



Karl Marx between Two Worlds: The Antinomies of Giovanni Arrighi's *Adam Smith in Beijing*

Richard Walker

University of California-Berkeley

walker@berkeley.edu

Abstract

Adam Smith in Beijing is a huge and sprawling book, but Giovanni Arrighi has done a great service with his world-historical vision of today's capitalism and the growing rivalry between a fading American empire and the rising power of China. This is a task beyond most of us, and one bound to put the writer at risk of criticism from many quarters. The book shines in two regards. One is to make geographical dynamics central to world-history – which means seeing the global economy as more than the sum of development-histories of many places or, worse, the spread of capitalism from one country to another. A second virtue is embedding economic history in the politics of the international state-system, featuring the use of force, imperial expansion, and the role of hegemonic powers. Nevertheless, Arrighi's economic-geographic analysis fails to convince on a number of critical points, such as the origins of industrial revolution, why Europe overtook China in early modern times, why the US economy faltered after 1970, why finance has run amuck in our time, how Japan grew so enormously after World War II, or why China is expanding so prodigiously today.

Keywords

China, world-history, global economy, empire, capitalism, space, development, F. Braudel, D. Harvey, G. Arrighi, A. Smith, R. Brenner

The sheer historical and geographical sweep of *Adam Smith in Beijing* is enough to give one pause about trying to frame a reply. Arrighi's knowledge of global economics and politics over the centuries is certainly impressive, and it speaks well to the staying-power of the Braudel-school of meta-history, deeply informed by geography. And one can only applaud the effort to go beyond Europe and America in telling the story of the origins of contemporary world-historical shifts in economic and political power.

Arrighi's starting and ending point is China, with the tale pivoting on the state of the American empire today. China's astounding economic development of the last generation poses a huge problem for American hegemony, one

over which the US higher circles are puzzling. To Arrighi, the outcome is clear: the ‘American Century’ of global dominance is in terminal crisis. China is bound to resume its historic place as the eastern pole of (economic) civilisation, and America’s day in the sun is sure to be eclipsed, both by virtue of China’s deep well of human and cultural resources and by the geographic logic of historical capitalism.

At this level of generality, one is hard pressed to disagree. Only a fool would think that the United States is forever destined to be the centre of the world; that China would not be back one day from a century of chaos and defeat (1850–1950); and that the US military can keep a lockdown on a global system of six billion people. Arrighi’s political motivations, at the broadest level, are equally difficult to contest. He detests the thuggery of the Bush/Cheney years and wishes to ring down the curtain on the whole beastly arrogance of American power. He disdains Eurocentrism and its corrupting influence on the ideology of the Euro-American axis, including that of the Left. And he wants to bring the world of humanity together, at the very least through recognition of its common, interconnected history.

On the theoretical front, Arrighi comes well-armed for his worldly task. He brings an impressive theory of the sequential re-centring of historical capitalism, taken from Fernand Braudel and developed in his opus, *The Long Twentieth Century*.¹ He returns to the father of modern political economy, Adam Smith, whom he seeks to reclaim from the death-grip of his *über*-liberal disciples in bourgeois economics. And he draws on Marxism through a dialogue with two of its major avatars of our time, David Harvey and Robert Brenner. Arrighi is a formidable and respectful interlocutor, who never takes his subjects lightly.

Arrighi really shines in two regards. One is to make geographical dynamics central to world-history. This means, on the one hand, seeing the global economy as more than the addition of the development-histories of many places or, worse, the simple spread of capitalism from one country to another. On the other hand, it means embedding economic history in the politics of the international state-system, featuring the use of force, imperial expansion, and the role of hegemonic powers. (He actually seems to relish diving into debates over imperial strategy in *Foreign Affairs*.)

Nevertheless, Arrighi’s fails to take his economics – the third leg of the tripod – seriously enough, in the end. It is there that his analysis fails to convince on a number of critical points, such as the origins of the Industrial Revolution, why Europe overtook China in early-modern times, why the US

1. Arrighi 1994.

economy faltered after 1970, why finance has run amuck in our time, how Japan grew so enormously after World War II, or why China is expanding so prodigiously today.

Adam Smith in Beijing unfolds, according to a theoretical plan, in four parts. Part I starts with Adam Smith versus Karl Marx on the theory of development, showing Smith's awareness of China and its vastly different path to development from that of Europe. Part II takes on Bob Brenner's work on the economics of the long slowdown of the late twentieth century, comparing it with the last quarter of the nineteenth century at the end of the Pax Britannica, and grapples with the causes of American economic decline. Part III wrestles with David Harvey's geographic theory of imperialism and the spatial fix, the inevitability of shifts in the geographic core of capitalism, and the futility of US imperialists' efforts to keep the world under their thumb. Part IV finishes with a look at East-Asian development, its historical foundations in labour-intensive production and interstate-politics over the long term, and China's rise to global prominence today.

I want to engage Arrighi's views on each of these subjects and argue that Marx is still the best foundation for understanding European, Chinese and global development, notwithstanding his shortcomings in geography, world-history, and state-theory. Nonetheless, Arrighi shows, once again, the imperative to keep Marxism an open theoretical system that can engage with (and take on board) elements of Smith, Schumpeter and Braudel, not to mention Asian thinkers who are not such household scholarly names.

