

Political Economy and Globalization

Richard Westra



Routledge Frontiers of Political Economy

Political Economy and Globalization

Richard Westra



First published 2010

by Routledge

2 Park Square, Milton Park, Abingdon, Oxfordshire OX14 4RN

Simultaneously published in the USA and Canada

by Routledge

711 Third Avenue, New York, NY 10017

Routledge is an imprint of the Taylor & Francis Group, an informa business

First issued in paperback 2011

© 2010 Richard Westra

Typeset in Times by Wearset Ltd, Boldon, Tyne and Wear

All rights reserved. No part of this book may be reprinted or reproduced or utilized in any form or by any electronic, mechanical, or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the publishers.

British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

Library of Congress Cataloging in Publication Data

A catalog record for this book has been requested

ISBN13: 978-0-415-47022-3 (hbk)

ISBN13: 978-0-415-69447-6 (pbk)

ISBN13: 978-0-203-86998-7 (ebk)

Political Economy and Globalization

Richard Westra presents strong arguments in support of his claim that far from being a retrenchment of capitalism, the neo-liberal era represents a transition away from capitalism. His book is a must read for anyone interested in the general course of the global capitalist economy after World War II.

Robert Albritton, Professor Emeritus, Political Economy
York University, Toronto, Canada

Based upon distinguishing capitalism from other economic systems, as well as analysis of capitalist change across its stages of development, Richard Westra argues that the economic tendencies we refer to as *globalization* constitute a world historic transition *away* from capitalism. Westra forcefully rejects claims from both Right and Left sides of economic debate that globalization embodies the ultimate world diffusion of capitalism. He concludes that the choice facing humanity is no longer between capitalism and socialism but between socialism and global barbarism.

The argument is meticulously interwoven through four key foci of political economy:

- The role of Marx's *Capital* in producing knowledge of capitalism,
- The periodizing of capitalism and study of its historical models,
- The altering trajectories of production and finance under current globalization,
- The place of socialism in a progressive future.

A central point of the book is that determinations over the capitalist substance of existing economies demand precise understanding of how in its basic operation capitalism manages to secure the economic reproducibility of human society in the first place. To make the case for the passing of capitalism from history the volume draws upon the novel Japanese Uno approach to Marxian political economy.

From the pages of *Political Economy and Globalization* emerges a grim picture of our human future should current economic trends persist. It also offers a positive vision for socio-material betterment in redistributive, eco-sensitive socialist societies of tomorrow. This is a must read book for scholars, students, progressive policy makers and activists.

Richard Westra has taught at universities around the world including Queen's University and Royal Military College, Canada, International Study Center, UK and College of the Bahamas, Nassau. He is currently Associate Professor of Political Economy at Pukyong National University, Pusan, South Korea.

Routledge frontiers of political economy

- 1 Equilibrium Versus Understanding**
Towards the rehumanization of economics within social theory
Mark Addleson
- 2 Evolution, Order and Complexity**
Edited by Elias L. Khalil and Kenneth E. Boulding
- 3 Interactions in Political Economy**
Malvern after ten years
Edited by Steven Pressman
- 4 The End of Economics**
Michael Perelman
- 5 Probability in Economics**
Omar F. Hamouda and Robin Rowley
- 6 Capital Controversy, Post Keynesian Economics and the History of Economics**
Essays in honour of Geoff Harcourt, volume one
Edited by Philip Arestis, Gabriel Palma and Malcolm Sawyer
- 7 Markets, Unemployment and Economic Policy**
Essays in honour of Geoff Harcourt, volume two
Edited by Philip Arestis, Gabriel Palma and Malcolm Sawyer
- 8 Social Economy**
The logic of capitalist development
Clark Everling
- 9 New Keynesian Economics/ Post Keynesian Alternatives**
Edited by Roy J. Rotheim
- 10 The Representative Agent in Macroeconomics**
James E. Hartley
- 11 Borderlands of Economics**
Essays in honour of Daniel R. Fusfeld
Edited by Nahid Aslanbeigui and Young Back Choi
- 12 Value, Distribution and Capital**
Essays in honour of Pierangelo Garegnani
Edited by Gary Mongiovi and Fabio Petri

