

The Internationalisation of Capital and the Crisis.

Simon Clarke,
Department of Sociology, University of Warwick

1 Capitalist Crisis or Regulation Crisis?

The instability in the world economy since 1974 has cast serious doubt on our understanding of the post-war boom and, more broadly, of the contemporary stage of capitalist development. From the late 1950s to the early 1970s the overwhelmingly dominant view was that the post-war boom marked a qualitatively different phase of accumulation, characterised variously by the emergence of the Keynesian Welfare-Warfare State, of State Monopoly Capitalism or, more recently, of the Fordist regime of accumulation. This phase was marked by the dominance of the technology of mass production, a growing degree of monopoly, a collaborationist system of industrial relations, and the stabilisation of accumulation by the nation state. Although the re-emergence of the immanent crisis tendencies of capital accumulation since 1974 has made it clear that the stability of the post-war boom was considerably over-emphasised, it has not led to a serious re-examination of the belief that the war marked a fundamental break in the history of capitalism. Instead the crisis has been widely interpreted as a crisis of the post-war phase of capitalism, and a period of transition to a new stage, whose contours are not yet clear, but which is marked by new production technologies, increased competition on a global scale, flexible industrial relations systems, and a marked reduction in the ability of the nation state to regulate accumulation.

For many on the Left neo-liberalism is the capitalist politics appropriate to the transition phase, the outcome of the breakdown of the forms of regulation typical of the post-war boom in the face of the rapid internationalisation of capital. The current phase of the crisis indicates the limits of neo-liberalism, its resolution demanding new forms of regulation and more extensive political intervention at the national and international level which provides the opportunity for the left to develop a new politics appropriate to the new phase of accumulation. I shall call this analysis ‘regulationist’, using the term in its widest sense.

It is my belief that this kind of analysis focusses on relatively superficial and transitory features of capitalism, which are one-sidedly elevated to defining features of a distinctive stage of capitalist development. The crisis is then seen only as a crisis of particular ‘modes of regulation’ of capital

accumulation, which can be resolved by developing new forms of regulation, rather than being seen as a crisis which expresses the contradictory form of accumulation itself. Theoretically this distracts attention from more fundamental and enduring features of capitalism. Politically it cuts us off from the lessons of history, and tends to validate an opportunistic and divisive politics. In this presentation I would like to develop this argument by concentrating on the issue of the internationalisation of capital and the nation state.

2 The internationalisation of capital and the limits of the nation state

The starting point of the regulationist interpretation is the belief that the increased penetration of the state into civil society has fundamentally modified the laws of motion of the capitalist mode of production by establishing modes of regulation which can contain the tendency to overaccumulation and crisis. However the limits of these modes of regulation are determined by the fact that they were established on a national basis, and so have been progressively undermined by the internationalisation of capital.

It is certainly true that the freedom of the nation state to pursue an independent economic policy has been severely reduced since the 1970s by the growing pressure of international competition and by speculative movements of international money. However the internationalisation of capital was not the source of the recurrent crises of the 1970s and 1980s. The growing pressure of international competition expressed not so much the internationalisation of capital, as the growing overaccumulation of capital on a world scale. Indeed the internationalisation of capital has continued to be the means by which capital has sought to overcome the barriers to accumulation as the more dynamic capitals, with the growing encouragement of the state, seek to conquer world markets. 'Internationalisation' is a threat to backward capitals, but it is also an opportunity for the more advanced. Similarly the speculative movements of international money expressed not the breakdown of earlier 'national' modes of regulation, but the uneven development of capital which underlay the growing imbalances in international payments which international capital was called on to finance. The internationalisation of capital made it possible to sustain accumulation, despite such imbalances, by the massive expansion of international credit. Thus the crisis is not the result of the internationalisation of capital, but rather expresses the fact that such internationalisation has reached its limits.

The belief that the post-war boom was based on the institutionalisation of modes of regulation of accumulation through which the accumulation of capital was subject to the direction of the nation state is equally false. While the state certainly intervened more actively in regulating accumulation, this

has not involved an inversion of the relationship between capital and the state. State intervention has been circumscribed throughout the post-war period by the contradictory form of accumulation on a world scale. The tendencies towards the internationalisation of capital and the liberalisation of capitalist regulation are by no means new, but have been the dominant tendencies ever since the Second World War, central features of the boom as much as of the crisis.

