

# The false Market-State dichotomy in capitalist development

Mateus de Oliveira Martins da Silva<sup>a</sup>

<sup>a</sup>Instituto de Economia e Relações Internacionais, Universidade Federal de Uberlândia, Uberlândia, Minas Gerais, Brasil. mateusomsilva@gmail.com.

**Abstract.** Contemporaneously there is an mainstream political discourse in political and economical discussions that bases itself mainly on a supposed dichotomy between Market and State, both intrepredted as separate opposites that should not be coordinated: that is the free-market ideal. This article is focused on demonstrating different critical interpretations of the Market-State relations and its implications on material reality. The method utilized is the use of literature review followed by analysis of divergent critical theories about this same topic. We conclude that literature shows a range of relations that show an inherent link between State and Market that should demonstrate the mainstream discourse of dichotomy as false.

**Keywords.** Imperialism, Capitalism, State-market relations.

## 1. Introduction

This project is an analysis of the development of the capitalist system through some of its contemporary and classical thinkers, namely Leo Panitch, Karl Polanyi, Vladimir Lenin, Elen Wood and Rudolf Hilferding.

The analysis aims to tackle the common assumption in economic and political discussions which divides the state and the market into two distinct abstract objects in opposition to one-another. The marxist concept of Imperialism is key to understanding the imbrication of both dimensions (state and market) in material reality, during the XXth century.

## 2. Research Methods

### 2.1 Goal

This project's goal is to defend the pratical unity of both concepts through the demonstration that the capitalist system has only developed properly due to the objective action of the state. To do so, there is the analysis of main texts about:

- The historical progression of capitalist enterprises and its correlation with State investment and political support;
- The composition of the capitalist State itself;
- The State's role in the supression of capitalist enterprises in the global south,

through Imperialist action, in defense of its own industry and markets.

### 2.2 Methodology

- Literature review of main texts about the development of the capitalist system and Imperialism, through the XXth century;
- Analysis of the major concepts — of market and state — throughout the texts and its correlations.

### 2.3 Development

- Literature review;
- Synthesis of major concepts.

## 3. Main text

The contemporary international system is knowable only when historicized, that is, its analysis must take into account changes in its material relations — that is, social, political, environmental, economic — over time and in a given space. This concern with history is a Marxist paradigm, very present in contrast to idealist positions (from positivists and classical liberals to current neoliberal ideologues, for example), which tend to impute concepts as an interpretative key to reality, without starting from it.

Based on Marxist analyzes of the international dynamics of the capitalist system, some authors considered classics, mainly Vladimir Lenin, but also Rudolf Hilferding, developed the concept of Imperialism to explain the main trends in international politics — inter-imperialist

competition — at their time. A major split arises from precisely the understanding of the economic and political dimension of this 'phenomenon', which for these authors would be a true phase of the evolution of capitalism.

Starting from the classical assumption, Imperialism does not belong exactly to political deliberations, but rather to an unstoppable and unavoidable tendency of the process of internationalization of capital. In this sense, Imperialism as a phase is something 'inevitable', and due to this quality, Marxist discussion for a long time seems not to have advanced beyond the classics and fallen into disuse.

This point of view, at least, is suggested by Panitch and Gindin[1], authors who seek to contest the classic concept of imperialism and rescue it for a more effective discussion of contemporaneity (to read reality and try to change it). Finally, the authors seek to show that the process of internationalization of capital may have found more stable forms of expansion, with more controlled competition, which precisely for this reason requires even more commitment to combat it, as it becomes increasingly articulated and inconsequential.

Karl Polanyi[2] identifies what he call the tension between two institutional organized principles in modern societies: one as economic liberalism and the other as social protection. Liberalism itself could be interpreted, in the author's view, as self-destructive in the sense that its self-regulated market tends to the commodification of basic social components — such as land, money, and man itself.

