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The 'return' of the national state in the current crisis of the world market

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Abstract

The period from the 1970s to the 1990s saw much discussion about the declining power of national states in the face of internationalization and, later, globalization. This topic has been explored within the Conference of Socialist Economists since its founding meeting in October 1970, as well as in many issues of its *Bulletin* and, later, in *Capital & Class*. The global economic crisis has reinvigorated this debate, and invites a return to some of the first principles of historical materialism. Starting with Marx and Engels' discussion of the world market and national states, I explore the impact of neoliberalism on both aspects of this relation and then draw some general conclusions.

Keywords

crisis, Marx, national state, neoliberalism, transformation of state, world market

Writing in the mid-1840s, Marx and Engels argued that the expansion of the world market was inhibited by the frictions entailed in a plurality of states and local markets, the 'clumsiness of production', and the underdevelopment of finance (1976: 56). In this context, the world-historical 'achievement' of neoliberalism has been to reduce (without ever eliminating) the frictions and constraints on capital accumulation deriving from states as 'national power containers', as well as from 'inefficient' financial markets; to increase the emphasis on speed, acceleration and turnover time along with capital's short-term 'indifference' to its environment; to reinforce the dominance of exchange-value over use-value in the global economy; and to secure changes in extra-economic relations that facilitate the global expansion of capitalism and weaken resistance to these effects. Overall, this reinforces tendencies to uneven development, as zones of instability and crisis are created as a condition and effect of relatively crisis-free expansion elsewhere. However, as Marx later noted, the world market is a place 'in which production is posited as a totality together with all its moments, but within which, at the same time, *all contradictions come*

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into play' (1973: 227, my emphasis). Since the ultimate limit to capital is capital itself, the expansion and integration of a relatively unfettered (or disembedded) world market enhances the scope for its contradictions to be realized, and for resistance to become global.

Globalization or world market?

The interaction of world market dynamics and state capacities is shaped by the continued separation of the profit-oriented, market-mediated dimension of accumulation from its crucial extra-economic supports in the legal and political system (among other institutional orders) and, notwithstanding this variable institutional separation, the continued reciprocal interdependence of 'market' and 'state' as complementary moments of the capital relation. The nature of this relationship has prompted some of the most vigorous debates in *Capital & Class* on the capitalist type of state and/or states in capitalist societies, because it raises many crucial questions. These concern the fetishized separation of the economic and the political moments of the capital relation; the primacy of class struggle over any and all institutions; and the appropriate bases for any periodization of capitalist development. Two poles of such debates are (a) the priority of a generalized class struggle to overthrow all forms and moments of the capital relation; and (b) the impact of historically specific forms of the capital relation and their distinctive institutional supports on economic and political struggles in specific periods, especially when the bourgeoisie enjoys a greater or lesser degree of hegemony. Each pole has its strengths and weaknesses. Insistence on the primacy of class struggle highlights the interconnectedness of the capital relation and the reformist consequences of channelling struggles into separate, fetishized economic and political institutional forms with distinctive logics; but it achieves this result at the risk of essentialist forms of argumentation. Conversely, historical institutionalism is more sensitive to issues of institutional integration and social cohesion in distinct periods, but risks ignoring how the antagonistic nature of the capital relation constrains all institutional fixes. This is also found in mainstream debates on globalization and the national state, with some focusing on the overall logic of the world market and/or imperialism, and others starting out from 'varieties of capitalism' and their respective strengths and weaknesses in a global economy.

The notion of globalization highlights qualitative changes associated with the growing capacity of some fractions of capital to operate on a global scale in real time, but also disguises basic continuities with earlier waves of world market integration. The most recent wave is distinctive less for the tendential *planetary* reach of capitalism than for the enhanced *speed* of its linkages and their repercussions in real time. Indeed, much of the pressure that state managers claim to feel from globalization has less to do with its *spatial extension* than with its *temporal compression*. For globalization affects not only the territorial sovereignty of states (through the gap between intensified world market integration and the still largely national architecture of many state apparatuses), but also their temporal sovereignty in the sense that hypermobile, superfast capital undermines normal policy cycles.

This said, the many social forces and mechanisms that generate globalization put pressure on *particular* forms of state with *particular* state capacities and liabilities, and with different unstable equilibria of forces. This requires serious engagement with the modalities of globalization and with the specificities of state forms and political regimes. These aspects are often associated, because different kinds of state favour different modalities of globalization based on inherited modes of insertion into the world market and the recomposition of power blocs and class compromises. Likewise, the differential and uneven dynamic of globalization will have different impacts on metropolitan capitalist states, export-oriented developmental states, rentier oil states, post-colonial states, post-socialist states, etc. This excludes a zero-sum approach to the relation between world market and state power in terms of a *singular emergent borderless flow-based economy operating in timeless time* that is expanding at the expense of a *plurality of traditional national territorial states operating as 'power containers' that control fixed territorial boundaries.* The dynamic of the world market has crucial territorial as well as flow dimensions. Conversely, states are also 'power connectors', serving as nodes in a network of states and other political forces. Finally, world market integration intensifies competitive pressures on capital and labour as well as constraining state managers. In this sense, it modifies not only the balance of economic and political forces (including the relations between fractions of capital as well as capital–labour relations), but also the relation between market and state and the manner in which this is reflected in the transformation of the state and the content of state policies.

