad realities of our age as outlined here, there are certainly fundamental divergences as soon as we study the analyses of these phenomena and the perspectives that they open (or close). These divergences not only divide the Left (which includes social reformists, Keynesians and all those who declare themselves the inheritors of marxism) and the Right (defined by its adherence to the fundamental theses of neo-classical

economics) but also cut across the two wings. As ever, when put to the test by developments which qualitatively change structures and thus fundamental behaviours, social thought is forced to redefine itself and to rethink the paradigmatic framework in which it situates the relationships between economic laws (and the constraining objectivity of their nature) and societal changes.

The dominant social thought is economicist in the sense which sets off from the idea that there are economic laws which are 'incontrovertible', that these laws dictate the functioning, change and 'progress' of systems of production, which among other things imposes increasing interdependence of national sub-systems on the global level. This strand of thought, however, goes much further; through the interpretation, right or wrong, of these economic realities as forces which impose themselves on history whether we want them to or not, it calls on us to submit to them. It is said that states' policies must – or should – be adjusted to the strategies of private firms and submit to their interests, which transgress national borders. This is the sense given today to the dynamic of globalization by its champions. Optimists would say that politics and society 'adjust' to these demands of their own accord – or do so eventually – and that this is for the best. Pessimists would say that the conflict between the economic objectivity that is imposing itself and the autonomy of politics and society (including cultural, ideological and religious aspects) can lead to societal sclerosis or, in certain cases, self-destruction.

Economic reductionism has always dominated the social thought of the Right, in a form, moreover, of self-perpetuating optimism regarding the system. The resulting imperfections, or indeed social disasters, are therefore simply the product of a refusal to adjust or transitional hitches which will eventually be left behind (the word 'trickledown' perfectly expresses this forced optimism which dispenses with critical analysis of the system).

However, economic reductionism has also always had a left-wing side, and indeed there has always been an economically reductionist interpretation of marxism itself. I would claim that the existence of this shows that, as Marx himself said, 'the ideology of the dominant class is the dominant ideology in society'. I, along with others, have related economicist alienation – the essential content of bourgeois ideology – to an objective reality: the increasing autonomy of economic law relative to the political and ideological control which was an inherent part of all previous systems. The left-wing version of economic reductionism – including vulgar marxism – is still nevertheless reformist in the sense that it calls not for adjustment by submission to the demands of capitalist management to the unilateral profit of capital, but for the controlled framing of economic necessity (the development of productive forces)

through reforms (including radical reforms modifying social relationships, singularly that of property) which would allow the progress of productive forces to be put to the service of the working classes. Today, therefore, these currents tend to share with the dominant view the idea that 'globalization is incontrovertible'.

This brief overview of the attitudes of social thought regarding the challenges of the modern world also clearly invites us to enquire why responses ('what is to be done?') are so diverse, running from submission to adjustment through reform to either a revolutionary refusal (purporting to be in step with history) or a reactionary refusal (claiming the ability to turn back the clock).

The objective of this article is not to elucidate the entire spectrum of social thought; it is much more modest than that. Initially I would situate myself on the Left in that I believe neither that capitalism amounts to the end of history, nor even that it is capable of surmounting its own inherent contradictions (whose nature I will try to specify below). I will then attempt an interpretation of the problem in question within the framework of this fundamental paradigm. I will do this with the help of an interpretation of marxism which, although I share it with others, is certainly not the only one. I will not attempt to legitimate this interpretation here. I will also consider with the utmost seriousness the contributions of thought that does not necessarily subscribe to the marxist method, and is sometimes situated outside the marxist problematic, as they appear to me to be decisive. I refer specifically here to the contributions of Karl Polanyi, Braudel and world-systems theory current.

UNDERSTANDING HISTORICAL CAPITALISM

I will begin to discuss the questions which I have posed above by returning to the contributions of world-systems analysis. I can be brief here, having expressed myself in some detail on this subject in my article, 'Capitalisme et système-monde' (Amin, 1992a). I will recall here, therefore, only those of my conclusions that are essential to the following discussion:

- 1 Capitalism is a system whose specificity by comparison with previous systems lies precisely in the dominance of economic authority. The law of value not only dictates economic life under capitalism but all aspects of social life (this is what is meant by market alienation). This qualitative reversal of the relationship between economics and politics/ideology rules out, in my opinion, the use of laws which are valid for modern history in the interpretation of pre-capitalist history. There is a historic discontinuity which rules out this sort of generalization. Power commanded wealth, it is henceforth wealth which commands power.

- 2 The capitalist system only reached its advanced form with the establishment of the mechanized factory in the nineteenth century (modern industry), a base which was essential to the deployment of the law of value specific to the capitalist mode of production. Given this, the three centuries which preceded this genuine Industrial Revolution constitute a transitional phase which has been accurately termed as mercantilist.
- 3 The law of value must be understood at its highest level of abstraction, that of the capitalist mode of production (which implies a market integrated in all three dimensions – goods, capital and labour), and at the level of abstraction which defines the global capitalist system (which is deployed on the basis of a truncated integrated market, reduced to the first two of those dimensions). The distinction which I propose between the concept of the law of value and the globalized law of value is essential to my analysis in that only the second can explain why capitalism as a world system engenders polarization by its very nature. The modern capitalist polarization in question did not, therefore, appear until after the turning point of 1800 when capitalism reached its advanced form: first, as a polarization composed of the contrast between an industrialized core and a non-industrialized periphery and then one consisting of the still developing contrast based on the ‘five monopolies’ (these will be discussed on p. 251). Core–periphery polarization is neither synonymous with the metropolis–colony contrast, nor particular to the stage designated as imperialism by Lenin (defined by the establishment of monopolies at the core).
- 4 Any questions related to the history of capitalism – the vicissitudes of the transitional phase of mercantilism (1500–1800), the far-off roots of its initial appearance (before 1500 in Europe and/or elsewhere), the reasons why it took root in Europe (and not elsewhere, earlier, or simultaneously elsewhere) and the phases of its expansion since 1800 – must be discussed, in my opinion, in the light of the concepts defined in the three preceding paragraphs. This methodological comment concerns as much the discussion of ‘long cycles’ as that of the succession of potential hegemonies and rivalries and, consequently, the inequalities (a broader term than ‘polarization’ which I reserve for the effects of the globalized law of value) between countries and regions brought about by the progressive expansion of the system. To this end, I intend to examine in detail the characteristics of what I shall call the succession of phases of accumulation, emphasizing the specificity of each of these phases and thus avoiding over-hasty generalization in order to rediscover the types of general law which can be applied to the mode of repetition (the cycle in the rigorous sense of the term). This method demands that one places the debate in its true context from the start, which implies

analysis of the interrelationships between the different strata proposed by Braudel (see p. 222), that is to say the reconstitution of the contradictory unity between economics and politics (or, in other words, the rejection of the economy vision – bourgeois or otherwise – which supposes that the economy acts alone, according to its own laws, and that politics adjusts to or ‘reflects’ this). Already the globalized law of value, as distinct from the law of value, implies this contradiction of capitalism since the truncated nature of world markets (as opposed to the completed nature of national markets) integrates the political (states, strong or weak, metropolises or colonies, defined by their individual social logics) and the economic. For each of the phases of accumulation demarcated as such one must give oneself the task of defining its (or their) modes of regulation at the local (national) and global levels. The analysis of the expansion and subsequent exhaustion of these successive phases of accumulation, of the crises of their modes of regulation and the appearance of the conditions for a new phase of accumulation, should allow us to specify the exact functioning of rivalries (economic competition, political supremacies) and of potential hegemonies (a term whose ambiguity I mistrust), and consequently to understand with hindsight why and how in real history capitalism has constantly been constructed, deconstructed and reconstructed. Its flexibility is, for me, synonymous with this history. Theory is history. Theory is not the discovery of historical laws which precede history itself. This method clearly puts one on guard against the generalization which is expressed in the proposals concerning the succession of cycles (including ‘hegemonic cycles’) which postulate an apparent regularity which cannot be attained without twisting the dynamics of real evolutions.

- 5 The current of thought grouped under the name ‘world-system’ does not – fortunately – propose an exclusive theory of the history of capitalism, which one must either rally to or reject completely. I share the fundamental elements of the paradigm which reunites the various theses produced within this framework: one part being the emphasis put on interdependence operating at the global level (contrary to the dominant view which regards the global system as being composed of juxtaposed national formations); the other being the emphasis put on the totalizing nature of capitalism (contrary to the dominant view which stresses its economic side and subordinates its political element). Acceptance of these two pillars of this method in no way implies subscribing to a theory of cycles. The criticisms of this or more exactly these theories, prevalent among thinkers of the world-economy current, have been sufficiently developed in my article cited above (Amin, 1992a) and I will not repeat them here.

Separating the inseparable

The contribution of Braudel to our method of analysing 'historical capitalism' is well known. As we know, Braudel defines three levels of social reality:

- 1 at the base, the set of elementary structures which make up 'material life' on a day-to-day basis, in particular the organization of work and subsistence within the family unit;
- 2 at the intermediate level, the 'market', that is to say the set of structures within which exchanges dictated by the social division of labour occur;
- 3 finally, at the higher level, power; in other words, an 'anti-market' where the predators in the jungle of local and global politics stalk (Braudel 1979).

The concise nature of the formula allows us to understand immediately that Braudel rejects economic reductionism, which defines itself by its exclusive preoccupation with the intermediate level. Equally it allows us to grasp why Braudel rejects the synonym 'capitalism = market', which dominates vulgar thought, particularly the dominant contemporary fashion. For Braudel the very existence of the higher level defines the specificity of historical capitalism. According to him the 'market economy' (the division of labour and exchanges) clearly preceded capitalism, which did not exist until the 'anti-market' (genuine power, which history would make in its turn that of capitalism) established itself above the market.

What are the conceptual tools which will enable us to try to specify both the nature of the structures which define each of these strata and the dialectic of their relationships, both conflictual and complementary?

The division of academic tasks has artificially created specializations specific to each of the strata considered. Without descending to caricature, one could say that sociologists study the base, economists the intermediate level, and political scientists and historians the upper level. We must also note that before Braudel all the great thinkers of society have tried to break down these artificial cleavages.

By their very nature the dominant ideologies of the world prior to capitalism, which I have suggested calling tributary ideologies founded on metaphysical alienation which were generally religious in their expression (see Amin, 1988), ignored these cleavages. Their discourses had the all-encompassing aims of explaining history and nature (through myths of creation) and formulating rules of behaviour for all levels of society, from family life to exchanges and power. Contemporary religious fundamentalism does nothing other than claim to restore this order.

