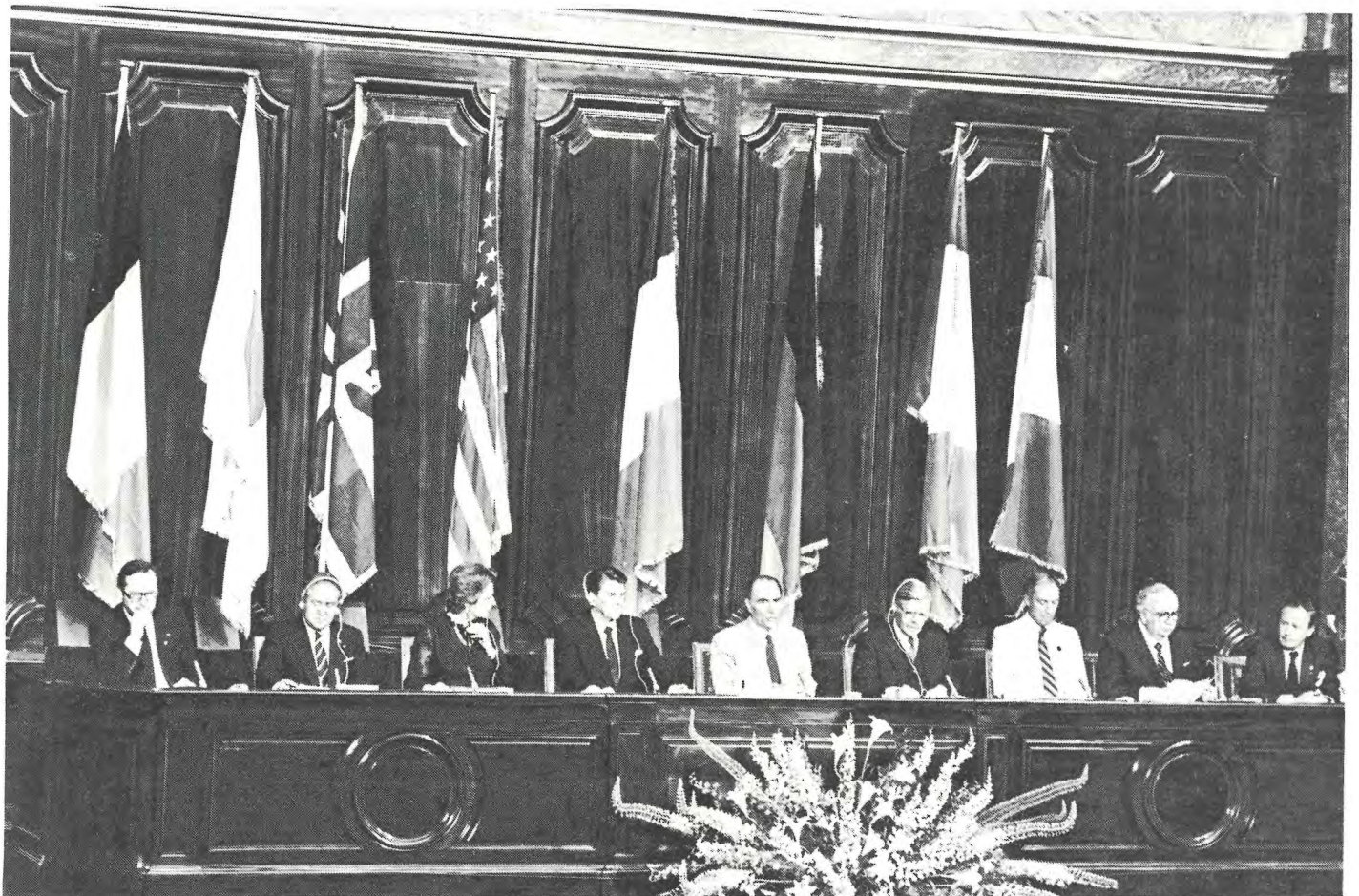
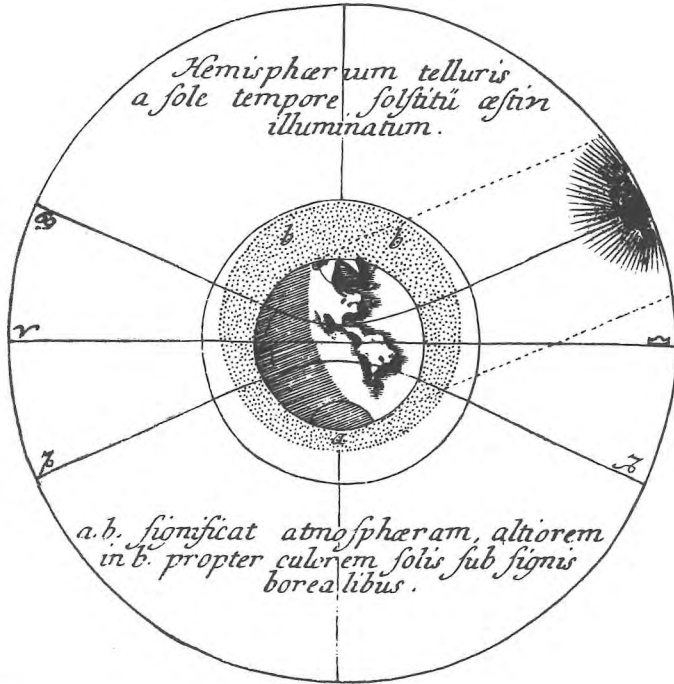


Map by Homann from 1746 reprinted in Exxon's 1975 Annual Report: ... "to symbolize Exxon's worldwide energy business." (Top left)

Clifton C Garvin, Chief Executive Officer of Exxon Corp, the world's largest private corporation. (Top right)

The heads of state of the eight leading nations in the capitalist world at their Summit meeting in Versailles, France, in June 1982. (Bottom)





Capital and nation-state

By Jan Otto Andersson

The internationalisation of capital and the emergence of powerful transnational corporations are well documented. But how have they affected the role of the nation-state in the world economy?

And what is (and has been) the relationship between the national and international development of world capitalism?

These are some of the central questions raised in this article, which strongly argues for the necessity of formulating a theory of the nation-state as elaborate as that of capital. Only then will we be able to fully understand the economic, political and social consequences of the rise of transnational corporations.

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Introduction

The need for a theory of the nation-state

Recent theoretical discussions concerning the nature and development of the world economy have shown that there exist serious shortcomings in our understanding of several crucial issues. The inspiring works of historians, such as Fernand Braudel and Immanuel Wallerstein, have revealed that the concept of capitalism, and in particular capitalist world economy, is still in need of theoretical elaboration. What was (and is) the relation between national and international development of capitalism? How did a hierarchy of states, forming a pattern of core- and periphery-countries, come about and reproduce itself? How are we to relate the leninist theory of imperialism to a more general theory of world capitalism? What is the place of the socialist countries in the world economy, and what are the options for the countries of the Third World to break the existing unequal international economic relations?

As I see it, the perhaps most fundamental issue to be settled, in order to establish a deeper theoretical understanding of these and related problems, is the question of the *nation-state*, its origin, its essence, and its role in the world economy. Our understanding of capital is theoretically much more well-founded, and such problematic concepts as the internationalisation of capital and transnational firms would be easily managed, if we only were in the possession of a theory of the nation-state as well elaborated as that of capital.

The dual character of capitalism

The Hungarian philosopher Attila Agh has questioned the traditional marxist position that the international economic relations are 'secondary' or 'derived' in relation to the national relations of production. He thinks that such a view is in contradiction with Marx's own intentions, and tries to establish that Marx as a

matter of fact worked with a *dual definition of capitalism*.