Part I: Adam Smith in Scotland

I am all for reviving Adam Smith, as Arrighi does in Chapter One. Smith was always more than the ideological hack that he has become in the hands of neoclassical economists and neoliberal political thinkers. As Arrighi says, Smith is more honoured in the breach than actually read. On the contrary, several historians of eighteenth-century Chinese development, such as Kenneth Pomeranz and Bin Wong, have turned to Smith's idea about economic growth, given that Smith made some telling observations about China in his time. Who knew? Meanwhile, Marxists have been mostly missing in action on China, past and present, for reasons that say a good deal about the shortcomings of much economic thinking from that school.

Moreover, Arrighi has evidently been bothered for many years by the schism within the Left between Marxism and his favoured school of Braudel-cum-world-systems, as crystallised in the 1970s debate between Andre Gunder Frank (a dear friend of Arrighi's, to whom the book is dedicated) and

Robert Brenner over what the latter denounced as ‘neo-Smithian Marxism’. To make matters worse, Brenner has reappeared with a Marxist critique of Pomeranz, Wong and the new school of thought that says China was ahead of Europe in the eighteenth century and on the brink of a similar breakthrough to capitalism.²

Can’t we all just be friends? Well, yes, to a certain degree we can, starting with a reconciliation between Adam Smith and Karl Marx. To begin with, Smith’s ideas in *The Wealth of Nations*, including the role of labour-value, the detail-division of labour, and capital-accumulation, were taken over by Marx and pressed into service in the latter’s theory of capitalist development. Smith was also a liberal with a social conscience (so rare today), as shown by his *Theory of Moral Sentiments*, as well as many comments about the need to restrain the market and division of labour in *The Wealth of Nations*.³ He was clearly a worldly observer and a keen political thinker at a time when the British model of market-led development and liberal government was by no means evidently going to triumph over the absolutist, statist forms dominant on the European continent.⁴

Marx was, by contrast, writing at the height of British triumphalism, which he loathed, and he took the capitalism of Britain as an ideal type that would spread across the globe in short order. Marx was certainly right about surplus-value and the class-basis of capital, about the imperatives leading to the Industrial Revolution, about the power of capital-accumulation, and about the spread of capitalism far and wide. Both men have their limits, however. Smith was a capitalist farmer in Scotland, and he therefore took agrarian development, not industrialism, to be the ‘natural’ path of growth. Smith was right to see the possibilities within such a pre-industrial market-economy, but wrong to think this state of things would last. Marx, on the other hand, was certainly right about the power of capital to blow things open; about the inexorable spread of capitalism, if not about the timing and failures; and about what constitutes the essence of capital, if not about the variety of forms it must necessarily take in different times and places.

So how does this inform the debate over China versus Europe? China had grown quite rich, on a per capita basis, by the eighteenth century, but did not achieve the breakthrough to ‘industrial revolution’ that occurred in Britain and Europe after the agrarian age of Smith – the so-called ‘Great Divergence of East and West’. Arrighi offers up Kaoru Sugihara’s theory of the ‘industrious revolution’ in China and East Asia as a way of understanding the

2. Pomeranz 2000; Wong 1997; Brenner and Isett 2002.

3. See also Sayer 2005.

4. McNally 1988.

possibilities for growth of an agrarian-artisan economy with a thick integument of commerce and wide social division of labour.⁵ In such a context, it is possible to push labour-intensive technologies much farther than is usually acknowledged (especially in rice-based agriculture). East Asia's historical wealth of nations was based on such a strategy, which echoes Smith's ideas about the natural path of development.

One does not need to be a Sinologist to see the merit in this argument, because European craft and 'manufacture' (in Marx's pre-industrial sense) were pressed extremely far by such logic in the early-modern era, long before the Industrial Revolution (think of Flemish cloth and Italian musical instruments). Indeed, France, Italy and Germany have all relied on such a strategy, in part, to this day. We are normally blinded to these facts by an Anglo-American fetish of the British Industrial Revolution and mechanical technology. Even Marx fell prey to the view that all lesser forms of production were doomed to extinction; yet they live on, get more productive, and re-appear in new forms.⁶

The puzzle nonetheless remains of what drove Europe over the brink into an industrial revolution, while China fell back at the end of the eighteenth century. Arrighi rehearses some of the usual lame, neoclassical theories of Britain's Industrial Revolution (caused by steam-engines, hence by coal) and, thankfully, sees through them (after all, China had plenty of coal).⁷ But he still needs an answer.

Arrighi takes the *differentia specifica* of the European path of economic growth to be 'extroversion', or the greater importance of long-distance trade relative to domestic trade.⁸ Adam Smith regarded this as the 'unnatural path' of national development (making China more 'natural' than Europe in his eyes). Arrighi quotes Marx approvingly to the effect that the 'modern history of capital... dates from the creation in the sixteenth century of world-embracing commerce and world-embracing market',⁹ but he reads Marx through Braudel's glasses; that is, long-distance trade and local markets are separate spheres that touch very little. Unfortunately, this leaves us with no *internal* logic for European mercantile-expansion. One has to fall back on inter-state competition to drive external conquest, which, in turn, drives commercial development.

