

Book review

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The Making of Global Capitalism: The Political Economy of American Empire. By Leo Panitch and Sam Gindin.
London & New York: Verso, 2012. Pp. 456. \$29.95 (hbk.). ISBN: 9781844677429

Panitch and Gindin's epic and fascinating book has the goal of tracing what the authors describe as the central role of the informal "American empire" and U.S. capital in the formation of the contemporary global capitalist system. Citing a wide array of studies and backed up by a large amount of research, this book is an impressive contribution to the study of the U.S. state. Focused on the twentieth and early twenty-first centuries, the book points to historical patterns that have led to what they describe as the "American empire" and its "key role in global crisis management" (p. 21). Below I will provide an overview of this book as well as briefly identify what I see as some major problems with the theoretical approach that underpin the book.

Whilst the major focus of the book is on the driving force of the U.S. state, the authors explain as decisive the role of what they describe as "American" multi-national corporations (MNCs). They emphasize important institutional dynamics within the U.S. state that helped lead to the current system, pointing out how early in the country's history, for instance, capital gained strong leverage over labor through the judiciary and U.S. institutions became insulated from popular pressure and labor militancy.

The book moves chronologically through modern U.S. history. During the Great Depression and Second World War, statist intervention (policies that were highly influenced by the ideas of economist John Maynard Keynes) became a necessity to maintain the stability of the capitalist system. In the aftermath of the war, the U.S. provided special advantages to its closest Cold War allies, such as Germany, Korea, and Japan. This helped to facilitate unique class compromises within these countries, which would also in turn influence the way they engaged with the world economy. The plan was that "state capacities would be an asset for capital" (p. 72) through an "internationalizing of the New Deal" (p. 122). Not romanticizing Keynesianism, the authors argue that the period in which keynesian policies were applied included a concerted effort by the U.S. state to facilitate the expansion of international capitalist activities. These policies the authors argue can be seen as helping to lay the groundwork for the development of future neoliberal policies and the rise of capitalist globalization.

In response to the economic crisis of the early 1970s, elites promoted economic liberalization and state austerity as a solution. With U.S. capital's hegemony intact, U.S. state apparatuses were increasingly used to pressure the lifting of capital controls around the world. Alongside this, the authors argue, the internationalization of capital operated through ramped up foreign direct investment (FDI) and nontraditional exports worldwide. Many of the reforms achieved through earlier class compromises were rolled back, as labor unions and leftist alternatives were crushed. With capital taking back the gains labor had made during the post-war boom, a "restoration of class power" (as David Harvey (2007) has also described it) came about as a result.

Into the 1980s and -90s, circuits of production advanced, becoming more sectorial and mobile, with concomitant increases in productivity. Whereas benefits to workers in the U.S. stagnated, elites gained tremendously, even as they were forced to navigate new domestic class tensions. National state policies, as Panitch and Gindin observe, came to be linked to corporate policies aimed at international markets. Prior protectionist policies, for example, were increasingly limited to select temporary quotas or to help powerful lobbies expand their international commerce. Meanwhile, as the authors describe, the country's corporate media aligned closely with the entrenched U.S. political establishment, drowning out serious alternative voices.

Gindin and Panitch argue that the U.S. national state and "American MNCs" found key allies abroad among many dominant groups, as various state elites and dominant class fractions worldwide stood to gain through neoliberal reforms. This can be seen with regards to China, where local neoliberal elites and businessmen saw as advantageous many of the U.S. promoted policies. As these domestic class forces gained power within the Chinese Communist Party in the final decades of the twentieth century, the authors explain that this allowed for the U.S. and China to become deeply interlocked, with "American MNCs" buying up privatized Chinese assets, as China invested heavily in U.S. treasury bonds.

The authors argue that supranational organizations developed largely along U.S. strategic lines. They explain for example how U.S. representatives hold inordinate influence through supranational forums such as the Bank for International Settlements, the World Trade Organization, and the International Monetary Fund. Furthermore, legal reforms (with U.S. support) have been made in many countries to limit the influence that voters have on economic policy with, for example, the de-politicization of trade policy (p. 257).

The internationalization of capital, as the authors describe it, occurred through the massive expansion of finance capital and the rearticulating of regulatory bodies. The erosion of barriers that once were used to incubate national capitalist production occurred concomitant with advancements in corporate organizational strategies and computer technology. Finance became more complex and heightened in its risks, with, for example, deregulation, linkages between equity and futures growing tremendously, the creation of new complicated financial instruments, and the reduction in fractional reserve requirements of banks.

