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Making Sense of
Imperialism

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A reply to Leo Panitch and Sam Gindin

(Spring 2006)

From **International Socialism 2 : 110**, Spring 2006.

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‘This is hurricane season in global geopolitical relations,’ David Harvey wrote not long ago. [1] When one sets this turbulence in the context of the rapid and complex changes unfolding in the global political economy, it is clear that Marxists trying to make sense of all this are faced with a very big intellectual and political challenge. No wonder the nature of contemporary imperialism has become a matter of intense analysis and discussion on the radical left internationally. The spirit in which I approach the resulting controversies is that, while I have definite views of my own, I feel that I have much to learn from my interlocutors, however much I may disagree with them on particular issues.

I was therefore rather disappointed by Leo Panitch and Sam Gindin’s reply to my article *Imperialism and Global Political Economy*. [2] Rather than approaching my criticisms of their analysis of American imperialism as a contribution to this collective effort at understanding the world today, they took their response essentially as an opportunity to score points. Thus they

repeatedly return to my self-criticism for having, at the end of the Cold War, predicted a straightforward return to the inter-imperialist rivalries of the first half of the 20th century as a devastating admission that vitiates my entire argument. Panitch's and Gindin's polemical zeal leads them also to misrepresent the theoretical framework of my argument. Thus they say that I borrowed 'from Harvey and [Giovanni] Arrighi a notion of two "logics of power" – economic and territorial – to try to revive the classical theory' of imperialism (p. 194). In fact, I arrived at what I prefer to think of as a refinement of the classical theory – the idea that capitalist imperialism is constituted by the intersection of economic and geopolitical competition – quite independently of Harvey or Arrighi. Panitch knows this perfectly well, because he participated in a conference on imperialism in New York on the eve of the Iraq war in March 2003 where Harvey and I discovered that we had independently converged on a very similar conception of imperialism. [3]

I must confess I don't find this combination of point-scoring and inattention to what others actually say particularly helpful. For example, Panitch and Gindin add to their scorecard the fact that I don't challenge their claim that the centrifugal pressures on the advanced capitalist states when global economic crisis hit in the mid-1970s were mitigated by 'the [transnational] integration of production and finance that already had taken and continued apace amidst this revived [trade] competition' between the United States, Western Europe and Japan (p. 195). But why should I deny this long-familiar fact that is common ground among Marxist political economists working in very different theoretical perspectives? [4] Much of what Panitch and Gindin say is true – some of it is illuminating. The trouble is that these elements of their argument are combined with some mistaken claims, making for a seriously flawed overall analysis. It ought to be possible to discuss our differences while extending to those with whom we disagree the courtesy of listening to and trying to learn from each other. In that spirit, I want to focus in what

follows on the two key issues that separate me from Panitch and Gindin: (1) Is the period of economic crisis that developed in the late 1960s over? (2) What form do the relations among capitalist states take today?

An economic restabilisation of capitalism?

Panitch and Gindin aren't the only Marxist political economists to believe that the crisis of profitability that afflicted capitalism in the 1970s and 1980s has now been overcome. For example, Gérard Duménil and Dominique Lévy make this same claim, though they argue that neo-liberal policies have a destabilising effect. They claim the dominance of finance has redistributed surplus value from productive to money capital – thereby, despite the recovery of the rate of profit, limiting the funds available for investment and reducing the overall rate of economic growth. [5] This is a significantly different position from that of Panitch and Gindin, for whom it was the development of neo-liberalism that overcame the crisis. They argue that the 'Volcker shock' – the imposition of strict monetary discipline by the chairman of the US Federal Reserve Board in October 1979 – marked a turning point, after which 'the international authority of neo-liberalism was established, emulated and generalised. It was this that resolved, for capital, the crisis of the 1970s (p. 195).

