TIF - What Happens when Capital Evades the Nation

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The *Gilets jaunes* (Yellow Vests) protesting against globalisation | Olivier Ortelpa (Creative Commons, CC BY 2.0)

The new politics in Europe and the United States of whipping up hate of the outsider in the name of nationalism has its roots in the tensions between global and local capitalism.

When, as a college student and a junior researcher, I read the definitive studies of nationalism, it struck me that all of them, in different (sometimes antagonistic) ways, highlight a common element. Whether the book was by E J Hobsbawm or Benedict Andersen or Anthony Giddens or Ernest Gellner, whether it approached the matter from a leftist, a liberal or a conservative position, it noticed – sometimes without commenting on it – a strange tension in all kinds of nationalism: a tension between the "global" and the "local."

Nationalisms both draw upon the global and the local, and resist them: one can argue that all nationalisms are shaped and altered as times change by this complex logic of repulsion and attraction. In a 2001 article "Godly Nations" , I argued that nationalisms come into being because of the collaboration and tension between global and regional (local) capital. I see no reason today, almost two decades later, to alter that reading of nationalism.

But, of course, capital has changed its nature. One can even argue that neo-liberalism is not a type of capitalism but something else altogether. For, if capitalism was constituted, as both Adam Smith and Karl Marx defined it, by the triangular relationship between capital, labour and production, then, under neo-liberalism, it is obvious that the last two terms have been increasingly denuded. Capital can now circulate and increase without being finally routed through labour or production. Financial speculation, not trade, defines its "successes." The economist Samir Amin spells out this significant change in capitalism:

The concomitance of the US deficit (leading to an excess of dollars available on the market) and the crisis of productive investment produced a mass of floating capital with no place to go. The choice of floating exchange rates in 1973 was therefore perfectly rational: it allowed this gigantic mass of floating capital to find an outlet in financial speculation. Today, while world trade is valued at US $ 2 billion, international capital movements are estimated at US $ 50 billion! (my italics, Amin 2000: 20)

A scholar who knows his economics more than I do pointed out that while Amin's figures are correct and highlight the point being made here, the situation might now be even more extreme. He noted that "Amin perhaps got the figures wrong even in 1980: It is the 'annual' value of trade being dwarfed by the 'daily' volume of transborder movement of capital." If that is so, the situation is "worse" and the question arises: what happens to nationalisms with this change in the nature of "capitalism" (assuming that neoliberalism is a version of capitalism)?

In this essay I argue that one way to understand the "new" nationalisms of developed nations—nationalisms which are often said to cut across the categories of "left" and "right" and always promote an economic or financial rationale (also connected to fears about the erosion of the welfare state) to discriminate against "newcomers"—is to look at this change in the nature of capitalism. Of course, such tendencies are also to be discerned in affluent pockets of developing nations (such as aspects of the late-2018 "Gujarati" backlash against Bihari labour) for the simple reason that if there is a Global South today, then there is also a Global North.

But before I can look at what has happened to (new) nationalisms with changes in capitalism and its relationship to labour, production and, inevitably, the state, let me paraphrase my earlier (Khair 2001) understanding of nationalisms as undergirded and shaped by collaboration and competition between global and regional (local) capital.

Tentacles of the Global Market

One needs to begin with the observation that it is with the rise of a capitalist market that the internal/regional capitalist comes into direct competition with the external/global capitalist. Earlier pre-capitalist markets permit a more symbiotic relationship by locating profit in the process of "carrying trade" between two or more relatively independent markets rather than competition in an integrated capitalist market.

> *It is through the creation of a national market—and later a global market—that capitalism could transform "market opportunities" into "market imperatives."*

Here we have to face the fact that capitalism is a "market system." As Ellen Meiksins Wood illustrates in *The Origin of Capitalism* (1999), full-fledged capitalism arose when England transformed the nature of trade by creating a distinctive national market (centred in London) and perhaps the first competitive market. This was a process under way in other metropolitan centres too, and England's decisive edge was largely a historical and geographical fluke, connected, among other things, to its convenient location intercepting the trade routes across European waters from the "old" world to the recently discovered "new" world.

