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## The History of Capitalist Expansion

There is considerable agreement among economic historians that capitalism as a mode of organising social and economic life not only began in one miniscule little corner of the globe, namely north-west Europe, but from its very beginnings, while it was itself still in the process of being formed in the fifteenth and sixteenth centuries, involved outward expansion gradually encompassing ever-larger areas of the globe in a network of material exchanges. This network of material exchanges over time developed into a world market for goods and services, or an international division of labour. By the end of the nineteenth century the project of a single capitalist world economy had been completed in the sense that the grid of exchange relationships now covered practically all geographical areas of the world.

The nineteenth century in particular stands out as the prime time of the development of an international division of labour. It is estimated that in each of the decades of that century world trade grew about 11 times faster than world production, and that by 1913, on the eve of the First World War, some 33 per cent of world production was trading across national frontiers.<sup>1</sup> What is even more significant for the theme of this book is the fact that in those days the geographical areas of the world, since designated as the Third World, namely South America, Africa and Asia excluding Japan, participated fully, if not on equal terms, in this international market. In 1913 the Third World captured about 50 per cent of world trade compared with about 22 per cent today.<sup>2</sup>

Following Immanuel Wallerstein,<sup>3</sup> we call this international division of labour a *capitalist* world economy because its defining criterion was: production of goods and services for sale in a market in which the object is to realise the maximum profit. In a capitalist market it is the seemingly neutral forces of supply and demand that determine the price of a product and thereby signal to the producers whether they should expand production, cut back on output, or change production techniques and cut their cost structure and so on. In other words, through the medium of Adam Smith's celebrated invisible hand, which already by the end of the nineteenth century had become a *global* invisible hand, human activities were pretty well coordinated across national frontiers.

### **The Political Nature of the Capitalist World Economy**

There should be no illusion that this coordination came about spontaneously or peacefully, or that it dealt a fair hand to all the players. Indeed the merit and lasting achievement of the Marxist tradition has been to show that at all times, and at all levels, the 'invisible' hand was guided and steered by politics and power, and that it always, and indeed cumulatively so, ended up in concentration of wealth and prosperity for some people in some places, while causing abject misery, poverty and appalling subjugation for a majority of people in most other places.

Marx's great theoretical contribution was to show how the formal equality of the market could produce socially structured inequality. Wallerstein adds to this the insight that commodity production regularly takes place in an arena that is importantly structured by *power relations between states*. Within the historically developing international division of labour, it was the first capitalist developers, the 'core' states, who gained the historical upper hand, and thus were able to protect and assist, with gunboat diplomacy and other forms of political coercion, their own capitalists in imposing world market relations and shaping these to their advantage. Wallerstein has shown how the interstate system is in fact the political system of the world capitalist economy, and how the core-periphery hierarchy and the exploitation of the periphery by the core are in fact necessary to the reproduction of capitalism as a system.<sup>4</sup>