

Financialization and International (Dis)Order: A Comparative Analysis of the Perspectives of Karl Polanyi and John Hobson

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Abstract

This paper discusses Karl Polanyi's arguments regarding financialization and international (dis)order in *The Great Transformation* in comparison to John Hobson's *Imperialism: A Study*. This comparative analysis - which takes Hobson's paradigm as the reference for our comparison - is critical for understanding Polanyi's line of reasoning in the first two chapters of *The Great Transformation* as well as for overcoming some of the difficulties in adapting his arguments to the contemporary era of financialization. Although both Hobson and Polanyi examined the effects of the same financial actors (London capital markets) during the same time frame (the late nineteenth and early twentieth century), the contrast between their conclusions was very stark. Hobson saw financial interests as responsible for increasing inter-state rivalry and imperialist aggression in the world as a whole, whereas Polanyi regarded the same financial interests as the protectors of peace and order. After comparing the positions of these two scholars, we discuss the relevance of their arguments in the context of the late twentieth and early twenty-first century financialization.

Today, Karl Polanyi's ([1944] 2001) *The Great Transformation* is widely recognized as a classic study that examines the relationship between (1) the establishment of self-regulating markets that commodify land, labor and money, (2) the destruction of human society, the natural environment and productive forces as a result of the implementation of the *liberal creed*, and (3) the emergence of spontaneous counter-movements that attempt to protect and regulate the society. Interestingly, during the post-war political-economic environment from 1945 to the 1980s, Polanyi's work did not receive much attention, except from small intellectual circles consisting mainly of anthropologists (Buğra 2010: 11). But with the rise in the 1980s of US-led financialization and the return of self-regulating markets under the names of “globalization” and “neo-liberalism”, social scientists and activists rediscovered Karl Polanyi and his *The Great Transformation* (Silver and Arrighi 2003: 325; Burawoy 2010: 301; Block 200 1).

At first sight, the adaptation of the majority of Polanyi's arguments for the contemporary era of financialization has proved to be very fruitful.

Arguments, concepts, and quotations from *The Great Transformation* have become invaluable tools for social scientists who criticized neoliberal policies and international financial institutions' attempts to re-establish self-regulated markets (Bienefeld 2007; Devine 2007; Helleiner 2006). In this light, the *neoliberal creed* was quickly associated with the “dictatorship of finance” (Bienefeld 2007). The rise of financial interest, increasing financial deregulation and worldwide financial expansion were seen not only as examples of, but also as driving forces behind, the attempts to set up self-regulating markets (Madi and Gonçalves 2007). Likewise, Polanyi's arguments regarding the “self-protection of society” and “counter-movements” against the ruinous consequences of commodifying land and labor were very smoothly adapted for this new era of financialization (Stiglitz 2001; Silver 2003; Burawoy 2012).

However, these attempts to adapt the positions and arguments of *The Great Transformation* for the contemporary era of financialization, have often ignored Polanyi's arguments regarding the political interests of *haute finance*¹. Except for a small number of studies (Flandreau and Flores 2012; Silver and Arrighi 2003; Väyrynen 2002; Reifer 2002; Arrighi 1978), this aspect of *The Great Transformation* has not been discussed in the literature. The oversight is very unfortunate because a key thesis in the first two chapters of *The Great Transformation* is that *haute finance* was an instrument of peace and a crucial factor in averting general wars during the nineteenth century (Polanyi [1944] 2001). In direct contrast to various Marxist theories of imperialism (Lenin [1917] 1999; Hilferding [1910] 1981; Bukharin 1915) as well as the analysis of imperialism provided by critical liberal scholars such as John Hobson ([1902] 1988) - who saw *haute finance* as the “governor of the imperial engine” - Karl Polanyi argued that from 1870 onwards *haute finance* actually was the *key instrument* of international peace among the great powers.

Interestingly, however, during the contemporary era of financialization, the terms “imperialism”, “new-imperialism” and “empire” have also come back to the literature (Go 2011: 206-234; Harvey 2003;

¹ In *The Great Transformation*, *haute finance* (high finance) refers to big “international” banks and bankers (e.g. Rothschild family or J. P Morgan) located at the center of global capital markets (e.g. London in the nineteenth century). Polanyi ([1944] 2001: 10) distinguishes *haute finance* from ordinary banks and bankers based on their economic and political power, their independence from single governments (even from the most powerful ones) and from the central banks. Although they are independent from all of these actors, they can influence these actors (see Polanyi ([1944] 2001: 10-14). The content of the term is similar to Hobson's “big financiers”.

Johnson 2004; Steinmetz 2006; Arrighi 2007). For many, this intensification of imperialist aggression led by the declining hegemonic power is closely linked to various aspects of financialization (Harvey 2003; Steinmetz 2006; Martin 2007; Arrighi 2007). Giovanni Arrighi (1994; also see Arrighi and Silver 1999) emphasized that during the contemporary period of financial expansion, as during previous periods of financialization in historical capitalism, profit-making activities shift from productive to non-productive sectors, including war-making activities, most notably the lending of money to states to pay for military build-ups and open warfare. David Harvey has argued that the rise of the neoconservative “new imperialism” in the twenty-first century is associated with the consequences of neoliberal imperialist policies implemented after the turn to financialization (Harvey 2003: 183-212). Based on Tim Mitchell's (2002) interpretation of the relationships between oil and US foreign policy, Steinmetz (2005) suggests that the war in Iraq must be seen as a part of a larger historical trend toward financialization which is inherently linked to postfordist neoliberalism.

While it is true that the contemporary era of financialization is characterized by attempts to establish self-regulating markets and an increasing commodification of land, labor, and money, it is also characterized by increasing militarization and interstate warfare. In the literature it is not uncommon to find that scholars who wish to emphasize both trends often refer to Karl Polanyi side by side with a rich literature on the role of finance capital and imperialism - including Hobson's *Imperialism: A Study*. Although such interpretations are feasible and even useful, especially for explaining the emergence of vicious cycles of economic, social and political destruction of human society in national and international spheres during periods of financialization, the theoretical framework set up by Polanyi in *The Great Transformation* does *not* permit such readings. In the Polanyian schema, self-regulating markets destroy human society, the environment, and production on national levels, where *haute finance* assumes the role of protecting global peace and order. That's why a direct adaptation of Polanyi's arguments for the contemporary era of financialization presents important problems which must be addressed.

Our study discusses Polanyi's arguments regarding *haute finance* and the rivalry among the great powers during the nineteenth century in comparison to John Hobson's ([1902] 1988) study of imperialism. This comparative analysis, which takes Hobson's paradigm as the reference for comparison, is critical for understanding Polanyi's line of reasoning in *The*

Great Transformation, as well as for overcoming difficulties in the adaptation of certain arguments in the same work to the contemporary era of financialization. Among all alternative explanations regarding the relationship between *haute finance* and imperialism, Hobson's paradigm is a more fruitful source for comparison because both Hobson and Polanyi took as their case the United Kingdom (more specifically the London capital markets and the House of Rothschild) during the last thirty years of the 19th century². Although Hobson and Polanyi looked at the effects of the same financial actors, the contrast in their conclusion is stark. Hobson regarded financial interests as the “governor of [new] imperialism”, whereas Polanyi saw the same financial actors as the protectors of peace and order³.