»The pre-capitalist modes of production could be described in themselves, i.e. by giving a definition only on their *internal* relations of production. They could grow up to a world empire, they could rely on the long distance trade etc., but their definition does not essentially involve external-international intercourse as a world system. But capitalism appears as the first mode of production which cannot be described only by its internal relations of production, since capitalism reproduces itself necessarily at the world historical level, i.e. at the level of the world market and world intercourse. In our opinion, this misuse of the Marxian term of capitalism is the major mistake in the whole mode of production controversy: they neglect the dual definition of Marx on capitalism, that *capitalism emerges necessarily at two levels at the same time, namely capitalism as a national unit (national market and national state) and capitalism as a world system (world market and world economy)*.»¹

I think this emphasis on the dual character of capitalism is very important. It constitutes an effort to bridge the conflict between those who traditionally have seen capitalism as a mode of production characterizing one or more nationally confined societies, and those who more recently have stressed the importance of looking at capitalism as a world system.

However, one must be cautious towards Agh's own effort to determine the character of capitalism, since he does not give a definition of the 'internal' and 'external' relations on the same level of abstraction. He considers the internal relations to be abstract, the external to be concrete. The 'inner structure' of capitalism, which includes the genuin capital-

relation, is related to the concrete-historical international capitalism.

»Marx operates with a dual definition of capital, the first of which is an *analytical-logical*, an abstract approach with a successive series of simple abstractions based on the inner structure of capitalism in core countries and modelled on the classical, i.e. the English development, the second of which is a *concrete-historical* systematization of world capitalism based on the international relations of production; Marx elaborates the whole methodological and conceptual structure for the analysis of world capitalism (going from the abstract to the concrete, principle of recursive cognition etc.) which demonstrates that the inner structure of capitalism is only an abstraction in itself and becomes concrete, historically and logically, only when extended to the world market, thus 'national capitalism' is the key to world capitalism but it is insufficient in itself even for the understanding of the development of the centre.»²

As a matter of fact Agh's construction does not diverge so radically from the ordinary view. The dual definition of capitalism turns out to be a description on two levels of abstraction - the abstract, general level, where the essence or inner structure of capitalism is defined, and the concrete, specific level, where capitalism is seen as a historic and geographic spreading out-process, through which capital from the center subjugates pre-capitalist modes of production. It is not so much a question of duality in the object itself, capitalism, as of two levels of abstraction, where the concrete-historical can be said to be 'secondary' to or 'derived' from the analytical-logical.

In order to be able to speak of a real duality in world capitalism one must al-

ready on the same level of abstraction as the 'inner structure' of capitalism, i.e. the capital-relation, take into consideration the *nation-state-relation*. The capitalist world economy cannot be understood only as a historic and geographic concretization of the capital-relation. *The capital-relation constitutes together with the nation-state-relation a totality, the capitalist world economy*, which can and must be studied on different levels of abstraction.

Even if these two relations are closely linked to each other, form integral parts of the same social formation, they can still be said to have a 'logic' of their own, and to a limited extent they can be analysed independently of each other. Neither relation can be reduced to, or one-sidedly derived from the other. In the following I want to stress the parallelism or analogy between the capital- and the nation-state-relations. Later on I shall try to indicate how they depend upon each other, and how they contradict with one another.

The tribute as initial category for the nation-state

If we want to establish the concept of nation-state on the same theoretical level as that of capital, we must try to develop it historically and logically in the same manner as Marx derived the concept of capital in the first volume of *Capital*. For Marx the key to the understanding of capital was the *commodity*, which he used as an initial category in his analysis. From this he derived *money* and the transformation of money into *capital* in a well-known way. He starts off the chapter on the general formula for capital with the following résumé:

»The circulation of commodities is the starting point of capital. The production of commodities, their circulation, and that more developed form of their circulation called commerce, these form the historical groundwork from which it rises. The modern history of capital dates

from the creation in the 16th century of a world-embracing commerce and a world-embracing market.

If we abstract from the material substance of the circulation of commodities, that is, from the exchange of the various use-values, and consider only the economic forms produced by this process of circulation, we find its final result to be money: this final product of the circulation of commodities is the first form in which capital appears.»³

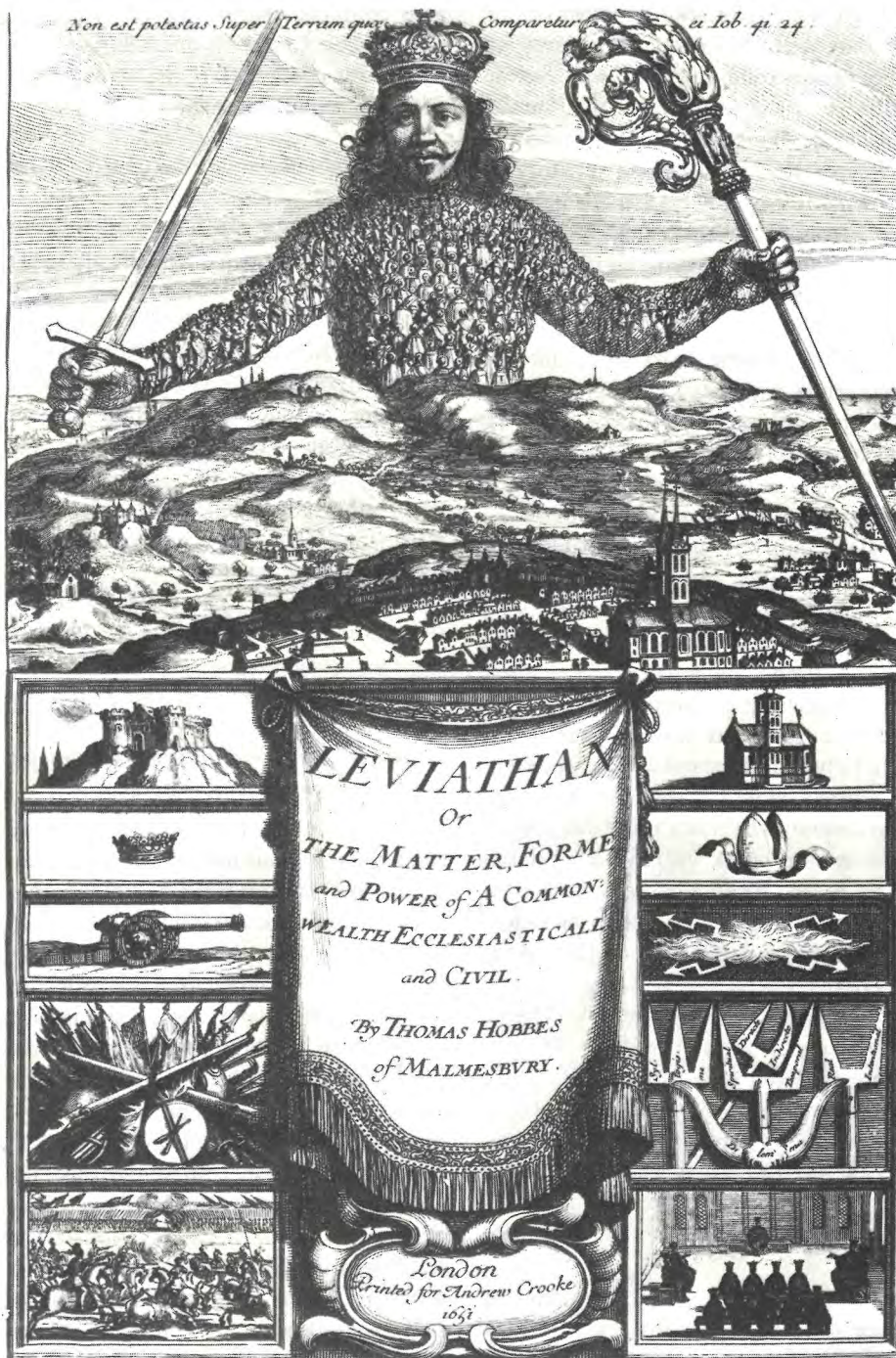
State and money

The societies preceding capitalism are generally seen as tributary. The ruling classes extracted a *tribute* from the direct producers either in the form of labour or labour-products. Irrespective of the more specific relations of production - Asiatic, slavery or feudal - the expropriation of a continuing tribute required the existence of an extractive apparatus backed by physical force. The more developed such an apparatus was, and the better it managed to monopolize a certain territory, the more it began to resemble a *state*.