The Volcker shock was undoubtedly an important event – in particular, it marked a step in the consolidation of what Peter Gowan calls the Dollar Wall-Street Regime, which replaced the post-war Bretton Woods international monetary system on terms highly favourable to US capitals. [6] But did it mark the resolution of the crisis? Surely not. As Bob Brenner has pointed out, 'Starting in 1979-80, the imposition of record-high real interest rates brought about the worst [American] recession since the 1930s,' and, by setting off the Latin American debt crisis in

1982, ‘threatened to precipitate a worldwide crash ... There was really no choice but to bring back Keynesianism, an outcome that had already fortuitously been assured ... by Reagan’s plan for cutting taxes and increasing expenditures on the military. Once again, the US would serve as market of last resort for the world economy.’ As Brenner shows, further state-directed stimuli to effective demand have been required, first in the shape of the ‘stockmarket Keynesianism’ practised by Alan Greenspan, chairman of the Federal Reserve, in response to the slowdown in profitability in the late 1990s, inflating the Wall Street bubble to encourage spending by affluent households, and more recently using low interest rates to sustain the house price bubble that has played a critical role in refloating the American economy after the recession that struck at the beginning of the present decade. [7]

Not only do Panitch and Gindin ignore all these ups and downs, but the theoretical basis of their own argument is quite obscure. They say that I was mistaken in attributing to them the view that ‘class struggle from below’ was ‘the sole cause of the crisis of the 1970s’ (p. 195). What I actually did was to quote their claim that ‘working class resistance’ was ‘a pivotal factor in causing the crisis’. [8] It’s true that calling something a ‘pivotal factor’ isn’t the same as saying it is the ‘sole cause’ of the phenomenon under discussion, but it does imply that it is pretty important. Elsewhere they accept that ‘overaccumulation is an inherent condition of capitalism’ because competing capitals tend to produce more than they can sell. [9] But the relationship between this very broadly stated tendency towards overaccumulation and the vicissitudes of class struggle goes unspecified. This is important because Panitch and Gindin say that ‘it became impossible to resolve the crisis of the 1970s without breaking the back of labour’ (p. 195). It is undeniable that that weakening working class organisation as a means of forcing up the rate of exploitation is a necessary condition for overcoming a crisis of overaccumulation, but is it a sufficient

one? Marx's answer is, of course, that it isn't, because the rate of profit depends not just on the level of exploitation (the rate of surplus value) but also on what underlies the phenomenon of overaccumulation, the amount of capital invested per worker – in value terms, what he called the organic composition of capital.

How does this theoretical argument relate to the empirical evidence? To take the crucial case of the US, despite the historically unprecedented reduction of real wages between the late 1970s and the late 1990s, American capitalism did not succeed in overcoming the crisis of profitability. One of the anomalies in Duménil's and Lévy's argument that this crisis has been resolved is that their own study of the rate of profit in the US shows that by 2000 it had made up less than half of its overall decline, and was only half its value in 1948 and between 60 and 70 percent of its average value in the decade 1956–65. [10] This broadly accords with Brenner's study of US profitability. This evidence doesn't necessarily corroborate Marx's theory of the tendency of the rate of profit to fall, since it is consistent with Brenner's alternative theory, but it certainly doesn't support Panitch's and Gindin's repeated assertion that the crisis of the 1970s has been 'resolved'. [11]

Elsewhere they have given figures showing that, whereas during the post-war boom output and productivity in the US grew more slowly than they did in the other advanced capitalist states, since the 1980s output and productivity have increased more rapidly in the US than in the rest of the G7. [12] What this reveals is a revival of the relative competitiveness of American capitalism within the advanced capitalist bloc, but it doesn't tell us anything about whether the global economic crisis has been 'resolved'. The accompanying table indicates that the rate of growth of average per capita income has fallen in every successive decade since the 1960s, which is hardly evidence of robust health. Of course, the US economy's recovery from the recession of 2000–03 has been marked by a sharp increase in company profits and has pulled up global growth rates, in

particular by allowing China to continue its spectacular expansion and thereby easing the path of economies that are feeding the Chinese boom, whether with complex manufactured goods (Germany, Japan and South Korea, for example) or with natural resources (Russia, Brazil, etc.).