In this study, we will compare the different perspectives provided by Hobson and Polanyi and discuss the relevance of their arguments in the context of the contemporary era of financialization. As Krippner (2011) has made clear, the term “financialization” has been used widely to define different but closely related processes. In contrast to Krippner (2011:27), however, John Hobson (and Hilferding, Lenin and Polanyi, for that matter) never used the term. Nevertheless, they emphasized the increasing political and economic power of the finance capitalists as an integral component of the financial processes that took place in the late nineteenth and early twentieth centuries. Throughout this paper, we will use the term “financialization” to refer to a combined process whereby: (1) the importance of financial activities (such as financial speculation, intermediation, etc.) in the creation of profits increase *vis-à-vis* the profit-making activities through production and trade (Arrighi 1994, Krippner 2011); (2) the political and economic power of financial capitalists increase *vis-à-vis* industrial and merchant capitalists

² Hilferding ([1910] 1981) and Luxemburg ([1913] 2003) examined Germany as their model and Lenin's theory of imperialism ([1917] 1999) contained a synthesis of the developments he observed both in the United Kingdom, Germany and the United States. Since Hobson and Polanyi both focused on the effects of the same financial agencies and since their analysis was based on the same time-frame, this comparison is a more fertile starting point.

³ It is important to note that we are not the first ones to underline this contrast between Hobson's and Polanyi's paradigms. As early as 1983, in *Geometry of Imperialism*, Giovanni Arrighi pointed out the divergent assessments of Hobson and Polanyi regarding high finance and related it to the contradictory nature of finance itself (Arrighi 1978: 121). It is also possible to find marks of these observations in Arrighi's (1994) *The Long Twentieth Century* and Silver and Arrighi's (2003) *longue durée* comparisons of Polanyi's double movement. Likewise Reifer (2002: 5) also highlighted that “Hobson chronicled the role of finance in imperialism and militarism, whereas Polanyi underscored its instrumental role in Europe's 100 years' peace”. Despite these useful observations, insights and analyses, a detailed comparison between the perspectives of these scholars have not yet been conducted.

(Hobson [1902] 1988; Hilferding [1910] 1982; Lenin [1917] 1999); and (3) financial interests become predominant in the economic, political and social spheres. Although these three processes differ conceptually from each other, they are not easily separated. The increasing importance of financial activities in the global economy increases the power of the finance capitalists *vis-à-vis* others and provides an opportunity structure through which these capitalists can penetrate into economic, political and social spheres⁴. Hence, although Hobson and Polanyi did not use the term as such, they were discussing diverse effects of the same financialization process.

We will present our analysis in three sections. In the first section, we will provide a comparative summary of Hobson's and Polanyi's analyses regarding the effects of financialization process on matters of war and peace within the interstate system. In the second section, we will discuss some of the methodological differences which contributed to the nearly opposite conclusions of Hobson and Polanyi. In the third section, we will discuss the relevance of the arguments provided by both scholars within the context of the late twentieth and early twenty-first centuries. Our analysis concludes that the conceptual framework and methodological strategy employed in Hobson's *Imperialism: A Study* is more useful to understand some of the global political consequences of the contemporary age of financialization than those presented in Polanyi's *The Great Transformation*. However, to determine whether or not we are likely to see another round of rivalry among the great powers which might escalate into a general war, we will need to move beyond the frameworks provided by these scholars.

***Haute Finance* as “The Governor of the Imperialist Engine” and “The Protector of Peace and Order”**

In his “*Imperialism: A Study*”, John Hobson’s ([1902] 1988) main focus was not the relationship between financial interest and rivalry among the great powers *per se*, but the forces behind the “new imperialism” that marked the British foreign policy during the last quarter of the nineteenth century. Hobson observed that since 1870 there was a rapid intensification in the territorial expansion of the British Empire⁵ and a simultaneous transformation in the *form* of colonization. Hobson was not an anti-imperialist in the way that

⁴ Because of this close relationship between different aspects of financialization, throughout this paper we will use the periods of financial expansion provided by Giovanni Arrighi (1994) to mark the periods of financialization processes.

⁵ “One-third of [the British] Empire, containing quite one-fourth of the [its] total population [...], was acquired within the last thirty years of the nineteenth century” (Hobson [1902] 1988: 18).

we understand the position today: he found it important to distinguish “sane” and “legitimate” forms of imperialism from those he regarded as “insane” and “aggressive” (Hobson [1902] 1988; Townshend 1988: 19; Arrighi 1978). He supported the British colonization policy prior to the 1870s on the grounds that it benefited the British Empire in terms of trade, helped to spread modern civilization and internationalism (cosmopolitanism), and provided the colonies with a large degree self-government (Hobson [1902] 1988: 7-11). However he criticized the “new” imperialist policies that emerged during the early 1870s because they were antagonistic to these “progressive” features which characterized the preceding era. The British Empire’s aggressive new imperialist policies were not only based on the antagonistic domination of “a small minority of white men [...] over great hordes of population regarded as inferior” (Hobson [1902] 1988: 27), but, additionally, they instigated the contention of other great powers, including Germany, France, Italy, Portugal, Belgium and the United States, in a “cut-throat struggle” and produced a “competition of rival empires” in which each great power recognized the others as “natural necessary enemies” (Hobson [1902] 1988: 11-12, 19-22). Rather than promoting “free trade” among nations, such policies encouraged “protectionism” (Hobson [1902] 1988: 64-70), and worse, they did not benefit the Great Britain economically (Hobson [1902] 1988: 37-40, 46).

In *Imperialism: A Study*, there is no *a priori* assumption about the nature of the relationship between the interests of finance capital and “new imperialism”. This relationship emerges only when Hobson comes to examine the possible forces behind these simultaneous transformations and the sections of society that benefited from these policies. Since the British nation as a whole did not benefit economically from this new imperialist expansion, Hobson asked *cui bono*? He made it clear that “the first and most obvious answer is, the investor” ([1902] 1988:55).

Hobson's analysis emphasizes that although imperialism was, from both a political and an economic point of view, an unsound business for the British nation as a whole, it was not necessarily a “bad business” for all classes (Hobson [1902] 1988:46-63). In Chapter IV of *Imperialism*, Hobson discussed these classes, which he termed “economic parasites,” asserting that those who benefited from the imperialist policies fell into three categories: the big manufacturers engaged in the business of warfare; the investors who put their money in the newly acquired colonial lands; and, most importantly, the financiers. Hobson contended that among these classes,

more dangerous is [...] the financier, the general dealer in investments. In large measure the rank and file of the investors are, both for business and for politics, the cat's paws of the great financial houses, who use stocks and shares not so much as investments to yield them interest, but as material for speculation in the money market. In handling large masses of stocks and shares, in floating companies, in manipulating fluctuations of values, the magnates of the Bourse find their gain. These great businesses—banking, broking, bill discounting, loan gloating, company promoting—form the central ganglion of international capitalism (Hobson [1902] 1988: 56).

In order to increase their profits “these great businesses” needed to create new public debts, to float new companies, and to cause constant considerable fluctuations of values. These conditions lay at the center of the reason why the great businesses penetrated into the sphere of politics and supported imperialist policies (Hobson [1902] 1988:57). Imperialism meant instability and wars, which in turn, meant profit to the financier. “There is not a war, a revolution, an anarchist assassination, or any other public shock,” Hobson wrote “which is not gainful to these men; they are harpies who suck their gains from every new forced expenditure and every sudden disturbance of public credit” (Hobson [1902] 1988:58).