As the development of commodity exchange necessarily implied the establishment of a universal equivalent, money, so the development of tribute extraction necessarily implied the establishment of a state as the incarnation of class power. The state in pre-capitalist tributary societies, therefore, must be seen as an essential element of the relations of production, and not only as a superstructural phenomenon.

The development of capitalism did not do away with tribute extraction or the state. On the contrary, the emergence of capitalism meant a marked strengthening of the states in Europe. They monopolized the rights of tax collection by transferring them from the feudal lords, the church, the cities, etc., to the king, the highest representative of the state. But the most remarkable development was

The title-page of the first edition of *Leviathan* by Thomas Hobbes.



the gradual transformation of the states into modern nation-states.

In marxist literature the creation of nation-states has often been associated with the emergence of a national market. This does not seem to be the best way to understand the causal relations. Although the net of markets was best developed in central Europe the phenomenon of nation-state was noticeable much earlier in the more peripheral parts in western and northern Europe. Rather it is possible to see the break-through of modern nation-states as a consequence of the internal dynamic of the states under new world economic conditions.

The nation-state and capital

The state could increase its extraction of an economic surplus and strengthen its position vis-à-vis other states by 'investing in' the nation, by creating a feeling of community and loyalty with the state in the people, and by favouring the development of the national economy. The analogy between money/capital and state/nation-state can also be put in the following expressive manner: As the miser, who collects money by saving them from circulation, in contrast to the capitalist, who augments his treasure by constantly throwing it back into circulation, one can see the simple state-builder as a 'treasure-collector' – increasing extraction through greater looting and territorial expansion, whereas the builder of a nation-state is increasing the tribute by constantly returning a substantial part of it back to the nation. In creating a socially and culturally integrated society and an advanced economy the state transforms itself into a modern nation-state.

In order to underline the parallelism between the categories commodity/money/capital on the one hand and tribute/state/nation-state on the other I will paraphrase the Marx-quotation made above:

»The extraction of tribute is the starting point of the nation-state. The production of tributes, their extraction, and

that more developed form of their extraction called tax collection, these form the historical groundwork from which it rises. The modern history of the nation-state dates from the creation in the 16th century of new world-embracing methods of extraction and tax collection.

If we abstract from the material substance of the extraction of tributes, that is, from the expropriation of the various use-values, and consider only the social forms produced by this process of extraction, we find its final result to be the state: this final product of the extraction of tributes is the first form in which the nation-state appears.»

Tribute and commodity, state and money, nation-state and capital are successively developed social forms, the mutual relations of which remain to be studied logically and historically. Later on I shall try to point out some connections between capital and the nation-state. Suffice it here to make the remark that the two chains of categories seem to cross each other. The commodity-money-capital-relation, today most clearly expressed in the gigantic transnational corporations. »Money, it is the unity, it is capital-relation, today most manifestedly expressed in the gigantic transnational corporations. »Money, it is the unity, it is also the injustice of the world«, in the concise expression of Fernand Braudel.⁴

The tribute/state/nation-state-triad, on the contrary, starts from inequality, the looting of the producers by physical force, and tends to develop towards greater community and integration, democracy and even socialism. Neither is it a paradox to think that the development of modern nation-states also is a factor favourable to peace, in as much as it becomes economically less advantageous to try to suppress and exploit a people that has developed a strong self-consciousness of a common nationality. The crossing of the two chains can perhaps be localised to the period of the emergence of the world capitalist economy, the development of

the nation-state- and capital-relations in the epoch of mercantilism.

The basic nation-state relation

The basic, defining, capitalist relation of production, the capital-relation, is expropriation of surplus value by capital through the exploitation of wage labour. How are we to conceive of the corresponding nation-state relation? Can we describe it as the extraction of a surplus product by the state, the exploitation of the population on a certain territory by its own government? Such a characterization seems to fit the category of state better than that of nation-state, and we must therefore consider the analogy more closely.

A distinguishing mark of a modern nation-state is that the population of the state, not only ideally, but to a large extent also in practice, forms a community of feeling - a *Gemeinschaft* - based on self-consciousness of a common *nationality*. Its members also mutually distribute and share duties and benefits.⁵ Such a community, such a feeling of identity between the people and the state, cannot be grasped simply as a tributary relation. The relationship between the nation-state and its citizens has another quality than that between the pre-national state and its subjects, as well as between capital and wage-labour. The latter can fundamentally be seen as an exploitative relation based on a clear distinction between the ruling *class* and the ruled. The former, however, implies participation of the citizens in national affairs as well as accountability of the rulers towards the people. The nation-state is a developed form of state, where the level of integration is so high that there exists a mutual relationship of identification between the government and the people. But like any state the nation-state must still extract an economic surplus in order to finance the state apparatuses.

At the same time we must not confuse nation-state and socialism. Even the most democratic capitalist welfare-states can-

not be described as based on planned cooperation of producers, who are united through common property and common goals of production. Only the extracted surplus can be treated as 'common property', and even this part - as well as its size and sources - is the object of severe class conflicts. The capitalist nation-state, therefore in a sense, is an unfinished project, a dynamic relation, the development of which is multiform and wavering.

The surplus and the ranking of competing nation-states

Considering these distinctive features of the nation-state it is obvious that any theoretical formulation of this basic social relation must involve a certain ambiguity. On the one hand it must pay attention to the still expropriative character of the state, on the other it should observe the intimate relationship between the people and the state. Bearing this difficulty in mind I will endeavour to put forward the following characterization of the nation-state relation:

The nation-state is a relation of extraction of an economic surplus by the state from a population forming a nation on a certain territory. This surplus is used in order to maintain and strengthen the nation-state in a world economy embracing several competing nation-states.

The fact that the nation-state constitutes a part of an integrated world economy confers on it a special relationship between the state and the population. On the one hand every state must try to mobilize its own population in order to match rivalling states, i.e. the strength of the state in relation to other states depends on how well it has succeeded in transforming itself into an economically, socially and culturally highly developed nation-state. On the other, the state necessarily becomes a carrier of the interests of some or all of the population in the framework of the world economy. The different groups and classes inside a nation expect the state to protect and promote their diverse economic interests in-

"Development of civil rights, social security systems and regional policies may serve as a means of establishing a kind of 'people's home', where the citizens affiliate themselves with their state."