By the 1980s, the economic and political forces organized through *national* states could no longer act, as they did at the height of Atlantic Fordism, East Asian exportism or Latin American import-substitution industrialization, as if the state's chief economic task were to advance and govern *national* economic performance. This position changed as the respective crises of these modes of growth emerged, and as world market integration was boosted by major shifts in economic policy and corporate organization. Claims that globalization undermines the national state often take an idealized view of the post-war sovereign national territorial state in the 'Anglosphere' and/or Western Europe as their main reference point, and overlook the ways in which imperialism and colonialism had previously impacted on economic and political orders in the 'South' and/or 'East'. They also neglect bilateral and multilateral policy coordination within various blocs, and the extent of superpower hegemony in various policy fields. Thus concern with globalization and the national state can be seen in part as an initial 'Northern' reaction to the 'revenge' of post-imperialist or post-colonial states (plus Japan), as 'Eastern' economies and their developmental states gain economic and political power in the world market and, later, to the efforts of economic and political forces in the 'North' to regain hegemony or at least dominance by pushing international economic regimes in a neoliberal direction.

Mainstream discussion of globalization and the state has employed, as noted above, a 'Northern' benchmark based on post-war conditions to highlight three trends that indicated a decline in the power of national states. These trends are not always caused by world market integration, but have often been treated as if they were. Mainstream discussion also tends to interpret these trends from a narrowly state-theoretical viewpoint, in which case they appear as threats to the territorial and temporal sovereignty of the national state and/or as responses to problems confronting the national state, considered as a distinct institutional ensemble with its own logic and interests. From a capital- and/or class-theoretical perspective, however, they might appear as a means to re-articulate the economic and political moments of the capital relation in response to the advance of the world market (and, a fortiori, the generalization and intensification of the contradictions and crisis-tendencies inherent in the capital relation); and/or as part of a broader drive by powerful class forces to reorganize the market-state relation to their advantage (notably, of course, in recent decades, in the interests of international financial capital and other transnational capitals). The trends comprise:

(1) The shift of powers previously located at the *national* level upwards to supra-regional or international bodies, downwards to regional or local states, or outwards to relatively autonomous cross-national alliances among local metropolitan or regional states, and, in tandem, the allocation of new state powers to scales other than the national. This is sometimes explained in terms of the need to recalibrate state powers to match the global scale of the market economy, and/or in terms of the need to penetrate micro-social relations to enhance competitiveness and manage uneven development. To interpret this as the decline of the state

in the face of globalization is doubly misleading. On the one hand, this would fetishize one particular form and scale of statehood, when the capital relation 'merely' requires some form of separation of a profit-oriented, market-mediated 'economy' from a juridico-political order that secures key extra-economic conditions for accumulation and social cohesion. On the other hand, there is considerable evidence across many sites of action that national states seek to exercise some residual power over the movement and exercise of inter-scalar powers and still serve as an addressee in the last resort of demands for decisive action in the face of crises.

(2) The weakening of territorial 'power containers' on any scale relative to non-territorial forms of political power that bypass or circumvent states through new forms of international regime and extra-territorial networks. This trend sometimes occurs at the behest of state managers as a way of reducing 'overload' (an aspect highlighted in several state-theoretical readings), but it may also occur 'behind the backs' of state managers. It can also be seen as a way to free capital (or some capitals) from the frictions of state control and to promote an international order more favourable to world market integration.

(3) The loss of temporal sovereignty because the increased speed of world market integration reduces the time available for determining and coordinating political responses to economic events and crises. Two responses are privileged here: (a) withdrawal from areas in which states are too slow to make a difference or would become overloaded if they tried to keep pace; and (b) engagement in fast policy-making and the fast-tracking of policy implementation. The first measure tends to privilege superfast and hypermobile international capital, and the second to privilege the executive over the legislature and the judiciary. The capital- and class-theoretical impact of this second bias depends, of course, on the changing balance of forces.