3 The state and the market in the post-war boom

The wartime need to subordinate the accumulation of capital to the rapid expansion and restructuring of the productive forces had led the state to develop a dense network of institutions of planning, regulation and control. The immediate post-war priority was the reconversion of military production to peacetime needs. However this task was a relatively simple one, and was achieved remarkably quickly. The much more difficult task was that of the reconstruction of the social relations of production.

For the left the wartime interventionist apparatus provided a basis on which to develop new forms of democratic planning to bring social production under social control. For the bourgeoisie, on the other hand, the priority was not to develop but to dismantle this interventionist apparatus, to bring social production back within the limits of capital. However this latter task could not be achieved immediately, for the legacy of war was an enormously uneven development of the forces of production, not only sectorally but also geographically, marked primarily by the overwhelming dominance of US productive capital which underlay the post-war ‘dollar shortage’. In similar circumstances rapid liberalisation after the first world war had provoked an acute crisis, with intense class struggles, financial instability, the destruction of productive capacity and the devaluation of capital, culminating in the crash of 1929 and ensuing depression. The priority of the bourgeoisie was to avoid repeating this experience by using the interventionist apparatuses of the state to restructure the productive forces, on the one hand, and to develop appropriate financial institutions, on the other, which could ensure a smooth restoration of the liberal order. Although the details of this strategy differed from one country to another, the task was a global one, coordinated by US capital and the US state.

The issue of post-war reconstruction was a fundamental class issue. The social and political strength of the working class made immediate liberalisation inconceivable. However the retention and development of the apparatus of wartime intervention in the reconstruction period, involving nationalisation, the development of instruments of bureaucratic and fiscal intervention, and a pervasive network of economic and financial controls, did not necessarily represent a victory for the working class. Behind the rhetoric of ‘national reconstruction’ lay a struggle over the form of that reconstruction.

However this struggle did not appear transparently as a class struggle.

The idea of ‘national reconstruction’ was a myth not only because it glossed over the class issue, but also because the uneven development of the forces of production made reconstruction on the basis of self-sufficiency inconceivable. The priority of ‘national reconstruction’ was to expand exports, to provide outlets for the surplus products of the more highly developed branches of production and to provide the means of international payment with which to purchase urgently needed means of production and subsistence. Thus national reconstruction could only take place within the framework of international reconstruction. Accordingly the class struggle over the form of national reconstruction was severely circumscribed by the struggle over international reconstruction, which set the Soviet block against the Atlantic alliance. The class character of the national reconstruction effort was determined not by the greater or lesser degree of state intervention, but by the global context within which such intervention took place. In the emerging Soviet block reconstruction took place within a framework of planned trade dominated by barter relationships. In the emerging capitalist block reconstruction took place within the framework of international trade and financial liberalisation, in which payments imbalances were accommodated by enormous flows of international aid, military expenditure and financial investment.

The foundations of the post-war boom were undoubtedly laid by the activity of the state in the reconstruction period. However the crucial feature of this activity was not so much the ability of nation states to sponsor the restructuring of the productive forces, nor even to contain the aspirations of the working class in order to force up the rate of profit, but the success of the US-dominated effort to rebuild a system of international trade and payments through which international flows of money capital could accommodate the uneven development of the forces of production on a world scale. The removal of state controls on the international movements of commodities and capital was both a precondition and a result of this reconstruction strategy. The liberalisation of the international financial system then made possible the rapid internationalisation of capital, through which the most advanced capitals were able to suspend the barriers to accumulation presented by the limited extent of the domestic market, and so sustain accumulation in the face of the tendency to overaccumulation and crisis. It was the sustained accumulation of the post-war boom, based on the rapid internationalisation of capital and liberalisation of the international movements of commodity, money and productive capital, which made possible the policies of Keynesian interventionism and economic planning, whose success enabled politicians then to claim that they had tamed capitalism.