The public financial arrangements for the Philippine war put several millions of dollars into the pockets of Mr. Pierpont Morgan and his friends; the China-Japan war, which saddled the Celestial Empire for the first time with a public debt, and the indemnity which she will pay to her European invaders in connexion with the recent conflict, bring grist to the financial mills in Europe. [...] A policy which rouses fears of aggression in Asiatic states, and which fans the rivalry of commercial nations in Europe, evokes vast expenditure on armaments, and ever-accumulating public debts, while the doubts and risks accruing from this policy promote that constant oscillation of values of securities which is so profitable to the skilled financier (Hobson [1902] 1988:58).

Hobson believed that without the active support of these financiers, none of the great wars could have taken place in the modern world. In a polemical style he asked: “Does anyone seriously suppose that a great war could be undertaken by any European State, or a great state loan subscribed, if the house of Rothschild and its connexions set their face against it?” (Hobson [1902] 1988: 57). For Hobson, this was not possible. With their interest in

imperialist policies and their organizational capabilities to exert political influence over the nations, the financiers were the chief determinant for the change in the British imperial policy. However, this status did not mean that the financiers were themselves directly engaged in these imperialist policies. They were not the “motor” but rather the “governor” of the imperial engine (Hobson [1902] 1988: 59).

If John Hobson was primarily concerned with the forces behind the “new imperialism”, Karl Polanyi, in *The Great Transformation* ([1944] 2001), was mainly interested in fleshing out the origins of the collapse of the nineteenth-century civilization. Nonetheless, in the very first chapter of *The Great Transformation*, Polanyi twisted the question from “what caused the great wars of the early twentieth century” to “how wars among great powers were prevented throughout the nineteenth century”. Polanyi was fascinated by the fact that “the nineteenth century produced a phenomenon unheard of in the annals of Western civilization, namely, a hundred years of peace that spanned from 1815 to 1914” (Polanyi [1944] 2001: 5). Apart from the Crimean War of 1856 and the Franco-Prussian War of 1870-71, Polanyi observed, there were no wars among great powers of Europe. And more interestingly, for the first time in human history, the European balance of power system was not maintained through continuous warfare (Polanyi [1944] 2001:5-7).

In his exploration of the instruments and mechanisms which maintained the European balance of power system, Polanyi saw a fascinating change in the final thirty years of the nineteenth century. From 1815 to 1846 peace and order in Europe were secured by the *Holy Alliance*, which was composed of a “cartel of dynasts and feudalists whose patrimonial positions were threatened by the revolutionary wave of patriotism that was sweeping the continent” (Polanyi [1944] 2001:7). Between 1846 and 1871, however, the capacity of the *Holy Alliance* to suppress these movements and to preserve the *status quo* gradually declined, and “peace was less safely established” (Polanyi [1944] 2001: 8). As a consequence, after 1871 a new group “who lacked the feudal as well as the clerical tentacles” started to take the lead in preserving the balance of power in Europe and reestablishing peace and order (Polanyi [1944] 2001: 7-11). For Polanyi, this new factor was the *haute finance*.

[B]y functional determination it fell to *haute finance* to avert general wars. The vast majority of the holders of government securities, as well as other investors and traders, were bound to be the first losers in such wars, especially if their currencies were affected. The influence that *haute finance* exerted on the Powers was consistently favorable to

European peace. And this influence was effective to the degree to which the governments themselves depended upon its co-operation in more than one direction. Consequently, there was never a time when the peace interest was unrepresented in the councils of the Concert of Europe. If we add to this the growing peace interest inside every nation where the investment habit had taken root, we shall begin to see why the awful innovation of an armed peace of dozens of practically mobilized states could hover over Europe from 1871 to 1914 without bursting forth in a shattering conflagration (Polanyi [1944] 2001: 13-14).

Like Hobson, Polanyi also observed the rise of the political-economic power of financial capitalists in Europe after the 1870s and their penetration into the political sphere. However in direct contrast to Hobson, who considered the rise of this financial interest as a starting point for increasing instability in the interstate system due to the “new imperialism” and the main factor behind the increasing competition and rivalry among “empires”, Polanyi contended that *haute finance* acted as an instrument through which the general wars were averted and peace was preserved in Europe.

Unlike the force-intensive strategy of the Holy Alliance, *haute finance* utilized a more consent-intensive strategy to preserve peace and order (Polanyi [1944] 2001: 9-10). The instruments Polanyi discussed through which *haute finance* was able to preserve peace and order in Europe were almost identical to the list Hobson provided through which financiers manipulated politics. Like Hobson, Polanyi maintained that *haute finance* was “the main link between the political and economic organization of the world” (Polanyi [1944] 2001: 10). Hence its role could not be fulfilled by any other state or agency at hand.

It supplied the instruments for an international peace system, which was worked with the help of the Powers, but which the Powers themselves could neither have established nor maintained. While the Concert of Europe acted only at intervals, *haute finance* functioned as a permanent agency of the most elastic kind. Independent of single governments, even of the most powerful, it was in touch with all; independent of the central banks, even of the Bank of England, it was closely connected with them. There was an intimate connection between finance and diplomacy; neither would consider any long range plan, whether peaceful or warlike, without making sure the other's good will. Yet the secret of the successful maintenance of

general peace lay undoubtedly in the position, organization and the techniques of international finance (Polanyi [1944] 2001: 10)⁶.

Like Hobson, Polanyi emphasized the “international” character of *haute finance*. Yet, while Hobson saw the international character of finance capital as a critical factor through which the financiers could “manipulate the policy of [diverse] nations” and asked whether “any one seriously suppose[d] that a great war could be undertaken [...] if the house of Rothschild and its connexions set their face against it”, Polanyi contended that

the Rothschilds were subject to no *one* government; as a family they embodied the abstract principle of internationalism; their loyalty was to a firm, the credit of which had become the only supranational link between political government and industrial effort in a swiftly growing world economy. [...] And] their business would be impaired if a general war between the Great Powers should interfere with the monetary foundations of the system. By the logic of facts it fell to them to maintain the requisites of general peace in the midst of the revolutionary transformation to which the peoples of the planet were subject (Polanyi [1944] 2001: 10-11).

In Polanyi's thinking, *haute finance* was a global institution which disciplined national governments for the promotion of peace among great powers (Polanyi [1944] 2001:13-14). After all, “loans and renewal of loans hinged upon credit and credit upon good behavior” (Polanyi [1944] 2001:14). Furthermore, these big bankers acted as *de facto* administrators of finances in semi-colonial regions including the Ottoman Empire, where their influence could be observed more directly (Polanyi [1944] 200:14-15). But in the colonies, *haute finance* was not necessarily concerned with preserving peace. Polanyi was very well aware how *haute finance* made fortunes from colonial wars, wars among small countries, wars upon a small country by a Great Power or armed interventions (Polanyi [1944] 2001:14-16). Hence, in terms of their assessment of the colonial warfare, there is no direct opposition between Hobson's and Polanyi's perspectives⁷. But unlike Hobson, Polanyi did

⁶ This can be compared with Hobson's description: "These great businesses - banking, broking, bill discounting, loan floating, company promoting - form the central ganglion of international capitalism. United by the strongest bonds of organisation, always in closest and quickest touch with one another, situated in the very heart of the business capital of every State, controlled, so far as Europe is concerned, chiefly by men of a single and peculiar race, who have behind them many centuries of financial experience, they are in a unique position to manipulate the policy of nations" (Hobson [1902] 1988: 56-57).