The industry (all its relationships, which are currently extremely sophisticated) intensively needs capital for its operation, the scarcity of capital, for example, even for a small moment, results from the breakdown of the relationships that make up the industry — an institution that naturally operates in long term. From this arises the need to regulate the flow of money through central banks, present in all economies. The double movement thus closes with the principle of social protection: "whose purpose was to preserve man and nature, in addition to the productive organization [...]".

We can use the idea of the proposition above as an object in relation to which we will establish the thought, on the nature of the capitalist State, in Nicos Poulantzas[3]. The author is incisive about how the State should be observed: as a relation, more precisely as a material condensation of intra and interclass relations.

The existence of intra- and inter-class relations could be pointed out as Poulantzas' central point about society: the ruling class and the dominated class do not make up two monolithic political blocs — they are, in fact, both extremely fragmented, in what Poulantzas calls fractions, but which could also be called interest or social groups.

The State, a practical reality, composed of fractions

that can be identified as originally belonging to the dominant class or to the dominated class, is practically composed of fractions of its own. As a result of the relationship of domination, state officials with origins in the dominated class cannot be seen as part of the dominated class, as the latter is necessarily separated from it in its essence.

The central point regarding the State is the following: physical-bureaucratic manifestation of the relations already explained, it necessarily exists in a way (reasonably ambiguous) to have relative autonomy. This relative autonomy is also the result of the contradiction of the contradictory parties within the ruling class: the State must serve as a form of long-term articulator capable of perpetuating the general interests of the bourgeoisie.

The impulse for social protection, then, is administered mainly by the capitalist State in an attempt to safely maintain the perpetuation of market development and social order. This process, however, imposes two contradictions: first, the capitalist State is never able to fully pursue an objective goal, for the market expansion itself may be perceived as jammed due to social security in competition with foreign capitals; second, the capitalist State essentially needs to guarantee its long-term survival through imperialist expansion of the markets it is based on. In the XXth century, Lenin[4] and Hilferding[5] analysis converge in this opinion.

Both authors support the economic imperative of State expansion throughout the utilization of different methods during the XXth century. It is noted that, as Hilferding puts it, the globalization process basically attempts to institutionalize the utilization of global south States and economies for the benefit of central capitalist countries, mostly europeans and the United States of America.

On this phase of capitalism (referring to Lenin's interpretation of Imperialism), Alex Callinicos[6] breaks it — in the late XXth century — down into its 'post-cold war' tendency. The dismantling of the Soviet Union would then be the intensification of the process of liberalization and opening of the USSR to capitalism that was already taking place. This led to a belief that not only had capitalism won, but that capitalism itself would get better and better, either through progress or through its simple global existence without bipolar competition. This has led to a belief that states—identified more easily in the dynamics of political conflicts than elusive Capital—would now be without reason to exist, as neoliberal capitalism also claims to exist (at the very least) 'in spite of' the state.

Callinicos points out that, contrary to a weakening of the State, in reality the collapse of the bipolar world has returned the world to a multipolar stage. Competition from imperialist capital leads them once again to form economic blocs (a movement that had already taken place in the 1930s). This

represents an evident competition between national bourgeoisies for markets and for the assimilation of other bourgeoisies, in processes of 'sub-imperialism'.

The world enters into reality an even greater process of imperialist competition, and the difficulty presented by the USA to keep its main allies - at the time, Japan and Germany, also considering the size of their economies - linked to its economic and geostrategic interests would lead to a restructuring of the American role in the international system.

It is at this point that Callinicos points out that the US becomes more of a 'mercenary' of the capitalist order than a 'world police'. It is also at this point that our discussion returns to the observation that individuals in contemporary societies are increasingly approaching the position of slaves to the system.

The American state realizes that it is able to maintain its political leadership through the exclusive and massive power of its military capability. The US no longer has a favorable balance of trade to rely exclusively on the flows of financial capital that migrate back to the country.