For my part, I would maintain that the page of metaphysical alienation has been definitively turned, precisely by the triumph of capitalism, which substitutes economic for metaphysical alienation and by the same

title founds the separation of the three levels and thus the domination and autonomy of the economic. This is why I believe the year 1500 saw a qualitative transformation of the system. The philosophy of the Enlightenment, which expresses this new vision of the world, constitutes the plinth on which the subsequent autonomous 'economic science' was able to establish itself. However, the philosophy of the Enlightenment does not simply boil down to economics, but transgresses it and offers what it believes to be a science of society which reaches from the base to the summit of power.

This philosophy of the Enlightenment, like the economic science whose formation it stimulated, was not accepted by all currents of social thought, even if it does still supply the essential elements of dominant theory. The work of Marx, starting with the discovery and denunciation of market alienation (and thus the refusal to consider capitalism as the end of history), constructed a historical materialism whose very name implies the preoccupation with transgressing the economic and re-establishing the unity of the three levels subsequently described by Braudel.

Marx

This observation will allow us to situate each of the books of *Capital* in the construction of this project. Volume I essentially concerns the base – and market alienation – but does not place it outside the fundamental relations of production which define capitalism. On the contrary, it places it at the heart of the relationship of exploitation of labour by capital (and of the destruction of nature by capital, an aspect little understood by readers of Marx and even less others). Volume II then proposes from this base an analysis of the economics of the system, or the economics of the capitalist mode of production (the law of value), at its highest level of abstraction. The dynamics of the balance of productions of the two departments which produce material elements ensuring the domination of labour by capital and the elements of material consumption which allow the reproduction of the labour force, are the very essence of Volume II. However, Marx's project did not stop there. Over and above this economic analysis, which one could term as pure (proposed in opposition to the other 'pure economics', namely classical economics based on the philosophy of the Enlightenment and, later, in response to Marx's project, neo-classical economics, justly designated as vulgar as it does not question economic alienation), Marx elevated his analysis to the higher level (as Braudel defines it) by the construction of an analytical framework of power and the global system.

Marx's project remained incomplete and is undoubtedly imperfect, as are all human endeavours. I will summarize my observations on these themes in the following four points.

- 1 In Volume I of *Capital* the exclusive preoccupation with discovering the roots of capitalist exploitation leads Marx to separate the system of exchange (of goods but also of the sale of labour power) from that which is apparently situated outside it: the system of satisfaction of needs through subsistence and especially through the organization of the family. The latter discovery was rightly questioned by the feminist discovery of the limitations of Marx, a man of the nineteenth century. Nevertheless, historical marxism has not been as royally uninterested in the elementary level of social construction as is sometimes claimed. Volume I does not have to be read in ignorance of the philosophical writings of Marx (which stress alienation) and of other marxists (who have sometimes tried to extend the project in order to integrate psychological science into the ensemble of social construction), or in ignorance of writings which deal directly with the family and male-female relationships. Whatever one may think of the conclusions drawn by Engels at the time (that the origins of the family were linked precisely with those of private property and the state), this initiative opened the way for a marxist anthropology which subsequently yielded results which, albeit uncertain and partial, were certainly important. I would therefore say that it is still possible for the elementary level in question to be better integrated in the historical materialist framework. I would even contend that the efforts of conventional sociology (including Weber) have yielded even more uncertain and partial results, as is only to be expected given that anti-marxist prejudices have led them to try and analyse this level in neglect of its relationship to economics and power. However, I would no more contend that we possess a body of established theses based on the method of historical materialism that would allow us either to be satisfied or to conclude that historical materialism is already outdated; much more groundwork must be done before we have explored its potential capabilities.
- 2 The relationships between society and nature were not ignored by Marx. However, they were not treated sufficiently systematically but only in passing, notably in *Capital*, Book I, Chapter XV, last sentence of Section X (where there are many allusions and references to the destruction of the natural base on which the expansion of capital is founded) and in the writings of other marxists. Here even more must be done, stimulated as we must be by the ecological challenge, even if up to now the contribution of analyses developed by this current remains small. But we must also recognize that historical marxism has, in fact, largely ignored this particular problematic.
- 3 The relationships concerning power, and therefore the integration of the higher level, as Braudel defines it, to the ensemble of the construction are, in my opinion, the area least understood. I refer the reader

here to my book (Amin, 1988). Granted, some important work has been done in this field and neither the work of Marx and Engels (in their political writings), nor that of the marxists (notably in the theories of imperialism of Lenin, Bukharin and others), nor that of Braudel (concerning the mercantilist tradition) should be ignored. However, in my opinion, fundamental questions, those which I have termed as questions relative to the alienations inherent to power, remain unanswered to this day. Even in studies of the modern age of capitalism (from the mercantilist transition through to advanced capitalism) questions about the interrelationship between political and economic and financial power are the least thoroughly discussed. There are, of course, some major theories on the subject. Anti-marxist theories generally start from the hypothesis of quasi-independent or even supreme political authority (a necessary appendage of economic reductionism). I will not discuss these theories here. Other theses, marxist and otherwise, have reduced politics to the mere reflection of economic exigencies. The thesis that the state and the economy are dominated by capital at the monopoly stage of capitalism belongs in this category. Of course, variants have been much affected by the specificities of their countries of origin – the opposition between the German form developed by Hilferding and the British form developed by Hobson is well known – but this has not always prevented abusive generalizations (to which Lenin was no stranger). Other theses deal more specifically with the political power–‘high finance’ relationship of the mercantilist period. The works of Braudel and those whom he has inspired in the world-economy school (notably Arrighi, 1994) are also very important. I will return to the debates surrounding the relationship between the dominant capitalist economic power and the ‘territorialist’ dimension of capitalism (political expansion) because they are essential to an understanding of our central subject, the nature of the global system. I remain wary, however, of the universalizing theories advanced by some – such as the Leninist theory of imperialism or the profoundly non-territorialist thesis of capitalist hegemonies inspiring Braudel and Arrighi – as I believe that their account of the political-economic relationship remains shaky.

- 4 The major weakness of Marx’s project, and of subsequent historical marxism, concerns the relationship between the capitalist mode of production and capitalist globalization. This weakness is clearly relevant to our subject and is also the most pressing of the challenges confronting the societies of the modern world. It is therefore the major political question. The thesis which I have developed on this subject (see Amin, 1994a) is that Marx himself and then, especially, historical marxism conceived of globalization to a great extent as simply the worldwide expansion of the capitalist mode of production.

The perspective of progressive homogenization of the world which this reduction implies would completely exclude a correct assessment of the factors behind the polarization caused by the worldwide expansion of capitalism. This vision was only partially corrected by Lenin whose thesis of revolution starting in the periphery and spreading to the centre testifies to the same error. The core-periphery contrast was consequently never subjected to sufficient theoretical examination and is thus confused with or reduced to, for instance, the metropolis-colony contrast. This weakness of historical marxism could only engender tragic consequences, of which the blind alley taken by the Russian Revolution was not the least. Indeed, historical marxism shares this major blunder with all political currents of the Left – social democratic and radical democratic – and, at this level, rejoins vulgar bourgeois thought, which is incapable of treating inequality as anything other than a manifestation of ‘backwardness’. My conclusion is therefore that historical marxism and the Left in general are poorly equipped to face the challenge of globalization. It is their Achilles’ heel and, as we shall see, the heart of the challenge which confronts modern societies.

Historical materialism and ‘world seen as market’

Certain important contributions, extending the tools of analysis produced by marxism, have perhaps corrected or at least begun to correct the deficiencies of historical marxism identified here.

If I attach most importance to the contribution of Karl Polanyi (1944) in this field it is because it is among the few attempts to recognize the global dimension of capitalism. Polanyi’s thesis is, as we know, based on a rejection of the idea that the market can be self-regulating. On this basis he attacks the very foundations of bourgeois economism, which today blows its trumpet louder than ever. Polanyi shows that the commodification of the labour force, of nature and of money can only create chaos and intolerable social deprivation. The utopia pursued by capital whenever political circumstances allow has thus never lasted long. Here I refer the reader to my writings on the subject in *La Gestion capitaliste de la crise* (Amin, 1995).

The three themes addressed by Polanyi can be found in Marx; most notable is the alienation of labour, to which I shall not return. However, on the theme of nature, Polanyi makes explicit what was not developed systematically enough by Marx (and still less so by historical marxism). The question of money was, on the other hand, the subject of long discussions in *Capital*, Volume III, regarding credit, crises and international exchanges; in the course of these analyses Marx proposed a problematic of the money–power relationship and a reflection on monetary fetishism.

Marx developed this last theme in great detail. He demonstrated how the cycle of money (M) could apparently 'liberate' itself from the path dictated by production (P) through contrasting the productive cycle of M-P-M' (in which money-capital is immobilized in the equipment necessary for capitalist production, in other words in the means of exploiting labour which creates the greatest surplus value (M')), with the money-usurer/rentier cycle of M-M' which is the supreme expression of monetary fetishism. We will return later to this point which I regard as essential to the nature of the contemporary crisis and its management (see p. 238).

On the money-power relationship Marx also supplies the conceptual equipment which shows how money – the symbol of purchasing power – became the symbol of power, plain and simple. Money cannot therefore be treated as any other product, as vulgar economic reductionism in its most wretched manifestations – such as those currently dominant (the so-called monetarist school or liberalism, whatever that means, etc.) – would have us believe. I have therefore already tried to propose an analysis of the money-power relationship which highlights the necessary management of money and credit by the state, acting here as the capitalist collective overcoming the conflicts at market level. Within this framework, I describe the functions of this management in the competitive regulation in the nineteenth century, the monopolistic and Fordist regulation of the twentieth century and regulation considered on a global scale (see Amin, 1994a, especially Chapter 8).

What Polanyi offers us here is an authoritative account of the development of liberal utopianism from the end of the nineteenth century to the final catastrophe which it engendered – Fascism and the Second World War. He does this by linking the national dimensions of the destructive (and not self-regulating) functioning of labour, land and money markets with their global dimension. In depicting the battlelines of the positions taken up by societies following the disaster, Polanyi gives us the means to understand how the miraculous period of postwar growth could occur: the limits imposed on the commodification of labour by the historic social-democratic compromise between labour and capital; and control of money by the state at national level and at the international level by the Bretton Woods institutions. My own interpretation of this postwar period (which has now run its course), which develops the beginnings made by Polanyi forty years ago on the eve of economic take-off, is based on what I have called the three pillars of the global system (the historic social-democratic compromise, Sovietism and the bourgeois nationalist project of Bandung). This interpretation owes much to the method proposed by Polanyi. Certainly the success of this postwar model had its limits at both the national and the global level. Among other things nothing was done to limit the ravages of the commodification of nature, despite the alarm bells sounded by Polanyi. It is therefore no accident that the question of the

environment has exploded like a time-bomb towards the end of this period. We should have expected it.

