

GIOVANNI ARRIGHI'S TAPESTRY OF EAST & WEST

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What a difference a year makes. While Giovanni Arrighi's *Adam Smith in Beijing* is a complicated tapestry, threaded with multiple strands and sub-themes, if it offers any single master thesis, it is this: over the last four or so decades, the fading of US primacy and China's precipitous ascent are dialectically interconnected, structured processes abetting one another. And, for good measure: China's ascent just might culminate in the formation of a qualitatively novel, world community of market-linked states orbiting around East Asia, but without a dominant center (pp. 7-9). Were I putting together this review in mid-2008, I would express profound skepticism about both theses. Certainly, such skepticism would issue not from the conviction that US global power is invincible, but rather from an evidence-based belief that Arrighi habitually underestimates the extent to which China's ongoing rise in the world order will be traumatically disrupted by the inevitable wipeout of highly leveraged paper assets on Wall Street (and the City of London, for that matter). Well, in the wake of the planetary financial crisis and economic slump, the early returns on China's coping capacity are in. The ways in which China is responding to and weathering the storm vindicate more than a few of the claims and insights Arrighi advances in *Adam Smith in Beijing*, including some that I would have regarded with raised eyebrows a year ago. The thrust of this review is a critical assessment of *Adam Smith in Beijing* from the standpoint of how well or poorly its theoretical maneuvers and key arguments allow us to make sense of the current shake-up in the global system, with a focus on the interdigitated destinies of China and the US. In this evaluation I will take a page out of Arrighi's own playbook and try to bear in mind the crucial distinction between geo-economic and geopolitical ebbs and flows of the moment and longer-term hegemonic ruptures and transformations.

First, however, I will remark on other aspects of this many-faceted book, ones not so integral to the China-US dynamic evolving before our eyes. In Part One, Arrighi offers an imaginative exegesis of Adam Smith's *oeuvre*, with several ambitions in mind. Arrighi's creative reconstruction of Smith aims to remind us of the developmental accomplishments of Chinese civilization prior to the incursion of Western gunboats, and to demonstrate that it was precisely the military-imperial character of Western capitalist expansion, rather than the cheapness of the West's factory produced goods, that in the final instance accounted for the century of cataclysmic decay to which China was subjected (p. 77). Fair enough. Of greater concern for the overarching message of the book, Arrighi's innovative reworking of Smith is designed to elucidate the idea of a "non-capitalist market society," a peculiar political economy in which a paternalistic state governs market competition to advantage efficient, family-based petty commodity producers (middle peasants, handicraft artisans, *etc.*) against growth-restraining monopolistic interests, in the name of promoting a broadly shared prosperity (pp. 34, 44, 47). This "non-capitalist market society" is especially effective at generating increases in public welfare when it operates at a

scale large enough (putatively but not necessarily national) to allow an increasingly specialized social division of labor to take root (pp. 25, 54-55). Selectively appropriating from the "California School" of Chinese economic historians, Arrighi contends that "non-capitalist market" institutions and practices were the secret to China's developmental success prior to the mid-Nineteenth Century. More provocatively, this is a set-up to his later suggestion in Part Four (Chapter Twelve) that China's dizzying economic performance in the post-Mao era can be attributed in part to the numerous ways in which the Chinese Communist Party (CCP) has enabled this long-buried but not dead legacy of small-scale entrepreneurialism to flourish anew. In other words, Arrighi leverages a reinvented Smith to help explicate why China's post-1978 reforms have yielded such impressive outcomes, and more controversially to call into question whether China's recent mighty GDP gains have unfolded in the context of a full-blown transition to capitalism (pp. 358-361).

Admittedly, I am far from an expert on many of the issues or debates Arrighi joins in Part One. But I suspect that in his admirable zeal to reclaim Smith from neo-liberals who wrongly posit Smith as the patron saint of the "night watchman state," Arrighi bends the stick too far in the other direction. Or more to the point, it seems that once Arrighi decides to press his rehabilitated Smith into service as a translator and defender of China's glorious past and (especially) the CCP's present socio-economic policies, a certain heuristic license about what Smith really had to say prevails. Would Adam Smith himself recognize the portrait that Arrighi paints of him? What is more, with Arrighi as ventriloquist, too often Smith's "widening and deepening social division of labor," as well as other Smithian constructs, resemble clever tropes counted on to do explanatory work through their mere invocation, rather than clarifiers of mundane empirical realities. As for Arrighi's agnostic refusal to acknowledge that China today is undeniably capitalist, other reviewers in other publications (e.g., Joel Andreas in *New Left Review* and Richard Walker in *Historical Materialism*) have covered this ground more than adequately. Even if one grants Arrighi his Braudelian definition of capitalism – a definition which tosses overboard the degree to which surplus allocation is shaped by the prevalence of wage labor, and instead revolves around the degree to which the state surrenders the socio-economic "commanding heights" to private capitalists (p. 92) – on this score the facts appear to tilt in the favor of Arrighi's critics, at least more so than he cares to admit. In one curious passage where Arrighi puzzles over the subjective motives of capitalists (p. 81), Part One does furnish a hint as to why Arrighi is oddly immune to Marxists' insistence that the M-C-M' circuit has a tendency to objectively condition all politico-economic relations in those societies in which it becomes firmly embedded.

