The Unmaking of Global Capitalism?

In their considerations of global capitalism, Marxists, always methodologically sensitive to contradictions, have emphasized two in particular. One is the incongruity between the *internationalization* of production and the *national* firmament of states. The other is that though the American state has been indispensable to overriding, or at least containing, that contradiction, its declining economic and administrative capacity to do so poses a threat to the viability of the globalization project.

Against this, in *The Making of Global Capitalism: The Political Economy of American Empire* (Panitch and Gindin 2012), the late Leo Panitch and I argued, almost a decade ago, that prevailing notions of an inevitable inconsistency between the national place of states and the international space of production were too mechanical. And alongside that, we argued that the staying power of U.S. leadership, repeatedly underestimated in the past vis-à-vis challenges from Japan, Europe, and Asia, was now being misjudged again.

To be clear, *The Making* did not deny the persistence of tensions, conflicts, or contradictions in the extremely complex, uneven, and often thorny making of globalization. In fact, it argued that repeated crises were more likely than ever. But this in itself hardly signaled the demise of globalization; crises come and go. Nor did the book suggest that American power was eternal; rather, the capacity of the United States to reproduce its central role was an empirical question to be examined and re-examined over time. At that conjuncture, however, announcements of the coming erosion of America’s position and demise of global capitalism were more wish (or fear, depending on who was responding) than imminent reality.

An underlying problem in the ongoing misreading of the condition of the American empire was an inadequate conceptualization of both the capitalist state in general and the uniqueness of the American state in particular. This was not just a matter of theory; it influenced how we read and appraised the empirical ebb and flow of the new world order. Measures used to assess the economies of 'normal" states had different meanings, sometimes radically so, when applied to the distinctive American state.

But what of the dramatic changes in recent years in the United States, and in global capitalism? Didn't the Great Financial Crisis, originating in the very heart of the American empire, expose fundamental weaknesses in the U.S. economy and expose the failures of neoliberalism in particular? Does this not threaten the perpetuation of the world order the United States was superintending? Didn't the nationalism expressed in the frustrations that exploded in Brexit and Trumpism contradict the future viability of capitalist internationalism? And what of the stunning rise of China—does this not highlight the continued significance of uneven international development and revive the relevance of interimperial rivalry? Before confronting such questions and considering their implications for left politics, it is necessary to further elaborate on some arguments from *The Making*.

States in the Making of Global Capitalism

Some 170 years ago, Marx and Engels ([1848] 1998) famously spoke of capitalism's inherent drive to "nestle everywhere, settle everywhere, make connections everywhere." In the mid-1990s, even some on Wall Street were quoting their prescience. Yet Marx and Engels didn't have it quite right. Their sweeping statement ignored the role of states and the possibility they would become obstacles to a relatively seamless global economy. At the end of the nineteenth century, world capitalism was fragmented into semi-exclusive empires. And in the first half of the twentieth, two world wars and the Great Depression left the world economy in tatters and undermined confidence in the very *possibility* of a global capitalism (even raising questions about the viability of any kind of capitalism, national or international). A global capitalism had to be *made*, and states were both barriers to, and central in, that making.

That states did eventually come to accommodate a global capitalism was not a certainty; it could not be deduced logically. What actually emerged in the decades after World War II was an "internationalization" of states, which came to take responsibility for the establishment of the conditions within their own territories for global accumulation. Property rights were supported independent of nationality, differences in the treatment of domestic and foreign capital faded, and international agreements allowing for freer trade and the free flow of capital were voluntarily signed. All this surmounted the apparent contradiction between national states and international production: the internationalization of production rested on the shoulders of internationalized states.

This contingency, however, rested on another: the emergence of an American state with the interest *and capacity* to facilitate and oversee this transformation in states. This involved far more than the rise of a new dominant economic power, replacing its predecessor. Rather, a new kind of empire was emerging that characterized itself as a "non-empire." It intended to replace all exclusive empires with a universal global capitalism in which each state would be sovereign, and the interaction of national economies would be governed and regulated not by force or administrative mechanisms but by economic competition through markets.

