

Historical Materialism 282

State Capitalism and Development in East Asia since 1945

Edited by Owen Miller

BRILL

The Emergence and Development of Capitalism in East Asia: the State Capitalist Approach

Owen Miller and Gareth Dale

1 Setting Out the Problem: the Rise of Capitalism in East Asia

In the second half of the twentieth century the East Asian region¹ underwent one of the most profound human transformations in history. It was a transformation that moved hundreds of millions of people from rural life to cities, from agricultural work to industrial and office work and from premodern village society to the modern urban world of apartments, mass consumption and the nuclear family. Between 1953 and 1987 the population of North Korea shifted decisively from rural peasant farming to urban industrial and office work; in 1953, fewer than one in five people lived in towns; by 1987 it was three in five.² A similar and equally dramatic story can be told of South Korea where, between 1945 and 1985, the urban population rose from 14.5 percent to 64.9 percent of the total population.³ In Japan too, although the transformation had started considerably earlier, from the 1950s onward tens of millions of people have moved from village life to apartment living in huge cities and the daily rigours of office and factory work.⁴ In China the scale of the shift may be vastly greater, but the basic picture is the same: a movement of people from rural villages to industrial cities and from the western interior to the eastern coasts that has been billed as humanity's greatest ever migration, involving 250 million people.⁵ Along with this great human shift have come all the other elements of

1 There are of course differing definitions of 'East Asia' and which countries should be included. For the purposes of this book the region is defined as encompassing China (PRC), Taiwan (ROC), North Korea, South Korea and Japan.

2 Official North Korean statistics give an urbanisation rate of 17.7 percent for 1953 and 59.8 percent for 1987. See: Central Statistical Board 1961; Eberstadt and Banister 1992, p. 21.

3 See United Nations 2018. Since the 1980s South Korea's urban population has continued to rise at a fast rate, reaching a peak of 81.9 percent in 2010.

4 Japan started from a much higher postwar base of 53.4 percent urban population in 1950. However, it also urbanised rapidly in the postwar boom, reaching 76.7 percent in 1985 and then growing again to 90.8 percent by 2010. (United Nations 2018).

5 On Chinese rural-urban migration, see for example: Lu and Xia 2016.

capitalist modernity: class formation, exploitation, mass consumption, mass media, the destruction of old ways of life, and the intervention of the state and business into everyday life on a hitherto unheard of scale. This transformation has a deeper history, stretching back into the late nineteenth century and the Meiji Restoration in Japan, but its roots also lie in two world wars and multiple regional wars; in the colonial experience; and in the wave of revolutions—from above that followed the Second World War. In short, while the countries of East Asia became part of the capitalist world system in the late nineteenth century, it was in the second half of the twentieth century that they were completely transformed by capitalist modernity. This volume begins from the premise that this transformation occurred with the deep involvement of the state, in countries stretching right across the political spectrum, from ‘communist’ China and North Korea to ‘capitalist’ Japan and South Korea. This book is a contribution to understanding the origins and nature of this great transformation experienced by almost one-quarter of the earth’s population.

There is now a widespread belief that East Asia represents the future of global capitalism, but the region’s road to capitalist preeminence is not so well understood or uncontroversial. In fact, the emergence and development of capitalist societies in East Asia has long been a source of confusion and contention for economists, historians and mainstream commentators.⁶ This is demonstrated amply by the great variety of approaches and assessments that are made of capitalist development in the region. In the past much praise has been lavished on Japan’s Toyota capitalism, the Tiger economies of the 1970s and 1980s and China’s emergence as the industrial powerhouse of the world since its economic reforms began in 1978. But, equally, East Asian capitalism, almost since its initial emergence in Japan in the late nineteenth century, has frequently been understood as abnormal or substandard. Marxists debating Japan’s backwardness in the 1930s saw Japanese capitalism as somehow ‘distorted’,⁷ while neoliberals seeking explanations for the Asian financial crisis of 1997 castigated East Asia’s statism and ‘crony capitalism’ in the 1990s, seeing it as inherently inferior to ‘Anglo-Saxon capitalism’. Meanwhile, some parts of the story of East Asian economic development have been considered so abnormal that they have been consistently excluded from most accounts, in particular the ‘miraculous’ growth of North Korea’s industrial economy in the 50s and 60s and the PRC’s economic development prior to 1978.⁸

6 Perhaps the most famous debate in the English language has been that over the developmental state concept outlined by Chalmers Johnson, among others. See Johnson 1999.

7 For the Japanese debate see: Hoston 1986; Walker 2016.

8 In 1965 the economist Joan Robinson wrote of the [North] ‘Korean Miracle’ (Robinson 1965).

In one sense the cause of the confusion that has beset observers of East Asian development, from Marxists to neoliberals, can be laid at the door of Eurocentrism. Or rather, the tendency to build our models of 'normal' capitalism based on those parts of the world – Western Europe in particular – where the system first emerged. This has meant that both the transition to capitalism in the non-European world and its subsequent development have consistently been seen through the European experience, which determines what is normal/abnormal. A large dose of (neo)liberal ideology has also abstracted capitalism from the state, as a purely economic market-based system, and this tendency has clearly influenced Marxist analyses too. From our current vantage point in the early twenty-first century, however, there is little sense in viewing the development of capitalism in East Asia as abnormal, or somehow 'less capitalist' than the preceding phases of capitalist development, centred on the North Atlantic region. The development of capitalism in East Asia has, of course, been firmly situated within the particular phases of global capitalist development during which it has occurred, as well as the geopolitical configurations of that period (Japanese imperialism, Cold War, post-Cold War/Washington Consensus) and the specificities of the regional context. However, as this book will argue, it has nonetheless produced an authentically modern, capitalist world, albeit one that has been rent by vicious ideological divisions and produced a variety of different capitalist economies and political regimes.

This raises the question of how best to construct an integrated account of the emergence and development of capitalism in East Asia that can explain in a coherent way industrialisation both during and after Japanese colonial rule; Chinese capitalism both pre- and post-1978; and the economic miracles of both North and South Korea. This is the central question addressed in this book. The authors provide answers that are firmly rooted in the classical Marxist analysis of capitalism but at the same time build on it in order to understand the burgeoning role of the state in the functioning of capitalism since the early twentieth century. What binds together the analyses found in the chapters of this book and gives them their explanatory power is the idea of state capitalism.

2 Theories of State Capitalism

In general journalistic and academic usage, state capitalism is used loosely to refer to regimes in which states own or control a sizeable proportion of the business sector. During the Great Recession 2007–2009, the weakening of neoliberal confidence coincided with a flurry of interest in state capitalism among mainstream business publications. In 2012 *Business Week* ran a

report on 'The Rise of Innovative State Capitalism', and *The Economist* published a dossier entitled 'The Rise of State Capitalism: The Emerging World's New Model'. 'Across much of the developing world', *Business Week* warned,

state capitalism is replacing the free market. From 2004 through 2009, 120 state-owned companies made their debut on the Forbes list of the world's largest corporations, while 250 private companies fell off it. State companies now control about 90 percent of the world's oil and large percentages of other resources – a far cry from the past, when BP and ExxonMobil could dictate terms to the world.⁹

'State capitalists' in economies such as China and Brazil, it added, 'have shattered the idea that they can't foster innovation to match developed economies'. They could even 'push multinationals out of some markets entirely'.¹⁰ Equally, China demonstrated that state capitalism and globalisation are not antithetical. Roughly two-thirds of Chinese FDI, it was reported in 2012, stemmed from state-owned firms, and of the 61 Chinese firms on the Fortune 500 list in 2011, no fewer than 59 were state owned.¹¹

The Economist struck a similar note; raising the spectre of geo-economic regime change. The current crisis of 'liberal capitalism', it lamented,

has been rendered more serious by the rise of a potent alternative: state capitalism. ... Elements of state capitalism have been seen in the past, for example in the rise of Japan in the 1950s and even of Germany in the 1870s, but never before has it operated on such a scale and with such sophisticated tools. ... State capitalism is on the march, overflowing with cash and emboldened by the crisis in the West. State companies make up 80% of the value of the stock market in China, 62% in Russia and 38% in Brazil. ... Add the exploits of sovereign-wealth funds to the ledger, and it begins to look as if liberal capitalism is in wholesale retreat. ... State capitalism increasingly looks like the coming trend.¹²

The usage to which the term is put in this volume draws upon a more complex and encompassing theory, from within the Marxist tradition. Broadly put, this theory holds that the state is always an integral part of the capitalist system:

9 Kurlantzick 2012.

10 Kurlantzick 2012.

11 Nagel 2012, pp. 641–57.

12 *The Economist* 2012, pp. 3–18.

capital accumulation cannot occur without the state and the capitalist state cannot exist without capitalism.¹³ However, capitalist societies can vary greatly according to the degree of direct involvement by the state in the process of capital accumulation. At one point on the spectrum there are states that avoid any direct involvement in business, although they will inevitably be intervening in capitalist society in myriad other ways. Far down the other end are states that become so involved in capital accumulation that they completely eclipse private capital and act within their own borders as though they were a single huge conglomerate, the former Soviet Union being only the most well-known example. While societies on this spectrum may vary hugely in the character of their economies and their political regimes, state capitalism theory holds that they are all subject to the same underlying capitalist dynamics identified by Marx in *Capital*. Those dynamics are the capital-labour relation that underpins most production under capitalism and the drive for competitive accumulation that keeps it in constant motion.

Perhaps the best-known originator of this theory is the Jewish-Palestinian Trotskyist Tony Cliff, but it has roots stretching back well before the 1940s. When Marxists in the 1920s and 1930s – such as Gavril Miasnikov, Friedrich Adler and Ryan Worrall¹⁴ – began to develop a critique of the Soviet Union they were to some extent recapitulating debates in nineteenth-century social democracy between Marx/Engels and advocates of the ‘developmental state’: Lassalle and the *Kathedersozialisten*. Lassalle had imagined the modern state to be a class-neutral structure, an instrument of justice that could be re-engineered by the labour movement to implement a socialist programme. The *Kathedersozialist* Adolf Wagner analysed a tendency to increasing statification of the economy, *en route* to comprehensive state intervention, which he termed ‘state socialism’. Marx and Engels were dismissive of these ideas. Lassalle, in Marx’s paraphrase, was proposing that socialism arises not ‘from the revolutionary process of transformation of society’ but from aid that ‘the state gives to the producers’ co-operative societies’. Marx scoffs at Lassalle for this notion – as if ‘a new society can be built through state loans, much as the building of a new railway!’¹⁵ A couple of years later, Engels developed the point. ‘The modern state, whatever its form’, he wrote,

is an essentially capitalist machine, the state of capitalists, the ideal collective capitalist. The greater the productive forces it takes ownership of

13 Barker 1978, pp. 16–42.

14 Van der Linden 2007, pp. 49–63.

15 Marx 1875 (Translation by GD).

and the more that it in reality becomes a collective capitalist, the greater the number of citizens it exploits. The workers remain wage workers, proletarians; the capital relation is not *aufgehoben*; rather, it is intensified.¹⁶

In the 1940s these ideas were exhumed by theorists such as C.L.R. James, Raya Dunayevskaya, and Tony Cliff who broke from the Trotskyist tradition to label the Soviet Union and its satellites as capitalist. James and Dunayevskaya described the USSR as a 'single capitalist society'¹⁷ – in other words, a society dominated by a single capitalist (the state) – while Cliff described it as 'bureaucratic state capitalism'.¹⁸ James, Dunayevskaya and Cliff were by no means the only Marxists to come to this conclusion in the postwar period. Within the Soviet Union itself dissident thinkers developed their own theories close to that of state capitalism,¹⁹ while in China too Trotskyist dissident Zheng Chaolin developed a theory of state capitalism to explain the nature of Chinese society under Mao and was rewarded with a life spent behind bars.²⁰

However, it was Cliff's 1955 book *Stalinist Russia. A Marxist Analysis* that developed the most detailed analysis of state capitalism in the Soviet Union. In it, Cliff argued that after the social movements that had brought the Bolshevik-led government to power subsided, the chief proprietor of Russian industry, the Communist Party, under pressure from military and economic competition, came to subordinate society to the exigencies of competition with capitalist states. The producing classes were divorced from the means of production and obliged to sell their labour power, while consumption was suppressed in the interest of maximising investment in the productive sector and the arms industry. The government now occupied, in relation to the national economy, 'the position which a capitalist occupies in relation to a single enterprise', as Trotsky portrayed the Soviet Union in the 1930s.²¹ Trotsky didn't draw the con-

16 Engels 1894 [1878], p. 260 (Translation by GD).

17 See James, Dunayevskaya & Lee 1950 and also Dunayevskaya 1958.

18 Cliff 1948, chapter 6. On earlier theories of state capitalism see Ciliga 1940; Fernandez 1997. There were also those on the right who articulated forms of state capitalism theory, including ex-communists, conservatives and even fascists. For example, Michael Polanyi, Oswald Mosley and Arthur Koestler. Koestler wrote in the early 1940s, for example, that 'Economically the Soviet Union represents State Capitalism. The State owns the means of production and controls the production of goods' (Koestler 1945, p. 188).