In this State logic, American governments start to function to maintain a balance between their two arms: a so-called military-industrial complex, and a financial center; while it is only through them that the US can maintain its constant influence in a politically and economically multipolar world, the internal operating logics inherently cause upheavals in the American social fabric, and consequently in the sub-imperialisms engendered by this country.

In opposition to Lenin and Hilferding (and Callinicos' development of these texts), for Panitch and Gindin, Imperialism ends up being, in the above mentioned case, understood as a result of the movement of the State, and not purely economic trends. In their perception, the economic nature of imperialism cannot be misunderstood as its only definitive trait: any "(...)explanation of imperialism must include an analysis of the administrative capabilities of the state, as well as its class, cultural and military determinations".

These contemporary authors depart from this classic economic perception to weave their view that the process of internationalization of capitalism, as a tendency (of expansion) that it actually is, cannot be confused with this 'imperative' as a direct implication for the political order. The contemporary globalization process, which revolves around an institutional structure of norms and complex solutions, added to the political power of the American hegemonic power.

Globalization, therefore, as an expansion and intensification of the process of capital accumulation, does not necessarily imply an inter-imperialist dispute, and can be perpetuated in a sustainable way - that is, at least from a political point of view, considering that there is no war

between the great capitalist powers, the system of internationalization of capital can be prolonged without running the risk of self-destruction, as is significantly the case (and the main hypothesis of the classical authors) postulated in Lenin and Hilferding.

Leo Panitch and Sam Gindin analysis helps to pinpoint the actual need for corrupt States — with forced liberalization of its own economy, maintained generally through great repression — in the global south through which central economies, mostly the United States, are able then to expand their markets, with minor domestic social security impacts. Through that, we are able to observe the State's role in perpetuation of capitalist markets expansion both in the central economies and in the global south periphery.

In contrast to the inter-war period, when the League of Nations failed to build a politically stable international system, the 21st century already has a practically already-traditional stratified leadership on the part of international organizations such as the UN system, the IMF, NATO, the World Bank, and the WTO — a whole myriad of crisis resolution and management networks, sanctioned by the American hegemonic power and its surveillance systems and global security through information networks and military interference.

This scenario, however, cannot be confused with true stability for the capitalist system. In reality, as the authors remind us, this imperial system is simply perpetuating itself as long as it is able to incorporate its own dynamics of instability into itself. These dynamics of instability are largely synthesized in an intensification of economic competition and extreme financial liberalization – which generate an increasingly uneven global development and extremely fragile volatile third world economies.

In order for American imperialism to be able to manage this system, it is therefore imperative that there be immediately corrupt cooperation on the part of states sponsored by it, which however are at the same time very hardly interested or even capable of becoming fully 'effective'. for global capitals: what leads American imperialism to necessarily manifest itself in an increasingly open way.

It is possible at this point to make a detour through Ellen Wood's *Empire of Capital*[7], in contribution to Panitch and Gindin: As a result, it should be emphasized the consonance between the previously exposed contribution and this one, insofar as the complexity of the economic processes resulting from the Second World War provided an opportunity for the elaboration of new directions for the expansion of capital.

As already mentioned, the sophistication resulting from the foundation of international organisms and institutions allowed the American hegemony to

enjoy organizational apparatuses never seen before, facilitating the achievement of three major objectives, namely: the stabilization of the global economy, the rationalization of currencies through the conversion to the US dollar, as well as economic reconstruction and development.

In spite of being efficient in the admission of the means – given above all in the global trade opening – the stagnation registered after the decades of expansion made the macroeconomic artifices liable to be replaced. In effect, the abandonment of the Bretton Woods system underlines the ephemerality inherent in the nature of agreements made within the institutional framework, while it highlights the primacy of imperial needs.

It becomes clear, therefore, that the double movement of maintenance and expansion of what is understood as 'new imperialism' rests on the understanding that the global control enjoyed by US hegemony demands less from bellicose concretization than from peripheral subjection to the needs of imperial capital.

