Phases of Capitalist Development: Booms, Crises and Globalizations
Edited by Robert Albritton, Makoto Itoh, Richard Westra and Alan Zuege
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Reviewed by Tony Smith

Anyone seeking proof of the continuing vitality of Marxian theory need look no further than this superb collection. Taken together, these eighteen essays provide conclusive proof of the theoretical and practical superiority of historical materialism over competing positions in globalisation debates.¹

For our purposes, four main competing accounts of our so-called ‘age of globalisation’ can be distinguished. We may term the first recalcitrant social democracy.² On this view, the project of constructing a humane and just form of capitalism through piecemeal state legislation remains as relevant today as in the decades following World War Two. Of course, the balance of political forces has changed in recent years. Faced with resurgent conservative movements, social-democratic parties have abandoned much of their heritage. Nonetheless, the political agenda could be reversed again, if the political will to do so were sufficiently strong. Demolishing myths about globalisation is a necessary condition for the formation of this will. Despite prevailing opinion, global markets have not eroded the fundamental capacities of the state. The rules constituting the global economy have been created by states and they are enforced by states. These rules can be changed by states as well. It is thus not inevitable that global markets will punish states pursing a social-democratic agenda severely and instantaneously. With sufficient political will, the social-democratic project of creating ‘capitalism with a human face’ on the national level can recommence.

For neoliberals, the fatal flaws of social democracy were obvious long ago.³ Excessive state regulations constrict entrepreneurial initiative. Inflexible labour markets enable wages to increase faster than productivity, causing inflation. The erosion of the value of money discourages investment, undermining future productivity advances. Corporations and individual investors thus have ample motivation to invest in regions

¹ David Kotz, ‘The State, Globalization and Phases of Capitalist Development’ provides a very useful overview of the main trends making up ‘globalisation’ (pp. 93–109). A great number of other issues discussed in this collection cannot be addressed here, including the theory of value, the relationship between the general theory of capital and theories of the particular stages of capitalist development, and the class dimension of monetary union in Europe.
² Palley 1998 is a representative work.
³ Friedman 2000 provides a non-technical survey of the major neoliberal arguments.
where social-democratic policies do not hold sway, and advances in communications and transportation technologies make it increasingly feasible for them to act on these motives. Corporations can now manage cross-border production and distribution chains with ease, while participants in global capital markets are able to shift portfolio investments from one continent to another with a few keystrokes. In short, the ‘exit options’ have increased of precisely the groups that benefit least from the redistributive programs of social democracy, and that have most reason to oppose its excessive regulations, inflexible labour markets, and erosion of the value of money.

This is not a politically sustainable situation. And so, neoliberals insist, states that attempt to maintain – let alone expand – the characteristic public policies of social democracy are bound to lose the private investment responsible for economic dynamism. This certainly does not imply the ‘death of the state’. But it does imply that states are forced to put on a ‘golden straightjacket’, and implement neoliberal policies of privatisation, deregulation, and capital liberalisation. By happy coincidence, these policies turn out to be the ones that neoliberals believe ought to be pursued in any case. Foreign direct investment is the most effective way of transferring technologies and new skills across borders. Trade brings mutual benefits to the trading partners, and free trade maximises these benefits. Global capital markets necessarily tend to allocate funds to sectors and regions with the greatest productive potential more efficiently than any feasible alternative. It should thus come as no surprise that globalisation has enabled more people to be lifted out of poverty at a faster rate than ever before in human history. Neoliberals conclude that they, and not their critics, have the stronger claim to serve the cause of global justice.

Another group of theorists seeks a ‘third way’ between social democracy and neoliberalism. They agree with neoliberals that the increasing power of global markets condemns social democracy to historical irrelevance. But they also hold that neoliberals fail to perceive how this makes the state more, rather than less, important. In a world of increased international competition, regions can only flourish if they have states capable of implementing effective technology policies; only then will their enterprises operate at (or close to) the technological frontier. States must also ensure that workforces receive the training and retraining required in a world of rapid technological change and global competition.

Defenders of the ‘catalytic state’ also point out that neoliberal policies have not in fact had the positive social consequences proclaimed by neoliberals. As Polanyi noted regarding earlier attempts to free markets from effective social regulation, markets left to themselves necessarily tend to impose immense social costs. The material foundations of entire communities rapidly erode; extensive social pathologies accompany growing and generalised economic anxiety. Free capital markets, in particular, lead

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4 This term ‘catalytic state’ is taken from Weiss 1998.