⁷ It is important to keep in mind that Hobson's description of *haute finance* and international warfare is also more nuanced than it has hitherto been presented (see Hobson [1902] 1988: 58).

not believe that financial interests in the colonies could trigger rivalry and antagonism among great powers in one way or another. After all, *haute finance* would not engage in any aggressive action which could challenge the functioning of global free trade and the Gold Standard. Thus, Polanyi concluded that in the nineteenth century and early twentieth century *haute finance* played the role as a permanent agency that worked for preserving general peace as long as it could. But with the dissolution of the foundations of the nineteenth century civilization at the turn of the century, mostly because of the disastrous consequences of the self-regulating markets and emerging counter-movements, *haute finance* was less and less able to prevent the spread of wars. As a result, in the early twentieth century,

[t]he Concert of Europe, that loose federation of independent powers, was finally replaced by two hostile groupings; the balance of power as a system had now come to an end. With only two competing power groups left, its mechanism ceased to function. There was no longer a third group which would unite with one of the other two to thwart whichever one sought to increase its power. About the same time the symptoms of the dissolution of the existing forms of world economy—colonial rivalry and competition for exotic markets—became acute. The ability of *haute finance* to avert the spread of wars was diminishing rapidly (Polanyi [1944] 2001: 20).

For Polanyi, what transformed the dynamics of the international order was not the emergence of *haute finance*, but the collapse of the self-regulating markets together with its derivative institutions and the inevitable rise of counter-movements.

In short, both Polanyi and Hobson implicitly draw attention to the consequences of the rise of financialization after the 1870s, which transformed international relations among the Great Powers of Europe. Both of them saw the rise of financial interest as a novelty of the post-1870 era and described it not simply as an economic but also as a political actor. Their characterizations of the instruments, mechanisms and processes through which *haute finance* influenced global politics appeared to be identical. Yet, the difference between their conclusions regarding the role of cosmopolitan finance capital in the matters of war and peace is striking. While Polanyi described the *haute finance* as the primary agent in preserving peace in the last thirty years of the nineteenth century, Hobson underscored its role as “the governor of the imperialist engine”, which paved the way to an aggressive rivalry between competing empires.

Two Methodological Differences in Hobson's and Polanyi's Analysis

In order to explain how Hobson and Polanyi reached different conclusions by looking at the same phenomenon, we need to flesh out two main differences in their analysis. First we will examine the way Hobson and Polanyi handled the existence of almost opposite political environments in Europe and in the colonial world in the nineteenth century. And secondly we will examine how their perceptions regarding the continuities and changes in the forms of international warfare were linked to their conclusions. These methodological differences between Hobson and Polanyi are important for anyone who would like to discuss the relevance of their arguments in a new context.

Diverse Strategies of Comparison to Handle "Spatial Separation of War and Peace"

What Polanyi called a "Hundred Years' Peace" was never a global one. Taken as a whole, the period 1815-1914 was not quite a century of peace either (Mann 1993:278; Holsti 1991). Between 1815 and 1914, while wars among the great powers of Europe were largely prevented, the whole non-Western world turned into an arena of warfare on an unprecedented scale. Hence, there was a clear *spatial* separation in the distribution of peace and war in the 19th century interstate system. Peace predominated in the core countries but not elsewhere.

In the first two chapters of *The Great Transformation*, local wars in the colonial world and general peace in the Western world were clearly separated from each other. Polanyi handled this spatial separation of war and peace almost as two independent set of events, both of which worked parallel to the interests of *haute finance*. Financiers could make profits out of local and colonial wars. Thus they contributed to the instability in the non-Western colonial world. Likewise, finance capitalists were aware that they would be *the* losers from a general conflagration among great powers - especially if their currencies were affected (Polanyi [1944] 2001:14). Accordingly, they became supporters of peace and order in the Western world in order to sustain the gold standard. Because Polanyi's inherently comparative analysis treated Western and non-Western world as largely independent units, increasing warfare in the colonial world did not contradict his position. After all, even when colonial wars were intensifying, peace was still preserved in Europe. For Polanyi, there could be no better evidence to support the fact that the pragmatic logic of *haute finance* was promoting peace among European great powers amidst local (colonial) wars.

Hobson's analysis, however, gave more importance to the relational processes that took place in Western societies and the colonies. For Hobson, not only peace, but also wealth and prosperity in Europe, especially in the United Kingdom, were largely dependent on the colonial policy. That's why he quickly realized that the change in the form of colonization between imperial centers and their colonies had serious effects for the British Empire. Previous forms of colonization were economically beneficial for the British Empire but the new forms of territorial expansion policies that were adopted after 1870 - the new imperialism - were not. From a methodological point of view, it can be suggested that, unlike Polanyi, Hobson's comparative inquiry assumed an interdependent relationship between the great powers of Europe and their colonies as well as an interdependent relationship between increasing interstate warfare in colonial world and inter-great power struggles in Europe. As a strategy of comparison, then, Hobson's inherently comparative analysis is closer to what Philip McMichael (1990) calls "incorporating comparison strategy", which presumes the interdependency of the units of comparisons and examines the evolution of a self-constituting system through the interactions among its interdependent subunits. Unlike Hobson, Polanyi's strategy of comparison follows the traditional comparative strategies which assume the independence of the units of comparison.

The difference in these strategies is reflected on the conclusions Hobson and Polanyi reach. Comparing the previous forms of colonization to the new emerging forms, Hobson was able to explicate the ongoing transformation in the nature of the colonial wars, the emulation of the new British foreign policy by other great powers and the emergence of a system of competing empires. Although, like Hobson, Polanyi acknowledged the increase in the frequency of colonial wars, he did not attempt to discuss how these colonial wars might affect the general wars or peace among the great powers. For these reasons, the increase in wars and disorder among great powers of Europe remained *exogenous* to the mechanisms and processes presented in the first two chapters of *The Great Transformation*. Hobson's relational framework, on the contrary, enabled him to argue that aggressive expansionism utilized by the British Empire would provoke and produce a more general conflict. For him, the origins of the increasing disorder in the last quarter of the nineteenth century lay in the expansionist policies of Britain in the period of modern imperialism. British "new imperialism" was provoking other industrial nations towards "active antagonism" through her expansive policy (Hobson [1902] 1988:71). The imperialist policies pursued by Britain were quintessential for the development of international rivalry and tensions.

Hence they were *endogenous* to Hobson's framework. As he put it: "The increased hostility of foreign nations towards us in the last thirty years of the nineteenth century may be regarded as entirely due to the aggressive Imperialism of those years, and the increased expenditure on armaments may, therefore, reasonably rank in a business balance-sheet as a cost of that policy" (Hobson [1902] 1988:64-5).

Continuity and Change in the Forms of Imperialist Warfare

As has been observed before, Polanyi acknowledged yet *underemphasized* the historical significance of unequal power relations in terms of the outcomes they produced (Silver and Arrighi 2003:326). However, how and why Polanyi underemphasized unequal power relationship among states in *The Great Transformation* is less widely discussed. It is not true that he underestimated role of power *vis-à-vis* profit, state *vis-à-vis* capital, or politics *vis-à-vis* economics. On the contrary, he very well knew that in most cases "power had precedence over profit" (Polanyi [1944] 2001:12-13). Nor was Polanyi unaware of the role of "conflicting" interests of different powers. In *The Great Transformation*, it is not difficult to find passages in which he refers to the "conflicting ambitions and intrigues of [...] great and small Powers" as well (Polanyi [1944] 2001: 13).