From trade liberalization, the most prominent effects produced go through the tendency to reallocate the role of the State in regions where considerable obstacles are observed — in the face of the onerous equation to resist the globalizing imperative, the peripheral countries abdicated from the smallest tests of protectionism and face since then the particular results to financier domination.

Thus, globalization does not mean the integration of economies, but the prioritization of some over others, making the global south vulnerable and dependent on orchestration carried out in a space other than the domestic one.

In light of the above, supranationality seems to occupy a position once dedicated to the State. However, Wood points out that the new dynamics of capital depend on coordination at the national level to ensure accumulation, invested above all in 'contractual stability or predictability'.

In addition to these factors – concerning the periphery – the State is relevant to US power insofar as without it surveillance and power projection are weakened. The Sovereign State serves, therefore, two major objectives: to certify the establishment of a regular and controllable social order, as well as to provide the empire with material capabilities that support the policing of the world.

Thus, if the traditional Marxist diagnosis often resorts to the notion of continuity, contemporary inflections are observed by Panitch, Gindin and Wood from the perspective of imperialism adapted to the means and contexts.

As opposed to colonial domination, 'economic domination administered by a multi-state system' provides economic and geopolitical resources sufficiently stable for the maintenance of capital. Through the examination carried out here, it is

concluded that the bibliography indicated makes use of different understandings of the observations of Lenin and Hilferding.

Therefore, although developed around the same logic, that is, the advance of capital, the contemporary problem presents itself less as the continuation of the same evolution than as the reestablishment of an order challenged by the adversities and contradictions inherent to capitalism.

Since there is, contemporarily, no predictable political alternative to the capitalist state system based on globalization, the only possible deterrent would be if the already mentioned already-stressed social security levels — both in central economies and in the global periphery — could end up into a form of limit through which no more capitalist expansion could be done.

The role of the State, especially the United States, with its directly associated partner States and "henchmen"-states, perpetuates Imperialism in an even more 'effective' and open way, over the peoples, than during the inter-imperial competition in the 19th and 20th centuries. beginning of the 20th century.

## 4. Conclusions

In view of the discussion listed so far, it can be concluded that the contemporary capitalist system, in all its complex administration of power by different means — institutional, state, purely economic, even ideological — can be explained with a reasonable degree of systematization by the elaboration of the concept of Imperialism rescued by Leo Panitch, Sam Gindin, and Ellen Wood.

The current process of globalization, which stimulated the renewal of free-market discourse is flagged as an great expansion of central States power throughout institutions and markets to ensure an hegemonic international order.

The dichotomy between Market and State, as different opposites, is then debunked through the falsification of its basic assumption: that Market and State are different objective spheres that do not and should not interact. In reality, capitalist expansion could only be done through the last century due to extensive coercive and political acts by the State itself.

## 5. Acknowledgement

I would like to acknowledge the great support and opportunity to better develop this research, with more efficient practice, received from the INCBAC Institute and its UNIGOU Remote scientific training. Also, there is the need to acknowledge the moral support of the many friends from the Universidade Federal de Uberlândia.

## 6. References

- [1] PANITCH, L, GINDIN, S. Capitalismo global e império norteamericano. Socialist register 2004, 2006. 1: 19-70 p.
- [2] POLANYI, Karl. A grande transformação. Editora Campus; Rio de Janeiro. 2000; 349 p.
- [3] POULANTZAS, Nicos. O Estado em Crise. Editora Paz e Terra; São Paulo. 1977; 338 p.
- [4] LENIN, Vladimir. I. Imperialismo, Fase Superior do Capitalismo. Navegando Publicações; Campinas. 2011; 271 p.
- [5] HILFERDING, Rudolf. O capital financeiro. Nova Cultural; São Paulo. 1985; 348 p.
- [6] CALLINICOS, Alex. "Marxism and Imperialism Today". In: CALLINICOS, Alex et. al. Marxism and the New Imperialism. Bookmarks; London. 1994;
- [7] WOOD, Ellen. O império do capital. Editora Boitempo; São Paulo. 2014; 152 p.