5. Arrighi 2007, p. 32–7.

6. Sabel and Zeitlin 1985; Walton 1992; Herrigel 1996.

7. Arrighi 2007, p. 30.

8. Arrighi 2007, p. 75.

9. *Ibid.*

Marx's view was quite the opposite, and this is where Brenner and supposedly Eurocentric Marxists have something to say that the world-systems school and Sinocentric historians do not. That is, the internal development of markets was very rich in Europe before the great conquests and, most importantly, the commodity-form generalised earliest in Europe. As a result, modern commerce starts to revolutionise European life and production from at least the fifteenth century – and most thoroughly in Britain where the dispossession of the peasantry and independent commodity-production had gone the farthest. The extroversion of Europe comes with the explosion of the commodity-frontier to Eastern Europe, the Baltic, the Levant and the Americas, and the external and internal development of markets feed off each other.¹⁰

This commodity-revolution did not seize everyone and everything immediately, of course, but it brought more and more agricultural and handicraft-production under its wings, from Florence to Flanders. Much of this was still organised as petty-commodity production by independent farmers and artisans, as Marx says in one of his sketchy chapters on primitive accumulation. It was extended by the merchants through the putting-out system, from Derbyshire to Westphalia (creating what Peter Kriedte calls 'industrialisation before industrialisation'). It went the farthest, as Brenner (and Philip Huang) insist, where there was full dispossession of the workers and competition among the owners, as in large-scale agriculture (tenant-farming) in Britain – hence, the agrarian revolution preceded the Industrial Revolution. It also went farthest in realms many Marxists have been blind to but the world-systems school has right: the frontiers of extraction and processing in mining, forestry and plantations. These arenas of commodification, production and capital-accumulation were often the leading-edge of European enrichment and expansion after 1450, both on the margins of Europe and across the Atlantic, as Jason Moore explains.¹¹

Unfortunately, Arrighi does not buy Marx's theory of capitalism's unique powers of development. The Marxian argument begins with private property, commodification of goods, land and labour, and competition between producers, as has been outlined by Brenner for the earliest period of England's transition to capitalism. Of course, the capitalist system is born in class-struggle, as Brenner emphasises, and maintained by class-power against the rebellions of the subaltern. But, once it starts to flourish, the capitalist

10. Brenner 1993; Moore 2007.

11. Kriedte, Medich and Schlumbohm 1981; Huang 2002; Moore 2007.

economy develops a logic of its own that promotes the growth of productivity and evolution of the forces of production.¹²

Key to the argument in Marx's theory is the idea of 'endless accumulation of capital', which Arrighi rejects.¹³ This is quite disconcerting, given that Arrighi's *forte* is the history of money and finance, and that he works comfortably with Marx's general formula for capital, M-C-M', and the theory of overaccumulation. He goes so far as to say that Marx's '*dictum* "Accumulate, accumulate! That is Moses and the Prophets"', appears to be an admission that he has no rational explanation for the accumulation of money as an end in itself.¹⁴ This is an astonishing gaffe. The whole point of the first five chapters of *Capital* is that generalised commodity-circulation gives rise to abstract value, which, in turn, takes the form of money; money becomes capital by investment to make more money; and the abstraction of money means that there is no limit to how much one can acquire (unlike wives, castles, serfs, slaves or land, as in earlier ages).¹⁵

The final link in Marx's chain of analysis is to explain the Industrial Revolution. He does so not in terms of energy-inputs, steam-power or mechanical technology *per se*, but by the capture, control and transformation of the labour-process by capital, first in manufacture and the detail-division of labour, then machinofacture and the factory-system. Capital, in its pursuit of endless accumulation, preys on the unique power of labour to produce surplus-value with its 'vampire thirst' for profit. This is more than mere conflict between labour and capital over wages and hours, as Arrighi contends.¹⁶

Where Smith has some purchase over Marx is in his attention to the social division of labour as a force of production and the ongoing importance of nature's economy in the countryside. Yet Arrighi makes the mistake of seeing Europe's external trade only in terms of primary products, or the inferior sectors of natural resource-supply – not *real* industry, or manufacture. But this is a false dichotomy, popularised by mid-twentieth-century liberal and left theorists in North and South America. Contrary to such views, the most advanced industrial powers, Britain and the United States, were also the greatest resource-extraction and processing-economies, and the primary sectors loomed large as arenas of industry, innovation and labour-struggles.

12. Brenner 1982.

13. Arrighi 2007, p. 75.

14. *Ibid.*

15. See also Harvey 1982, pp. 157–66.

16. Arrighi 2007, p. 78. For complementary views of industrial revolution without the *deus ex machina* of coal, steam or science, see, for example, Marglin 1974; von Tunzelmann 1978; Rosenberg 1982; Hounshell 1984.

In fact, the division of labour between city and countryside resonated with vitality, advancing economic development by leaps and bounds. We have to drop old-fashioned and undialectical oppositions of city versus country, industry versus extraction, social division of labour versus detail-division of labour, and so forth.¹⁷

Returning to the failure of China to make the great leap into modern industry, what was lacking? Clearly, China, like India, Japan and other advanced parts of the late-medieval or early-modern world, were not stagnant, feudal backwaters, as Europeans have often thought. Nor did they lack markets and internal trade, rising productivity at times, agrarian prosperity, or technical innovation in certain realms. They certainly developed their economies to a high degree on a Smithian basis. But it is equally indisputable that, in the end, China and the others did not undergo the same degree of penetration and expansion of commodity-exchange, the same revolutionary transformation of production, or explosive extroversion as Europe. Not that they might not have, eventually, but they did not do so before the European voyages of exploration, trade and conquest changed everything.