19 See, for example, the work of Yuri Semenov, who used the concept of 'industrial-statism' to describe the fusion of politics with economics in the process of late industrialisation. Semenov 1993.

20 Zheng 2023, pp. 152–76. On Zheng's life and thought, see: Zheng and Benton 1997.

21 Trotsky 1972, p. 43.

clusion that the system had become state capitalist, but Cliff did. In his reading the Soviet Union operated as a unit of capital – albeit with internal differentiation, not unlike a multi-divisional enterprise. The *nomenklatura*, the caste of functionaries that controlled Soviet society, had come to act as a capitalist ruling class. Although focused on Soviet Russia, Cliff's book carried implications for theorising capitalism and the states system. In the following sections we bring these to the fore, before outlining in detail the approach to Soviet Russia that Cliff originated and then shifting geographical focus to East Asia.

3 From Capitalism to State Capitalism

In its method, the theory of state capitalism draws inspiration from Marx's approach in *Capital*, with its movement from the commodity form, considered abstractly, towards the capitalist mode of production in its concrete reality. A central feature of this method is that it attempts to wrestle with the way in which, as capitalism evolves, the concepts with which we understand it are transformed.²² By way of example, consider Jairus Banaji's discussion of wage labour. The concept can be used as a 'simple category', i.e. one that has purchase in various modes of production, but with the advent of capitalism it becomes conceivable as a 'historically determinate abstraction' – specifically, in Marx's usage, as 'capital-positing, capital-producing labour'.²³ The character of wage-labour as a 'specifically bourgeois' relation of production did not come about through the mere generalisation of commodified labour-power. Rather, in interaction with a set of interrelated social processes – competitive state-building, changes in lord-peasant relations, development of trade and cities, emergence of the world market, differentiation of the peasantry, bourgeois revolutions, etc. – the capital-wage-labour relation began to take shape as the fulcrum of surplus extraction.²⁴ A second example is capital, considered in its ownership aspect. As the system evolved, historically, private property in the means of production tended to transform from a personal into an impersonal form, thanks to institutional innovations such as the joint stock enterprise. In the process, capital came to appear in corporate form – in a sense in a 'purer' guise as a social power rather than as the personal property of 'private' individuals. The corporation itself is staffed by 'organisation men', and women, turned

22 Haynes 1983, p. 79.

23 Banaji 1977; Marx 1993 [1857], p. 463.

24 Banaji 1977.

out by the business schools and applying the latest scientific management techniques to the task of making profit. In such environments, in Marx's prescient words, 'only the functionary remains, the capitalist disappears from the process of production'.²⁵ The relation of functionaries to their enterprise is not one of ownership – or if it is, as Colin Barker has put it, 'it *owns them* rather than the reverse', in much the same way that (as Marx remarked) 'the Prussian estate *inherited* the eldest son'.²⁶

State capitalism theory applies this historico-analytical method to a set of concepts central to the analysis of capitalist society, including the law of value, capital, and competition.

When we say capitalism, we are using it, as Marxists, to refer to a system of value in expansionary motion. Value, for Marx, is the alienated form of wealth in commodity-producing societies. Through being exchanged, commodities 'acquire a socially uniform status as values, which is distinct from their sensuously varied objectivity as articles of utility'.²⁷ Any economy in which commodity production occurs to a significant degree knows value, and indeed the 'law of value' – and ethical critiques of forms of economic behaviour that set value (in the form of money) as an end in itself go back to Aristotle, if not before. Unique to capitalism is that it is a system of formally independent economic entities each of which must exchange in order to exist. Social labour in capitalism takes, to borrow Patrick Murray's term, a 'practically abstract' form: i.e. it is productive of commodities, with acts of production socially validated through the exchange of products for the universal equivalent (money).²⁸ The social basis of generalised commodity production is thus a systematic separation through which interdependent producers assume the form of atomised units governed by relations of competitive antagonism. The coordination of producers' activities occurs 'behind their backs', through exchange. Such interaction is based upon interdependence – the need of independent producers for one another's products – and it is coercive, with competition obliging all producers to conform to prevailing prices or risk returning from the marketplace with their commodities unsold. Regulation of this activity is not direct, by custom or planning, but indirect, via the outcome of the relations between the units, between their products. To sell a commodity it must not only satisfy a perceived need, but also be produced and distributed within the socially necessary labour-time – or 'value'. (Put differently, it must aim to secure at least the

25 In Chattopadhyay 1994, p. 26.

26 Barker 1998, p. 38.

27 Marx 1990, p. 21.

28 Murray 2000.

‘socially necessary’ price.) Competition among producers of a particular commodity establishes a standard input requirement, which Marx called ‘socially necessary labour’. Prices, ultimately, are regulated by socially necessary labour time, as established through the process of competition. Competition is not an addition to the concept of value but immanent in it. What Marxists refer to as the ‘law of value’ is not simply a description of the principles that operate in commodity-producing society, it is also ‘a coercive force operating on all producers’.²⁹

The imperative of value expansion, in this analysis, flows from two structural features of capitalist society. Firstly, production is based largely on free wage labour, with labour power sold as a commodity – the mass of producers, separated from the means of production and the means of subsistence, are compelled to sell their labour power in order to survive. Secondly, the owners of the means of production exist in a competitive relationship with one another. Competition compels them to perpetually seek ways to increase profitability – essentially, by reducing the ‘socially necessary labour time’ required to produce and distribute goods and services. In harness, these features give rise to the peculiar collective purpose of capitalist societies: the self-expansion of capital. For capitalists, as Marx put it, ‘Accumulate! Accumulate!’ is the alpha and omega; competition compels them to ‘reconvert the largest possible proportion of surplus value or surplus product into capital’.³⁰

The self-expansion of capital rests on the exploitation of wage-labour, which, compelled by need to enter into a contract under which it submits to the will of capital for the period of its hire, produces the means (‘surplus-value’) for capital’s reproduction, for its expanded domination of society to continue.³¹ Alongside wage labour, of the social relations and institutions that define and organise an economy of this type, money – the fulcrum of almost all commodity exchange – and markets occupy centre stage. Markets, as Patrick Murray puts it, ‘belong to the social arrangements that render labour abstract; they function as a sort of “labour-processing” plant’.³² But they are not by any means the only such arrangement. Inter-capital competition does not take place only through market exchange. Other, non-market modalities of competition include ‘spending surplus value on ways of manipulating the market, advertising goods, creating a “product image”, bribing buyers in firms and

29 Barker 1999–2000.

30 Marx 1990, p. 654.

31 Barker 1999–2000.

32 Murray 2000, p. 45.

state agencies'.³³ In an earlier era, Nikolai Bukharin identified 'the struggle for spheres of capital investment' as an example of capitalist competition by other means.³⁴ A regime of practical abstract labour, moreover, depends upon a panoply of social practices: the design and enforcement of contractual transactions, regimes of measurement, standardisation, benchmarking and performance indicators, the disciplining, regimenting and social reproduction of workers, and the construction of material infrastructures and social organisations (factories, firms, state agencies, bureaucracies) that invent, supervise and enforce these processes,³⁵ not to forget the army of 'Weberian spirits' – instrumental rationality, the work ethic, utility, status competition – that justify, legitimise, activate and animate them. Moreover, given that the realm of commodity production is a realm of property, of relations of ownership, with the inevitable threats of appropriation by others and coercive responses to those threats, an additional and essential aspect of the capital relation is the production of means of violence and exclusion. Police and soldiers, fences, walls and alarm systems, guns, bombs and warplanes, as Colin Barker has argued, 'are all part of the real economic necessities of commodity production' in its capitalist form.³⁶ 'The "moment of coercion" (the state)', in Peter Burnham's formulation, is 'present in every economic act built on the commodification of social relations'.³⁷

The capital relation, then, is necessarily mediated through states. States fulfil several functions indispensable to the capitalist order. On this, Neil Davidson has provided a useful three-fold distinction. Firstly, capitalist states impose 'a dual social order: horizontally over competing capitals so that market relations do not collapse into "the war of all against all"; and vertically over the conflict between capital and labour so that it continues to be resolved in the interest of the former'. Second, they establish "general conditions of production" which individual competing capitals would be unwilling or unable to provide, including some basic level of technical infrastructure and welfare provision'. Third, they 'represent the collective interests of the "internal" capitalist class "externally", in relation to other capitalist states and classes'. This includes the realm of 'international relations' ('geopolitics', 'foreign policy', etc.). In none of these cases does a direct and functional relationship exist between the interests of capital and the actions of states. At all levels the field is criss-crossed with con-

33 Harman quoted in Davidson 2012.

34 Bukharin quoted in Davidson 2012.

35 Moore 2014, Lampland 1995.

36 Colin Barker 1999–2000.

37 Burnham 1995, p. 153.

tradictory pressures: between the interests of capitals and those of citizens (as expressed for example in social movements or at the ballot box); among capitals, each of which lobbies political authorities to represent their interests; between the common interests of states in upholding capitalist order at the global level (the 'liberal' emphasis in IR theory) and their separate interests in supporting 'their' capitals against rivals (the 'realist' emphasis); and so on. Such contradictions, in addition to the institutional materialisation of states themselves, give state managers considerable autonomy. Nonetheless, if they fail to back 'their' capitals in the world market, and still more if they fail to secure capitalist property relations, the limits of that autonomy will be forcefully revealed.