This postwar phase of expansion is now over, following the collapse of the three pillars which supported it. The rapid comeback of liberal utopianism (the triple commodification in question operates freely at the global level, the self-regulating nature attributed to the market being used to justify these policies) should not surprise us. However, it is not capable in itself of defining a new phase of capitalist expansion and is in fact merely crisis management (see the title of my recent book (Amin, 1995)). Unfortunately, as I have said, the Left and historical marxism are poorly equipped to take up the challenge. Even more than during the postwar period the sclerosis of dogmatic marxism has deprived us of the means truly to understand the mechanisms, the contradictions and the limitations of the three models considered (social-democratic, Soviet and Third World nationalist), and so serious analysis has been replaced by a simplified and weighted ideological discourse.

I return now to Braudel, whose contribution regarding what we have recalled of marxism can perhaps be appreciated.

Reading Braudel's magnificent work is certainly always a pleasure, and I know of little writing which is as enjoyable as that concerning 'material life', that is to say his precise description of the founding strata of society. It is true, however, that Braudel's generous presentation fails to link up the systems of material life with those that command the higher levels of social construction, perhaps because, anxious to avoid the marxist temptation, Braudel chose to ignore the concepts of the relations of reproduction and the theory of alienation. In Braudel's favour we should note that his work is on the mercantilist period, that is the period prior to the relations of exploitation specific to advanced capitalism.

Analysis of characteristics particular to the intermediate stratum – that of exchange – also contributes more, I think, to an understanding of the mercantilist period to which Braudel dedicated his work than to that of industrial capitalism. Analysis of this system as one of exchange is sufficient to the extent that mercantile capital and the exploitation of both artisan and craft manufacturing are dominant, as they were for the period 1500–1800 (or 1350–1800). However, I am still of the opinion that this analysis is insufficient for what was to follow. This is not only because the field of exchange assumed a size unknown before the Industrial Revolution in 1800 (previous exchanges could only affect a limited fraction of either the labour force or production), but more because it was henceforth to be dominated by industrial rather than mercantile capital. It is therefore no accident that Braudel ignores the law of value, a weakness unfortunately later perpetuated by many authors of the world-system school (indeed, Arrighi, 1994, ignores both

the law of value in general and the globalized law of value in his latest superb work). Nor is it by accident that these authors systematically devalue the concept of Industrial Revolution. The matter in question here is not, in my opinion, whether or not this revolution was as rapid as is sometimes said, or whether it was set in motion by the interaction of 'internal factors', or whether the asymmetry defined by the positions of the core-periphery contrast peculiar to the mercantilist stage was the decisive factor in the change (these debates have for me their own value and interest). The question we must ask is quite simply whether the new industries represented a qualitative jump in the underlying organization of the system. Convinced as I am that this was in fact the case, I would draw two conclusions from my central opinions. The first is that the core-periphery system particular to advanced capitalism is different by its very nature from that which characterized the mercantilist transition. The second is that to view the intermediate level after 1800 as a 'system of exchange' inevitably flattens, impoverishes and reduces analysis to the point where, whether one likes it or not, it becomes equivalent to the conventional bourgeois vision of 'the world seen as a market'.

Braudel's major contribution to the understanding of capitalism comes therefore in the emphasis that he puts on the third level of reality: 'the anti-market' whose very existence is denied by the dominant economically reductionist school of social thought which disregards its decisive nature in the true definition of capitalism. Clearly no reasoning person can deny that the state and politics exist. However, the 'world seen as a market' would imply a conception of the state radically different from that with which real history presents us. I have made an inroad into this field by taking up the thesis of Walras, the purest of the economic reductionists, and taking at face-value the aspiration to build a world that is a market (see Amin, 1995). Walras demonstrates that the market cannot act as a self-regulating force giving optimal results unless private property is rescinded under a system that puts capital up for auction. This 'capitalism without capitalists' perspective was, in my interpretation of Soviet history, the guiding principle of the strategy that was incorrectly termed as socialist construction. In this perspective, global socialism would therefore be a global market fully integrated in all its dimensions: the present states would be abolished and replaced by a global state which would run this perfect market. Clearly this vision and programme are not only utopian in the vulgar sense of the word but also completely ignore both reality and the theory of alienation. Neither Marx nor Braudel conceived of the economy-power relationship in this way.

We can thus return to Braudel (1979) who gives us a brilliant explanation of the birth of capitalist power, not as the spontaneous product of the market but, on the contrary, as something outside and above market-

imposed constraints. Braudel terms the qualitative transformation which became apparent in Europe at the end of the Middle Ages as the passage from fragmented and decaying power to a concentrated power of which, first, the Italian towns, then the United Provinces in the seventeenth century, and then England from 1688 onwards, were the successive models. It is this transformation which signals the appearance of, and defines, capitalism, rather than the existence of trading, which had existed long before these developments. As we can see, Braudel's thesis concurs with mine at this point (Amin, 1988); effectively I would class the specificity of the European feudal system as an example of this fragmented power, in contrast with the concentrated power in tributary systems elsewhere (in China for example). I would define this difference as that between peripheral and central forms of the tributary mode. In this contrast can be found the reasons for the success of the rapid transition to capitalism in Europe (a peripheral tributary system), as opposed to the constant faltering of comparable developments elsewhere (in central tributary systems). In Europe the concentration of power effectively coincided with the acquisition by that power of a capitalist content whereas the concentration had already existed elsewhere. There is no comparable counterpart elsewhere to the Italian towns and the United Provinces, governed by genuine administrative councils dominated by their major capitalists, and later to the mercantilist states (in particular England and France). The formation and triumph of capitalism are therefore the product not of a linear evolutionary expansion of markets but of an interaction between this evolution and internal factors specific to the peripheral form of the tributary mode in Europe. In this way, then, the mercantilist transition (1500–1800) can clearly be seen as a transition to advanced capitalism and thus merits in its turn the designation capitalist. I join here the view of the world-system current which terms all modern history from 1500 onwards as capitalist. Subscribing to this view does not imply neglecting the importance of the qualitative transformation which came with modern industry from 1800 onwards.

GLOBALIZATION: A HISTORICIZED PERSPECTIVE

The discussion of the available conceptual tools in the preceding section should help us to clarify the central questions: what is globalization? what are the stakes? what challenges does its existence present to our societies? It should at least help us to differentiate between (relatively) established theses on the subject on the one hand, and, on the other hand, those questions which remain outstanding with no convincing answer in so far as only conflicting hypotheses are available. (What is meant here is simple hypotheses as opposed to theses with a satisfactory paradigmatic and conceptual basis within which to situate facts.)

The term globalization has, as is often the case in the social sciences, many very different accepted usages. According to the various points of view, we could take globalization to mean the establishment of a global market for goods and capital, the universal character of competing technologies, the progression towards a global system of production, the political weight that the global system carries in the competition for global or regional hegemonies, the cultural aspect of universalization, etc. There are thus broader or narrower definitions which are more or less rigorous. Given this fact, theories concerning the more or less constraining nature of globalization, its stability or instability, its progression (continuous or jerky) and the potential phases of which it is constituted, vary according to the conceptual definitions employed.

Deregulation, which is in itself a deliberate policy which must be consciously undertaken rather than a natural state of affairs which imposes itself, releases the strategies of large enterprises from the constraints which states' policies can otherwise represent. However, the facts show that these independent strategies of private firms do not form a coherent ensemble guaranteeing the stability of a new order. On the contrary, they create chaos and by their very nature reveal the vulnerability of the globalization process, which may be thrown into doubt in consequence.

In its broadest sense globalization refers to the existence of relations between the different regions of the world and, as a corollary, the reciprocal influence that societies exert upon one another. Using this sense of the term, I have proposed a descriptive schema of the 'ancient world system', that of the tributary age – from 500–300 BC to AD 1500 – relating the three major core tributary systems of these two millennia (China, India and the Middle East) to the peripheries (Europe, Africa, South-East Asia, Korea and Japan) through definition of the specific concepts of the cores and peripheries peculiar to this pre-capitalist past. These concepts are defined in the dominant sphere of the organization of power rather than in the economic sphere as is the case for capitalism (we thus avoid the use of concepts specific to capitalism in the analysis of the pre-capitalist era, a use which is unfortunately common among certain world-systems theorists). My analysis of this ancient system (Amin, 1991, 1992a) leads me to a conclusion which is important to note here: the ancient system was not by nature polarizing but, on the contrary, favoured 'catching up' (historical delays): for example, Europe hoisted itself in a brief historical period from a peripheral position to that of the new centre (through the transition from feudalism to absolute monarchy) in the course of the transition to capitalism, thus becoming the core (in the singular) on the global scale for the first time in history.

Arrighi (1994) illustrates the non-polarizing nature of the ancient system in his analysis of the apparently curious behaviour of the Ming

Dynasty of China which, although perfectly capable of achieving maritime pre-eminence, did not do so. China was more advanced than Europe and there was thus nothing the Chinese wished to buy in the west, so they did not apply themselves to controlling the westward maritime routes. China thus allowed the Europeans – Portuguese and Dutch, and then English and French – to establish their dominance of the maritime route to the east (from their own perspective), a fact which would help the Europeans to overcome their backwardness.

The new mercantilist world system built itself on the ruins of the old system which it progressively destroyed, reorganizing the flux of exchanges to the benefit of the European core. In this sense the year 1500 clearly represents a major historical turning point. With hindsight the mercantilist period (1500–1800) thus seems to be a moment of transition to capitalism, if one defines capitalism's advanced form as stemming from the emergence of modern industry, when industrial capital imposed its logic of accumulation on existing mercantile capital. Of course, if this occurred, it was because of the specific way in which the forms of globalization put in place by mercantilism interacted with internal facets of the transformation particular to Europe (which I have suggested analysing as a bourgeois hegemony operating in the context of absolute monarchy as the organizing principle of power), which were different from those of the major tributary hegemonies. In this way 1800 also signals a major historical turning point. In sharp contrast with the tributary world system, non-polarizing by nature, the mercantilist system was based on a previously unknown polarization.

This polarization would assume its full magnitude in its turn following 1800, in the framework of the advanced capitalist world system. In 1800, as Paul Bairoch (1994) has established, the differences between levels of development in the principal large regions of the world were still relatively minor. The gaps became much wider in the next 150 years (1800–1950) in the framework of the new capitalist polarization, in which the core–periphery opposition corresponded almost exactly with that between the industrialized countries and those whose industrial revolution had yet to begin, a process which was already coming to look impossibly difficult. This new and, as history has proved, polarizing globalization can clearly not be explained by a simple schema equally valid for the period in its entirety and for all the regions concerned. The diverse functions of the different peripheries (always to be referred to in the plural), the dialectic between exterior constraints and internal responses, the strategies particular to the different competing metropolises, the phases of capitalist development in the core (notably the transition from competition to oligopolies around 1880), the evolution of the regulatory systems of accumulation (regulation of competition, the historic compromise between labour and capital, Keynesian management, etc.) in both

the core and on the global scale: all these factors invite us to distinguish distinct phases of the 1800–1950 period and core–periphery models presenting significant particularities. However, above all, these specificities of the law of accumulation on the global scale – which I believe is most usefully conceptualized in terms of a globalized law of value specifying the functioning of the law of value at the level of the global system – would inevitably engender polarization by its inherent dynamic. I have attributed the polarizing character of this law to the fact that it operates in a two-dimensional market (a market of goods and capital tending to integration on the global level), truncated in comparison with markets integrated in three dimensions (where the labour market is also integrated) which are particular to the national bourgeois constructions and are the foundation of the law of value.