This second condition, the ubiquity of markets, of course limited the first, state sovereignty. States were allegedly free to follow their own paths, but the range of options excluded, except in special and temporary circumstances, any right to limit the export of their resources, regulate capital flows in and out of their countries, or protect markets for domestic producers—never mind a move to reverse commitments to private property and contemplate an exit from the capitalist world order. Military interventions to “correct” such resistance consequently persisted. Nevertheless, the point of such continuing interventions was historically distinct. Their motivation was not primarily to plunder, to support a particular corporation, or to restore permanent territorial control. It was, rather, to create and sustain a liberal capitalism with formal sovereignty linked to collective market openness.

It was out of the interwar breakdowns that the American state came to confront capitalism’s dangerous fragmentation and work toward its material integration, first among the old empires, then in the countries of the global South.

Premature Declarations of Decline

The integration of global capitalism under the aegis of the United States brought great benefits to American capital and, for a time, to its workers as well. But since a global capitalism necessitated the international *dispersal* of production, it came with profound changes in the global division of labor. In the U.S., for example, a net 91,000 manufacturing plants closed from 1997 to the start of the 2020–21 COVID-19 pandemic, and nearly five million manufacturing jobs disappeared (Scott 2020).

Though this included the devastation of significant sectors and swaths of the U.S. economy, and an accompanying weakening of an already weak working class, it did not necessarily follow that it represented a decline of American productive power. For one, in spite of the loss of jobs, the real value of manufacturing output actually increased by some 20 percent over the same period. Moreover, whether the unequal burdens suffered by American workers were a “contradiction” for American capital depended on the response of the working class. As it turned out, the response of workers was relatively muted—contained by capital, the state, and intensifying competition. Absent working-class disruptions and constraints on how capital could go forward, American capital and the American state were left with the space and time to develop responses.

The critical question is therefore not whether American capital had weaknesses, but whether, given the leeway, it had the resiliency, skills, and creativity to adjust. What U.S. capital demonstrated was that in spite of the very significant shifts of manufacturing abroad, it was able to move on to more *strategic* sectors. Today, U.S. corporations stand at the peak of the pyramid of global high-tech manufacturing and business services (Starrs 2014). The United States remains a leader in the manufacture of semiconductors, telecommunications equipment, aerospace products, pharmaceuticals, medical equipment, industrial machinery, and precision equipment, and is dominant in data processing, engineering, accounting, advertising, legal, consultancy, and of course finance.

Still, aren’t the year-in, year-out U.S. trade deficits, largely paid for by inflows of foreign capital, indicators of *some* degree of decline? For most countries, this would indeed be a problem, putting pressure on their currency or forcing austerity measures. But because of the global position of the U.S. dollar, such pressure is not determining for the United States. In fact, rather than signs of weakness, these steady deficits represent a strength: the special access of American business and American consumers to the components and consumer goods supplied by the (undervalued) labor power of workers elsewhere *and* the U.S. special access to global savings as the earnings on exports to the United States (and savings more generally) are recycled back into U.S. financial markets.

The centrality of the U.S. dollar and the pull of the country's financial markets are not a result of it forcing foreign capital to come to the United States. It comes, rather, because it is attracted by the depth of U.S. financial markets; because it helps keep those countries' currencies "competitive" and workers employed (a factor particularly relevant to the Chinese transition out of agriculture); and because of the confidence in the United States as the ultimate defender of property rights. This confidence is something "earned" and in constant need of reproduction; it is inseparable from the capacity of business, and especially the state, to keep the expectations—and strength—of labor in check. Consequently, an assessment of American decline requires an understanding not only of numeric economic trends, but also of class strength/weakness and state administrative and economic capacities.

The Financial Crisis as Turning Point?