4 Internationalisation of capital and the crisis of overaccumulation

The crisis tendencies of post-war accumulation appeared from the mid-1960s as the overaccumulation and uneven development of capital, accommodated by the expansion of credit, and reinforced by rising government expenditure, generated growing inflationary pressure and imbalances of international payments. The enormous post-war growth of the credit system made it possible to overcome periodic crises and to sustain accumulation, at the cost of rising inflation. However this was not a feature of new modes of regulation. What was new was the willingness of governments systematically to pursue inflationary credit policies in the attempt to stave off crises, a policy which capitalists had vigorously, and largely successfully, opposed in the past. (The main exceptions being the German social democratic government after the First World War, and populist US administrations since the nineteenth century). Thus inflationism did not express a change in the form of the state, but a shift in the balance of class forces, expressed through the political pressure of the working class institutionalised in the welfare state and in the system of industrial relations which was a legacy of the post-war settlement.

By the early 1970s the boom was entering its speculative phase on a global scale, leading to the inflationary crisis of 1974. Attempts by governments to resolve this crisis on a national basis, whether by inflationary Keynesianism or by direct intervention to sustain domestic production in the face of intensified international competition, were largely unsuccessful, such policies raising further barriers to accumulation and so reinforcing inflationary pressures by sustaining backward capitals at the expense of the more dynamic capitals. The ability of national governments to pursue such policies was limited by the growing pressure of international competition and by speculative movements of international money. However this pressure was but a symptom of the increasing overaccumulation and uneven development of capital on a world scale. Indeed the crisis arose not because of the extent of internationalisation, but because such internationalisation had come up against its limits as the further expansion of the world market intensified international competition and as the growth of international credit was unable to accommodate growing payments imbalances.

The growing overaccumulation and uneven development of capital through the 1970s led not only to an economic crisis, but also to a deepening political crisis. The 'post-war settlement' had secured the social and political integration of the working class through the systems of industrial relations and the welfare state. In the boom these 'modes of regulation' of the working class could even prove functional to sustained accumulation, reconciling the working class to the intensification of labour and a high degree of mobility in exchange for guaranteed employment, rising wages and welfare

benefits, as capital sought to develop the productive forces without limit. However the growing overaccumulation and uneven development of capital from the late 1960s increasingly brought the tendency to develop the productive forces without limit into contradiction with the need to confine the development of the productive forces within the limits of capitalist social relations of production. The growing pressure of competition in the face of the overaccumulation of capital eroded profits and public revenues, leading to an intensification of the class struggle. The attempt of the state to confine these struggles within the institutional forms of industrial relations and the welfare state by inflationary means only served to exacerbate the crisis by further eroding the international competitiveness of domestic productive capital and by increasing monetary and financial instability, so that the crisis increasingly unleashed a class struggle over the institutional forms of industrial relations and the welfare state.

The crisis of Keynesianism did not express the barrier to domestic capital accumulation presented by international capital, but rather expressed the barrier presented to the realisation of the material aspirations of the working class by the need for capital to subordinate the development of the productive forces to the social form of capitalist production. The barrier to the aspirations of the domestic working class was not competition from foreigners, it was the social form of capitalist production. The rise of neo-liberalism did not express the thwarting of the ambitions of the nation state by international capital, but the success of the right in exploiting and intensifying the divisions in the working class opened up by the crisis in order to secure a resolution of the crisis on the basis of capital.

The crisis of 1974 was a classic overaccumulation crisis. Although the immediate response of several states was to pursue deflationary policies, in order to force accumulation back within the limits of profitability, such policies soon provoked industrial and political conflict, so that the US in particular reversed its stance. The stagflation of the 1970s was essentially an expression of the global balance of class forces, as working class pressure continued to force nation states to pursue inflationary domestic policies, within limits dictated by capital through the financial markets. The crisis of 1979 marked a decisive shift in the balance of class forces, with Britain and the US joining Germany and Switzerland in the conservative camp, imposing a global depression that saw the massive devaluation of surplus capital and destruction of surplus productive capacity, escalating unemployment and an intense offensive against the working class on the part of both capital and the state which sought not so much to force down wages, as to restructure the institutional forms of industrial relations and the welfare state, through which workers had sought to realise their material aspirations, in order to subordinate the reproduction of the working class to the reproduction of capital.