- 13 The Economics of Science**
Methodology and epistemology
as if economics really mattered
James R. Wible
- 14 Competitiveness, Localised
Learning and Regional
Development**
Specialisation and prosperity in
small open economies
*Peter Maskell, Heikki Eskelinen,
Ingjaldur Hannibalsson,
Anders Malmberg and
Eirik Vatne*
- 15 Labour Market Theory**
A constructive reassessment
Ben J. Fine
- 16 Women and European
Employment**
*Jill Rubery, Mark Smith,
Colette Faga and Damian
Grimshaw*
- 17 Explorations in Economic
Methodology**
From Lakatos to empirical
philosophy of science
Roger Backhouse
- 18 Subjectivity in Political
Economy**
Essays on wanting and choosing
David P. Levine
- 19 The Political Economy of
Middle East Peace**
The impact of competing trade
agendas
Edited by J.W. Wright, Jr
- 20 The Active Consumer**
Novelty and surprise in consumer
choice
Edited by Marina Bianchi
- 21 Subjectivism and Economic
Analysis**
Essays in memory of
Ludwig Lachmann
*Edited by Roger Koppl and
Gary Mongiovi*
- 22 Themes in Post-Keynesian
Economics**
Essays in honour of
Geoff Harcourt, volume three
*Edited by Claudio Sardonì and
Peter Kriesler*
- 23 The Dynamics of Technological
Knowledge**
Cristiano Antonelli
- 24 The Political Economy of Diet,
Health and Food Policy**
Ben J. Fine
- 25 The End of Finance**
Capital market inflation, financial
derivatives and pension fund
capitalism
Jan Toporowski
- 26 Political Economy and the
New Capitalism**
Edited by Jan Toporowski
- 27 Growth Theory**
A philosophical perspective
Patricia Northover
- 28 The Political Economy of the
Small Firm**
Edited by Charlie Dannreuther
- 29 Hahn and Economic
Methodology**
*Edited by Thomas Boylan and
Paschal F. O'Gorman*

- 30 Gender, Growth and Trade**
The miracle economies of the postwar years
David Kucera
- 31 Normative Political Economy**
Subjective freedom, the market and the state
David Levine
- 32 Economist with a Public Purpose**
Essays in honour of John Kenneth Galbraith
Edited by Michael Keaney
- 33 Involuntary Unemployment**
The elusive quest for a theory
Michel De Vroey
- 34 The Fundamental Institutions of Capitalism**
Ernesto Screpanti
- 35 Transcending Transaction**
The search for self-generating markets
Alan Shipman
- 36 Power in Business and the State**
An historical analysis of its concentration
Frank Bealey
- 37 Editing Economics**
Essays in honour of Mark Perlman
Edited by Hank Lim, Ungsuh K. Park and Geoff Harcourt
- 38 Money, Macroeconomics and Keynes**
Essays in honour of Victoria Chick, volume 1
Edited by Philip Arestis, Meghnad Desai and Sheila Dow
- 39 Methodology, Microeconomics and Keynes**
Essays in honour of Victoria Chick, volume 2
Edited by Philip Arestis, Meghnad Desai and Sheila Dow
- 40 Market Drive and Governance**
Reexamining the rules for economic and commercial contest
Ralf Boscheck
- 41 The Value of Marx**
Political economy for contemporary capitalism
Alfredo Saad-Filho
- 42 Issues in Positive Political Economy**
S. Mansoob Murshed
- 43 The Enigma of Globalisation**
A journey to a new stage of capitalism
Robert Went
- 44 The Market**
Equilibrium, stability, mythology
S.N. Afriat
- 45 The Political Economy of Rule Evasion and Policy Reform**
Jim Leitzel
- 46 Unpaid Work and the Economy**
Edited by Antonella Picchio

- 47 Distributional Justice**
Theory and measurement
Hilde Bojer
- 48 Cognitive Developments in Economics**
Edited by Salvatore Rizzello
- 49 Social Foundations of Markets, Money and Credit**
Costas Lapavistas
- 50 Rethinking Capitalist Development**
Essays on the economics of Josef Steindl
Edited by Tracy Mott and Nina Shapiro
- 51 An Evolutionary Approach to Social Welfare**
Christian Sartorius
- 52 Kalecki's Economics Today**
Edited by Zdzislaw L. Sadowski and Adam Szeworski
- 53 Fiscal Policy from Reagan to Blair**
The left veers right
Ravi K. Roy and Arthur T. Denzau
- 54 The Cognitive Mechanics of Economic Development and Institutional Change**
Bertin Martens
- 55 Individualism and the Social Order**
The social element in liberal thought
Charles R. McCann Jr
- 56 Affirmative Action in the United States and India**
A comparative perspective
Thomas E. Weisskopf
- 57 Global Political Economy and the Wealth of Nations**
Performance, institutions, problems and policies
Edited by Phillip Anthony O'Hara
- 58 Structural Economics**
Thijs ten Raa
- 59 Macroeconomic Theory and Economic Policy**
Essays in honour of Jean-Paul Fitoussi
Edited by K. Vela Velupillai
- 60 The Struggle Over Work**
The "end of work" and employment alternatives in post-industrial societies
Shaun Wilson
- 61 The Political Economy of Global Sporting Organisations**
John Forster and Nigel Pope
- 62 The Flawed Foundations of General Equilibrium Theory**
Critical essays on economic theory
Frank Ackerman and Alejandro Nadal
- 63 Uncertainty in Economic Theory**
Essays in honor of David Schmeidler's 65th birthday
Edited by Itzhak Gilboa