The competition of capitals, we are suggesting, is threaded into the states system, and the world market is organised politically. Important in this regard is states' constitution, through national currencies, of 'nationally delimited spheres of circulation' (to borrow Hannes Lacher's term). This ensures that the law of value operates differently in the national and the international spheres – because national values are mediated internationally by exchange rates, the law of value cannot mediate the allocation of socially necessary labour time on a global scale in any direct way.³⁸ Competition between capitals, in short, is 'mediated by state boundaries'; the border mechanisms of territorial states function as 'offensive weapons in the struggle for world market shares and profits', as states 'organize the external projection of national class interests through foreign policy, diplomacy and military force'.³⁹ Tariffs, exchange rates, export subsidies, foreign aid, and influence within international organisations, are the sorts of policies and programmes that can be applied by states to boost the competitiveness of 'their' capitals, and to tilt geo-economic rules and regimes in their interests. Capitalism, in other words, is not a system simply of economic competition. Capitals require from states not simply infrastructure, they need them to ensure that the effects of competition are experienced as far as possible by rivals. They want competition, as Davidson puts it, 'to take place on their terms; they do not want to suffer the consequences if they lose'.⁴⁰

In mediating and organising the international competition of capitals, states become drawn into that competition, as active elements, and this imbues geopolitics with a capitalist character. Geopolitical rivalry acts as a transmission mechanism, compelling states to ensure that the systems and institutions they control are competitive, economically and militarily, with rivals. On pain of fragmentation or demotion in the emerging world hierarchy (and until the

38 Lacher 2006, p. 114.

39 Lacher 2006, p. 114.

40 Davidson 2012.

twentieth century of outright colonisation), states find themselves coerced, in part through geopolitical pressures, to intervene in, consolidate, and generally reshape society in the interests of capital. Geopolitical interaction in a capitalist world, as Andrew Wright summarises it, ‘imposes subservience of states to the law of value.’⁴¹

What does it mean, to subordinate *states* to the law of value? Does that ‘law’ not apply strictly to market-mediated competition, with socially necessary labour expenditure determined only *a posteriori*, after goods have exchanged and sales numbers and prices have signalled the degree to which the labour time expended on each item was in fact socially necessary? At the core of the theory of state capitalism is a negative response to this question. It is a response that few have explored more insightfully than Barker. Socially necessary labour time, he begins, is indeed only adjudicated *a posteriori*, ‘but that doesn’t mean producers don’t have to take account of it, in anticipation. They know it very well, even if they don’t express it in those terms. If they get it wrong, the punishment can be severe’. The question then is: does essentially the same ‘law’ also apply to arms production and means of ‘defence’? And in addition, ‘is the necessary “unproductive” labour expenditure associated with the maintenance of private property relations also subject to the same principles (or “laws”)?’ Surely the same *a posteriori* and ‘anticipation’ issues arise in respect of the defence of private property and the state as they do in respect of selling shampoo or soap. People and firms invest in equipment to defend their premises against burglars – at a particular ‘socially necessary’ cost – in ‘anticipation of the possibility of being burgled’. They find out, after the fact, whether they had done enough. Likewise, Barker continues, military commanders and ministers of defence invest in their armed forces ‘in anticipation of what they may need to do; they find out after the fact if their anticipations were accurate. Hitler anticipated that he could conquer Stalin’s Russia, with what he had thought would prove to be a satisfactory mixture of good tactics, military morale and superior productive-cum-military strength. After the fact, he was proved wrong’.⁴²

Does this line of argumentation risk broadening the scope of the ‘law of value’ such that it loses all precision and purchase? Does it imply that *all* geopolitical rivalry is cut from the same cloth as capitalist geopolitical competition? For, surely, all such competition involves anticipation, consideration of means and ends, and the use of manufactured instruments of war. Consider for example Russia’s pre-capitalist history. Russian social life, Trotsky poin-

41 Wright 1997, p. 14.

42 Barker 1999–2000.

ted out, 'has *all the time* been under the influence, even under the pressure, of its external social-historical milieu'.⁴³ The earliest incarnation of the Russian state, indeed, originated in commercial and military rivalries and interactions through which Scandinavian merchants (the 'Rus') gained sway over East Slav peoples. The state, centred on Kiev, was oriented initially towards Constantinople, was then conquered by the Mongols and fragmented into rival principalities, one of which, Muscovy, eventually rose to hegemony.⁴⁴ Throughout Russia's early evolution, geopolitical and geo-commercial interactions and rivalries played a major determining role, whether in the unhinging of Kiev's development 'by the geo-commercial impact of the Crusades' or Muscovy's emergence from Mongol domination – 'hugely assisted by the otherwise unrelated assault of Timur on the Golden Horde', or the emergence of a *Pax Ottomana* which provided a security umbrella under which commercial routes flourished that linked Russia and Central Asia with Europe via the Black Sea.⁴⁵ At every step of the way, Justin Rosenberg argues, 'the evolving Russian social formation was a hybrid, a changing amalgam of pre-existent "internal" structures of social life with "external" socio-political and cultural influences. From the Viking north to the Byzantine south, from the Mongol east to the European west, a succession of external pressures (and opportunities) of radically varying cultural form all left their mark on the inner shape of the Russian state'.⁴⁶

In what ways did these patterns alter with the rise of capitalism – initially in the United Provinces, England and their imperial extensions, then in the other Western European empires? Distinctive about the new system was that (i) its organisation of social extraction, pivoting as it does on the capital-wage-labour relation and with complex systems of money and finance, tends to be relatively abstracted from territory (when compared to other modes of production); (ii) it is conducive to the institutional separation of economy from polity – and therefore, to the rise of the 'political state'; (iii) as a consequence of the previous two points, it promotes specifically the development of nation states, and leads ultimately to the replacement of looser archipelagos of empires and city states with a regimented and institutionalised universal nation-state system; (iv) it consistently outperformed other systems in raising productivity and hence (v) enabling the construction of infrastructurally powerful and consistently well-funded states – it tends, in other words, to facilitate (or compel) the augmentation of the 'infrastructural' capacities (to use Michael Mann's term)

43 Trotsky 1931. Emphasis added.

44 Rosenberg 2006, p. 321.

45 Anievas and Nisancioglu 2015, p. 322; Rosenberg 2006, p. 322.

46 Rosenberg 2006, p. 325.

of states, alongside their despotic power; (vi) it is inherently expansionary, with expansion transmitted along economic and political channels.

Confronted with the rise of the United Provinces, England, and the rest, non-capitalist states increasingly faced a choice: replicate the institutions that were enabling the amassing of power in these capitalist centres, or risk subjugation. For Russia, the new set of pressures emanating from Western Europe prompted the state, under Peter the Great, to attempt the 'modernisation' of its governmental and military administration, and political culture more generally, a project that saw Russia survive the eighteenth century with a strengthened state but without a transformed civil society. Trotsky's assessment of Russia's post-Petrian history is instructive. 'Under the influence and the pressure of its more differentiated Western milieu, a pressure that was transmitted through the military-state organization, the State in its turn strove to force the development of social differentiation on a primitive economic foundation'.⁴⁷ Staffed with landlords, ingrained with absolutist traditions and values, and overseeing a still heavily feudal agricultural empire, the attempts of the Tsarist state to stimulate capitalist development in agriculture in order to swell the surplus available to industry were stumbling, half-hearted, and prone to relapse. And yet, in part in response to geopolitical competition – Napoleon's march on Moscow was an early warning; 1855 and 1905 were alarming defeats – the Tsarist autocracy did eventually abolish feudal serfdom and delegated senior positions of state to modernisers. Above all during Count Witte's stints in high office (1892–1905), the government, rather than allow the stalled agrarian revolution to block industrialisation, succeeded in coupling a traditional method of surplus extraction, the taxation of peasants, with large-scale borrowing from external sources of finance in order to push through a panoply of measures aimed at, as Witte himself put it, 'removing the unfavourable conditions which hamper the economic development of the country and at kindling a healthy spirit of enterprise'.⁴⁸ Witte presided over rafts of reforms: savings banks were encouraged, state banks was established to funnel domestic savings and foreign capital into industry; steamship companies and nautical and engineering schools were founded, corporate law was reformed and the ruble made convertible.⁴⁹ Capitalism, in Trotsky's summary, 'seemed to be an offspring of the State'.⁵⁰ If geopolitical mechanisms helped ensure the subservience of states such as Russia to the law of value in the nineteenth century, how did this play out in the aftermath of the 1917 Revolution?

47 Trotsky 1931.

48 Witte, quoted in Dale 2004.

49 Trotsky 1971, p. 33.

50 Trotsky 1931.

4 State Capitalism in Russia

The Bolsheviks' wager in 1917 was that despite the inevitable assault by capitalist states, Russia's revolutionary trajectory could be consolidated if similar gambles paid off elsewhere, undermining the number and power of enemy states. (It's no coincidence that Trotsky was the theorist identified most closely with the theory of geopolitics as capitalist transmission mechanism *and* with the notion that defence of workers' power would require its replication internationally.) The predicted world-revolutionary wave did occur, but without the hoped-for revolutionary breakthroughs. The inherent difficulties faced by a revolution in a backward country intensified. That socialist revolution could occur in Russia was, as Victor Serge summed up the case, in part due to the Bolsheviks' 'intransigence' but also 'because the system here was weakest ..., because the socialist revolution benefited from a bourgeois revolution which, though necessary, was feeble and tardy, unable to complete itself; because on the ruins of the tsarist regime the Russian proletariat found itself faced only with an inexperienced, disarmed bourgeoisie'.⁵¹ The same factors, however, that account for the occurrence of the revolution also determined the fragility of the regime to which it gave rise. If bourgeois weakness and the military defeats suffered by the Tsarist armies were both, ultimately, consequences of Russia's relative economic and technological weakness, this same weakness enlarged the difficulties confronted by the revolutionary regime: a small working class, low living standards, poorly developed economic and cultural infrastructures, and a military that was poorly equipped in comparison to those that invaded in 1918–21. Then, as the global revolutionary wave ebbed over the course of the 1920s, the dilemma that Lenin had posed in 1919 grew starker: 'We are living not merely in a state, but in a system of states, and it is inconceivable for the Soviet Republic to live alongside the imperialist states for any length of time. One or other must triumph in the end'.⁵²

The decisive *direct* imperialist intervention was the invasion of over a dozen powers – unmistakably a 'geopolitical mechanism' – in the attempt to crush the revolutionary regime. The attempt failed in a formal sense but did succeed in ravaging Russia's economic substance and social fabric. War and its henchmen (famine, disease, poverty, and so on) scythed through the population. Military invasion, economic embargo and capital flight combined with the consequences of civil war to reduce economic output to less than one third

51 Serge 2017, p. 416.

52 Lenin 1919.

of its pre-war level.⁵³ As a result of war and economic evisceration, the social basis of the communist cause – the politically mobilised working class – haemorrhaged. The regime found itself hollowed out from within; the Communist Party had been swept to power by social movements that then dissolved. As the working class was whittled away, the ranks of the Party were swelled by the officials on whom it increasingly relied. The democracy of the soviets expired and was replaced by a one-party state. Alienated from the working class, much of the Party began to lean towards those forces which recommended the strengthening of private capitalism in agriculture or to those, concentrated within the party and state bureaucracies, which advocated a programme of national modernisation: the build-up of state power as an end in itself. Trotsky's 'left opposition' retained a significant presence until the late 1920s; its destruction owed more than a little to the 'geopolitical mechanisms' of which he had warned.

The programme of national modernisation that came to be known as 'socialism in one country' had to confront the legacy of revolution and war. The post-1917 regime had acted to lessen social inequalities and, where possible, improve workers' and peasants' living standards. This, together with the depletion of foreign capital and technology imports that had been vital to industrialisation under Tsarism, sharply curtailed the resources available for investment. Although the regime succeeded in stabilising the postwar economy, and in some respects more successfully than some rival powers, notably Britain, its GDP per capita continued to lag behind most other large economies, at around one-fifth of that of Britain and one-sixth of the US during the 1920s. If the emergent strategy of national modernisation was to entertain a chance of success, therefore, the obstacles to rapid capital accumulation, above all the legacy of the 1917 revolutions as embodied in the control of land by the peasantry and in the Communist Party's commitment to raising workers' living standards, would have to be overcome. The destruction of this twin legacy, although a necessary consequence of the policies of Stalin's faction, was not planned in advance. Rather, the new system arose in an unpremeditated manner, as the emerging strategy of sections of the *nomenklatura* linked to Stalin responded to a set of interconnected crises that arose toward the end of the 1920s.