In China, the ability of the state to suppress the merchant-class and their expansionary tendencies appears to have been critical to that country's involution.¹⁸ On this point, Arrighi's statist view of politics complements the Marxist model of class-struggle. The Ming Dynasty was obsessed with danger from the north and the Mongol Qings put an end to the autonomy of southern merchants – although the state's ability to defeat the merchants surely depended on the latter's relative weakness in the overall social order, unlike the English merchants who helped oust the Stuart Kings in the seventeenth century.¹⁹

It is vital in this debate, however, to keep to Arrighi's spirit of open-mindedness about such vexing issues as the dialectics of state and class, small and large producers, internal and external expansion, circulation and production, Europe and the world. In other words, the old denunciations of neo-Smithian Marxism just will not do, nor the new denunciations of Eurocentrism; nor will it do to draw a clean line between Marx's and Weber's theory of the state, or between division of labour and the realm of production. Which does not mean, of course, that anything goes, or that we are all Smithians, Weberians or Wallersteinians now!

17. Compare North 1955; Baran 1957 with Page and Walker 1991; Walker 2001; Moore 2007.

18. Arrighi 2007, p. 335.

19. Brenner 1993.

Part II: Bob Brenner in Britain

In the second part of *Adam Smith in Beijing*, Arrighi takes on Robert Brenner's writing on the economics of global turbulence.²⁰ He does a good job, in Chapter Four, of recapitulating the essentials of Brenner's argument about the long slowdown in the advanced capitalist countries. Brenner's model is one of overaccumulation of capital, with a build up of capacity and output of tradable goods glutting the market with every upswing. Entry of new producers, first from the rapid recovery of Japan and Europe after World War Two, then from East Asia, keeps adding to the pressure. Meanwhile, a failure of exit of old capacity plagues the system, because individual producers do not have an incentive to close down as long as their fixed capital is still returning a positive cash-flow. Overall, the rate of profit falls due to the weight of excess-capital. It did so dramatically in the world-economy around 1970 and has never fully recovered, keeping growth in the key economies of the global North sluggish to the present.

Arrighi follows with a thought-provoking discussion of the parallels between the present time and the so-called Long Depression at the end of the Victorian era in Britain, 1875–1900. Taking Brenner back to Britain reinforces the notion that a long downturn is a critical turning point in global economic history and suggests that the United States is in danger of losing its primacy in the world-economy, just as Britain did by the early twentieth century. It also suggests the same intensification of imperial rivalries as occurred prior to the First World War.

Having thus bolstered his case for the imminent decline of US hegemony, Arrighi immediately backs off from Brenner. Arrighi is, above all, a *political* theorist, and he, like so many other leftists, is uncomfortable with any explanation that smacks too much of economism and automatic feedback. He thus repeats the oft-made rebuke that worker-power and wage-struggles in the late 1960s had to be the cause of the dramatic fall in profits across the industrial world at the time. But he fails to provide any sustained, empirical rebuttal of Brenner's immense mustering of facts, and is ultimately unconvincing.

In fact, Arrighi declares that 'the root problem of the US and world capitalism in the 1980s was not low rates of profit as such'.²¹ Rather, it had to do with a crisis of American hegemony due to defeat in Vietnam and a financial unravelling that brought down the USD (Bretton Woods) system of international monetary regulation. Arrighi attributes 'financialisation' to the

20. Brenner 1998, and 2002, 2004, 2006. See also my commentary in Walker 2000.

21. Arrighi 2007, p. 159.

‘indirect effects of the US escalation on the balance of payments’.²² Later, however, he contradicts himself, saying: ‘Hard as it is to know what exactly lay behind this explosion, it is plausible to suppose that it was triggered by the joint crisis of profitability and US hegemony of those years’.²³ So falling profits do figure in the model, apparently, and Arrighi says elsewhere that faced with low profit-prospects, corporations will shift their surplus from re-investment to cash and other financial assets, prompting expansion of the financial sector.²⁴

It is disappointing that someone who is known as for his emphasis on financial excess at the end of long epochs of accumulation has so little to say about financial dealings themselves. After all, the credit-system and capital-markets have a dynamic all their own, which propels capital-accumulation and periodically spins out of control in financial bubbles. Whether it is the Eurodollar-explosion, the international bank-lending explosion of the 1970s, or the mortgage-explosion of the 2000s, they are all driven by an internal financial logic that includes the inherently speculative nature of all credit, inter-bank competition, broker-zeal, casino-effects of stocks, speculating on margin, and asset-wealth effects, among many others.²⁵ As Marx puts it, and Arrighi agrees, finance-capital in a boom seeks the short-circuit of accumulation, M-M’. I would, therefore, like to have seen more engagement with the credit-theory of David Harvey in *Limits to Capital*, and more appreciation of Brenner’s financial analysis of the bubble of the 1990s.²⁶

I would also like to have seen a more serious take on the industrial decline of the United States in the late twentieth century, since it is pivotal to the crisis Arrighi is considering in Chapter Six and beyond. But all we get is a few hasty pages on the fading glory of the American integrated corporation, the proof of which is that subcontracting has grown rapidly and that Wal-Mart has supplanted General Motors as the world’s largest corporation. This is not much of a proof. For one thing, the large corporation was not the sum of US industrial might (there was a good deal more to it than that).²⁷ For another, Wal-Mart is not unprecedented: A&P and Sears were the world’s

22. Arrighi 2007, p. 134.

23. Arrighi 2007, p. 157.

24. Arrighi 2007, p. 142.

25. Strange 1986; Brenner 2006. Arrighi returns to the explosion of the Eurodollar-market in the late 1960s and petrodollars in the early 1970s as the main reason for the decline of the dollar and the breakdown of fixed exchange-rates (p. 157); but he does not go into the financial system’s internal logic in this book.