The 2008–2009 financial crisis was a truly structural crisis in the sense that in its midst, no one was sure how, or if, it could be resolved. And with this, intimations of the collapse of American global leadership were omnipresent. For one, the growing predominance of financial markets over the rest of the economy seemed a decisive indicator of a turn from productive activity to the speculation and parasitism of a paper economy. For another, the financial markets were reeling out of control, and this was happening right in the belly of the empire. The massive state intervention introduced to overcome the ominous confusion on display seemed to definitively negate the neoliberal capitalism previously preached by economic and political elites, leaving the future in doubt.

In retrospect, however, the projected end of American leadership didn't materialize. Let us take a deep breath and consider why. First, it is especially important to come to proper terms with the place of finance in modern capitalism. The hyperbolic contrasts between “speculative” finance and “concrete” goods and services may mobilize populist anger, but they stand in the way of grasping that finance is an integral part of capitalism, not a parallel dark universe on its margins. Part of what makes capitalism such a distasteful social system is precisely that the kind of finance that develops alongside capitalism is so *functional* to the “productive” economy. Industry knows this, and calls from industry to rein in finance are rare (indeed, we should have no illusions about alliances with “good” manufacturing capitalists against “bad” financial ones).

Consider: the financial system facilitates the hedging of exchange and other risks by global industries, allowing for the acceleration of international exchange craved by multinational corporations. And finance, always central to capitalist restructuring, has become far more so in the context of global competition and global opportunities. In spite of all kinds of dysfunctionalities, finance still remains central to the reallocation of capital to where it is most profitable, helps finance mergers, provides crucial venture capital to new sectors, and has contributed significantly to the internal transformation of non-financial corporations to “rationalize” their allotment of capital across their divisions (Maher and Aquanno 2021). On behalf of capital as a whole, finance disciplines states to limit social expenditures, and in its allocation of capital it reinforces restraints on workers’ pay while integrating workers as consumers via debt dependency.

Nor has neoliberalism been swept away. The key here lies in understanding neoliberalism not in terms of a state–market polarization, but around class power and an explicit shift toward strengthening the balance of class forces toward capital. Freeing markets to impose their discipline on workers was part of this, but in order to free markets and then prevent them from getting out of control, *more* state intervention was needed, not less—albeit a different kind of regulatory intervention. Government obscured this class bias by placing a greater weight, in its management of the macro economy, on monetary policy, as opposed to fiscal policy. While government fiscal policy (taxation and expenditures) operates with a degree of parliamentary transparency and oversight and so tends to degrees of politicization, monetary regulation has an aura of neutral management and is manifested through the U.S. Federal Reserve's efforts, behind mirrored glass, to technically adjust the money supply, affect interest rates, and influence financial markets.

The outcome of the financial crisis confirmed two crucial aspects of American leadership: first, the readiness of the Federal Reserve to act decisively to preserve the American financial system; and second, the American state's consciousness of its international responsibilities. Cognizant of the stress on European financial institutions, the Fed quietly provided foreign central banks with needed U.S. dollars (during the COVID-19 pandemic, this occurred again, but by then it was accepted as non-controversial and done more openly). And though the depth of the financial crisis and its impact on payment systems interrupted some trade flows, the U.S. administration quickly brought the G20 together to confirm the need to continue their full endorsement of the maintenance of freer trade. After a period of great uncertainty and chaos, the effective and indispensable role of the United States in coping with breakdowns was confirmed.

The crisis also served as a reminder, referenced generally earlier, of the role of the working class in either intensifying capitalist crises or tolerating their resolution on their backs. Had there been concerted demonstrations or home occupations to demand the bailout of homeowners, as opposed to the financial institutions, the limits on what the Fed and Treasury could do might have aggravated the crisis.

But given the absence of such resistance, the Fed demonstrated impressive technical skill and creativity—to the end of maintaining the power of finance and its importance to capitalism as a whole—in going where no central bankers had gone before.

Trumpism and Nationalism

Trumpism shifted the debate on economic crises. The rise of variants of right-wing populism was the result not of an existing crisis for capital, but one for workers; "economic decline" could have little meaning without identifying which class was suffering and which wasn't. It was the contrast between the actual economic successes of capital and its related social failures—the depopulation of rural communities, social decay, the permanent insecurity and fear of downward mobility, and ever more oppressive conditions of work-life—that framed this moment. As for the inter-state tensions that a good part of the left had been predicting, what was most fraught, as Donald Trump (and Brexit, among other instances) made so clear, were tensions *within* states.

