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Aditya Nigam

*Genealogies of Globalization :  
Upacking the "Universal" History of Capital*

OMEO KUMAR DAS INSTITUTE OF SOCIAL  
CHANGE AND DEVELOPMENT  
GUWAHATI

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## Preface

The Indian Council of Social Science and Research (ICSSR) initiated the two programmes **ICSSR-NER Lecture Series** and the **Scholars in Residence Programme** under its ICSSR-NER Programme. Eminent scholars are invited to deliver lectures at the Institute under the former, and to spend one or two weeks at the Institute under the Scholars in Residence programme. Both the programmes are aimed at enhancing the interactions among the scholars from within and outside the region.

Aditya Nigam delivered this lecture on 16 December 2009 at the Institute's premises.

Aditya Nigam in his lecture, calls for urgency to re-read Marx as a critical historian of capital and a need for reassessment of his legacy. He points through a critical assessment of the received history that capitalism is the root cause of unemployment although it is blindly assumed as the solution for the same. Tracing back history, he stated that earlier successes of the working class movement were based on the kind of a cohesive tie-up of a landlord to his land. Now the situation changed fundamentally with global production circuits, subcontracting and flexible forms of industrial organization. He repetitively insisted the recognition of the most a trivial historical fact that industrialization is the problem rather than the solution. It is possible to have all kinds of development in technology even without capitalism.

**Indranee Dutta**

Professor and Director  
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## **GENEALOGIES OF GLOBALIZATION: UNPACKING THE “UNIVERSAL” HISTORY OF CAPITAL**

With the battle over “industrialization” in West Bengal intensifying, the CPI (M) general secretary Prakash Karat evoked the memory of a supposedly heroic Marxist encounter with the Narodniks in 19<sup>th</sup> century Russia (Karat 2007). In a note at the end of an article published in the party newspaper, Karat defines the Narodniks thus:

Narodniks in late 19th century Russia believed that with the overthrow of Tsarism, a traditional village based communal system could go towards socialism. Considering capitalism and industrialization regressive, they idealized the old peasant-village economy. Ultimately they resorted to individual terrorist actions against the Tsar and lost the sympathy of the peasants who were horrified by their actions.

This description of the Narodniks is revealing in more ways than one – not the least of these being the figure of the “Maoist” or the “Naxalite” lurking somewhere in this re-presentation of a nineteenth century Russian phenomenon in twenty-first century India. One should not miss the references to “going over to socialism”, bypassing capitalism and industrialization or to “individual terrorist action”. Anybody even vaguely familiar with Mao’s *Critique of Soviet Economics* and his insistence on China bypassing the capitalist path should be able to see the resonance of this “Narodnik” idea in the very history of third world Marxism. The CPI (M) has always been uncomfortable with this position, but it never really mattered till recently, when it actually became a practical question.

It might be worth recalling that in the final years of the nineteenth century,

Lenin had affected a final closure to that debate, arguing that capitalism and industry were inevitable (Lenin 1899/1977).

West Bengal Chief Minister and politburo member Buddhadeb Bhattacharya repeated the article of faith about the inevitability of industrialization and capitalism in his response to Marxist historian Sumit Sarkar's critique of Bengal's industrialization policy. Bhattacharya said: "The process of economic development evolves from agriculture to industry. The journey is from villages to cities." In a more dramatic assertion of this faith in the historical inevitability of capitalism, he underlines that "*it is incumbent on us to move ahead, otherwise there will be the end of history.*"<sup>1</sup>

Let us remind ourselves that what is at work here is a certain narrative of Progress and History that derives from a certain rendering (or reading) of Marx. This narrative involves a well-entrenched notion of what we might call the "universal history of Capital" – a notion shared by both bourgeois economics and this particular brand of Marxism. Economics, as a discipline is of course so thoroughly constituted by capital and capitalism (for which "socialist economics" is destined to remain an oxymoron), that there is no way of producing an "economically rational" argument against capital. We can leave this matter for the time being, as that is not our immediate purpose here, though this is something for any future socialist project to ponder over very seriously.<sup>2</sup>