The crises of 1927 unfolded in several dimensions: international relations, the economy, workers' and peasants' discontent, and non-Russian republics chafing against Moscow's rule. Policymakers reacted with short-term expedients. Nonetheless, the measures taken indicate in their general direction a clear set of underlying priorities. The first and most important of these was the

53 Nove 1992, p. 62.

assumption that external invasion threatened again. The militarisation imperative connected with a second priority, industrialisation. Even in 1926–8 the *pace* of industrialisation, measured against the meagre surplus released from agriculture, was fairly intense. By the yardstick of modern warfare, however, its *level* remained inadequate. The growing conviction of sections of the Communist Party around Stalin that rapid industrialisation was required at any cost explains why resort was made, in 1927–8, to *forced* procurements of grain, and why brute repression was meted out to those who resisted. The programme wasn't planned in advance. Rather, through haphazard responses to short-term crises, the faction around Stalin stumbled upon what became their defining cause: forced industrialisation, with the aim of re-arming. It required, moreover, the sidelining and eventual routing of those political forces that championed the interests of private agriculture and the working class, expressed within the Party by the left and right opposition. It was here, in the concatenation of repressive moves that flowed from the imperative to accelerated industrialisation – triggered by a security scare – that the distinctive structures of bureaucratic state capitalism began to take shape. In 1927, concern for the Soviet Union's security escalated into full-blown war fever when the crushing of the most militant section of the Chinese labour movement by Moscow's putative ally, Chiang Kai-shek,⁵⁴ in the final defeat of the revolutionary wave of the 1920s, was followed by the abrogation by Britain's Conservative government of relations with Russia. Stalin's faction exploited the war scare. Their invocations of an external threat were deployed wholesale to justify internal repression: against peasants resisting requisitioning and collectivisation, against labour unrest, and against internal party opposition. Moral panics were concocted to threaten and cajole, to turn the population against the enemy within: the 'kulak menace', the 'saboteur in foreign pay', the 'right-wing appeaser', the 'Trotskyist', and the other stock miscreants and evildoers of the Stalinist imaginary. Meanwhile, the hoarding that the war scare elicited exacerbated food shortages. By the end of the year the country was sliding toward economic crisis.

Policymakers reacted with short-term expedients, notably the arbitrarily-enforced procurements of grain in 1927–8 – but this only deterred the *muzhik* from sowing. Renewed signs of economic crisis prompted the government to expedite industrialisation and redesign its relations with the peasantry. In this compressed period much of the previous social fabric – including protective institutions such as the traditional peasant community, trade unions and factory committees – was either torn up or stitched into the state bureaucracies.

54 In pinyin transliteration: Jiang Jieshi.

This enabled a dramatic rise in the rate of exploitation. Net investment soared from 1928 to 1937, rising from 10 percent to 23 percent of net national product, while household consumption fell from 82 per cent to 55 percent.⁵⁵

In this analysis, Stalin's industrialisation drive was an embodiment of counter-revolution, through which the social and cultural gains of 1917 were pushed back, civil liberties and intellectual freedoms were stamped out, workers' organisations subordinated to the party-state, and oppositionists sidelined, exiled or murdered. Its specific form was not a return to feudalism but a radical imposition of capitalist relations, in which these did not merely 'seem' to be the offspring of the state, as in Trotsky's depiction of the Russian economy under Nicholas II, but materially were. Within a few years, a traditional agricultural arrangement consisting largely of petty production was subordinated to a single capitalist landlord. This was no feudal fusion of economics and politics, nor did it resemble the exaction of tribute from peasant smallholders by such empires as Ming China or Mughal India. It was, rather, the sundering of peasants and their means of production into absolute property, on one hand, and a proletariat, on the other. No longer did the state need to batten upon the peasantry, as feudal landlords or tributary tax collectors had done. Rather, it inserted itself *between* the means of production and the agricultural labour force, assuming coercive command of the former as well as direct control over the labour process. This gave it an unparalleled ability to appropriate agricultural surplus and to funnel it directly into industry and the military, without the need to engage in the delicate task of squeezing tribute from private landholders.⁵⁶

Had the functionaries who implemented the collectivisation programme been readers of Marx, they could have gained stimulating insights from the chapters on agriculture in *Theories of Surplus Value*. The 'only requirement' of the capitalist mode of production, in respect of land, Marx writes, is that

55 Resnick & Wolff 2002, p. 266. For the subordination of consumption to accumulation, see also: Binns 1975.

56 We do not have space to go into the question of free wage labour here. Capitalism requires a level of general labour mobility and market competition; it is to this extent based on free wage labour. But it is compatible with forced labour too – slavery, prisons, indentured labour, and so on. In the case of the bureaucratic state capitalist societies, forced labour was a significant component in some (notably the Soviet Union in the 1930s). But there was on the whole a considerable degree of labour mobility. In East Germany, for example, although firing workers was usually, in practice, difficult, labour contracts were very similar to those in Western market economies, and levels of wages and bonuses was determined to a considerable extent by inter-firm competition for labour power. See e.g. Zander 1974; Huinink and Mayer, 1993.

it 'should not be common property, that it should confront the working class as a condition of production, not belonging to it'. This purpose will be 'completely fulfilled' if land 'becomes state-property'. The 'radical bourgeois' therefore aspires to 'a refutation of the private ownership of the land, which, in the form of state property, he would like to turn into the common property of the bourgeois class, of capital'. In practice, he 'lacks the courage, since an attack on one form of property – a form of the private ownership of a condition of labour – might cast considerable doubts on the other form'.⁵⁷ However, in the peculiar circumstances of counterrevolution in 1920s Russia this is indeed what came into being – the 'radical bourgeois' appearing in the guise of the Stalinist state. In this analysis, the agent of the accumulation drive arose not, as Trotsky had forewarned, from petit-bourgeois layers but rather, as some of his fellow oppositionists proposed and as Cliff later traced in detail, from within the party-state bureaucracy, which began to act as the 'personification of capital'.⁵⁸

The penetration of state into society that occurred during Stalin's counter-revolution should thus be understood as a precisely and eminently capitalist moment. Just as in Britain the road to the free market was opened and kept open by an enormous increase in continuous, centrally organised state intervention, so too, in the Soviet Union the mobilisation of society behind the drive to catch up with Western market economies occurred through an enormous increase in state ownership but also, simultaneously, the 'economisation' of the state – and of the Communist Party. The Party, as Lewin has described, underwent a process of 'depoliticisation'. Its cells 'became brokers in the service of their branch of the economy, sometimes even of just one enterprise. ... The economy was declared to be the most important "front", to use the martial terminology of the times'.⁵⁹ That battle, moreover, was prosecuted in the workplaces through techniques of individual competition, via income and status. What Martha Lampland has identified in the case of Soviet Hungary applied equally to Russia: the 'pageantry of enforced collectivity' (mass rallies and so on) notwithstanding, the Stalinist era saw an 'intensive individuation of persons', the goal of which was to create 'a mass of individuated workers unfettered by the drag of an antiquated collectivity'.⁶⁰

'Stalin's revolution', in this light, involved the conversion of the Soviet party-state, spurred by geopolitical competition, into an agent of wholesale prolet-

57 Marx 1858.

58 Cliff 1974, p. 165.

59 Lewin 1985, p. 32.

60 Lampland 2016.

arianisation and capital accumulation. The party-state could project political power throughout society with such determination and resolution precisely because it was itself undergoing a process of 'economisation'. The fusion of state and economy implied a particularly direct geopolitical transmission of the law of value, and enabled the central state bureaucracy, in command of all channels of international competition, to prioritise the military sector. That imperative – of geoeconomic and geopolitical competition – underpinned the programmes of breakneck industrialisation and forced collectivisation, as well as the extreme repression that these called for. In short, the same historical transformation that 'married the state and capital', in Mike Haynes' description, also 'completed the subordination of the Soviet economy to the world economy'.⁶¹ In the process, it elevated the Soviet Union into a major force in the world system. By the 1940s Moscow was proving itself as a great power; its T34 and KV tanks outnumbered and outperformed their German rivals,⁶² enabling it to conquer most of Eastern Europe and to reign for half a century as the planet's second most powerful imperialist state, with nuclear weapons, a permanent seat on the UN Security Council, allies across four continents, and legions of imitators. And not only was this an imperialist state, it also rescued the pre-Soviet imperial form. That is to say, in an age of declining empires (the Ottoman, Habsburg Austro-Hungary, Wilhelmine Germany, and, in the mid-twentieth century, imperial Japan and the West European empires), the Soviet Union under Stalin succeeded in replicating – albeit in ostensibly national form – the Tsarist imperium (with Russia dominating the non-Russian periphery), just as that form of political arrangement was, globally, experiencing its final and convulsive demise.

5 Theoretical Implications

Let us step back now to consider what the above argument implies for the question of the international transmission of capitalist competition (or the 'law of value'). It does not propose that capitalist economic and geopolitical competition operate in identical ways. All capitalist states command soldiers and arsenals whereas only a few private businesses do. A miscalculation of risks in the geopolitical arena can result in thermonuclear war, unlike in the arena of private business competition (at least at time of writing). Competitive

61 Haynes 1985, p. 110.

62 Bonwetsch 1997 and Sapir 1997.

defeat tends to be managed differently, too. Businesses that suffer existential losses are generally forced by lenders to make structural adjustments, or they merge with others, or go into administration – they ‘go out of business’. States, given their command of armies and hence their ability to appropriate resources come what may, in addition to (in the modern period) the hold of the national idea and its material manifestation in the interstate system, tend, even in the course of precipitous economic decline, to soldier on. They do not go bankrupt in the same way as businesses – although the disappearance of some, such as the GDR in 1990, and the bankruptcy and debt bondage of others, such as the dozens of countries subject to IMF structural adjustment programmes or Greece following the crisis of 2008, do bear comparison with the administration of bankrupt businesses. What the above argument does propose, however, is that states must be able to defend themselves, that this requires the mobilisation of resources (a mobilisation that must be as effective as that of competitors), and, moreover, that in a capitalist world system geopolitical competition operates to transmit and enforce capitalist imperatives, including pressure to reduce socially necessary labour time to the global benchmark, on pain of sliding down the global political-economic hierarchy or, at the extreme, facing the prospect of military occupation or economic evisceration by powerful rivals.

The argument we are making is not transhistorical. ‘International relations’, including war and diplomacy (in the broad sense of ‘the negotiated management of inter-societal relations’),⁶³ have been an institutionalised feature of all forms of class-state society, but the inter-state system that emerged in and with global capitalism possesses unique features. One is the tendency for capitalist polities to become organised in the form of nation states, and, simultaneously, to take interest in affairs beyond their borders. The framework of the international system mediates commodity relations that are inherently transnational in potential. In Rosenberg’s formulation, insofar as ‘capitalist relations of surplus extraction are organized through a contract of exchange which is defined as “non-political”’ it becomes possible ‘in a way that would have been unthinkable under feudalism, to command and exploit productive labour (and natural resources) located under the jurisdiction of another state’.⁶⁴ Each state is imbricated in a world society and economy whose movements it can influence but not control. Not only, then, do capitalist states exist in relations of interdependence with and antagonism to external powers, compelling each to stake forceful claims to definite forms of control over territories and the people

63 Rosenberg 2006, p. 320.

64 Rosenberg 1994, p. 129.

and things within them. That is the case with any states-system. In capitalism, however, 'the state's own stability and health are dependent upon social processes beyond its borders ... Therefore in order to play the role of the state the national state must strive to burst through its own national character'.⁶⁵ States' interests in maintaining power and supporting the processes of accumulation upon which they depend entail intervention not only within but beyond their home territories. Not only must they counter threats from other states, but they are compelled to seek influence over property and populations beyond their home territories – massaging and manipulating external frameworks of rights, defending investments, and partnering and clashing with other states. States are inherently international, not simply through their mutual relations but because they depend on and are threaded into transnational economic circuits. As with the evolution of global capitalism, those circuits intensify and intertwine across borders, states are drawn into denser interconnections. The internationalisation of capital, in short, developed in tandem with the globalisation of the nation-state system, the ramping up of the infrastructural and coercive power of states, and the amassing of permanently mobilised military machines. This means that war, between capitalist powers, has the potential to become total war in a specific sense: capitalist states are capable of mobilising a colossal proportion of society's resources. Here too, we are highlighting the potential *immediacy* and *intensity* of the geopolitical transmission of the law of value in global capitalism.

