Capitalist flattening or flattening capitalism?

class forces and political choices in the global knowledge economy

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ABSTRACT

The global knowledge economy is new, but its central drivers are not. Capitalist logics continue to set its trajectory. The character and strength of class forces continue to determine its development and outcomes. As industrial conditions standardise globally and as trade flows thicken, the class compacts established in core capitalisms in the immediate post-war period are everywhere under challenge, and the task for the Left is clear: to create and integrate movements capable of replacing that reactionary and capitalist logic with a progressive and socialist one.

As we struggle to conceptualise the true nature of the contemporary global economy and to determine the viability of national struggles to shape its practices, the central truth we have to grasp is that, whatever else it is, the contemporary global order is definitely a capitalist one. How far its features are novel is for others to decide; but at the very least we (and they) have to realise that, from its inception, there was always something global and spatial about capitalism: global in the sense of world trade; but global too in a more basic spatial sense. Capitalism emerged initially only in particular places. Indeed at first its capacity to develop depended on other places not being capitalist. Processes of unequal exchange were central to its emergence. Combined but uneven development was written into its global order from the beginning. Capitalism was the product of a particular international division of labour and, as it developed, it became a major force shaping that division. We have to decide if the current international division of labour is qualitatively new; but we will do that best by comparing it with earlier ones, rather than by implying, as does some of the more journalistic literature, that the current global order is the first. The world has always been, to some degree at least, 'flat'. The issue before us is whether – as industrial conditions standardise globally and trade flows thicken – any space remains for national institutions to shape in distinctive ways the work processes on which the prosperity of people within their particular bit of the global system ultimately depends.

So when we talk about 'knowledge-based economies' we are not discussing them in general; we are speaking specifically about capitalist ones. And capitalism is a particular mode of production, and must be understood as such. When fully operational, a capitalist economy is a system of generalised commodity production based on free wage labour.

Its core classes are still as Marx described them long ago: a capitalist class reproducing itself through the organisation of commodity production, and a proletariat generating the surplus on which capital accumulation goes forward. At the core of the system, both historically and now, there are necessarily competitive class relationships – ‘horizontal’ ones between capitalists, and ‘vertical’ ones between capital and labour – with the intensity of the first putting pressure on the second. To survive in competition with each other, capitalists are continually obliged to develop the tools of work, intensify work processes and squeeze the work-effort bargain; and that pressure is at its greatest, and most visible, in the circuits of industrial capital. For not all circuits of capital are exactly the same. Nor is the weight of those circuits – merchant, industrial and financial – the same in all periods of time or in all economies at any one moment in time. On the contrary, the weight of fractions of capital varies between places and periods, the weight of capitalist classes relative to pre-capitalist ones varies similarly, and the relationship between capital and labour, even in core capitalisms, also ebbs and flows over time. The novelty and class tensions of capitalism on the one side, and its dynamism and instability on the other, require that it be managed. State institutions play a crucial role in that management; and the way in which they come to play that role affects the kinds of capitalism that emerge.

A full conceptualisation of our present conjuncture requires things too complex to do fully in a short article, but must include an understanding of a number of key things. It must include an understanding of how particular capitalist economies developed and flourished in a symbiotic relationship with the post-feudal European system of nation-states that emerged at much the same time. It must include an understanding of how the balance and character of class forces within those states then triggered patterns of combined and uneven economic development between them, and gave to certain of those states – and only certain of them – a distinctive and influential global role, both economically and politically. And it must include an examination of the class drivers triggering ‘autonomous’ industrial development in ‘first wave’ capitalisms like the UK and USA, and the subsequent 19th century attempt at ‘catch up’ development – under state leadership in ‘second wave’ capitalisms – an attempt that succeeded in Japan and Germany but failed in Russia (until Stalin’s state capitalism achieved it later at horrendous cost). And we need to see how that pattern of combined but uneven economic development created a 20th century industrial core (literally a rectangle from Chicago to Moscow, and Pittsburgh to Milan, with a Japanese offshoot thrown in) that is now being challenged by industrial development in China, India and Brazil. And we need to do that because unless we have this big picture clear (big globally, and big in time-length terms) we are not going to be in a position fully to grasp what is now seriously under challenge: which is the ‘variety of capitalisms’ which briefly flourished within that industrial core in the particular conditions of Cold War stand-off and Western imperial dominance after 1945.

