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Imperialism and the state

Part IV

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There can never be a world capitalist state. Hierarchy and inequality between many states is an inevitable feature of capitalism

Dollar still rules

Part I of this series introduced the whole issue: understanding imperialist dynamics requires a theorisation of the place of the state in capitalist political-economic dynamics. And it began my attempt at this analysis by considering 'stateness' as such, in abstraction from particular class forms - and from there, the state as a presupposition of the elementary forms of capitalist economy: commodity exchange and money.

Part II began by addressing the institutional forms which yield subordination of states to particular ruling classes - and, in particular, of capitalist states not merely to capital in general, but to particular capitals, especially through the early-capitalist transformation of warfare and arms production. It continued by developing the way in which one aspect of the means of this dependence - the debt-financing of capitalist states, arising from their revolutionary origins, by constituting the state as a joint-stock firm - in turn constitutes the appearances of a 'general rate of profit', abstract capital and money as fructiferous.

Part III pushed further into state responses to, and impact on, capitalist dynamics: in particular, the tendencies of capitalism to create radical polarisation of rich and poor, and to recurring cycles of boom and bust, producing poverty in the midst of and caused by the production of material plenty. The state has strong reasons to act against both tendencies; but its action against them, so far as it is successful, while actually slowing them down, also and for the same reasons slows the tendency of capitalism to revolutionise the forces of production, or to increase productivity.

In this part, I deal with two further issues of the state in the political-economic dynamics. The first is that, if we discard the 'general rate of profit' (as argued in part II and part III), certain sectoral phenomena which have important implications for the creation of a global hierarchy of states become visible: in particular, those of 'capitalist consumption sectors'. The second is the relationship of a regime of many states to the problem of credit money - and, within this, the question as to

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why capitalism, given that it operates on a world scale, does not generate a world state.

On the basis of what has been said in parts II and III and here, it will finally be possible to return to the original question of state hierarchies and imperialism, and to see these, as I have argued, as necessary consequences of *capitalism as such*: specific to neither early nor late capitalism.

'Capitalist consumption'

'Capitalist consumption' is the expenditure of surplus value otherwise than by way of either productive reinvestment or bubble speculation. It is not significantly investigated in any part of *Capital*, because the basic structure of Marx's argument is in the end addressed to the demonstration that surplus value arises from the wage relation; in this context, what happens to the surplus value so produced (except insofar as it is reinvested) is uninteresting.[1]

However, when we are considering a world of many capitals and many states, the destination of the surplus product as between these states and their populations becomes significant. This is *a fortiori*, given that, first, as we saw in part II, the relative military power of states is dependent, when push comes to shove, on industry within their territories (particularly the arms industry); second, the relative internal political stability of states is partly inversely dependent on the degree of polarisation, and hence positively dependent on the state's ability to engage in effective counter-polarisation and, since the emergence of the business cycle, counter-cyclical measures, as we saw in part III; and, third, that, as we will see below, the relative value of state money as world money is dependent on the ability of the state to tax, and its ability to discriminate in favour of 'its' capitals.

Beyond the reinvested surplus and cash hoards, the destination of the surplus can be roughly divided into three parts: first, 'agency costs', meaning premium salaries paid to managers and other agents (including not only commercial agents, but also lawyers, politicians, lobbyists, advertising agents, senior journalists, etc), in whatever form, to induce them to pursue their capitalist employers' interests; second, the state and the state supply sector, insofar as what is supplied is neither (like infrastructure, or education) a form of reinvestment in production, nor (like health, pensions and welfare spending) a form of collective payment of wages - in particular, the arms industry; and, third, the luxury goods and services sector.[2]

Capitalist expenditure on 'agency costs' supports the existence of the managerial/professional sector of the middle class and therefore has counter-polarisation effects. But, after tax, the recipients will either invest, thus adding to reinvested surplus, or hoard cash, or spend in the luxury goods and services sector. So beyond the counter-polarisation effect, which is important and should be noted, this form of capitalist expenditure of surplus can be disregarded.

Arms industry

Apart from the fact that it cannot contribute to the global aggregate production of a social surplus product, since purchases from it are already out of social surplus, the arms industry functions as a normal industry (ie, with the usual capitalist incentives in relation to conflict with the workforce, labour-saving, concentration/centralisation, etc). But this is with the significant differences, first, that its major (though not exclusive) customer is the local state and, second, that the very immediate state interest in arms production capability, especially in wartime, leads both to direct state-organised production (Venetian Arsenale; Royal Dockyards; etc) and to 'cost-plus' contracts and other forms of subsidy. An arms industry is thus - subject to survival of the local state and its ability and willingness to pay - relatively high-profit and low-risk.

If we consider the effects on the local economy of the territory of the state where an arms industry is located, in the first place, although the product of the arms industry is paid for out of surplus, there are perfectly conventional demand-multiplier effects in department II (consumer goods) from employment in the arms industry, and in department I (producer goods) from its input suppliers and from capital investments in it (building, machine building, etc). Of course, as Guglielmo Carchedi points out in criticising Keynesian 'solutions' to crisis, taxation to pay for the arms and/or to pay loan interest implies reduced demand elsewhere, albeit possibly after a delay.[3] But, while this is true in a *closed* economy, and hence *for the global economy considered as a whole*, in a world of multiple nation-states, the purchase by the Ruritanian state of arms produced in Westlantica will have multiplier effects *in the territory of Westlantica*, while the reduced-demand effect of the payments will appear *in Ruritania*.