*Governor Roosevelt
canvassing votes from his car
during the 1932 Presidential campaign.*

side an economic unit which is broader than the national economy. In a sense there exists an implicit social contract between the nation and the state. The nation promises to defend and strengthen the state, provided that the state in its turn takes upon itself to defend and advance the different national economic interests. It is the existence of a world economy involving several states that gives rise to the nation-states, not the other way round, as some theorists seem to think as they take their departure in a set of nations isolated from each other, and try to show how these will build up their economic relations according to some principle of mutual advantage.

The compulsion to develop as a 'basic law' of the nation-state

Capital is subjected to the 'law of surplus value', a kind of compulsion to accumulate in order to continue as capital. It has continually to chase more surplus value, and it must continually be prepared to invest the surplus value into new capital. Capital functions as capital only as long as it through constant renewal supports the value-augmentation, creates new capital-values.

Such a 'compulsion to accumulate' also marks every carrier of the capital-relation, the capitalists, whose subjective intentions to a large degree are determined by the objective substance of the capital-relation. »Use-values must therefore never be looked upon as the real aim of the capitalist; neither must the profit on any single transaction. The restless never-ending process of profit-making alone is what he aims at.»⁶

Analogously the nation-state can be said to be subjected to a 'fundamental law', a kind of 'compulsion to develop'. The nation-state relation can be sustained only through a continuous 'extended reproduction', a constant drive for a greater economic surplus and a readiness to use this in order to strengthen the state apparatuses, the national production system and the integration of society. It is a pro-

cess of self-strengthening supported by a complex interplay between external and internal forces.

There are two important ways in which the state can try to raise the tribute appropriated by it. The first is to develop a stronger feeling of national identity and solidarity, thereby raising the readiness of the population to support its state. The second is to promote the development of the national economy, thereby improving the economic base from which the tribute is raised. The nation-state can be said to carry through a real subsumption of the population under the state by increasing national integration and developing the national economy. People are not only formally subjects of a certain state. They are culturally and economically 'socialized' as members of a community corresponding to the nation-state.

Raising the tribute - the Myrdal-effect

The cultural and social homogeneity of the population is one important factor affecting national identity and solidarity. Homogeneity generally increases the willingness to make sacrifices for the nation-state, and it also renders emigration less attractive as a response to new imposi-

tions by the state. The states, therefore, have used a wide range of instruments in order to increase national homogeneity. Adjustments of border-lines, geographic redistributions of people, the introduction of national religions, national languages and national school-systems, are different types of measures that have been used in order to increase cultural integration. Development of civil rights, social security systems and regional policies, may serve as a means of establishing a kind of »people's home«, where the citizens affiliate themselves with their state. As Gunnar Myrdal has noted, the social harmony which characterizes the developed democratic countries is to a large extent a »created harmony«, the prerequisite of which is the national state. »The welfare state is nationalist«, is his succinct dictum.⁷

The state thus has a direct economic interest to develop some kind of »people's home«, where the citizens feel solidarity towards each other and the state, because this improves their propensity to contribute to the financing of the state. We may call this effect the »Myrdal-« or »people's home-effect«, and use the propensity to contribute to the state as a



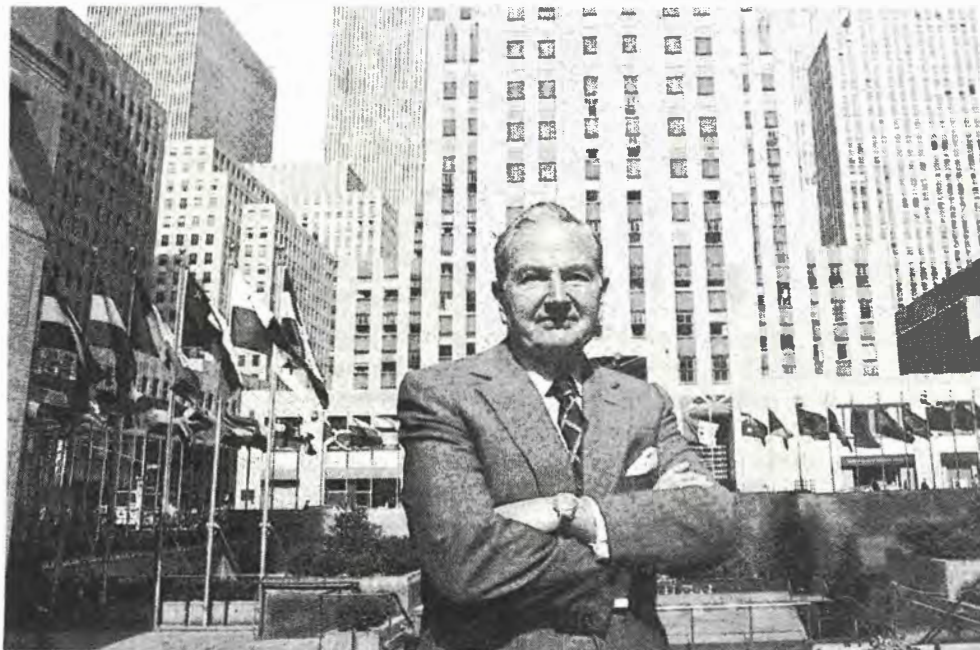
"Even in retirement, David Rockefeller symbolizes power of financial community."

From US News and World Report, 9th Annual Survey: 'Who runs America', published May 10th 1982.

measure of the degree of national integration. When a small effort from the state results in a large increase in the economic surplus collected by it the national integration is high and the «Myrdal-effect» has apparently worked well. The integration may even be so strong that people are ready to damage the economic base of the country in order to oust a 'foreign' government from the territory. When the Dutch opened the sea-walls to drive out the Spanish rulers, this was a clear sign of an emerging national consciousness which was to be an important factor in establishing the hegemony of the United Provinces over the world economy in the middle of the 17th century.

The List-effect

The other, perhaps even more important, way of increasing the surplus accruing to the state, is to develop the national economy. By creating a national currency, by improving national markets - especially the market for labour, by protecting and subsidising national industries, by investing in the economic infrastructure, by promoting vocational education and scientific research, and by a gamut of other means the state influences economic development, and thereby its tax base. During the mercantilist epoch the economists were supposed to advise on exactly such matters. In the 19th century Friedrich List can be seen as the most explicit interpreter of this kind of thinking. He criticized the dominant liberal tradition of his time for forgetting that the *combination* of labour in a social unity was at least as important as the *division* of labour, and that the productivity of each productive unit depended on its insertion in an organic whole. Furthermore he accused the dominant «school» of forgetting that the world was not yet governed by a universal state which could guarantee that peace would prevail.⁸ It, therefore, seems appropriate to call this effect on the raising of the state revenue the «List-» or «hothouse-effect». Later on I will stress the crucial importance of the



nation-state for the real subsumption of labour under capital.

This constant drive of the nation-state to increase the state income, the collectively used economic surplus, by taking advantage of the Myrdal- and List-effects, means that it by nature is interventionist. Ideally it uses or abstains from using the instruments at its disposal according to the effect these would have on the strength of the nation-state in relation to the rivalling states. However, the use of the Myrdal- and List-effects promotes the real subsumption of the population under the nation-state, and the deeper this process advances the more the state is seen as the prime instrument for all social progress. The ever stronger tendency for all social groups to turn to the state in order to ensure their interests, necessarily, gives the nation-state a further impetus to develop new forms of economic interventions. In short, the internal dynamic of the nation-state, the compulsion to develop, induces it to adapt measures which tend to regulate the market forces, manipulating and even suspending them. The part of the total economic surplus appropriated by the state gradually increasing, different forms of national planning being introduced step by step, the nation-state has a tendency to develop in a direction alien to the logic of capital.

