Class Struggle and the Global Overaccumulation of Capital

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This paper addresses a central theme which recurs through many analyses, particularly on the Left, of the current crisis of world capitalism which see this crisis in terms of the erosion of national forms of economic regulation by the internationalization of capital, and the corresponding failure to develop new trans- or inter-national forms of regulation.

I want to argue, from within a Marxist perspective, that the contradiction between the global character of capital accumulation and the national form of the state is not a new phenomenon, but has been a characteristic of capitalism since the earliest stages of commercial capitalism, underlying the historical development of capitalist states within the international state system.

In periods of sustained accumulation on a world scale this contradiction is suspended, as the internationalization of capital opens up opportunities for capital and for the state. In periods of crisis, the contradiction re-emerges. From this point of view the present crisis is not a manifestation of a transition from one stage of capitalism to another, but is rather an expression of the contradictory form of the capitalist mode of production, which manifests itself most dramatically in periodic crises.

After a brief theoretical and historical discussion I will concentrate on the post-war cycle, which I will explore from a global perspective which focuses on the world system not as an aggregation of discrete national economies and nation states, but as a global economy and a system of nation states. Although this gives the paper a high level of generality, I think that such a level has some validity in describing tendencies common to all the nation states and 'national economies' comprising the international capitalist system.[1]

Capitalist Crisis or Regulation Crisis?

The instability in the world economy since 1974 has cast serious doubt on our understanding of the post-war boom and, more broadly, of the contemporary stage of capitalist development. From the late 1950s to the early 1970s the overwhelmingly dominant view was that the post-war boom marked a qualitatively different phase of accumulation, characterized variously by the emergence of the Keynesian Welfare-Warfare State, of State Monopoly Capitalism or, more recently, of the Fordist 'regime', or 'social structure', of accumulation. This phase was marked by the dominance of the technology of mass production, a growing degree of monopoly, a collaborationist system of industrial relations, and the stabilization of accumulation by the nation state.

Although the re-emergence of the immanent crisis tendencies of capital accumulation since 1974 has made it clear that the stability of the post-war boom

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[1] This analysis is developed theoretically and historically, from a rather different angle, in Simon Clarke, *Keynesianism, Monetarism and the Crisis of the State*, Gower, 1988 and Simon Clarke, ed., *The State Debate*, Macmillan, London, 1990.

was considerably over-emphasized, it has not led to a serious re-examination of the belief that the war marked a fundamental break in the history of capitalism. Instead the crisis has been widely interpreted as a crisis of the post-war phase of capitalism, and a period of transition to a new stage, whose contours are not yet clear, but which is marked by new production technologies, increased competition on a global scale, flexible industrial relations systems, and a marked reduction in the ability of the nation state to regulate accumulation.

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

It is my belief that this kind of analysis focuses on relatively superficial and transitory features of capitalism, which are one-sidedly elevated to defining features of a distinctive stage of capitalist development. The crisis is then seen only as a crisis of particular 'modes of regulation' of capital accumulation, which can be resolved by developing new forms of regulation, rather than being seen as a crisis which expresses the contradictory form of accumulation itself. Theoretically this distracts attention from more fundamental and enduring features of capitalism. Politically it cuts us off from the lessons of history, and tends to validate an opportunistic and divisive politics. A central feature of this analysis, and one of its most fundamental weaknesses, lies in its understanding of the relationship between capital and the state, and particularly of the relationship between the internationalization of capital and the national form of the state.

Global Capitalism and Nation States

Capitalism has been a global phenomenon since its origins in the commercial capitalism of the middle ages, which grew up on the basis of trading networks which extended from China and India to the Atlantic seaboard of Europe, unconstrained by national boundaries or local sovereignties. From the thirteenth to the fifteenth centuries all the crowned heads of Europe were, at one time or another, in hock to the Italian bankers, whose financial power and international connections enabled them to dictate their terms to the haughtiest of monarchs. By the early modern period domestic prosperity depended on commercial success in international markets, the solvency of the state depended on its reserves of world money.