Secondly, the local arms industry is stimulative in another sense. Capitalism progresses largely through relative surplus value: that is, improving productivity through new technology, with the result that the proportion of total labour-time required to be spent on the reproduction of the labour-force is reduced. There is, in addition, a temporary super-profit available until the new technology becomes diffused in the sector. Small, 'tinkering' changes of this sort can fairly readily be funded from retained profits. *Major* innovations, however, require longer lead times and large capital, and are initially high-risk. For some such innovations military-demand production serves as a sort of 'incubator'. In modern times the obvious examples are motor vehicles, radio communications, modern pharmaceuticals, aviation and the internet; looking further back, it is reasonably clear that the 16th-18th century English gun-founding industry incubated new metallurgical techniques, which made steam engines, railways and production machines possible in the 'high industrial revolution', and there were other military 'spin-offs'.[4]

Hence, again, suppose that the Ruritanian state buys its arms, or a major part thereof, in Westlantica: as a secondary consequence, there will *tend* to be a higher rate of technological innovation, and thus of relative surplus value and superprofits, in Westlantican industry *generally*. Ruritanian industry will not be able to compete directly on this front, but will have to borrow to buy Westlantican technology (with the obvious consequence of an outflow of surplus value in the form of interest from Ruritania and inflow to Westlantica) and/or to intensify the production of *absolute* surplus value in Ruritania (drive down wages, increase hours, lay off more accident risk on workers, and so on).

There are ways in which these problems may be partially avoided. As I have already indicated, one state may *subsidise* another for geopolitical reasons: the most obvious modern example is the relationship between the US and the state of Israel, but there are many other less obvious ones. Alternatively, it may be possible for a state to acquire its own arms industry and a technological boost without major *external* borrowing, by de-thesaurising (seizing and monetising) the ornamental gold and silver of old elite classes and religious institutions: this seems to have been an element of the development of capitalism in northern Europe, and one of the elements in Japanese ability to break into the imperialist circle after the 'Meiji Restoration'.

Nonetheless, *ceteris paribus*, the presence or absence in a country of a domestic arms industry capable of producing at the globally attained level of military technology will have effects which tend to increase general economic inequality between countries.

Luxuries

The luxury goods and services sector has a very markedly different shape. To understand why, we need to consider first the demand side of this market. The purchaser of luxuries is concerned, on the one hand, to display their wealth; on the other, to pursue their individual tastes (and eccentricities). The display of wealth is not solely an end in itself: it sends a message both to other members of the same class group, that this person or family is a class member and to be taken seriously, and to potential agents (in the broad sense above) that this person is someone who can reward or punish. The pursuit of individual tastes *can* be in itself a form of display (as in Charles Saatchi's art collection), but it can equally be intended to be very private (as in Max Mosley's SM games). The point, however, is that in either case the purchaser of goods or services *is not compelled to seek the lowest price*; indeed, for luxury display, *high* price may increase demand, since what is on display is status.[5]

This has important implications for the shape of the supply side. The tendency to centralisation of capital, which is visible in both department I and department II, is - at most - very much weaker in this sector, which tends to be composed of a large number of relatively small firms occupying 'niche markets'. For the same reason, the pressure to increase labour productivity through the reduction of labour inputs is weak or even non-existent: the sector is characterised by high labour inputs relative to output and in some areas the persistence of artisan production.

If we consider the effects of the existence and relative activity of the sector in the broader economy, the scale issues clearly mean that any general multiplier effects in department I will be relatively weak by comparison with movements in large-scale industry (Marx's point against Malthus). *Employment* effects will be stronger, since employment in the sector is disproportionately high relative to material output. In addition, the existence of the sector has a counter-polarisation effect (it supports a larger petty bourgeoisie). It may also have some slight counter-cyclical effect, since *some* capitalists who are disincentivised from *investing in productive industry* in a slump period may spend on luxuries rather than hoard cash - though it is possible that the anecdotal evidence for this phenomenon for the 1870s-80s, 1930s and the present merely reflects the fact that elite luxury spending becomes more obtrusively visible when the rest of the society is squeezed.

More importantly, the luxury sector clearly plays the same role - incubator of innovations - as the arms sector; and more markedly, since the status display effect means that demand in this sector percolates down to the middle classes, and in the end down to the proletariat. Among innovations which have transitioned from luxuries to major economic sectors and eventual inclusion in the 'real wage bundle' are to be included at least sugar, coffee, tea, cotton clothing (particularly significant in the industrial revolution), glass windows, domestic plumbing, gas and later electric lighting, television, central heating, mobile phones ...

Again, the sector has implications for a world of many states and many capitals in one capitalist world order. *First*, supposing an outflow of surplus from Ruritania to Westlantica to pay for luxuries (abstracting from all other possible reasons for an outflow), the result will, *ceteris paribus*, be reduced demand in the *domestic* luxury goods and services sector in Ruritania, and increased demand in that sector in Westlantica. Hence, counter-polarisation effects in Westlantica will be increased and in Ruritania will be reduced.

Second, innovations which can be started in the luxury goods and services sector will be likely to appear first in Westlantica and, to the extent that there are spin-off effects from these into production more generally, the same effects in relation to relative surplus value and super-profits will occur as with the arms industry.

Third, once the political-economic superiority of Westlantica is clearly established, there will be a tendency for there to be elite demand in Ruritania for the products of the Westlantican luxury goods and services sector: as, for example, in the sale of Mercedes and Porsches to members of the clerical elite in Iran; in the earlier 20th century the sale of Rolls-Royces to Indian maharajahs. This provides a *further* flow of social surplus product from Ruritania to Westlantica, so that the phenomenon is naturally self-reinforcing.

State and world money

I argued earlier that the state is a prerequisite of money (and therefore of capital); but that this did not imply rejection of the labour theory of value (as it is often made to in chartalist hands). The problem this poses is the relation between state money and Marx's plainly correct observation that money only becomes truly money when it becomes *world* money (the effect is most visible in episodes of hyperinflation).[6]

The starting point is what I stated in previous parts: rejecting 'capitalism in one country'. Capitalism *emerges in* the shipping industry, creating both 'primary goods specialisation' in raw materials suppliers, which drives proletarianisation in agriculture, and the putting-out system (formal subsumption of labour to capital) in intermediate processors.