The critical question is whether or not this apparently benign set of interchanges is sustainable over the longer term. Panitch and Gindin take a relaxed attitude towards the fact that the steadily growing US trade deficit is increasingly financed by the Chinese state lending back to the American government many of the dollars its firms earn by exporting manufactured goods to America. They ask, ‘Isn’t it a version of the monetary illusion to read structural crises off from such indicators as deficits and debts?’ (p. 198) In the first place, there are, as we have seen, other indicators of crises than ‘deficits and debts’. Secondly, Panitch’s and Gindin’s own emphasis on finance indicates that they don’t really accept the neoclassical orthodoxy that money is a mere veil concealing the real economy – one of the things on which Marx and Keynes agreed was that money matters. Thirdly, if they’re not worried, plenty of other people are. For example, Martin Feldstein of the US National Bureau of Economic Research argues that to reduce the US deficit (an unprecedented 6.4 percent of gross domestic product in the first nine months of 2005) to a more sustainable 3 percent of GDP will require a devaluation of the dollar by at least 30 percent. He predicts that shrinking returns on US government bonds as the dollar declines will at some point generate a much sharper – and globally destabilising – fall in the currency. [13] Now, Feldstein might be wrong. Dick Cheney may be right when he says that ‘deficits don’t matter’. But it is hard not to feel that Panitch’s and Gindin’s refusal even to contemplate that Cheney might be wrong is a form of dogmatism as severe as anything they claim to have discovered in my argument. [14]

Is interstate competition over?

It is one of the merits of Panitch's and Gindin's theorisation of imperialism that they are very clear about the persisting significance of the existence of a plurality of states. This distinguishes it from Michael Hardt's and Toni Negri's claim that nationstates are dissolving into the transnational network capitalism of Empire. They complain that I caricature their argument by associating them with Hardt and Negri (p. 197). What I in fact wrote was that 'they move from different premises from those of Hardt and Negri to the same conclusion, that geopolitical competition has been largely transcended in contemporary capitalism'. [\[15\]](#) Since Panitch and Gindin devote much of their reply to ridiculing my claim that geopolitical competition, on the contrary, persists, I really fail to see how I am supposed to have caricatured their views.

The real point at issue seems to be this. While Panitch and Gindin recognise that 'what Marx in the **Grundrisse** called "many capitals" came to depend on many states', they emphasise 'the role played by many states in fostering and reproducing a dynamic global capitalism' (p. 194). That is to say, they focus on the economic functions of the plurality of capitalist states, their contribution to (to borrow the title of another article of theirs) 'superintending global capital'. Thus they criticise me for underestimating the extent to which 'the international economic integration and the coordinated management of global capitalism' were well entrenched before the end of the Cold War (p. 195). Nevertheless, the relations even among the advanced capitalist states are far from equal, but consist rather in 'the asymmetric power relationships that emerged out of the penetration and integration among the advanced capitalist countries under the aegis of informal American empire' (p. 197). [\[16\]](#)

There is plainly an important measure of truth to this argument. One of the main themes of my own writings on

imperialism has been what I call the partial dissociation of economic and geopolitical competition that developed in the advanced capitalist world under US leadership during the Cold War. While initiated and sustained by successive strategic interventions by the American state, this development has been underpinned by the greater cross-border integration of capital, and by the mechanisms of policy coordination developed within the framework of the G7 and the Bretton Woods institutions. The question that I have been trying to explore is how this relative unification of the advanced capitalist world under American hegemony interacts with persisting forms of economic and interstate competition.

Panitch and Gindin seek to close off discussion of this question by pouring scorn on the very idea of geopolitical (or interstate) competition. It is a 'loose notion' that 'acts as a stand-in for the concept of interimperial rivalries', and therefore as a means of rehabilitating the discredited classical Marxist theory of imperialism (p. 196). This just seems wrong to me. In the first place, there seems to be nothing particularly vague about the idea that state managers have a distinct interest in maintaining control over their territory, and the access to surplus labour that this control gives them, against the encroachments of the managers of other states. You don't have to be Thomas Hobbes then to infer that the best way of pursuing this interest may often be to increase the economic and military capabilities of a given state relative to, and perhaps at the expense of, other states. Secondly, the concept of interstate competition became an important topic in social theory when, in the 1970s and 1980s, various neo-Weberian historical sociologists – notably Anthony Giddens, Michael Mann and Theda Skocpol – accused Marxism of being unable to accommodate rivalries among states. As their challenge implied, interstate competition is a transhistorical phenomenon that extends beyond the capitalist mode of production – indeed, there have been some interesting efforts to refine historical materialism by incorporating geopolitical

rivalries as a motor of the development of the productive forces.