26. Harvey 1982, Chapters 9–10; Brenner 2002, Chapters 6–9.

27. Scranton 1997.

largest corporations in the 1930s and 40s, before General Motors.²⁸ Furthermore, the growth of subcontracting by American corporations has much to do with adaptability in the face of global opportunity and vastly improved management-systems for handling dispersed design, production and circulation. Wal-Mart, Intel and Apple are more than false-fronts for Chinese goods.²⁹

Financialisation and industrial organisation are really an afterthought in *Adam Smith in Beijing*. Arrighi's primary targets are imperialist politics and the geographical history of capitalism, to which he turns in the second half of the book.

Part III: David Harvey in Holland

The third part of *Adam Smith in Beijing* starts off, in Chapter Seven, with the Bush Gang's attempt to restore US global hegemony through the Project for a New American Century. This was, in Arrighi's view, a vain hope, since US hegemony was already deeply flawed. At first, the US offered a certain legitimate protection to co-operating capitalist countries, allowing them to rebuild in Europe and the Asian rim under the American military-umbrella. But defeat in Southeast Asia gave rise to the Vietnam-syndrome, in which American citizens no longer had the stomach for the perpetual warfare needed to patrol the empire and the rest of the world came to see the US as something of a 'paper tiger'.

Reagan was able to restore America's prestige by a judicious mix of spending and borrowing, aggression, and not overplaying his hand. But this revival was less a protective shield, in Arrighi's view, than a global 'protection racket' by which the US extracted massive sums from Japan and other allies in order to fund its military build-up and the first Gulf War. By the time of Bush's Iraq-debacle, however, the empire had degenerated to domination by brute force, and any aspirations to hegemony in the sense of collective approval of US leadership were finished.³⁰

Economics plays a role in Arrighi's analysis of hegemony unravelling. The weakening position of the United States is revealed in the rapid deterioration of the US trade-balance, from Reagan onward. The trade-deficit had become critical since the late 1990s, with the biggest flow going to China since 2005 (though Japan, which led the way for the last twenty years, is not far behind).

28. Tedlow 1990.

29. See, for example, Fields 2004; Dedrick and Kraemer 1998.

30. For a different view, see Anderson 2007.

Ironically, globalisation and free trade – so much heralded by American ideologues in the 1990s – have served to undermine the United States' position in the world, offering up its uncompetitive industrial base to the lions of Asia for a feast of a trillion dollars per year over the last decade or so. Foreigners are now sitting on a pile of US assets, the bones of its faded industrial might, amounting to over US\$11 trillion, as of 2004.³¹

In Chapter Eight, Arrighi turns to his theory of the inevitable shift in the centre of capital-accumulation in the world, or 'The Territorial Logic of Historical Capitalism'.³² He does so in dialogue with David Harvey's theories of the logic of capitalist geographical expansion: the spatial fix and accumulation by dispossession. Arrighi wants to incorporate them under his own broader scheme, as '[a] series of spatial fixes of increasing scale and scope that created the conditions for the resolution of the preceding over-accumulation crisis, and the take-off of a new phase of material expansion'.³³

Harvey's theory of the 'spatial fix', as originally stated in *The Limits to Capital* and restated in *The New Imperialism*,³⁴ is that capitalism must construct a geographical landscape commensurate with the conditions of accumulation in every era of growth, one consisting of fixed-capital investments, social infrastructure, working housing, and so forth, and one that locks in certain institutional arrangements of the time. As capital, in its dynamism, exhausts the possibilities of the era and comes up with new outlets for investment, new forms of production, new labour-relations, and the rest, it bursts the old integument and constructs a new landscape according to its latest requirements. This can mean a quite violent clearing away of the landscapes of the past and rapid build-up of new places.

Harvey's theory is, as Arrighi points out,³⁵ an economic version of Lefebvre's 'production of space' and a spatial version of Schumpeter's theory of 'creative destruction', to which have been added Harvey's sophisticated ideas about fixed capital, the credit-system, and the geographical dimension of capitalist development. This is a powerful theory of the spatial expansion and reconfiguration of capitalism over time. Harvey (with whom Arrighi has co-taught at Johns Hopkins University) provides an economic-geographic theory to bolster Arrighi's own thesis of financialisation and the flow of surplus-capital from old centres to new.

31. Arrighi 2007, p. 198.

32. More fully developed in Arrighi 1994.

33. Arrighi 2007, p. 234.

34. Harvey 1982, 2003.

35. Arrighi 2007, p. 237.

Having introduced the ‘spatial-fix’ idea, Arrighi proceeds to outline the two historic shifts that precede the American Century: from the Genoese-Spanish system of the long sixteenth century to the Dutch system of the long seventeenth century, and thence to the British system of the long nineteenth century. David Harvey does, it seems, have something to tell us about the rise and fall of Holland, as well as the current imperial troubles of the United States.