If global capitalism is a system in which each capital is governed by a law of value that competitively commensurates acts of production against prevailing norms, competitiveness varies greatly among capitals and territories. On one hand, the operation of even 'free' international trade unleashes powerful spatially-polarising tendencies, as well as opportunities to 'catch up'. Economic unevenness accompanies and reinforces the power asymmetries of the states-system: states with a strong fiscal base are able to project power where others cannot. On the other, the ploughing of capitalist relations into all corners of the globe stimulates the emergence of countervailing tendencies, whereby the economic consequences of, or the political means of dealing with, 'backwardness' stimulates the development of the technological or military muscle required to appropriate a greater proportion of global surplus value. Thus, the early capitalist powers were joined by second and third waves, and recent decades have witnessed several regions of the 'Third World' approaching economic comparison with those at the top.

65 Wright 1997 p. 12.

These processes provide a window through which we can study the historical emergence of state capitalist regimes. The one on which we have concentrated up to this point is the Soviet Union, with its unique brand of bureaucratic state capitalism forged in a peculiar crucible: state-led counter-revolution in a land without a bourgeoisie. But what of the many other forms of state capitalism? What of Rákosi's Hungary and Tito's Yugoslavia? What of Germany and Turkey in the 1930s? Britain and Japan in the 1940s? India, China and North Korea in the 1950s? South Korea and Egypt in the 1960s, Vietnam and Peru in the 1970s – and so on. These all had in common a high degree of state ownership and control, particularly of 'strategic industries'. Common to most of them was a weak (or weakened) domestic bourgeoisie, a drive to steep-ascent industrialisation (involving central planning, a bias towards heavy industry and a large arms sector, and relative autarky), and rule by a single party that lashes all social institutions into a national corporate unity subordinated to the goal of rapid economic growth and military might.

What accounts for the shared state-capitalist cast of these (and many similar) regimes? Several factors can be discerned. One is the scale of production, and the scale of organisation, of leading industries. To caricature only a little, the principal scale of ownership, production and marketing in most industries in the eighteenth was local; in the nineteenth and early twentieth centuries it was national, and thereafter global. (Think for example of wheat, beer, iron, furniture and home furnishing, road vehicles, and earth-moving equipment.) Specifically 'national' variants of state capitalism – including the 'bureaucratic' type in which most (or all) of the formal economy is taken into state ownership – flourished in the historical period when capital concentration reached a stage where major sectors of the economy could be organised at nation-state level without unduly impairing competitiveness.⁶⁶

A second factor is geopolitics and war. In partial contrast to market competition, the *intensity* of geopolitical competition varies dramatically. As we have shown above, geopolitical competition, including arms races, tend to draw states into a muscular economic coordination role, notably of the arms industry and other strategic sectors. The features of state capitalist economies – relative autarky, an emphasis on heavy industry, a high savings ratio, allocation by administrative decision and the extensive use of political incentives and ideological appeals geared to increasing output – are typical of war economies (either of states actually at war, or states engaged in arms races and

66 The period where this applied varies by industry and region.

other forms of heightened military preparation).⁶⁷ It is no accident therefore that the most extreme forms of state capitalism emerged during the era of the two world wars. The form of competition shifts from market-oriented to military-oriented, although in reality there can be no 'pure' market or military competition.⁶⁸

A third factor is uneven development and 'catch-up' industrialisation. Outside wartime, capitalist 'heartland' economies have tended to be liberal, with relatively small state-capitalist elements.⁶⁹ Because the liberal heartlands became home to the most profitable forms of capital accumulation, a self-reinforcing dynamic ensued: these areas expanded their global influence, winning allies by dint of their economic and cultural pre-eminence or directly extending the liberal heartland through imperial conquest, and these processes, in turn, fuelled the profitability of heartland businesses as well as their independence from state power. Other powers, confronting the international success of the liberal heartland (the Netherlands, Britain, the US), in their attempts to overcome relative backwardness tended to rely heavily upon centralised administration. In the early modern period this primarily took the form of absolutist regimes adopting mercantilist methods in imitation of the Dutch.⁷⁰ In the nineteenth century it involved an internalisation of capitalist structures, via state-led reforms (and 'passive revolutions') that encouraged the expropriation of the peasantry and facilitated the growth of market-oriented agriculture and industry. Where success was achieved, as with France, Germany and Japan, assimilation into the liberal heartland was usually the eventual outcome. For weaker economies, the disadvantages of backwardness could outweigh advantages. This was particularly so where a relatively late development of capitalism combined with political domination by imperialist states, entailing not only plunder, conquest and the undercutting of local industries but also the denial or limitation of sovereignty. For post-colonial developing countries, funds for accumulation had to come essentially from savings out of current consumption of the domestic population, 'and if the level of current livelihood of the population is low, and the political and administrative machine weak', in Nigel Harris's words, any surplus is likely to be meagre, such that 'only a very powerful army and police force can snatch the surplus for national

67 Lange 1969, p. 171. For earlier treatments of state capitalism as war economy and vice versa, see Nikolai Bukharin 1982 [1916]; Cliff 1964.

68 As Chapter 3 in this volume shows, Chinese state administrators in the 1950s were acutely concerned with comparing China's labour productivity with that of other countries.

69 Van der Pijl, 1993, 1995, 1998.

70 Arrighi 1994, pp. 140–1.

investment between the peasant's hand and mouth'.⁷¹ Heightened repression (which enhances the role of the state), in turn, tends to breed wider military conflict, which further cements the centrality of the state.⁷² Typically, it is linked to a strategy of import-substitution industrialisation (ISI – which, again, accords a key role to the state), and, in many cases, revolutionary upheavals. The latter may be anti-imperialist, e.g. in opposition to colonial rule or to the undermining of ISI development strategies by the liberal great powers or to comprador bourgeoisies, and are invariably fought under the banner of emancipation. However, because revolutions by their nature focus the attention of political entrepreneurs and social movements on the gaining of state power, they tend to facilitate the notion that the state is the key lever through which to achieve economic goals (e.g. ISI; capital concentration). In such cases, too, the result tends to be conducive to state capitalism – at any rate, this was the case for much of the twentieth century. In his development of Trotsky's theory of permanent revolution, Cliff termed this process 'deflected, state capitalist, permanent revolution' and highlighted the role of particular class layers such as the intelligentsia, bureaucracy and military officers in carrying out such revolutions. He argued that 'Mao's and Castro's rise to power are classic, the purest, and most extreme, demonstrations of "Deflected Permanent Revolution"' but 'Other colonial revolutions – Ghana, India, Egypt, Indonesia, Algeria etc. – are deviations from the norm' where a 'Simon-pure state capitalism' (i.e. bureaucratic state capitalism) was unable to develop for various reasons.⁷³

In combination, these factors help explain the phases of *étatisme* that individual states – Britain, for example, during the Napoleonic wars and the Great Depression – and the world system as a whole pass through. Mike Kidron identifies three phases. In the 'Liberal, or entrepreneurial-capitalist, phase', from the mid-eighteenth century to 1914, the dominant tendency was the clearing away of protectionist regulation (privileges granted to monopolies and corporations, the regulation of production by craft guilds, trade protection measures, and so on). The early-phase state also assumed a commanding role in creating and maintaining physical infrastructure and consolidating market-enabling institutions (legal system, stable currencies, etc). But its direct economic involvement was relatively slight, outside wartime and imperial conquest. The middle phase lasted until 1989. The typical state in this phase 'went farther than its

71 Harris 1971, p. 140.

72 Wendt and Barnett 1993.

73 Cliff 1963. The authors of this chapter would however take issue with the idea of a 'normal' state capitalism as implied by Cliff here.

predecessor in providing a physical infrastructure for the market. It came to dominate the so-called commodity inputs in industry: steel, energy, water and other utilities'. This was the case not only in Eastern Europe, China and most newly-independent countries but also in Western Europe. States in this period embraced nationalisation 'not only of the classic infrastructural services and the broad-spectrum inputs into modern production, but also the specific differentiated products that usually remained in private hands in the hub countries'.⁷⁴ Although the bureaucratic state capitalisms of this period may be largely consigned to the history books, state capitalism theory still has much to offer when it comes to understanding contemporary capitalism. In the neoliberal era the state has not retreated so much as involved itself in capital accumulation and competition in new and different ways. As Chris Harman wrote in 1991, at the time of the Gulf War:

The world may no longer be made up of capitals fused one hundred percent to states. But it is not, and cannot be, a world in which capitals float free of states. It is a hybrid world, in which each capital increasingly spreads beyond state boundaries but at the same time depends as much as ever on its state (or, sometimes, its states).⁷⁵

Taken together, these factors explain why state capitalism predominates at certain times and in certain places. It is found disproportionately in particular economic sectors: where natural monopolies exist (e.g. transport), and which are deemed strategic (e.g. oil, or electricity, but not banking). It thrives where states are attempting to punch their way to the top of the world-economic hierarchy.⁷⁶ It thrives at times of war and in societies geared to war – which is why Germany 1914–18 was a critical example (inspiring the work of Otto Neurath on administered economies, and Bukharin on the tendency toward state capitalism). And it thrives in conditions of de-globalisation, when international trade and capital networks collapse, prompting states to intervene (the 1930s is the paradigm here).

74 Kidron (n.d.).

75 Harman 1991.

76 It is no accident that state capitalism received its early theorisation by writers of the German Historical School such as Adolf Wagner. See Pollard 2011.

6 Developmental State Theory and State Capitalism in East Asia

In recent decades the most prominent explanation for East Asia's remarkable development in the second half of the twentieth century has been developmental state theory (DST). This approach, advocated initially by Chalmers Johnson, Alice Amsden and Meredith Woo, posits that the state in East Asian countries, beginning with the Japanese state as model, has been able to place itself above individual corporations and capitalists and play the key role in encouraging and coordinating economic development. Johnson contrasts this model of capitalism favourably with both the *laissez-faire* capitalism of North America and Western Europe and with the 'state socialism' of the former Soviet Union or pre-reform China.⁷⁷ Johnson's version of DST centres around the particular state bureaucracy embodied in Japan's Ministry of International Trade and Industry (MITI) and its 'perfection of market-conforming methods of state intervention in the economy' through such means as financial institutions, tax incentives, economy-wide planning, and government funded R&D.⁷⁸ Meanwhile, Amsden and Woo applied DST to the South Korean case, the former focusing on the state's role in the industrialisation learning process (combined with low wages and state subsidies) and the latter on the state's mobilisation and allocation of financial resources.⁷⁹ More recently, a number of scholars have sought to apply DST to post-reform China, particularly since its economic take-off in the 1990s, arguing, for example, that the PRC represents a new form of 'dual developmental state' in which there is both a centralised developmental state and regional developmental or 'entrepreneurial' states.⁸⁰

Developmental state theory has been criticised by Marxists from a number of angles. Addressing the case of South Korea, Dae-oup Chang has targeted two aspects in particular: the idea of state autonomy that is embedded in DST and the historical misreading of the formation of the South Korean state that serves to mystify its character.⁸¹ In this volume, Lee Jeong-goo presents similar criticisms of the application of DST to the case of post-reform China, arguing that the state in China is not autonomous from capital accumulation, but in fact acts as a 'collective capitalist'. He also argues that rather than the state standing above capital, state and capital are bound together by structural interdependence.