The point made there, that the international trade in question, to be capitalist, has to be more than merely trade in luxury goods, is specific *in that form* to emergent interstitial capitalism. But, if we think a little more deeply about the material division of labour, it should be clear that some degree of division of labour *in relation to producer goods* beyond medieval or modern national boundaries (or ancient state or tribal boundaries) is very ancient: for making bronze tools, for example, copper and tin deposits are not uniformly spread across Eurasia, and the products travelled long distances.[7]

The long-distance division of labour involved was certainly *originally* not organised through the use of money.[8] By classical antiquity, however, metal money and money taxation were in use in a wide range of states in Eurasia, and the long-distance shipping aspect of the division of labour was primarily an activity of specialist merchants.[9] Merchants required money for tax payments; and transactions within state borders used (mainly) money of that state. In turn, these circumstances imply the use of state metal money in transactions beyond state borders.

This certainly posed exchange problems, which could be resolved through the physical commodity aspect of metal money: ie, assessing the weight and fineness of the individual coins offered for payment. Alternatively (still using the commodity aspect as a referent), the coined moneys *of particular states* could be ranked and prices quoted in a particular money.[10] Both methods were inherited in medieval Europe.[11] In this sense, gold and silver at least were - *partially* - 'world moneys'.

There are insufficient quantities of the decorative metals in the world for the monetary circulation and hoarding needs of any complex money-using economy - as is visible, for example, in the use of *nomina,* account entries, as means of payment in late republican and early imperial Rome.[12] The case is obviously *a fortiori* for capitalism, which involves more extensive monetisation of social relations than prior social orders. Hence credit money is essential: you cannot have full capitalism without credit money.

During the prolonged transition from feudalism to capitalism, complex multi-person networks of bilateral credit provide a partial substitute: such networks have been studied, for example, for high-level credit networks in medieval Genoa, and for low-level local ones in 16th-17th century England. They are very much dependent on individual judgments of creditworthiness, and preserve significant elements of gift exchange and of patron-client relations: in this aspect, they depend on inter-personal trust, just as the feudal social relation of lord and vassal does.[13]

There is a difference, and a very important one, between credit and credit networks, on the one hand, and credit money, on the other. It is that credit money can be used as a means of payment to third parties. In order to have broad-scale credit money, as opposed to networks of inter-personal credit, credit has to become impersonal.

Credit is enabled to become impersonal through a combination of institutions. First, routine state enforcement of assignable debt for the benefit of the current holder of a debt instrument is required. *State* enforcement is required for the scale reasons given above, and also because customary enforcement within a small 'merchant community' actually still involves giving *personal* credit to members of a group which has to remain socially narrow. Routine state enforcement is not as straightforward as it may appear: for example, medieval and early-modern English law maintained a general doctrine *against* the assignment of debts and, though this doctrine could be got around by various devices, the routine enforcement of bills of exchange and promissory notes in favour of the holder gave rise to legal difficulties as late as the 1690s-1700s. There is a contradiction involved between, on the one hand, the claims of the holder in due course that the debt instrument should be treated as money - ie, enforced at its face value - and, on the other, set-off or the cancelling of mutual debts against each other.[14]

Of course, credit money in itself contains contradictions discussed by Marx, which form part of the process of crisis: debt instruments presuppose future payment in *something else*.[15] Credit money thus - unlike metallic money - always contains some degree of risk of default.

On its own, routine state debt enforcement is not enough - a point elaborated in relation to medieval Venice by Yadira González de Lara.[16] It is always possible to dodge debt enforcement by the debtor moving himself and his assets out of reach of the territorial state. So there has to be a carrot as well as a stick. To disincentivise debt-dodging, the state has to act in a mercantilist fashion: to provide positive benefits to 'its' particular capitals, which are made unavailable to 'other' particular capitals. Debt-dodging by moving the debtor or assets out of reach of the state then involves loss to the debtor of the gains made available by the state. In other words, in order for credit money to function effectively, the state has to discriminate against 'outside' capitalists. It has to act in a mercantilist fashion. The state has an interest *qua* state in doing so, for the reasons discussed above.

World state?

There never has been a non-mercantilist capitalist state and there will never be. It would have to be a global state, without an 'outside', to which defaulting debtors can abscond. Capitalism *began* as a trans-statal phenomenon in a world of multiple states; and some 'institutionalist' writers have argued that it is precisely the competition among European states which permitted the development of capitalism.[17]

As I argued in part II, the earliest capitalist states *seek* a reach which extends to the scope of their trading operations, so that city-states are divided by universalist factions, and sub-national states become supra-national in their reach. Could this logic not be expected to lead to a world state? The aspiration is reflected in one sense, as will appear below, in world hegemon/world-reserve-currency states.

It is reflected in another sense in a variety of ideologies of universal rule, which in the 19th-21st centuries have mainly taken the form of the idea of a universal *legal* or 'law-governed' order. This is not conceptualised as a state - and Immanuel Kant in his *Perpetual peace* argued precisely for universal law, but against a universal state.[18] But law can be either state law; or 'law' enforced by local collective action, which necessarily mutates into custom, since the enforceable judgment is one to which the locals agree, which *de facto* overrules both *leges scriptae* (written laws) and professional opinion; or 'peace in the feud' enforced by private warfare, as in medieval Iceland.[19] (Public international law, or law between states, is, practically, a form of 'peace in the feud'.) Hence, a universally enforceable law *which was a regime of peace* would entail real mechanisms of enforcement, and, hence, a world state. This aspiration for an 'enforceable' international law or a world proto-state has been ideologically reflected in the League of Nations and the role of 'sanctions' as an enforcement mechanism for that body,[20] and in the United Nations, and the role of the Security Council, which is designed in theory to contain the *militarily dominant* powers, which will more or less monopolise the 'enforcement capability'.