Nonetheless, there are two flaws in the theory of the spatial fix. The first is that there is *not* always a trade-off between technical change and spatial relocation. The spatial-fix model relies on a too-simple model of investment in cheap labour at the periphery using labour-intensive, low-productivity methods. In fact, foreign (and domestic) factories in China can incorporate *both* the latest technology in products and processes *and* the advantages of cheaper labour. Capitalists can get the best of both worlds, in many cases.³⁶ The second flaw is to attribute the rise of new growth-centres to capital-export from the old cores. In China and the rest of East Asia, this is not the case. While foreign investment played an important supporting role in the rapid industrialisation of the 1980s in southern China (especially introducing new technologies), internal savings and investment have been far greater since then (in any case, about half of the ‘foreign investment’ actually comes through Hong Kong, now part of China, and a big piece of that is recycled from within the mainland economy).³⁷

In other words, what is striking about the East-Asian countries is the relative autonomy of their development, in terms of investment, production and even consumption (even though they also export heavily to the United States). It is that autonomy that has made them so dynamic – free of too many ties of dependency to Japan and the West – and allowed them to shake up the geographical order of global capitalism.³⁸

This problem ought to be apparent from Arrighi’s historical cases. No one can reasonably argue that Genoese capital-export created Holland or that Holland’s investment of overaccumulated capital made Britain into an industrial powerhouse. The geographic leap that re-centred capitalism in each case rested on profound developments internal to the social relations of those former peripheries, even though both would have their development

36. Storper and Walker 1989. Conversely, capitalists can hire cheaper, immigrant-labour on the home front – a different kind of spatial fix.

37. Sung 2005, pp. 12, 27.

38. Wade and Veneroso 1998; Amsden 2001. I have made the same argument with regard to internal US development in Page and Walker 1991; Walker 2001.

accelerated by inflows of capital from previous centres (especially Spanish loot sticking to merchant hands in Antwerp and Amsterdam).³⁹

Another difficulty for the theory of the spatial fix, which we encounter in Harvey's *New Imperialism*, is that no amount of capital-export – industrial nor financial – has fixed the problems of accumulation in the core. Therefore, he adds a new twist to the notion of geographical expansion from the centre: 'accumulation by dispossession', or ongoing primitive accumulation. Harvey argues that US capital, because of its profitability and industrial woes, has had to turn to a kind of 'vulture capitalism' that cannibalises old values and poaches new sources of value from peasants, weak states and nature. While these new forms of enclosure are undoubtedly at work, the notion that therein lies the salvation of capital flies in the face of what is taking place in China: massive industrialisation based on the largest new source of surplus-value in the global economy – China's over three-hundred million proletarians.

In the end, however, Arrighi leaps right over Harvey's economic geography to re-iterate his key theme for all transitions: 'mastery of the balance of power in the interstate system was essential to the empowerment of the rising hegemonic state'.⁴⁰ In this, the exercise of military state-power has been absolutely essential. In Chapter Nine, Arrighi shows how the United States in the mid-twentieth century attempted the most ambitious hegemonic project yet: the creation of a world-state. It is hard to disagree that such political ambitions were closely linked to the dynamics of global accumulation. And, without question, the kind of triangulation of politics, economics and geography that Arrighi is trying to pull off is one of the greatest challenges facing Marxism and the Left. Bravo to him for trying! But I am not convinced that he has succeeded in welding that triangle together in a logically satisfying way.

Part IV: Giovanni Arrighi in Asia

Arrighi arrives, at last, at 'The new Asian age', with China as 'the locomotive for the rest of East Asia'.⁴¹ The failure of the American project for global hegemony sets up the confrontation with China in this, the fourth and final part of *Adam Smith in Beijing*. That failure triggers the debates, discussed in

39. Arrighi 1994, Moore 2007.

40. Arrighi 2007, p. 249.

41. Arrighi 2007, p. 206.

Chapter Ten, among US security-state types like Henry Kissinger, about what to do with the coming Chinese challenge to US dominance.

The following chapter, by contrast, plunges us back into the depths of Chinese and East-Asian history. It is a refreshing dip, to be sure, from which Arrighi extracts some essential lessons. The first is that the East-Asian state-system was quite unlike the European because it had one absolutely hegemonic power, China, and far less internecine warfare. As a result, East Asia enjoyed a five-hundred-year era of relative peace from the fourteenth to the nineteenth century, while the Europeans were more or less continuously at war. For Arrighi, this interstate-competition promoted ‘endless territorial expansion’ on the European side,⁴² while China kept the lid on expansion, content with a few border wars and a benign tribute-system with surrounding states.⁴³

The lack of extroversion in East Asia was furthered, according to Arrighi, because China’s unified state did not see the point of extending well-developed internal markets abroad, and it had the power to quash any serious moves in that direction by the merchant-class. Southeast-Asian trade prospered out of Guangzhou and other southern ports in the Song and Yuan Dynasties, and the south remains to this day the most trade-oriented part of China. But the coming of the Ming in late fourteenth century shifted the capital north to Peking and focused attention on the northwestern land-frontier. The famous expeditions of Admiral Zheng He into the Indian Ocean in the fifteenth century (actually state-sponsored) were terminated by the Ming-administration as not worth the money.