However deep was the recession of 1979-81, and however great were its

social costs, it was not sufficient to restore the conditions for sustained accumulation, nor did it remove the tendency to overaccumulation and crisis. As in the 1970s, restrictive fiscal policies were soon reversed, and global accumulation renewed on the basis of Reagan's military Keynesianism. However the massive defeat suffered by the working class in the early 1980s enabled capital and the state to confine working class aspirations within the limits of profitability, so that accumulation was sustained without the emergence of significant inflationary pressures. Nevertheless the intensification of labour and rapid technical change provided opportunities for surplus profit which stimulated the overaccumulation and uneven development of capital to an historically unprecedented degree, which was sustained only by an explosion of domestic and international debt financed not so much by credit expansion as by the diversion of surplus capital into unproductive and increasingly speculative channels.

5 Social imperialism and socialist internationalism

Although the crash of 1987 revealed only too clearly the fragile basis of the boom of the 1980s, it was not in itself an event of fundamental significance, being confined to a devaluation of fictitious capital. The immediate impact of the crash on accumulation was effectively neutralised by easing credit, bailing out banks, and by precarious international cooperation to regulate currency markets. Nevertheless such ad hoc measures have served only to postpone the crisis. The overaccumulation of capital has been sustained only by further growth in the mountain of debt. Credit expansion has led to the emergence of inflationary pressures. International cooperation has made limited progress in the face of conflicting national interests. Thus the basis of sustained accumulation becomes ever more precarious, and the prospects in the event of a second crash ever more bleak.

The twin US deficits, which stimulated and sustained the world boom of the 1980s, are now the greatest threat to the stability of the international financial system. Although the crash of 1987 saw a massive devaluation of the US debt, to the disadvantage primarily of Japanese capital, the continued deficits mean that the debt continues to mount. However the liquidation of these deficits confronts formidable barriers. There are essentially three alternatives. First, a massive increase in the US rate of exploitation to restore the competitive position of US productive capital and to fund the budget deficit. Second, a massive redistribution of surplus value in favour US capital. Third, a massive devaluation of capital through a renewed, and much more devastating, crash. Which of these is likely to prove the dominant means of responding to the crisis?

The democratic constitution of the United States sets limits to the extent

to which the crisis can be resolved by an increase in the rate of exploitation. Moreover such an increase could only be achieved if the US state pursued severely restrictive fiscal and credit policies, which would provoke a deep world-wide recession and risk triggering off a second crash. Since the crash the US state has continued to pursue the strategy which has served it well over the past two decades, of exploiting the fears of such a recession and crash to secure the cooperation of other nation states in regulating international financial and money markets in such a way as to ensure the continued financing of the US deficits, the regular devaluation of the US debt, and the international redistribution of surplus value in favour of the US. Over the past year the US has increased pressure on its allies by threatening to pursue increasingly aggressive commercial, tariff and exchange rate policies, including direct political pressure to exclude competitors from US markets in the Americas and to pre-empt their attempts to penetrate the Soviet block, and by threatening to force them to make increased contributions to US overseas military expenditure. The likelihood is that the looming threat of a recession will lead to a marked increase in such pressure in the near future. However there are limits to which the US can force its allies to go in sacrificing their national interests to sustain the privileged position of the US. Thus we must expect to see a resurgence of economic nationalism and inter-imperialist rivalry, as the United States' competitors try to free themselves from the stranglehold of the US by reducing their dependence on the US market, as an outlet for their surplus product, and on the international financial system.