That post-war capitalist settlement, within the industrial core, came in three major forms – liberal capitalism, welfare capitalism, and developmental state capitalism. In liberal capitalisms, investment decisions were left overwhelmingly as the preserve of private companies, and workers there enjoyed only limited industrial and social rights.

State involvement in economic management was confined largely to the creation and protection of markets; and the dominant underlying understandings of politics and morality in the society as a whole tended to be individualistic and classically liberal in form. In welfare capitalisms, by contrast, though the degree of direct state direction of private investment decisions tended still to be small, the state entrenched a set of strong industrial and social rights for workers and non-workers alike, and encouraged social partnerships in industrial decision-making. The dominant culture there tended to be social democratic or Christian democratic rather than liberal. And in developmental state capitalisms, though workers' rights still tended to be less, they were balanced - when measuring the autonomy of private firms - by a much more developed planning and directional role for bureaucrats within the key economic ministries of the state, operating under a strongly nationalistic ideology. The United States was and is the main example of a liberal capitalist economy (though one with its own developmental-state sector, focused on the Pentagon). The main developmental state model until recently has been the Japanese, though arguably the Chinese communist state is now playing a similar developmental role, if with a less clearly established and defined private capitalist class beneath it than that serviced by MITI¹. And welfare capitalism comes in a number of shades - from the Swedish to the German, and the French to the British.

Each 'variety of capitalism' in the post-war period was the product of a particular, though shared, balance of class forces internally and globally, and each was significantly less permanent in its prosperity than it initially appeared. Where capitalist classes were strong but organised labour weak (most noticeably the post-war USA), liberal capitalism prevailed. Where labour was weak but local capitalist classes could attract external help (Japan being the prime example, but then later playing a similar role itself for South Korea), developmental states triggered rapid economic growth; and where labour movements and strong industrial classes coincided, welfare capitalisms emerged with different but equally striking growth trajectories. In each of these 'national capitalisms' in the post-war period, state institutions played a crucial role. In the US case, they orchestrated a military-industrial complex that sustained the USA's global leadership, while protecting key agrarian interests at home. In Japan, state institutions orchestrated export-led industrial growth and oversaw regional patterns of dependent development; and in western Europe, states discretely picked local industrial winners while sustaining social compacts that guaranteed those winners a buoyant domestic market. Indeed the US state played a particular role in all three models: for it was only the positioning of both Japan and Germany as front-line Cold War states that induced American state actors to 'invite' them back to the capitalist high table, in spite of their wartime defeat as fascist/authoritarian challengers to the hegemony of western capitalist democracy and its overseas empires.

These three post-war capitalist 'routes' to prosperity and growth differed because their internal 'class compacts' differed, but they all relied on similar industrial technologies and on a similar balance of class forces and imperial control globally. They differed internally in both specific and general ways. Specifically, US labour emerged from World War II

¹ The former acronym of the Japanese Ministry of International Trade and Industry, renamed Ministry of Economy, Trade and Industry (METI) in 2001

in retreat from its New Deal moment of power, while Japanese and European labour emerged in more strident voice, fuelled by anti-fascism. (It took big industrial defeats in the McCarthyite atmosphere of the early 1950s to discipline Japanese labour back into line). And, more generally, European labour was open to socialist ideas in ways that American labour after 1920 was not, and the European employing classes in second-wave capitalism were open to statist-led economic growth in ways that American employers have never been able to comprehend. So the internal differences within these three capitalist models were marked and formative, and gave them very different institutional architectures; but they also obscured the very real degree to which they all shared a similar set of external parameters and preconditions. For externally all three post-war capitalist 'models' relied on the productivity potential of 'Fordist' semi-automated production systems in their core industrial sectors. They all relied on favourable terms of trade for the industrial North against the agrarian South. They all relied on the limited proletarianisation of African, Asian and South American peasantries. And they all depended on the American maintenance of an anti-communist trade bloc within which labour and goods could migrate increasingly freely, but capital itself could not.