The personified carriers of the nation-state relation cannot avoid having their subjective intentions marked by this 'fundamental law'. If they neglect the 'development compulsion' they risk, besides being ousted by more national-minded

state-carriers, to put the nation-state into a relation of increased dependence - economically, culturally, politically and militarily - of foreign powers, whereby a process of 'underdevelopment' may be started or aggravated. Such a process might continue until the whole nation-state has been disintegrated.

The nature of the capitalist firm

In order to approach the problem of the relations between capital and nation-state in the development of the world economy, a few comments must be made regarding the nature of the capitalist firm.

International trade theory traditionally has come up against great difficulties, since it has *either* neglected that capitalist foreign trade is carried out by firms and not by nation-states, *or* that the nation-states cannot be reduced to simple geographic regions, which at most can raise capricious barriers to the free flow of goods and productive factors. The former approach, which treats the nation-states as the ultimate economic subjects, under which the activity of the firms is subordinated, is victim of what can be called a «socialist fiction». The other approach, which tries to establish a 'pure' theory of international exchange, ends up in the construction of formal models, the main characteristic of which is that they tend to give a picture of the world economy, which a priori excludes the politically most important problems facing mankind. One reason for this is that the 'pure' theorists neither care about the nature of the nation-state, nor even about the nature of the capitalist firm.

The capitalist firms, of course, do not represent a certain nation-state, but a certain capital. They are not subjected to the 'national interest', but to the need of capital to augment its value. Thus they are by nature *transnational* in the sense that they are inclined to expand their trade, investments and production outside the borders of the nation-state, whenever this gives a higher or safer return on the capital they represent. They submit to restrict their activities to a certain nation-state only if this can give them some extra advantage (e.g. in the form of government subsidies or purchases), or if they are compelled to do so.

However, the capitalist firm can be said to be *national* or *multinational*, depending on whether the capital it represents is controlled by capitalists from one or several countries. But no matter whether the firm is national or multinational in this sense, it still has to act in a multi-nation-state world economy. This means that a firm, the 'national base' of which lies in one country, may enter into partnership not only with its 'own' state, but also with some other nation-state. The crucial difference between capitalist firms, therefore, is not whether the capital behind them is multinational or not, whether their production is international or not, but whether they have attained such a scale and position that their activities influence the relations between the nation-states. A large company, although it mainly operates on a national scale, may still be an important actor in the world economy.

International monopolies - the equals of states

Already in the early days of the capitalist world market there existed trading and lending companies which played an important role in the relations between the emerging nation-states. According to Braudel capitalism was 'at home' in the superstructure, above everyday economic life, even above the regional and national markets. Capital was 'at home' on the top

of society, together with its accomplice and only serious check - the state. It was involved in long distance trade that could be monopolized, and in the financing of the states, especially their wars. Yesterday, as well as today, the interests of capital transgressed the limited space of the nation.⁹

How are we to designate these mighty capitals, which must be treated as the equals of states? Today we speak of 'conglomerates' and 'multinationals'. In Lenin's days there were 'cartels' and 'trusts'. In the childhood of capitalism we find powerful financing houses and trading companies. A common denominator could be *international monopolies*, provided that we understand that the economic base and the form of these monopolies have changed considerably from one epoch to another, and that the attribute 'international' is added in order to remind us of their crucial role in inter-state affairs, as well as to distinguish them from monopolistic practices on a local or strictly national level. This concept, however, means that the juxtaposition of competitive and monopoly capitalism, which was introduced by Hilferding and Lenin, must be interpreted in a careful manner. Since historically both capitals and nation-states have grown in importance on the global scene, the relative strength of capital in relation to the states need not have increased from the 'competitive' to the 'monopolist' stage. What Lenin observed was a symbiosis between capital and state on a qualitatively new level. Imperialism was a particular mixture of *internationalization of capital* on the one hand, and on the other a process of *nationalization of capital*. The second process involved the fusion of industrial and banking capital into finance capital on a national scale, and the further pooling of the forces of this highly concentrated capital with those of the state to a formidable power, competing with other as concentrated powers in the world economy. The relation between state and capital became even closer than in earlier

periods, and the nationalist appearance was strengthened despite the ongoing process of internationalization.

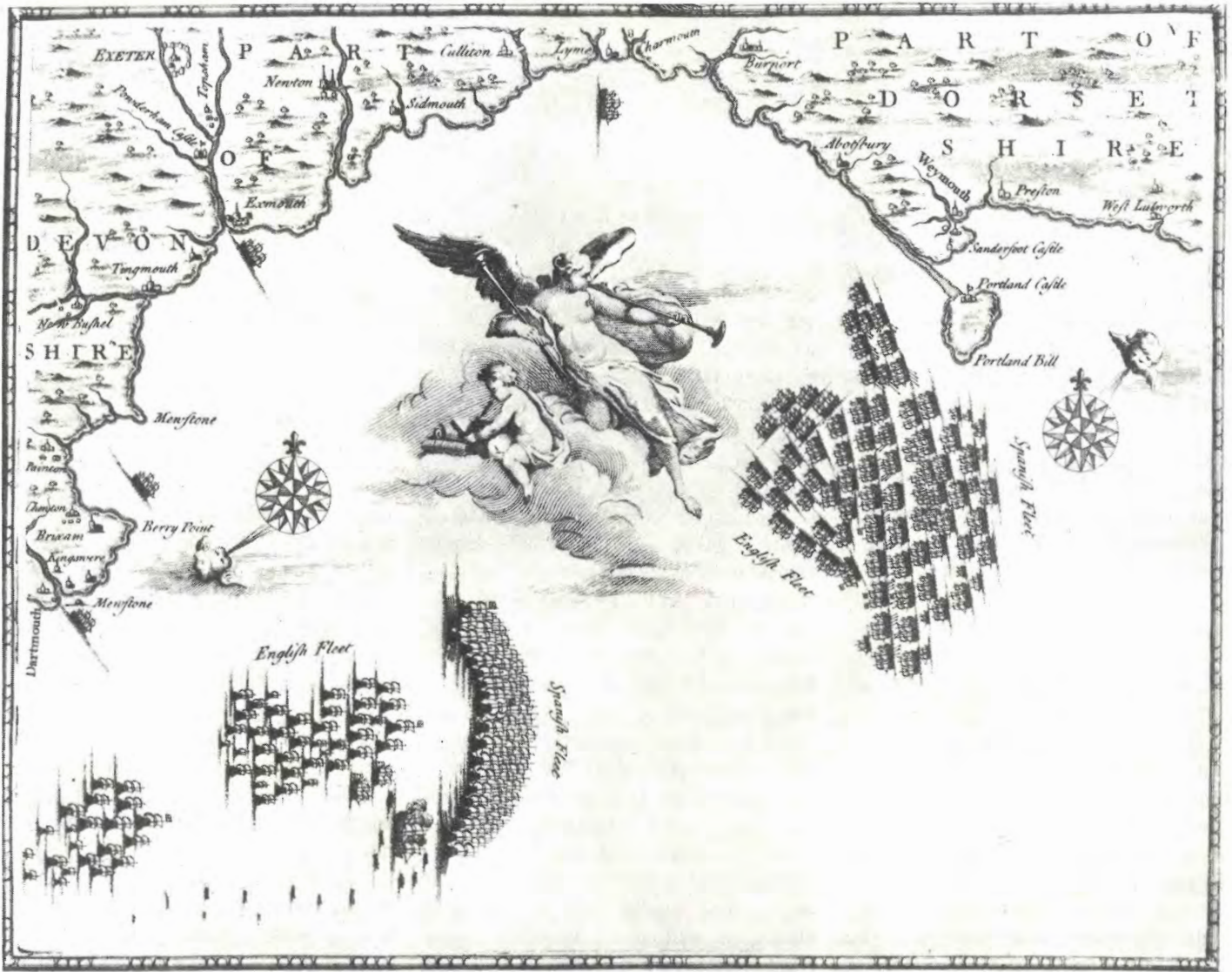
Capital and the creation of nation-states

We now turn to the historical dialectical relations between the development of capital on the one hand and the nation-state on the other. The first question I will consider is the role played by capital in the emergence of modern nation-states and in the creation of an international hierarchy of states. In the next section I will ask the opposite question, how the nation-states affected capitalist development. Finally I will briefly consider whether the historical symbiosis between capital and nation-state is drawing to a close.

