

Giovanni Arrighi

The Long Twentieth Century

Money, power and the origins of our times

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Introduction by Mario Pianta

Giovanni Arrighi's book *The Long Twentieth Century* is among the most important works in social science since the Second World War. By now it is simply a "classic." It appeared in English two decades ago, in 1994, and is now being reissued in a new edition with an afterword written in 2009, shortly before the author's death. The book examines developments in capitalism on a world scale – the succession of systemic cycles of capital accumulation – and its interrelationship with the development of the international power system – world hegemony cycles. It sets out a theory that combines economic, political and social processes with a historical account of the last 500 years and then explores that theory's ability to predict future developments.

Arrighi's original contribution consists precisely in his view of the system of world capitalism as a succession – from the fifteenth century on – of cycles of accumulation, with an alternation between periods of expansion of productive capital and of financial capital, and of cycles of hegemony, with the rise and fall of a succession of dominant powers. On the model of Marx and Braudel, the accumulation cycle is described as powered by material, productive expansion, with the growth of output and trade in goods. When this development cycle runs up against its limit, there is a crisis, to which the capitalist "center" responds with a financial expansion that results in a – transient – revival of accumulation, until a terminal crisis triggers the reorganization of world capitalism.

Arrighi extends the logic of capital accumulation, which Marx described in reference to single investments (the sequence money capital, commodity, expanded money capital), to the capitalist system as a whole. In the initial phase of material expansion, the investment of capital fuels the growth of output. Capital loses the liquid, flexible form of money and is immobilized in a particular set of commodities and means of production. At first the material expansion generates enormous monopoly profits for the capitalists who brought it about, but with time the flow of additional capital into the same activities fails to produce a comparable increase in the opportunities for profitable investment. The competition between capitals is intensified, lowering the rate of profit.

The turning point is a "signal" crisis in which the capital invested in material expansion shrinks and accumulation slows down. The lack of profit opportunities drives capitalists to hold a larger and larger share of capital in the form of liquid assets. This creates the conditions for a period

of financial expansion, in which capital is directed to gaining profits and increasing without going through the phase of material investment. The supply of money capital soars, as do the demand for liquidity and debt, due in part to the impact of the crisis on public and private finances. The financial expansion produces a period of renewed growth and capital accumulation, but at the end leads to a crash. The speculative bubbles that had swollen stock market and real estate prices are punctured, the accumulated debt – of firms and government alike – become unsustainable, banks fail, productive activity can no longer get credit, and the economic crash may turn into a protracted depression. This is the “terminal crisis” of the accumulation cycle.

The process of accumulation of capital takes place on a planetary scale on the basis of a hierarchy that is created between a “center,” where the capital itself accumulates together with the power of decision of the great corporations and banks, and a “periphery” in a subordinate position as source of labour-power and material and financial resources, outlet market and destination of foreign direct investment.

Arrighi maintains that the sequence of cycles of accumulation has been accompanied by a succession of cycles of hegemony (a notion founded upon the Gramscian notion of hegemony) in the sphere of relations between nations. For capital accumulation to develop on a global scale, in fact, it needs a political power that organizes markets, protects investments, guarantees profits. This accordingly necessitates the rise of a country capable of exercising international hegemony and defining the center of the world system in which capitalism has historically been organized. Around this power there revolves a series of politically subordinate peripheral countries. As in the ascendant phase hegemonic power and the accumulation of capital proceed in parallel, so the end of material expansion and the financialization of the economy are associated with a loss of power for the hegemonic nation. As Fernand Braudel observes, the rise of finance is the “sign of autumn” for the power of the hegemon.

The final phases of the cycle are marked by economic and political transition. The accumulation of capital tends to shift to a new geographical area, which emerges as the center of a new stage of material expansion. This shift is fueled by the previous financial expansion itself, which moves capital from the old to the new center of accumulation. International relations are thus characterized by a period of “systemic chaos,” followed by the progressive consolidation of a different world order under a new hegemonic power. The phases of transition are always characterized by great economic uncertainty – about emerging activities, outlet markets, the most promising investments – and great political instability, making for uncertainty over the evolution of inter-state relationships and the institutional arrangements that will define the new global hegemony.

