



THE RETURN OF COSMOPOLITAN CAPITAL

GLOBALIZATION, THE STATE & WAR

NIGEL HARRIS

I.B. TAURIS

The Return of Cosmopolitan Capital

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Globalisation, the State and War

Nigel Harris

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Preface

This book began life in many scattered forms, including some of my earlier writings. But the central argument was forced into a unified form during a course of ten public lectures that I gave in the autumn of 1998 at the American University in Cairo. There I tried to explore some of the implications of the emergence of a single global economy, of globalisation or, in its most extreme form, the fusion of national economies. One of the implications lies in the way we regard the economic history of the world, of economic development and the role of government; another, how we understand contemporary events and current trends.

In giving the lectures in Cairo, I was conscious that 42 years earlier, the well-known Swedish economist Gunnar Myrdal gave a set of lectures which came to constitute his famous little book, *Development and Underdevelopment* (National Bank of Egypt: Cairo, 1956). He there launched what was becoming known as development economics, a rejection of orthodox economics and an affirmation of the decisive role of the state in economic development. This book has no pretension to rival the immense influence of the earlier work, but it is pre-occupied with trying to understand why Myrdal – along with those of us that followed his lead over the ensuing two or three decades – was so wrong.

The argument here takes an historical form and, it might be said, this is a lazy, opaque, way to formulate an argument and a theory. This would be a valid criticism, but in the effort to cover so wide a field I have felt obliged – or my limitations have obliged me – to adopt this method. However, in another sense, history is crucial; the ahistorical approach of much social science, especially economics, is profoundly debilitating – in practice, circumstances change cases.

To cover such a wide swath of concerns is to risk treating sources without proper respect, perpetuating fallacies in the sources, just misunderstanding the record. This work has no presumption to provide a proper history, but it cannot, on the other hand, avoid giving some account of past events if we are to understand how we came to perpetuate such a profound misunderstanding of the nature of the system in which we live. The literature is vast, and I have no doubt missed much and misconstrued much, for which I can only apologise to the reader. This is a work of attempted synthesis and reconsideration, made possible now, I believe, only because of the way the world itself is changing – and in

material terms, not simply in terms of ideas. Globalisation undermines the way we approach the present and thus forces us to reconsider the past as well as what we can understand of the future. It is especially important to start the task now because we forget so quickly the immediate past, and thus the striking novelty of the present is swiftly lost.

On the other hand, to try to identify long-term trends requires one to refrain from dealing with – or pontificating on – immediately current issues. The short term so often clouds our sense of trends. As the book is completed, the US economy, after one of the longest booms in its history, seems set upon recession; a new US President proposes to expand and change the direction of the American defence programme, both of which tendencies might test some of the propositions in this book. But no book can await events to test hypotheses – there would never be a time to draw the balance sheet; this is a task for the reader.

The central argument of the book on the relationship between war, the state and economic development – and why the relationship has become dislocated – is not new, although it has led only a subterranean life. Werner Sombart advanced a thesis on this theme before the First World War (*Krieg und Kapitalismus*, 1913). Charles Tilly has, with masterly scholarship, developed the story much further as an account of systemic warfare and the formation of the state system in European history; Michael Mann and many others have added to this story. On a much more modest level, Michael Kidron and Tony Cliff proposed an explanation for the economic growth of Europe and the US after the Second World War based on the return to war, a ‘permanent arms economy’.¹ I have stretched this insight in the opposite direction, to cover the entire history of the modern state and of national capitalism. The greatest debt here is to Marx, even though my argument is quite inconsistent with what passes for Marxism, but the debts are clear in terms of a continuous argument with his historical work. From Charles Jones, I have borrowed the phrase ‘cosmopolitan bourgeoisie’. These are far from exhausting the debts for ideas included here, even though some of the parents may no longer recognise their children in my presentation.

I have also a number of special debts. First, to Professor Enid Hill and the American University in Cairo for forcing me to spell out a case in a set of lectures; secondly to the audience in Cairo, who loyally persevered with my stumbling formulations, and cross-examined the arguments. A number of other people have been induced to read the manuscript and have both made some exceedingly important amendments and corrections, and – in some cases – disagreed fundamentally with the thesis: Colin Barker (of the Manchester Metropolitan University); Robert Brenner (of the University of California at Los Angeles); Robert Buckley (of the World Bank); Tirril Harris (of King’s College,

London); Martin Khor (of the Third World Network); Krishna Raj (Editor of the *Economic and Political Weekly*, Mumbai); David Lockwood (of the University of Adelaide, South Australia); Alasdair McAuley (of the University of Essex); Desmond McNeill (of the University of Oslo); Sami Zubaida (of Birkbeck College, London); Ahmed Sehwawy (of the *International Socialist Review*, Chicago). Of course, these vital contributions – from many different perspectives – do not implicate anyone in errors; these are exclusively my own.

