

GIOVANNI ARRIGHI

## THE WINDING PATHS OF CAPITAL

*Interview by David Harvey*

*Could you tell us about your family background and your education?*

I WAS BORN IN Milan in 1937. On my mother's side, my family background was bourgeois. My grandfather, the son of Swiss immigrants to Italy, had risen from the ranks of the labour aristocracy to establish his own factories in the early twentieth century, manufacturing textile machinery and later, heating and air-conditioning equipment. My father was the son of a railway worker, born in Tuscany. He came to Milan and got a job in my maternal grandfather's factory—in other words, he ended up marrying the boss's daughter. There were tensions, which eventually resulted in my father setting up his own business, in competition with his father-in-law. Both shared anti-fascist sentiments, however, and that greatly influenced my early childhood, dominated as it was by the war: the Nazi occupation of Northern Italy after Rome's surrender in 1943, the Resistance and the arrival of the Allied troops.

My father died suddenly in a car accident, when I was 18. I decided to keep his company going, against my grandfather's advice, and entered the Università Bocconi to study economics, hoping it would help me understand how to run the firm. The Economics Department was a neo-classical stronghold, untouched by Keynesianism of any kind, and no help at all with my father's business. I finally realized I would have to close it down. I then spent two years on the shop-floor of one of my

grandfather's firms, collecting data on the organization of the production process. The study convinced me that the elegant general-equilibrium models of neo-classical economics were irrelevant to an understanding of the production and distribution of incomes. This became the basis of my dissertation. Then I was appointed as *assistente volontario*, or unpaid teaching assistant to my professor—in those days, the first rung on the ladder in Italian universities. To earn my living I got a job with Unilever, as a trainee manager.

*How did it come about that you went to Africa in 1963, to work in the University College of Rhodesia and Nyasaland?*

Why I went there was pretty straightforward. I learnt that British universities were actually paying people to teach and do research—unlike the position in Italy, where you had to serve for four or five years as an *assistente volontario* before there was any hope of a paid job. In the early 1960s the British were setting up universities throughout their former colonial empire, as colleges of British ones. The UCRN was a college of the University of London. I had put in for two positions, one in Rhodesia and one in Singapore. They called me for an interview in London and, because the UCRN was interested, they offered me the job as Lecturer in Economics. So I went.

It was a true intellectual rebirth. The mathematically modelled neo-classical tradition I'd been trained in had nothing to say about the processes I was observing in Rhodesia, or the realities of African life. At UCRN I worked alongside social anthropologists, particularly Clyde Mitchell, who was already doing work on network analysis, and Jaap Van Velsen, who was introducing situational analysis, later reconceptualized as extended case-study analysis. I went to their seminars regularly and was greatly influenced by the two of them. Gradually, I abandoned abstract modelling for the concrete, empirically and historically grounded theory of social anthropology. I began my long march from neo-classical economics to comparative-historical sociology.

*This was the context for your 1966 essay, 'The Political Economy of Rhodesia', which analysed the forms of capitalist class development there, and their specific contradictions—explaining the dynamics that led to the victory of the settlers' Rhodesian Front Party in 1962, and to Smith's Unilateral Declaration of Independence in 1965. What was the initial impulse behind the essay, and what is its importance for you, looking back?*

'The Political Economy of Rhodesia' was written at the incitement of Van Velsen, who was relentlessly critical of my use of mathematical models. I had done a review of Colin Leys's book, *European Politics in Southern Rhodesia*, and Van Velsen suggested I develop it into a longer article. Here, and in 'Labour Supplies in Historical Perspective', I analysed the ways in which the full proletarianization of the Rhodesian peasantry created contradictions for capital accumulation—in fact, ended up producing more problems than advantages for the capitalist sector.<sup>1</sup> As long as proletarianization was partial, it created conditions in which the African peasants subsidized capital accumulation, because they produced part of their own subsistence; but the more proletarianized the peasantry became, the more these mechanisms began to break down. Fully proletarianized labour could be exploited only if it was paid a full living wage. Thus, instead of making it easier to exploit labour, proletarianization was actually making it more difficult, and often required the regime to become more repressive. Martin Legassick and Harold Wolpe, for example, maintained that South African Apartheid was primarily due to the fact that the regime had to become more repressive of the African labour force because it was fully proletarianized, and could no longer subsidize capital accumulation as it had done in the past.

The whole southern region of Africa—stretching from South Africa and Botswana through the former Rhodesias, Mozambique, Malawi, which was then Nyasaland, up to Kenya, as the north-east outpost—was characterized by mineral wealth, settler agriculture and extreme dispossession of the peasantry. It is very different from the rest of Africa, including the north. West African economies were essentially peasant-based. But the southern region—what Samir Amin called 'the Africa of the labour reserves'—was in many ways a paradigm of extreme peasant dispossession, and thus proletarianization. Several of us were pointing out that this process of extreme dispossession was contradictory. Initially it created the conditions for the peasantry to subsidize capitalist agriculture, mining, manufacturing and so on. But increasingly it created difficulties in exploiting, mobilizing, controlling the proletariat that was being created. The work that we were doing then—my 'Labour Supplies in Historical Perspective', and related works by Legassick and

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<sup>1</sup> See respectively: Arrighi, 'The Political Economy of Rhodesia', *NLR* 1/39, Sept–Oct 1966; Leys, *European Politics in Southern Rhodesia*, Oxford 1959; Arrighi, 'Labour Supplies in Historical Perspective: A Study of the Proletarianization of the African Peasantry in Rhodesia', collected in Arrighi and John Saul, *Essays on the Political Economy of Africa*, New York 1973.

Wolpe—established what came to be known as the Southern Africa Paradigm on the limits of proletarianization and dispossession.

Contrary to those who still identify capitalist development with proletarianization *tout court*—Robert Brenner, for example—the southern Africa experience showed that proletarianization, in and by itself, does not favour capitalist development—all kinds of other circumstances are required. For Rhodesia, I identified three stages of proletarianization, only one of which was favourable to capitalist accumulation. In the first stage, the peasants responded to rural capitalist development by supplying agricultural products, and would only supply labour in return for high wages. The whole area thus came to be characterized by a shortage of labour, because whenever capitalist agriculture or mining began developing, it created a demand for local produce which the African peasants were very quick to supply; they could participate in the money economy through the sale of produce rather than the sale of labour. One aim of state support for settler agriculture was to create competition for the African peasants, so that they would be forced to supply labour rather than products. This led to a long-drawn-out process that went from partial proletarianization to full proletarianization; but, as already mentioned it was also a contradictory process. The problem with the simple ‘proletarianization as capitalist development’ model is that it ignores not just the realities of southern Africa’s settler capitalism but also many other cases, such as the United States itself, which was characterized by a totally different pattern—a combination of slavery, genocide of the native population and the immigration of surplus labour from Europe.

*You were one of nine lecturers at UCRN arrested for political activities during the Smith government’s July 1966 clampdown?*

Yes, we were jailed for a week, and then deported.

*You went to Dar es Salaam, which sounded then like a paradise of intellectual interactions, in many ways. Can you tell us about that period, and the collaborative work you did there with John Saul?*

It was a very exciting time, both intellectually and politically. When I got to Dar es Salaam in 1966, Tanzania had only been independent for a few years. Nyerere was advocating what he considered to be a form

of African socialism. He managed to stay equidistant from both sides during the Sino-Soviet split, and maintained very good relations with the Scandinavians. Dar es Salaam became the outpost of all the exiled national liberation movements of southern Africa—from the Portuguese colonies, Rhodesia and South Africa. I spent three years at the University there, and met all kinds of people: activists from the Black Power movement in the US, as well as scholars and intellectuals like Immanuel Wallerstein, David Apter, Walter Rodney, Roger Murray, Sol Picciotto, Catherine Hoskins, Jim Mellon, who later was one of the founders of the Weathermen, Luisa Passerini, who was doing research on Frelimo, and many others; including, of course, John Saul.