The penetration of capital into production rooted capital more firmly within the territorial jurisdiction of particular monarchs, but such capitalist development still depended on the penetration of world markets. It was the commercial expansion of the seventeenth and eighteenth centuries which paved the way for Britain's industrial revolution, whose momentum depended on British capital's access to world markets as sources of supply and as outlets for its expanding product, and so on the liberalization of international trade and payments, through which the dynamic of capital accumulation was extended on a world scale.

Adam Smith had already noted the extent to which the cosmopolitanism of capital enabled it to evade the jurisdiction of the nation state. In considering the sources of public revenue Smith noted that interest, as a pure net product, should in principle bear the highest burden of taxation. However he immediately noted the impracticality of such a proposal: ’the proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business, or enjoy his fortune more at his ease’ (Adam Smith, *The Wealth of Nations*, 5, 2, art. 2).

The subordination of the nation state to global capital did not come about without considerable resistance. A central focus of popular agitation throughout the nineteenth century was the issue of the currency, as production was sacrificed on the altar of gold in periodic crises. Although such agitation personalized this constraint, identifying it with the greed, corruption and privileges of the bankers, the bankers’ power was only the expression of the dominion of world money, through which the powers of the nation state were subordinated to capital accumulation on a world scale. The gold standard, which for the populists was the symbol of the bankers’ power, embedded the subordination of the nation state to the imperatives of global accumulation within the constitution. Thus the formal adoption of the gold standard was an essential component of the formation of the modern nation state, the subordination of the state to global capital being the essential complement to the domestic jurisdiction of the nation state. In Britain this subordination was enshrined in the constitution with the resumption of gold convertibility after the Napoleonic Wars.

The capitalism of the mid-nineteenth century was marked by a cosmopolitanism which envisaged the effective dissolution of the nation state as a political body as it was reduced to its essential tasks of the protection of property and the administration of justice, enforcing laws whose universality was guaranteed by their eminent rationality. The rise of an organized working class in the second half of the nineteenth century revealed the political naivety of such a utopian dream, but the dream still contained an element of reality.

Economic liberalization from the 1840s to the 1860s, which was the condition for the full participation of particular nations in the dynamics of capital accumulation, and the rapid dissolution of pre-capitalist forms of production, destroyed the economic, social and political foundations of the nation states which emerged from the middle ages. However, the crisis of 1873, which was the first global capitalist crisis, shattered the cosmopolitan dream, as the pressure of overproduction unleashed competitive and class struggles which, combined with the fiscal, monetary and financial impact of the crisis on public finances, precipitated a crisis of the state. The response to this crisis was the political and economic reconstruction of the state, which involved, among other things, the rapid reconstitution of the emerging liberal state on an unequivocally national basis. However, such a reconstitution could only take place within the context of a global capitalist system. Thus it did not involve the independent formation of discrete and independent political units, but rather the demarcation of national jurisdictions within a new imperialist system of nation states. Thus the rise of the modern national democratic state was closely associated with the development of an international political system, beyond the reach of any democratic processes, and the subordination of nation states to global capital in the constitutional form of the gold standard, whose generalization dates from the last quarter of the nineteenth century, a process which was only completed when the adherence of the US to the gold standard was finally confirmed with the Republican victory in 1896.