Capital first emerged in the form of formal subsumption of pre-capitalist labour processes under merchant- and usury-capital. Even the establishment of manufactures only implied a kind of formal subsumption of handicraft-production under capital. Not until the industrial revolution, with the introduction of large-scale machinery and the factory system, did capital succeed in really subsuming labour, in creating a specific capitalist mode of production. Characteristic of formal subsumption was the extraction of absolute surplus labour, by making work more intensive, by pressing down the real wages and by prolonging the working day, whereas real subsumption meant the constant revolutionizing of the techniques of production and the production of a relative surplus value, making room for an increase in the real wage level.

A hierarchy of nation-states

The rise of a world capitalist market in the 16th century united together several forms of pre-capitalist labour-processes in different parts of the world under the hegemony of merchant capital. This had important consequences not only for the possibilities of capital to extend its activi-



ties and to use the new situation in order to intensify exploitation on a global scale, but also for the possibilities of the states to increase their tribute extraction.

For the first time in history the globally produced and accumulated economic surplus became a potential prey for any state that was powerful enough. This meant that the struggle between the states over the right to exploit these unprecedented opportunities became very intensive. The period of mercantilism can be described as a period of rather modest real economic progress, but a period in which the overt struggle between the states over the globally produced surplus culminated. This struggle had very decisive consequences for the different states.

The winners

In a few states a close symbiotic relationship between merchant capital and the state was established. They embarked upon a close cooperation in order to increase the extraction of absolute surplus

value on a world scale. This implied the development of a strong merchant fleet and navy, and the monopolization of colonies and trading routes. Although very costly, it thus became possible to multiply the appropriated surplus. The struggle over the new extraction possibilities demanded the establishment of strong states but it also allowed the successful participants to grow strong thanks to the new sources of income.

But the strength of a state was not only a consequence of looting and outright military force. It also had to do with the evolution of the nation. It has been said that it was the mercantilists who invented the nation.¹⁰ Even if this may be an exaggeration, it is at least true that their preoccupation with the strengthening of the states in practice also laid ground for the rise of the modern nation-state. All those states which succeeded in taking advantage of the new situation, and in achieving the position of strong

core countries in the world economy, had developed into nation-states already before the beginning of the industrial revolution, the most outstanding examples being Holland, England and France. The importance of the mercantilist era and policies for the emergence of a nationalist attitude is clearly expressed in the following passage from E J Hobsbawms book »Industry and Empire«:

»Behind our Industrial Revolution there lies this concentration on the colonial and 'underdeveloped' markets overseas, the successful battle to deny them to anyone else. We defeated them in the East: in 1766 we already outsold even the Dutch in the China trade. We defeated them in the West: by the early 1780s more than half of all slaves exported from Africa (and almost twice as many as those carried by the French) made profits for British slavers. And we did so for the benefit of *British goods*».¹¹

In 1588 the British won a historic victory when their fleet defeated the Spanish armada. From Adam's & Pines Maps of the Spanish Armada.

During the second half of the 18th century England got a clear hegemony in the world economy. This forced all potential challengers to develop into nation-states in a quite purposefull manner.

The losers

In many states, however, the new set-up had rather disastrous effects. They became the victims of a double disadvantage. On the one hand the extraction of an absolute surplus value by merchant capital led to a degeneration of the pre-capitalist modes of production. Both human and natural resources were exposed to a fierce exploitation, and even if some local states, in an early phase, were able to take advantage of this intensified extraction, in the long run it undermined the economic basis for the state's tribute. On the other hand the increased rivalry on a world scale, enforced all states to use proportionately more resources for purely military purposes, and this also tended to erode the economic basis of the weaker states. Direct plunder, exchange on unequal terms, imposition of a colonial pattern of division of labour, constant wars, etc. contributed to economic regression in most parts of the world, and to the decay and dissolution of many states. Economic power and development was concentrated in only a tiny section of the world economy.

Reproducing the hierarchy

The result of these divergent developments was the establishment of a rather stable hierarchy of states in the world economy. A handful of core countries occupied the top of the hierarchy. These were the leading mercantilist states, which gradually were transforming themselves into nation-states, thus further increasing their relative superiority. Furthermore England got a clear hegemony in the world economy during the second half of the 18th century. This forced all potential challengers to develop into nation-states in a quite purposeful manner. Especially the French revolution meant a watershed in the conscious establishment and development of new nation-states.¹²

On the bottom of the hierarchy there were the countries which can be called

peripheries, although they in most cases were deeply integrated into the capitalist world system. They were weak states, protectorates and colonies, which underwent a process of underdevelopment in a more or less rapid way. In the majority of these peripheral countries a strong nationalist reaction, and a conscious effort to build up nation-states did not come into being until this century. This process was greatly influenced by the struggle for social emancipation inspired by the October-revolution. But despite these developments the hierarchy of the capitalist world economy has still been able to reproduce itself astonishingly well, the same countries at large still occupying the bottom positions as before.

The nation-state and the real subsumption of labour under capital

It seems to be a rather incontrovertible fact, that an industrial revolution, the establishment of a specific capitalist mode of production, only has taken place in *already* constituted nation-states. One could therefore propound the hypothesis that a spontaneous capitalist development is unable to take the step from a formal to a real subsumption of labour under capital, from the production of absolute to relative surplus value, without occurring with the active participation of a modern nation-state.

The prerequisites of a capitalist industrial take-off are both substantial and complex. There are so many factors needed at the same time in order to achieve a historical transformation that converts the labour process from one based on tools of individual use to one based on means of production that can only be used collectively in a complex and large system of production. Such a metamorphosis is so deep and has to advance in so rapid spurts that its effects on society perforce are revolutionary. There are not only many objective obstacles to the establishment of a specific capitalist mode of production, but also strong sub-

jective barriers which derive from the fear of large sections in society of such tremendous changes. Therefore, an industrial revolution requires a state which is both willing and capable of promoting it. The compulsion to develop, and the existence of the List-effect, make the nation-state inclined to support such an adventurous project. The only alternative inside the capitalist world economy would be to accept a higher degree of economic dependence and national underdevelopment.

The functions of the state

In the transition from a pre-industrial, although not necessarily pre-capitalist, to a capitalist industrial society the nation-state has several crucial functions to fulfil:

a) It must protect the economy from unbridled looting and from deformation as a consequence of world-wide mercantilist-monopolist domination.

b) It must assist a sector of society to amass the needed amounts of capital. This sector may also be the state itself. One step in such an original accumulation of capital is the creation of a national monetary system.

c) It must be prepared to use a substantial part of its own extracted surplus in order to create the general preconditions for a rapid economic development and to secure the material conditions for production in a broad sense.

d) It must assist in the creation of national markets for goods and especially for labour, and support the national firms on the world market - including the home market.