- 64 The New Institutional Economics of Corruption**
Edited by
Johann Graf Lambsdorff,
Markus Taube and
Matthias Schramm
- 65 The Price Index and its Extension**
 A chapter in economic measurement
S.N. Afriat
- 66 Reduction, Rationality and Game Theory in Marxian Economics**
Bruce Philp
- 67 Culture and Politics in Economic Development**
Volker Bornschier
- 68 Modern Applications of Austrian Thought**
Edited by Jürgen G. Backhaus
- 69 Ordinary Choices**
 Individuals, incommensurability, and democracy
Robert Urquhart
- 70 Labour Theory of Value**
Peter C. Dooley
- 71 Capitalism**
Victor D. Lippit
- 72 Macroeconomic Foundations of Macroeconomics**
Alvaro Cencini
- 73 Marx for the 21st Century**
Edited by Hiroshi Uchida
- 74 Growth and Development in the Global Political Economy**
 Social structures of accumulation and modes of regulation
Phillip Anthony O'Hara
- 75 The New Economy and Macroeconomic Stability**
 A neo-modern perspective drawing on the complexity approach and Keynesian economics
Teodoro Dario Togati
- 76 The Future of Social Security Policy**
 Women, work and a citizen's basic income
Ailsa McKay
- 77 Clinton and Blair**
 The political economy of the third way
Flavio Romano
- 78 Marxian Reproduction Schema**
 Money and aggregate demand in a capitalist economy
A.B. Trigg
- 79 The Core Theory in Economics**
 Problems and solutions
Lester G. Telser
- 80 Economics, Ethics and the Market**
 Introduction and applications
Johan J. Graafland

- 81 Social Costs and Public Action in Modern Capitalism**
Essays inspired by Karl William Kapp's theory of social costs
Edited by Wolfram Elsner, Pietro Frigato and Paolo Ramazzotti
- 82 Globalization and the Myths of Free Trade**
History, theory and empirical evidence
Edited by Anwar Shaikh
- 83 Equilibrium in Economics**
Scope and limits
Edited by Valeria Mosini
- 84 Globalization**
State of the art and perspectives
Edited by Stefan A. Schirm
- 85 Neoliberalism**
National and regional experiments with global ideas
Edited by Ravi K. Roy, Arthur T. Denzau and Thomas D. Willett
- 86 Post-Keynesian Macroeconomics**
Essays in honour of Ingrid Rima
Edited by Mathew Forstater, Gary Mongiovi and Steven Pressman
- 87 Consumer Capitalism**
Anastasios S. Korkotsides
- 88 Remapping Gender in the New Global Order**
Edited by Marjorie Griffin Cohen and Janine Brodie
- 89 Hayek and Natural Law**
Eric Angner
- 90 Race and Economic Opportunity in the Twenty-First Century**
Edited by Marlene Kim
- 91 Renaissance in Behavioural Economics**
Harvey Leibenstein's impact on contemporary economic analysis
Edited by Roger Frantz
- 92 Human Ecology Economics**
A new framework for global sustainability
Edited by Roy E. Allen
- 93 Imagining Economics Otherwise**
Encounters with identity/difference
Nitasha Kaul
- 94 Reigniting the Labor Movement**
Restoring means to ends in a democratic labor movement
Gerald Friedman
- 95 The Spatial Model of Politics**
Norman Schofield
- 96 The Economics of American Judaism**
Carmel Ullman Chiswick
- 97 Critical Political Economy**
Christian Arnspenger
- 98 Culture and Economic Explanation**
Economics in the US and Japan
Donald W. Katzner