Although the modern nation state is constituted politically on a national basis, its class character is not defined in national terms. The class character of the capitalist state is most fundamentally determined by the separation of the state from civil society, and the corresponding subordination of state and civil society to the rule of money and the law. However, the capitalist law of property and contract transcends national legal systems, and world money transcends national currencies. Thus the subordination of the state to the rule of money and the law, which is the foundation of the constitutional form of the capitalist state, confines the state within limits imposed by the contradictory form of the accumulation of capital on a world scale. Consequently the national form of the capitalist state can only be defined as a condensation, or nodal point, of an international state system. In this sense the formation of a truly international, transnational or world state would mark not a rational adaptation of the capitalist state to the global character of capital accumulation, but a fundamental transformation of the state form, which could only be based on an inversion of the relationship between capital and the state, between politics and economics, an inversion which would hardly be consistent with the continued existence of the capitalist mode of production.[2]

Although the class character of the state is defined globally, at the same time the political stability of the state has to be achieved on a national basis, which presupposes, in general, that the state is able to secure the expanded reproduction of domestic productive capital which is the principal source of the incomes of the population and the revenues of the state. On the one hand, this is the only basis on which the relative surplus population can be absorbed, and so the social reproduction of the working class reconciled with its subordination to capital. On the other hand, it is the only basis on which the state can secure its revenues, and so meet increasing demands on its resources.

The national form of the capitalist state determines the form in which the inherent contradictions of capital accumulation confront the state. The contradiction inherent in capitalist accumulation, between the tendency to develop the productive forces without limit, and the need to confine the development of the productive forces within the limits of profitability, unfolds on a world scale, as capital seeks to overcome local barriers by developing the world market as a source of raw materials and an outlet for surplus capital and commodities. So long as capital is able to overcome the barriers to accumulation by global expansion its inherent contradiction is suspended. However, once this expansion approaches its limits the barriers to accumulation reassert themselves and the contradiction comes to the surface.

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[2] On the theory of the capitalist form of the state see the papers collected in John Holloway and Sol Picciotto, eds, *State and Capital*, Edward Arnold, London, 1978, and in Simon Clarke, ed., *The State Debate*, Macmillan, London, 1990.

This contradiction appears to the state in the form of the barriers to the sustained accumulation of domestic productive capital presented by the overaccumulation of capital on a world scale. Although the state cannot resolve the contradictions inherent in capital accumulation, it can contain the political impact of those contradictions to the extent that it is able to secure the integration of the accumulation of domestic productive capital into the accumulation of capital on a world scale. The limits on the ability of the state to achieve this are partly set by the particular conditions of domestic accumulation and by the national form of the state, but are more fundamentally defined by the form of the international state system and the dynamics of global accumulation of which it is a part.

During periods of sustained accumulation on a world scale the liberalization of international trade and payments, and the corresponding internationalization of capital, defines a horizon of opportunity through which to secure domestic prosperity and social and political harmony. However, as the overaccumulation and uneven development of capital presents growing barriers to accumulation on a world scale, international competition intensifies, debts begin to mount, sources of credit dry up, and the accumulation of domestic productive capital falters. The internationalization of capital now appears not as an opportunity but as a barrier, in the form of the pressure of international competition and the burden of international debt. As the pressures increase the first response of the nation state might be to throw up barriers to the international movement of commodities and capital, in the vain attempt to sustain the accumulation of domestic productive capital. However, the crisis has not arisen as a result of the internationalization of capital, but on the contrary it has arisen because the attempt of capital to overcome the barriers to accumulation by penetrating world markets has reached its limits as overaccumulation appears on a global scale. The change from one phase of the cycle to the other is not in the *fact* of the global character of capital accumulation but in its *form*.

The internationalization of capital is not a cumulative process, but a cyclical one, as political and administrative barriers to the mobility of capital are thrown up in the wake of the crisis. Although the internationalization of capital might reach new heights, and might appear in very different institutional forms, in each successive cycle, there is not a fundamental qualitative difference involved. From the vantage point of the 1930s the post-war internationalization of capital appears dramatic, but it is not clear that it is fundamentally different from the internationalization that marked the mid-Victorian boom a century before. However, rather than pursue this comparative perspective further, it is time to turn to the implications of this analysis for an understanding of the present crisis.