At Dar es Salaam, working with John, I shifted my research interests from labour supplies to the issue of national liberation movements and the new regimes that were emerging out of decolonization. We were both sceptical about the capacity of these regimes to emancipate themselves from what was just starting to be called neocolonialism, and actually deliver on their promises of economic development. But there was also a difference between us, which I think has persisted until today, in that I was far less upset by this than John was. For me, these movements were national liberation movements; they were not in any way socialist movements, even when they embraced the rhetoric of socialism. They were populist regimes, and therefore I didn't expect much beyond national liberation, which we both saw as very important in itself. But whether there were possibilities for political developments beyond this is something that John and I still quarrel about to this day, good-humouredly, whenever we meet. But the essays we wrote together were the critique that we agreed upon.

*When you came back to Europe, you found a very different world to the one you'd left six years before?*

Yes. I came back to Italy in 1969, and I was immediately plunged into two situations. One was at the University of Trento, where I had been offered a lectureship. Trento was the main centre of student militancy, and the only university in Italy that gave doctorates in Sociology at the time. My appointment was sponsored by the organizing committee of the university, which consisted of the Christian Democrat Nino Andreatta, the liberal socialist Norberto Bobbio, and Francesco Alberoni; it was part of an attempt to tame the student movement through hiring a radical. In

the first seminar I gave, I only had four or five students; but in the fall semester, after my book on Africa came out in the summer of 1969, I had almost 1,000 students trying to get into the classroom.<sup>2</sup> My course became the big event of Trento. It even split Lotta Continua: the Boato faction wanted students to come to the class, to hear a radical critique of development theories, whereas the Rostagno faction was trying to disrupt the lectures by throwing stones at the classroom from the courtyard.

The second situation was in Turin, via Luisa Passerini, who was a prominent propagator of the Situationists' writings, and therefore had a big influence on many of the cadres of Lotta Continua who were picking up on Situationism. I was commuting from Trento to Turin, via Milan—from the centre of the student movement to the centre of the workers' movement. I felt attracted and at the same time bothered by some aspects of this movement—particularly its rejection of 'politics'. At some of the assemblies, very militant workers would stand up and say, 'Enough of politics! Politics is dragging us in the wrong direction. We need unity.' For me, it was quite a shock, coming from Africa, to discover that the Communist unions were considered reactionary and repressive by the workers in struggle—and there was an important element of truth in this. The reaction against the PCI unions became a reaction against all trade unions. Groups like Potere Operaio and Lotta Continua established themselves as alternatives, both to the unions and to the mass parties. With Romano Madera, who was then a student, but also a political cadre and a Gramscian—a rarity in the extra-parliamentary left—we began to develop the idea of finding a Gramscian strategy to relate to the movement.

That's where the idea of *autonomia*—of the intellectual autonomy of the working class—first emerged. The creation of this concept is now generally attributed to Antonio Negri. But in fact it originated in the interpretation of Gramsci that we developed in the early 1970s, in the Gruppo Gramsci co-founded by Madera, Passerini and myself. We saw our main contribution to the movement not as providing a substitute for the unions, or for the parties, but as students and intellectuals who were involved in helping the workers' vanguards to develop their own autonomy—*autonomia operaia*—through an understanding of the broader processes, both national and global, in which their struggles were taking place. In Gramscian terms, this was conceived as the

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<sup>2</sup> Arrighi, *Sviluppo economico e sovrastrutture in Africa*, Milan 1969.

formation of organic intellectuals of the working class in struggle. To this end we formed the *Colletivi Politici Operai* (CPOS), which became known as the *Area dell'Autonomia*. As these collectives developed their own autonomous practice, the *Gruppo Gramsci* would cease to have a function and could disband. When it actually was disbanded in the fall of 1973, Negri came into the picture, and took the CPOS and the *Area dell'Autonomia* in an adventurous direction that was far from what was originally intended.

*Were there any common lessons that you took from the African national liberation struggles and Italian working-class struggles?*

The two experiences had in common the fact that, in both, I had very good relations with the broader movements. They wanted to know on what basis I was participating in their struggle. My position was: 'I'm not going to tell you what to do, because you know your situation much better than I ever will. But I am better placed to understand the wider context in which it develops. So our exchange has to be based on the fact that you tell me what your situation is, and I tell you how it relates to the wider context which you cannot see, or can see only partially, from where you operate.' That was always the basis of excellent relations, both with the liberation movements in southern Africa and with the Italian workers.

The articles on the capitalist crisis originated in an exchange of this kind, in 1972.<sup>3</sup> The workers were being told, 'Now there is an economic crisis, we have to keep quiet. If we carry on struggling, the factory jobs will go elsewhere.' So the workers posed the question to us: 'Are we in a crisis? And if so, what are its implications? Should we just stay quiet now, because of this?' The articles that comprised 'Towards a Theory of Capitalist Crisis' were written within this particular problematic, framed by the workers themselves, who were saying: 'Tell us about the world out there and what we have to expect.' The starting-point of the articles was, 'Look, crises occur whether you struggle or not—they're not a function of workers' militancy, or of "mistakes" in economic management, but fundamental to the operations of capitalist accumulation itself.' That was the initial orientation. It was written at the very beginning of the crisis; before the existence of a crisis was widely recognized. It became

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<sup>3</sup> See, in English, Arrighi, 'Towards a Theory of Capitalist Crisis', *NLR* 1/III, Sept–Oct 1978; first published in *Rassegna Comunista*, Nos 2, 3, 4 and 7, Milan 1972–3.

important as a framework that I've used, over the years, to monitor what is happening. From that point of view, it has worked pretty well.

*We'll come back to the theory of capitalist crises, but I wanted first to ask you about your work in Calabria. In 1973, just as the movement was finally starting to subside, you took up the offer of a teaching position at Cosenza?*

One of the attractions of going to Calabria, for me, was to continue in a new location my research on labour supplies. I had already seen in Rhodesia how, when the Africans were fully proletarianized—or, more precisely, when they became conscious that they were now fully proletarianized—this led to struggles to get a living wage in the urban areas. In other words, the fiction that 'We are single males, our families continue to live peasant lives in the countryside', cannot hold once they actually have to live in the cities. I had pointed this out in 'Labour Supplies in Historical Perspective'. It came into clearer focus in Italy, because there was this puzzle: migrants from the south were brought into the northern industrial regions as scabs, in the 1950s and early 1960s. But from the 1960s, and especially the late 1960s, they were transformed into class-struggle vanguards, which is a typical experience of migrants. When I set up a research working group in Calabria, I got them to read the social anthropologists on Africa, particularly on migration, and then we did an analysis of the labour supply from Calabria. The questions were: what was creating the conditions for this migration? And what were its limits—given that, at a certain point, instead of creating a docile labour force that could be used to undermine the bargaining power of the northern working class, the migrants themselves became the militant vanguard?

Two things emerged from the research. First, capitalist development does not necessarily rely on full proletarianization. On the one hand, long-distance labour migration was occurring from places where no dispossession was taking place; where there were even possibilities for the migrants to buy land from the landlords. This was related to the local system of primogeniture, whereby only the eldest son inherited the land. Traditionally, younger sons ended up joining the Church or the Army, until large-scale, long-distance migrations provided an increasingly important alternative way to earn the money necessary to buy land back home and set up their own farms. On the other hand, in the really poor areas, where labour was fully proletarianized, they usually could not afford to migrate at all. The only way in which they could do so was,

for example, when the Brazilians abolished slavery in 1888 and needed a substitute cheap labour force. They recruited workers from these deeply impoverished areas of southern Italy, paid their fares and resettled them in Brazil, to replace the emancipated slaves. These are very different patterns of migration. But generally speaking, it is not the very poor who migrate; it is necessary to have some means and connections in order to do so.

The second finding from the Calabrian research had similarities with the results from the research on Africa. Here, too, the migrants' disposition towards engaging in working-class struggles in the places to which they had moved depended on whether the conditions there were considered as permanently determining their life chances. It's not enough to say that the situation in the out-migrating areas determines what salaries and conditions the migrants will work for. One has to say at what point the migrants perceive themselves as deriving the bulk of their subsistence from wage employment—it's a switch that can be detected and monitored. But the main point to emerge was a different kind of critique of the idea of proletarianization as the typical process of capitalist development.