While that shared global order prevailed, different social structures of accumulation could and did develop in different national capitalisms, and survive – even prosper – alongside each other because of their differences. For a whole generation, state actors, and their electorates, came to believe in the reality of national economic management, and of different national routes to a shared and increasing prosperity. The Americans did it one way: high wages but low worker rights, low taxes and the thinnest of welfare nets. The Western Europeans did it another way: high job security and internal job flexibility, high taxes and a generous social wage. The Japanese did it differently again: long hours and guaranteed employment for core workers, big exports and only modest income growth at home. Even when they 'worked', each of these post-war settlements had its hidden side: rural (and increasingly also urban) poverty among African American workers and then among Hispanic migrants in the US; hidden female unemployment and exploited Turkish or Algerian workers in Germany and France; and massive job insecurity for the 75 per cent of the Japanese labour force denied lifetime employment. But at least these various models 'worked' when measured against their own pasts: no 1930s depressions, no world wars (just regional ones), and a significant increase in general living standards from one generation to the next.

To grasp the full nature of our current condition, we need to recognise that both the external and internal conditions of that post-war 'varieties of capitalism' settlement are now coming unstuck. Some of that change is visibly internal. Certainly the technological base of the new order is no longer 'Fordist' in the traditional sense, and semi-skilled workers in manufacturing industry are no longer the core employees of northern economies that are all, to varying degrees, 'deindustrialising'. And the strength of labour movements within these core industrial capitalisms is everywhere weakening, as new pools of labour (female and foreign) emerge as central to the accumulation processes there but as yet remain largely beyond the reach of the trade unions. But the big changes are external. The balance of class forces globally has shifted, as powerful industrial bourgeoisies emerge in areas of the conceptual 'South', as global capital flows intensify,

and – most critically of all – as the size of the global proletariat doubles in a generation. Class compacts were relatively safe so long as the boundaries of the industrial core remained in place — so long, that is, as the industrial rectangle was intact, capital was locked inside it, and migratory labour came to it in small and controllable doses. However the class compacts that were safe under those conditions were, and now are, put in serious jeopardy by the generalised spread of commodity production worldwide.

It is in these new global conditions that state actors in the developed North have come under increasing pressure from their own industrial-owning classes to cut back on the social costs that are crippling competitiveness in the new global marketplace, and to do so within parameters that are limited only by the (invariably weak) resistance of organised labour movements. Where those movements are weakest – in liberal capitalisms like the USA and the UK – the neo-liberal counter-attack on the post-war welfare settlements, long a goal of local employing classes, has been greatest. The moment has been seized to increase income inequality, intensify low paid work, and ‘reform’ welfare provision in ways that erode the rights of welfare recipients. Where labour movements are stronger – in the Western European welfare capitalisms – the adjustments have been less trumpeted and less dramatic, but the broad direction of the march has been everywhere the same. Since leadership at the global level remains with American state actors, and they remain the freest from any effective internal challenge to neo-liberalism, the rules of global trade have been increasingly reset in ways that weaken the bargaining power of labour movements in both the North and the South. This situation is okay if you’re an American farmer. Protection is still the order of the day there; but not if you’re employed in the offices and factories of middle-class America or working-class Britain.

Two things follow: one conceptual, one political. Conceptually, the issue is between ways of managing the new capitalist order – both internally and globally – that will ratchet up living standards and employment conditions for the broad mass of working people, rather than ratchet them down. Politically, the issue is to forge class alliances across and within national borders that can make sure ratcheting up prevails. Without those alliances a race to the bottom must be on. What is clear is that capitalist classes can be, and do need to be, ‘managed’. Left to themselves, they both intensify inequality and breed perpetual crisis and insecurity. Like rottweilers everywhere, they have to be trained: trained internally, by powerful labour movements insisting on fair rewards; and trained externally, by global social movements insisting on fair trade. Strong organisations of workers and consumers are vital in the newly industrialising economies of the old ‘South’, as are revitalised labour movements in the older-industrialised North. Globalisation is a reality, but its consequences are not fixed. Fixing them is indeed the task of this generation. That task will not be an easy one, but it is essential.

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