Arrighi identifies four cycles of systemic accumulation and hegemony between the fifteenth century and the present day: the Genoese-Iberian cycle from the fifteenth to the early seventeenth century; the Dutch cycle from the seventeenth to the mid-eighteenth century, the British cycle from the mid-eighteenth to the early twentieth century; and the American cycle that began with the century itself. In the last cycle, the United States took over Britain’s place as hegemonic power, in the course of a transition that was completed with the Second World War. This cycle had a protracted phase of material expansion – from the 1940s to the 1970s – marked by “Fordist” mass industry; this was thrown into crisis by social struggles at the center, growing competition from

Europe, Japan and East Asia, and inability to control the peripheral countries. As accumulation slowed, beginning in the '80s the countries of the center shifted over to more “liquid” financial investment in search of higher yields. Just as in the *Belle époque* or Gilded Age, as British hegemony was beginning to draw to a close, the financial expansion between the 1980s and the early 21st century permitted a momentary recovery of accumulation but also constituted the “sign of autumn” of the American cycle, running right up to the terminal crisis of 2008. The afterword to this new edition examines precisely the lessons that *The Long Twentieth Century* has to offer concerning the nature of the current crisis, the complexity of the transition under way, and possible scenarios for the future.

Giovanni Arrighi’s ability to see ahead of his times was notable, embracing multiple fields of research. The first and most immediate was his reading of the crisis that broke out in 2008. For three decades mainstream economics has made growth the unquestionable goal, growth founded upon the expansion of finance and the liberalization of markets, supposed to be capable of regulating themselves. The “end of economic cycles” was espoused in theory, going so far as to assert, like Robert Lucas in his address to the American Economic Association in 2003, that “macroeconomics ... has succeeded: Its central problem of depression prevention has been solved, for all practical purposes.” Even back in 1999, at the height of the American expansion powered by the “new economy” and finance, Arrighi and Beverly Silver, in *Chaos and Governance in the Modern World System*, maintained that

The global financial expansion of the last twenty years or so is neither a new stage of world capitalism nor the harbinger of a “coming hegemony of global markets.” Rather, it is the clearest sign that we are in the midst of a hegemonic crisis. As such, the expansion can be expected to be a temporary phenomenon that will end more or less catastrophically, depending on how the crisis is handled by the declining hegemon. (p. 272)

The financialization of the economy from which the crisis of 2008 stemmed, then, is not some exceptional “degeneration” of capitalism, the product of individual misconduct or political errors, as mainstream economics argued after the crisis had broken out. Meanwhile, the “Keynesian” explanations of the crisis – such as that of Paul Krugman – emphasize the excessive private debt in the U.S. caused by financial deregulation. Joseph Stiglitz and others have blamed international payments imbalances, problems of demand and the effects of income inequality. All the “Keynesians” also criticize the policies of austerity which, especially in Europe, have transformed crisis into prolonged depression.

Yet in Arrighi’s reading – the most persuasive to date – financial expansion is simply the mode that capitalist accumulation takes when the growth in the output of goods is no longer sufficient to sustain profit levels in the countries at the center of the global system. Financial expansion leads invariably to crisis, because it is inherently incapable of sustaining a lasting process of accumulation. The lesson of history is that with financial crisis the entire economic and political organization of a given cycle of capitalist development collapses.

In the last thirty years social conflicts, the demise of the mass industry model, environmental limits to growth, and the slack expansion of demand – together with the emergence of enormous production capacity in East Asia – have driven the United States and much of Europe to switch

investments out of the real economy and into finance. Lost industrial competitiveness has been replaced by financial market supremacy on a global scale. But siphoning capital from all over the world to Wall Street and the City of London necessitated liberalizing capital movements everywhere, in all countries, relaxing the rules governing banks, stock markets and capital, guaranteeing very high financial yields, and reducing or circumventing taxes on them. This is what has been done in the last three decades: a new “gilded age” of finance, which is bound to sink and to drag the world order upon which it rested down with it.