Why have all such projects failed? We have to begin by imagining what a capitalist world state would have to be like - first, in its character as a state as such (part I above); and, second, in its capitalist form (part II above). At the first level, a world state would entail global enforcement of rules and global taxation to pay for this. If taxation was discriminatory between territories, the state would *ipso facto* cease to be a *world* state, but become merely an imperial order.

Second, lacking an 'outside', a world state would necessarily have its subjects/citizens defined by our common humanity and nothing more. At the second level - the state as a division of labour which has specialist responsibility for 'public matters' - a world-state lacking an 'outside' would also lack external *enemies* and hence the imperatives of war and defence.[21] This implies a radical reduction in the cost of the state; and probably a more extensive reduction in the 'political legitimacy' of taxation and regulation from the point of view of the possessing classes, since, on the one hand, private goon squads ('Pinkerton men', and so on) may be seen as sufficient to protect property from the lower orders; and, on the other, there is no 'outside' of the state, onto which tax and regulation costs can be externalised.

If we turn to the forms and mechanisms which hold the capitalist state in subordination to capital (as opposed to the state fully pursuing its own interests or being captured by some other class), which I discussed in part II (and in some ways in more depth elsewhere[22]), the loss of an 'outside' to a world state would importantly reduce state dependence on capital. Dependence on capitalist arms production disappears, and the state's need for standing debt is also radically reduced.

Probably more important - and recognised by Walter Scheidel in his book *Escape from Rome* - is the loss of *capital flight* as a mechanism to discipline the state. In the world of many states, capitalists can (and routinely do) coerce states by withdrawing their capital. This was the response to the trivial reform proposals of the Hollande government in France in 2012-15, as well as to the more serious ones of the first Mitterrand government in 1981-83; the US coerced the British government in 1956-57 to pull out of Suez by organising a run on the pound; and so on and on (the list is very long).

Further, the routine practice of bribery of state actors by capitals is doubtfully legitimate and has been so since the 18th century. In the second half of the 20th century and the early 21st, it works partly through legalised forms (commercial lobby firms, advertising, party-political contributions, free market in legal services); but partly - and more importantly outside the imperialist centres - through the use of offshore financial centres to channel bribes, and so on. A world state would lack an offshore, making bribery more difficult.[23]

None of this makes a capitalist world state absolutely *impossible*. But it does make it on the whole *undesirable*, both for existing capitals and for existing states.

This undesirability translates into practice not through conscious thought, but by practical responses to what may be described as 'world state-ish' phenomena. In the first place, a law-governed world order, or full world money, cannot be created without also creating global redistributive taxation. This has been on recent display on a less than global scale in the Eurozone crisis and in the failure of dollar pegs in Latin America. Common laws without common taxes destroy consent to those common laws.

It follows in turn that a world state cannot be attained by agreement between existing capitalist territorial states, because of their conflicting interests, driven by their dependence on 'their' particular capitals, but could only be created by world conquest.

But any degree of partial success in moving towards world conquest would, because of the conqueror's necessary mercantilism, equally necessarily throw up both attempts to escape from the power of the conqueror/hegemon by nationalist-statism (France, Germany, the US and so on against the UK in the later 19th century; 'Putinism' and 'Xi-ism' today) and endeavours to construct a coalition against the conqueror. Further, as we will see below, the simple strength of a hegemon state undermines itself, resulting in the *gradual* flight of productive capital, as distinct from conscious measures of coercion of the sort discussed above.

On the other side of this coin, in a world of capitalist states with international production, it is in the best interests of the conqueror/hegemon state and 'its' capitals to hold formally independent states in state-to-state subordination, rather than to accord to the conquered citizenship of the conqueror state, and therewith participation in, a common order of taxation and redistribution.

In short, the international character of capital's operations produces an aspiration towards a state with global reach which can *enforce property claims and contracts globally*. But it is not practically possibly for this aspiration to issue in the production of an actual world state, a global federation or a 'law-governed world order': capitalism is unavoidably a regime of 'many states'.

State credit

What are the implications of credit money for world money under a regime of 'many states'? When payment in relation to international trade is made in metallic money, exchange can be calculated (as we have already seen) by reference to the commodity metal content of the coins, or this can be approximated by ranking coins issued by different states. In the case of credit money, the second option - ranking issues whose enforcement is backed by different states - is the only possible means of ranking. But what lies behind this ranking can no longer be commodity content. Rather, it is the discount required by the *relative risk of debtor default*. That is determined - absent possible crises and other imponderables - by the strength of the state, both as enforcer of debts and as being able to give benefits to debtors by discriminating against 'outside' capitals.

State-enforceable credit instruments - 19th century 'bills on London' and their late 20th-21st century equivalents - are thus necessarily ranked in a global hierarchy by the *perceived relative strength of the states in question*. In relation to banknotes issued by states or central banks, the issue is more direct.

To take a concrete example, the original power of the Bank of England to issue notes is an instance of fractional-reserve banking on the basis of a reserve constituted by the bank's loans to the British government, protected by hypothecation of English (after 1707 British) taxes. The underlying default risk is therefore given by the relationship between the interest due on the debt and the balance of government tax income and unavoidable expenditure. This, in turn, depends on (a) the money wealth of the economy, as giving the amount of tax which could in principle be levied from it, and (b) the effectiveness of the actual taxing mechanisms.[24] Outside crisis conditions, this *appears as* simply a judgment of the money wealth of the economy, with the result that exchange rates *appear* independent of state power.