A strong state - a precondition for industrial take-off

It is clear that only a strong state can perform all these tasks in a successful way, but it would be wrong to only underline the need for a strong state. Even more important is the conscious will to carry through all necessary reforms. A strong state becomes weak if it neglects the ob-

jective conditions of the world economy. The contrary cases of China and Japan in the 19th century are instructive on this point.

But it is even more false to see the existence of a weak state as a precondition for development as many liberals have done in trying to explain why the industrial revolution took place first in England, and not in France. Once again it seems accurate to quote E J Hobsbawm, who very clearly has seen the importance of the British state in the industrial revolution:

»How then did conditions come about in eighteenth-century Britain which led businessmen nevertheless to revolutionize production? How did entrepreneurs come to see before them, not the modest if solid expansion of demand which could be filled in the traditional manner, or by a little extension and improvement of the old ways, but the rapid and limitless expansion which required revolution?

A small, simple and cheap revolution by our standards, but nevertheless a revolution, a leap into the dark. There are two schools of thought about this question. One emphasizes chiefly the *domestic* market, which was clearly by far the largest outlet for the country's products, the other stresses the foreign or *export* market, which was equally clearly, far more dynamic and expandable. The right answer is probably that both were essential in different ways, as was a third, and often neglected factor: government.

If we are to sum up the role of the three main sectors of demand in the genesis of industrialism, we can therefore do so as follows.

Exports, backed by the systematic and aggressive help of government, provided the spark, and - with cotton textiles - the 'leading

sector' of industry. They also provided major improvements in sea transport. The home market provided the broad base for a generalized industrial economy and (through the process of urbanization) the incentive for major improvements in inland transport, a powerful base for the coal industry and for certain important technological innovations. Government provided systematic support for merchant and manufacturer, and some by no means negligible incentives for technical innovation and the development of capital goods industries.»¹³

The break-through of industrialism in Britain was not the effect of a weak state, as the liberal tradition would like to have it. On the contrary it was a consequence of the establishment of the most powerful nation-state in the world economy. And the problem cannot be why France was second in relation to Britain, but rather why it was the second major country which went through a process of industrialization.

Even in the high-days of liberalism, in the middle of the 19th century, Britain and France used several times more resources for military and other government purposes per capita, than did the more 'feudal' states Russia or Japan, and I would guess that they did so even in relation to the national product. It is also telling that the United States, both around 1875 and 1908, used twice as much money per capita for military spending as did Russia or Austria-Hungary.¹⁴ The flourishing of capitalism, thus, cannot be said to have been associated with a contraction of the state function. On the contrary the progression of the nation-state demanded an ever increasing involvement of the state in the advancement of the nation.

Distorted development of nation states

In many countries of the world economy, however, neither the process of cultural

and economic socialization of the population into the nation-state, nor the process of real subsumption of labour under capital has succeeded, despite the existence of formally independent states. The most outstanding examples are probably to be found in Latin America. The countries in this area have not been able to break the vicious circle of underdevelopment and to improve their position in the world economy. One reason for this is that the ruling classes in the Latin America states have not been prepared to carry through the necessary social and economic reforms needed to take advantage of the Myrdal- and List-effects.

Although formally sovereign they were not able to turn this political independence into national and economic development, and thus remained inside a colonial type of international division of labour. An author who has described how this incapability was brought into being and maintained is A G Frank. I will make the following quotation from one of his works, since it brings forth the point under discussion very succinctly.

»Once in power, the erstwhile liberals associated themselves ever more with the trade and foreign capital of the developing imperialist metropolis, which was and is its natural ally. If this colonial alliance and domestic policy created grave economic problems of underdevelopment which generated political tensions at home, and which required domination through dictatorial political repression, it was the liberals themselves - who only shortly before had fought the conservatives in the name of liberty - who now were the first to have recourse to this repression to serve their own interests, as was most notoriously the case in the Mexico of Porfirio Diaz and in the coffee, sugar and banana republics of Central America and the Caribbean.»¹⁵

The way the Latin American countries

were integrated into the world economy, and the kind of class alliances this implied, distorted the development of their nation-states, and thereby prevented a process of real subsumption of labour under capital. The carriers of the nation-state relation were not prepared, or not able, to take the drastic steps necessary to protect their countries from foreign capitalist domination and exploitation.

The ensuing outward drain of economic surplus and underdevelopment of the national economy, further impeded the extraction of a collective economic surplus. Efforts to bridge the insufficiency of the nationally extracted state surplus by resorting to foreign loans were not efficient, since the basic conditions for assuring a positive development contribution was not at hand. Foreign financing primarily tended to increase the outward flow of incomes and the dependence of foreign companies and states.

We could continue, going from one region, or from one country to another, and see how the development of a modern national economy has required the active protection and guidance of a modern nation-state, and how underdevelopment and national disintegration have been the consequence if a country has been drawn into the capitalist world economy without being able to establish a nation-state fulfilling the requirements of the 'development-compulsion'. The processes determining the outcome for any particular country have of course been very complex, and it may seem presumptuous to try to make any generalizations. The confluence of external and internal forces and events are often so intricate and unique that only a detailed description of every special case seems to be possible. However, I believe that there are certain propositions which can be formulated with some conviction already at this stage.

A pattern of capitalist development

There seems to be a certain pattern of ca-

pitalist development, which could be described in three steps:

1. The incorporation of the country in the capitalist world economy. It is 'opened up' and assigned a certain place in the international division of labour.

2. The establishment and consolidation of a nation-state. The state delimits a certain territory from the world market, and mobilizes the resources of the country in order to strengthen itself.

3. Internal capitalist economic development. A national productive system and a national bourgeoisie, in a broad sense, is created.

However, such a pattern is by no means automatic. Three circumstances seem to be of crucial importance for the further development:

1. The way in which the country is incorporated in the world market. It may either be opened up by force, the old state being militarily conquered and the economy being subdued to direct external exploitation, or it may resist foreign domination and enter the world market as a semi-peripheral rival. Paul A Baran's classical analysis of the roots of backwardness are still very relevant for this point.¹⁶

2. The more difficult the establishment of a nation-state is after the inclusion of the country in the world economy the more difficult will also the third step be. A weak nation-state is prone to foreign domination and surplus extraction. This gravely hampers any effort towards national economic development, and without national economic development the nation-state tends to remain weak and easily exploitable by foreign interests. Thus, there is clearly a process of cumulative causation at work, tending to maintain the inequality inside the world economy.

3. The achievement of the third step seems to have become more difficult during the evolution of world capitalism. On the one hand the resources demanded in order to establish a modern national economy has been increasing over time. On

the other hand the capabilities of the leading international monopolies has been drastically increased. It therefore has become relatively more disadvantageous to try to develop a *national* capitalist economy. The two feasible alternatives, therefore, seem to have become either a dependent capitalist development through the cooperation between the state-carriers and international monopolies, or a socialist development, which entails a certain delinking from the capitalist world economy. Only the latter alternative corresponds to a development in accordance with the 'basic law' of the nation-state.

Towards a new international economic order

The evolution of the capitalist world system since the 16th century has meant the continuous strengthening of two fundamental social relations: the capital and the nation-state. In both the mercantilist and the liberal phases these two relations tended to enforce each other. The mercantilist state used the symbiosis with capital in order to transform itself into a strong nation-state. Capital profited from its connection with the nation-state in accomplishing a real subsumption of labour, i.e. the creation of a specific capitalist mode of production. A strengthening of both relations has been going on also in this century, but now the contradictions between capital and nation-state have been more striking. The basis for a close symbiosis seems to have been gradually eroding.