Finally, the book is written in the belief that xenophobia – and its ugly children: racism, religious bigotry, chauvinism and all the other varieties of chronic or mild patriotism, down to the tedious self-adulation and vanities of daily nationalism – is the cancer of a global civilisation, the AIDs of the new world order. It can lead to the common ruin of us all. This book, I hope, will suggest reasons not only why globalisation, despite its discontents, is not in principle to be feared, but actively embraced as allowing us to escape some of the age old tyrannies of a world of national states.

Acronyms

ACP	African, Caribbean and Pacific Countries (European Union preferential trade area)
ASEAN	Association of South East Asian Nations
Comecon/CMEA	Council for Mutual Economic Assistance (Soviet Union and its allies)
EBRD	European Bank for Reconstruction and Development
FBI	Federal Bureau of Investigation (US Government)
GATT	General Agreement on Trade and Tariffs
IMF	International Monetary Fund
MITI	Ministry of International Trade and Industry (Government of Japan)
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organisation
NEP	New Economic Policy (USSR)
NGO	non-governmental organisations
NICs	newly industrialising countries
NSDAP	National Socialist German Workers' Party
OECD	Organisation of Economic Cooperation and Development
RAF	Royal Air Force (UK)
RMB	Ren Minh Bao (currency of People's Republic of China; see also Yuan)
SA	Sturm Abteilung (stormtroopers, also known as brownshirts)
UN	United Nations
UNDP	United Nations Development Programme

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Introduction

Half a century ago, it was taken for granted that the world economy consisted primarily of a set of interacting but autonomous national economies. The area of political authority, the territory of states, coincided exactly with the economic. Furthermore, states played the pivotal role in organising the economy, in directing capital and labour, as they did in society, defining the interests of society and undertaking the means to achieve those interests. A little earlier, in the inter-war years, opinion favoured economies organised as sets of monopolies, of corporations under the direction of the state, whether those corporations were also owned by the state or by private interests. The state plan was the central template of activity, and by implication the corporations were functionally organised relative to the state plan, not shaped by their responses to competitive markets, operating outside the determination either of any individual competitor or of government. There was a sneaking feeling that the then-Soviet Union constituted a superior form of society precisely because it had done away with markets and private ownership, had designed a ‘scientific’ economy under the rational direction of government. On the other hand, the Great Depression, it was widely felt, had shown that capitalism had reached the end of its potential and vindicated, if not the Soviet form of society, one or other of its state-dominated varieties.

The independence of the former empires married this intellectual inheritance to a sense of the limitless possibilities for development once the narrow interests of private capital, arbitrary and chaotic markets, and imperialist

governments could be thrown off. Experience of the war economies of Europe, like that of the Soviet Union, demonstrated for many people the scientific truth that the state could completely master the economy and society and direct them with scientific precision to whatever aims the government chose. The mood inspired the creation of a new branch of economic thought, the economics of development (with its associated technical branch, the economics of planning), combining the excitement of breaking the shackles of empire and of an economics founded supposedly to prosecute exclusively the greedy interests of capitalists and their creature, government. The new statist perception, in one or other modification, came to establish an orthodoxy that united the political right and left – from the World Bank or the United States State Department to the Social Democratic governments of Western Europe, most governments of the newly independent countries, to the Communists of the east. All agreed that governments had to direct the economy and to own whatever was required to do this. An American visitor observed the mood in Delhi during the heroic Second Five Year Plan (1956–61) –

One element of the strategy – the proposition that it is the business of government to be the principal planner, energiser, promoter, and the director of the accelerated development efforts – is so fundamental and so little disputed in India that one would probably not bother to even mention it to an Indian audience (Lewis 1964: 26).

The intellectual position was part of a world in which one of its foremost economic inspirations, John Maynard Keynes, in the gloom of 1944, could reflect that there would never be a return to open world markets (in Harrod 1951: 567–68):

I am, I am afraid, a hopeless sceptic about a return to the nineteenth century *laissez faire* ... I believe that the future lies with

- 1) State trading for commodities;
- 2) International cartels for necessary manufacture; and
- 3) Quantitative import restrictions for non essential manufacture.

It was a set of beliefs created in full only in the twentieth century in the period we discuss later as the apogee of the national state. Furthermore, it was more a summary of selected trends and aspirations, tidied up intellectually by proselytes, than an accomplished reality. We know now how far removed the reality of the Soviet economy was from the myth Western intellectuals chose to create, and chose to create precisely because they wished to insert key aspects of Soviet ‘theory’ into Western reality. In the late 1940s, conventional opinion, even among the more conservative, had become ‘progressive’, and had after much struggle and doubt come, depending on the place, person and time, to some approximation to the beliefs of social democracy or Communism at that time (the Communism was that of Stalin).

The statist orthodoxy was strikingly at variance with the history of the world, where world trade took place between geographically remote sources of production, only related to territorial governments as markets for what was traded rather than as themselves agents of trade or production. And it is strikingly at variance with our own orthodoxy with an emphasis on the necessary dominance of markets and private ownership, the reduction of the economic role of government, and the subordination of all sectors of activity, wherever feasible, to competition. There is no place here for the Plan, let alone the authoritarian power required to implement it.