*The initial write-up of this research was stolen from a car in Rome, so the final write-up took place in the United States, many years after you moved to Binghamton in 1979, where world-systems analysis was being developed. Was this the first time you explicitly situated your position on the relationship between proletarianization and capitalist development vis-à-vis those of Wallerstein and Brenner?*

Yes, although I was not sufficiently explicit about this, even though I mentioned both Wallerstein and Brenner in passing; but the whole piece is, in fact, a critique of both of them.<sup>4</sup> Wallerstein holds the theory that relations of production are determined by their position in a core-periphery structure. According to him, in the periphery, you tend to have relations of production that are coercive; you don't have full proletarianization, which is a situation that you find in the core. Brenner has, in some respects, the opposite view, but in other ways it is very similar: that relations of production determine position in the core-periphery

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<sup>4</sup> See Arrighi and Fortunata Piselli, 'Capitalist Development in Hostile Environments: Feuds, Class Struggles and Migrations in a Peripheral Region of Southern Italy', *Review* (Fernand Braudel Center) vol. x, no. 4, 1987.

structure. In both, you have one particular relationship between position in the core–periphery and relations of production. The Calabrian research showed that this is not the case. There, within the same peripheral location, we found three different paths developing simultaneously, and mutually reinforcing each other. Moreover, the three paths strongly resembled developments that had, historically, characterized different core locations. One is very similar to Lenin’s ‘Junker’ route—*latifundia* with full proletarianization; another to Lenin’s ‘American’ route, of small and medium farms, embedded in the market. Lenin doesn’t have the third one, which we called the Swiss route: long-distance migration, and then investment and retention of property back home. In Switzerland, there is no dispossession of the peasantry but rather a tradition of migration that led to the consolidation of small farming. The interesting thing about Calabria is that all three routes, which elsewhere are associated with a position in the core, are found here in the periphery—which is a critique both of Brenner’s single process of proletarianization, and of Wallerstein’s tracing of relations of production to position.

*Your Geometry of Imperialism appeared in 1978, before you went to the US. Re-reading it, I was struck by the mathematical metaphor—the geometry—which you use to construct the understanding of Hobson’s theory of imperialism, and which performs a very useful function. But inside it, there’s an interesting geographical question: when you bring Hobson and capitalism together, the notion of hegemony suddenly emerges, as a geometry-to-geography shift in what you’re doing. What was the initial spur to writing The Geometry, and what is its importance for you?*

I was disturbed, at the time, by the terminological confusions that were swirling around the term ‘imperialism’. My aim was to dissipate some of the confusion by creating a topological space in which the different concepts, which were often all confusingly referred to as ‘imperialism’, could be distinguished from one another. But as an exercise on imperialism, yes, it also functioned as a transition to the concept of hegemony for me. I spelled this out explicitly in the Postscript to the 1983 second edition of *The Geometry of Imperialism*, where I argued that the Gramscian concept of hegemony could be more useful than ‘imperialism’ in analysing contemporary dynamics of the inter-state system. From this point of view, what I—and others—did was simply to re-apply Gramsci’s notion of hegemony to inter-state relations, where it had originally been before Gramsci applied it to an analysis

of class relations within a national political jurisdiction. In doing so, of course, Gramsci enriched the concept in many ways that had not been graspable before. Our re-exportation of it to the international sphere benefited enormously from this enrichment.

*A central influence in the conception of The Long Twentieth Century, published in 1994, is Braudel. After absorbing it, do you have any significant criticisms of him?*

The criticism is fairly easy. Braudel is an incredibly rich source of information about markets and capitalism, but he has no theoretical framework. Or more accurately, as Charles Tilly pointed out, he is so eclectic that he has innumerable partial theories, the sum of which is no theory. You can't simply rely on Braudel; you have to approach him with a clear idea of what you are looking for, and what you are extracting from him. One thing that I focused on, which differentiates Braudel from Wallerstein and all other world-systems analysts—not to speak of more traditional economic historians, Marxist or otherwise—is the idea that the system of national states, as it emerged in the sixteenth and seventeenth centuries, was preceded by a system of city-states; and that one has to look for the origins of capitalism there, in the city-states. This is the distinguishing feature of the West, or Europe, compared to other parts of the world. But you easily get lost if you just follow Braudel, because he takes you in so many different directions. For example, I had to extract this point and combine it with what I was learning from William McNeill's *Pursuit of Power*, which also argues, from a different perspective, that a system of city-states preceded and prepared the emergence of a system of territorial states.

*Another idea, to which you provide much greater theoretical depth, but which nevertheless comes from Braudel, is the notion that financial expansion announces the autumn of a particular hegemonic system, and precedes a shift to a new hegemon. This would seem a central insight of The Long Twentieth Century?*

Yes. The idea was that the leading capitalist organizations of a particular epoch would also be the leaders of the financial expansion, which always occurs when the material expansion of productive forces reaches its limits. The logic of this process—though again, Braudel doesn't provide it—is that when competition intensifies, investment in the material

economy becomes increasingly risky, and therefore the liquidity preference of accumulators is accentuated, which, in turn, creates the supply conditions of the financial expansion. The next question, of course, is how the demand conditions for financial expansions are created. On this, I relied on Weber's idea that inter-state competition for mobile capital constitutes the world-historical specificity of the modern era. This competition, I argued, creates the demand conditions for the financial expansion. Braudel's idea of 'autumn'—as the concluding phase of a process of leadership in accumulation, which goes from material to financial, and eventually to displacement by another leader—is crucial. But so is Marx's idea that the autumn of a particular state, experiencing financial expansion, is also the springtime for another location: surpluses that accumulate in Venice go to Holland; those that accumulate in Holland then go to Britain; and those that accumulate in Britain go to the United States. Marx thus enables us to complement what we have in Braudel: autumn becomes a spring elsewhere, producing a series of interconnected developments.

*The Long Twentieth Century traces these successive cycles of capitalist expansion and hegemonic power from the Renaissance to the present. In your narrative, phases of material expansion of capital eventually peter out under the pressure of overcompetition, giving way to phases of financial expansion, whose exhaustion then precipitates a time of inter-state chaos which is resolved by the emergence of a new hegemonic power, capable of restoring global order and restarting the cycle of material expansion once again, supported by a new social bloc. Such hegemons have been in turn Genoa, the Netherlands, Britain and the United States. How far do you regard their punctual appearance, each putting an end to a preceding time of troubles, as a set of contingencies?*

Good and difficult question! There is always an element of contingency. At the same time, the reason why these transitions take so long, and go through periods of turbulence and chaos, is that the agencies themselves, as they later emerge to organize the system, go through a learning process. This is clear if we look at the most recent case, that of the United States. By the late nineteenth century, the United States already had some characteristics that made it a possible successor to Britain as the hegemonic leader. But it took more than half a century, two world wars and a catastrophic depression before the United States actually developed both the structures and the ideas that, after the Second World War, enabled it

to become truly hegemonic. Was the development of the United States as a potential hegemon in the nineteenth century strictly a contingency, or is there something else? I don't know. Clearly, there was a contingent geographical aspect—North America had a different spatial configuration than Europe, which enabled the formation of a state that could not be created in Europe itself, except on the eastern flank, where Russia was also expanding territorially. But there was also a systemic element: Britain created an international credit system that, after a certain point, favoured the formation of the United States in particular ways.

Certainly, if there had been no United States, with its particular historical-geographical configuration in the late nineteenth century, history would have been very different. Who would have become hegemonic? We can only conjecture. But there *was* the United States, which was building, in many ways, on the tradition of Holland and Britain. Genoa was a bit different: I never say that it was hegemonic; it was closer to the type of transnational financial organization that occurs in diasporas, including the contemporary Chinese diaspora. But it was not hegemonic in the Gramscian sense that Holland, Britain and the United States were. Geography matters a lot; but even though these are three spatially very different hegemons, each built on organizational characteristics learned from the previous one. There is considerable borrowing by Britain from the Netherlands, and by the United States from Britain; these are an interlinked set of states—there is a kind of snowball effect. So, yes, there is contingency; but there are also systemic links.

The *Long Twentieth Century* doesn't cover the fate of the labour movement. Did you omit it because you regarded it, by then, as of lesser importance, or because the architecture of the book—its subtitle is *Money, Power and the Origins of Our Times*—was already so far-reaching and complex that you felt to include labour would overload it?