The strength of capital

On the one hand the international monopolies have expanded their activities to a degree never seen before. Especially since the 1950s the proportion of the production of the foreign affiliated companies to the gross national product in the leading capitalist countries has risen sharply. In 1975 this figure was 30 per cent for the United States, 25 per cent for Western

Europe, and 11.5 per cent for Japan.¹⁷ Today, about one half of total US imports consists of intrafirm trade.¹⁸

At the same time the internationalization of the credit system has advanced even more rapidly, so that the proportion of nationally held official reserves to transnational money deposits has deteriorated alarmingly. These developments seem to require the establishment of supranational government organs, or at least the re-establishment of the dominance of one state in the capitalist world. Otherwise the anarchy of the system becomes too blatant, threatening it with sudden and chronic crises, and even total collapse. This danger has clearly been expressed in the reports of the Trilateral commission and in the «Programme for survival» by the Brandt-Commission.

The strength of nation-states

On the other hand, in a global perspective, there has been a distinct strengthening of the nation-states. The increase in number and power of the socialist states and the creation of new forms of international economic relations between them, can be interpreted as an assertion of the nation-states in the face of an increasing strength of the international monopolies. The socialist firms do not act as the agents of capital, but as representatives of the socialist state. «On the basis of the foreign trade monopoly the state develops the international conditions of foreign trade through the conclusion of international agreements and in other ways. It establishes the organizational system of foreign trade, gives authorization to conduct foreign trade activity, and manages and controls this activity.»¹⁹ The nation-state thus asserts itself as the dominant economic subject, trying to develop a socially and economically integrated unit inside a larger world economy consisting of similarly organized units.

The same tendency towards an assertion of the nation-states is obvious in most parts of the Third World. The

struggles for political, cultural and economic independence against colonialism and neo-colonialism are clear demonstrations of the strength of the forces working for development corresponding to the nation-state relation. The demands for a new international economic order can essentially be interpreted as demands for a strengthening of the role of the nation-states in the capitalist world economy.

It should, however, be obvious that the efforts to vindicate the nation-states in relation to the international monopolies and the leading capitalist states, can only be fruitful if they are accompanied by significant internal changes, giving full play to the Myrdal- and List-effects. This has clearly been understood in the countries working for a genuine national economic development.

In the advanced capitalist countries the development of the «welfare state» can also be interpreted as an expression of the strengthening of the nation-state relation. The intensified class struggle inside the countries required the introduction of new social policies which could contribute to the pacification of the workers and their integration into the nation-state. However, one must not forget that a substantial part of the wealth and income needed to support the welfare state was, and still is, created through an extractive symbiosis between capital acting on a world scale and the leading capitalist nation-states. Thus, it is partly built upon the suppression of the development needs of other nation-states. It is nationalist, as Myrdal thought, but at the same time it is also 'transnationalist' on behalf of the capital it is allied with.

A partnership in crisis

The recent economic crisis in the advanced capitalist countries is partly a crisis of the alliance between the advanced capitalist states and the international monopolies, and therefore also a crisis of the welfare state. «Volvo is not too big, it is Sweden that is too small», was the elo-

quent description of the situation given by the manager of the company.

The defenders of the «people's home», ideals have more and more begun to see the inherent contradictions in the existing set-up. A research project on «Sweden in a new economic world order» came up with the conclusion that it was necessary to reverse the tendencies towards an increasing internationalization of production. Otherwise both democracy and the social welfare system would be jeopardized.²⁰

A universal capitalist state?

Thus the two fundamental relations discussed in this paper, seem to have reached a point in their development, where either one must more definitely give way to the other. One theoretically possible new order would be some kind of universal capitalist state, where the nation-states have given up their sovereignty to a set-up of supranational institutions. Today the World Bank and the International Monetary Fund, and partly also the OECD, have taken upon themselves functions that make them an embryo of such a universal capitalist state.

It is probable that only the establishment of such a strong supranational authority could maintain a system based on free trade and free enterprise on a world scale, and be responsible for policies aiming at overcoming the present inflation and stagnation in the capitalist world economy. However, such a hypothetical outcome would most surely increase national and global rivalries. It could only function in a superbly undemocratic manner, repressing the efforts of the peoples to influence their own destinies.

A New International Economic Order?

The alternative would mean a further strengthening of the nation-states along the lines of the demands made by the radical Third World countries to establish a New International Economic Order. As

Illustration by Keith Sklar from the cover of "Trilateralism – The Trilateral Commission and Elite Planning for World Management", edited by Holly Sklar, published by South End Press in 1980.



expressed in the general declaration of the 2nd congress of the Association of Third World Economists.

»National, autonomous, overall development, the complete sovereignty of the people of the Third World over their natural resources and wealth; the implementation of a New International Economic Order which goes against the neocolonialist type of international division of labour consonant with the interests of imperialism.»²¹

Such basic demands imply that the nation-states become strong enough, not only to control, but gradually to dislodge the international monopolies. This can only be achieved through deep democratic changes inside the countries - not only

in the Third World - and through close cooperation between all progressive states.

Notes:

¹ Attila, Agh: *Labyrinth in the Mode of Production Controversy*, Institute of World Economics of the Hungarian Academy of Science, Budapest 1980, p 15.

² *ibid*, p 25.

³ Karl Marx: *Capital I*, William Glaiser, London 1920 (1867), p 123.

⁴ Fernand Braudel: *Civilisation matérielle, économique et capitalisme, XVe-XVIIIe siècle*, tome 1, Armand Colin, Paris 1979, p 420.

⁵ Samuel E Finer: *State- and Nation-Building in Europe: The Role of the Military*, in Charles Tilly (ed): *The Formation of National States in Western Europe*,

Princeton University Press, 1975, p 86.

⁶ Marx, *op cit*, p 130.

⁷ Gunnar Myrdal: *Rika och fattiga länder*, Stockholm 1957, p 72. The English title of the book is »Economic Theory and Underdeveloped Regions».

⁸ Friedrich List: *Das nationale System der Politischen Oekonomie*, Jena 1922 (1841).

⁹ Fernand Braudel: *op cit*, tome 2, chapter 4-5.

¹⁰ *ibid*, p 484.

¹¹ E J Hobsbawm: *Industry and Empire*, Weidenfeld & Nicolson, London 1969, p 37.

¹² Hugh Seton-Watson: *Nations and States*, Methuen, London 1977, p 6-7.

¹³ Hobsbawm, *op cit*, p 26-27 and p 34-35.

¹⁴ N Boukharine: *L'économie mondiale et l'impérialisme*, Editions Antropos, Paris 1967 (1917), p 126.

¹⁵ Frank, Andre Gunder: *Dependent Accumulation and Underdevelopment*, Macmillan, London 1978, p 166-167.

¹⁶ Paul A Baran: *The Political Economy of Growth*, Monthly Review Press, New York 1957, chapter 5.

¹⁷ *Internationale Monopole*, Dietz Verlag Berlin 1978, p 70.

¹⁸ Results from a study referred to by Hector Heras Leon: *The Transnational Enterprises and the Third World*, II Congress of Third World Economists, Havana 1981, p 19.

¹⁹ *Hungarian act of foreign trade*, published by the Hungarian Chamber of Commerce.

²⁰ Lars Anell: *Världsordningen och välfärdsstatens kris*, and Anell et al: *Om morgondagens ekonomiska världsordning*, Sekretariatet för framtidsstudier, Stockholm 1980.

²¹ *Granma*, May 10, 1981. ■