I will not return here to this central point in my analysis. In the following four sub-sections I will address questions other than those related to post-Second World War globalization and to contemporary perspectives. I will touch upon questions related to the interpretation of modern (mercantilist and industrial) globalization: questions related to cycles, hegemonies, the potential territorialism associated with capitalist expansion, and the financialization of capital.

Cycles and phases

I have expressed my point of view regarding the question of cycles elsewhere (Amin 1994a) in sufficient detail and I will not return to it here. There are in history dates which constitute major turning points (in my own view, 1500 and 1800); between these turning points there are undoubtedly other dates which allow us to identify particular sub-phases (1880 and 1920 for instance, also 1945 or 1950 and 1980 or 1990, although these are perhaps of a different stature from the major breaks). However, this does not imply any concession to a long-cycle theory. It neither implies a quest to mark out ‘recurrences’ which transcend each of the major phases defined, nor proposes a philosophy of history where repetition – albeit on an ascending trend – assumes more importance than the identification of qualitative transformation. Projection onto the past – for example, projection of what is new about industrial capitalism (the inherent tendency to overproduction and the crises in which this is manifested) onto the previous mercantilist period, or of what is new in capitalism (the hegemony of the market and economic reductionism) onto previous periods (the tributary system, commanded by other organizing principles of the power–economy relationship) – has always appeared to me to be an error which serves to conceal real history. It is not essential to the concept of a world system. Instead of these cycle theory propositions, I believe it is more productive to centre the objective

of analysis on the identification of phases of accumulation. This allows us both to respect the specificities of each phase (avoiding confusing mercantile relations with relationships particular to industrial capitalism, etc.) and to link the economics of each phase with its politics (the mode of operation of power, hegemonic social blocs, etc.). We will return to this essential relationship.

Hegemonies

I will not, however, discuss any further the question of hegemonies and the theory of successive hegemonies (the Italian cities, the Netherlands, Great Britain, the United States) advanced by some. I still have many reservations regarding the methodology which guides these theories.

Hegemony appears to me to be the exception rather than the rule in the course of history. To speak of the hegemony of the Italian cities or the Netherlands, however precocious the societies in question might have been, is to employ the term in a vague manner which ignores the realities dictating the insertion of these countries into the systems (regional and, partially, global) of the time. Even British hegemony, which I would not situate before the Industrial Revolution, only imposed itself because of the exceptional conjunction of a monopoly of the new industrial technology (eroded from the second half of the nineteenth century onwards), the financial power of London (which existed until 1945) and an enormous colonial empire – perhaps the only one worthy of the name – which grouped together both colonies of exploitation (India) and colonies which were populated both before and after the period in question (not least of them the future United States, which subsequently assured the global domination of the English language). However, despite the phenomenal nature of this hegemony, it too had considerable limits. It prevailed only partially over the independent American continent, over China, Japan and the Ottoman empire, etc. Lacking a military hegemony (apart from naval predominance), Great Britain was forced to forge a balance of power among the strong nations of Europe (Germany, France, Russia), thus limiting, among other things, English cultural hegemony (which did not become predominant until disseminated by the United States) and English political hegemony – a fact which made Britain incapable of resisting the rise of competing imperial powers (Germany, Japan, the United States, France).

The British model of hegemony has nonetheless inspired competitors, notably in the colonial sphere (where only France, the Netherlands and Belgium achieved any results, and even these were comparatively very modest). Others, such as Germany, were not able to imitate Britain, or were provided with an alternative (continental expansion for the United States and Russia). Furthermore, in two decisive fields – industrial

competitiveness and military power – Great Britain was rapidly out-distanced by its rivals. Nevertheless, it long retained a financial advantage whose importance we shall return to later (p. 241).

The hegemony of the United States after the Second World War derived from a different conjunction of factors of power. In this case the formidable industrial advance proved to be the result of passing circumstances (the state of the world in 1945) and was rapidly eroded by the European and Japanese recoveries. But, as with Great Britain, the financial advantage appears able to continue despite the relative decline of industrial competitiveness. Also, if the US has not broken with its so-called 'anti-colonial tradition' (i.e. its weak propensity for colonial conquest), it is simply because its absolute and unprecedented military power, limited only temporarily (from 1945 to 1990) by the only other superpower of this order (now in tatters), freed it from the need for colonial conquest. It is also because of its unprecedented influence that the US has made the English language what it is today, something it could not have been in the nineteenth century.

Territorialism

What has sometimes been referred to as 'territorialism', that is to say the propensity to extend the area controlled by a single political centre, maintains an extremely complicated relationship with capitalist expansion. The question also intersects in a more general manner with the political-economic relationship particular to capitalism. Two extreme positions on the question of territorialism appear to me sterile.

The first position sees capitalism as a system which is by nature 'territorially disembodied'. However elegant this definition might be – and it still implies exterior economic relations in the framework of the state (large or small) which have important effects on the interior, to a degree never seen in previous ages – it remains essentially misleading. In fact, existing capitalism has guided the spatial relationship between its economic reproduction and its area of political control in a way that cannot be understood if the question of territorialism is excluded. The Italian cities, certainly, had influence far beyond their frontiers and the United Provinces constituted a relatively large small country. Modern states of diverse size still exist and the small ones are not necessarily less successful than the large in terms of their global insertion. Indeed certain micro-states (Luxembourg, Liechtenstein, the Bahamas, the oil-producing emirates) have found profitable loopholes for this insertion. The US and Russia are continent-states without exterior colonies (the Russian empire and the Soviet Union are multinational and not colonial). However, conversely, the global position of Great Britain cannot be

understood without its colonial empire, nor can that of France between 1880 and 1960 (since then France has chosen to operate its insertion through European integration and no longer through its neo-colonial zone of influence). Why these differences?

This variety of situations – in both space and time – thus rules out the equation: cores/peripheries = metropolises/colonies. Unfortunately this equation is popular and has partly become so through an excessive simplification of the theses of Hobson, Hilferding and Lenin concerning modern imperialism.

The fashion today is to disregard all these specificities, which are nonetheless major in my opinion. Thus the term 'empire' is used, incorrectly and to cross-purposes, to mix pell-mell the Roman empire, the Byzantine, the Caliphates and the Ottoman, the Chinese, the Austro-Hungarian, the Russian, the British and the French. But these formations are totally different not only in their internal structure but also in their mode of insertion into globalization. Oppression, racist, ethnic, cultural or national oppression, is not a new phenomenon. However, capitalist exploitation and core-periphery polarization, its potential colonial form, are realities particular to the modern age and specific forms of insertion into globalization. Again, although the Russian empire (then the Soviet Union) might well have been a prison for its people, it was not a colonial empire organized in the same way as that of Britain. In the Soviet empire economic transfers were made from the Russian 'core' to the Asiatic 'peripheries', in direct opposition to the situation in the British empire (see Amin, 1994b).

The relationship of territorialism to capitalism brings us to the question of power in capitalism. The simplistic thesis that power is based on capital and nothing else may contain a useful nugget of truth but does not cast much light on the variety of situations that can emerge. I return here to what I said above (p. 222) on Braudel's description of the three levels of capitalist reality. Capitalism is not 'the market' but 'the market + the anti-market which expresses itself in the actions of political power'. The power of 'high finance' (which is in fact a merchant-artisan-financier coalition in the mercantilist stage) supplies the foundation for the construction of the first capitalist states: the Italian towns and the United Provinces. Here Arrighi usefully draws attention to the fact that no power has been so close to the extreme model of a state governed by an administrative council of large firms as these modest political formations. However, the crystallization of the political power/economic space association capable of achieving the qualitative jump that industrialization represented for the capitalist mode of production did not occur here. It occurred in the great mercantilist states' mutation – England first and then France – into modern bourgeois states with autocentred (though not isolationist) economies and thus in the identity between the area of

accumulation and its political management. This model was reproduced, in Germany and elsewhere, because it genuinely responded to the demands of the capitalism of the time. These fundamental requirements, with colonies (England, France) or without (Germany), more or less assured similar results in terms of the construction of economic competitiveness on the global scale. This model thus became the subject of a powerful ideologization, establishing the equation between its completion and that of progress and modernity. Of course, it is impossible to grasp the efficacy of this history without the use of analysis and a theory of the social hegemonies on which the 'power of capital' was founded, the social alliances (with the aristocracy, then the peasantry, later the social compromise of capital and labour, etc.) which permitted them, and so on. Marx made this thorough analysis for his own age. Marxists of high calibre – Gramsci among others – have continued his work.

Colonial or semi-colonial expansion grafted itself onto this history. It can thus perhaps be seen as an appendage of the social hegemonies specific to such countries in the relevant phase of their capitalist development. Examples might include the connections between the expansion of the English cotton industry and the destruction of that of India; between industrial specialization in England and growing agricultural imports from the US and the largely uninhabited territories; as well as between the mediocrity of certain sectors of French agriculture and industry and the existence of reserved colonial markets (as is shown by the work of Marseille, 1984). It can thus be seen that colonies are not an absolute prerequisite for the expansion of capital but merely for certain types of social hegemony in this expansion.

The propensity towards colonial expansion nevertheless appears to become practically generalized from 1880 onwards (colonial empires extant at this date had been largely inherited from mercantilist constructions previous to 1800 – India, Indonesia, etc.). This was not the result of an absolute requirement of internal accumulation, as rapid and superficial analyses have often claimed, but the result of sharpened competition between the new oligopolies even if, clearly, the dominant national capital knew how to profit from colonization. Lenin never claimed otherwise, even if he has subsequently been interpreted as doing so. The success – or the failure – of this colonial expansion has furthermore had complex effects, positive and negative, regarding accumulation itself, sometimes putting the pillaged resources of over-exploitation at its disposal, sometimes, on the other hand, retarding the development of backward productive sectors. Portugal and the Netherlands are the classic examples of these negative effects. However, for France and even for England, which initially exploited the colonization of India so effectively, these negative effects were not completely absent in the subsequent evolution of globalized competition. Other factors of success or failure –

more even than the national mastery of technological progress – such as control of the process of financialization, to which I will return, certainly do not seem to me to have been any less important.

Territorialism in the mercantilist transition can only be analysed by the same method on condition that the difference between the hegemony of mercantile capital (merchant-financier) of 1500–1800 and that of industrial capital (industrialist-financier) from 1800 onwards is fully understood. I will not develop this theme here, but later in this article (p. 239) will propose certain reflections on the subject, analysed from the particular angle of the financialization of mercantilism.