It is true, however, that a very real problem faces the Left Front and the CPI(M) in West Bengal – as indeed it does the Left in South Africa, Brazil, and now many other parts of the South American continent: how to produce more livelihoods that do not merely stop at reasserting the value of simple subsistence economies. Whether wage-slavery and "jobs" in the bourgeois sense of the term are the best option is of course, open to question. I will also insist here upon the recognition of a trivial historical fact that every child knows but no adult dare acknowledge: as far as unemployment goes, industrialization is the problem rather than the solution. Marxists apparently knew this long ago but seem to have forgotten it since. For instance, in 1938 a publication of the Communist Party of Great Britain noted:

Unemployment is a problem as old as the industrial system itself...The fact that the workers need employment in order to live finds no place in the consideration of the employing class when they hire workers.<sup>3</sup>

Remember the "industrial reserve army" that Marx talked of? This all-too-obvious link between industrialization and unemployment has now been forgotten by most

Marxists, lost under the accumulating deposits of (bourgeois) economics, might one say? Unemployment is created by capitalism and industrialization, and yet they are blindly assumed to be the solution to a problem they necessarily create. The problem of "unemployment", as we will see below, is the fundamental axis around which the current crisis of the Left and of labour movements revolves. The time has come, therefore, to take a closer look at this crisis. In this paper, I wish to argue for a re-reading of Marx as a critical historian of capital and a reassessment of his legacy. I also wish to re-read the received history of capital, in order to interrogate the common sense that has come to dominate our understanding in this respect.

### The Mobility of Capital

It may be worthwhile to remember that the current crisis has to do with *the extremely heightened mobility of capital alongside an equally extreme immobility of labour*. We have seen in our own experience how this works against labour struggles. Pre-World War II capitalism was fixed to *place* and was relatively far more immobile, given the predominance of the large factory system. Earlier successes of the working class movement were based on this fact: just like the landlord was tied to the land, so was the capitalist. The situation has changed fundamentally now with global production circuits, subcontracting and flexible forms of industrial organization.

Let me take just two instances of how this earlier immobility of capital has both affected and been affected by the workers' movements. One is the militant workers' struggles in West Bengal in the late 1960s and early 1970s. It is well-known that it was precisely the militancy and the immediate success of those struggles that led to one of the most significant impulses for deindustrialization and massive flight of capital to relatively peaceful states elsewhere in the country. So devastating was the consequence of this flight (in terms of aggravating the unemployment situation and the weakening of even simple wage struggles) that by the time the Left Front (LF) government assumed power in 1977, it had learnt a lesson: henceforth, it would reign in workers' militancy and try to lure capital back into the state. Only rapid industrialization would be able to provide jobs to the unemployed and for that capital was indispensable – so the LF and the CPI (M) argued. Consequently, capital now finds itself strong enough to dictate terms. So powerful has been the hold of this imagination that the Marxist-led government of the state has decided to dispossess the peasantry and acquire huge tracts of agricultural land for making them available to capital. This is the logic that lies behind the whole range of new developments from Singur to Nandigram, which has been rehearsed once again in Bhattacharya's letter to Sarkar.

Two, take another, global example. Consider the debate on the social clause more closely. Contrary to what many Marxists believe, the “social clause” is not just an imperialist conspiracy, meant to browbeat something called the “Indian nation” – or third world nations – into submission. A closer look will immediately make it clear that this move of the Western governments was and is solidly backed by the trade union and labour movements in those countries. And the entire position of northern/western trade unions and left wing groups in favour of higher labour standards for third world workers has all along been propelled by the need to prevent “their own capital” from moving out.<sup>4</sup> There have been instances of extreme abjection where some sections of German workers, for example, even took wage-cuts to prevent “their capital” from moving out to Asia.<sup>5</sup> When the Western governments placed the demand for including labour standards as part of international trade agreements, this was the imperative they were addressing – given the high social and political costs that heightened unemployment can have.

In both cases, the abjection of the working class was a direct consequence of its past victories. Equally importantly, it was a consequence of the flight of capital: It is worth underlining that beyond a point, capital did not fight back, it simply withdrew, it fled, and thus deprived the working class of its “foundation”, namely wage slavery. In a sense, the move from old-style Fordist methods of organization to post-Fordist ones has also been impelled by the same logic: it was becoming extremely expensive to keep workers employed and pay for their upkeep even in times of recession, or to keep up inventories of stocks, raw materials and so on. More to the point however is the fact that those modes of organization tied down capital to a particular place. If capital had to acquire mobility and flexibility, then it had to restructure in a way that it could “farm out” work and simply keep control in its own hands.