During the 1970s, -80s, and -90s, to maintain the U.S.' status in the world economy, the U.S. Federal Reserve and Treasury Department grew significantly in power. They not only became the most important state institutions within the U.S. but also maintained the country's leadership role by regulating and influencing rapidly changing financial markets and upholding the strength of the dollar. By the 1980s, the U.S. was backing the bailout of mega-banks that "stood as strategic nodes in the international circuits of capital" (pp. 178-9), policies of statecraft that took on huge proportions in the late 2000s. In the new century, the authors explain, the strategy of U.S. elites has been to improve disaster containment, not disaster prevention. This is because preventative regulations and controls create disincentives for capital, with their limiting and punitive measures. The authors explain further that "through the accelerated volatility of finance and an extraordinary degree of economic disruption and social dislocation that the domestic material base of the American empire was reconstituted" (p. 183).

Yet, while this book sheds light on U.S. state policies towards other states and capital, the author's explanation and theorizing of capital, the state, social and class relations, and the connected changes that these have undergone in recent history is problematic. For instance, in looking at the reconstitution of the country's material base, the authors overlook the fundamental nature of the changes that have taken place in recent decades. They never recognize the novel shift from circuits of national and international production and finance to a global economy with circuits of transnational production and finance. The significance of this for class relations goes

unrecognized. They never address the most *basic* difference between the international and the transnational: whereas international processes occur across borders, transnational processes, in addition to this, occur through *functional integration* (to different degrees and through various subjective and objective ways).

While the authors describe “American MNCs” as dominating the world economy, they focus on the domicile of corporations as their major basis for identifying the orientation of these companies. This ignores the much more complex structure of ownership of transnational corporations (TNCs) and the web of investments that generally extend across the globe. At the crux of this problem is that it remains unclear how Panitch and Gindin theorize contemporary relations of production, in other words, the social and class relations of global capitalism. While they recognize the “absence of anything like a national bourgeoisie” (p. 340) bounded to production and finance within the frontiers of a nation-state, they at the same time emphasize the national composition of social classes and corporations. For example, by the work they cite on capitalists and corporations, they point to the domestic identity (albeit involved in international markets) through (a) the domicile of a company, and (b) the nationality of its board members. But this is a weak approximation to reality, ignoring for example the globality of stock ownership; the huge increase of mergers and acquisitions (M&As), FDI, derivative markets, State Sovereign Funds; and the general structure of today’s economy where large TNCs and financial firms compete transnationally.¹

The authors ignore research pointing to the many novel subjective and objective dynamics that have taken shape during the last quarter of the twentieth century and in the twenty-first century. Whereas the authors emphasize the role of longstanding national and international dynamics, they overlook the numerous studies that have shown how novel transnational dynamics have come about even as historic residue remains (see for example Harris, 2013; Murray G, 2012; Robinson, 2004). Other than briefly denying the usefulness of the idea, the authors say little about the good deal of work on transnational class relations, for example in regards to the different fractions of the transnational capitalist class (as detailed in the works of Baker, 2011; Robinson, 2003, 2008; Harris, 2008; Sklair, 2001; Carrol, 2011; Murray J, 2013).

To back up their claim that such a class does *not exist*, they cite, among a few others, “Poulantzas’s penetrating theoretical critique of the notion of a ‘transnational capitalist class’” (p. 345). Poulantzas though never discussed the idea of a transnational capitalist class (TCC). He did though maintain that classes exist in the context of broader and determinant formations like national states and cultures. Yet he also viewed labor-capital relations as conditioning class identification to a large degree. (Poulantzas, 1973, 1978) Much though has changed since Poulantzas was writing in the late-1960s and 1970s, even if the theoretical approach of the authors has not. While the national state and those operating through it remain vital for the functioning of capitalism, in today’s epoch of global capitalism we need to rethink our understanding of institutional and state apparatuses and the social forces that operate through and around them.

Panitch and Gindin argue that theories of a TCC lead us to overlook uneven development between “nation-states” and the “economic competition between various centers of accumulation” (p. 11). Yet while capital tends to concentrate in particular built up spaces, this corresponds, as a number of studies have shown, less and less to the strict restrictions of national space. Functionally integrated circuits of production and finance, and other networks, for example, have come to cut through various geographic scales (including national space) (Dicken, 2011²; Robinson, 2010). Whereas local, national, regional, and international dynamics remain legion and substantial, many decisive economic, social, and political processes have become transnationally oriented.