Part Two is both tough and easy to summarize. The task is tough because Arrighi engages his material from a rather obtuse angle, and although his intentions are upfront, the results make one wonder just how germane Part Two is to his overall project. Arrighi ostensibly compares the beginning and middle stages of US hegemony's downward spiral to those of Britain one hundred years earlier; discerning the unique particulars of US decline and the global framework within which this decline is occurring might lend some clues as to what alternative world system is to follow (p. 101). But Arrighi goes at his subject by way of criticizing Robert Brenner's consideration of the reputed long stagnation in the global economy since the late 1960's/early 1970's. Somewhat disconcertingly, the tail ends up wagging the dog, and the bulk of Part Two is devoted to Arrighi having at Brenner. The alleged rationale of this detour almost vanishes entirely; one gets the impression that Arrighi contrived to include already published writings on

the faults of Brenner's analysis in this book, but did not find an ideal place to make them fit. On the other hand, in light of Arrighi's recent death, *Adam Smith in Beijing* now tragically turns out to be his last major work; despite the fact that Part Two feels like an awkward outlier, at least Arrighi's significant critique of Brenner has been preserved between covers.

The easiness of summarizing Part Two rests in Arrighi's mode of attack: he principally draws from familiar arguments initially made 15 years ago in *The Long Twentieth Century*. But just because his arguments have a recycled quality does not mean they are not deployed to devastating effect. I wandered into Part Two more or less sympathetic to Brenner's analysis of the reputed long stagnation, vaguely aware of but not badly troubled by its economic biases and limitations. In a nutshell, Brenner avers that the global economy has yet to climb out of a secular slowdown that began roughly forty years ago because of the manner in which the leading capitalist states (the US, Germany, and Japan) and industrial firms from the leading capitalist states have responded to lagging rates of profit (*i.e.*, lagging relative to the boom period of the post-World War II "golden age") (pp. 102-105). Industrial overcapacity has reigned because firms from the three pillars of the "Triad" have been reluctant to liquidate requisite amounts of fixed capital in plant and equipment, while the finance ministries of the Triadic states have attempted to push the costs of stagnation onto one another through mercantilistic exchange rate policies (chiefly *via* competitive devaluations) (pp. 106-107, 109-110). By the time I was done digesting Arrighi's exposé of the errors of Brenner's interpretation – errors that range from Brenner's failing to appreciate the class struggle dimensions of Nixon unilaterally severing the dollar-gold link and letting the greenback float (pp. 127, 130), to his too narrowly concentrating on Triadic states and Triadic industrial firms as the central actors of late Twentieth Century geoeconomics (pp. 131-132) – I upbraided myself for my formerly lenient disposition toward Brenner. The ultimate take-home lesson of Arrighi's critique is that Brenner misconstrues the fundamental meaning of the events and trends formed when world capitalism has intersected with geopolitical competition these last forty years. The basic story is how the US has tried to prolong its imperial predominance through monetary-financial engineering (with the Volcker shock of 1979-1982 being a decisive episode) (pp. 108-109, 146-147, 160-161), rather than how the endemic problem of capital overproduction has been exacerbated by the absence of concerted interstate cooperation between the US, Germany, and Japan (pp. 142, 149, 151, 156, 159, 161). While this lesson is something of an old chestnut for readers schooled in Arrighi's work, it bears repeating – although a Part Two far from seamlessly inserted into the narrative arc of the book may not be the most desirable delivery vehicle.

Part Three is where Arrighi turns his attention to the guiding motif of the book, the accelerating interrelationship between US decline and China's ascent. Here Arrighi mounts a defensible argument that the Bush Administration's futile effort to prolong US primacy has further loosened the already weak US grip on the steering wheel of the global system. Tripped up by a costly and unwinnable occupation in Iraq and a broader "war on terror" that further damages US legitimacy and saddles it with additional onerous debt, the world dominance of the US is waning (pp. 184-189, 195-197). Arrighi identifies a variety of phenomena that signal an inverse dynamic between the ebbing of US primacy and the making of a new China-centered world market society. Because the US now precariously relies on Chinese purchases of Treasury notes and other dollar-denominated securities to balance its exploding foreign debt, and because the US has also come to depend on China's strategic role as an arbiter in the interminable North Korean nuclear emergency, China enjoys an increasing freedom of action *vis-à-vis* the US (pp. 196, 204-

205). China has parlayed this freedom into undertaking daring economic diplomacy initiatives with raw material-rich Latin American republics (p. 207) and championing more even-handed multilateral trade liberalization as a prominent member of the G20 group (p. 208). Arrighi also marvels at how China has kept an equidistant geopolitical independence from all of the major capitalist centers and thereby aggregated its hegemonic capacities. For example, transnational corporations from each center eagerly seek privileged access to China's inestimable labor, product, and consumer markets, and Chinese developmental agencies successfully pit them against one another to exact maximum technology transfer benefits (pp. 208, 355-356). Implicated in all this is the increasing reorientation of Japanese and South Korean trade and investment vectors away from the trans-Pacific and towards the East Asian heartland (p. 205). Arrighi goes so far to effuse that the charms of the Chinese market mean that "China is no longer seen as a serious threat" by other Northeast Asian states (pp. 260-261).