The overall result is that there is a necessary ranking of state credit moneys in exchange. Moneys lower down the ranking are world money to the extent that they are exchangeable against moneys higher up the ranking; if they become absolutely non-exchangeable they are at risk of ceasing to function as money even within the state in question. Because of the features of credit money as such, this ranking *depends immediately on* the power of the state *qua* state, and not *directly* on the level of productive activity in the state's territory measured in use-values.

These circumstances have an important bearing on both 'ends' of the production of inequality between states and peoples: the 'development of underdevelopment', and the rise and fall of hegemon states.

Hierarchy of states

Marx began *Capital* volume 1 with an abstract account of the exchange of commodities in the absence of developed capitalism; the *actual* development of capitalism then appears later, in chapters 14-15 (manufacture) and 26 and following (expropriation of the peasantry and capitalist agriculture).

The utility of the abstract account is both its engagement with contemporary 'classical' (pre-marginalist) bourgeois economic theory and the critique of Proudhonist and left-Ricardian reform proposals which would claim to overcome the vices of capitalism, while leaving intact commodity production and money. Its weakness has been episodic beliefs among Marxists that there was an *actual* regime of 'simple commodity production', without either feudal overlords or capitalists, in some past, pre-capitalist or transitional period.

The analogue for states would be to imagine a 'flat world' of numerous relatively equal states operating in a capitalist market regime. How would the logic of capitalism play out *as affecting states*? Such a flat world is a more obviously counter-factual idea than 'simple commodity production', which has a *superficial appearance* of being the form of interaction of peasants and artisans among themselves in antiquity and the middle ages. It is nonetheless useful to imagine briefly a 'flat world' of numerous capitalist states operating in a world capitalist economy, and what would become of it.

What I have said in part III and above in this part implies that such states would more or less rapidly be driven into a hierarchy. First, the logic of *industry/sector* centralisation of capital, resulting from both competition in the boom phase and the effects of crashes, points towards some 'lucky' states, whose capitals happen to have more liquidity at a moment of crash, acquiring centralised industries based in their territories, while others lose productive capabilities. Second, this effect is self-reinforcing because of the effects of the capitalist consumption sectors, discussed above. Third, what may be initially relatively small wealth differences are also amplified by the ranking of state moneys relative to state strength. The tendency to polarisation, which is natural to capitalism, also naturally plays out between states as much as within them.

All of this is *without* paying attention to the consequences of discriminatory measures by states to protect 'their own' capitals, which will - as pointed out in part II - be most effective for stronger states, thus reinforcing the hierarchical structure. And industrial capability *prima facie* yields military capability, which in turn yields more effective discrimination against the capitals of weaker states, and again strengthens the need of weaker states' capitals to use the stronger state's currency.

Further, the liberal-constitutional form of capitalist government yields the dominance of capital *in its money form*, for the reasons given in part II. But this has the consequence that liberal constitutionalism will *prima facie* yield the dominance of the strongest *global* capital, through both the tendency to polarisation and the ranking of world moneys. Weaker states will be driven, if they are to limit these effects, to refuse liberal constitutionalism in favour of some form of explicit nationalism.

Finally, responses by stronger states to efforts by weaker ones to protect 'their' industries may, if successful, radically exacerbate inequality between states: the dismantlement of subsidies is demanded by creditors; the weaker state's nationalist regime gets characterised as 'authoritarianism' and so on; and this in turn leads to blockade warfare ('sanctions'), Palmerstonian gunboats, US-sponsored terrorism, and other such forms of coercion, ending either in conquest (19th-early 20th centuries) or in wrecked economies and state failure (since around 1975).

Capitalism as such cycles between positive-sum games (in boom periods), in which growth allows sufficient trickle-down to produce more or less grudging consent to liberal inequality, and negative-sum games (in crash-slump periods), in which the failure of trickle-down promotes forms of collectivism, both of the left (socialisms) and of the right (religious and nationalist populisms). The hierarchy of states is always a zero-sum game, precisely because states are institutions of authority, and authority cannot trickle down. Westlantica's power *must be* Ruritania's subordination.

Actual empires

Setting on one side the counter-factual, capitalism *in fact* came into the world sector by sector, starting with shipping - and capitalist states came into existence in a world of pre-capitalist states, starting with city-states, followed by provinces (Netherlands), followed by the capture of feudal-agglomeration monarchies (Britain, France, etc). Capitalist states were, then, at their birth *already* engaged in geopolitical struggles with their surrounding pre-capitalist (feudal and Islamic) states (as well as with each other, as was shown by wars between Venice and Genoa in the 1200s-1300s, and between England and the Netherlands in the 1650s).

In this context there appeared more radical forms of subordination than those I have discussed as a counter-factual. To protect their trade and shipping, the city-states in the late middle ages in the Byzantine empire, and then the Portuguese in the 15th-16th centuries in the Indian Ocean, needed 'factories': fortified bases with extraterritorial rights. The Muslim regimes in countries where sugar was initially grown in the Mediterranean were too powerful for the Italian city-states to dictate terms of trade and force expansion of sugar cultivation at the expense of other crops, and so on. In response, the Venetians developed slave-worked colonial sugar plantations in Crete and Cyprus; in the 15th century Genoese finance moved into backing Portuguese slave-worked operations on Madeira, later in Sao Tome and finally in Brazil.

The combination of bases to enable semi-piratical capture of trade, and to reset the terms of trade with slave-worked plantation colonies, continued as fundamental elements of the Dutch and British empires. In its aspects of setting the terms of trade in favour of Venice/the Netherlands/Britain and of subordinating the economic development of the plantation territory to the supply needs of the metropolitan capitals, the plantation colonies display a fundamental feature of capitalist inter-state relations to the present day. In this sense what is involved is an aspect of the general tendency to the concentration of capital - that is, that successful capitals eliminate, or acquire and subordinate, related capitals. The same phenomenon occurs within states, but here the effect is mitigated by tax redistribution.