The change is dramatic and profound. Indeed, we still do not have an adequate conceptual architecture to describe the new world – sets of interacting global sectors or networks of multinational corporations. By inertia, the world of states, territorially tethered to one place, still provides the common language to describe what is happening. More important, the statistical authorities which, in the main, decide what data should be provided to us to identify the world are paid and maintained by states, the data disciplined by the interests of government. Yet that picture of the world is increasingly misleading, askew of events.

This book is centrally concerned to understand how and why this immense intellectual transformation took place. For, unless one believes that governments and their economic advisers are guided by nothing better than random fashion, the change must suggest some profound change in reality, the decline of one kind of world and its chief conceptions. We need to understand the change not to make foolish fun of our errors in the past but both to understand what kind of world we are entering and to try to avoid confusing a temporary conjuncture with long-term trends. But then the question arises as to how the statist view was created and came to exercise such a universal influence, particularly in the context of the historical operations of capitalism. Only then can we understand the present and the continuing struggle of states to preserve their power against the forces of global integration.

Thus, the structure of the book begins with a brief – given the nature of the subject – account of the origins of capitalism, of business, and its relationship to territorial government. It is followed by an account of the creation of the modern state in Europe, the dynamic of a new kind of system which obliged rulers to identify an ‘economy’, to pay close and increasing attention to it, and hence to fashion simultaneously national centralised bureaucracies and a new type of society. The apogee of this system, the centralised-militarised state of the inter-war years and the period immediately after the Second World War, embodied the moment of greatest power for the state system in Europe. We then look at the transition in the years after the Second World War to our own times, the sources of the change which underlies the extraordinary transformation

both of the world order and the intellectual climate, summed up in the word 'globalisation'. In particular, the idea of national economic development was transformed in the hands of the newcomers, Japan, and the newly industrialising countries (NICs); their experience was among the first indications of a new world economic order. The book then looks at three examples of resistance to the process, resistance to the erosion of national sovereignty – in Sub-Saharan Africa, in the former Soviet Union, and then, in the late 1990s, in the economic crisis of East and Southeast Asia. We then seek to gather together the threads of the arguments to consider what forms of governance appear to be emerging, what forms of social order may be appropriate to the new world. Finally, we consider some of the trends and countertrends in the world relative to the agenda of globalisation, before returning to the starting theme of the change in perception of the system.

The work is not a history, but a selection of some historical events to illustrate – it is impossible to claim anything stronger than that – a particular thesis about the peculiarities of European development which were both bequeathed to, and imposed upon, the rest of the world. The terms are, as historians are painfully aware, slippery. We use the term 'state' to describe territorial government, yet in reality there is such an immense variety of such forms of government, generalisation is not only rash, it certainly leads to false inferences when applied to all. We describe the 'modern state' (that is, the state initially of the European Great Powers, but subsequently covering the rest of the world thereafter) as centrally 'war-making', even though most governments call their weapons programmes 'defence'. The difference between the two is scarcely substantial, since in a system of competitive states, arming for defence is seen as an act of aggression. We identify the economic implications of the war-making state as 'the national capital project', as if it were exclusively war-driven; yet there have been states with capital projects but without armies – for example, today's Costa Rica – and states have moved between phases of war-making and disarmament without this affecting the capital project. In the Marxist and Marxoid literature, the term 'capitalist state' is a notorious problem. In the propaganda of Moscow, it had some sense, contrasting the Eastern and Western blocs, but with the ending of the Cold War it is difficult to know what it could mean, except as a term of abuse, a kind of selfish state. If the adjective is to be more precisely used, we have to admit that any state operating in the modern world must reach some working accommodation with businessmen, domestic or foreign, to secure long-term survival, but to call it capitalist when there are no non-capitalists – in this limited sense – is to use a distinction which is either redundant or contrasted with only an hypothetical alternative (so it becomes not a description but an affirmation of political commitment). On the other hand, there are so

many and varied relationships between private business and government (from the Venetian oligarchy to Nazi Germany), that a finer differentiation is required to serve any useful analytical purpose.