The second position, just as sterile, if not more so, sees nothing new in capitalism (whether mercantilist or industrial) and analyses the political-economic relationship in the same terms for both ancient and modern times.

The theory of the reversal of political dominance over economics in tributary systems, to that of economic dominance over politics under capitalism (which I have proposed elsewhere; Amin, 1988), makes it impossible to treat the relationship between the space of political management and the reproduction of economic life (the concept of accumulation has no meaning in periods prior to capitalism) in the same way throughout history.

In tributary systems, economic life remains compartmentalized, even when the trade, including long-distance commerce, exerts important effects on society. The political space, on the other hand, tends to be larger in advanced tributary systems (the model being China), while it remains compartmentalized just as economic life is in the most primitive peripheral models (the European High Middle Ages) and is at a level between these two extremes in intermediate cases (the Middle East and the Islamic world, Europe at the end of the Middle Ages, India).

Financialization of capital

What can be called the financialization of the system (modern, capitalist) is a process by which financial capital affirms its dominance over productive capital: in the terms proposed by Marx, the dominance of the direct process $M-M'$ (converting money into money) over the productive process $M-P-M'$.

Certainly, like many other phenomena, this process repeats itself in the history of capitalism, to the extent that Arrighi interprets it not as the 'final phase' of capitalism (as is suggested by the 'highest stage of imperialism' theses of Hobson, Hilferding and Lenin) but as a recurring phenomenon. It remains to be seen if the recurrence is regular or cyclic, and whether it

is useful to emphasize this factor by overlooking the specificities of financialization at different stages of capitalist development.

I prefer to highlight these specificities. For example, the productive process $M-P-M'$ analysed by Marx is specific to advanced industrial capitalism. P supposes the purchase of labour power and its exploitation in forms of formal submission to capital (incarnated in privately appropriated means of industrial production). In the mercantilist transition the major process of accumulation follows the formula $M-E-M'$ where E expresses the domination of the trading exchange – buying and selling goods. Of course the products exchanged must themselves first be produced. However, they are produced by peasant and artisanal means of production which are dominated by their real and non-formal (in the sense that Marx gave to the two terms) submission to commercial capital. I would claim that this qualitative difference gives a different content to financialization in the mercantilist period as compared to that in industrial capitalism.

In his excellent book Arrighi (1994) offers us a striking tableau of 'cycles' in what he considers to have been the centres of the system at different times (the Italian cities of Florence, Venice, Milan and Genoa; the United Provinces), moving from supremacy through financialization and into decline. It remains important, however, to historicize the nature of the competitiveness in question in each instance. This can be done with some ease at the level of production in certain cases, for instance in cottage industries and textile manufacture in Florence or ship-building in the United Provinces. However, the dominant form of hegemony – coherent with the nature of mercantilism – is commercial superiority, which is, in its turn, the result of a number of factors: knowledge and control of routes (including military control); efficacy of the system of payments (the letter of change which makes the transport of cash unnecessary); superiority of means of transport (fleets); and attractive prices. On this last point Wallerstein (1974) has shown how exploitation of American mines shook up commercial flows in favour of the Europeans, who were able to offer better prices than all their competitors in the ancient tributary world system. Through all these means mercantilism effectively destroyed the ancient tributary world system (non-polarizing by nature) and substituted a mercantilist world system based on polarization; this paved the way for an advanced capitalist world system which is polarizing by nature.

The financialization of a segment of the mercantilist system is linked, then, with the establishment of adequate productive systems, the foundation for the expansion of capital at each stage. Arrighi offers us the magnificently clear example of the financialization of Genoa following the conquest and exploitation of America. Genoa, having become the banker of the Spanish monarchy, clearly gained much more from its

involvement in this evolution than it would have had it remained a simple commercial town. In the same manner Florence evolved from a town of craftsmen and merchants to become the banker of the developing absolutist European states. It financialized itself. The United Provinces, originally a country of carriers and merchants, became rich by capturing much of the finance capital available in Europe and the rest of the world, and becoming in its turn the banker of Europe.

However, as always, financialization only enriches some to the detriment of others; only the progress of production provides a way out of this zero-sum game. Thus the process M-M' is always a factor in the intensification of the inequality of incomes in favour of the dominant rentier-usurers. The process exhausts itself if it does not in part constitute a growing productive base. If the productive base does genuinely establish itself outside the financialized centre, a need is implied for effective political domination of large territories. Territorialism is associated here with competition from new, rising centres, driving the old financialized centres into decline. Historically, the productive sphere has expanded on two different bases: one is exemplified in the exploitation of the Americas (mining production and the establishment of plantations – notably sugar); the other resulted from the spatial constitution of the large absolutist monarchies (which spawned the great manufacturers, the ancestors of industry). The highest performers have been those of states which politically dominated both their 'national' territories, colonies (America, then later India and Indonesia) and the trade networks, allowing them to transfer to their profit the surplus from products in which they dominated the market. However, there has never been a simple fatality operating in this framework and the advantage of rapid financialization became a handicap, especially if political cohesion (produced by an adequate social hegemony, implying that the mechanisms of internal factors must be articulated with the mechanisms of globalization) or military power were lacking. This is why Spain – which possessed America – never managed to keep the profit of its exploitation. The United Provinces, having reached the summit of its financial wealth, also entered into decline, having failed to create a sufficiently large mercantile territory. Their exterior concentration on their colonies was, as we know, associated with a decline in their position in Europe. There were two major successes. The first was England, which was non-financialized at the time and whose colonial empire came much later and did not assume major importance until the conquest of India in the eighteenth century. Second, but far behind, came France. It is this productive mercantilism which paved the way for the Industrial Revolution.

Arrighi's superb concrete analysis of the history of mercantilism illustrates the functioning of the interrelationship between financialization

and territorialism in the creation of conditions for the progress of the forces of production. The financialization of the Netherlands did not create an effective springboard for progress there. Despite its role as the banker of the dynastic coalitions which liquidated the medieval system and created the modern interstate system (which can be dated from the Treaty of Westphalia in 1648), Holland could never control the system which it had contributed to creating. It fell to England and France to do so through the invention of mercantilism, that is at once economic nationalism (Colbertism, the Navigation Act), colonial slavery and settlers' colonies. They needed sufficient territorial space to do this. Must countries playing the role of rentier-financier always become victims of their artificial and vulnerable wealth, and be defeated by other more productive, active and inventive centres? We shall address this question to more recent times below.

Despite appearances, the history of financialization does not repeat itself. The new industrial world system – with its unprecedented polarization between industrialized cores and non-industrialized peripheries – was constructed in the nineteenth century under the auspices of Great Britain, combining, as I have remarked, technological initiative, commercial dominance, colonial exploitation, and control of the new world financial system. The ideology of free trade on which British hegemony was founded in fact brings together the cosmopolitanism of transnational capitalism and an imperial territorialism without equal. Great Britain rapidly lost its certain technological advantage over Germany and the US from the 1880s onwards. However, it kept the financial advantage until 1945. From this date on the US wrested the monopoly from its competitor through the Bretton Woods institutions. Great Britain, largely financialized from the end of the nineteenth century, remains 'rich' from this fact, despite its relative industrial decline. It has even chosen to occupy this niche within the European construction. I doubt that this choice will be effective in the long term.

Faced with this entry into a comfortable financialization, the productive sphere enlarged and deepened elsewhere, notably in the US and Germany. However, in the latter case this process produced different results. Arrighi analyses the evolution of Germany and stresses – in an extremely convincing way – facets of the German failure not hitherto perceived. While the rates of growth in industrial productivity were three times higher in Germany between 1870 and 1914 than those of Britain, in terms of per capita income the German acceleration was slow and modest. This difference starkly illustrates the thesis proposed by Arrighi and Braudel, that capitalism is not reducible to the market (or to the production behind the market); the benefits deriving from monopolies of power, including financial power, are great. However, they are also fragile, as we shall see below. The US, on the other hand, succeeded

completely in supplanting Great Britain. It did not, however, benefit from an advantage, financial or otherwise, associated with a dominant insertion into the global system until 1945. The US was constructed through an organization of its industrial and agricultural productive spheres that was autocentred to a degree unknown in any other country at the time. Insulated in a continental territory, rich in resources of all kinds, and the beneficiary of the dominant global migratory flow, the US achieved more efficient forms of organization of production. These were later to form the foundations of the country's global hegemony. Here again, Arrighi correctly highlights the fact that the large modern firm – the future multinational – started as, and often remains, a large integrated American firm. The analogy between this sort of construction and expansion and that of Russia is striking. The Russian empire, and then the Soviet Union, also constructed itself as a massive autocentred space at a certain remove from the world system. The failure was due not to this choice, analogous to that made by the US, but was simply, in my opinion, the result of internal factors – the backwardness of imperial Russia, the nature of Sovietism and its limits – and the century-long conflict (1880–1980) between Russia and Germany and then Russia and the US (with another between Russia and Germany still to come?).

The general financialization of the global system which emerged from the 1880s onwards is a distinct phenomenon. The period 1873–96 was one of relative stagnation in the growth of production; this, associated with the permanent trend towards the concentration of capital, toppled the competitive form of the productive system, dominant until then, and ushered in a new oligopolistic form. Hobson, Hilferding and Lenin all emphasized in their different ways the importance of this qualitative change which leads me – with them – to see 1880 as a major turning point. The great depression of 1873–96 struck the old industrial centres (Great Britain, France and Belgium) while the growth of industrial production continued in new centres (Germany and the US), just as today recession has struck in the triad (North America, Europe and, to a lesser and later extent, Japan) while industrialization accelerates in East Asia (China, Korea and South-East Asia). The old centres turned to the comfortable position of bankers of the world and financed a sort of delocalization (especially in the direction of Russia, Austro-Hungary, the Ottoman empire and the white Commonwealth but less in the direction of their own colonies to which they would be forced to turn later). Analogous phenomena such as the debt trap of the Third World and eastern Europe can be seen in recent times. However, delocalization, so prevalent in the 1970s that one could have believed that the world map of industrial implantation would be transformed (see Froebel, Heinrichs and Kreye, 1990), proved to be of limited importance and duration. Since

around 1980 recentralization has operated to the benefit of the old centres of accumulation (but at a rhythm which has not led to the end of the long depression). It should also be noted that the parallel accelerated take-off in east Asia owes quantitatively little to foreign investment, although this plays an important role in the transfer of technology.