More the latter. *The Long Twentieth Century* was originally supposed to be co-authored with Beverly Silver—whom I first met in Binghamton—and was to be in three parts. One was the hegemonies, which now actually forms the book's first chapter. The second part was supposed to be capital—the organization of capital, the business enterprise; basically, competition. The third part was supposed to be labour—labour and capital relations, and labour movements. But the discovery of financialization as a recurrent pattern of historical capitalism upset the whole project. It

forced me to go back in time, which I never wanted to do, because the book *was* really supposed to be about the ‘long twentieth century’, meaning from the 1870s Great Depression through to the present. When I discovered the financialization paradigm I was thrown completely off balance, and *The Long Twentieth Century* became basically a book about the role of finance capital in the historical development of capitalism, from the fourteenth century. So Beverly took over the work on labour, in her *Forces of Labour*, which came out in 2003.<sup>5</sup>

*Co-authored by the two of you in 1999, Chaos and Governance seems to respect the kind of structure you'd initially planned for The Long Twentieth Century?*

Yes, in *Chaos and Governance* there are chapters on geopolitics, business enterprise, social conflict, and so on.<sup>6</sup> So the original project was never abandoned. But it certainly was not adhered to in *The Long Twentieth Century*, because I could not focus on the cyclical recurrence of financial expansions and material expansions and, at the same time, deal with labour. Once you shift the focus in defining capitalism to an alternation of material and financial expansions, it becomes very difficult to bring labour back in. Not only is there too much to cover, but there is also considerable variation over time and space in the relationship between capital and labour. For one thing, as we point out in *Chaos and Governance*, there is a speeding up of social history. When you compare transitions from one regime of accumulation to another, you realize that in the transition from Dutch to British hegemony in the eighteenth century, social conflict comes in late, relative to financial expansions and wars. In the transition from British to US hegemony in the early twentieth century, the explosion of social conflict was more or less simultaneous with the take-off of the financial expansion and wars. In the current transition—to an unknown destination—the explosion of social conflict in the late 1960s and early 1970s preceded the financial expansion, and took place without wars among the major powers.

In other words, if you take the first half of the twentieth century, the biggest workers' struggles occurred on the eve of the world wars, and in their aftermath. This was the basis of Lenin's theory of revolution:

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<sup>5</sup> Beverly J. Silver, *Forces of Labour: Workers' Movements and Globalization Since 1870*, Cambridge 2003.

<sup>6</sup> Arrighi and Silver, *Chaos and Governance in the Modern World System*, Minneapolis 1999.

that inter-capitalist rivalries turning into wars would create favourable conditions for revolution, which is something that can be observed empirically up to the Second World War. In a sense one could argue that, in the present transition, the speeding up of social conflict has prevented capitalist states from waging wars on one another. So, to return to your question, in *The Long Twentieth Century* I chose to focus on elaborating fully the argument about financial expansions, systemic cycles of capital accumulation and world hegemonies; but in *Chaos and Governance* we returned to the issue of the inter-relations between social conflict, financial expansions and hegemonic transitions.

*In his discussion of primitive accumulation, Marx writes about the national debt, the credit system, the bankocracy—in a way, the integration between finance and state that occurred during primitive accumulation—as being absolutely critical to the way in which a capitalist system evolves. But the analysis in Capital refuses to deal with the credit system until you get to Volume Three, because Marx doesn't want to deal with interest, even though the credit system keeps on coming up as crucial to the centralization of capital, to the organization of fixed capital, and so on. This raises the question of how class struggle actually works around the finance–state nexus, which plays the vital role that you're pointing to. There seems to be a gap in Marx's analysis: on the one hand, saying the important dynamic is that between capital and labour; on the other hand, labour doesn't seem to be crucial to the processes that you're talking about—transferences of hegemony, jumping of scales. It's understandable that The Long Twentieth Century had a hard time integrating labour into that story, because in a sense the capital–labour relation is not central to that aspect of the capitalist dynamic. Would you agree with that?*

Yes, I agree, with one qualification: the phenomenon I mentioned of the speeding up of social history. The worker struggles of the 1960s and early 1970s, for example, were a major factor in the financialization of the late 1970s and 1980s, and the ways in which it evolved. The relationship between workers' and subaltern struggles and financialization is something that changes over time, and has recently developed characteristics that it didn't have before. But if you are trying to explain the recurrence of financial expansions, you cannot focus too much on labour, because then you will be talking only about the latest cycle; you are bound to make the mistake of taking labour as the cause of financial expansions, when earlier ones took off without the intervention of workers' or subaltern struggles.

*Still on the question of labour, then, could we track back to your 1990 essay on the remaking of the world labour movement, 'Marxist Century, American Century'?<sup>7</sup> You argued there that Marx's account of the working class in the Manifesto is deeply contradictory, since it stresses at once the increasing collective power of labour, as capitalist development proceeds, and its increasing immiseration, corresponding in effect to an active industrial army and a reserve army. Marx, you pointed out, thought that both tendencies would be united in the same human mass; but you went on to argue that, in the early twentieth century, they in fact became spatially polarized. In Scandinavia and the Anglosphere, the first prevailed, in Russia and further east the second—Bernstein capturing the situation of the former, Lenin of the latter—leading to the split between reformist and revolutionary wings of the labour movement. In Central Europe—Germany, Austria, Italy—on the other hand, you argued that there was a more fluctuating balance between active and reserve, leading to Kautsky's equivocations, unable to choose between reform or revolution, contributing to the victory of fascism. At the end of the essay you suggested that a recomposition of the labour movement might be coming about—misery reappearing in the West, with the return of widespread unemployment; and collective power of workers, with the rise of Solidarity, in the East, perhaps reuniting what space and history had divided. What is your view of such a prospect today?*

Well, the first thing is that, along with this optimistic scenario from the point of view of uniting the conditions of the working class globally, there was a more pessimistic consideration in the essay, pointing to something that I've always considered a very serious flaw in Marx and Engels's *Manifesto*. There is a logical leap that does not really hold up, intellectually or historically—the idea that, for capital, those things that we would today call gender, ethnicity, nationality, do not matter. That the only thing that matters for capital is the possibility of exploitation; and therefore the most exploitable status group within the working class is the one they will employ, without any discrimination on the basis of race, gender, ethnicity. That's certainly true. However, it doesn't follow that the various status groups within the working class will just accept this. In fact, it is precisely at the point when proletarianization becomes generalized, and workers are subjected to this disposition of capital, that they will mobilize whatever status difference they can identify or construct to win a privileged treatment from the capitalists. They will mobilize along

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<sup>7</sup> Arrighi, 'Marxist Century, American Century: The Making and Remaking of the World Labour Movement', NLR 1/179, Jan–Feb 1990.

gender lines, national lines, ethnicity or whatever, to obtain a privileged treatment from capital.

'Marxist Century, American Century' is therefore not as optimistic as it might have seemed, because it pointed to this internal working-class tendency to accentuate status differences, to protect themselves from the disposition of capital to treat labour as an undifferentiated mass that would be employed only to the extent that it enabled capital to reap profits. So the article ended on an optimistic note, that there is a tendency toward levelling; but at the same time one should expect workers to fight to protect themselves through status-group formation or consolidation against this very tendency.

*Does this mean that the differentiation between the active army and the industrial reserve army also tends to be status-divided—racialized, if you will?*

It depends. If you look at the process globally—where the reserve army is not just the unemployed, but also the disguisedly unemployed and the excluded—then definitely there is a status division between the two. Nationality has been used by segments of the working class, of the active army, to differentiate themselves from the global reserve army. At a national level, this is less clear. If you take the United States or Europe, it's much less apparent that there is actually a status difference between the active and reserve army. But with immigrants currently coming from countries that are much poorer, anti-immigration sentiments which are a manifestation of this tendency to create status distinctions within the working class have grown. So it's a very complicated picture, particularly if you look at transnational migration flows, and at the situation where the reserve army is primarily concentrated in the global South rather than the North.