The Internationalization of Capital and the Limits of the Nation State

Fundamental to the conventional interpretations of the post-war boom is the belief that the increased penetration of the state into civil society from the 1930s transformed the laws of motion of the capitalist mode of production by establishing modes of regulation which could contain the tendency to overaccumulation and crisis. According to this view, the limits of these modes of regulation were determined by the fact that they were established on a national basis, and so have been progressively undermined by the internationalization of capital.

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

The belief that the post-war boom was based on the institutionalization of modes of regulation of accumulation through which the accumulation of capital was subject to the direction of the nation state is equally false. While the state certainly intervened more actively in regulating accumulation, this did not involve an inversion of the relationship between capital and the state. State intervention has been circumscribed throughout the post-war period by the contradictory form of accumulation on a world scale. The tendencies towards the internationalization of capital and the liberalization of capitalist regulation are by no means new, but have been the dominant tendencies ever since the Second World War, central features of the boom as much as of the crisis.

The State and the Market in the Post-War Boom

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

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

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

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

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

Internationalization of Capital and the Crisis of Overaccumulation

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

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

The growing overaccumulation and uneven development of capital through the 1970s led not only to an economic crisis, but also to a deepening political crisis.

The ‘post-war settlement’ had secured the social and political integration of the working class in the metropolitan capitalist countries through the systems of industrial relations and the welfare system. In the boom these ‘modes of regulation’ of the working class could even prove functional to sustained accumulation, reconciling the working class to the intensification of labor and a high degree of mobility in exchange for guaranteed employment, rising wages and welfare benefits as capital sought to develop the productive forces without limit. However, the growing overaccumulation and uneven development of capital from the late 1960s increasingly brought the tendency to develop the productive forces without limit into contradiction with the need to confine the development of the productive forces within the limits of capitalist social relations of production. The growing pressure of competition in the face of the overaccumulation of capital eroded profits and public revenues, leading to an intensification of the class struggle. The attempt of the state to confine these struggles within the institutional forms of industrial relations and the welfare state by inflationary means only served to exacerbate the crisis by further eroding the international competitiveness of domestic productive capital and by increasing monetary and financial instability, so that the crisis increasingly unleashed a class struggle over the institutional forms of industrial relations and the welfare state.

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

The crisis of 1974 was a classic overaccumulation crisis. Although the immediate response of several states was to pursue deflationary policies, in order to force accumulation back within the limits of profitability, such policies soon provoked industrial and political conflict, so that the US in particular reversed its stance. The stagflation of the 1970s was essentially an expression of the global balance of class forces, as working class pressure continued to force nation states to pursue inflationary domestic policies, within limits dictated by capital through the financial markets. However, such inflationary policies only served to intensify the crisis of domestic productive capital and led to a growing polarisation which counter-posed neo-liberal ‘monetarist’ strategies of the right, based on subordination to the dynamics of the global accumulation of capital, to ‘corporatist’ strategies, based on the protection and regulation of the accumulation of domestic productive capital by the nation state, that were generally espoused by the left. The crisis of 1979 marked a decisive shift in the balance of class forces, with Britain and the US joining Germany and Switzerland in the conservative camp, imposing a global depression that saw the massive devaluation of surplus capital and destruction of surplus productive capacity, escalating unemployment and an intense offensive against the working class on the part of both capital and the state which sought not so much to force down wages, as to restructure the institutional forms of industrial relations and the welfare state through which workers had sought to realize their material aspirations, in order to subordinate the reproduction of the working class to the reproduction of capital.