A second theme on which Arrighi was ahead of his times is the authentically global dimension of his analysis, which focuses on the relationship between the center and the periphery of the world system. The author’s own personal experiences – professional, political and academic – were relevant here: first in post-colonial Africa, then in an Italy of mass social struggles, and finally, in the United States, with the research group on “world systems theory” that he directed together with Immanuel Wallerstein. He retraced his career in a splendid autobiographical interview with David Harvey (“The Winding Paths of Capital”, *New Left Review*, March-April 2009; published in Italian in the anthology *Capitalismo e (dis)ordine mondiale* (Manifestolibri, Rome, 2010; see also the introduction by Giorgio Cesarle).

From the start of his academic work, Arrighi had a highly original way of combining not only economics and politics, as we have seen, but also the standpoints of center and periphery in the processes of accumulation and power relations. To retrace the development of capitalism, his analysis interweaves trade routes and conflicts, empires and colonies, the multinational corporations of the rich nations and the social structures of the poorest, always based on the best sources, original documents, surprising and fecund interconnections. *The Long Twentieth Century* itself is good enough evidence of this, but earlier that same point of view concerning the world system had underlain Arrighi’s work on the political economy of Africa, on the dynamics of the global crisis of the ’70s, or on world inequality.

Thus well before there was any talk of “globalization” Giovanni Arrighi had explored the processes of accumulation and relations of domination on a *global* scale, studying the complexities of flows of commodities, capital and men within a world system in which developments in the periphery are essential to explain the forms of accumulation and power at the center, while at the same time the forms of subordinate integration of the societies at the margins of capitalism are a reflection of what occurs at the heart of world hegemony. An especially important contribution of his was the concept of “semi-periphery” – a term he applied, for instance, to Southern Europe in the initial post-war decades – which is to say the intermediate area of the world system with its interweaving of productive expansion and dependency, modernity and backwardness against a backdrop of highly unstable politics.

The third topic on which Arrighi offered major insights is the rise of East Asia and of China, which represents the core focus of his last book, *Adam Smith in Beijing* (2008). His attention to East Asia springs directly from the conclusions of *The Long Twentieth Century* itself, where the region’s economic success was described as the most important among the examples of output expansion that may foreshadow a new cycle of accumulation. Arrighi took a very close look at China’s rapid economic growth, underscoring the strong political control of economic processes that characterizes it. In carrying out economic reforms, the Chinese government started with the countryside and the

improvement in the productivity and the incomes of the peasantry. It renovated state enterprises and supported “town and village enterprises,” planning massive and highly labor-intensive industrial growth, which nevertheless entailed severe social costs and environmental destruction. It then sought to attract multinational corporations and inward direct investment, but laying down requirements for the transfer of knowledge and production processes, so as to develop new specialties in high-tech industries. What is more, in the teeth of the neo-liberal recipes (the so-called “Washington consensus”), the government avoided excessive liberalization of financial activities, kept the yuan pegged to the dollar and maintained control of capital movements, thus instituting the stable framework indispensable to China’s extraordinary expansion of output over the past few decades.

Now that China has become the world’s second-largest economy, behind the U.S., the new cycle of accumulation hinging on East Asia – with Beijing at its very heart – is plain for all to see. Yet the new structure of the world economy sets it apart from past cycles of material expansion: this time, the emerging country, China, has a limited domestic market and continues its massive exports of goods and capital to the declining power, the U.S., prolonging the latter’s status as leading power. There is no sign as yet that China’s economic rise can make the country a hegemonic power, capable of taking America’s place at the center of a new world order. As Arrighi argues in the afterword to this volume, today the shift of hegemony is complicated by the unparalleled military might of the U.S., the possibility that the West may recoup its power, and the risk of systemic disorder and chaos. Yet with the rise of East Asia the scenario emerges of a rebalancing of power and wealth among the regions of the world, based on less asymmetrical market relations and a multiplicity of political options. For Arrighi, the question remains open; the outcome will depend on economic and political processes, of course, but also on our own collective action.