*In your 1991 article, 'World Income Inequalities and the Future of Socialism', you showed the extraordinary stability of the regional wealth hierarchy in the twentieth century—the extent to which the gap in per capita income between the core North/West and the semi-peripheral and peripheral South/East of the world had remained unchanged, or actually deepened, after half a century of developmentalism.<sup>8</sup> Communism, you pointed out, had failed to close this gap in Russia, Eastern Europe and China, though it had done no worse in this*

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<sup>8</sup> Arrighi, 'World Income Inequalities and the Future of Socialism', NLR 1/189, Sept–Oct 1991.

*respect than capitalism in Latin America, Southeast Asia or Africa, and in other respects—a more egalitarian distribution of income within society, and greater independence of the state from the North/Western core—it had done significantly better. A couple of decades later, China has obviously broken the pattern you were describing then. How far did this come—or not come—as a surprise to you?*

First of all, we should not exaggerate the extent to which China has broken the pattern. The level of per capita income in China was so low—and still is low, compared to the wealthy countries—that even major advances need to be qualified. China has doubled its position relative to the rich world, but still that only means going from 2 per cent of the average per capita income of the wealthy countries to 4 per cent. It is true that China has been decisive in producing a reduction in world income inequalities *between* countries. If you take China out, the South's position has worsened since the 1980s; if you keep it in, then the South has improved somewhat, due almost exclusively to China's advance. But of course, there has been a big growth in inequality within the PRC, so China has also contributed to the world-scale increase in inequalities *within* countries in recent decades. Taking the two measures together—inequality between and within countries—statistically China has brought about a reduction in total global inequality. We should not exaggerate this—the world pattern is still one of huge gaps, which are being reduced in small ways. However, it's important because it changes relationships of power between countries. If it continues, it may even change the global distribution of income from one that is still very polarized to a more normal, Pareto-type distribution.

Was I surprised at this? To some extent, yes. In fact, that's why I shifted my interest over the last fifteen years to studying East Asia, because I realized that, although East Asia—except for Japan, clearly—was part of the South, it had some peculiarities that enabled it to generate a kind of development that did not quite fit within that pattern of stable inequality among regions. At the same time, no one ever claimed—I certainly did not—that stability in the global distribution of income also meant immobility of particular countries or regions. A fairly stable structure of inequalities can persist, with some countries going up and others down. And this, to some extent, is what has been happening. From the 1980s and 1990s, in particular, the more important development has been the bifurcation of a highly dynamic and upwardly mobile East Asia

and a stagnant and downwardly mobile Africa, and particularly southern Africa—‘the Africa of the labour reserves’, again. This bifurcation is the thing that interests me most: why southern Africa and East Asia have moved in such opposite directions. It’s a very important phenomenon to try to understand, because to do so would also modify our understanding of the underpinnings of successful capitalist development, and the extent to which it relies or not on dispossession—the complete proletarianization of the peasantry—as happened in southern Africa, or on the very partial proletarianization that has taken place in East Asia. So the divergence of these two regions brings up a big theoretical question, which once again challenges Brenner’s identification of capitalist development with the full proletarianization of the labour force.

*Chaos and Governance argued early on, in 1999, that American hegemony would decline principally through the rise of East Asia, and above all of China. At the same time it raised the prospect that this would also be the region where labour might in future pose the sharpest challenge to capital, worldwide. It has sometimes been suggested that there’s a tension between these perspectives—the rise of China as a rival power centre to the United States, and mounting unrest among the labouring classes in China. How do you see the relationship between the two?*

The relationship is very close, because, first of all, contrary to what many people think, the Chinese peasants and workers have a millennial tradition of unrest that has no parallel anywhere else in the world. In fact, many of the dynastic transitions were driven by rebellions, strikes and demonstrations—not just of workers and peasants, but also shopkeepers. This is a tradition that continues down to the present. When Hu Jintao told Bush, a few years ago, ‘Don’t worry about China trying to challenge us dominance; we have too many preoccupations at home’, he was pointing to one of the chief characteristics of Chinese history: how to counter the combination of internal rebellions by the subordinate classes, and external invasions by so-called barbarians—from the Steppes, up to the nineteenth century, and then, since the Opium Wars, from the sea. These have always been the overwhelming concerns of Chinese governments, and they set narrow limits on China’s role in international relations. The late-eighteenth and nineteenth-century imperial Chinese state was basically a kind of pre-modern welfare state. These characteristics were reproduced throughout its subsequent evolution. During the 1990s, Jiang Zemin let the capitalist genie out

of the bottle. Current attempts to put it back again have to be set in the context of this much longer tradition. If rebellions of the Chinese subordinate classes materialize in a new form of welfare state, then that will influence the pattern of international relations over the next twenty, thirty years. But the balance of forces between the classes in China is still up for grabs at the moment.

Is there a contradiction between being a major centre of social unrest and being a rising power? Not necessarily—the United States in the 1930s was in the vanguard of worker struggles, at the same time that it was emerging as hegemonic. The fact that these struggles were successful, in the midst of the Great Depression, was a significant factor in making the US socially hegemonic for the working classes as well. This was certainly the case in Italy, where the American experience became the model for some of the Catholic trade unions.

*Recent statements from China suggest a great deal of worry about the levels of unemployment that may result from a global recession, with an array of measures to counteract it. But does this also entail the continuation of the development model in ways that may, in the end, challenge the rest of global capitalism?*

The question is whether the measures that Chinese rulers take, in response to the subordinate groups' struggles, can work in other places where the same conditions do not exist. The issue of whether China can become a model for other states—particularly other big Southern states, like India—is dependent on a lot of historical and geographical specificities that may not be reproducible elsewhere. The Chinese know this, and they do not actually set themselves up as a model to be imitated. So what happens in China will be crucial in terms of the relationship between the PRC and the rest of the world, but not in terms of setting up a model for others to follow. Nevertheless there is an interpenetration of struggles there—of worker and peasant struggles against exploitation, but also of struggles against environmental problems and ecological destruction—that you don't find to the same extent elsewhere. These struggles are escalating at the moment, and it will be important to see how the leadership responds. I think that the change in leadership to Hu Jintao and Wen Jiabao is related to nervousness, at the least, about abandoning a long-standing welfare tradition. So, we'll have to monitor the situation and watch for possible outcomes.

*To return to the question of capitalist crises. Your 1972 essay, 'Towards a Theory of Capitalist Crisis', turns on a comparison between the long downturn of 1873–1896 and the prediction, which proved completely accurate, of another such crisis, which historically started in 1973. You've returned to this parallel several times since, pointing out the similarities but also the important differences between the two. But you've written less about the crisis of 1929 onwards. Do you regard the Great Depression as continuing to be of less relevance?*

Well, not of less relevance, because in fact it is the most serious crisis that historical capitalism has experienced; certainly, it was a decisive turning point. But it also educated the powers-that-be in terms of what they should do so as not to repeat that experience. There are a variety of recognized and less recognized instruments for preventing that type of breakdown from happening again. Even now, though the collapse in the stock exchange is being compared to the 1930s, I think—I may be wrong—that both the monetary authorities and the governments of the states that actually matter in this are going to do all they can to avoid the collapse in the financial markets having similar social effects to the 1930s. They just cannot afford it, politically. And so they will muddle through, do anything they have to. Even Bush—and before him Reagan—for all their free-market ideology, relied on an extreme kind of Keynesian deficit spending. Their ideology is one thing, what they actually do is another, because they are responding to political situations which they cannot allow to deteriorate too much. The financial aspects may be similar to the 1930s, but there is a greater awareness and tighter constraints on the political authorities not to let these processes affect the so-called real economy to the same extent that they did in the 1930s. I'm not saying that the Great Depression is less relevant, but I'm not convinced that it is going to be repeated in the near future. The situation of the world economy is radically different. In the 1930s it was highly segmented, and that may have been a factor in producing the conditions for those breakdowns. Now it's far more integrated.

*In 'Towards a Theory of Capitalist Crisis' you describe a deep structural conflict within capitalism, in which you differentiate between crises that are caused by too high a rate of exploitation, which lead to a realization crisis because of insufficient effective demand, and those caused by too low a rate of exploitation, which cuts into demand for means of production. Now, do you still hold to this general distinction, and if so would you say that we are now in an underlying realization crisis, masked by expanding personal indebtedness*

*and financialization, due to the wage repressions that have characterized capitalism over the last thirty years?*

Yes. I think that over the last thirty years there has been a change in the nature of the crisis. Up to the early 1980s, the crisis was typically one of falling rate of profits due to intensifying competition among capitalist agencies, and due to circumstances in which labour was much better equipped to protect itself than in the previous depressions—both in the late-nineteenth century and in the 1930s. So that was the situation through the 1970s. The Reagan–Thatcher monetary counter-revolution was actually aimed at undermining this power, this capacity of the working classes to protect themselves—it was not the only objective, but it was one of the main objectives. I think that you quote some adviser of Thatcher, saying that what they did was . . .