In its aspect as slave-worked, the plantation colony can be seen as a form on

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a global scale of the 'primitive accumulation of capital', analogous to the expropriation of the peasantry and the various forced-labour laws discussed on the national scale by Marx in *Capital* Vol 1, chapters 26-28, and imperialism *in general* has been explained in these terms by several authors.[25] But, while slave-worked plantation colonies have not in fact persisted, the radical inequality of states and peoples *has* persisted; so that 'primitive accumulation' is not a sufficient explanation of imperialism.

Similarly transitional between feudalism and capitalism is *settler*-colonialism, begun by the Spanish and Portuguese in Latin America, conducted on a small scale by the French and the Dutch, and on a larger one by the British.

Both classical antiquity and feudalism generate settler-colonial dynamics. The underlying reason for them is that the peasantry as a class is obliged to save for old age in the form of having sufficient children to be confident that some will be around to support the parents when they are too old and/or ill to work. The result is a dynamic of the overproduction of children, which produces land hunger, which produces settler expansionism: Greek expansion in the 8th-4th centuries BCE, Roman demobilised soldier colonies in the late Republic and early empire, and in the middle ages the *Drang nach Osten* in Germany, the Spanish *Reconquista*, the English expansion into Wales, Scotland and Ireland, the Crusades …

Rising capitalism adds to this dynamic the large-scale shipping industry, which allows settler-colonies at great distances, and the 'primitive accumulation' expropriation of the peasantry, which temporarily sharply increases land hunger, as well as radically expanding the 'free to capital' proletariat. But, as the global development of capitalism has progressed, the flow of migration has reversed, and settler-colonialism that *continues to recruit* has become reduced to the case of Israel.[26] As with plantation colonies, settler-colonialism cannot explain imperialism more generally.

Still less is this the case for the competition for territorial acquisitions of the 19th-early 20th centuries. This was a result of the *particular form* of competition between the early-capitalist British state and its East India Company (EIC), and the late-feudal French state and its *Compagnie française pour le commerce des Indes orientales*. These companies' alliances with Indian states led to proxy wars, which tipped over into the British EIC acquiring from the Mughal emperor the right to collect taxes in Bengal - and from there to EIC territorial expansion elsewhere. The French revolution, far from eliminating the grounds of Anglo-French geopolitical competition (as Kant and similar authors imagined), intensified them; and the wars of 1792-1815 resulted in further British expansion in India and British acquisitions from the Netherlands in Sri Lanka, South Africa and Malacca.

In this context, when the French acquired a degree of independence of British control, they embarked on series of their own territorial acquisitions, beginning with Algeria in 1830 and the Ivory Coast in 1843-44. This competition between Britain and France led, in turn, to the wider European scramble for colonies.

But the underlying aim of the British had been to hold the Indian states as subordinate client states, not to create formal empire. And always, alongside these elements of formal empire, there was *informal* empire. States held in subordination without formal colonisation can be seen in the Netherlands' relationships with its Baltic suppliers, and in British relationships with Latin America in the 19th century - contested by France, and later the US and Germany, in the form of competition for indirect influence, not direct colonisation. The regime of networks of bases, together with informal empire, can be seen to be normal to capitalism, where the period of formal colonialism was merely the product of the particular dynamics of Anglo-French rivalry and its impact on other rising powers.

Global hegemons

What I have argued so far points to the inevitability in capitalism of a global hierarchy of states, jostling for position through economic and state/military means, but nonetheless persisting. It follows that there is likely to be a dominant world power at the head of this hierarchy. This is a stronger effect than the tendency of capitalism in general to produce monopolies/oligopolies at the heads of particular economic sectors; the reason is that a state, though it is in a certain sense a firm, is also a *coercive power*, and as such driven to attempt to hold all other states in subordination, even though it can never quite achieve this outcome (for the same reasons that there cannot be a capitalist world state).

There is a visible phenomenon of the rise and decline of capitalist-hegemon powers. The case is not *merely* that of the rise and fall of British world dominance and the visible *incipient* decline of US world dominance (which has not as yet progressed very far). Venice and Genoa remained interstitial, within a space dominated by Christian-feudal and Islamic regimes, and neither achieved lasting dominance over the other, but some of the symptoms are already visible in their histories. They are visible also in the history of the Dutch republic, briefly world-dominant among capitalisms in its 17th century 'Golden Age', and creator of a global empire, but still in a world in which pre-capitalist forms remained dominant.

The logic grows out of the necessary interplay of capitalist state and capitalist dynamics, which I have discussed in parts II and III and above. In the first place, predominance in productive capability produces military dominance. Initially, this is merely a matter of the *naval* dominance of states with strong shipping industries; but already in 1202 the Venetians were able to divert a Crusader army for their own purposes, and the continental European land army operations of the British state in the wars of the 'long 18th century' (1689-1815) were still mainly conducted by British-funded coalitions of European states. With the 'gunpowder revolution' in warfare, discussed in part II, the implications of productive capability for military capability become obvious, and they continue obvious to the present day. Military strength, in its turn, produces reserve currency status: that is, that debt instruments in the state's currency obtain primacy in international trade. This was visible in bills on Amsterdam in the Dutch Golden Age, and bills on London in the period of British ascendancy.

The effect is for a period self-reinforcing, since, as I argued at the end of part III, a stronger state can take more effective counter-polarisation and counter-cyclical measures; and, in addition, the flows of surplus in the capitalist consumption sectors will also have counter-polarisation effects in the stronger state. Reserve currency status also produces an inflow of surplus through the financial sector.