The fourth area in which Arrighi anticipated later contributions is that of the function of conflicts in the world system. Studying economic processes and cycles in no way means lapsing into a determinism that abrogates any possibility of change through human action. Understanding the fundamental mechanisms of accumulation and hegemony does not mean excluding the possible role of contingent factors and individual or collective action. Capital in search of investment opportunities and the system of states in search of power are not, in fact, the sole actors on the world stage. The development of capital itself creates its antagonists: a movement of working people that ever since the “world revolution” of 1848 has structured itself in stable organizations – trade unions and political parties – whether in their social-democratic or communist variants. In the same way, the system of world hierarchy creates its antagonists in the form of national liberation movements and resistance to the domination of the hegemonic power (first the European colonial empires, then the American superpower).

These “anti-system” responses developed within the framework of action on a national scale and set the objective of gaining state power, as is argued in *Antisystemic Movements*, a 1989 work of Arrighi’s together with Wallerstein and Terence Hopkins. This choice, both in the Western social democracies and in the Communist bloc and the post-colonial Third World, resulted in the institutionalization and bureaucratization of parties and unions, distancing them from the demands of their rank and file and integrating them into the international order as defined under the hegemony of the United States.

Protest against this international social order arose with the “world revolution” of 1968, which would fuel successive waves of social mobilization led by different social forces: the weakest groups of wage workers and social groups marked by differing status, identity and conditions, such as students, women, ethnic and religious minorities, immigrants. The aim was no longer the seizure of state power or the creation of stable organizations, and the struggles developed with the immediacy of specific demands for better working and living conditions but at the same time with an emphasis on global issues – the destructive nature of capitalism, the repudiation of war, the defense of the environment, social justice – that opened the way to a new kind of international contacts among movements.

In describing this scenario, Arrighi anticipated the surge, in the new century, of movements against free-market globalization and the opposition to the U.S. war in Iraq in 2003: mass mobilizations of global significance and unprecedented geographical sweep. These were the first steps towards the establishment of global movements against the logic of capitalism and hegemony, the advocates of a “grass-roots globalization” in opposition to free-market fundamentalism. They confirmed the possibility of organizing social conflict at the same, global, level as the processes of accumulation and hegemony. To be sure, this is no simple matter, as was shown by the crisis of 2008, which resulted not only in a financial crash and political instability but also in the retreat and fragmentation of the movements, returning to mobilization on the national scale, above all in the form of resistance to the repercussions of the recession. In the end, then, the world systemic crisis undermined the very ability of social groups to respond at international level. For Arrighi, nevertheless, collective action remains the main tool for change at our disposal.

Paradoxically, the very broadness of Giovanni Arrighi’s work, with his continual crossing of the boundaries between disciplines, limited his direct impact on economics, political science, history and sociology. His work was at the center of the discussion conducted by the *New Left Review* and had a stronger influence on American than European radical economists. The tradition of research on the world system spread to a variety of studies, notably in sociology, history, and the peripheral countries, all fields with an academic debt to Arrighi. The problems he took up remain at the core of the international research agenda in many other fields as well. Johns Hopkins University now boasts the Arrighi Center for Global Studies, directed by Beverly Silver, Giovanni’s partner in life and work. Yet his influence could – and should – be considerably greater. His analysis is rich in stimuli, indications as significant as they are often neglected, for economists and international relations scholars, while his critique of capitalism has much to teach the new generations interested in politics.