There are more difficult problems associated with reading concepts back into history. Once modern states were created, their historians tried to carve out a slice of history which could be presented as 'national', so that the brand new nation could – however implausibly – claim an origin in the most distant times and a continuity with that origin. Thus, we find the 'British' fighting against the Romans – where the geographical location of the tribes involved is merged into the idea of a much later political entity; or the 'French' are active long before any concept of France, let alone a political entity, was created. The same problem arises with 'international trade'. Trade between 'nations' implies transactions between political entities, agents living under jurisdictions which correspond to the modern idea of government, and therefore involves at some level inter-governmental relations, we assume, and the pre-eminent loyalty of the merchant to one or other government. Yet before the modern period, 'nations' rarely coincided with the boundaries of the political formations of the world, and inhabitants were required to obey government, not to be loyal to it. A Verona merchant in the fourteenth century in Cairo, buying goods from somewhere in the territories of India carries none of this political baggage. Yet we find the unwary still referring to 'Anglo-Italian' trade in the fourteenth century to describe wool exports by an Ipswich merchant, through a Flemish intermediary, to a Florentine buyer. To speak of 'international trade' here makes as much sense as speaking of 'inter-religious trade' (say between Christians and Muslims) when the religion of the merchants is, by and large, irrelevant to the transaction – or at most a subject to be verified rather than assumed. In practice, the social and political complexities are such as to defy easy inferences that fit the much later age of national states – if in 1611 an Armenian in Calcutta opens a line of credit for an Andalusian banker in Cairo for onward shipments to Genoa, we have to prove the relevance of the social categories rather than assume that they are self-evident. Without this, the past is colonised simply to reaffirm the eternal character of modern political arrangements – contemporary concerns are forced on the past.

'Globalisation' has become the popular term employed to escape from these problems. It has several demerits: it is a rather ugly word; it implies a degree of homogeneity in the integration of the world economy which is clearly lacking and may never occur. Furthermore, it seems to imply a unilinear process in which economic integration or fusion is accompanied by parallel processes of cultural, social and political integration which is clearly not the case and in no way necessary. On the contrary, economic fusion may produce political fission,

as might be suggested in the case of the former Soviet Union or Yugoslavia (where political and social differentiation is not accounted for by economic processes). Nor need culture follow the flag; closer economic integration may lead to greater cultural diversity, a subject discussed later. We retain the term 'globalisation' here to refer to a tendency towards a wider economy – at one extreme the world – to supersede national economies; that is domestic economic activity becomes centrally determined by external factors (so that, indeed, the distinction domestic and external loses much useful economic meaning).

The word 'cosmopolitanisation' is used here to refer to what is happening to the world socially. It also has demerits – it is too long to be written often, too troublesome to say, and also rather inelegant. But it shifts the emphasis to the idea of a world of interacting polises, a set of defined social entities with linguistic, religious and cultural distinctions. While economic fusion – with great variation – seems possible, it is not possible to imagine a socially homogenous world. It seems more likely that people will not only preserve – indeed treasure – past social differentiation but will reproduce new forms, without those distinctions having any necessary economic (or political) implications.

There are no lobbies for globalisation. There is no noise to match the loud brash military music of the national, and even the ranks of the UN blue berets are there only because the national authorities grant them the right. Most governments understandably view economic integration with intense suspicion as undermining their authority. Since international organisations – from the United Nations to the World Bank – cannot go beyond the national interests of their leading members, there are no significant forces pressing for economic integration. The multinational corporations have no common agenda, and certainly no interest in the abstraction of global economic integration, only the conditions for them to maximise success (which may or may not coincide with globalisation). The process is being driven not by conviction but by the forces of markets, shaping all participant organisations in directions which are not clear until well after the event. Nonetheless, this book is written in the conviction that, compared to the old order of the first half of the twentieth century, what is coming about is strikingly superior to what went before – an occasion for considerable optimism rather than the reverse. The triumphs of the old state system and its culture are two world wars, and although the present order is still full of un-mastered dangers it will need to go a long way indeed to match the catastrophes of the past.

PART I

ORIGINS

2

The Origins of Capitalism

INTRODUCTION

From the beginning of recorded history – and possibly well before that – traders have been buying and selling for profit, have been moving goods from sellers to buyers. Out of the profits made, they have accumulated what we could, without distortion, call ‘capital’, enlarged assets in one form or another available for subsequent investment. As a by-product of this activity, merchants have had a direct and indirect role in the development of the production of goods: in farming, manufacture (artisan or handicraft workshops) and mining. Where traders have operated, commercial systems of production – production for sale rather than use – have developed. In fact, in many systems merchants have not been the precondition. Large operators have been conglomerates, combining the ownership and cultivation of land and livestock, the operation of manufacturing workshops, the exploitation of mines, and large scale trade and banking enterprises. The last, banking, was vital even if it was only in-house or simple money-lending; the credit base required for the extraordinarily risky and long-drawn-out business of long-distance and/or bulk trade required considerable financial backing.

Trade, the response to and the development of markets, has a stronger claim to being the essence of capitalism than any other activity. It was the shock of factory production which led theorists to identify the latecomer, industrial capitalism, as capitalism itself – ‘Capitalism, that is, the modern industrial

system', in Gershenkron's words (1970: 4). Under the influence of Adam Smith, of Marx and other theorists of the nineteenth century – even when they did not use the word 'capitalism' – the factory system came to be identified as an entirely new type of society, uniquely created in the northwestern corner of Europe in the eighteenth century. Yet many of the more important features of that economy had occurred earlier in the richest regions of the known world – in Mesopotamia, in what was to become China, in parts of India and Southeast Asia, in Egypt. Research in the future may find even more extensive ancient networks and centres of commercial production in Sub-Saharan Africa and the Americas.