The role of the state and its different policies is a clear focus of Panitch and Gindin’s book. At times the authors do refer to the role of state elites, but often the authors can reify the state, describing the state as if it acts on its own and of its own accord. We need here to understand more clearly the class nature of

the state, how specific social groups operate *through* state apparatuses as a site of struggle. Rather than individuals of the capitalist class serving directly in the state, it is governing political groups that normally do this. As *relatively autonomous* these political groups and state elites maintain legitimacy in the eyes of the electorate, even as they overwhelmingly operate in the “collective” interests of capital. This relative autonomy is conditioned by a number of dynamics, such as prevailing socioeconomic conditions, the balance and struggle of social forces, and the position or character of the state. In those instances where Panitch and Gindin do write about state elites and political groups, these groups are presented as essentially the traditional nation-state governing elite who often operate in the interests of domestic capitalists. While these groups may fight among themselves or wrestle with domestic classes to carry out policies that are internationally geared, these political elites, as Panitch and Gindin describe them, do not veer far from the mold of their nation-state predecessors. The authors never recognize the fundamental changes that are taking place, through which state apparatuses, most importantly the U.S., are being utilized to reproduce conditions for circuits of *global* capital accumulation.

The authors pass over quickly some theories of the state that they disagree with, giving a straw person description of a “supranational global state” (p. 11) and citing an article by Philip McMichael (2001) that similarly misexplained ideas on the emergent transnationalization of state apparatuses and rise of transnationally oriented technocrats and elites who operate through state apparatuses (as discussed by Jayasuriya, 1999, 2005; Liodakis, 2010; Robinson, 2004, 2012; Sprague, 2012). I would argue for example that transnationally oriented state elites and technocrats believe that to develop they must insert their national states and institutions into global circuits of accumulation. They need access to capital, and capital is in the hands of the TCC. However, state elites must still appeal to their home audiences. They still interact with a variety of social groups and social classes, some more transnationally oriented and others with a more national orientation. Because of this, even as ties between state elites and TCC fractions deepen, national rhetoric and national state policies occur that are in *apparent contradiction* with TCC interests. In this way, political leaders attempt to maintain national political legitimacy while deepening practices of a global nature. However, as these state elites become entangled with and dependent upon processes of global capital accumulation they increasingly transition from taking part in *national* or *international* processes to *transnational* processes.³

In regards to law, Panitch and Gindin argue that “Americanized internationalized law” has supplanted local international investment laws in much of the world. Here the authors obscure how transnational legal frameworks have come about through coalitions and the support of various interests and social forces. The mere adoption of laws for instance (even when heavily influenced by U.S. state elites) does not explain how they are implemented or modified. Nor does it explain the different interests behind these changes.

The authors emphasize the role of the “informal U.S. empire,” with globalization “imbricated in the American empire,” a system “under continuing US leadership,” with the country maintaining its “imperial responsibilities for the reproduction of global capitalism” (p. 330). Yet they never clearly explain what is global capitalism, globalization, or the difference between the international and the transnational. This is because their conceptions of class, capital, and the state don’t help us to understand the fundamental changes taking place. While they provide an extensive and critical historical overview in pointing out the leading role of the U.S. state and its policies in reproducing today’s “system of class power and inequality” (p. 330), they don’t recognize how this has occurred through fundamentally new dynamics of the global epoch. While the authors help us to better understand the key role of the U.S. government and its policies during the late twentieth and early-twenty-first centuries, they do so through an outdated theoretical scope that never gets at the deep changes occurring. Rather than the U.S. nation-state empire and those operating through it creating conditions beneficial for closely aligned internationally active domestic capitalists, more and more we can see how transnationally oriented elites operating

through the most powerful national state apparatus (headquartered in Washington) are promoting conditions for circuits of global capital accumulation and in the interests of the TCC.

Notes

1. William I. Robinson has written more on this topic in his forthcoming critical review of Panitch and Gindin's book in the journal *Studies in Political Economy: A Socialist Review*.
2. See also my review of Dicken's *Global Shift* (Sprague, 2011).
3. A number of studies point in this direction. See for example the research publications of the *Network for Critical Studies of Global Capitalism* (NCSGC). The website for the NCSGC is located at: <http://netglobalcapitalism.wordpress.com>

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