We understand, then, that late nineteenth-century financialization took different forms in different countries. In Great Britain and France, the form was the cosmopolitan capitalist financier (like the Rothschilds), becoming more and more autonomous *vis-à-vis* the state, as Hobson remarked. It is true that this autonomy was only relative as one of the major sources of the surplus collected by this finance capital and placed on the exterior was that of colonial tribute. Bukharin and Lenin theorized this 'rentier' behaviour and proposed, on this basis, a critique of the new 'subjectivist' economic science. In Germany, on the other hand, financial capital coupled itself to industry which continued its rapid take-off. Hilferding observed that this fusion of banking and industry allowed the country to be run as a single integrated enterprise, which one could term as monopolistic state capitalism or Germany Inc. (as Japan was later dubbed Japan Inc.). In contemporary capitalism this oligopolization crystallized the conflicts which Lenin accurately termed as inter-imperialist (not to be reduced to conflicts over colonial empires), to which the two world wars bear witness. It was because Lenin thought that the proletariat would not put up with such conflict, and that consequently the world (or at least Europe) was on the verge of socialist revolution, that he termed this stage of imperialism the 'highest'. History proved him only partially right; revolution did occur in a semi-periphery, Russia ('the weak link'), but it did not spread to Europe. It extended itself rather to other peripheries in the east – both in a radical form (China) and an attenuated form (the national liberation movements of Asia and Africa) – and deployed itself in these ways from 1917 to 1975 (the end of the Bandung era, as I have already mentioned). However, imperialism had not entered its final stage. It survived and redeployed itself elsewhere in new forms.

The period of relative stagnation, the great depression of 1873–96 which preceded the First World War and continued into the interwar period, was thus a time of generalized financialization. I mean by this that the period did not witness an incidence of geographically localized financialization (as in the Italian towns or the United Provinces) but included all societies of the developed core. This phenomenon is analogous to that which has been occurring since 1980, which is here again associated with a stagnation in the expansion of productive systems. I will return to this new situation below but would repeat here what I said earlier regarding the contrast between the process M-M' and the process M-P-M'. The former is always a sign of crisis, that is to say of

relative stagnation of P. It always produces results which are eventually insupportable, increasing inequalities in a manner that is so rapidly disastrous that the process is thrown into doubt by inevitable social and political struggles.

Is financialization nevertheless a 'necessary' stage in which the conditions for a new period of growth are re-established, as some theorists believe? This is a discourse which we currently hear repeated *ad nauseam*; 'structural adjustment' must necessarily pass through a stage of financialization. I do not share this point of view. I would say that on the contrary financialization is a mode of crisis management, not the preparation for its end. This management, far from creating the conditions for a recovery, simply makes it more remote. Recovery sometimes occurs elsewhere but at a relative distance from the centre of financialization. The financialization of Europe from 1880 to 1945 did not help it to come out of recession. It was in the US, a little removed from this disastrous process, that the forces of renewed industrial progress were established. Are we today witnessing a contradictorily analogous process? Are the US, Japan and Europe, dragging Latin America and the Middle East behind them, becoming bogged down in both stagnation and financialization while east Asia becomes the site of the next expansion of the productive system? I will discuss this hypothesis below.

Finally, to conclude this section, at the risk of repetition I would draw attention to the qualitative difference which separates the contradictory interrelationship of financialization and the productive system in the mercantilist and industrial stages. In the mercantilist stage commerce is the driving force and its expansion creates the conditions necessary for an expansion of production. In the industrial stage the causality is reversed, a fact which the neo-liberal high priests of GATT would never admit, and it is the expansion of production which permits the expansion of commerce. In the mercantilist stage the profits made from trade are reinvested wherever possible (that is to say wherever the expansion of production continues) in trade, and, when this is not possible, in financialization (which is then accompanied by stagnation). In the following stage profits are reinvested in industry until this operation loses its *raison d'être* (its profitability) and then the financialization reflex imposes itself, accompanied by stagnation. Thus rather than 'cycles of financialization', I refer to specifically different phases of accumulation.

GLOBALIZATION SINCE 1945

New forms

If I have noted the date 1945 (or 1950) as a turning point it is precisely because the forms of globalization which prevailed in the postwar period

are qualitatively different from those which predominated from 1880, in certain ways even from 1800.

I have discussed the particularities of the 1945–90 period sufficiently elsewhere not to need to repeat them (see Amin, 1995). I will therefore simply recall that I have attributed the relatively strong growth that characterized all the regions of the world during this period to the three societal projects on which the postwar take-off was based: (1) the historic compromise of capital and labour, run in the framework of the national state developed by the practice of Keynesianism; (2) the Soviet project, so-called socialist construction, autocentred and delinked from the world system (which I have analysed in terms of a project to construct a 'capitalism without capitalists'); and (3) the modernist and developmentalist national bourgeois project of the Third World (which I have called the Bandung project for Asia and Africa, using the expression *desarrollismo* for Latin America), inscribing the industrialization of these countries in a newly negotiated and revised global interdependence.

As well as the particularities clearly specific to each of these three pillars of the postwar world system, I have remarked on two characteristics which they have in common. The first is that each of these societal projects distances itself from extreme economic liberalism to associate the tasks and objectives of economic efficacy (in a global interdependence controlled to varying degrees) with that of an affirmation of a social framework allowing control of the market. This affirmation, defined by the social hegemonies specific to each of these three groups of countries, proceeds from a rejection of the idea that markets are self-regulating, and confirms the critique of free-market utopianism made by Karl Polanyi, after Marx and Keynes. The second is that the practice of policies and effective strategies in this framework is primarily conceived of as stemming from the national responsibility of the state and of national society, even though these strategies remain open to the exterior.

The hegemony of the US, which I have described above, operated within the limits imposed by this framework. Its strictly economic dimension – that is to say the technological advance of the US – was rapidly eroded by its own success through the expansion of the organizational form of the multinational in Europe and Japan. Therefore the three other aspects of this hegemony – control of the global monetary and financial system, military superiority and the cultural and linguistic deployment of the 'American way of life' – have gradually assumed more importance. The first of these aspects of globalization became exhausted by its own contradictions, thus leading, with the weakening of growth, to the stagnationist financialization which was established after 1980 (which is thus another turning point). Effectively, the globalization imposing itself on the national policies outlined above could first

be seen in the fixed exchange rate system and the dollar standard. The progress of European construction and the Japanese take-off could not fail to cast doubt on this facet of American hegemony even if, as I have written elsewhere (Amin, 1995), no alternative to the dollar standard could be found and the crisis management (which has dominated policy-making since 1980) has delayed the response to this contradiction.

The second dimension – the militarization of the system – is so clearly evident that it barely provokes comment. I have merely remarked that this military Keynesianism played an important part in the maintenance of rapid American and global growth. However, it could not become the most effective instrument of American hegemony until the phase itself had come to an end with the fall of the Soviet adversary. It remains true that this new supremacy is unparalleled in history: never before have weapons in general and one nation in particular been sufficiently powerful to envisage military intervention – albeit of an extremely destructive nature – on the level of the entire planet.

The third dimension of the new globalization poses some relatively old questions in new terms. The tributary world system was shared between cultural areas which conserved their own characteristics; one can barely speak of universalism for those times, despite the universalist dimension of the great religions and philosophies which founded their cultures. Universalism appeared in 1500, with the Renaissance and then later the Enlightenment, although in the deformed and truncated form of the Eurocentrism which accompanied the biased fashioning of the new system by its European core. However, this universalism, which was to found the values of the modern world – positive ones such as democracy and negative ones such as economistic alienation – did not erase diversity within Europe. British hegemony, forced to accustom itself to the European balance of power, was thus not accompanied by an expansion of the English language. In the post-Second World War period, despite the marked nature of American hegemony, the strong national content of the strategies which defined the age maintained a degree of conciliation between universalism and political and cultural diversity. The contradiction specific to the cultural dimension of capitalist globalization has thus only recently become apparent. It has often been attributed to the power of the media which are responsible for the contraction of the world into a 'global village'. This reality must certainly not be left out of the picture of globalization. However, it merely highlights what had been the case for a long time: ancient cultures (tributary, including those of the European Middle Ages) have long since disappeared and been absorbed by capitalist culture, defined here by its essential content – economistic alienation – and not by its European origin and form. However, this universal capitalist culture has never been able to impose a universal legitimacy, because it accompanies and

sustains a polarized world system. The accentuation and affirmation of capitalist culture through the modern media, together with the aggravation of polarization after the postwar societal projects had exhausted their potential, have brought the cultural question to the fore and led to desperate quests to rediscover cultural identity in the Third World. The dominant linguistic form of this expression of capitalist cultural domination, produced by American hegemony, meets resistance even in Europe, particularly in France.

In the analysis of the postwar system that I propose – whether it be in its ascendant phase or the current crisis – neither the structure of the system as a whole, nor that of its constituent parts, nor a potential hegemony is wholly or even principally determined by the ‘competition of firms in the market’, as the dominant ideology of economic reductionism would have us believe. These structures in themselves do not concern the intermediate level in the Braudelian sense; with Marx, Polanyi, Braudel and others, I consider them to be the product of the interrelated functioning of the intermediate and higher levels. Competition leads to opposition between states as much as between enterprises because capitalism is inseparable from the modern state; they have become inseparable through simultaneous development, and they control together the structures of accumulation. In this spirit, as Arrighi has written, if territorialism means enlarging the sphere dominated by a particular capitalism (a component of the world system), modes of action simultaneously exist which allow the intensification of accumulation in a restricted zone (these modes of action are the control of trade, technological innovation, military superiority, cultural influence and financialization). The variable combination of these two modes of accumulation explains how small states (the Italian towns, the Netherlands) come to occupy important places in the system (but are never, in my sense of the term, hegemonic), how large states frequently do not achieve this pre-eminence and indeed are often swamped by the system, and how hegemony remains the exception among those states which effectively articulate the two modes. As Vergopoulos wrote (1993), what appears to be competition between firms is in fact competition between national systems from which firms gain their momentum (these systems establish the productive capacities of the labour force and many other things without which commercial competitiveness could not exist).

Economics is inseparable from politics. The events of every day confirm this in a way that is more than obvious. It is difficult to imagine Japan becoming hegemonic, for instance, because, despite the efficiency of its firms, it is militarily vulnerable and lacks cultural influence. Thus since 1985 we have seen the financial surplus of Japan loaned to the US with the debt serviced in devalued dollars, the operation settled by an enormous drain on Japan’s surplus made by its competitor (Arrighi,

1994). Thus we see the external budget deficit of the US absorbing surplus on a global scale, absorbing the means which the nations of the Third World try to attract in vain for use in their own development. We have even seen the rich oil producers of the Gulf finance their own military conquest by Washington. There is little hope that the financial placements of these countries in external markets can ever be recovered. Conversely, during the two world wars, the US reversed its financial position – from debtor to creditor – by effectively appropriating the property of its competitors.