But, at the same time, in the long run the success of the state is self-undermining. Counter-cyclical and counter-polarisation measures blunt the edge of capitalist incentives, and tend to preserve old technologies and organisational forms (as happened both in the Netherlands and in England). The inflow of investments from elsewhere in search of stability (albeit at lower returns) unavoidably produces a secular tendency for capital asset prices - in particular land prices - to rise in the dominant state. This, in turn, drives up rents, and rental costs to productive industry, and that also drives up wages, irrespective of the existence or otherwise of worker organisation. There is, therefore, an inherent tendency for productive activities to be offshored, except insofar as they are subsidised by the state to stay onshore. The financial sector becomes increasingly dominant, and secondarily luxury goods and services survive better than 'core' productive industry. This dynamic is visible in 17th century Venice and Genoa, in the 18th century Netherlands, and in the later 19th-20th century UK.[27] It *begins* in the US in the 1980s.

As long as the dominant state does not become engaged in full-scale war with a near-equal, it will remain dominant in spite of relative decline in core productive industry. The continued inflows of surplus, especially from the financial sector, will support continued state subsidy of a powerful military and high-tech arms industry. So it was in Britain down to World War II.[28] But, while the spearhead remains sharp, the shaft is beginning to rot, and *sustained* war with an approximate equal exposes a dependence on overseas supplies for broader logistical backup: so, again, Britain in World Wars I and II. A tipping point is reached and the head of the inter-state pecking order is knocked off its perch.

Outside the dominant power, the process of offshoring increases productive capabilities in the states to which production is moved. Meanwhile, decline and financialisation produces an increasing perception of the dominant power as a parasite. Hence efforts of subordinate states to escape forms of dominant-power political control and build up their own positions. Because *state structures* are involved, these cannot be merely economic.

The dominant power is driven to efforts to *assert* its military and financial dominance and to insist, increasingly, on the subordination of potential rivals. It *must* do so, because its military preponderance in its own territory is at the absolute core of its ability to exist as a state; and because the relative decline of productive industry in its own state means that its ability to maintain military dominance depends on the flow of both financial and material tribute from the subordinate states.

The cyclical crisis is *necessary to the health of capitalism*, just as the cycle of sleep and waking is necessary to human health. But it is antagonistic, as we saw in part III, to important state interests. In the period of its decline, the world-dominant power is holding off a crash of its own capitals which *ought to happen*, and thereby causing a drag on productive investment globally, expressed in the form of the demands of the financial sector of the world-dominant power as an obstacle to new investment in other countries. Because it is state intervention which is - directly or indirectly - keeping these 'zombie capitals' afloat, the overhang of creditor claims cannot be cleared without the actual military defeat of the world-dominant power and wide-scale state defaults.

Thus World War I *failed to* clear the contradictions which had built up before 1914, but issued, in Britain and Europe, in a dragged-out crisis: it took the fall of France and of Norway in 1940 - destroying the geostrategic approach Britain had taken to European wars since 1689 and forcing the British to concede world dominance to the USA[29] - to permit a new prolonged period of radical growth from the late 1940s.

Back to part I. The state is necessarily a military actor, and it is necessarily deeply implicated in the dynamics of capitalism. It follows, unavoidably, that both radical inequality between states and peoples, and recurrent war - whether war to hold down the weaker states or challenges for power among the strong - are *necessary features of capitalism as a mode of production*. They are not symptoms of the transition to capitalism which a 'real' liberalism could surpass (or Alliance for Workers' Liberty-theory 'paleo-imperialism'), which would imply (as the AWL, and so on, make it) that the left should support the 'modernising' or 'liberalising' 'globo-cop'. Nor are they symptoms of the 'highest' or 'final' stage of capitalism, which would imply that nationalist opponents of the globo-cop can be strategic allies of the left.

They are products of capitalism as such; and there will be no end to the era of imperialism and wars without the overthrow of capitalism ●