*. . . to create an industrial reserve army; exactly . . .*

. . . what Marx says they should do! That changed the nature of the crisis. In the 1980s and 1990s and now, in the 2000s, we are indeed facing an underlying overproduction crisis, with all its typical characteristics. Incomes have been redistributed in favour of groups and classes that have high liquidity and speculative dispositions; so incomes don't go back into circulation in the form of effective demand, but they go into speculation, creating bubbles that burst regularly. So, yes, the crisis has been transformed from one of falling rate of profit, due to intensified competition among capitals, to one of overproduction due to a systemic shortage of effective demand, created by the tendencies of capitalist development.

*A recent report of the National Intelligence Council predicted the end of US global dominance by 2025, and the emergence of a more fragmented, multipolar, and potentially conflictual world. Do you think that capitalism as a world system requires, as a condition of possibility, a single hegemonic power? Is the absence of one necessarily equivalent to unstable systemic chaos—is a balance of power between roughly comparable major states impossible?*

No, I wouldn't say that it's impossible. A lot depends on whether the incumbent hegemonic power accepts accommodation or not. The chaos of the last six, seven years is due to the response of the Bush Administration to 9/11, which has in some respects been a case of great-power suicide. What the declining power does is very important,

because they have the ability to create chaos. The whole ‘Project for a New American Century’ was a refusal to accept decline. That has been a catastrophe. There has been the military debacle in Iraq and the related financial strain on the US position in the world economy, transforming the United States from a creditor nation into the biggest debtor nation in world history. As a defeat, Iraq is worse than Vietnam, because in Indo-China there was a long tradition of guerrilla warfare: they had a leader of the calibre of Ho Chi Minh; they had already defeated the French. The tragedy for the Americans in Iraq is that, even in the best possible circumstances, they have a hard time winning the war, and now they are just trying to get out with some face-saving device. Their resistance to accommodation has led, first, to an acceleration of their decline, and second, to a lot of suffering and chaos. Iraq is a disaster. The size of the displaced population there is far bigger than in Darfur.

It is not clear what Obama actually wants to do. If he thinks that he can reverse the decline, he’s going to have some very nasty surprises. What he can do is to manage the decline intelligently—in other words, change the policy from: ‘We are not accommodating. We want another century’, to one of *de facto* managing decline, devising policies that accommodate the change in power relationships. I don’t know whether he’s going to do so because he’s very ambiguous; whether because in politics you cannot say certain things, or because he doesn’t know what to do, or because he just is ambiguous—I don’t know. But the change from Bush to Obama does open up the possibility of managing and accommodating the decline of the United States in a non-catastrophic way. Bush has had the opposite effect: the credibility of the American military has been further undermined, the financial position has become even more disastrous. So now the task facing Obama, I think, is managing decline intelligently. That’s what he can do. But his idea of escalating US intervention in Afghanistan is worrying, to say the least.

*Over the years, while always basing your work on Marx’s conception of capital accumulation, you’ve never hesitated to express a number of leading criticisms of Marx—his underestimation of power struggles between states, his indifference to space, the contradictions in his account of the working class, among others. For a long time you’ve also been fascinated by Adam Smith, who plays a central role in your latest work, Adam Smith in Beijing. What would be your comparable reservations about him?*

The comparable reservations about Smith are the same as Marx's reservations about him. Marx took a lot from Smith—the tendency of the rate of profit to fall under the impact of inter-capitalist competition, for example, is a Smithian idea. *Capital* is a critique of political economy: Marx was criticizing Smith for missing what was going on in the hidden abodes of production, as he put it—inter-capitalist competition might drive down the rate of profit, but it was countered by the tendency and ability of capitalists to shift the relationships of power with the working class in their favour. From this point of view, Marx's critique of Smith's political economy was making a crucial point. However, one also has to look at the historical evidence, because Marx's was a theoretical construct, with assumptions that may not correspond to the historical reality of particular periods or places. We cannot infer empirical realities from a theoretical construct. The validity of his critique of Smith has to be assessed on the basis of the historical record; that applies to Smith as much as it applies to Marx, or anybody else.

*One of Marx's conclusions in Capital, particularly Volume One, is that adoption of a Smithian free-market system will lead to increases in class inequality. To what degree does the introduction of a Smithian regime in Beijing carry the risk of even greater class inequalities in China?*

My argument in the theoretical chapter on Smith, in *Adam Smith in Beijing*, is that there is no notion in his work of self-regulating markets as in the neoliberal creed. The invisible hand is that of the state, which should rule in a decentralized way, with minimal bureaucratic interference. Substantively, the action of the government in Smith is pro-labour, not pro-capital. He is quite explicit that he is not in favour of making workers compete to reduce wages, but of making capitalists compete, to reduce profits to a minimum acceptable reward for their risks. Current conceptions turn him completely upside-down. But it's unclear where China is headed today. In the Jiang Zemin era, in the 1990s, it was certainly headed in the direction of making workers compete for the benefit of capital and profit; there is no question about that. Now there is a reversal, one which as I've said takes into account not only the tradition of the Revolution and the Mao period, but also of the welfare aspects of late-imperial China under the Qing in the eighteenth and early nineteenth centuries. I'm not putting bets on any particular outcome in China, but we must have an open mind in terms of seeing where it's going.

*In Adam Smith in Beijing, you also draw on Sugihara Kaoru's work in contrasting an 'industrious revolution', based on intensive labour and husbanding of nature, in early modern East Asia, and an 'industrial revolution', based on mechanization and predation of natural resources, and speak of the hope that there could be a convergence of the two for humanity in the future. How would you estimate the balance between them in East Asia today?*

Very precarious. I am not as optimistic as Sugihara in thinking that the East Asian tradition of 'industrious revolution' is so well entrenched that it may, if not become dominant again, at least play an important role in whatever hybrid formation is going to emerge. These concepts are more important for monitoring what's happening than saying, East Asia is going this way, or the United States is going the other way. We need to see what they actually do. There is evidence that the Chinese authorities are worried about the environment, as well as about social unrest—but then they do things that are plain stupid. Maybe there is a plan in the works, but I don't see much awareness of the ecological disasters of car civilizations. The idea of copying the United States from this point of view was already crazy in Europe—it's even crazier in China. And I've always told the Chinese that in the 1990s and 2000s, they went to look at the wrong city. If they want to see how to be wealthy without being ecologically destructive, they should go to Amsterdam rather than Los Angeles. In Amsterdam, everybody goes around on bicycles; there are thousands of bikes parked at the station overnight, because people come in by train, pick up their bicycles in the morning and leave them there again in the evening. Whereas in China, while there were no cars at all the first time I was there in 1970—only a few buses in a sea of bicycles—now, more and more, the bicycles have been crowded out. From that point of view it's a very mixed picture, very worrying and contradictory. The ideology of modernization is discredited elsewhere but so far is living on, rather naively, in China.

*But the implication of Adam Smith in Beijing seems to be that we might need something of an industrious revolution in the West, and that therefore this is a category that's not specific to China, but can actually be much broader?*

Yes. But Sugihara's basic point is that the typical development of the industrial revolution, the substitution of machinery and energy for labour, not only has ecological limits, as we know, but it has economic limits as well. In fact, Marxists often forget that Marx's idea of the increasingly

organic composition of capital, driving down the rate of profit, has to do substantively with the fact that the use of more machines and energy intensifies competition among capitalists in such a way that it becomes less profitable, besides being ecologically destructive. Sugihara's point is that the separation of management and labour, the growing dominance of management over labour, and the fact that labour is deprived of its skills, including those of self-management, which is typical of the industrial revolution, has limits. In the industrious revolution there is a mobilization of all the household's resources, which develops, or at least preserves, managerial skills among the labourers. Eventually the advantages of these self-management skills become more important than the advantages derived from the separation of conception and execution that was typical of the industrial revolution. I think he has a point, in the sense that this is pretty crucial to understanding the present Chinese rise; that having preserved these self-management skills through serious limitations on the processes of proletarianization in a substantive sense, China now can have an organization of the labour process that is more reliant on the self-management skills of labour than elsewhere. This is probably one of the main sources of the competitive advantage of China, under the new circumstances.