It is only now with the advanced decline of the factory system and of industrial capitalism that we can see this was only a particular form, and one which lasted barely two-and-a-half centuries. The decline of industrial capitalism today – as measured by the manufacturing share of total output or employment – hardly represents the end of capitalism. Even if, like Marx, we trace the origins of industrial capitalism to, say, the sixteenth century, even that is not enough to identify the history of the economic form. On the contrary, this period describes the period of the rise of the modern state rather than a unique economic system, the emergence, at most, of a national capitalism rather than its cosmopolitan version that had existed in some form for thousands of years. Nor is it any easier to identify a moment of time when 'capitalist society' – that is one dominated by commodity exchange – occurs. Such domination recurs historically, only to be defeated up to the arrival of the last, and the last, as we shall see, was by no means inevitable.

Throughout recorded history, those who mobilise physical power, the armies of the world as organised by territorial administrations, were almost always dominant. The imperatives which guided governments were usually political, not commercial, and only sometimes did these coincide with commercial interests; sometimes governments themselves initiated and controlled trade, but often they regarded merchants as subversive, with the power to escape territorial authority. In any contest between merchants and princes (if merchants were ever so foolish as to question the ruler), the territorial principle – the sword – invariably won. In the end, the immediate mobilisation of physical power could always defeat mere money. It has been equally so in our own times – the waves of nationalisations in the developing countries of the 1970s illustrate the real balance of power in such contests.

Perhaps this fear of subversion was why so many rulers favoured foreign minorities as their capitalists, favoured those who were by definition cosmopolitan and so, supposedly, not contenders for territorial power and more easily controlled. The tendency reinforced the inclination of the merchants themselves to form separate communities. In conditions where the law was weak and the

reach of the authorities limited, trust between individuals, without public guarantors, was the essence of trade. Traders were obliged to rely, where possible, on those of the same background, family members, relatives, those of the same geographical origin or religion, to rely on those whom they felt, often wrongly, they could trust, backed on occasions by private force. As Pomeranz and Topik (1999: 9) put it: 'trade was organised through networks of people who shared the same native place – and thus a dialect, a deity (or several) to swear on, and other trust inducing connections'.

Territorial rulers created clusters of concentrated demand, whether to supply the ruler's household and entourage, to supply an aristocracy or, more often, to keep armies (and sometimes populations) provisioned. In general, land taxes of various forms financed such a system and were the basis for financing trade. Often tax farming, the link between the two forms of power, land revenue and commerce, provided another lucrative means by which the wealthy could enhance their position. Accordingly, the capitalists of old divided into the often immensely rich suppliers to rulers and their armies, and those who traded between these clusters, from the masters of great caravans and fleets to the humble peddler.

If the characteristic forms of government, founded upon land tax and military power, were empire and kingdom, that of merchant trading and commercial taxes were city-states. As we shall see, the 'nation-state' was a peculiar and much later hybrid of these two forms. In practice, this division is too stark, for city fathers owned and taxed land, and territorial rulers were sometimes merchant princes. Sometimes, the profits of trade were pursued by territorial rulers in order to fight their wars, if not to accumulate. But the prototypical trader proper was subversive, since his occupation gave him the power to escape any particular ruler. Furthermore, he expected to continue trading regardless of wars, the endless squabbles of rulers, of their alliances and enmities. He would continue to supply 'the enemy' with finance and arms or the means to make arms. Rulers in their turn hardly expected merchants to behave differently, although sometimes merchants were punished for the sins of the rulers of their native place. But, in general, war and the rivalries of princes inhabited a qualitatively different world to that of traders – they could be catastrophic for the merchant, but in much the same way as a typhoon or storm at sea.

But were not city-states also states? They were, but in general were built to draw resources from trade, banking, ship-repair, the swapping of intelligence and manufacture rather than land taxes. Here rulers often promised to levy no unjust taxes to attract traders, even offered tax incentives to merchants to locate their operations there, sometimes built fleets to protect them in the sea lanes,

created marketplaces and regulations to govern them, dredged harbours and built wharves and warehouses. They pioneered the creation of the infrastructure for capitalism. As Pomeranz and Topik observe (1999: xiv–xv):

The market structures that are basic to our world ... are, for better or worse, socially constructed and socially embedded. They require a host of agreements on weights and measures, values, means of payment and contracts that have not been done universally nor permanently, plus still more basic agreements about what things should be for sale, who was entitled to sell them, and which people could haggle about prices (and settle disputes without drawing swords) without compromising their dignity.

The capacity of city fathers, whether single rulers or oligarchies of merchants, to create and sustain such a framework depended on not being overwhelmed by powerful territorial rulers. Insofar as cities survived, they did so within the interstices of a system of territorial power. They serviced a network of trading relationships that both linked the great territorial clusters and went far beyond them, drawing supplies from an immense diversity of sources and provisioning outlets far beyond the knowledge of the individual merchant or ruler. Long before globalisation was thought of, capitalism was, unknown to many of its participants, knitting together the territories of the world in commercial exchanges.