The world is thus structured as much by interstate relations as by the play of private commercial competition. It even tends, perhaps, to be so to a greater degree. For instance, while previous monetary systems (the sterling standard for example) were largely run by private high finance, Bretton Woods placed the 'production of money' under the control of a network of governmental agencies, including those of international status (the International Monetary Fund, IMF), themselves led by the Federal Reserve System. It is true that this tendency towards increasing state domination could be reversed, as indeed it was between the years 1968 and 1973. Since then Eurodollars have renewed the autonomy of financial flows as the prelude to the great reprivatization on the basis of which the current financialization took off (after 1980). However, it must be noted that this change corresponded with US political decline following its defeat in Vietnam; this encouraged the Third World to go on the offensive, the most illustrious example being that of the Organization of Petroleum-Exporting Countries (OPEC). It must also be noted that the success of the American counter-offensive aimed at restoring its hegemony is based to a large extent on its military supremacy (in the light of the success of the Gulf War and the collapse of the Soviet Union, the Europeans, for instance, show that they can achieve nothing without the US, either in Yugoslavia, or the ex-USSR, or even in Somalia). It is thanks to this military superiority that the US has been able to impose the dollar standard despite the decline in its commercial efficacy.

The firm-state relationship is not, however, linear; it functions in both directions, in some phases to the benefit of one, in others to the benefit of the other. For instance, in Lenin's age the 'monopolies' were certainly the instruments of state expansion, as were American multinationals after the Second World War. In the current phase, however, these firms have freed themselves from the powers of states and limited the effectiveness of state interventions. Is this a structural characteristic of the new globalization and is it liable to become stabilized as such? Or is it a characteristic contingent on crisis?

The institutionalization of the organization of the world system is not altogether new. Here I share the general point of view of the world-

system school which sees it as an essential characteristic of historical capitalism (what I call really existing capitalism, as opposed to the imaginary ideal of ideological capitalism). From the Treaty of Westphalia (1648), which fixed the initial rules which were renewed at the Congress of Vienna (1815) and then by the Treaty of Versailles (1919) – which took a further step with the founding of the League of Nations – to the creation of the United Nations in 1945, this institutionalization is in constant progress. Whenever it appears paralysed by the incoherence of policies, as has been the case since 1980 due to worsening crisis, we immediately witness attempts, by gatherings such as the G-7, to overcome this incoherence. The dysfunctionalizing nature of the contradictions is such, however, as I proposed in my analysis of the management of the crisis (Amin, 1995: Part 1), that instruments appear wholly incapable of meeting the challenge.

The postwar period is clearly not homogeneous in terms of patterns of growth, made up as it is of a long phase of growth (1945–68) followed by a long crisis (1971–). The sub-phase of transition from 1968 (major political events) to 1971 (suppression of the gold convertibility of the dollar) can be clearly demarcated. Financialization took off later, in conjunction with the political transformation inaugurated by Reagan and Thatcher. The years 1985–90 (the collapse of Sovietism) mark another cut-off point, just as the years 1975 (the 'new world order' project proposed by the Third World) to 1982 (the Third World's first financial crisis which broke in Mexico) marked the end of the Bandung project and the renewed expansion of the comprador class in the peripheries. It remains difficult, in my opinion, to determine the precise significance of these dates: the events are too recent for us to judge their true importance. Do they define the end of a long phase (1800–1950 or 1800–1990) or merely the transition from one sub-phase to another? The judgement that we make regarding future possibilities depends on the answers that we give to these questions through analysis of the crisis and its management.

Globalization and the continuing accumulation crisis

The 'controlled' globalization of the period 1945–90 has come to an end due to the exhaustion of the phase of accumulation which sustained it.

I have tried to analyse elsewhere (Amin, Casanova *et al.*, 1993), in some detail, the processes by which the erosion and then the collapse of the three pillars supporting the completed phase of accumulation led to the current crisis. In this endeavour I believed it useful to highlight the new characteristics of the productive system – which is in the process of becoming globalized (as opposed to internationalized) – and the new contradiction arising from this fact: the space of production is becoming

globalized while the spheres of political and social management remain limited by the political frontiers of states.

I do not mean to imply here that unbridled economic globalization – which pushed neo-liberal ideology to its extreme – could impose itself on and overcome the resistance of politics, which would be forced to submit or, in the current terminology, ‘adjust’. On the contrary I have developed the thesis that this new form of economic capitalist utopia is doomed to failure.

As it does not create the conditions for a new system of accumulation, the unbridled globalization that the existing powers are trying to impose effectively reduces economic policies to the status of crisis management policies. I have proposed interpreting the ensemble of measures employed – liberalization without frontiers, financial globalization, floating exchange rates, high interest rates, the external budget deficit of the US, the external debt of the southern and eastern countries – as a perfectly coherent set of crisis management policies offering financial placements to capital which would otherwise be massively devalued through the lack of any profitable outlet in the expansion of systems of production. The process of financialization is thus overwhelming, with the expanding process M-M’ substituting itself for the defunct process M-P-M’.

Contemporary financialization is thus once again merely the sign of a crisis of accumulation rather than its solution.

However, by dint of its completely generalized nature, embracing each and every segment of the world system, financialization has acquired an unprecedented dimension. What future is taking shape behind the smoke screen that it puts up? What new system of accumulation is putting itself, or not putting itself, into place? We are here in a field where all – or nearly all – hypotheses are possible, where all scenarios are imaginable; such is the uncertainty of the future and so fragile are our fragments of knowledge concerning the recomposition of the world. The future of globalization remains a great unknown.

Three approaches can be employed to explore this uncertain future. The first, which is very much *à la mode*, is based on chaos theory. Progress in the mathematics of non-linear functions has led to the discovery that minimal differences in the parameters of some of these functions produce gigantic differences in their subsequent development. This discovery certainly clashes with the spontaneous intuition that small differences at the start cannot engender great differences in what follows. Chaos functions explain natural phenomena which cannot otherwise be accounted for. Could the discovery also be relevant to the social sciences? Undoubtedly, functions of this type could contribute to the analysis of a number of economic and social phenomena, through analogy with other natural phenomena. The currency markets, for instance, can be conceived of as presenting chaotic structures of an analogous or similar

nature. However, I am still of the philosophical opinion that changes to the whole of society cannot be studied with the help of conceptual tools of this type. The philosophy of history, historical materialism among other approaches, is still irreplaceable.

The second approach is that of the historians of capitalism, notably in the world-system current, who emphasize either recurrences or the flexibility of the system or both. I have several reservations regarding this approach, preferring to highlight what is qualitatively new after each turning point, thus relegating recurrences as merely apparent and rejecting the idea of 'cycles'. The fact is that the future can never be correctly predicted at the decisive turning points, which only emerge as such with hindsight. Would a Venetian merchant of 1350 have been able to answer the question, 'Are you creating capitalism?' It thus seems to me that if 1990 (or 1980) constitutes a new turning point – and that it does is merely my intuition – it is extremely difficult to know how the world will recompose itself after. We must, however, try to make a judgement because action to safeguard the future of the human race depends on it. Getting it wrong is a risk that must be taken.

I will use a method which remains wholly relevant, that of historical materialism. I would draw the conclusion from the examination of the phase 1945–90 that the old form of polarization (the contrast between the industrialized cores and non-industrialized peripheries, dominant from 1800 to 1950) has been progressively left behind by the industrialization, however unequal this may have been, of the eastern and southern peripheries. In these conditions the globalized law of value defined for the period 1800–1950 must be revised to account for this qualitative transformation. I have done this by proposing a new framework for its operation (Amin, 1994c), defined by what I have referred to as the five monopolies on which the new forms of polarization are based (these monopolies are control over finance, technology, the earth's resources, the media and weapons of mass destruction). I refer the reader back to these definitions.

That having been said, it is not the case that the new structure of a polarized system based on the efficient use of these five monopolies can be effectively constructed. All the problems of the future associated with the recomposition (or decomposition) of the ex-USSR, with the take-off of east Asia (most importantly China), with the stagnation of the west and its American and African appendages and with the recomposition (or failure) of the European Union can be found here.

It is not my intention to return here to the set of evolutions which led the postwar system into crisis, or to the diverse interpretations of these events. I would rather refer the reader here to some of the major works on the subject, notably to François Chesnais (1994), Giovanni Arrighi (1994), Michel Beaud (1989) and the article of Kostas

Vergopoulos (1993). I share the points of view developed in these works so fully that a repetition of their arguments would not be useful here. I would add only my own works on the subject, *Empire of Chaos* (1992c) and *La Gestion capitaliste de la crise* (1995). The opposing argument – the defence of financialization – is developed *ad nauseam* in the dominant literature. The only work to which I wish to refer here is the excellent book by Olivier Pastré (1992), whose fine argument poses certain questions which cannot be ignored. I would add to this some of Michel Aglietta's book (1986).

It is thus simply necessary to recall briefly what appears to me to be solidly established regarding the important new characteristics of the postwar system. I would note here the following.

- 1 The undeniable deepening of interdependence – over and above commercial exchanges – not only in the organization of processes of production, but more in its extension to fields previously less affected, such as service industries. However, if the tendency is clearly towards dismantling the coherence of the national systems of production on which historical capitalism was founded, there has been little progress, as Vergopoulos notes (1993), towards the substituting of a coherent globalized productive system. It must also be remembered that globalization as it is today remains fragile and vulnerable, and that if its evolution is not mastered by the establishment of a progressive social framework which is capable of operating effectively and coherently at all levels, from the national to the global, then regressions of all sorts are not only possible but probable. Far from leading to a sort of integrated super-imperialism *à la* Kautsky, globalization accentuates potential conflicts, deconstructing and reconstructing the ground on which states and firms confront each other. Will capitalism be capable of meeting the challenge?
- 2 The emergence of new organizational forms of the firm and its relationship with its economic environment: sub-contracting in its numerous forms and leasing have enriched the spectrum of strategies available to firms to an unprecedented extent. Later in the postwar period, with the onset of crisis and financialization, this transformation of the potential strategic options of firms has reduced the hitherto well-established distinction between financial and industrial actors. Firms develop mixed strategies, productive and financial. This is one of the major elements of what I have termed as generalized financialization.
- 3 The strong tendencies set in motion by the qualitative evolutions noted here operate as forces of exclusion, running from exclusion within even the richest societies to the exclusion on the global level of entire continents, such as Africa.

Faced with these new challenges, the dominant powers have only given responses which exacerbate the consequences. With the erosion of the three postwar models framing the market (local and global), which I have analysed elsewhere in terms of the exhaustion of anti-Fascist ideology (Amin, 1995), the conditions have been recreated in which dominant capital tries to impose unilaterally the utopian logic of 'managing the world as a market', through the ensemble of the currently prevalent deregulation policies. As has been said, globalization serves to dismantle the national social contracts produced through centuries of social struggle without providing any significant replacement on either a global or regional scale (on the scale of the European Union, for instance).