However, in the Polanyian schema, competition and rivalry between political entities (great and small powers as he denotes) was *not* a novelty. It has been an integral part of all *hitherto* existing interstate systems. To put it differently, similar to his argument that all historical economic systems were embedded in social relations, Polanyi implied that all historical interstate systems preserved their balance of power through a system of interstate warfare. Together with the emergence and spread of the *liberal creed* and the ideology of *self-regulating markets*, which disembedded economy from social relations throughout the nineteenth century, inter-state system was also disembedded from its traditional ways of preserving the balance of power. This is probably why Polanyi was fascinated with the "Hundred Years' Peace". Thus, for Polanyi, similar to the demands for "planning" and "regulation", the rise of interstate rivalry was not an anomaly, but the rule. Hence the attempts to preserve the balance of power and peace through the mechanisms of this "highly artificial economic organization" was presented as a stark utopia in *The Great Transformation* (Polanyi [1944] 2001:20). Polanyi's argument becomes more clear in Chapter II, where he argues that in the aftermath of the World War I, the "unilateral *permanent* disarmament of the defeated nations forestalled any reconstruction of the balance-of-power

system, since power is an indispensable requisite of such a system” (Polanyi [1944] 2001: 22). From this perspective, then, it can be argued that the escalation of interstate wars in the nineteenth century does not correspond to the instruments through which “self-regulating markets expand,” but rather to the instruments of “self-protection”. Thus, in the sphere of international relations, we can also talk about a kind of “double movement”. First, the pendulum swings through creation of a period of peace, through self-regulating markets, liberal states and international trade. Yet this “utopian strategy” is not sustainable. With the rise of a complex multitude of movements demanding self protection on the national and international levels, the pendulum swings in the opposite direction and inter-great power struggles start.

Here also the opposition between Hobson and Polanyi’s approaches becomes apparent. For Polanyi the rise of interstate rivalry that was taking place in the late nineteenth and early twentieth century was not a *novelty*, whereas Hobson’s *Imperialism* was written to emphasize that everything associated with the new British foreign policy - which was later emulated by other rival states - was new. The predominance of financial interest in war-making activities and colonization, heightened territorial expansionism towards the “lands of the unassimilable peoples”, “aggressive competition of several nations” and the emergence of “competing empires” were not seen in earlier epochs of history. This historically novel concept of “competing empires”, for instance, was totally different from the “idea of empire in the ancient and mediaeval world” as “a federation of States, under a hegemony” (Hobson [1902] 1988:8). And, unlike earlier periods, Hobson points out that this new concept was inherently prone to the outbreak of great conflagrations. After all, “while co-existent nationalities are capable of mutual aid involving no direct antagonism of interests, co-existent empires following each its own imperial career of territorial and industrial aggrandizement are natural necessary enemies” (Hobson [1902] 1988:12). Since he was writing in a period, in 1902, when a general conflagration such as World War I was still unthinkable, Hobson's arguments appear to be prophetic.

Beyond Hobson and Polanyi: Financialization and Inter-State Wars in *the Long Durée*

A comparative analysis of Hobson's and Polanyi's perspectives on the political role of *haute finance* during British-led financialization of the late 19th and early 20th centuries unavoidably leads to a more general question: Is

there actually a relationship between financialization, interstate warfare and inter-great power struggles? It is beyond the scope of this paper to provide a full-fledged answer to this question. Such an endeavor requires a conceptual-theoretical framework that goes beyond the perspectives of Hobson and Polanyi, as well as a substantive study of the causal dynamics and mechanisms between the direct and indirect effects financialization, rivalry between different financial centers with different geopolitical interests, and the escalation of wars in a historical-comparative perspective. Within the scope and limits of this paper, however, we will examine the similarities and differences between the macro-political environments of the British-led financialization of the previous century and the contemporary US-led financialization paying specific attention to the arguments put forward by Hobson and Polanyi.

Can Hobson-Type Effects be Generalized?

Hobson did not have a paradigm or a theory about a general relationship between financialization and interstate warfare. His observations were limited to the relationship between British imperialism in the 19th century and the interests of the financier class. However reconstructing the ideas in *Imperialism: A Study*, one may establish a useful framework to understand some of the dynamics between financialization and inter-state warfare.

Taken as a whole, Hobson's ideas suggest that what he calls “new imperialism” took root in a political-economic environment that saw a declining rate of profit from trade and production at domestic industries, mostly as the result of under-consumption. It was in this time period that profit-making activities shifted from productive to non-productive sectors, and from domestic investment to foreign investment. Investors, “who [could] not find at home the profitable use [...] for [their] capital” now, were able to make the government “secure investments abroad” (Hobson [1902] 1988: 55). Financiers, who could no longer invest in the productive activities, started to invest in nonproductive sectors such as war-making. That's why, together with investors, specific firms “engaged in building warships and transports, equipping and coaling them, manufacturing guns, rifles, ammunition, planes and motor vehicles of every kind, supplying horses, wagons, saddler, food clothing for the services, contracting for barracks, and for other large irregular

needs” emerged among the primary beneficiaries of these new imperialist policies (Hobson [1902] 1988:49).

Giovanni Arrighi's (1994) *Long Twentieth Century* can be used as a useful framework to provide a theoretical justification for the effects described by Hobson and to generalize them in a long-historical frame. At the heart of Arrighi's research lies the transition from periods of “material expansion” to periods of “financial expansion” in the world capitalist system. Arrighi's macro-comparative analysis of historical capitalism suggests that when profits out of “material expansion” of trade and production reach its limits and the rate of profits starts to decline, leading capitalist organizations of the world start engaging in activities whereby major profits are gained mainly through financial speculation, intermediation and investment in non-productive sectors. This shift from material expansion to financial expansion may occur because of over-accumulation or under-consumption crises, or because of the escalation of the inter-enterprise competition, which decreases the rate of profits. In these “financial expansion” periods, Arrighi emphasizes, profits are also created by lending money to states to pay for the expenses incurred through military build-ups and open warfare. This is where Arrighi's theoretical framework suggests a very close relationship between financialization, militarization, escalation of interstate rivalry, and warfare, as implied by Hobson.

Historical comparative analysis within *The Long Twentieth Century* indicates that different versions of the tendency described by Hobson occurred in previous phases of financialization as well. Following Marx ([1867] 1992) and Braudel (1992), Arrighi cites four phases of financialization in capitalist world history. The first phase was the financial expansion led by the Genoese merchant-bankers (in diaspora) from 1550s to 1620 “who abandoned trade to become the bankers of the government of Imperial Spain in nearly absolute certainty that in this role they would make rather than lose money” (Arrighi 1994:124-125). The second was the financial expansion led by the United Provinces from the 1760s to 1815. In this period, the Dutch merchant-bankers also abandoned their role in trade and production, became the bankers of Europe and financed interstate warfare in both sides of the Atlantic. As Braudel (1992) put it

[b]y the 1760s, all the states of Europe were queuing up in the offices of Dutch moneylenders: the emperor, the elector of Saxony, the elector of Bavaria, the insistent king of Denmark, the king of Sweden,

Catherine II of Russia, the king of France and even the city of Hamburg (although it was Amsterdam's successful rival) and lastly, the American rebels (Braudel 1992: 246-247).