It is worth keeping in mind that through the 1970s, 1980s and early 1990s, manufacturing units relocated to third world countries in a big way and it was only much later that services and call centers started moving out. If we look carefully we can see that in an immediate sense, this relocation was the consequence of at least three factors:

Firstly, the *profit squeeze* that capital had been facing during the postwar years of Keynesian welfarism and the New Deal, due to high wages and social security – in other words, *high labour costs*. Secondly, the intense *crisis of accumulation* that surfaced as high labour costs combined with strong environmental regulations, making corporations not only pay more (for cleaner technologies and the like) but also making them answerable to local communities for their air, water and other resources. It is important to keep in mind that *both these costs have been imposed*

*on capital accumulation by the strength of movements* – in one case the labour movement (and the postwar attraction of the idea of socialism); in the other case, the powerful ecological movements that have made the states enact laws and take action.

There was a third factor as well, which falls chronologically speaking, between the first and the second and whose effects were first felt in the United States of America. This was the rise of Japanese corporations like Sony, Toyota and Nissan on the one hand and European corporations on the other, which created unprecedented pressures on US companies like General Motors, Ford and Chrysler – in a range of consumer manufactures leading to widespread closures and “deindustrialization”. It is estimated that disinvestment and relocation of industries, in the 1970s alone, in the US led to the disappearance of thirty-two to thirty-eight million jobs (Bluestone 2003: ix).

And so it transpires, capital is not the sovereign, all-powerful entity that we think it is. It has acted on each of these occasions under pressure from the labour, environment and other movements. Moreover, its move to relocate operations in the third world – where there is no infrastructure (abysmal power situation, bad roads), interfering governments and where everything becomes easily politicized – *is primarily a result of its crisis. It is fugitive capital that has run away from one part of the world.*

Yet, such is our conditioning as victims that we fail to see the strengths of the movements that challenge capital. The reason that makes the LF government of West Bengal or the Communist government of China woo capital and that makes western trade/labour unions demand universal labour standards and take wage cuts, really happens to be the same: *The complete dependence of labour on capital.* And yet, this dependence is not a natural fact; nor is it something ordained by something called History (with a capital H).

#### “Universal” Capital

Let us be clear however, that what we are dealing with here is not merely an out-of-date Indian edition of Marxism which is yet to free itself from this Universalist narrative of capital. This idea of capital and capitalism constitutes pretty much the dominant orthodoxies of economic and of global financial institutions. It should also be made clear at the outset that here we are concerned with the discursive object called “Capital” (and “Capitalism”), that is the concept, rather than the thing-as-such and this concept has colonized our minds for close to two centuries. To borrow a statement from Gibson-Graham, “it is the way capitalism is thought, that has made it so difficult for people to imagine its supersession.” I will argue

that there are two different or alternative discursive constructions through which this hegemony is exercised.

First, the Marxist, "Progressivist" discourse of History and "Capital" as its agent that unites the whole world into a new and modern universe, leaving behind the parochialisms and particularisms/narrow-mindedness of pre-capitalist existence. In this rendering, which suffuses the *Communist Manifesto* and many other Marxian texts, we see capitalism performing not merely an economic function but also a world-historical one of bringing all history-less peoples and societies into the orbit of history and civilization.

Second is the bourgeois economist discourse, which makes no such world-historical claim, but bestows a kind of eternal quality to "capital" and the "market". In this construction, capital and market (used as terms that necessarily go together) appear as the most rational forms of economy: Market as the embodiment of economic and indeed some ontological Rationality. In some versions, it will even be claimed that these are the most natural forms as well, since they conform to a "natural" human propensity to maximize self-interest.

Both these discourses underwrite "Capital" as the Agent of Historical Progress and/or normatively desirable in different ways. For the present, I shall be concerned here with the first of these, assuming that the second does not really require any serious challenging except for those – capitalists and their hangers-on – who benefit from this dispensation. There are elements of the second discourse that will automatically come under scrutiny as we proceed with the first.