*Which would take us back to the politics of the Gramsci Group, in terms of the labour process and autonomia?*

Yes and no. They are two different forms of autonomy. What we are talking about now is managerial autonomy, whereas the other was autonomy in struggle, in the workers' antagonism towards capital. There, the idea of autonomy was: how do we formulate our programme in such a way that we unite workers in the struggle against capital, rather than divide labour and create the conditions for capital to re-establish its authority on the workers in the workplace? The present situation is ambiguous. Many look at Chinese self-management skills and see them as a way of subordinating labour to capital—in other words, capital saves on managerial costs. One has to put these self-management skills in context—where, when, and for what purpose. It is not that easy to classify it in one way or another.

*You ended 'World Income Inequalities' in 1991 by arguing that, after the collapse of the USSR, deepening and widening conflicts over scarce resources within the South—the Iraq–Iran War or the Gulf War can be taken as*

*emblematic—were forcing the West to create embryonic structures of world government to regulate these: the G7 as an executive committee of the global bourgeoisie, the IMF and World Bank as its Ministry of Finance, the Security Council as its Ministry of Defence. These structures, you suggested, might fifteen years hence be taken over by non-conservative forces. In Adam Smith in Beijing you speak rather of a world-market society as a potentially hopeful future, in which no power is any longer a hegemon. What is the relationship between the two, and your conceptions of them?*

First, I didn't actually say that the structures of world government emerged because of the conflicts within the South. Most of them were Bretton Woods organizations, set up by the United States after the Second World War as mechanisms that were necessary to avoid the pitfalls of self-regulating markets in the global economy, and as instruments of governance. So, from the start of the post-war era there were embryonic structures of world government in place. What happened in the 1980s was an increasing turbulence and instability, of which these conflicts in the South were an aspect, and therefore these institutions were brought in to manage the world economy in a different way than before. Could they be taken over by non-conservative forces? My attitude to these institutions was always ambivalent, because in many ways they reflect a balance of power among the states of the North and the South—within the North, between North and South, and so on. There was nothing in principle that ruled out the possibility that these institutions could actually be put to work to regulate the global economy in ways that might promote a more equal distribution of incomes worldwide. However, what happened is exactly the opposite. In the 1980s, the IMF and the World Bank became the instruments of the neoliberal counter-revolution, and therefore promoted a more unequal distribution of income. But even then, as I've said, what happened in the end was not so much a more unequal distribution between North and South, but a big bifurcation within the South itself, with East Asia doing very well and southern Africa doing very badly, and other regions somewhere in the middle.

How does that relate to the world-market society concept that I discuss in *Adam Smith in Beijing*? It is now clear that a world state, even of the most embryonic, confederal type, would be very difficult to bring about. It is not a serious possibility in the near future. There is going to be a world-market society, in the sense that countries will be relating to one another

through market mechanisms which are not at all self-regulating, but are regulated. This was also true of the system developed by the United States, which was a highly regulated process whereby the elimination of tariffs, quotas and restrictions on labour mobility was always negotiated by states—most importantly by the United States and Europe, and then between these and the others. The question now is what regulation is going to be introduced to prevent a 1930s-style breakdown of the market. So the relationship between the two concepts is that the organization of the world economy will be primarily market-based, but with an important participation of states in the regulation of this economy.

*In The Long Twentieth Century, you sketched three possible outcomes of the systemic chaos into which the long wave of financialization that started in the early 1970s was leading: a world empire controlled by the United States, a world-market society in which no states dominated others, or a new world war that would destroy humanity. In all three eventualities, capitalism, as it has historically developed, would have disappeared. In Adam Smith in Beijing, you conclude that, with the failures of the Bush Administration, the first can now be ruled out, leaving just the last two. But isn't there, logically at least, one possibility within your own framework—that China could emerge over time as a new hegemon, replacing the United States, without altering the structures of capitalism and territorialism as you describe them? Do you exclude this possibility?*

I don't exclude that possibility, but let's begin by putting the record straight about what I actually say. The first of the three scenarios that I envisaged at the end of *The Long Twentieth Century* was a world empire controlled not only by the United States, but by the United States in cooperation with its European allies. I never thought that the US would be so reckless as to try to go it alone for a New American Century—that was just too crazy a project to contemplate; and, of course, it backfired immediately. In fact, there is a strong current within the US foreign-policy establishment that wants to patch up the relationship with Europe, which was strained by the unilateralism of the Bush Administration. That's still a possibility, although it's now less likely than it used to be. The second point is that the world-market society and the greater weight of China in the global economy are not mutually exclusive. If you look at the way in which China has behaved towards its neighbours historically, there has always been a relationship based more on trade and economic exchanges than on military power; this is still the case. People often misunderstand

this: they think I am depicting the Chinese as being softer or better than the West; it's nothing to do with that. It has to do with the problems of governance of a country like China, which we've discussed. China has a tradition of rebellions that no other territory of similar size and density of population has faced. Its rulers are also highly conscious of the possibility of new invaders from the sea—in other words, the US. As I point out in Chapter Ten of *Adam Smith in Beijing*, there are various American plans for how to deal with China, none of which are exactly reassuring for Beijing. Apart from the Kissinger plan, which is one of cooptation, the others envisage either a new Cold War directed against China or getting China involved in wars with its neighbours, while the US plays the role of 'happy third'. If China does emerge, as I think it will, as a new centre of the global economy, its role will be radically different from that of previous hegemons. Not just because of cultural contrasts, rooted as these are in historical–geographical differences; but precisely because the different history and geography of the East Asian region will have an impact on the new structures of the global economy. If China is going to be hegemonic, it's going to be hegemonic in very different ways to the others. For one thing, military power will be far less important than cultural and economic power—particularly economic power. They have to play the economic card far more than the US ever did, or the British, or the Dutch.

*Do you foresee greater unity within East Asia? There is talk, for example, of a sort of Asian IMF facility, unification of currency—do you see China as the centre of an East Asian hegemon, rather than a solo player? And if so, how does that fit with the rising nationalisms in South Korea, Japan and China?*

What is most interesting about East Asia is how, in the end, the economy is determinant of states' dispositions and policies towards one another, in spite of their nationalisms. The nationalisms are very well entrenched, but they are related to a historical fact often forgotten in the West: that Korea, China, Japan, Thailand, Cambodia, all of these were national states long before there was a single nation-state in Europe. They all have histories of nationalist reactions to one another, in a framework that was predominantly economic. Occasionally there were wars, and the attitude of the Vietnamese towards China, or the Koreans towards Japan, is deeply rooted in the memory of these wars. At the same time, the economy seems to rule. It was striking that the nationalist resurgence in Japan, under the Koizumi government, was suddenly checked when

it became clear that Japanese business was interested in doing business with China. In China, too, there was a big wave of anti-Japanese demonstrations, but then they stopped. The general picture in East Asia is that there are deep nationalist dispositions, but at the same time they tend to be superseded by economic interests.

*The current crisis of the world financial system looks like the most spectacular vindication of your long-standing theoretical predictions that anyone could imagine. Are there any aspects of the crisis that have surprised you?*

My prediction was very simple. The recurrent tendency towards financialization was, as Braudel put it, a sign of the autumn of a particular material expansion, centring on a particular state. In *The Long Twentieth Century*, I called the onset of financialization the signal crisis of a regime of accumulation, and pointed out that over time—usually it was around half a century—the terminal crisis would follow. For previous hegemonies, it was possible to identify both the signal crisis and then the terminal crisis. For the United States, I ventured the hypothesis that the 1970s was the signal crisis; the terminal crisis had not yet come—but it would. How would it come? The basic hypothesis is that all these financial expansions were fundamentally unsustainable, because they were drawing into speculation more capital than could actually be managed—in other words, there was a tendency for these financial expansions to develop bubbles of various kinds. I foresaw that this financial expansion would eventually lead to a terminal crisis, because bubbles are as unsustainable today as they have been in the past. But I did not foresee the details of the bubbles: the dot.com boom, or the housing bubble.