- 99 Feminism, Economics and Utopia**
Time travelling through paradigms
Karin Schönpflug
- 100 Risk in International Finance**
Vikash Yadav
- 101 Economic Policy and Performance in Industrial Democracies**
Party governments, central banks and the fiscal–monetary policy mix
Takayuki Sakamoto
- 102 Advances on Income Inequality and Concentration Measures**
Edited by Gianni Betti and Achille Lemmi
- 103 Economic Representations**
Academic and everyday
Edited by David F. Ruccio
- 104 Mathematical Economics and the Dynamics of Capitalism**
Goodwin’s legacy continued
Edited by Peter Flaschel and Michael Landesmann
- 105 The Keynesian Multiplier**
Edited by Claude Gnos and Louis-Philippe Rochon
- 106 Money, Enterprise and Income Distribution**
Towards a macroeconomic theory of capitalism
John Smithin
- 107 Fiscal Decentralization and Local Public Finance in Japan**
Nobuki Mochida
- 108 The ‘Uncertain’ Foundations of Post-Keynesian Economics**
Essays in exploration
Stephen P. Dunn
- 109 Karl Marx’s Grundrisse**
Foundations of the critique of political economy 150 years later
Edited by Marcello Musto
- 110 Economics and the Price Index**
S.N. Afriat and Carlo Milana
- 111 Sublime Economy**
On the intersection of art and economics
Edited by Jack Amariglio, Joseph W. Childers and Stephen E. Cullenberg
- 112 Popper, Hayek and the Open Society**
Calvin Hayes
- 113 The Political Economy of Work**
David Spencer
- 114 Institutional Economics**
Bernard Chavance
- 115 Religion, Economics and Demography**
The effects of religion on education, work, and the family
Evelyn L. Lehrer
- 116 Economics, Rational Choice and Normative Philosophy**
Edited by Thomas A. Boylan and Ruvin Gekker
- 117 Economics Versus Human Rights**
Manuel Couret Branco

- 118 Hayek Versus Marx and Today's Challenges**
Eric Aarons
- 119 Work Time Regulation as Sustainable Full Employment Policy**
Robert LaJeunesse
- 120 Equilibrium, Welfare and Uncertainty**
Mukul Majumdar
- 121 Capitalism, Institutions and Economic Development**
Michael Heller
- 122 Economic Pluralism**
Robert Garnett, Erik Olsen and Martha Starr
- 123 Dialectics of Class Struggle in the Global Economy**
Clark Everling
- 124 Political Economy and Globalization**
Richard Westra

Preface and acknowledgments

The impetus for this book is what I have witnessed (agonizingly) as the truly intellectually impoverishing treatment the world economic trends euphemized as “globalization” have received in both popular (to be excused) and academic literatures. The root of this is the studied retreat from theoretical analysis in academia as questions of ontology and epistemology in social science have increasingly been sidestepped as passé or politically uninspiring. Book after book, for example, suggests in the Preface that readers are welcome to “skip the theoretical section” and just get to the empirics. This, as if one can navigate the empirical world essentially rudderless and, in the so-called information age, make sense of it. Part of the story here is certainly the festering impact of post-modernism with its attacks on so-called “meta-theory” and exhortations for us all to scurry off and exercise our revolutionary élan subverting meaning in texts. Another part of the story is the unraveling of Soviet style experiments with socialism; this accompanied by strident claims from the reinvigorated Right, that we have entered an age of the “end of ideology”, where “pragmatics” and “consensus” reign; and that, as former British Prime Minister Margaret Thatcher so sanctimoniously proclaimed “there is no alternative” to capitalism and “the market”. A further component of the story has been the narrowing channels of intellectual debate and cross-fertilization of ideas fomented on the one hand by the strict ideological (*sic!*) patrolling of key social science disciplines and, on the other, by major conduits for dissemination of knowledge – academic journals each with their self-anointed intellectual censors ensuring that only those perspectives falling within their own limited horizons make it into the public domain. The outcome of these trends, while empowering the intellectual Right (or is the latter an oxymoron?), have been emasculatory for Left debate, more specifically its Marxian contingent, given that it is from creative thinking by that tradition that humanities’ only real hopes for not only a progressive future, but arguably survival, reside.