However deep was the recession of 1979-81, and however great were its social costs, it was not sufficient fully to restore the conditions for sustained accumulation, nor did it remove the tendency to overaccumulation and crisis. As in the 1970s, restrictive fiscal policies were soon reversed, and global accumulation renewed on the basis of Reagan’s military Keynesianism. However the massive defeat suffered by the working class in the early 1980s enabled capital and the state to confine working class aspirations within the limits of profitability, so that accumulation was sustained in the metropolitan centres without the emergence of significant inflationary pressures. Meanwhile surplus capital found new outlets for productive investment, particularly in East Asia, where ‘modernising states’ played a key role in providing the institutional infrastructure for accumulation and in preparing an educated, motivated and disciplined working class. Nevertheless, the intensification of labor and rapid technical change provided opportunities for surplus profit which stimulated the overaccumulation and uneven development of capital to an historically unprecedented degree, which was sustained by an explosion of domestic and international debt, financed not so much by credit expansion as by the diversion of surplus capital into unproductive and increasingly speculative channels.

The Crisis and the Crash

The stock market crash of 1987 raised the specter of 1929 and 1873, throwing into fundamental doubt the belief that modern capitalism was a qualitatively different phenomenon from its earlier forms of existence. Although the crash of 1987 revealed only too clearly the fragile basis of the boom of the 1980s, it was not in itself an event of fundamental significance, being confined to a devaluation of fictitious capital. The immediate impact of the crash was effectively neutralized by easing credit, bailing out banks, and by precarious international co-operation to regulate currency markets. However the crash was only an expression of the deeper crisis, of the global overaccumulation and uneven development of capital, which international financial Band-Aid does nothing to resolve. Nevertheless, such measures were able to restore confidence because beneath the froth of speculation there still appeared to be opportunities for soundly based productive investment to drive accumulation forward, in the first instance in the economies of the Asian tigers, but more fundamentally in the breaking down of the last major political barriers to the globalisation of capital. The collapse of the Soviet block at the end of the 1980s served to distract attention from the crisis of global capitalism, despite the fact that the ‘crisis of socialism’ was, as much as anything, itself a result of the overaccumulation and uneven development of capital on a world scale, which impacted on the Soviet block in the form of the increasing pressure of world competition, the growing cost of escalating military expenditure, and the enormous burden of hard currency debt.

The post-war reconstruction boom had been based on the re-integration of the global capitalist economy on the basis of the dismantling of the barriers to the free movement of commodities that had been erected in the inter-war period as national governments had sought to protect their domestic economies from the ravages of depression. The integration of any particular national economy into the global accumulation of capital through the liberalisation of trade implied an expansion of opportunity for capitals oriented to the world market as a source of raw materials and means of production or as an outlet for their products, but a threat to those backward capitals which could not compete against foreign imports. While the sustained accumulation of capital depends on breaking down all local barriers to its expanded reproduction, the short-term costs are not borne by those who might enjoy the more uncertain long-term gains. The issue of liberalisation versus protectionism was an issue that divided both capitalists and the workers who depended on them for a living within each particular country and was an issue that could only be resolved politically, the outcome being determined primarily by the extent to which the material and social conditions of production within the national borders were conducive to participation in the global processes of accumulation.

Colonialism and imperialism had already laid the foundations for a post-war boom based in the first instance on a global division of labour between advanced manufacturing in the metropolitan centres of accumulation and the extraction and export of primary produce from the peripheral regions. Those peripheral national economies in which a significant manufacturing industrial base had been developed within the protectionist framework of the depression and war years were much less well-placed to participate in the boom since full liberalisation implied opening their markets to imported manufactures from the metropolitan centres and the consequent destruction of the established manufacturing base. Most of the more developed countries of Southern Europe and Latin America, as well as South Africa and India, retained the corporatist and protectionist structures which sought to preserve domestic manufacturing production and employment while relying on expanded exports of primary products to sustain domestic accumulation, a strategy which was equally the basis for the construction of the Soviet block, which presented itself to the third world as the model for such a national patriotic mode of development.