What was brewing was a "crisis of legitimacy," and it was open to left as well as right mobilization; indeed, Senator Bernie Sanders' use of such discourse preceded Trump's in the United States, just as Jeremy Corbyn's did Brexit in the UK. The crisis revolved around a growing, if not always clearly articulated, frustration with public institutions: policing that doesn't make communities safer (and often makes them less safe), courts that don't mete out justice, social welfare that doesn't so much support clients as police them, a democracy that is ever thinner, corporations that bleed you dry then leave, political parties that betray their promises once in office.

The subsequent nationalist and xenophobic mobilizations on the right were especially dangerous in the United States because of slavery's ugly legacy, the culture surrounding guns, and the social by-products of a growing sense that the country's status as the world's predominant power was slipping away. However, an endorsement of this kind of nationalism and a tolerance of economic internationalization are not necessarily inconsistent.

In this regard, it is important to note that the legitimation of globalization was not the responsibility of international institutions, nor of the American state's direct integration of other populations into its global project. It rested, rather, with each state's efforts to convince its citizens that if they could be competitive, globalization would offer great opportunities for development and shared prosperity (see Panitch and Gindin 2019). Nationalist sentiments were consequently constituent of the internationalization of economies (a further aspect of the internationalization of the state).

But there was a more important factor here: a contradiction within the right. Much as the right rails against globalization, it has never moved on to systematically challenge the corporate freedoms that are at the root of the economic frustrations expressed. Their practical focus has instead turned to immigration, a diversion that brings no fundamental threat to capital. This reluctance to take on capital was clear in Trump's own response, when he had the chance. The 2018 U.S.-Mexico-Canada Agreement was a unique opportunity to radically restructure continental trade. But the agreement Trump approved (and championed) was as close to maintaining the status quo as could be, leading to sighs of relief from both the Mexican state and the U.S. auto companies.

Brexit, too, was a stand-in for downward mobility and destroyed communities, each linked by the right to European integration and immigration. As with "Make America Great Again," this came with a nationalist nostalgia for the status Britain once had as an empire. But though the rejection of

Europe seemed to strike a concrete blow against globalization, this wasn't actually the case. Among sections of the British elite, the popular frustrations included an opportunity for a *more ambitious* globalization: an escape from European labor and social standards as a competitive step toward the benefits of stronger economic ties with the two giants of globalization, the United States and China. Wanting the best of all possible worlds, practical exigencies also pushed the British state to maintain as many of its economic links with Europe as possible. In Britain as in the United States, the nationalism that erupted and developed did not herald a turn away from globalization.

China as Imperial Challenger?

Although earlier arguments of a "Japanese challenge" (or a "German" or "European" one) fell by the wayside, the stunning rise of China and its unique scale do seem a game changer. But while China is modifying many of the specifics of globalization, it appreciates full well the value of the markets, investment, and technology that the United States-led global order has provided, in terms of the country's rapid economic growth and the legitimization of the Chinese Communist Party (CPC). China's leadership is not about to jeopardize these gains by positioning itself as an alternative to the leading role of the American state.

The ambitions of China are better understood in terms of a more constrained goal: the renegotiation of its status *within* the American empire. China's diplomatic agenda has been to pressure the United States to act as a "responsible" world leader following internationally agreed-upon rules, rather than arbitrary self-interest. Moreover, the Chinese leadership is all too aware that global leadership implies burdens as well as benefits. Among these are the implications of an attempt to shift the position of the renminbi from that of a rising alternative currency to one that might substantively challenge the role of the U.S. dollar. This would require the kind of far-reaching liberalization of China's financial markets that risks undermining a most basic pillar of the CPC's authority and hegemony: its control over China's economic direction.