The questions where the merging of these trends have had the greatest repercussions and which are, in fact, the direct concern of this book, are those swirling around capitalism and globalization. Capitalism in the eyes of neoclassical economics is unquestionably forever. It is forever because it is programmed into our behavior as self-aggrandizing cost-benefit maximizing human beings. In the

claim that economics is the “science” of human behavior, neoclassical economics naturalizes capitalism as ecclesiastics did the Divine Right of Kings. While, today, in stating otherwise, we are unlikely to lose our heads at the feet of Divine inquisitions, we are more than likely to lose our tenure. Thus, for the gamut of writings on globalization that draw in one way or another upon the neoclassical tradition, globalization is necessarily capitalism. What is rather befuddling, however, is that Left writings on globalization also assume almost axiomatically as neoclassical economics that globalization is capitalism and debate largely proceeds uncritically from that position to questions of the direction globalization qua capitalism is taking: And, of course, on recounting the ills of capitalism and the extent to which so-called globalization compounds these.

In this book it is that very premise of globalization as capitalism which is problematized and challenged. The challenge draws upon the powerful alternative tradition of economic theory of Karl Marx. What is important to grasp is that it is not only neoclassical economics which, predictably, enforces the exclusion of Marxian economics from academic debate: Though that is a large part of the story. The fact is, in North America and Western Europe, Marxism tends to be the preserve of political scientists, sociologists, historians, philosophers, and anthropologists; but rarely is Marx taken seriously as an economist. In challenging the premise of globalization as capitalism the present volume draws upon a major, original development of Marx’s economic writing originated in Japan. As we shall see this Japanese intervention offers a strong defense of Marx as an economist par excellence and his monumental *Capital* as the foundation of a genuine economic theory of capitalism shorn of ideological hubris. But, in defending *Capital* as the basis of a new economics, this book has to revisit thorny questions of ontology and epistemology in the political economic understanding of our world; questions which have been largely purged from social science debate. Therefore, while the central subject focus of this book is political economy, by necessity it offers an interdisciplinary read. And, in weaving the discussion around the Japanese approach to Marxian economics, given the eliding of this approach in Left globalization debate, whether readers agree or disagree with the position this volume takes, they are promised something new.

Challenging received wisdom that globalization is simply capitalism makes for a lonely world. There is, unfortunately, little in the way of like-minded political economic scholarship to draw upon. However, the writings and intellectual support of Robert Albritton and Tom Sekine have been invaluable and I would not have been able to write this book without availing myself of their path-breaking contributions to Marxian political economy. Some thanks are also in order: I am particularly grateful to members of a Toronto, Canada based study group, including Robert Albritton, Nchamah Miller and John Simoulidis for their instructive comments on parts of the manuscript. I also spent many an evening during multiple visits to Tokyo over the past several years discussing aspects of each chapter of this book with Tom Sekine. Final completion of the manuscript was during my sabbatical affiliation from September 2008 at Focus on the Global South (FOCUS) and Chulalongkorn University Social Research Institute

Contents

<i>List of figures</i>	xvi
<i>List of tables</i>	xvii
<i>Preface and acknowledgments</i>	xviii
1 Introduction: political economy and globalization	1
2 Specifying the <i>constant</i> of capitalism in the theory of a bourgeois utopia	11
3 Periodizing capitalism and the world historic transmutability of capital	43
4 Globalization as the retreat of capital to the interstices of the world	93
5 Barbarism or socialism in the world beyond capital	169
6 Conclusion	212
<i>Notes</i>	215
<i>References</i>	222
<i>Index</i>	234

Figures

2.1	Tendency towards equilibrium as the <i>constant</i> of capitalism	32
2.2	The <i>constant</i> of capital and recurring crises of capitalist business cycles	34
2.3	The cognitive sequence in Marxist theory	40
3.1	Theorizing capitalism and imperialism as a sub-theory of HM	53
3.2	Stages of capitalism as the systematizing of institutional history	62
3.3	Levels of analysis in the Marxian political economic study of capitalism	71
3.4	Stage theory as a mediating level of analysis in Marxian political economy	76
3.5	The constant of capital in the stage of consumerism	92
4.1	Transition away from the capitalist stage of consumerism in the US	114
4.2	The antediluvian existence of markets in the interstices of the world	133
4.3	From “dispossession” to possession by primitive accumulation	134
4.4	The waning of production centered society	141
4.5	Neoliberalism and the unraveling of capitalist production centered society	155
5.1	Historical specificity of capitalism	199
5.2	Coupling of specific categories of goods production with modes of socio-material communication	208
5.3	A tri-sector socialist economy	209

Tables

2.1	The Marx–Hegel correspondence	21
3.1	World historic stages of capitalism	78
4.1	The “Unholy Trinity”	162
5.1	Soviet style society-wide central planning	202
5.2	Market socialism – an oxymoron?	204
5.3	Participatory, society-wide democratic planning	205