77 Johnson 1999.

78 Johnson 1999.

79 Woo 1991; Amsden 1989.

80 For a detailed discussion of developmental state theory and China see Chapter 6 of this book.

81 Chang 2009.

Unsurprisingly, Marxists have also criticised DST for lacking a serious analysis of the role of class in capitalist society. So, for example, DST explanations of East Asian development have tended to overlook the importance of suppressing wages and consumption in the 'Asian miracles' and thus, also, the key role of state violence and coercion in creating the conditions for industrialisation and catch-up development.⁸² This is another illustration of the many ways in which the state, far from being autonomous from capital, is closely entwined with it and in fact essential for the process of capital accumulation in any society, but particularly in those at the earlier stages of industrialisation.

Applications of DST to East Asian countries have certainly not been blind to the specific historical and geopolitical conditions that facilitated development, perhaps most obviously their relationship with the US during the Cold War.⁸³ However, there has been a tendency to downplay geopolitical factors, such as inter-bloc competition, and to maintain a form of methodological nationalism that assumes the nation state as the fundamental unit of analysis and, by extension, the potential of any state, with the right institutional apparatus, to achieve capitalist development, abstracted from the global capitalist system. Jeong Seongjin provides a corrective to this tendency in Chapter 4 of this volume by showing how the Cold War and its hot wars in Korea and Vietnam were crucial to both the recovery of Japanese capitalism in the 1950s and the take-off of South Korean capitalism in the 1960s. In the South Korean case, close ties with the US and an inflow of capital from the Vietnam War allowed Park Chung-hee's repressive state capitalism to 'internationalise', turning decisively away from the inward-looking path of other Third World state capitalisms like India or North Korea.

Finally, DST explicitly maintains a 'two worlds' framework for analysing East Asian development in the twentieth century, supporting a fundamental division of the world into 'capitalist' and 'communist' (or often 'state socialist'). The most obvious problem with this way of dividing the economies of the world is that there is little attempt made in DST to define what 'capitalism' and 'state socialism' actually are or how they differ fundamentally from one

82 Campling, Miyamura, Pattenden and Selwyn 2016.

83 A number of different scholars have noted the importance of geopolitics and security concerns in the formation and viability of developmental states in East Asia. Woo for example, notes that this 'security environment showers benefits on the guaranteed state in the form of bilateral aid or multilateral loans, and enhances Korean maneuverability' Woo 1991, p. 8. [also: Amsden 1989; Johnson, Cumings]. However, these scholars have tended to see military competition and security as an important factor that is external to the process of capitalist development, rather than something constitutive of that development. The latter approach is one that will be taken in this volume.

another, other than in the extent of state property. Studies of the actual functioning of global political economy in the twentieth century also tend not to support this division, showing instead how closely interrelated the two Cold War blocs were through trade, economic competition and military rivalry. As stated at the beginning of this chapter, it is the intention of this volume to treat this conceptual division as profoundly unhelpful and to contribute to the development of a historical political economy that overcomes it on the basis of state capitalism theory. Such a critique is by no means new, and has previously been clearly articulated by Colin Barker in his article on the Meiji Restoration:

... if we consider the 'development problem', we find reasons to doubt that these two countries [China and Japan] do really represent widely different systems. Rather, there is an important sense in which they can be comprehended, not as two distinct 'systems' but as 'parts' of a more encompassing single 'system' from which they both derive common characteristics.⁸⁴

More recently, Oscar Sanchez-Sibony's book *Red Globalization* has made a similar and equally forceful point, from a somewhat different angle. Based on extensive new research into archival materials he demonstrates that the Soviet Union was, during much of the twentieth century, a vastly weaker rival to the US, *within* the world capitalist system.⁸⁵

The chapters in this book no doubt owe much to the scholarship of those in the tradition of developmental state theory, but this book also constitutes a conscious critique of DST. The authors here seek to integrate the DST insight that there is not one 'normal' form of capitalism, but also to go beyond this and concretise in Marxist terms what forms state capitalism can take. Crucially, it sets its sights beyond simply explaining 'successful' cases of Asian development to understanding both the 'capitalist' and 'communist' countries of East Asia as parts of the same global capitalist system, all shaped and driven by the same logics of capital accumulation, military competition and class conflict.

84 Barker 1982, (unpaginated).

85 Sanchez-Sibony writes that: 'The Soviet economy became first autarkic and then globalized in roughly the same measure and on roughly the same timetable as the world first became autarkic in the interwar period and then globalized in the postwar'. Sanchez-Sibony 2014, p. 6.

7 East Asian Development and State Capitalism: the Japanese Model

The Japanese model looms large when examining state capitalism in twentieth century East Asia. Indeed, Japan's significance as a role model went far beyond East Asia; the Meiji Restoration was a model of independent development for colonised elites and aspiring bureaucracies all over the world. In East Asia itself, Japanese-style capitalism was not only a model to be emulated but a structure that was directly imposed – to one extent or another – in places like Manchuria, Taiwan and Korea, via Japan's colonial empire. A digression into the history of state capitalism in Japan is thus unavoidable here. To talk of Japanese state capitalism in the singular would be somewhat misleading as Japan at different times in its modern history (since the Meiji Restoration of 1868) established quite different varieties of state capitalism. Broadly speaking we can talk of two periods and two types of state capitalism: the mixed system of state support and large conglomerates established in the first decades after the Restoration and then the wartime state capitalism of the period 1937–45 that came close to usurping private capital altogether and instituting a form of bureaucratic state capitalism. The historical outline here will therefore focus on these two periods.

Whatever else it may have been, there can be little doubt that the Meiji Restoration of 1868 was a social revolution from above, carried out in order to create the conditions for the independent establishment of capitalist social relations, and, by extension a modern state and industry. The basis of this was the abolition of the lordly domains (*han*) and samurai stipends (*karoku*) and the systematic introduction of a new land tax that provided the state with capital to build the country's first modern infrastructure: harbours, lighthouses, telegraph, postal system, and railways.⁸⁶ In addition to infrastructure, the Meiji state from the very beginning involved itself directly in production and capital accumulation, by setting up model enterprises in areas such as ship-building, mining, munitions and textiles. As Andrew Gordon writes, 'the Meiji government played an unusually direct role in building and operating industrial enterprises. Government leaders were convinced that private investors lacked the initiative and the knowledge to run modern factories'.⁸⁷ Effectively, in the first couple of decades after 1868, the Japanese state substituted itself for a capitalist class that had not yet emerged. It acted as an ignition for the capitalist system, creating a small industrial working class and training the first generation of

86 Gordon 2003, p. 70.

87 Gordon 2003, p. 71.

industrial managers and engineers. Private investment in capitalist enterprises then began to take off in the 1880s and 1890s, led by a railway boom, but the state continued to play an important role in the economy, both encouraging and subsidising private enterprise and more directly in its continued control of some mines and rail lines as well as its establishment of the Japanese steel industry in the 1890s. The bureaucrats of the Meiji state understood well that multi-faceted state involvement in the economy was necessary for catch-up development and based their ideas in part on those of the German economist Friedrich List, rather than on the laissez-faire economists of England.⁸⁸ These ideas thus became part of the common sense of Japanese capitalism and have continued to be a major influence on both the thought and practice of Japanese capitalism and statecraft ever since.⁸⁹

In the 1870s and 1880s another distinctive and long-lasting feature of Japanese capitalism began to coalesce: the large monopolistic conglomerates usually called *zaibatsu*. Two of the earliest conglomerates were Mitsui, centred around banking, mining and trading, and Mitsubishi, which had an early focus on shipping, shipbuilding and railways, both of which are still massive combines today. The *zaibatsu* began to thrive in the late nineteenth century through their close relationship with the state bureaucracy and lucrative preferential government contracts.⁹⁰ Thus, the particular form taken by Japanese state capitalism was a hybrid, in which state support, direction and involvement in production mixed with huge conglomerates that were themselves closely linked to the state.⁹¹ The *zaibatsu* also proved to be a feature of Japanese state capitalism that would have a profound influence on the country's East Asian neighbours and today the same word is used in Korea (pronounced *chaebŏl*) to refer to huge family-owned conglomerates like Samsung and Hyundai.

In the first decades of the twentieth century Japan's fledgling capitalist economy prospered through the achievement of regional hegemony and acquisition of colonies after wars with China and Russia, and most spectacularly through the great windfall of WWI.⁹² But in the 1920s and 1930s the Japanese economy faced tougher times, not least as a result of the global depression that dragged down most of the world after the crash of 1929. This changed economic

88 On List's importance in Japan see: Fallows 1994, pp. 179–80; Gordon 2003, p. 72.

89 See: Morris-Suzuki 1989.

90 For example, the agreement between Mitsui and the government to sell coal from a government mine, as described by Andrew Gordon (Gordon 2003, p. 97).

91 The exact nature of Japanese capitalism was something that perplexed Japanese Marxists in the 1920s and 1930s. See: Hoston 1986 and Walker 2016.

92 Crawcour 1997, pp. 101–9.

environment, along with a ramping up of military competition and a drive for imperialist expansion led to a second, quite distinct, period of Japanese state capitalism that brought it much closer to the bureaucratic state capitalism of Stalin's Soviet Union. In addition to the prevailing conditions that pushed Japan – and in fact, much of the rest of the world – towards a more profound form of state capitalism, there was, argues Nakamura, direct influence from Marxist thought, which had influenced many intellectuals in 1920s Japan who would later go on to become either bureaucrats or pro-government scholars.⁹³

However, the biggest impetus for a push towards a deeper form of state capitalism undoubtedly came from the start of the Second Sino-Japanese War in July 1937 and then the Pacific War in 1941 and the concomitant increase in the army's political influence. The government had begun to increase its control over production and investment in certain industries as early as 1934, but this accelerated greatly after 1937, with the introduction of a Five-Year Plan for Key Industries. In September 1937 a series of new economic control laws were passed that brought greater state control over distribution of raw materials, imports and exports and company finance. Between 1938 and 1940 the Japanese state along with the army continued to increase its control over various aspects of the economy with such measures as the 1938 National Mobilisation Law. These measures also included greater control over wages and labour. Nakamura writes of the Japanese state's wartime economic planning: 'These plans were similar in structure to those initiated by the Soviet Gosplan. The Resources Agency (*Shigen kyoku*), established in 1928, had secretly made careful studies on the Soviet plans.'⁹⁴

During this stage of wartime state capitalism, the Japanese government still claimed that the measures it was undertaking to control the economy were temporary, but at the same time a debate was taking shape over whether the changes should be taken even further and made permanent. This debate centred around the concept of the 'New Economic Order' outlined by the Showa Research Association in its 'Tentative Plan for the Reorganisation of the Japanese Economy' (1940), which proposed to separate ownership from management of capital and shift decisively away from profit maximisation as the primary motive of industry. Under the plan there would need to be a wide-ranging programme of nationalisation and enterprises 'were regarded as production units to achieve targets set by the state ... closely resemb[ling] a Soviet

93 Nakamura 1999, pp. 10–1.

94 Nakamura 1999, p. 14.

planned economy model.⁹⁵ Although the government of prime minister Konoe did try to implement this plan, it was stymied by strong opposition from the business sector. However, the situation would change again with the outbreak of the Pacific War in December 1941.