Notes

1. Marx makes some limited comments of interest on Malthus's argument that the unproductive consumption of the landlords, etc, is necessary to avoid standing overproduction in *Theories of surplus value* chapter 19, pp767-77.
2. The *subsistence costs* of capitalists and an element of what they are paid which is equivalent to the training costs element of skilled-labour wages are not, properly speaking, part of the surplus, but - as Marx put it - wages of supervision.
3. 'Could Keynes end the slump? Introducing the Marxist multiplier' (2012) *International Socialism* No136: www.isj.org.uk/?id=849. In addition to the point in the text following, this point is also subject to (a) the possibility that cash hoards are mobilised through state loans and (b) a point once made by Bill Jeffries that, insofar as the state is able to print money and 'monetise' debt, the debt may actually be defaulted; cf also CM Reinhart and M Belen Sbrancia, 'The liquidation of government debt': www.imf.org/external/pubs/ft/wp/2015/wp1507.pdf.
4. C Trebilcock, '"Spin-Off" in British economic history: armaments and industry, 1760-1914' *Economic History Review* vol 22 (1969), pp474-90; for the US cf MR Smith (ed) *Military enterprises and technological change: perspectives on the American experience* Cambridge MA 1985.
5. Cf G Carchedi *Behind the crisis* New York 2012, pp125-26.
6. K Marx *Grundrisse*. Hyperinflation: JF Weeks *Economics of the 1%* London 2014, pp153-56.
7. Eg. JM Webb, D Frankel, ZA Stos and N Gale, 'Early Bronze Age metal trade in the eastern Mediterranean: new compositional and lead isotope evidence from Cyprus' *Oxford Journal of Archaeology* Vol 25 (2006) pp261-88; discussion of the neolithic in JE Robb and RH Farr, 'Substances in motion: Neolithic Mediterranean "trade"', in E Blake and AB Knapp (eds) *The Archaeology of Mediterranean Prehistory* Oxford 2005, chapter 2.
8. Even where, in ancient Mesopotamia, we can speak of proto-money, the silver is obtained from territories outside the states in question, via transactions which look like tribute or gift exchange rather than barter. Cf (albeit reading the sources in terms of barter) S Sherratt, 'Why was (and is) silver sexy? Silver during the 4th-3rd millennia in the Near East and Mesopotamia', in X-L Armada, M Murillo-Barroso and M Charlton (eds) *Metals, minds and mobility* Oxford 2018, pp97-106.
9. The nature of the ancient economy is the subject of very extensive debate between 'primitivists' and 'modernists'; there is a useful general discussion of the literature down to that date in CC Lamberg-Karlovsky, 'Structure, agency and commerce in the Ancient near east' *Iranica Antiqua* Vol 44 (2009), pp47-88. The presence of coined money is straightforwardly obvious in Greco-Roman antiquity and contemporaneous India and China. For the role of specialist merchants see, for example, K Hirth *The organization of ancient economies: a global perspective* Cambridge 2020, chapter 7; PF Bang *The Roman bazaar* Cambridge 2008.
10. The early evidence for this is the production of forgeries or imitations of Roman and Axumite coinage in India: eg, E Smagur, 'Regulated Roman coins and their imitations from India: did Roman coins circulate as money in the subcontinent?' *Notae Numismaticae* Vol 15 (2020), pp179-218; R Day, 'Imitation in Aksumite coinage and Indian imitations of Aksumite coins' (2011): www.rosetta.bham.ac.uk/Colloquium2011/day_coins.pdf.
11. P Spufford *Money and its use in medieval Europe* Cambridge 1988; id, *Handbook of medieval exchange* London 1986.
12. WV Harris, 'A revisionist view of Roman money' *Journal of Roman Studies* Vol 96 (2006), pp1-24.
13. Q van Doosselaere *Commercial agreements and social dynamics in medieval Genoa* Cambridge 2009; C Muldrew *The economy of obligation* Houndsmills 1998.
14. JS Rogers *The early history of the law of bills and notes* Cambridge 1995 (especially chapter 8). For technical devices allowing assignment of debts in general, M McGaw, 'A history of the common law of agency' (unpublished DPhil thesis, Oxford University 2005, pp208-13). Marx noted the existence of set-off, but put it on one side: see *Contribution to the critique of political economy* chapter 2, section 3b: www.marxists.org/archive/marx/works/1859/critique-pol-economy/ch02_3b.htm. The legal problem of the conflict between the face value of negotiable instruments and set-off is partially discussed by Rogers in chapter 10 (see above); and in the bankruptcy context by A Televantos, 'Something for nothing: bills of exchange, security and theories of value in Lord Eldon's bankruptcy court' (unpublished MSt thesis, Oxford University 2012).
15. A Freeman, 'Geld (Money)': mpra.ub.uni-muenchen.de/6722/1/MPRA_paper_6722.pdf.
16. 'The secret of Venetian success: a public-order, reputation-based institution' *European Review of Economic History* Vol 12 (2008), pp247-85.
17. Eg, W Scheidel *Escape from Rome* Princeton 2019.
18. Kant's proposal is a *federation* of national republics: *Toward perpetual peace and other writings on politics, peace and history* New Haven 2006, pp80-81, 90-92.
19. Iceland: WI Miller *Bloodtaking and peacemaking* Chicago 1991. Both *de facto* 'peace in the feud' and written laws with limited impact on judicial proceedings can be seen in Anglo-Saxon England: eg, PR Hyams *Rancor and reconciliation* Ithaca 2003, chapters 1-3.
20. N Mulder *The economic weapon: the rise of sanctions as a tool of modern war* New Haven 2022.
21. I disregard here the common science-fiction fantasy of a world-state created in response to invasion by hostile aliens from outer space. On our present scientific knowledge, such a contingency is so unlikely that it has to be disregarded. The *real* risk of human extinction through asteroid impact is a natural-disaster risk rather than a war risk.
22. 'Constitutions ancient and modern' *Weekly Worker* September 2 2021 (weeklyworker.co.uk/worker/1361/constitutions-ancient-and-modern); 'Artificial antiquity', September 9 (weeklyworker.co.uk/worker/1362/artificial-antiquity); 'Class, state and constitution', September 16 (weeklyworker.co.uk/worker/1363/class-state-and-constitution); 'Enlightened constitutions', September 23 (weeklyworker.co.uk/worker/1364/enlightened-constitutions); 'Decline and decay', September 30 (weeklyworker.co.uk/worker/1365/decline-and-decay); 'Modern ancient constitutions', October 28 (weeklyworker.co.uk/worker/1369/modern-ancient-constitutions); 'In modern times', November 18 (weeklyworker.co.uk/worker/1372/in-modern-times). Cf also 'Revolution and reforms' *Weekly Worker* September 20 2019 (weeklyworker.co.uk/worker/1267/revolution-and-reforms).
23. If it retained 'internal offshore' - as, for example, Italy does in the Vatican and San Marino - it would not be a true world-state.
24. J Brewer *The sinews of power* (London 1989) has been the starting point of an extensive literature on this issue of taxing mechanisms. Actual exchange rates depend more immediately on speculation. Government taxing and spending policy, which attracts most attention at the moment, is *relevant*, but secondary.
25. As in David Harvey's 'accumulation by dispossession' in *The new imperialism* (Oxford 2003) and elsewhere.
26. Though the settler character of the USA, Canada, Australia and so on continues to impact these societies.
27. Venice - *longue durée* review by L Pezzolo: 'The Venetian economy' in ER Dursteler (ed) *A companion to Venetian history, 1400-1797* Leiden 2013; Genoa - TA Kirk *Genoa and the sea: policy and power in an early modern maritime republic, 1559-1684* Baltimore 2013; Netherlands - JL van Zanden and A van Riel *The strictures of inheritance: the Dutch economy in the nineteenth century* Princeton 2004; the British case is familiar.
28. See D Edgerton *Britain's war machine* London 2011.
29. N Moss *Nineteen weeks: America, Britain and the fateful summer of 1940* (Boston 2003) is a helpful narrative.