The threatened breakdown of neo-liberalism does not represent merely a crisis in the modes of regulation of accumulation. It is the result of a classic overaccumulation crisis, which expresses the contradictory foundations of the capitalist mode of production itself, closely comparable with those which underlay the previous world crashes of 1873 and 1929. The historical parallels are by no means encouraging, previous phases of global overaccumulation having culminated in the formation of blocks and inter-imperialist war. Although such an outcome of the present crisis might seem far-fetched, things can change fast. The decades before the First and Second World Wars saw remarkably rapid shifts in international alliances, a rapid growth of militarism, and an explosion of nationalist and imperialist sentiment, into which the left was quickly drawn, abandoning socialist internationalism in favour of social imperialism. The 'internationalisation of capital' need not be a barrier to the formation of blocks in the 1980s, any more than it was at the turn of the century or in the 1930s, for the formation of blocks is not a matter of the ownership of capital, but of relatively closed regional networks of trade and payments, which present barriers to the mobility of the capital, but which are not inconsistent with its internationalisation.

The growth of nationalism and inter-imperialist conflict is by no means inevitable. In the past such strategies have been adopted by the state not

simply as a means of restoring the fortunes of national capitals, but as a means of deflecting the domestic class struggle in the crisis. The political success of the imperialist strategy depended on the ability of the state to divide the working class, drawing sections of the working class into the imperialist project with the bait of social reform and interventionist industrial policies, and so isolating and destroying the forces of socialist internationalism. Such a strategy confronted the Left with a dilemma. In the face of the growing crisis social imperialism appeared to offer immediate benefits to the working class, and so a means of salvaging the reformist project of the social democratic leadership, while it isolated revolutionary socialists, whose rejection of opportunistic class collaboration in the name of revolutionary internationalism appeared increasingly as an idealistic, and ultimately unpatriotic, maximalism divorced from the practical realities of working class struggle.

The same dilemma has confronted the Left as the crisis has developed over the past fifteen years. The post-war social democratic project was premised on sustained domestic accumulation, and so the prosperity of domestic productive capital, to maintain full employment and provide rising wages and social expenditure. While capital has sought to overcome the growing barriers to accumulation through global liberalisation, it has been the Left, armed with its 'regulationist' analysis, which has prepared the ground for a social imperialist response to the crisis, confronting the international freemasonry of capital not with a socialist internationalism, but with schemes for the regeneration of the 'national economy', even if the 'national economy' has recently assumed continental dimensions; not with anti-imperialism, but with anti-Americanism; appealing not to a vision of a socialist future, but to a memory of a social imperialist past in which capitalist prosperity gilded the workers' chains. However memories are short. Social imperialism in a period of crisis is very different from social imperialism in a period of boom. As the crisis develops nothing could be more naive than the belief that a nationalistic confrontation with the global aspirations of capital will acquire a socialist momentum, rather than degenerating into an offensive against the working class as the attempt to regenerate the national economy by fostering the accumulation of domestic productive capital confronts the barrier of working class aspirations. The belief that capital can be tamed by the development of new modes of regulation is not an innocent theoretical error. It is the theoretical expression of a political opportunism which has plagued the socialist movement, and for which the working class has paid a horrifying price.

The incipient tendencies to economic nationalism and inter-imperialist rivalry make it more imperative than ever that socialists, in both the capitalist and the socialist world, should resist the temptations of social imperialism in the name of a socialist internationalism, however difficult the road ahead may prove. If the history of the twentieth century teaches us anything, it

is that there are no short cuts to socialism. We cannot build socialism by opportunistically exploiting the divisions opened up by capitalist crisis, but only by building a socialist movement. Despite the massive defeats suffered by the working class over the past decade, there is still a basis on which to build. Neo-liberalism has broken down national barriers, and undermined the patriotic posturing of capital. Although national chauvinism and social imperialism are deeply entrenched in the working class movement, there are also strong internationalist tendencies not only in the trades unions, but also in the women's movement, the peace movement, the third world movement and the environmental movement. Even if such internationalism is not wrapped in the rhetoric of socialism, its political content is far more radical than that of social imperialism, in being based on the subordination of capital not to the illusory community of the nation embodied in the national form of the capitalist state, but to the expression of human needs and aspirations, which alone point the way forward to socialism.

Note

This paper draws on the argument of a longer paper 'Overaccumulation, Class Struggle and the Regulation Approach', to appear in *Capital and Class*, 36, 1988. The analysis is developed more fully in my recent book *Keynesianism, Monetarism and the Crisis of the State*, Edward Elgar, 1988.