Alongside and interacting with relationships of exchange were many other social bonds of, for example, kinship, tribe and clan. There were quite different rules and values operative here, and where the two sets of regulatory imperatives overlapped, frequent conflict, out of which there was no preordained victor.

Insofar as history of economic exchange was recorded, it was most frequently done not by itinerant merchants but by scholars, secluded and supported by territorial rulers; this became the account of the history of civilisation. History has thus almost always been political history, the history of territorial rulers. We have, by comparison, precious few accounts of the travelling merchants and their transactions, and most of these do not date from much before the second millennium. Hence we are driven most often to see trade in the context of the territorial ruler, not the trader. Here there are many different types of relationship, from empires without commercial trade, empires that traded for the purposes of the state, merchant princes who traded for private profit and public purpose, to states that consisted in essence of private traders, and between them all, traders who operated on their own account, seeking insofar as possible to avoid relationships to governments.

In the case of the first, empires without commercial trade, two of the most famous are the great empires of the Americas, the Incas and the Aztecs. They seem to have combined vast territorial holdings and major distribution networks, but without markets, money or capital. This was most true of the

Incas. In the case of the Aztecs, a special caste has been identified as responsible for trade, but they were closely interrelated with territorial power: in modern terms, an arm of government. Parallels to the Aztec system seem to have occurred in the systems of some of the Assyrians, the Pharaonic Egyptians, even the Phoenicians, down to the twentieth century and 'state capitalism'. Merchant princes and commercial city-states were very much more frequent, as we shall see, and round these forms, perhaps, were independent trading networks, the earliest forms of 'free trade'.

However, this formulation is misleading, for it over-emphasises long-distance trade relationships, those in the distant past predominantly concerned with luxury goods. In what were for long periods the larger territorial formations, say China or one or other of the Indian Empires or Rome, the bread-and-butter of trade was 'domestic' – that is, within the political domains of a ruler: bulk movements of rice or wheat or timber. Here the availability of water transport was often a decisive factor facilitating exchanges: China's rivers (and canals), the Mediterranean Sea, the Ganges or the twin rivers of Mesopotamia. The development of such domestic trade was a powerful component in the creation of territorial units, in the emergence of rulers as capable – with bulk appropriations or purchase, granaries and secure transport routes – of, when needed, offsetting famine and ensuring food supplies.

To be sustained, commercial trade – and what it presupposed, specialised producers – required favourable social and political conditions, and for much of history these were lacking. The emergence of a private capitalist system from the complex of territorial and commercial forms is not therefore marked by a single moment of transition, much less a grand historical march of progress. Rather there were great surges of economic growth, of 'business', some of which occasionally established institutional forms favourable to further growth. But all, except the last, ultimately failed, either through natural disaster or more often a change in political conditions: the intervention of the territorial state to enforce other priorities. But the surges took place on a rising plane of productivity and innovation, of population and incomes, so that each fluctuation tended to start from a new technical and economic position and carry growth to a higher level, the whole process extending over very long periods of time. Even the last astonishing acceleration of the surge, to reach unprecedented heights of output – initially in the nineteenth century, but then spectacularly in the twentieth century – did not make capitalism secure from precisely the afflictions that in the past either destroyed or radically reduced it. However, now the present surge of capitalism, unlike its predecessors, seems to have attained the character of systemic self-perpetuation, to have created self-generating growth so that neither disasters nor the action of states can ultimately frustrate this drive. Insofar as the

idea of a 'capitalist society' has a sense of permanency and self-perpetuation, it would seem to apply only to this very late stage. If this is so, then we can say of capitalist society – as opposed to capitalism – that it arrives only with globalisation in the last quarter of the twentieth century.

Thus, if we abandon a definition of capitalism as exclusively the industrial system, there is no historical moment when we can declare 'capitalism' has arrived – if we are to employ that term with any precision. Capitalism as a predominantly market-driven private and competitive system of accumulation occurs in some form at many points and times in the world. In many others, it is either entirely marginal or non-existent. In most times and places, the market system has been marginal or only indirectly important to the great affairs of state, the agenda of issues of war and peace of the territorial rulers. Even in our own times, when the business ethic has more intensively soaked into the fabric of daily life and even the affairs of government, the state still endeavours to make its agenda privileged – and if need be, governments liquidate business in pursuit of that agenda.

This chapter is directed to illustrate some of these themes, with particular emphasis on the sporadic emergence of a system of private commercial capitalism. It is almost inevitably a superficial exercise, since it is impossible to go in depth into the historical detail concerned, even where the data is available. However, the preoccupation is not with describing each period, but seeking answers to a much narrower range of concerns. How far was commercial activity economically and socially significant in society at large in the pre-modern world? How far did the demands of trade, of market exchange, influence patterns of production – cultivation, manufacturing, mining – and hence patterns of innovation in those systems? We leave on one side the crucial question of how far social forms facilitated, impeded or were neutral in these interactions. How far in this pattern of exchange can we identify a private-competitive system, as opposed to trading in the interest of rulers and in accordance with what we have called the state agenda? How far, out of this process of exchange, can we identify the emergence of private businessmen as a separate class in society with some degree of class interest? How far is it possible to identify such a class developing an aspiration to determine the policy of the state in their class interest (as opposed to individuals acting as officials of state or as politicians, embracing the agenda of the state)? Thus it becomes possible to see what sense there might be in the phrase 'capitalist state'.