After the war began three further laws were passed which aimed to deepen state control over material resources and labour and to consolidate small and medium-sized firms. In 1943 the Munitions Companies Law allowed the state to designate certain enterprises as munitions companies which basically brought them under state control and required their managers to achieve government-set production targets. The workers of these 600 'munitions companies' as well as many thousands of workers in Korea and Manchuria were conscripted and forced to stay in their posts.⁹⁶ So, in effect, the onset of the Pacific War allowed the Japanese state and military – for a brief period at least – to achieve the sort of bureaucratic state capitalism that had previously been advocated in the Showa Research Association's 'Tentative Plan'.⁹⁷

If there was a clear shift in Japan in the 1930s and 1940s towards a 'purer' form of state capitalism, then this was perhaps even more true of its colonies in Korea and Manchuria, which were seen as strategically important territories and places where a well-developed lobby of private capitalists simply did not exist. In Korea, for example, the Government-General (colonial administration) strongly supported the entrance of *zaibatsu* capital into the colony and played an important role in providing, maintaining and repressing a large pool of cheap industrial labour.⁹⁸ This led to the establishment of large and very advanced heavy industrial complexes concentrated mainly in northern Korea. These modern company towns that arrived in the midst of predominantly agrarian 1930s Korea, included Ch'ŏngjin, where Mitsubishi built a huge steel complex and Hŭngnam, where Chisso established a massive nitrogenous fertiliser plant. North Korea's initial industrial growth, described by Kim Ha-young in Chapter 2 of this volume, was built directly upon this legacy of Japanese colonial state capitalism. A similar story can be told of the PRC's early industrial heartland in the northeast, much of which had previously belonged to Japan's puppet state of Manchukuo. During the 1930s and early 1940s this state became an experiment in Japanese state capitalism under the control of the Kwantung Army. The Japanese state and its closely allied business conglomerates invested a huge amount of money in Manchukuo to

95 Nakamura 1999, p. 16.

96 Palmer 2013, p. 145.

97 Nakamura 1999, pp. 18–9.

98 Miller 2016.

establish modern steel and chemical industries, along with the massive hydro-electric dam at Suiho that still produces power for China and North Korea today.⁹⁹

The experiment with a form of bureaucratic state capitalism would come to an abrupt end with Japan's defeat in August 1945, but it left a very significant legacy across post-war East Asia. In Japan itself, US occupation and intervention in the economy as well as the Korean War led to a new accommodation between state and capital that created the developmental 'miracle' described by Chalmers Johnson and others. Other parts of East Asia on the other hand often stayed closer to Japanese wartime state capitalism, or even attempted to emulate the state intervention of the Meiji period. The next section will outline the central topic of this book: namely, how North Korea, South Korea and the People's Republic of China have achieved capitalist growth – often very rapid growth – through varied and evolving forms of state capitalism.

8 State Capitalism, Industrialisation and War in East Asia Since 1945

The remaining chapters of this book illustrate the way in which, for most of East Asia, varieties of state capitalism were the normal way of organising capitalism and pursuing catch-up development in the decades after the Second World War. The authors also show how, rather than representing a route towards an idealised form of national autarky, state capitalisms emerge from and are constantly shaped by geopolitical competition. Nor can state capitalism be counterposed in any simple sense to the internationalisation of capital. Rather, it has always been bound up closely with interstate economic and political competition and with international flows of capital in various forms. Interstate competition most obviously takes the form of large-scale imperialist rivalries: the striving for regional and global hegemony by the great powers through alliances, territorial expansion and wars. But within the broader framework of post-war imperial rivalry (the Cold War), smaller, often critical, rivalries were taking place, like that between North and South Korea. It is also clear from the following chapters that war – the most extreme form of geopolitical competition – has been decisively important in East Asian capitalist development. Any account of the region's capitalist development since the late nineteenth century must therefore incorporate the series of international wars that beset

99 Eckert 2016, pp. 216–17; see Young 1998, p 183 for an estimate of Japanese investment in Manchuria.

the region from the 1890s to the 1970s (First Sino-Japanese war, 1894–5; Russo-Japanese War, 1904–5; Second Sino-Japanese War, 1937–45; Pacific War, 1941–5; Korean War, 1950–3; Indo-China Wars, 1955–75) as key moments in this process.¹⁰⁰

Thus, the three polities examined in detail in this volume – South Korea, North Korea and the People's Republic of China – all emerged in the late 1940s out of the wreckage of Japanese imperialism and the Pacific War and were forged in the furnace of a new clash of imperialisms: the Cold War. The South Korean state was created not by a revolutionary or democratic movement from below – although such a movement had appeared in embryo soon after liberation in August 1945 – but by US partition and military occupation (1945–8). Subsequent state formation was decisively shaped by the violent struggle to suppress popular left-wing forces as well as by the mass mobilisations and massacres of the Korean War. In the 1950s the government of Rhee Syngman established a corrupt form of authoritarianism based on anti-communist and nationalist ideology.¹⁰¹ However, it was General Park Chung Hee and his 1961 coup that established a new form of authoritarianism more suited to fast-paced state capitalist development, spurred by competition with the North.

Park and his co-conspirators termed their coup a 'military revolution' and saw themselves as 'revolutionaries'. Indeed, this could legitimately be understood as a form of 'revolution from above' that sought to establish a new form of state capitalism in the Republic of Korea, and with it, a new accumulation regime. Thus, after coming to power Park and his comrades brought the economy more firmly under state control, nationalising the financial sector and disciplining the nascent capitalist class (sometimes physically).¹⁰² In the 1960s Park's government also created a biopolitical regime of discipline and mobilisation that drew every member of society into the task of rapid capital accumulation, sending many young men to fight in Vietnam, while at the same time encouraging large-scale emigration and birth control and suppressing popular consumption.¹⁰³

100 East Asian capitalism was also profoundly affected by the two World Wars fought mainly in Europe.

101 Hwang S. 2016.

102 Kim H. 2004.

103 The Park regime's policy of family planning – including sterilisation – was quite explicitly geared towards accumulation. In the early 1960s the government estimated that the enforcement of family planning and the subsequent lowering of population growth could yield \$2 billion for the state, which could then be invested in the productive economy. See: Moon 2005, pp. 81–9.

As Jeong Seong-jin argues in Chapter 4 of this volume, the South Korean state capitalist economy was established initially in the crucible of war and then deepened through the inflow of capital that was part of the US-led permanent arms economy¹⁰⁴ in the 1950s and 60s. While the Korean War itself had restarted the global permanent arms economy, triggering the long boom, the post-war period saw billions of dollars of US aid pour into the Republic of Korea to prop up a key American ally, helping to give birth to the *chaebol* conglomerates that have become synonymous with South Korean capitalism. The import substitution industrialisation strategy pursued under Rhee and the early years of Park Chung hee's government achieved moderate growth but ultimately failed to create the economic take-off that South Korea became known for. Again, Jeong argues that it was war and the arms economy that was crucial to that eventual take-off, which began in the late 1960s and accelerated in the 1970s. As Jeong shows, it was South Korea's geopolitical internationalisation through its deep involvement in the Vietnam War that paved the way for its economic internationalisation as an export-oriented economy (and some time later its shift away from authoritarian state capitalism). Specifically, it was a combination of new inflows of capital from Vietnam War special procurements and military salaries and South Korea's embedding in the triangular political-economic relationship with Japan and the US that led to the internationalisation of Korean capitalism. This internationalisation combined with the authoritarian state's subordination of labour (including reproductive labour) as well as the shift to a defence industrial complex in the 1970s (the so-called HCI policy) to create South Korea's economic take off, later dubbed the 'Miracle on the Han River'.

The trajectory of North Korea's state capitalist development had much in common with that of the South, although the two parted ways dramatically in the 1970s, ironically at the moment that they first attempted political rapprochement. The Democratic People's Republic of Korea was formally established as a nation in 1948 after three years of Soviet occupation and tutelage, but one of the decisive moments in the country's revolution from above had already come with the land reform and sweeping nationalisations of spring-summer 1946. Unlike South Korea, the emerging North Korean state faced no significant internal opposition and an authoritarian state on the Soviet Stalinist model was established swiftly in the late 1940s.¹⁰⁵ The Korean War brought near

104 On the theory of the permanent arms economy, see: Vance 1951; Kidron 1967; Pozo-Martin 2010.

105 On the early years of North Korea see: Armstrong 2004; Lankov 2002; Kim S. 2013; Miller 2016.

ruin, but after the armistice wartime mass mobilisation segued into a permanently mobilised state capitalism, with Kim Il Sung increasingly able to position himself as unchallenged supreme leader from the late 1950s. As Kim Ha-young shows in her chapter, Kim Il Sung used the extensive post-war Soviet aid to set out on a path of primitive accumulation and rapid heavy industrialisation, building also on the industrial legacy left by the Japanese. So focused was Kim Il Sung on heavy industrialisation that in the first five-year plan (officially 1957–61, although it was said to be complete in 1959) 83 percent of industrial investment went to heavy industry, despite the misgivings of his Soviet backers about such an autarkic developmental strategy.¹⁰⁶ As with South Korea under Park Chung Hee, North Korea's strategy of high-speed primitive accumulation was marked by the subordination of popular consumption to industrial investment, with investment rising from 21 percent of GNP in 1960 to 35 percent in 1984, while at the same time wages rose far more slowly than GNP. This was overwhelmingly driven by the need to compete militarily with the South and its superpower backer, the US. Kim Il Sung himself saw securing the fledgling North Korean nation state as a prerequisite for economic and social development. Indeed, lacking military aid on anything like the scale received by South Korea from the US, the DPRK began to spend astronomical amounts on defence, and from the 1960s began to turn the entire country into an enormous garrison, devoting around 30 percent of GNP to defence in certain periods.

This is the first significant way in which North Korea's state capitalist political economy diverged from that of the South. Whereas the ROK could build its military on US aid and its industrial economy by taking advantage of the international redistribution of dollars through the permanent arms economy, the North suffered from a sort of inverted permanent arms economy in which military spending became parasitic on the rest of the economy. As South Korea began its take off phase in the late 1960s and early 1970s North Korea also tried to internationalise its state capitalism by turning to Japan and European countries such as France and Sweden to upgrade its technology and seek an infusion of new capital, financed by debt secured on future mineral exports. Unfortunately for North Korea, without the geopolitical advantages enjoyed by its southern rival and with some spectacularly bad timing (specifically the Oil Shock of 1973), its tentative foray into internationalisation ended in disaster and a huge debt burden. It is therefore no surprise that it was precisely in the mid-1970s that the South Korean economy overtook that of the North (in fact

106 Van Ree 1989.

1976 was the year according to the CIA).¹⁰⁷ North Korea's 'Juche' thought, which came to prominence in the late 1960s and 1970s, was therefore largely a rhetorical device, whose aim was to obscure the very real dependence of the DPRK on both its imperial benefactor – the USSR – and, to a lesser extent, international trade. Once North Korea became more isolated in reality, from the 1980s onward, Juche did the vital ideological work of turning a necessity into a virtue. Ultimately however, as Kim Ha-yong argues in Chapter 2, the DPRK's long-term economic crisis, which had its roots in the 1960s and 70s, was a crisis of capitalist accumulation, shaped both by geopolitics at the international level and class dynamics at the domestic level.

After the victory of the communists in the Chinese Civil War and the establishment of the People's Republic of China in October 1949, China set out on a path of developmental bureaucratic state capitalism much like that of the Soviet Union and its other near neighbour, North Korea. However, as has been pointed out on a number of occasions before, this was by no means the starting point of state capitalist development in China. On the contrary, the Republic of China, under Chiang Kai-shek's Guomindang, had already exhibited strongly state capitalist tendencies, as had parts of China – such as Manchuria – which were formerly under Japanese control during the 1930s and 40s.¹⁰⁸ Two chapters in this volume analyse the Chinese state capitalist economy, looking at both the Mao Era of the 1950s and 60s and the mutation of the system after 1978.