It is through the creation of a national market—and later a global market—that capitalism could transform "market opportunities" into "market imperatives." Such a "universal" market was necessary to change the nature of profit-making from that based on carrying trade between different markets to that based on the extraction of surplus capital by wage-based exploitation of labour in the process of competing for consumers in an integrated market.

The "first" national market centred in London was, then, a universal market—with the expansion of capital, it expanded into the colonial market and merged with what later became the current global market. However, while the global—universal—market is the hub of capitalism, it can operate in diverse geographical areas largely (until recently, only) through various integrated national markets. But the national market is not only complicit in the capitalist exploitation by the universal/global market, it can also become the site of a limited bourgeois-competitive "resistance." This takes place when the regional bourgeoisie (or a significant section of it) grows in wealth, power, numbers, confidence and, consequently, ambition.

Suddenly, the regional bourgeoisie finds its paths increasingly blocked by the greater wealth and power of the inter-regional or global bourgeoisie. This inter-regional bourgeoisie shares most characteristics of the regional bourgeoisie, except that it usually does not speak (or does not generally speak) those related, mutually-intelligible dialects which are used in the internal or local market and one of which is perhaps already being codified and universalised by the regional bourgeoisie into a "language."

It is evident to all that the regional bourgeoisie's control of the local market depends on its linguistic monopoly. The shopkeeper needs to speak the local dialect, while the large-scale exporter cannot be bothered to speak the languages of the countries or regions to which she exports. It is obvious, then, that the wider the regional bourgeoisie's language spreads, the greater the market available to the regional bourgeoisie.

Of course, the language itself may not be a particular regional capitalist's inherited language, so long as it is closely related to the dialects (language) of trade and the market. This fact is probably useful in understanding why certain early nationalists did not insist on their particular inherited languages of culture but on the "language of the people," which was itself usually a newly codified dialect–turned–language imposed on the other dialects of the people.

In India, we can see this even in the case of Mahatma Gandhi, who eschewed his mother tongue, Gujarati, in favour of Hindi/Hindustani, even as he suggested (unlike Hindutva nationalists) that it could be written in different scripts, and hence did not segregate it rigorously from Urdu, which, in its spoken form, is from just another "Hindustani" dialect-source.

This linguistic element was well enough as long as capital, labour and production were interlinked, no matter whether or not labour was exploited by capital. After all, a "national" or "regional" language was useful to navigate and control national and regional markets, which were integrated into global markets but also had their own avenues of production and consumption. But the situation changed completely from the 1980s onwards—and with greater speed in this millennium—once a large chunk of capital detached itself from production and, hence, labour. For lack of a better term, let us say when finance capitalism started edging out classical capitalism; that is, with the rise of neo-liberalism. One can even argue that the failure of leftist ideologies had to do with this change: Classical capitalism was being rolled back, without a leftist revolution, and now finance capital did not need to exploit labour.

Actually, capitalism increasingly did not need labour at all: a fact that, as an aside, is also reflected in the vogue in some intellectual circles to talk of "post-humanism" as a robotic replacement of human beings. It is not coincidental that while classical capitalism worked with various national languages (and violent conflicts over them), finance capitalism or neo-liberalism is actually concerned with only one language: that of numbers.

Capital Learns to Self-perpetuate

This was good news for many politicians, especially those on the right, such as Margaret Thatcher and Ronald Reagan, who tended to see workers and their unions as a needless hassle and an obstacle. But these leaders did not see what was coming. Even as they helped break strikes and unions, and got the reputation of being iron leaders, they did not realise that capital was one step ahead of them. It was moving into an era where it would not need such leaders—at least in the first ("developed") world, for that phase hit the Third World a bit later (and is accelerating now in places like India)—in order to make labour compliant, because it was moving beyond labour and, to a degree, production.

> *...from now on, national politicians had to keep finance capital happy, in order to attract and enjoy its benefits nationally, for otherwise it had the entire globe to range freely.*

Various economists have noted—using differing terminology—that the period between World War II and the 1980s marked the dismantling of the old equation between nationalism, nation-state, and national capital, and their recomposition as constitutive elements of a deeply integrated global system.