From 1870s to 1920s, the British financiers led the financialization process and prepared the foundations of Hobson's "new imperialism". The period Hobson (and Polanyi) focused upon was the third phase of financialization of the world capitalist economy, according to Arrighi. Finally, beginning in the 1970s, there was - again - a decline in the rate of profits out of production and trade, which drove the leading economic and political power of the world - the USA - into a new phase of financial expansion. Although Arrighi has been among the harshest critics of the Hobson's paradigm (see Arrighi 1978), he observed intensification of imperialist aggression led by the declining hegemonic power, escalation of interstate rivalry and warfare in all epochs of these financial expansion periods (Arrighi 1994). In their *Chaos and Governance*, Arrighi and Silver (1999) further elaborated this idea within the framework of hegemonic transitions⁸.

From a different perspective, a recent study by Julian Go (2011), which compares the patterns of British and American imperialism, also provides empirical evidence for a generalized version of Hobson-type effects. In his *Patterns of Empire*, Go analyzed colonial annexations and military interventions by the United Kingdom and the USA in a comparative perspective. In Table 1 and Table 2, below, we provided Go's calculations of rate of British colonial annexations from 1763 to 1939 and rate of US annexations from 1874 to 2004. We renamed Go's historical phases according to Arrighi's periodization of material expansion and financial expansion in order to compare the effects of financialization on rate of annexation (and military intervention).

Both tables suggest an increase in the rate of annexation (and intervention) during periods of financialization. The annual rate of British colonial annexations were 0.79 during the Dutch-led financialization period. The rate fell down significantly to an annual rate of 0.40 during the British-led

⁸ Of course, each epoch of imperialist aggression and escalation inter-state rivalry was different from each other in terms of the *forms* they took. Based on his studies, Arrighi made it clear that "territorial expansion" in the form of "imperialist colonization" - as described by Hobson's imperialism - was not an option in the twentieth century (see Arrighi 1978). Likewise, in *Chaos and Governance*, Arrighi and Silver underlined some of the anomalies with the contemporary hegemonic transition period.

“material expansion” period and rose up to 1.06 during British-led financialization period. A similar trend took place in the sphere of US annexations and military interventions. The annual rate of US annexations and military interventions was 1.35 during the British-led financialization period. It fell to an annual rate of 0.67 during the height of the US material expansion period and rose to 1.77 during the US financialization period.

Table 1: Rate of British Colonial Annexations by Historical Phase

Number of Years	Phase	Years	Colonies Acquired	Annual Rate
52	Dutch-led financialization	1763-1815	39	0.79
57	Height of British-led material expansion	1815-1873	23	0.40
65	British-led financialization	1874-1939	69	1.06

Source: The figures are from Go (2011: 212). We changed Go's descriptions of “historical phase” according to Arrighi's (1994) distinction of periods of material expansion and financialization.

Table 2: Rate of U.S. Annexations and Military Interventions by Historical Phase

Number of Years	Phase	Years	Annexations & Interventions	Annual Rate
65	British-led financialization	1874-1939	88	1.35
27	Height of US-led material expansion	1946-1973	18	0.67
30	US-led financialization	1974-2004	53	1.77

Source: The figures are from Go (2011: 212). We changed Go's descriptions of “historical phase” according to Arrighi's distinction of periods of material expansion and financialization.

Putting all these findings together, we can see that the US-led financialization process - like its British counterpart in previous century - took place in the context of a declining rate of profits from production and trade, and it coincided with increasing “new imperialist” activities in the form of military interventions. Furthermore, as many scholars ranging from Giovanni Arrighi (2007) to Chalmers Johnson (2004), from David Harvey (2003) to Branko Milanovic (2011) underlined, it is not possible to state that United States economically benefited from these operations as a whole; whereas big companies in the arms contracting business did (Milanovic 2011). All of these observations show a very close - if not identical - resemblance of the political-

economic environment Hobson described in his *Imperialism: A Study* and to the contemporary era of financialization.

Reading Polanyi in the Early Twenty-First Century

Because Polanyi's argument is directly related to a general conflagration among great powers, it is not possible to properly evaluate the validity of Polanyi's arguments in the context of 21st century until a general war breaks out. Furthermore, Polanyi did not put forward an explicit theory about the rise of interstate warfare and inter-great power struggles either. However, following the logic of arguments presented in *The Great Transformation* and detaching them from the context of the 19th century, one can construct a relationship between dynamics of self-regulating markets and inter-great power struggles.

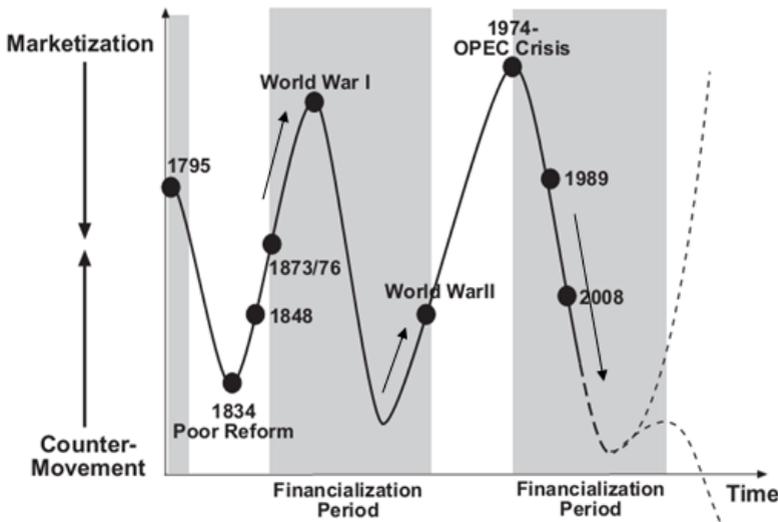
As we summarized above, Polanyi refused to associate the intensification of inter-great power rivalry with the interests of *haute finance*. In the Polanyian schema, great powers that began to disturb the balance of power system in the nineteenth century (e.g. Germany) resembled more the political “counter-movements” which attempted to protect themselves against the disastrous consequences of the self-regulating markets or to challenge the *laissez-faire* imperialist policies of the British empire through protectionist expansionism.

To explicate this point, we used Burawoy's illustration of the forces of marketization and counter-movements from 1795 to today - which is a reconstruction and extension of Polanyi's double movement - and we marked periods of financialization in this figure based on Arrighi's *The Long Twentieth Century*. As Figure 1 illustrates, both World War I and World War II occurred when counter-movements were becoming stronger *vis-à-vis* forces of self-regulating markets. This led Polanyi to argue that *haute finance's* capacity to prevent wars was declining *vis-à-vis* counter-movements, which emerged as a reaction to the catastrophic consequences of self-regulating markets.

This idea can also be seen in Polanyi's remarks about the interwar period, where self-regulating markets were established together with the Gold Standard. “First among the statesmen of the time”, Polanyi wrote, “Woodrow Wilson appears to have realized the interdependence of peace and trade, not only as a guarantee of trade, *but also of peace*. No wonder that the League

persistently strove to reconstruct the international currency and credit organization as the only possible safeguard of peace among sovereign states, and that the world relied as never before on *haute finance*, now represented by J. P. Morgan instead of N. M. Rothschild” (Polanyi [1944] 2001: 23). But again, the imposition of self-regulating markets in the 1920s created a counter-movement in the 1930s, which paved the way to World War II. In Polanyi's thinking, the close relationships between self-regulating markets, free trade, and peace were clear. This also meant a close relationship between counter-movements, protectionism, and intensification of war.