In Chapter 3 Kim Yong-uk examines the condition of the working class in the early Mao period, thereby aiming to understand more clearly the character of the system as a whole and link the domestic class dynamics of Chinese society with the international dynamics of capitalist economic and geopolitical competition. He shows that the conventional view of employment security under Mao is greatly exaggerated and that there was considerable flexibility in the employment system, as the state used various forms of insecure employment, mass layoffs and other means to reduce labour costs and increase surplus value extraction. The key factor driving this subordination of labour under Chinese state capitalism was very much the same as that driving state capitalist accumulation in North and South Korea during the same period: international capitalist competition in its economic and geopolitical forms. However, in contrast to Jeong Seong-jin and Kim Ha-young, Kim Yong-uk focuses on how the Chinese bureaucratic ruling class consciously tied themselves to global eco-

107 CIA National Foreign Assessment Center 1978, p. iii.

108 Gluckstein [Cliff] 1957, pp. 188–90.

conomic competition, without actually participating on any significant scale in the global market. Thus, the CCP bureaucrats were constantly comparing not only the quantity of their production but also its quality with the advanced capitalist countries. As Kim Yong-uk argues, the senior bureaucrats were trying to calculate socially necessary labour time on an international scale and determine whether the productivity of Chinese workers under their state capitalist model had reached the level of rival capitalist countries. Already in the 1950s this led them to study very closely the per capita productivity of Chinese industrial workers and then look for ways to raise this productivity through such means as introducing piece rates and continuously changing the employment structure in order to increase the turnover of workers and the number of temporary positions. In other words, the Chinese bureaucracy were deeply influenced by the broader capitalist world and attempted to introduce a form of Taylorist capitalist regime in China's industrial sector. This reveals a labour system under China's developmental state capitalism that is a far cry from the supposed Maoist 'workers' state' invoked nostalgically by Wang Hui and other contemporary leftist critics in China.¹⁰⁹

As in North Korea, the principal driving force behind rapid industrial accumulation in Mao's China was international military competition, mainly with the US, which backed the nationalist regime in Taiwan. This was further compounded by the Sino-Soviet split, which gave China a second major enemy and even led to physical confrontation with the Soviet Union in the late 1960s. Symbolic of this military industrialisation was Mao's Third Front initiative of the late 1960s where the Chinese state attempted to create an entirely new, clandestine industrial base in the mountainous western interior of the country, with the aim of making the country resilient to foreign invasion.¹¹⁰ Such a project must have been hugely costly but was entirely consistent with the logic of capitalist accumulation driven by geopolitical competition.

While this analysis helps us to confirm that China prior to 1978 was a capitalist country,¹¹¹ it does open up another question: what exactly was the nature of the change that occurred in China after 1978 when Deng Xiaoping's process of 'reform and opening' began? Political economists, both mainstream and otherwise, have made considerable efforts to define the political economy of the PRC since reform and opening. As Tobias ten Brink points out in Chapter 5, while there have been a variety of approaches, most of them have held in common

109 Werner 2012.

110 Naughton 1988.

111 Kim Yong-uk is not the first to argue this. See, for example, Zheng 2021 [1950], Gluckstein 1957, Harris 1978.

the idea that contemporary China is either not capitalist, or not fully capitalist. There has been a strong tendency to see China after 1978 either as a unique type of social formation or as a hybrid of capitalism and socialism. From a Marxist perspective this is problematic in a number of ways, particularly in terms of its lack of clarity about what actually constitutes capitalism or socialism. Ten Brink argues that after 1978 China transitioned from a centrally-planned state capitalist economy – or more accurately an economy characterised by ‘plan anarchy’ – to a ‘variegated state-permeated capitalism’. To put this another way, China has, since 1978, gradually transformed from a bureaucratic state capitalism with a minimal role for the market to a ‘regionalised state capitalism’ in which domestic competition and the market are crucially important. The ‘variegation’ of Chinese capitalism is expressed in different ways: through the variety of state-owned, local-government-owned and private enterprises; through the differing roles of domestic and foreign capital; and through a finance sector that has diversified but is still dominated by the state-owned banks. That the state sector retains a major presence does not mean China is in any respect less-than-capitalist. If anything, it appears ultra-capitalist. As Martin Wolf has observed, ‘China is, in a sense, the most capitalist economy ever’.¹¹²

China’s ‘reform and opening’ transformation has of course meant changes in the labour regime, but taken together Kim and ten Brink’s chapters demonstrate that this transition was by no means from a Maoist ‘workers’ state’ to a new Chinese capitalism. The last 20 years has seen an explosion in the size of the Chinese working class, symbolised by the historic rural to urban migration of 250 million workers, referenced at the start of this chapter. However, the contemporary labour regime has many fundamental features in common with the regime of the Mao period, in which a weak and fragmented working class, lacking its own independent organisations, faces a hegemonic state-capital. Of course, the nature of that hegemonic bloc has changed quite significantly with private Chinese capitalists, foreign capital and the local and national state all operating somewhat independently, but tied together by the central state and the CCP. The old ways of controlling workers and providing them with social security through the work unit (*danwei*) have also been eroded and to some extent replaced with more European-style structures. It also seems likely that in the current era the segmentation and flexibilisation of employment that already existed under Mao have been taken to new levels, creating what some have called a ‘neoliberal utopia’.

112 Wolf 2010.

China's opening has of course coincided with the global era of neoliberal capitalism in which the transnational nature of capitalism has come increasingly to the fore and the intense international military-political competition of the Cold War era has eased somewhat (although China's defence spending still amounted to just under two percent of GDP, or \$147 billion in 2016). As South Korea did in the late 1960s and early 1970s, China has been able to successfully internationalise its state capitalism. This has happened in rather different ways in the two countries for a variety of reasons, not least of these being the vastly different scales of their economies and the central role of the Chinese Communist Party in the Chinese case. Contemporary China now provides a rather clear demonstration of the fact that under capitalism there is no simple opposition between state and capital, public and private. State-run institutions are not only acting as capital, they compete with each other at a variety of levels, creating a complex new form of capitalist economy, and yet still one that emerged gradually from the earlier form of Chinese developmentalist state capitalism, without a corresponding political upheaval. Both pre- and post-1978 Chinese capitalism have been 'competition-driven', but the form of competition has changed, along with the country's economic relations with the outside world. China's capitalism is now driven less by a developmental imperative born out of Cold War geopolitical rivalries and far more by the complex web of global and local capitalist rivalries that drive competitive accumulation of a more 'traditional' form. Of course, capitalism is constantly mutating and as this book goes to press in 2023 there is much talk of a new era of decoupling in global supply chains and a new Cold War between China and the US. How far this set of geo-political-economic processes might work to dismantle the current form of export-oriented, state-permeated capitalism in China and replace it with something else remains to be seen.

9 Conclusion

This introductory chapter has sought to lay the groundwork for the rest of this volume in two ways. First, by elaborating the Marxist theory of state capitalism, and second, by demonstrating its relevance and utility when applied to understanding the development of capitalist relations of production in twentieth-century East Asia. The first part was felt necessary partly because the term state capitalism has been used in a great variety of different ways, and partly because its particular incarnation as a Marxist theory of the former Stalinist states has seen little development in recent decades and is often thought of as either a theoretical dead-end or, at best, a useful idea whose time has passed. By dis-

Discussing the theoretical foundations of state capitalism we have attempted to put the concept on a firmer basis and show how the bureaucratic state capitalism described most coherently in the 1950s by Tony Cliff is only one specific application of the theory.

It should be clear from the foregoing discussions of state capitalism theory that it is not intended to be part of a typology of capitalisms. Rather it is a theory that describes a tendency inherent to the capitalist mode of production itself, that finds a greater or lesser degree of expression in different times and places. This is not to say that there isn't something particular about the bureaucratic state capitalism described by Cliff and others, but rather that such an 'extreme' form of state capitalism is still on the spectrum of societies founded on the capitalist mode of production, made possible in particular historical and political conditions. Those conditions can be summarised as catch-up industrialisation in circumstances of intense military and geopolitical rivalry, usually in postcolonial or otherwise newly-established nation states. However, while these conditions were sometimes conducive to bureaucratic state capitalism, in the absence of other factors such as a Stalinist-style party-state or a moment of state capitalist revolution from above, they could also lead to 'milder' forms of state capitalism, as we have seen in cases such as South Korea.

The analyses of East Asia's headlong capitalist development during the twentieth century presented in this volume demonstrate precisely the value of state capitalism theory. It is particularly successful as a tool for understanding East Asia's epic social transformation – the urbanisation and industrialisation that has changed hundreds of millions of lives in only one or two generations – exactly because it cuts across the conventional conceptual boundaries of 'socialism' and 'capitalism' that have long stymied our understanding of this process. By focusing our attention on the geopolitical pressures that have forced the pace of capital accumulation and fostered strong states – states-as-capital even – in East Asia, the theory expands our understanding of how the mechanisms of capitalism operate, revealing how crucial the Cold War was in East Asia as a driver of industrialisation. At the same time, state capitalism theory has much to offer us in terms of understanding how such processes of industrialisation driven by geopolitical competition in turn drove particular dynamics of class formation and class struggle. Thus, the creation of 'mobilised societies' and the close control of the workforce, alongside the draconian suppression of popular consumption, should be understood in the global context of capitalist competition (military and economic) rather than simply the development strategy of autonomous governments and their bureaucracies.

In contemporary East Asia, the over-arching importance of geopolitics and imperialism has by no means disappeared, states still play key roles in eco-

conomic affairs, and labour is still subjected to regimes of strong coercive discipline. However, the state capitalisms studied in this book have changed and mutated in a variety of ways. While South Korea was successful in internationalising its state capitalism at the time of the Vietnam War and has since embraced many aspects of neo-liberalism, the cases of China and North Korea are more complicated. China, as noted above, has mutated into a novel hybrid, while North Korea has transitioned away from bureaucratic state capitalism in a completely different manner. Whereas the marketisation of state capitalism in China was a ruling class strategy, introduced through the policy of 'reform and opening', marketisation in North Korea has come about in an ad hoc manner, driven partly from below and partly from above, in response to the collapse of the state economy in the 1990s after the withdrawal of Soviet subsidies. Almost a quarter of a century after North Korea's economic collapse, its economy seems to be in a new phase: on the surface the state tries to maintain the appearance of an omnipotent bureaucratic state capitalism, while simmering just below that surface is a vigorous market system of private trading companies and even manufacturers, usually disguising themselves as state enterprises. North Korea's marketised state capitalism is no longer simply an ad hoc survival mechanism of small marketplaces and predominantly women traders. It has now been captured to a large extent by sections of the bureaucratic ruling class and a new entrepreneurial middle class (called *tonju*) who run large swathes of the economy for their own profit, while of course paying their dues to either the Korean Workers' Party or particular offices within the state apparatus. As in China, the boundaries between state and private capitalism have become blurred, and perhaps in some cases meaningless, but the general tendency is clearly towards further marketisation and the control of the economic heights by an oligarchical group with strong links to the party-state.¹¹³

While the era of 'pure' bureaucratic state capitalisms may be over, the intertwining of state and capital is intrinsic to capitalist societies and will only disappear with the end of capitalism itself. Hence the insights of state capitalism theory will remain useful and relevant for understanding our contemporary societies and for helping us to decipher whatever novel forms the state/capital nexus takes in the future. With the particular hybridity of forms found there, this seems especially true of contemporary East Asia.

113 Lankov 2013; Park I.H. 2017.