Also, I was ambiguous about where we were in the early 1990s, when I wrote *The Long Twentieth Century*. I thought that in some ways the Belle Époque of the United States was already over, whereas it was actually only beginning. Reagan prepared it by provoking a major recession, which then created the conditions for the subsequent financial expansion; but it was Clinton who actually oversaw the Belle Époque, which then ended with the financial collapse of the 2000s, especially of the Nasdaq. With the bursting of the housing bubble, what we are observing now is, quite clearly, the terminal crisis of US financial centrality and hegemony.

*What marks your work off from almost everyone else in your field is your appreciation for the flexibility, adaptability and fluidity of capitalist development,*

*within the framework of the inter-state system. Yet in the longue durée, such as the 500, 150 and 50-year framework you adopted for the collective examination of East Asia's position in the inter-state system, patterns emerge that are astonishingly clear, almost stark in their determinacy and simplicity.<sup>9</sup> How would you characterize the relationship between contingency and necessity in your thinking?*

There are two different questions here: one concerns an appreciation of the flexibility of capitalist development and the other is the recurrence of patterns, and the extent to which these are determined by contingency or necessity. On the first, the adaptability of capitalism: this is partly related to my personal experience in business, as a young man. Initially I tried to run my father's business, which was relatively small; then I did a dissertation on my grandfather's business, which was bigger—a medium-sized company. Then I quarrelled with my grandfather and went into Unilever, which in terms of employees was the second-largest multinational at the time. So I had the luck—from the point of view of analysing the capitalist business enterprise—of going into successively larger firms, which helped me understand that you cannot talk about capitalist enterprises in general, because the differences between my father's business, my grandfather's business and Unilever were incredible. For example, my father spent all his time going to visit customers in the textile districts, and studying the technical problems that they had with their machines. Then he would go back to the factory and discuss the problems with his engineer; they would customize the machine for the client. When I tried to run this business, I was totally lost; the whole thing was based on skills and knowledge that were part of my father's practice and experience. I could go around and see the customers, but I couldn't solve their problems—I couldn't even really understand them. So it was hopeless. In fact, in my youth, when I used to say to my father, 'If the Communists come, you are going to be in trouble', he said, 'No, I'm not going to be in trouble, I'll continue to do what I'm doing. They need people who do this.'

When I closed my father's business, and went into my grandfather's, it was already more of a Fordist organization. They were not studying the customers' problems, they were producing standardized machines; either the customers wanted them or they didn't. Their engineers were

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<sup>9</sup> Arrighi, Takeshi Hamashita and Mark Selden, eds, *The Resurgence of East Asia: 500, 150 and 50 Year Perspectives*, London 2003.

designing machines on the basis of what they thought there would be a market for, and telling the customers: this is what we have. It was embryonic mass production, with embryonic assembly lines. When I went to Unilever, I barely saw the production side. There were many different factories—one was making margarine, another soap, another perfumes. There were dozens of different products, but the main site of activity was neither the marketing organization nor the place of production, but finance and advertising. So, that taught me that it's very hard to identify one specific form as 'typically' capitalist. Later, studying Braudel, I saw that this idea of the eminently adaptable nature of capitalism was something that you could observe historically.

One of the major problems on the left, but also on the right, is to think that there is only one kind of capitalism that reproduces itself historically; whereas capitalism has transformed itself substantively—particularly on a global basis—in unexpected ways. For several centuries capitalism relied on slavery, and seemed so embedded in slavery from all points of view that it could not survive without it; whereas slavery was abolished, and capitalism not only survived but prospered more than ever, now developing on the basis of colonialism and imperialism. At this point it seemed that colonialism and imperialism were essential to capitalism's operation—but again, after the Second World War, capitalism managed to discard them, and to survive and prosper. World-historically, capitalism has been continually transforming itself, and this is one of its main characteristics; it would be very short-sighted to try to pin down what capitalism is without looking at these crucial transformations. What remains constant through all these adaptations, and defines the essence of capitalism, is best captured by Marx's formula of capital M–C–M', to which I refer repeatedly in identifying the alternation of material and financial expansions. Looking at present-day China, one can say, maybe it's capitalism, maybe not—I think it's still an open question. But assuming that it is capitalism, it's not the same as that of previous periods; it's thoroughly transformed. The issue is to identify its specificities, how it differs from previous capitalisms, whether we call it capitalism or something else.

*And the second part of the question—the emergence of such distinct, longue-durée patterns in your work, and the transformations of scale?*

One point is that there is a very clear geographical dimension to the recurrent cycles of material and financial expansion, but you can see this aspect only if you do not stay focused on one particular country—because then you see a totally different process. This is what most historians have been doing—they focus on a particular country, and trace developments there. Whereas in Braudel, the idea is precisely that the accumulation of capital jumps; and if you don't jump with it, if you don't follow it from place to place, you don't see it. If you stay focused on England, or on France, you miss what matters most in the development of capitalism world-historically. You have to move with it to understand that the process of capitalist development is essentially this process of jumping from one condition, where what you've termed the 'spatial fix' has become too constraining, and competition is intensifying, to another one, where a new spatial fix of greater scale and scope enables the system to experience another period of material expansion. And then of course, at a certain point the cycle repeats itself.

When I was first formulating this, inferring the patterns from Braudel and Marx, I had not yet fully appreciated your concept of spatial fix, in the double sense of the word—fixity of invested capital, and a fix for the previous contradictions of capitalist accumulation. There is a built-in necessity to these patterns that derives from the process of accumulation, which mobilizes money and other resources on an increasing scale, which in turn creates problems of intensifying competition and over-accumulation of various kinds. The process of capitalist accumulation of capital—as opposed to non-capitalist accumulation of capital—has this snowball effect, which intensifies competition and drives down the rate of profit. Those who are best positioned to find a new spatial fix do so, each time in a larger 'container'. From city-states, which accumulated a huge amount of capital in tiny containers, to seventeenth-century Holland, which was more than a city-state, but less than a national state, then to eighteenth- and nineteenth-century Britain, with its world-encompassing empire, and then to the twentieth-century, continent-sized United States.

Now the process cannot continue in the same way, because there is no new, larger container that can displace the United States. There are large national—in fact, civilizational—states, like China and India, which are not bigger than the United States in terms of space, but have four or five times its population. So now we are switching to a new pattern: instead of going from one container to another, spatially larger, one, we

are going from a container with a low population density to containers with high population densities. Moreover, previously it was a switch from wealthy to wealthy, in terms of countries. Now we are going from very wealthy to what are still basically poor countries—China's per capita income is still one-twentieth that of the United States. In one sense, you can say, 'Okay, now hegemony, if that's what is happening, is shifting from the rich to the poor.' But at the same time, these countries have huge internal differences and inequalities. It's all very mixed. These are contradictory tendencies, and we need to develop additional conceptual tools to understand them.

*You end Adam Smith in Beijing with the hope of a commonwealth of civilizations living on equal terms with each other, in a shared respect for the earth and its natural resources. Would you use the term 'socialism' to describe this vision, or do you regard it as outdated?*

Well, I would have no objections to it being called socialism, except that, unfortunately, socialism has been too much identified with state control of the economy. I never thought that was a good idea. I come from a country where the state is despised and in many ways distrusted. The identification of socialism with the state creates big problems. So, if this world-system was going to be called socialist, it would need to be redefined in terms of a mutual respect between humans and a collective respect for nature. But this may have to be organized through state-regulated market exchanges, so as to empower labour and disempower capital in Smithian fashion, rather than through state ownership and control of the means of production. The problem with the term socialism is that it's been abused in many different ways, and therefore also discredited. If you ask me what would be a better term, I've no idea—I think we should look for one. You are very good at finding new expressions, so you should come up with some suggestions.

*Okay, I'll have to work on that one.*

Yes, you have to work on a substitute for the term 'socialist' that disentangles it from the historical identification with the state, and brings it closer to the idea of greater equality and mutual respect. So, I'll leave that task to you!