The growing dominance of the logic of capital

This section adopts a capital- and class-theoretical perspective. World market integration enhances the economic and political power of capital in so far as (a) it weakens the capacity of organized labour to resist economic exploitation through concerted subaltern action in the economic, political and ideological fields, and for which the 'multitude' alone is not an effective substitute; and (b) it undermines the power of national states to regulate economic activities within mainly national frameworks. Neoliberal measures to extend and deepen world market integration reinforce the exchange-value over the use-value moments of the capital relation. They privilege value in motion (i.e. liquid capital), the treatment of workers as disposable and substitutable factors of production; the wage as a cost of (international) production; money as international currency (especially due to the increased importance of derivatives); nature as a commodity; and knowledge as intellectual property. Moreover, as capital is increasingly freed from the constraints of national power containers and increasingly disembedded from other systems, unrestrained competition to lower socially necessary labour time, socially necessary turnover time, and naturally necessary production time (i.e. the reproduction time of 'nature' as a source of wealth) becomes an ever more powerful driving force in the dynamic of capital accumulation. Overall, this forces states at different scales to seek to manage the tension between (a) potentially mobile capital's interests in reducing its place-dependency and/or liberating itself from temporal constraints; and (b) the state's interests in fixing (allegedly beneficial) capital in its own territory and rendering capital's temporal horizons and rhythms compatible with statal and/or political routines, temporalities and crisis-tendencies. An important response to such pressures is the development, at different scales, of 'competition states'. These not only promote economic competitiveness, narrowly conceived, but also seek to subordinate many areas previously seen as 'extra-economic' to the current alleged imperatives of capital accumulation (Jessop, 2002: 95–139). The consolidation of competition states is accompanied by the rise of an authoritarian statism that strengthens executive authority, reinforces the mediatization of politics, and extends the parallel power networks that connect state power to capitalist interests (see, in part, Poulantzas, 1978).

State responses

I now adopt a more state-theoretical perspective. Just as globalization does not generate a single set of pressures that affect all states equally, there is no common response by all states to the multiple forms assumed by globalization. Nonetheless, two preliminary general remarks can be made.

First, in so far as states, regardless of any other activities they may perform, remain integral moments in the expanded reproduction of the capital relation, any loss of formal *territorial* sovereignty by national states through the upward, downward and sideways transfer of powers may be compensated by pooling sovereignty and/or enhanced capacities to shape events through interscalar coordination. This concerns the role of national states not only in multi-level governance, but also in producing and regulating extra-territorial spaces such as offshore financial centres, export processing zones and tax havens, and in accepting practices such as 'flagging out'—the operation of commercial vessels under flags of convenience. States on other levels also engage in interscalar management, of course, but even the European Union, the most advanced supranational political apparatus, still lacks power and legitimacy to match those of its member states, especially larger ones like France and Germany. Those powers that it does have result from a multi-level strategic game that involves powerful economic and political forces pursuing their interests on the most favourable political terrain. For state policies are never determined purely by the logic of the state or interests of state managers, but are linked to economic strategies and state projects that reflect a multi-scalar equilibrium of compromise shaped by a changing balance of forces.

Second, the hardest challenge for states to address in terms of globalization is that to their temporal rather than territorial sovereignty. The two main responses are, first, to retreat from attempts to control short-term economic calculation, activities and movements even where this reinforces the destabilizing impact of deregulated financial markets and economic crises; and second, to make efforts to compress absolute political time in order to enable more timely and appropriate state interventions. This response involves the shortening of policy development cycles, fast-track decision-making, rapid programme rollout, institutional and policy experimentation, the relentless revision of guidelines and benchmarks, and a retreat from fixed legal standards towards more flexible, discretionary, reflexive laws. In state-theoretical terms, this weakens tripartism, stakeholding, the rule of law, formal bureaucracy and the routines and cycles of democratic politics. It also increases the chances of decisions' being based on unreliable information, insufficient consultation, a lack of participation, etc., and of 'policy churn', with the result that the 'half life' of legislation and other policies declines (Scheuerman, 2004). Alternative strategies like creating relative political time by slowing the circuits of 'fast capitalism' have provoked vehement opposition (especially on the part of financial capital to the proposal of a Tobin tax).

Conclusions

The overall impact of the increasing integration of the world market along primarily neoliberal lines has been to strengthen international financial capital at the expense of productive capitals that must be valorized in particular times and places. Nonetheless, the latter also benefit from deregulation and flexibilization at the expense of subordinate classes and the wider public interests. This does not mean that finance can postpone its overall dependence on the continued valorization of productive capital forever, nor escape crisis-tendencies rooted in capital accumulation on a world scale. The revenge of the 'real economy' can be seen in the current liquidity, credit and financial crises and their role in forcibly reimposing the unity of the circuits of capital by deflating the associated bubbles. The crisis of neoliberalism shows that the national state remains the addressee, in the last resort, of appeals to resolve economic, political and social problems. Paradoxically, even as neoliberal capital and its allies demand decisive state intervention, neoliberalism has undermined the territorial and temporal sovereignty of states and their capacity to resolve these crises. National states cannot coordinate their interests in forums such as the NAFTA, the European Union, the G8, the G20, the IMF, or other forms of summitry. Whereas the promotion of the micro-social conditions for capital accumulation in these changing circumstances may well be better handled at levels other than the national, problems of territorial integration, social cohesion and social exclusion are currently still best handled at the level of the large territorial national state. For, given its fisco-financial powers and its scope for redistributive politics in rearranging the balance of forces and securing new social compromises, the latter is still currently irreplaceable. This is especially evident in the massive subsidies and bailouts now being given to failed and failing financial institutions in the economies that went furthest down the neoliberal road, and in the efforts being made in other economies that made neoliberal policy adjustments, at most, but which have since been caught up in the generalization of the contradictions of neoliberalism on a global scale in an integrated world market.

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