The next chapter examines the coterminous development over the past millennium of the modern state, of the state agenda, and the nature of the ultimate marriage of state and capitalism. In this chapter, I hope to show that there are no defensible grounds for restricting the origins of capitalism to northwestern

Europe, nor to the birth of modern manufacturing, nor to the creation of the modern national state.

There is no qualitative distinction between the activities of traders, merchant capitalists, and those who farm, manufacture or mine. Trade has been transforming the scale and process of production for as long as recorded history, and has also been securing divisions of labour through the world's territories for similar periods of time. Far from globalisation being new, it is most ancient; what is peculiar is the occurrence of the much shorter period of 'national capital'.

Following this idea of globalisation as intrinsic to capitalism, the class of 'businessmen' (to use an anachronistic term for want of a better one) who created and sustained this system has normally been cosmopolitan, composed of networks of people of different ethnic, cultural, linguistic and religious origins, threading their way between the murderous rivalries of the territorial rulers. They are thus, if true to their calling, intrinsically subversive in terms of the state agenda. However, businessmen are also pragmatic, and if their profits can be secured by a monopoly – the reward for accepting a special relationship to authority, the state, which grants monopoly – they will happily do so.

A cosmopolitan trading system, rooted in defined but changing geographical areas of production, produced a territorial pattern of trading cities, a necklace of points of exchange (Braudel's 'archipelago of cities'). Territorial princes created empires and kingdoms. The merging of the two is the creation, very late in the day, of 'nation-states'.

ANCIENT TRADE

So far as the Eurasian land mass is concerned, the earliest civilisations were accompanied by the growth of extensive trade, drawing goods from surprisingly distant sources to service the emerging complexes of city-states (even when these were politically organised as federations or empires) – in the Yellow River region of north China, the Indus Valley, Mesopotamia, the Nile Valley (and, around the same time, in Central America). There is evidence of trade between Egypt and the rest of the Mediterranean from 7000 BC and, slightly later, between the Indus Valley and Mesopotamia. This, however, concerns recorded trade, and records only occurred with the emergence of a literate class (and a need for records was often closely related to the revenue needs of territorial rulers, whether taxes or profits, as well as the needs of traders to record their transactions), itself closely related to the development of territorial power. Hence there is no account of trade before the territorial entities of which we have records emerged, nor of trade networks outside these clusters of

development, of what may have been even then itinerant pedlars, trading on and beyond the fringes of civilisation, particularly along watercourses. Conditions of great insecurity, sheer physical obstacles and the limited surplus for trade may have severely limited this, but on the other hand goods do indeed seem to have been distributed outside the perimeters of what was known as civilisation.¹

At present, the best documented cases of ancient trade networks are from the Middle East and east Mediterranean, and it is with these that we therefore start. But future research may reveal – for example, along the Chinese or Indian coasts – even earlier or more developed systems.

The Assyrians

Much of the trade in ancient empires appears to have been related to the needs of government, and particularly conditions of endemic warfare – the supply of copper and bronze, of weaponry, of leather and timber. So overriding was the preoccupation with war, Diakonoff (1992: 17) observes, that in 2000 BC Babylonia, there was no word for ‘abroad’ or ‘foreign country’ except ‘enemy country’. Nor were the results of trade, of peaceful exchanges, necessarily distinguished very clearly from plunder, the result of warfare and official theft. Similarly, no trading class appears to have been clearly distinguished from the rulers. In the Assyrian cities and trading colonies, for example – Babylon, Aram, Anatolia – in the middle Bronze Age (2300–1600), palace, temple and market were integrated in sustaining trading. Trade was strongly encouraged to acquire the goods for, and raise the revenues of, the state (insofar as one can employ that word), although there seem also to have been ‘private’ clients. There was also trade in bulk necessities to supply armies and perhaps, on occasions, the population at large. We are perhaps misled by the modern conception of a clear distinction between the public and private.

Trade linkages extended westwards from Mesopotamia to the Mediterranean and Egypt (handling wheat, barley, cattle, silver, gold and textiles) and eastwards to what were to become Persia, Afghanistan and India (the first evidence of trade with India dates from 3000 BC). The Akkadean Empire constituted one of the first known hubs of trade, linking the Indian Ocean and Anatolia on the Mediterranean (exchanging wheat and textiles for copper, tin and jewels), with further links to Egypt at one end and the Indus and Hwang Ho civilisations at the other. With the collapse of the empire, there was a period from 1950 BC – some accounts suggest – when independent traders and trade networks emerged from official control, regulated by merchant guilds – ‘in modern terms’, Lewy (1971: 58–59) boldly declares, ‘the first experiment of free enterprise on a large-scale’.