In simpler words, the globalising economy of capitalism became increasingly independent of the social and political mechanisms of "mediating" nation-states: from now on, national politicians had to keep finance capital happy, in order to attract and enjoy its benefits nationally, for otherwise it had the entire globe to range freely. This was enabled by the fact that capital could now grow significantly through sheer speculation; it did not need to be ploughed back into labour and the production and trade of goods. It was also enabled by technical developments, such as computerisation.

Now, in the second decade of the 21st century, as the Amin quotation (above) and other economic data illustrate, labour and production (of goods) are almost vestigial organs of capitalism all over Western Europe and the developed nations: capitalism has mutated into neo-liberalism, and much of the finance capital that exists can just be moved around without being routed through production. It is a play of numbers, and it is not a coincidence that just a few decades after the disappearance of the gold standard, we are also witnessing the disappearance of actual money, paper or metal.

All these iron leaders who broke the labour unions and crushed strikes in the 1980s and 1990s had not realised the consequence of this. Because with capital becoming a play of numbers, capable of making profit without "exploiting" the worker or being invested in production, suddenly the equation between the government and the "business person" changed drastically.

The useful thing about nationalism was not its rhetoric, which was always partly delusive and often hateful, but its institution: the nation-state. Despite various flaws, the nation-state enabled the local/regional—or national—capitalist to compete against the international—or global—capitalist, and this competition itself was enabled by the "cultural" and "ethnic" and "linguistic" definitions of nationalism. There was a delicate thrice-levered balancing act between the nation-state (government), the national and regional (local) capitalist, and the international or global capitalist, and this balancing act inevitably involved local labour (and production) as tax-payers, voters, nationals.

A Failure of Democracy

The scene now is very different. The division between the regional/local and the international/global capitalist no longer holds in this world, because any ambitious capitalist is by definition global. Capitalists who fail to be so end up, as small traders and small businessmen in India are increasingly realising these days, largely losing their capital and being pushed into the masses of the unemployed or the professional, salaried (working) classes. But this is the situation in India and other developing countries, where classical capitalist formations have come under extensive attack only recently by free-floating capital.

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In the developed countries, where this process has a longer history, it leads to the creation of only two kinds of politicians. The good politicians talk of the good that immigrants can do to the national economy (and culture). The bad politicians talk of the harm that immigrants can do to the national economy (and culture). Angela Merkel talks about how Germany needs the talents and labour of immigrants. Donald Trump talks about how immigrants live off the system and calls for a wall to keep them out.

But no politician really talks about the fact that the governments of all First World countries are deeply invested in keeping their corporations and banks floating—and the only way they can do so is by diverting taxes and public money into various kinds of rescue packets or artificial "business opportunities" for these corporations and the banks backing them. Of course, this can be done only by cutting down on public spending. Where else can politicians find the money to save finance capitalists every time neoliberalism goes from boom to bust, or just goes along merrily on its usual roller-coaster ride?

As such, whether you are a good or a bad politician in Europe or in the US, basically, you are complicit in the gradual deterioration of public facilities and you cannot openly or fully acknowledge why these facilities are deteriorating. The blame for this deterioration is inevitably put on newcomers and immigrants. The rise of xenophobia and xenophobic politicians in Europe and the US is largely a consequence of this. As are the myths of post-truth and "fake news," which contortedly acknowledge the fact that no politician is really facing up to the main issues.

At the heart of it all is a failure of democracy—in the sense of people having a say in the running of their countries. This failure is not due to the presence of a few more foreigners anywhere; it is due to the abjectness of governments in the face of free-floating capital. Its solution, too, can no longer be national: the rise of nationalism in all these countries is simply a smokescreen or a symptom of desperation.

Floating global capital needs a solution that is international. But for that to happen, national politicians have to first and foremost concede that they have let the genie out of the bottle! And it needs to be forced back in—internationally, for national solutions will not work by definition. The new nationalisms enable them to avoid facing this fact. The good politicians use the rhetoric of fighting extreme nationalism and xenophobia and the bad politicians employ the anger of new nationalism and xenophobia to avoid and obscure exactly this. But very few politicians acknowledge their complicity in letting the genie of free-floating global finance capital, increasingly divorced from labour and production, out of the bottle. And even fewer show the vision and the courage to put it back in.

References:

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