Figure 1: Marketization, Counter-Movements and Periods of Financial Expansions



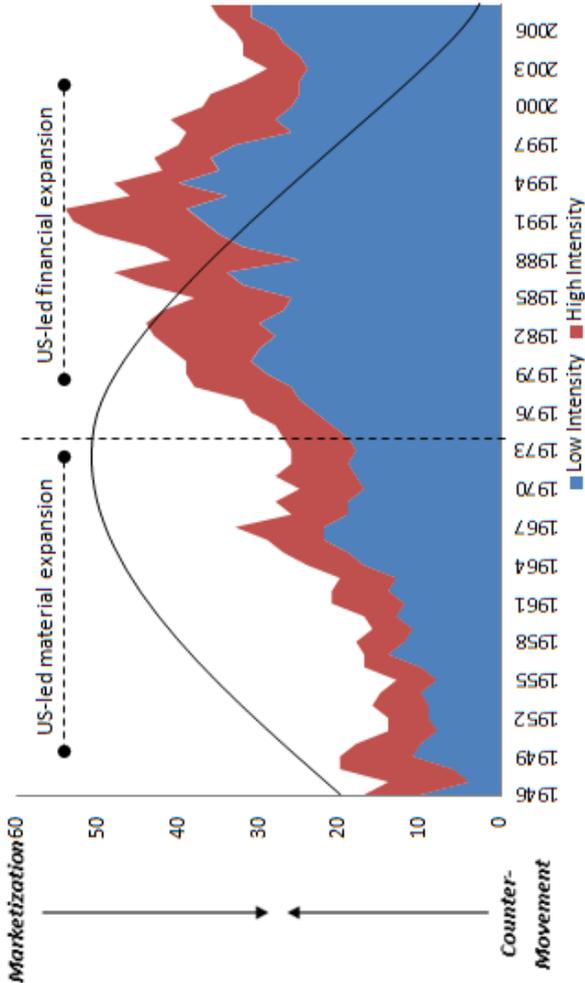
Source: The figure is reconstructed from Burawoy (2010: 309). Periods of financialization are marked according to Arrighi (1994).

The global political developments in the twentieth and twenty-first centuries, however, do not fit this schema in a number of ways. In contrast to the previous century, in the twentieth century, the system of balance-of-power-without-continuous-warfare was established in a political and economic environment which was not associated with “self-regulating markets” and the “liberal creed” - as Polanyi had emphasized in *The Great Transformation* - but with various forms of regulated regimes. Furthermore, when “self-regulating markets” turned back in the third quarter of the twentieth century - in an era of financialization - this did not create another round of “Hundred Years' Peace” either. Although a number of neoliberal scholars associated the collapse of the

USSR and the Eastern bloc countries as well as the global spread of self-regulating markets with the “end of history” and the beginning of an age of “peace and prosperity” under neo-liberalism, taken as a whole, this period coincided with an increasing number of military interventions led by the declining hegemonic power (see Table 2) and an overall increase in the total number of armed conflicts in the world (see Figure 2, Table 3 and Table 3 below). Figure 2, below, shows an increase in the total number of armed conflicts in the world, while the forces of marketization are getting stronger *vis-à-vis* counter-movements. Although the majority of these armed conflicts are still “low intensity”, the increase in their frequency is quite striking.

As Table 3 shows, the annual rate of total number of armed conflicts in the world was 20.71 when forces of counter-movements were stronger than the forces of marketization, but it rose to 39.74 in the post-1974 period, when the forces of marketization became stronger. This figure for the total number of armed conflicts also includes intrastate wars (including civil wars and ethnic wars) and extrasystemic wars (armed conflicts between a state and a non-state group outside its own territory). But even if we exclude these forms of armed conflicts and merely look at the changes in the total number of interstate wars and internationalized conflicts where three or more states encounter each other, the big picture does not change. While the annual rate of the number of interstate and internationalized armed conflicts was 3.54 during 1946-1973 period, it rose to 5.80 during 1974-2008 period. Of course, these numbers do not tell anything about how and why these conflicts emerged and whether or not financialization or marketization had any role in it. Furthermore, it can still be suggested that even if the US had an active role in some of these incidents, the role was to provide stability and order. Indeed the “golden age of globalization”, the 1990s, provide a good example for this argument. After all, during this phase of US-led financialization, the US military forces enthusiastically took part in wars such as the First Gulf War of 1990-91, “Humanitarian Crisis” in Somalia in 1992, “Humanitarian Operation” in Bosnia in 1992-95, and the Kosovo War in 1998-99.

Figure 2: Total Number of Armed Conflicts, Waves of Marketization and Financialization, 1946-2008



Source: The total number of armed conflict figure is from UCDP/PRIO Armed Conflict Dataset version 4-2009. Wave of marketization is reconstructed from Burawoy (2010: 309) and periods of material and financial expansion are marked according to Arrighi (1994).

Table 3: Rate of Total Armed Conflicts in the World, 1946-2008

Number of Years	Phase	Years	Number of Armed Conflicts	Annual Rate
28	US-material expansion / Increasing Counter-Movement	1946-1973	580	20.71
35	US-financial expansion / Increasing Marketization	1974-2008	1277	39.34

Source: The total number of armed conflict figure is from UCDP/PRIO Armed Conflict Dataset version 4-2009.

Table 4: Rate of Total Inter-State and Internationalized Armed Conflicts in the World, 1946-2008

Number of Years	Phase	Years	Number of Armed Conflicts	Annual Rate
28	US-material expansion / Increasing Counter-Movement	1946-1973	99	3.54
35	US-financial expansion / Increasing Marketization	1974-2008	203	5.80

Source: The total number of armed conflict figure is from UCDP/PRIO Armed Conflict Dataset version 4-2009. We used the sum of “Interstate armed conflict” (which occurs between two or more states) and “Internationalized armed conflict” (which occurs between the government of a state and one or more internal opposition group(s) with intervention from other states (secondary parties) on one or both sides.

But it was not difficult for the US government to claim that these policies were a “response” to increasing disorder elsewhere. Hence, one might see some parallels between the neoliberal foreign policy defended by the Clinton administration in the course of the 1990s and the arguments in *The Great Transformation*. As Kari Polanyi-Levitt (2006) put it “the globalization project [of the 1990s] [was] nothing less than the attempted recreation of the nineteenth century liberal economic order on a global scale” (Polanyi-Levitt 2006: 172). And this project “require[d] a peaceful and stable international political order” (Polanyi-Levitt 2006: 170).

However, starting with 2001, this interpretation became less and less realistic. Although at the discursive level the US governments continued to pay their lip service to the preservation of peace, and justify their actions in terms of providing “international order”, in many respects, the post-2001 period resembled the political-economic environment explained by John Hobson. *Pace* Polanyi, it is more difficult to argue this time that the growing inter-state and internationalized armed conflicts during the US-led financialization period came into being because of “the counter-movements” against self-regulating markets. On the contrary, many scholars of “new imperialism” underline that the driving force of the neo-conservative project was to expand the scope of the self-regulating markets elsewhere. As David Harvey put it, what the US government wanted to impose by main force on Iraq was “a full-fledged neoliberal state apparatus whose fundamental mission is to facilitate conditions for profitable capital accumulation” (Harvey 2005: 8). This was the foreign policy explained by George W. Bush when he was opening the curtain of the US-led “War on Terror” in the aftermath of the 9/11:

We will use our position of unparalleled strength and influence to build an atmosphere of international order and openness in which progress and liberty can flourish in many nations. A peaceful world of growing freedom serves American long-term interests, reflects enduring American ideals and unites America's allies. [...] We seek a just peace where repression, resentment and poverty are replaced with the hope of democracy, development, free markets and free trade (cited in Harvey 2005: 8)⁹