The Phoenicians

From 1200 BC or so, a set of trading cities emerged on the Levantine coast of the east Mediterranean, perhaps the by-product of the trade demands of Mesopotamia and Egypt. Aradus, Berytus (Beirut), Ugarit, Sidon, Tyre, Sarepta and others constituted the competitive centres of a Phoenician trading network that reached the height of its commercial and territorial power between 1100 and 850 BC. The trade colonies – with associated mining, smelting and manufacturing – were spread through the Mediterranean, some of the more famous ones being established in North Africa (Carthage), Cyprus (and its famous copper mines), Sicily, Sardinia, peninsular Italy, coastal France and northwestern Spain. The network now linked the Atlantic and the Indian Oceans, and once the Straits of Gibraltar was breached, links stretched southwards along the African coast and northwards to the mines of Cornwall in England and to Ireland. The trade networks created and sustained important centres of mining and manufacture – metals, glassware, textiles, dyes, furniture, jewellery. From Egypt came gold, from Africa ivory.

Trade again seems to have been powerfully shaped by rulers of the cities, directed by an aristocratic class of merchant warriors, enforcing mercantilist policies, with a key role – as bankers and warehouses – for temples. Warfare and trade were not clearly distinguished – the Phoenician fleets were armed (particularly against Greek pirates), and cities maintained navies. One trading colony in particular, Carthage on the North African coast, came to supersede its parents, creating, by the standards of the time, a major commercial hub in the central Mediterranean area, handling gold, incense, iron, copper, silver, tin, African animals, dates.

The Greeks

Some historians (for example Moore and Lewis 1999) have argued that some of the Greek city-states went well beyond the form of state-supervised trade, manufacture and mining to forms of market-driven ‘free enterprise’. However, there appears to be a wide range of different forms, and the distinctions are of degree rather than kind. At its peak, there are said to have been 1300 independent cities, poleis, 200 of them around the Aegean but the rest spread round the shores of the Black Sea, the Mediterranean (particularly Egypt and North Africa), Sicily, peninsular Italy, the French coast (Massilia, later to be Marseilles) and Spain. In the Aegean, not all of them allowed private trade – Sparta notoriously so. Others had major relationships with, for example, the metallurgical

manufacturing cities of Etruria in northern Italy, making and exporting weaponry, bronze and iron utensils, tools, as well as pottery and amphora.

Many of the Greek cities were dependent for their survival on trade. The warships that guarded the seaways (and, as well, preyed on passing ships) to protect giant fleets (it is said the peak number of vessels was not surpassed before the nineteenth century) were built from timbers hauled from Macedonia and Asia Minor. Grain to feed the home populations was a key element in trade – 800 voyages per summer were made, it is said, from the port of Athens to secure the means to feed the population of the city (2–300,000). The port of Rhodes, which emerged as a key junction point for east Mediterranean trade, was linked to the Phoenician cities on the Levantine coast, the points where the caravans from the East (and ultimately to the Indian subcontinent and, by the Silk Route, to China) arrived; other key links were to the Egyptian coast (to a city which took finally a name of Greek origin, Alexandria), and thus to the Red Sea, Arabia, Somalia, the Indian ports and beyond to south China.

Many of the institutional means to facilitate trade were developed in the leading Greek cities – coinage, from the sixth century BC, replaced barter (or the use of ingots as a medium of exchange), a legal framework to underpin the repayment of debts, rights to property, a city capital market and a credit system. The growth of commerce stimulated production of cash crops in agriculture (grapes and wine, oranges, olives and olive oil, honey, wool, cheese), and of mining and manufacture (marble, fullers earth, pottery, pitch) (Casson 1964: 72–73). Indeed, the commercialisation of farming made necessary the grain imports to feed the farmers as well as the non-farmers.

The Athenian basis of political power and of citizenship (and hence access both to the rights of self-government, to land and the obligation to bear arms) was vested in land-ownership, not trade or wealth in general. Commerce, artisan manufacture and the ownership and management of ships were in the hands of non-Athenians, slaves and others (*metics* or foreigners, recruited from Marseilles, the Black Sea and Asia Minor). By the fifth century BC there were possibly a quarter of a million inhabitants, including perhaps 40,000 resident aliens and 150,000 slaves. Trade – and thus both foreigners and part of the slave population – was vital for the survival of the city both in terms of daily foodstuff and in the capacity of the city to defend itself. Traders were therefore generally treated with respect, offered incentives to settle, legally protected and their representative consuls treated with dignity. Successful slaves, acting as managers and agents in commerce, could become freedmen, and so earn access to land, to marriage with Athenians, to political participation. However, the basis of the Athenian state, landownership carrying the obligation to bear arms, defined a clear class of outsiders, or cosmopolitans, those concerned with trade,