For all of Trump's performative attacks on China and angst over the military implications of China's high-tech growth, his negotiations with China drifted toward a focus on opening China more thoroughly to American high-tech and finance corporations—that is, to *furthering*, rather than undermining, international economic liberalization and mutual integration.

The promised return of manufacturing jobs to the American Midwest was subsequently added to the list of Trump's deceits; beyond rhetorical and sporadic appeals, he did not act decisively to force either China or American capital to bring those jobs back. With Trump now gone, things are returning to a pre-Trump "normal." Geopolitical tensions over China's technological-military advances will persist, as will bouts of Cold War rhetoric; the making of globalization is, to paraphrase Mao, "not a dinner party." Yet what is most striking is that the mutual interdependence of the two countries—something that didn't exist among earlier rivals—brings a powerful material basis for containing actions that might undermine their mutual interdependence.

There is another dimension of China's entry into global capitalism that needs attention. Sociologists Justin Rosenberg and Chris Boyle (2019) have argued that China's significance is best understood in terms of the development of Leon Trotsky's notion of uneven international development. They link the emergence of Trumpism and Brexit in 2016 to the massive dislocations in the United States and UK that came with China's explosive rise, which followed the coincident timing of China's industrialization and the deeper liberalization of global capitalism. This is an insightful and creative argument, but it suffers from too readily bypassing the *domestic* roots of the working-class frustrations that preceded the external impact of China (Panitch and Gindin 2021).

The first wave of postwar de-industrialization in the American Midwest and British North East went back to the 1970s, when steel mills and auto plants were being shuttered on a devastating scale. This was well before the great push from China and was driven by specific *domestic* policies (though China did undeniably accelerate the de-industrialization, especially after its 2001 entry into the World Trade Organization). Also, much of the restructuring in the United States into the 1980s and beyond was occurring *within* the United States, with jobs moving to the American South or expanding there. And much of the job loss in the new millennium, especially in critical sectors like automotive manufacturing, was to Mexico. In the UK as well, a good number of the job losses were to Europe and other sites beyond China.

Moreover, China's acceptance into the World Trade Organization was not simply an inevitable economic development; it was inseparable from the balance of class forces within states and the decisions made by states. The American state endorsed China's entry so that American capital could gain greater access to China's economic potentials, and in order to more firmly integrate China into the capitalist world order. China, for its part, went through internal battles within the CPC that led it to aggressively follow a path of internationally led growth, rather than inward-led development (the contingency of which is evidenced by the contrary direction taken earlier by the Soviet Union).

Internationalism Begins at Home

Socialism is, by definition, a universalist goal and can only be completed when it is international in scope. Yet, as Marx and Engels ([1848] 1998) grasped long ago, though the struggle is international "in substance," it is national "in form." "In substance" because defeats in one place add pressures for similar defeats elsewhere, while victories inspire and create space for gains elsewhere. “In form” because struggles in the concrete necessarily take place in particular workplaces and communities and on the terrain of the nation—they are, unlike an ephemeral internationalism, place specific.

Consequently, international solidarity can only emerge out of class strength at the national level. It is in that sense that Marx and Engels went on to insist—as internationalists—that “the proletariat of each country must, of course, first of all settle matters with its own bourgeoisie” (which today includes both the domestic and foreign capital in their own country). There are no shortcuts here. Unions that cannot forge unity across the class at home, that cannot organize a Walmart or Amazon workplace in their communities and don’t cooperate with each other to make critical unionization breakthroughs, cannot possibly cross the barriers of language, history, culture, and divergent legal systems to build solidarity abroad. In fact, an effort to extend the existing enfeebled forms of union structures and practices to the international level, presumably with even greater top-down functioning (because of the logistics of bargaining internationally), would be more likely to lead to the internationalization of *business* unionism than to bring new forms of working-class internationalism.

Moreover, since globalization is primarily made through nation-states, the fight against globalization must necessarily take place through states. It is only by way of states that workers can achieve limits on the corporate freedoms and property rights that undermine workers’ conditions and freedoms, or raise questions of democratic planning and equality, and seriously pose internationalist policies like canceling the debts of the global South or transferring key technologies to less developed countries to help meet their own needs. Three examples might further clarify this national–international nexus.