The Mongol-conquest ushered in the Qing Dynasty in the mid-seventeenth century, which undertook extensive reforms to solidify peasant-landholdings and infrastructural projects to expand irrigation and the ‘ever-normal granary’. This unleashed a period of unprecedented prosperity in the eighteenth century, as Arrighi recounts. But the Qing dealt even more harshly with the rebellious southern merchants and their external trade, and inter-Asian commerce contracted. Only the overseas-Chinese kept up a vigorous mercantile tradition, which has come back to serve China’s development today.

Thus, China was utterly unprepared for the global turn to sea-power that the extroverted Europeans had launched, Arrighi argues, and it would ultimately fall under the sway of the West. He makes it quite clear that Britain did not enter China by way of its superior or cheaper industrial

42. Arrighi 2007, p. 320.

43. Whether China and European states can be equated, however, is doubtful. See also Anderson 1974.

goods, but by means of its superior industrial warships in the Opium Wars of the mid-nineteenth century. Japan learned from the harsh lessons meted out to its larger neighbour and, with the Meiji revolution of the 1860s, sought to industrialise, militarise and expand on the Western model.

So far, this is historical analysis with a fine edge. When Arrighi gets to postwar Japan, however, he has almost nothing to say about the reasons for its phenomenal success.⁴⁴ This is a serious oversight, since Japan would be the model for the rest of East Asia.⁴⁵ All he has to offer is that Japan grew under the US military-umbrella and that ‘its main foundation was organizational’, meaning the use of informal networking and subcontracting with subordinate small business.⁴⁶ This is weak tea, indeed. Yes, Japan did make exceptional strides in the organisation of capital, but this included the factory labour-process, external subcontracting (not always with small firms), inter-firm horizontal networks, financial controls, ministry-directives, and more.⁴⁷ How much this relied on generic ‘East-Asian’ antecedents is debatable, and Arrighi has a lot more work to do to convince anyone of his thesis on the Japanese front. If anything, he demonstrates a Sinocentrism that many Asians are unlikely to accept.

In the final chapter, we arrive at last in modern-day China, the economic dragon of the twenty-first century. Arrighi has lots of sensible things to say about recent developments in China. For one, the world-shaking transformation of China is not a case of neoliberal restructuring, because the central government has kept a firm hand on reform since 1978 and has steered a remarkably consistent, gradualist path. Equally important, China’s development has been driven from within, starting from Deng’s reforms in the countryside and a new economy built, above all, on rapid industrialisation and the home-market. These crucial insights go against the common misconception that China’s transformation has been the product of foreign investment and foreign trade.

This last point is so important that it is worth pausing over. First, Chinese internal savings rates have been running at over 40 per cent for some time now, higher than Japan and other East-Asian countries at their peak. To repeat, this does not accord with the model of the spatial fix, in which outward surges of capital light up the periphery; but Arrighi does not notice the contradiction. Second, exports rose gradually from 5 per cent to over 25 per cent of China’s GDP from 1980 to 2000, as Chinese production became

44. Arrighi 2007, p. 344.

45. Amsden 2001.

46. Arrighi 2007, p. 346.

47. Gerlach 1992; Tabb 1995.

more and more competitive on world-markets. The exaggerated surge to 35 per cent of GDP only came after entry into the WTO in 2001, and that percentage is now falling off sharply. While exports have been money in the bank (literally) for China, they account for less than 20 per cent of GDP growth. So, to view exports as *the* engine of development in modern China is to repeat the classic mistake of liberals who see trade, rather than production, as the heartbeat of economic growth.⁴⁸

Furthermore, China's amazing success with its turn to the capitalist road has relied heavily on the social progress previously achieved during the Maoist period – much as liberals would like to ascribe it all to the wonders of the free market. China has also taken advantage of certain longer historical traditions: the emphasis on labour-intensive production (and technology), the southern legacy of trade and entrepreneurship, and the overseas Chinese diaspora.

Nonetheless, I take exception to Arrighi's core argument regarding the non-capitalist nature of the post-Mao reform-era. Contemporary China, in his view, steers closer to its East-Asian past and Smithian 'natural' path than to Western capitalism as modelled by Marx.⁴⁹ Indeed, he 'suggests caution in characterizing it as a transition to capitalism'.⁵⁰ On the contrary, all the earmarks of a transition are in place, however much they are embedded in the particular characteristics of Chinese civilisation. Arrighi, in an echo of most China-scholarship, attributes too much to the singularity of China and is unable to adequately handle the dialectic of capital's universal logic and its embedding in local conditions, which produces multiple paths to capitalism (this, despite his critique of Marx for flattening a world of borders and having no explicit theory of national development).⁵¹ I have argued this position at length elsewhere, against the prevailing consensus in China-studies, and will only repeat the essentials here.⁵²

Arrighi is off the mark on China in four key areas. The first is the creation of a working class – a term he eschews until the second-to-last page of Chapter Twelve.⁵³ He is so keen to show that China has hung onto the vestiges of socialism that he believes it has achieved 'accumulation without dispossession',⁵⁴ somehow missing the now well-known fact that the greatest