Through the 1970s and 1980s a gap in productivity, and correspondingly in both wages and profits, progressively opened up between those capitals which were integrated into the processes of global accumulation and those which had sought protection behind national frontiers. However, the wider the gap, the more difficult it was to leap across. The backward capitals had neither the financial nor the technical resources to reconstruct domestic production which had lost its place on the world market. The only possibility for a restructuring of domestic productive capital was on the basis of direct investment by more advanced foreign capitals, whose prospects depended in turn not only on the liberalisation of trade, but also on the liberalisation of capital flows and a congenial and stable political environment. 'Globalisation' through the last quarter of the century was, therefore, by no means an automatic process, but was the result of an extended period of economic and political crisis at the national level, that gave rise to intense class and political struggles, which progressively shifted the balance of class forces on a global scale.

By the end of the 1980s it appeared that ‘liberalisation’ and ‘stabilisation’ was the key to economic success, as the dynamism of those economies which had followed that path contrasted with the stagnation of those which had resisted. The ideology and policies of ‘structural adjustment’ were the basis of an increasingly aggressive offensive on the part of the international financial institutions, for whom it had become the unproblematic key to success. Since the strategy was associated with breaking down the regulatory role of the nation state it could even be associated with a crusade for democracy and human rights and freedoms, all interpreted in the negative sense of freedom from coercive regulation. However, while interventionist and protectionist policies of the nation state might be barriers to the integration of the national economy into global accumulation, their destruction was by no means a guarantee of such integration. Those countries which had adopted such policies as the outcome of domestic class and political struggles through the 1970s and 1980s were not distinguished by the greater wisdom or rationality of their political leaders, but by the fact that they were the countries in which the objective conditions for the success of such policies were the most well-developed. By the end of the decade, those economies which retained substantial barriers to global integration were those in which such integration threatened massive economic destruction with only the most nebulous prospects of renewed accumulation: Brazil, Argentina, South Africa, India and the Soviet Union were all economies which had highly developed but globally uncompetitive manufacturing (and to a growing extent even primary producing) sectors and a mature and organised industrial working class. While protectionism could not prevent continuing decline, liberalisation promised accelerated destruction of the established productive base and intensified class and political conflicts which could only undermine the prospects of renewal on the basis of foreign direct investment. Nevertheless, the longer these countries postponed their integration into the global economy, the deeper into crisis they fell and the worse their prospects became. Thus, while globalisation was by no means automatic, it was nevertheless the inevitable expression of the dynamic of capital accumulation which was given a renewed stimulus in the aftermath of the stock market crash of 1987.

With the collapse of the Soviet block and economic reform in China new horizons opened up before global capital in the 1990s, to supplement the more limited opportunities presented by the Asian tigers and the opening of Latin America. For the first time since 1914 capital was free to roam the whole world in search of profitable outlets for investment. However, the amount of capital seeking such outlets was growing at a massive rate as the flow of capitalised surplus value was augmented and even dwarfed by voluntary savings attracted by the prospects of speculative gains and the forced savings of workers, who were increasingly compelled to provide for their own subsistence in periods of ill-health and old age by investing in insurance-based systems of provision which were rapidly displacing socialised provision. Thus, the renewed global boom in the accumulation of productive capital was overlain by an even greater boom in speculative investment channeled through the world's financial institutions.

It is of the essence of speculative investment that it promises fabulous returns at the risk of catastrophic losses, but while fabulous returns drive the speculative boom forwards, catastrophic losses risk bringing down the whole system. The international movements of capital drove accumulation forwards through the 1990s, but these movements were increasingly dominated by speculative investments in property and fictitious capital on a scale far beyond anything that could be justified by the production and appropriation of surplus value. As the speculative inflation of stock and real estate prices led yields to fall far below the prevailing rates of interest, the speculative dimension of the boom became ever more predominant, driven by the institutional interests of financial intermediaries in sustaining the boom with other people's money. Like all such speculative booms, it could only be sustained by the constant influx of new investments and discovery of new outlets for the expanded capital, both of which were provided by privatisation. On the one hand, the privatisation of health, welfare, pensions and social insurance put vast sums of money into the hands of the financial institutions to fuel the speculative boom. On the other hand, the privatisation of public assets provided new outlets for surplus capital.