The idea of capitalism's inevitability virtually assumes the dimension of a Teleology whose enchantment or seduction is impossible to resist – especially for Marxists. So much has this teleology come to determine our idea of capitalism that we literally begin to see capitalism as immanent in society from its very beginnings – the very day human beings begin to enter into relations of exchange.

Thus for instance, Fernand Braudel states: "I have argued that capitalism has been potentially visible since the dawn of history, and that it has developed and perpetuated itself down the ages...(cited in Richard Lachmann 2002: 44). Referring to the "Industrial Revolution" and the "formidable transformation" wrought by it, he claims that "capitalism remained essentially true to itself" and what Marx, Weber and their successors describe as the beginnings of capitalism in sixteenth-century England was really no more than a "shift...from the Mediterranean to the North Sea represent[ing] the victory of a new region over an old one" (Lachmann 2002: 43).

It is interesting that not merely someone like Braudel but even those who have lately been involved in writing alternative histories of capitalism, seriously challenging the received Eurocentric wisdom of Marx, his contemporaries and his followers, have resorted to this narrative of capitalism as a sign of Progress and Modernity. Thus, for John M. Hobson it is not enough to make the important claim that from 500 CE onwards, "the Persians, Arabs, Africans, Javanese, Jews, Indians and Chinese created and maintained a global economy down to about 1800", in which major civilizations of the world were at all times interlinked (hence his term "oriental globalization"). It is also not enough to underline that during this earlier globalization, the various regions were governed by rulers who provided a pacified environment and kept transit taxes low in order to facilitate global trade. It is as though it is almost mandatory to also claim that many of the methods and institutions that were put in place for ensuring the above, were capitalist. Thus he goes on to say: "a whole series of sufficiently rational capitalist institutions were created and put in place after 500 to support global trade." (32, emphasis added). Hobson cites Janet Abu-Lughod to underline the above point: "Distances as measured by time were calculated in weeks and months at best, but it took years to traverse the entire [global] circuit. And yet goods were transferred, prices set, exchange rates agreed upon, contracts entered into, credit – on funds or on goods located elsewhere – extended, partnerships formed, and obviously records kept and agreements honoured" (32). And this is said as though it is self-evident that these are the signs of capitalism.

Let me take another instance, nearer home. Jairus Banaji, in a fascinating recent essay, *Islam, the Mediterranean and the Rise of Capitalism*, undertakes, it seems to me, a twofold task: (i) that of writing an international history of capitalism and thereby rescuing it from what Sweezy once accused Maurice Dobb of, namely passing off the West European transition experience as the history of (world) capitalism as such. (ii) Equally importantly, rescuing Islam from the West-imposed stigma of being a "backward" religion. In doing so, Banaji traces the history of "mercantile capitalism" in the Arab world through the 9<sup>th</sup> to the 14<sup>th</sup> centuries in order to show that Islam and the Islamic world was indeed a pioneer of capitalism, for that alone would rescue it from the stigma of backwardness. He therefore says: "But when these joint-stock companies [i.e. the Dutch and English East India Companies] were formed on the eve of the 17<sup>th</sup> century, they in turn built on the legacies of earlier and possibly less internationalized forms of merchant capitalism whose origins lie – in Europe around the 12<sup>th</sup> century, and elsewhere – in the Islamic world and China – even earlier." Continuing further on the "Arab Trade Empire", Banaji says:

Concepts of profit, capital, and the accumulation of capital are all found in the Arabic sources of the 9<sup>th</sup> to 14<sup>th</sup> centuries. For example, Shāfi'î (d. 820) defines

the function of partnership as the “expansion of capital” (*namâ’ al-mâl*). *Al-mâl* was primarily capital not money, and whenever it is translated as “money” it means capital in money-form or money-capital. Again, discussing the discretion allowed to agents under *commenda* agreements, Sarakhsî (d 1090) writes, “the investor’s aim in handing over the capital to him [the agent] is the achievement of profit”. In another passage where he defends the usefulness of such contracts, Sarakhsî says the contract is allowed “Because people have a need for this contract. For the owner of capital may not find his way to profitable trading activity, and the person who can find his way to such activity may not have the capital. And profit cannot be attained except by means of both of these, capital and trading activity”. A later writer Kâsânî (d. 1191) distinguishes the “creation of capital” from its further expansion, arguing “the need for the creation of capital takes precedence over the need for its augmentation” and defining partnerships as a “method for augmenting or creating capital” (*tariq namâ’ al-mâl aw tahsîlihi*).