[17]

Granted all this, it really would be headline news if geopolitical competition were in the process of vanishing ‘under the aegis of informal American empire’. Panitch and Gindin dismiss the evidence I cite to the contrary as ‘very weak’ (p. 196). Well, I can’t say I’m particularly impressed by a much recycled quotation by an Atlanticist French international relations specialist and a French government publicity campaign in the US as proof that the conflict between America and ‘old Europe’ is overstated. But rather than follow Panitch and Gindin any further into this kind of pointscore, I think it would be more useful to highlight three more general issues.

First, though they make much of their commitment to ‘the relative autonomy of the state’, Panitch’s and Gindin’s focus on the role of ‘many states’ in ‘the coordinated management of global capitalism’ has economic reductionist implications. It excludes conflicts between states that lack directly economic roots. This is a mistake, since interstate conflict need not be driven by economic competition – the Cold War is a case in point. But, since we all agree that political struggles must be traced back to the relations of production, what are the economic sources of contemporary tensions within the advanced capitalist world? The answer is very well stated by Gowan in an unpublished paper. Global production, investment, and trade are heavily concentrated in and directed from three great nodes of economic power, the three apexes of the triad – North America, the European Union and Japan. Both the accumulation strategies of private capital and the policies of the states of the triad tend to reinforce these concentrations through various positive feedback mechanisms. Global economic power is indeed distributed asymmetrically, as Panitch and Gindin assert, but also pluralistically – the existence of these three great capital complexes makes rivalries among the states of the triad inevitable. [18] These rivalries need not take the form of the

inter-imperialist struggles of the first half of the 20th century – the latter are a red herring that confused me at the end of the Cold War, and that Panitch and Gindin continue to use in an effort to evade the contemporary reality of geopolitical competition.

Secondly, the fact that these three great economic-political power complexes compete doesn't mean that relations among them are equal – in the military and financial domains, the US is more powerful than either the EU or Japan. Nor does it mean that they have no interest in cooperating – on the contrary, on many issues they do. Panitch and Gindin make the correct point that the existence of tactical differences among states about how to pursue 'global capitalist development and security' isn't 'proof of fundamental divergences within the imperium' (p. 197). But a version of the reverse is true – the fact that different capitalist states share the same economic policy regime doesn't mean that there may not be significant conflicts of interest between them. Neoliberalism is now the dominant economic policy regime globally. It doesn't follow that the capitalist powers practising it have identical interests – Panitch and Gindin ignore my suggestion that the Washington Consensus in Latin America has been exploited more effectively by European than American transnationals. To take a much stronger example, in the era of the Gold Standard before the First World War all the Great Powers shared broadly the same economic policy regime. This didn't stop them going to war in August 1914. The Great Depression of the 1930s saw a general shift in policy regime towards state capitalism that, if anything, accentuated inter-imperialist rivalries. I hope Panitch and Gindin won't caricature my argument by claiming I am predicting a Third World War – my point is rather that the fact that most capitalist states have embraced neoliberalism doesn't mean there are no potentially destabilising conflicts of interest among them.

Finally, to geopolitics proper. It is hardly surprising that, in the aftermath of the Cold War, with the US enjoying unparalleled

ideological and military supremacy, and Japan and continental Europe in the grip of economic stagnation, even states outside the Western camp such as Russia and China have been very cautious about balancing against the hegemonic power. But will this state of affairs persist? There are already signs that it is beginning to break up. Even Panitch and Gindin can't deny China's potential as a challenger to US domination in Asia, though they are right to say that this potential has yet to be realised. But Russia is also becoming restive, particularly in response to its growing encirclement by pro-Western regimes, thanks most recently to the velvet pseudorevolutions in Georgia and Ukraine. The revolution that didn't happen in Uzbekistan is an interesting straw in the wind. What gave the Karimov regime the geopolitical confidence to shoot demonstrators down when so many other tyrannies crumbled was the support it enjoyed from Moscow and Beijing. The beginnings of a counternetwork to the US-orchestrated web of alliances in Central Asia, and the development of the Shanghai Cooperation Forum linking Russia and China into a more robust entity, are further suggestive developments. The impact of what seems likely to be a 'draw-down' of US forces in Iraq, under the pressure of the resistance, should also be factored into the equation. Contemporary global politics displays a complex combination of interstate cooperation and rivalry. It is to be regretted that Panitch and Gindin are so resistant to an open-minded discussion of the real trends.