As I (Amin, 1995) and others (e.g. Chesnais, 1994) have frequently written, this response which is not a response has led to global financialization. The depression is expressed by the enormous growth in surpluses of capital which cannot find any profitable outlet in the expansion of the productive system. The major, perhaps even exclusive, preoccupation of the dominant powers is to find financial outlets for these surpluses in order to avoid the catastrophe (for the system) of their massive devaluation. I have suggested that the coherence of the national and worldwide policies currently being pursued stems from this factor – privatization, deregulation, high interest rates, floating exchange rates, the American policy of systematic external deficit, the debt burden of the Third World, etc. I will not return to this point here. In its turn this global financialization becomes locked into a regressionary cycle. By its own momentum the system gives to financier-rentier capital the opportunity of always ensuring that its own interests prevail over the general interest, whatever the cost might be for national and global economies. The incredible growth of inequalities of income, at all levels from the local to the global, produced by the increasing hold of income from sources other than production (i.e. financial rent) over relatively stagnant production fully expresses the irrationality of the system.

Are the counter-measures proposed by way of 'damage limitation' at all effective? The outcome of these counter-measures appears to be regionalization, the virtues of which are currently being trumpeted by the media, whether it be the inexorable construction of Europe or other initiatives (the North American Free Trade Area (NAFTA), the Asia-Pacific project, etc.). I have proposed a critical interpretation of these projects, to which I refer the reader (Amin, 1995). The European project appears to me to have entered a period of turbulence which could still throw its future into doubt, not only following the internal imbalance created by the unification of Germany but more and especially because, conceived by the Right, the European Union remains a project of market integration without a social dimension that can establish at EU level the

equivalent of the historic compromise of labour and capital at the national levels. I have proposed similarly critical interpretations of the market integration projects of other regions of the world (see Amin, 1995: Part 3).

CONCLUSION: AN EXTREMELY UNCERTAIN FUTURE

To explore the alternatives concerning this uncertain future, as a conclusion to this debate on globalization, it seems necessary to return to the central question of method defined at the beginning of our discussion: the question of the law of value and of the relationship between the economic law of the capitalist system and the functioning of its politics.

The law of value considered at its most abstract level, or at the level of abstraction defining its globalized form, operates at the intermediate level in Braudel's terminology (that is, in the framework of the market). In Marx's conceptualization, the law of value defines the dominance of the economic sphere over the social, political and cultural spheres, without separating the one from the others. The law of value dictates not only the economic life of the capitalist world but, as I have said, all aspects of its social life as well. It thus plunges its roots into Braudel's elementary level, which indeed it fashions, but also projects itself onto the higher level of power. However, domination of one level of authority does not imply suppression of the others; otherwise the world would effectively be reducible to the 'market' (or to firms and the market), as the dominant ideology proposes. The system of prices, which determines the distribution of wealth, is necessarily different from the system of values. This stems not only from market imperfections but essentially from the influence of power over the market, the higher level over the intermediate level, political authority over economic authority. Because this dialectic does not interest them, all moderate empiricists ignore value, not wishing to see in it anything but a smoke screen which hides the only reality which they wish to know, the immediate.

Arrighi's excellent book, *The Long Twentieth Century*, gives us startling examples of the disparities between the production of value and the distribution of wealth in history. He looks beneath the surface of the system and shows us why and how industrialist Germany did not achieve the opulence of financialized England, how earlier the Italian towns and the Netherlands captured the world's riches, and how later the US met the offensives of Japan, etc. In a study on the globalization of the footwear industry, Gereffi and Korzeniewicz (1990) show that the profit which returns to the delocalized producers is tiny compared with that gathered by the big brand names which dominate commercial circles: a fine example of the disparity between apportionment of value,

created by producers, and that of wealth, dictated by prices, profits and rents. I have myself, in my analysis of the 'future of polarization' (Amin, 1994c), expressed the idea that due to the five monopolies of the core (technology, finance, access to resources, culture, armaments), the very success of industrialization in the peripheries would go along with increased polarization of wealth. The five monopolies of the core are clearly manifestations of political, social, cultural and ideological power rather than the results of market mechanisms.

I envisage exploring the possibilities concerning the future, then, by putting into practice what I consider to be the essential elements of the historical materialist project. There are two possible scenarios, of an extreme nature, or more precisely two families of scenarios each presenting a range of diverse modalities. The possibility of 'cross-breeding' also exists and is perhaps the most probable in real life.

The worst-case scenario is that which prolongs the dominant system as it is, or merely adopts variants which are only partially corrective. The major characteristic here is that firms (capital) would free themselves from powers, and indeed come to use, or at least neutralize, power themselves. Arrighi notes here that today's multinationals escape from the laws of states just as commercial dealings in medieval fairs escaped from local feudal laws. Personally I do not believe that such an order can be long-lasting as it generates nothing but chaos and its effects are so disastrous that it will inevitably engender reactions strong enough to destroy it. In a polemical tone I will thus take up the words of Arrighi: if this order must marginalize entire continents and reduce the majority of humanity to poverty, then which are redundant – people or the laws of capital?

The modalities of such a schema of lasting chaos can be easily imagined: an isolationist triad (North America, Europe and Japan) and generalized apartheid, punctuated by occasional genocides in order to secure the position of the possessors and protect their fortresses. However, even in this extreme case, would not the triad be forced in its turn practically to tear itself apart? A permanent hegemony – and that of the US is the only one conceivable – would be necessary to avoid intra-triad conflict or even the renewal of intra-European conflict. The rule of 'every man for himself' does not create compromise and harmony but rather their opposite. The schema outlined here corresponds nicely with Reagan's vision. In record time he seems to have already returned from the past; it was, as Arrighi writes, a very short 'belle époque'.

One possible scenario in this framework would be the installation of the west in illusory short-term comfort while oriental Asia continued to progress at a remove from this preposterous form of globalization-exclusion. This oriental Asia would perhaps include Japan ('returning to its roots') which, cushioned by its technological advance, would

reconnect itself to China and the other industrialized countries of the region. Or of course Japan could remain in the sphere of the western triad as China pursues growth without trying to become integrated into the Japanese sphere. The US desire to integrate one and all, that is Japan, China, Korea, etc., in its own renovated sphere now called Asia-Pacific amounts to no more than wishful thinking in my opinion. In fact the Asia-Pacific sphere could become no more than a supplementary force separating Japan and China. Whatever the specific scenario, where is this new industrialization of Asia (east Asia, South-East Asia and India) leading us? If Asia remains in the global system we again find here the law of value, the five monopolies and the new polarization. Or, of course, Asia could delink itself in the sense in which I use the term. This is not impossible.

In all these modalities there are nevertheless too many dangers for the solidity of the structures that carry them to be credible. The Africans, Arabs, Muslims and Latin Americans will surely, one day or another, find effective means to serve notice of their existence. The Europeans and North Americans, who have not proved in history to be completely inert, or to be devoid of a sense of initiative and generosity, would not accept for long the role that the schema of a new Middle Ages would reserve for them, and especially not the role reserved for their own working classes – progressive exclusion from comfort. However, if the Left is not on the scene to mobilize them around a credible and possible incremental programme, then their revolt could see them lurch to the Right and neo-Fascism. This also, of course, has a historical precedent.

One cannot thus avoid the political question concerning the incremental strategies that must be developed to meet the challenge. Globalization implies that if a problem is global then its solution must also be so. It is one thing to recognize this fact but quite another to advocate passive submission to the requirements of globalization in the form that imposes itself while waiting for ... Godot? global revolution? the miraculous progress that this could bring for a while? My thesis is simple: globalization advances progressively, but according to the diverse modalities imposed upon it by political and social struggles. It can thus be set on a track leading to the solution of the problems that it poses or on a track leading to sclerosis and disaster. The task of political strategy is to seize hold of the margins of possible action, however slender they might be, in order to extend the autonomy of future choices.

In this perspective, could one define the stage immediately to come while accepting certain aspects of the extant liberalism, indeed even of financialization? Arrighi and Pastré both appear to imagine so, in different terms. Arrighi insists on the recurring character of moments of 'liberalization' (meaning the weakening of state efficacy), globalization

and even financialization which, even if associated in a way with a crisis of the system (with a phase of accumulation which has run out of steam), is also, on the other hand, a necessary transition to another phase of accumulation. Pastré emphasizes the possible progressive recompositions which could not only accommodate themselves to the new structures which are taking shape behind financialization but even mobilize them for a new social contract. I take this apparently liberal but just as much social (in the sense of being socially progressive) argument absolutely seriously. Pastré imagines a social contract for France encompassing a decisive financial intervention by the 'institutional investors', which comprise the national savings, social savings, pensions, etc. This renewed social dialectic would ensure competition, due in part to a growing emphasis on education and research.

I do not object in any way in principle to this incremental project, which I would refer to as 'new social democracy' (which, like any social democracy, can be conceived of as an end in itself or as a staging post on the way to the more distant socialist objective). However, I believe it is useful to specify the conditions of its success, which are far from being met. Even at the level of France – as this country is the subject of the reflection in question – the project implies political and ideological trends which are not those taking shape in the current chaos. Furthermore, if we accept France's insertion into Europe, the project implies analogous trends in all France's principal EU partners. The new social democracy must be European or it cannot exist. It is what I would call giving the EU the social dimension which it lacks and which the strategy produced spontaneously by dominant capital does not yield. This contradiction is, in my opinion, absolutely capable of making Europe implode and eventually smashing all the hopes invested in it. Furthermore, the project sketched out by Pastré, accepting globalization in principle, implies an organization of the relationships between Europe and the other partners of the world system (the US, Japan and the gigantic peripheries of the three continents) which would support the deployment of its socially progressive logic rather than dashing its hopes. I would call this the construction of a polycentric world, which calls for a reorganization of global markets such as to change the direction of the expansion of productive systems. This reorganization thus enters into conflict with the principles of unbridled financialization. In my opinion, this financialization – linked to the crisis of accumulation and to a large extent produced by it – does not pave the way for an end to the crisis but merely deepens its contradictions. In the same way this reorganization implies the negotiation of market shares open to the newly industrializing peripheral regions. It thus contradicts the principles which, in the name of liberalism, protect the monopolies in place in all their hostility to change. Finally, it implies a reorganization of monetary systems, itself implying conflict with the

principles on which the current financialization rests (floating exchange rates, financial liberalization on a global scale, etc.).

Because of the gigantic difficulties with which these reorganizations are confronted in the real world I believe that the aspect of 'financialization as a mode of crisis management' will prevail over the potential dimensions which could allow it to become a moment of transition to a more socially progressive mode of accumulation on both the local and global levels.

What, then, are we left with? The prospect of another social system, abandoning the sacrosanct institution of private property, and of another globalization, rejecting polarization, remains the only alternative. The completion of such a project is certainly not conceivable in the short term and could look so distant as to seem utopian. I am not of this opinion. I even believe that the guiding principles of the policies which would constitute the first step of this long march can already be sketched out. I see this first step as the construction of a polycentric world allowing the reconstruction of progressive social contracts encompassing the management of the market. We are referring to a vision of the 'transition to global socialism' which is very different from the perspective of the successive Internationals. I refer the reader back to these. History is not fashioned by the law of accumulation alone. Its path is fashioned by the conflict between this law and the logic of its negation.

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