After the War of Afghanistan (2001-present) and the Invasion of Iraq (2003-Present), as a part of the “War on Terror”, the US government made a series of military operations in Pakistan, Yemen, Kashmir, Northern Mali and Horn of Africa. In the nineteenth century, the declining hegemonic power - the United Kingdom - was concerned about the increasing aggressive policies of the rival great powers such as Germany and Italy. These “late-comers” managed to merge their financial capacities with territorial power in the 1860s, adopted “protectionist” political economies against British *laissez faire* imperialism, and emerged as challengers of the British hegemony. This time, however, the tendency is the exact opposite. It is not the hegemonic power,

⁹ This does not mean, however, that the reason for the Iraq War was attempts to open new self-regulating markets. It must be kept in mind that compared to the Clinton administration in the 1990s, Bush administration in the 2000s was less concerned with the "neoliberal" project.

the USA, that is worried about increasingly aggressive foreign policies of other great powers. On the contrary, this time countries like France and Germany, as well as the long-standing opponents, like Russia and China, are alarmed by the increasing aggressiveness of the declining hegemonic power (Harvey 2003: 7-8). They are not concerned simply because the international order is being disturbed. Rather, more importantly, unlike the United Kingdom in the preceding century, the United States has very quickly lost most of its financial superiority in this age of financialization and has become a debtor nation much earlier during the early phases of its “new imperialism”. Hence, in reality, the ongoing military operations of this declining power are not being financed by the United States’ own financial sources, but unwillingly by other financial centers like France, Japan (Ferguson 2004: 261-95) and China (Arrighi 2007: 190-210). Furthermore military operations initiated or supported by the USA often clash with the geo-political and geo-economical interests of Germany, France, Russia and China. Hence more and more the USA finds its geopolitical interests in conflict with other great powers, more explicitly with China and Russia, and more implicitly with France and Germany (Johnson 2004: 272, 287; Harvey 2003; Wallerstein 2003; Friedberg 2005; Friedman 2009; Bremmer and Leonard 2012).

Conclusion

Our comparative analysis has two main conclusions: First of all, comparing the macro-political climate under which the inter-state rivalry escalated in the 19th century and the contemporary era of financialization, we argue that we are living in a period similar to the one described by Hobson rather than Polanyi. In a recent interview, World Bank lead-economist Branko Milanovic also underlined these similarities:

It’s interesting today because we do seem to have a similar constellation of forces to those that existed in 1902 when Hobson’s book was published. You need control over raw materials, oil and other things – so in that sense aggression is internally driven. External decisions are made in response to internal need. The similarities between these two periods are uncanny. We have a huge concentration of financial assets in the hands of relatively few people. As we know, few people dominate politics because they fund the politicians. The system is driven by the people with money because you cannot do politics unless somebody pays for you to do it. These people contribute millions to the campaigns of both parties and they

aren't doing it out of charity. They want something. When we look at the aggressive policies in Afghanistan or Iraq we must remember that there are people who are benefiting from them – the most obvious are the arms contractors who have made billions of dollars. Hopefully the sequel which Hobson foreshadowed – the struggle of various imperial powers for world dominance – will not lead the world to a repeat of 1914-18 (Milanovic 2011).

The limitations of the application of Polanyi's framework into the context of the contemporary era of financialization is more apparent. For anyone who would like to apply Polanyi's arguments regarding the relationship between interests of *haute finance*, self-regulating markets, peace and war, the period stretching from the late twentieth to early twenty-first century provides an interesting anomaly, where the establishment of self-regulating markets do *not* precede - but overlap with - the period of financialization, increasing interstate and internationalized warfare.

The similarities and differences in the macro-political economic environments described by Hobson or Polanyi, however, does not tell us much about whether or not we will see a new round of inter-great-power struggles that would lead to a repeat of 1914-18. It can still be suggested - from a Polanyian perspective - that these aggressive new-imperialist policies of the USA as well as the rising interstate conflicts in the world are confined to non-Western world. Hence, even if big bankers, financiers and arms contractors made huge profits out of the “War On Terror” and other military operations, they would do their best to avoid a general conflict among Western powers. It is not difficult to find different and more elaborated versions of these arguments in the contemporary literature.

This brings us to the second conclusion of our analysis. As in the “Hundred Years' Peace” of the previous long century, today we live in a world characterized by a spatial separation between war and peace. Since the end of World War II, while interstate wars have been absent among the Western (and Northern) powers, rest of the world has turned into an arena of warfare, which has been escalating since the US-led financialization. Based on our comparison of Hobson's and Polanyi's methodologies, we argue that the way one conceptualizes the relationship between the spatial separation of war and peace in the world today will inherently affect his or her conclusion regarding the effects of “new imperialism” on inter-great power rivalry. We argue that Hobson's methodological inquiry which focuses on the relational processes

between the transformation of the forms of imperialist aggression and its effects on other great powers is more fruitful than Polanyi's methodological inquiry, which presents these processes as independent from each other. Following in the footsteps of Hobson, then, one can investigate whether the most recent "new imperialist policies" led by the USA in the current phase of financialization are being emulated or countered by other great powers with specific attention to the changing hierarchical power structure of the world.

At this point, the limits of the conceptual schemes presented both in *The Great Transformation* and *Imperialism: A Study* will be evident. An assessment of whether or not the "new imperialism" of the United States will be "emulated" or "countered" by other great powers and lead to a new phase of inter-great-power warfare requires that we move beyond the frameworks provided by these scholars. Although our analysis suggested that Hobson's framework has more explanatory power than Polanyi in addressing these problems, by itself this framework cannot deal with some of the key anomalies of the contemporary era. The facts that the USA, as the greatest military power today, has lost its financial capacity to sustain its wars, and rising financial powers do not *explicitly* challenge the US on military sphere, makes it difficult to *directly* apply Hobson's ideas into the context of the twenty-first century. To understand whether or not we will see another round of "competing empires", it becomes imperative to handle the era of financialization as an era of competing financial centers - as Lenin ([1917] 1999) attempted in the context of the late nineteenth century and early twentieth century- with different power and profit-making strategies.

There is a flourishing literature today that warns social scientists to approach Polanyi in a more critical manner. Michael Burawoy argued that Polanyi suffered from a false optimism because he overemphasized the role of ideas, used an under-theorized notion of society, underplayed the imperatives of capitalist accumulation, and missed the complex interplay between state and society (Burawoy 2010: 301-302). From a different perspective, Nancy Fraser recently underlined that critical social scientists who would like to use ideas in *The Great Transformation* should avoid its reductive economism and various aspects which romanticize society (Fraser 2011: 140). Following these scholars, we argue that, in the case of the relationship between financialization and inter-great power struggles, theorists should not uncritically embrace Polanyi's arguments as they appear in *The Great Transformation*. A direct application of the ideas in *The Great Transformation* into global politics will

underestimate structural factors that push diverse financial interests into a general conflagration regardless of their initial motivations and ideas. Without focusing at the temporal and spatial differentiation (and interconnection) between war and peace, and without examining the transformations in the strategies of imperial domination and war-making, broad categorizations like “Hundred Years' Peace” veil some of the complex processes and mechanisms that created the most disastrous wars in the history of mankind. Likewise, without reference to a multitude of diverse financial actors with different interests, overarching and nebulous concepts like *haute finance* mask the competition and rivalry between different financial actors, which is critical for understanding the dynamics behind international war as well as peace.

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