Notes

1. D. Harvey, 'The New Imperialism: Afterword to *Foreign Language Editions*' (2004), www.colorado.edu/geography/dart/.
2. A. Callinicos, *Imperialism and Global Political Economy*, **International Socialism 2 : 108** (Autumn 2005); L. Panitch and S. Gindin, "*Imperialism and Global Political Economy*" – *A Reply to Alex Callinicos*, **International Socialism 2 : 109** (Winter 2006). References in the text are to the latter article.

[3.](#) My version of this refinement was first published in [The Grand Strategy of the American Empire](#), **International Socialism 2 : 97** (Winter 2002), pp. 4–5, though it emerged from a protracted exploration of the relationship between capitalism and the state system that began in **Making History** (Cambridge 1987), ch. 4. Arrighi has pointed out that Harvey gives a different content to his distinction between capitalist (not, as Panitch and Gindin say, economic) and territorial logics of power: *Hegemony Unravelling*, **New Left Review II/32** (2005), p. 28, n15. For further discussion of this issue see S. Ashman and A. Callinicos, ‘*Capital Accumulation and the State System*’, forthcoming in **Historical Materialism**.

[4.](#) For example, see the discussion of how ‘the internationalisation of production and banking over the past three decades’ distinguished the economic crises of the 1970s and 1980s from the inter-war depression in C. Harman, **Explaining the Crisis** (London 1984), pp. 113–117 (quotation from p. 116), and the account of the US-driven shift to finance in R. Brenner, **The Boom and the Bubble** (London 2002), ch. 1.

[5.](#) G. Duménil and D. Lévy, **Capitalism Resurgent** (Cambridge MA 2004).

[6.](#) P. Gowan, **The Global Gamble** (London 1999), esp. chs. 3 and 4.

[7.](#) R. Brenner, **The Boom and the Bubble**, as above, p. 36; see also ch. 7; and R. Brenner, *New Boom or New Bubble?*, **New Left Review II/25** (2004).

[8.](#) L. Panitch and S. Gindin, *Finance and American Empire*, in L. Panitch and C. Leys (eds.), **The Empire Reloaded: Socialist Register 2005** (London 2004), p. 81, n72.

[9.](#) L. Panitch and S. Gindin, *Superintending Global Capital*, **New Left Review II/35** (2005), p. 118.

[10.](#) G. Duménil and D. Lévy, *The Profit Rate: Where and How Much Did It Fall? Did It Recover?*, **Review of Radical Political Economy 34** (2002).

[11.](#) See R. Brenner, *The Economics of Global Turbulence*, **New Left Review I/229** (1998), and the debate in **Historical Materialism 4** and **5** (1999).

[12.](#) L. Panitch and S. Gindin, *Superintending Global Capital*, as above, pp. 113–14.

13. M. Feldstein, *Why Uncle Sam's Bonanza May Not Be All That It Seems*, **Financial Times**, 10 January 2006.

14. See also Chris Harman's excellent analysis of current tensions in global capitalism: [*The Dragon's Fire: China's Economy and Europe's Crisis*](#), **International Socialism 2 : 109** (Winter 2006).

15. A. Callinicos, *Imperialism and Global Political Economy*, as above, p. 111.

16. L. Panitch and S. Gindin, *Superintending Global Capital* is probably the most concise and elaborated statement of this argument. Theoretically it is close to that put forward by Ellen Wood, notably in **Empire of Capital** (London 2003).

17. T. Skocpol, **States and Social Revolutions** (Cambridge 1979), A. Giddens, **A Contemporary Critique of Historical Materialism** (London 1981), and M. Mann, **The Sources of Social Power** (2 vols., Cambridge 1986, 1993). See, for Marxist treatments, C. Bertram, *International Competition in Historical Materialism*, **New Left Review I/183** (1990) and A. Carling, *Analytical Marxism and Historical Materialism*, **Science and Society 57** (1993).

18. P. Gowan, *Industrial Dynamics and Interstate Relations in the Core* (unpublished paper, 2005).

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