When Syriza came to power in Greece in 2015 with the intent of ending neoliberalism, it desperately needed support from the rest of Europe to overcome the response of European elites. This required much more than symbolic gestures of international solidarity. It necessitated struggles in *each* country over the domestic impact of neoliberalism and the social credibility of the larger European neoliberal project—a nationally based internationalism of common struggles in each state.

In Britain, the left was divided among those who saw Europe for the pro-capitalist project it was and thus welcomed Brexit, and those who saw the fight over Brexit in terms of a reactionary opposition to immigration and therefore rejected it. But, as Leo Panitch and Colin Leys (2020) have convincingly emphasized, the real enemy was not the European para-state but the *British* state. It was the British state that had welcomed neoliberalism, and the British elite that complained that Europe wasn't sensitive enough to the competitive need to lower labor and social standards.

Had there been a socialist base organizing to transform the British state, defying Brussels' rules in the process, Europe might have been exposed as a barrier to the democratically determined alternatives demanded by British citizens, and Britain could have been positioned for a left exit. But that base and the accompanying ideological and organizational capacities were absent. And so it was the right which framed the issue in nationalist-xenophobic terms, while the Labour Party was left in no-man's land, sitting in Parliament trying to resolve a way to both respect and get around the results of the referendum.

A third example was the American left's non-response to freer trade. Unsure of how to maneuver on the terrain Trump had occupied without falling into the nationalist trap of a chauvinist "protectionism," the American left too often retreated from the debate. The only way to escape this dilemma is to frame the alternative in class, anti-imperial, and socialist terms: whose freedom was being protected, whose was threatened, and why should corporations have the right to rob us of our productive potentials?

Only this could have positioned the left as domestic defenders of the working class while actively supporting the rights of migrant labor, more liberal immigration policies, and the right of workers abroad to apply the same limits on corporate power. The left, however, had not yet developed the ideological coherence, unity, and confidence to place such a response on the agenda.

Conclusion

The prime current task of socialists is to build a coherent and confident working class with the capacities to transform the capitalist state and capitalist society. In working toward this, we must obviously take advantage of every contradiction and opening provided by capitalism. Yet we cannot depend on capitalism to do the heavy lifting for us. To the extent that left strategies rest on capitalism's inexorable collapse, in the absence of that inevitability, the imperative to address "what is to be done" suffers.

Moreover, the real challenge is not to convince the working class that capitalism is to be rejected when it is going badly, but to win them over to efforts to end capitalism when it is working "well." Otherwise, the natural and less risky response will be to look to revive and fix capitalism. Do we really need more examples of capitalism's breakdowns and dysfunctionalities? Or do we need to create the popular capacities and structures that give people the concrete hope that there are ways to fight back, and fight larger, that have a credible chance of changing the world?

We have emphasized that the site for such struggle is the national terrain, and it is only as similar struggles occur in significant numbers of states that the transformation can ultimately occur and be deepened internationally. This is perhaps most effectively demonstrated in the struggle to address the climate crisis. The answer to climate change has to happen on a global scale, but international agreements and actions can only reflect the agenda of climate movements domestically. That private corporations competing for profits will not and cannot fix the climate is obvious enough. It will take planning, and planning means controlling what you plan. In order to effect such change globally, it is prerequisite that we do so locally, regionally, and nationally.

But the climate crisis adds another dimension: the gap between the *urgent* timescale of the climate crisis and the *practical* timescale for ending capitalism. There is no answer to this other than to fight for reforms now that push the contradictions in capitalism and make clear why capitalism is a barrier to human survival and development. Only this can link the local and the global, the immediate and the long-term, fighting on the terrain of the state and challenging how globalization limits sovereignty. The relevant sovereignty here is not that of capitalist states—since such states have, as Leo Panitch (1993) argued long ago, been the authors of globalization, not its victim—but *popular* sovereignty to transform the world.

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