48. Sung 2005, p. 36; *The Economist* 2006, p. 13; Walker and Buck 2007. Contrast the chapter on China in Harvey 2005.

49. Arrighi 2007, p. 358.

50. Arrighi 2007, p. 359.

51. Arrighi 2007, p. 74.

52. Walker and Buck 2007.

53. Arrighi 2007, p. 377.

54. Arrighi 2007, p. 361.

migration in history has just taken place in China, with some one-hundred million people moving from the countryside to the cities in less than thirty years. To be fair, Arrighi is correct to emphasise that the privatisation of farmland (the household-responsibility system) and the explosion in small-scale rural industry (Town and Village Enterprises, or TVEs) meant that the peasants did not have the world cut out from under them immediately (as in so many parts of the world). No doubt, in China, as in the rest of East Asia, land-reform that kept holdings in the hands of small farmers has played a virtuous role in economic development. But Arrighi does not appear to realise that thousands of TVEs went under in the downturn of the late 1990s, yielding up millions of new bodies for recruitment to the urban proletariat (where they joined some fifty-million former workers from collapsing state-owned enterprises, or SOEs). Nor is he aware of the way new agricultural policies are softening up the peasantry for further incorporation into the labour-force of capital.⁵⁵

Second, Arrighi is far too cautious in acknowledging the emergence of a capitalist class, though he does observe that, ‘various forms of accumulation by dispossession – including appropriations of public property, embezzlement of state funds, and sales of land-use rights – became the basis of huge fortunes’.⁵⁶ All indications are that privatisation of TVE and SOE assets, the multiplication of private firms and build-up of personal wealth, are proceeding apace in the booming economy of the 2000s. Moreover – and, oddly, Arrighi the historian of finance does not even mention this – recent reforms and build-ups of profits have spurred the privatisation of banking, the growth of stock-markets, and an explosion of credit (an essential vehicle of rapid accumulation of capital in all times and places).⁵⁷

In a footnote, he avers that the shift in Communist-Party leadership from Jiang Zemin to Hu Jintao has stanchd the bleeding into private ownership and wealth, but this is a rather weak reed to grasp. Where Arrighi is on more solid ground is in holding that this emergent capitalist class has not yet seized ‘control of the commanding heights’ of economy, society and the state. The Communist Party is still in power at the centre, to be sure. On the other hand, the new capitalists – who were themselves often the creatures of state-led development – did not gain countervailing power against the central state in Taiwan or Korea until the 1990s, well down the road to capitalism in those countries.⁵⁸

55. Buck 2007.

56. Arrighi 2007, p. 369.

57. Harvey 2005, Chapter 5.

58. Amsden 1989; Wade 1990; Armstrong 2008.

Third, Arrighi has nothing at all to say about land in the cities, where the semi-privatisation and circulation of leaseholds has allowed the emergence of a fully-fledged land-market. One of the most obvious elements of the capitalist transition in China today is the skyrocketing of land-values and bristling skylines of every big coastal city. Not only is construction one of the greatest arenas of production in China today (the production of space!), it is also probably the single largest source of wealth for the rising minions of millionaires, a veritable gusher of surplus-value as rent flowing into the pockets of a large portion of the new capitalist class (and new petty bourgeoisie, or upper middle-class). Land-development on the edge of cities is, in addition, another major avenue of dispossession of the peasantry.⁵⁹

Finally, Arrighi's treatment of the Chinese state leaves much to be desired. While it is true that the Central Committee of the CCP and the Beijing government have kept their grip on the overall strategy of reform (that is, unlocking the forces of the market, wage-labour, private property and capital), the great public secret of China is that local and provincial governments have been free to carry out the reforms in a manner that is quite the opposite of centralised control. In fact, China has one of the most decentralised state-systems in the world today, and its lower levels of officials and cadres have been enthusiastic promoters of the capitalist road. They have led the way in land-development, privatisation of public assets, paving the way for industrialisation, control of the new proletariat, and, in many cases, jumping ship to join the new capitalist class. Not only does this resemble very little the halcyon days of Maoist rectitude, but it smacks of the local state's role in the heyday of American continental expansion and industrialisation. So, *pace* Arrighi, there is statism and there is statism, and we would do well to pay closer attention to the internal dynamics of states and not just the macro-picture of interstate-conflict.⁶⁰

Conclusion

Summing up such a huge and sprawling book as *Adam Smith in Beijing* is a bit daunting, and after so much criticism it may seem that I have tried to diminish the author's achievement. On the contrary, only a good book is worthy of sustained engagement and I do it with due humility, even if the criticisms are pointed. Giovanni Arrighi has done us all a service by attempting to see global capitalism as a whole – the proverbial Big Picture. It

59. Hsing 2010.

60. *Ibid.*

is a task that is beyond the talents of most of us and a task that is bound to put the writer at risk of sticking his neck out too far at times. But seeing things in such world-historical terms is something we badly need. As Arrighi demonstrates, it means grasping a geographical whole that escapes the boundaries of our Western obsessions with Europe and North America. It means embracing a political economy that gets beyond simple economic logic and keeps a close eye on states, warfare and imperial manoeuvres. And, finally, it means a historical sweep that views our own times through the inverted telescope of deep time and space, and keeps our own moment from taking on such inflated proportions that the lessons of the past are blocked from sight. A man of such vision will surely be missed by all of us.

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