The fact that capitalist accumulation always and everywhere takes the form of the overaccumulation and uneven development of capital implies that capitalist accumulation will always be interrupted by crises marked by the devaluation of capital and the destruction of productive capital. However, while every local crisis has wider repercussions, and risks setting off a chain reaction which can lead to a general crisis, such a generalisation of the crisis is by no means necessary, provided that the losses can be redistributed rather than being cumulative. The financial crises of 1987 and of 1997-8 raised the spectre of a global crash, but in each case their impact was localised and confidence was restored in the belief that the crash was merely a superficial local disturbance which had been the result of exceptional circumstances. A brief period of soul-searching, with calls for the development of new modes of financial regulation, particularly at the international level, was soon forgotten as the locus of speculation moved on, leaving devastation of the real economy in its wake.

It is important neither to overemphasise nor to underestimate the significance of the periodic financial crises which mark the course of capitalist accumulation. Financial crises are the most dramatic but also the most superficial expressions of the fundamental contradiction underlying capitalist accumulation that derives from the subordination of the production things to the production and appropriation of surplus value and that gives rise to the overaccumulation and uneven development of capital. The devaluation of capital and destruction of productive capacity is not just the Armageddon that hovers over the horizon, but the threat that faces every capitalist every day. Overaccumulation and uneven development appears not only in the dramatic form of financial crises, but also appears in the everyday reality of capitalist competition which impels capitalists constantly to seek to intensify labour, extend the working day, force down wages and transform the forces of production in order to survive. Capitalist competition compels every capitalist to intensify the exploitation of his own workers as his contribution to the struggle to intensify the exploitation of the working class as a whole. It is this everyday struggle over the production and appropriation of surplus value that is the basis of the class struggle on a global scale.

The inevitability of the crisis tendencies of capital and the permanence of class struggle does not determine either the form or the outcome of such crises and class struggles. If left unfettered, the tendencies of global accumulation will certainly lead to a further growth in global imbalances, in international competition, in inter-imperialist rivalries, and in financial and political instability. It is equally certain that if the crisis tendencies of global capitalist accumulation are not contained, they will provoke a political crisis of neo-liberalism, both nationally and internationally, the outcome of which we cannot predict. However, we know, from bitter historical experience, how powerful are the forces of nationalism once opportunistic politicians have unleashed them. We know how rapidly old alliances can crumble, and we know how rapidly new, and often extremely unlikely, blocks can form. We know how fast, once such block formation is under way, conflict can escalate, and economic differences become political confrontations, which in turn lead to military engagements. We know how rapidly an epoch of global prosperity, underpinning prospects of world peace and international harmony, can become an epoch of global confrontation, culminating in war. If such a prospect seems unlikely now, it seemed equally unlikely a century ago.

However such developments are not inevitable because they are not imposed by any economic logic, but are determined by the political responses to emerging economic difficulties, and in particular by the renunciation of liberal internationalism in the name of a resurgent nationalism. In the current political conjuncture there are grounds for optimism, but certainly no room for complacency. The East Asian crisis has provoked a renewal of the democratic and working class movements in the countries most affected, while the direction that China will follow remains uncertain. The collapse of the Soviet block has certainly stoked the fires of inter-imperialist rivalry in the scramble to carve out spheres of economic and political influence, and it has resurrected some of the ugliest forms of nationalism in both East and West, but it has also fuelled the spirit of internationalism which has already proved an inspiration, especially to the young, in the peace movement, the world development movement, the ecological movement, and in the more traditional movements of international trades union and political solidarity. The collapse of the Soviet block makes the task of contracting a new international order, which the global environmental crisis has already placed firmly on the agenda, an even more pressing political priority, but at the same time it has swept away many of the political barriers to the formation of an organised movement for liberation which can bring together the whole range of trade union, labour and other non-governmental organisations on a global scale.