Banaji claims further that the fact that “this vocabulary was part of the wider cultural world of Islam and not confined to the legal schools is shown by other writings.” He cites the tenth-century geographer al-Istakhrî as saying of the traders of Fars in southern Persia that they had a “passion for the accumulation of capital” (*mahabbat jam’ a al-mâl*). “In the *Kitâb al-ishâra ilâ mahâsin al-tijâra*, “Handbook on the beauties of commerce”, a manual on trade probably written in the 11<sup>th</sup> century, the author refers repeatedly to the capitalist as *sâhib al-mâl* (“owner of capital”).” Banaji even finds, in Ibn Khaldûn (d. 1405), “a clear resonance of the labour theory of value (or a labour theory of value).” According to him, in the *Muqaddimah*, vol. 2, Ibn-Khaldun states clearly “labor is the cause of profit” (*sabab al-kasb*). “[H]uman labor is necessary for every profit and capital accumulation”, while gold and silver are the only socially acceptable measures of value “for all capital accumulations”. He also defines profit (*ribh*) as the “extent by which capital increases” (or is increased), and commerce as the “striving for profit by means of the expansion of capital” (*muhâwala ilâ al-kasb bi-tanmiyat al-mâl*).

Banaji’s problem, however, is that marxism has no theory of commercial capitalism. That capitalism to it *remains industrial capitalism*. This is what prevents it from recognizing the world-historical role of Islam: “Thus Islam made a *powerful contribution to the growth of capitalism in the Mediterranean*, in part because it preserved and expanded the monetary economy of late antiquity and innovated business techniques that became the staple of Mediterranean commerce (in particular, partnerships and *commenda* agreements), and also because the seaports of the Muslim world became a rich source of the plundered money-capital which largely

financed the growth of maritime capitalism in Europe.” In this essay, written in honour of marxist economist Ernest Mandel, Banaji cites Mandel himself to the effect that “the accumulation of money capital by the Italian merchants who dominated European economic life from the eleventh to the fifteenth centuries originated directly from the Crusades, an enormous plundering enterprise if ever there was one.” In Mandel’s and Banaji’s description then, we find another kind of “primitive accumulation” – not one based on the expropriation of the peasant but one based on loot during the crusades. It is Banaji’s argument that only if Marxism is amended in a way that allows for a broader understanding of capitalism than industrial capitalism, in other words, one that can incorporate mercantile or commercial activities of the previous centuries, into the history of capitalism, can there be any possibility of rescuing either Islam or even the non-European world from ascriptions of “backwardness.”

In other words, in what I consider to be the absolutely crucial and important work of these scholars, there is an assumption that we in the postcolonial world must claim some kind of capitalism in our own history in order to challenge the accusation of backwardness. In the bargain, we might of course, broaden capitalism to mean so many things that the very term seems to me to lose its specificity.

#### What is capitalism?

We have seen Hobson’s and Janet Abu-Lughod’s argument that there existed a global economy for many centuries prior to the rise of Western hegemony. In Hobson’s words, “the key development” was the emergence of a series of interlinked world empires that enabled a broadly peaceful environment, conducive to global trade. In his opinion: “The rise of T’ang China (618-907), the Islamic Umayyad/Abbasid empire in the Middle East (661-1258), as well as the Fatamids in North Africa (909-1171) were crucial to the emergence of a sufficiently extensive global trading network.” He cites Philip Curtin to underline that “the simultaneous power of the Abbasids and the T’ang made it comparatively easy for long distance traders to make the whole journey across Asia and North Africa.” He also references the work of Jack Goody, Andre’ Wink and Nigel Harris to state that global connections went as far back as 3500 BCE, and insists that all agree that the big expansion of global trade occurred during the post-600 period.” (35)

Writing of China, Hobson says, “China’s ‘industrial miracle’ occurred over a period of 1500 years and culminated in the Sung revolution – some *six hundred years before Britain entered its industrialization phase*.” He goes on:

The Chinese industrial miracle is worth focusing upon in some detail because