Naturally, his theses have prompted debate, sometimes quite heated, on topics ranging from the industrial revolution and the origins of capitalism to center-periphery relations, the definition of finance, free market fundamentalism, and democracy. Here many of his intuitions would repay further development, with deeper analysis of economic and political mechanisms. Let us explore some of these directions for research.

One question stems from the fact that like all practitioners of the world-system approach, Arrighi somewhat downplays the importance of the industrial revolution in the birth of capitalism, focusing more on systems of trade than on processes of production and de-emphasizing the discontinuity represented by new machinery and technology. Greater attention to the forms of

production, technical progress and its applications could improve the precision of the historical account of how production processes take shape, produce increasing returns and high profits and fuel the output expansion phases of the accumulation cycle.

A second theme is the specific economic mechanisms that allow accumulation in the countries of the center, extracting resources and surplus from the periphery. Crucial phenomena here are control of markets, ownership of enterprises, international production networks and, in the era of global finance, capital flows and the role of foreign debt. But it is also important to specify in greater detail the forms in which all of this occurs, the fundamental variables in these processes and the concrete possibilities of intervention to make the periphery less dependent.

The third area for further research is finance, which, critics have noted, Arrighi examines in perhaps too generically. More thorough analysis could shed light on the relationship between industrial and finance capital and the dynamics that give rise to financial profit. The complexity of financial flows, both domestic and international, has increased significantly, with the rise of foreign direct and real estate investment, stock market operations and operations on the public debt, financial derivatives and the “shadow” financial market, currency and commodities speculation. It would be enlightening to understand the linkage between these phenomena and the relationships that arise between the big banks and other economic agents, between creditors and debtors, between the countries that export capital and those to which it flows.

Another question that warrants further study is the significance of neo-liberalism or free market fundamentalism. For Arrighi, who only uses the term in a few recent essays, it does not mean a new phase of capitalism, which is marked by the successive cycles of accumulation and hegemony. While recognizing the increased power of markets vis-à-vis states and the impoverishment of the working class in the center countries owing to the relocation of production to the semi-periphery, Arrighi seems to have neglected the political reversal of the 1980s worked by the rise to power of Margaret Thatcher and Ronald Reagan with their agenda of deregulating markets and shrinking the role of government and the political system. On the other hand, he acutely grasps the international impact of neo-liberalism when he highlights the attempt by the U.S. to counter its hegemonic decline by ratcheting up its financial power and military might.

Lastly, close attention should be paid to the absence, in Arrighi’s analysis, of *democracy*. Democracy never figures among the factors that he considers capable of influencing the development of relations between state and capital through public policies (for instance, the spread of political and social rights, the welfare state, employment policies); nor does he take up the question whether there is some relationship between political democracy and his cycles of accumulation and hegemony. Yet if it is plausible to hold that democracy on the domestic level has little effect on a country’s international conduct, it is less comprehensible to exclude it from the set of key factors for understanding the evolution of the labor movement (from the standpoint, among other things, of the alternative between revolution and reform), the degeneration of the Communist system and the opaque dynamics of Chinese politics. Central to Arrighi’s account, instead, are the conflicts between capital and labor (with due attention to differences within the labor force itself) on the one hand and between center and periphery on the other. This schema has difficulty accommodating the conflictual content of movements like the global mobilizations of the ’90s, which do not aim at seizing state power but at influencing, conditioning the forms in which capital

and the hegemonic system exercise authority. For these movements, democracy is a value and a means of participation, deliberation and conflict that can call the functioning of the economy and the political system into question and forcefully raise the great issues of the social injustice and environmental unsustainability of contemporary capitalism.

The great importance of these unresolved questions, twenty years after the initial publication of the book, only confirms the value of the long path of research traced by Giovanni Arrighi and the vital interweaving of theory, historical interpretation and the urgency of political action that marked his entire intellectual life. The importance of understanding how capital is evolving, through economic processes and *international* power relations, taking into consideration the possibility of social conflict, is the fundamental lesson that a book like *The Long Twentieth Century* can impart to the readers of the twenty-first.

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