Arrighi gets a lot right here, and many of the tendencies depicted in Part III have carried forward after the publishing of *Adam Smith in Beijing*. In the midst of the worldwide credit contraction and recessionary turmoil, China has helped prevent more than a few resource-extracting (especially hydrocarbon-exporting) economies from toppling over the precipice. It has plowed its voluminous currency reserves into the rescue of resource extractors in places such as Iran, Russia, and Turkmenistan, extending discounted loans in exchange for equity stakes and long-term supply contracts. Certainly schemes of this sort are not unadulterated generosity on China's part – it expects a reasonable rate of return on its portfolio investments, not to mention guaranteed access to critical resources it cannot secure domestically – but in fact such "win-win" actions earn China plaudits with other regimes that do not belong to the high-income club, and are emblematic of a hegemon-in-training. However, not all of Arrighi's Part Three examples of China resisting US pressure prove that China has augmented its autonomy in the face of an enfeebled US. For instance, as a case of China successfully asserting its independence, Arrighi spotlights Chinese authorities rebuking US Congressional demands to unhinge the *yuan*-dollar peg. But he does not ponder that China's opposition to letting the *yuan* float freely, rather than symbolizing its invulnerability to the special pleading of the US, might instead have stemmed from the very vulnerability of its accumulation model, held hostage by the willingness of liquid capital holders the world over to prop up asset bubbles and debt-financed consumption in the US. Arrighi can also fairly be accused of exaggerating how much Sino-Japanese economic integration has overridden Sino-Japanese geopolitical tension. In Part Four, Arrighi does acknowledge that the renewal of the Japan-US security pact has re-tethered Japan to US strategic objectives in East Asia, and in a fashion specifically poised against China's emergence as a regional superpower (pp. 281-282, 288, 294, 299-300). But he problematically seems to associate Japan's serving as the "Britain in Asia" for the US with the Koizumi-Abe governments in particular, rather than with the deep structure of the contemporary Japanese polity. Moreover, in his discussion of the possibility that the US might draw down its imperial legions stationed in East Asia, thus paving the way for more regional policy coordination between China and Japan (p. 301), it is plain that Arrighi just does not get how many aspects of Sino-Japanese enmity have little or nothing to do with Japan's vassalage to the US.

In Chapter Ten of Part Four, Arrighi keeps his focus on the array of strategic choices at the disposal of the US as it scurries to adapt to China's rise, a chore made all the harder once it became apparent the US would not get the pushover client state it sought in post-Saddam Iraq (p. 277-308). In handicapping the China policy options of the US going forward, Arrighi reveals both

the strong and the weak points of his understanding of the mutual constitution of the US and Chinese political economies. Arrighi appropriately notes just what hobbles US attempts to respond to China's ascent – rampant imports of made-in-China consumer goods and Chinese financing of the Pentagon's spendthrift ways have become fulcrums of US modes of economic growth and power projection, but at the same time these commodity and capital inflows are hollowing out the US manufacturing base, giving China indirect influence (and at an extreme, a "negative veto") over US imperial adventures, and preparing the ground for nationalist-protectionist anti-China populism (of the Lou Dobbs type) with volatile domestic political consequences (p. 305). Arrighi keenly comprehends that the *ad hoc* nature of recent US strategic reactions to China's ascent is partly due to the indissoluble tension between the globalist orientations of the Fortune 500 and the anti-globalist impulses of a large bloc of US voters (pp. 303-306); this tension shows itself in flaps such as the US Congress prohibiting China National Offshore Oil Company's bid to buy out Unocal, as well as its perennial threat to punish Beijing's purported "currency manipulation" with tariffs (p. 295). Weary of hypocritical "currency manipulator" accusations hurled by the likes of Wall Street bailout whiz-kid Timothy Geithner, and sincerely worried that its hard-earned reserves will shrivel if dollar inflation materializes, not only are China's words about the need for a successor to the fiat dollar standard becoming more voluble, its deeds are starting to match its words. This is reflected in China's aforementioned raw materials buying spree, cashing out some of its dollar reserves for resource stakes in the semi-periphery and periphery, as well as its brokering of *yuan*-based commerce with large-market trading partners (Argentina, Brazil, Malaysia) beyond the US-Europe-Japan axis. *Adam Smith in Beijing* anticipates moves such as these, and Arrighi himself would welcome them.

Arrighi crowns Part Four with an in-depth exploration of the how's and why's of China's amazing economic achievements, from the period of Deng Xiaoping's paramouncy to the current leadership of the Hu Jintao/Wen Jiabao team. Even a soul who thinks Arrighi insufficiently sensitive to the super-exploitation of rural migrants, the trials of laid-off state-owned enterprise workers, or the hardships of deadly pollution casualties and land grab victims will discover some gems of insight here, if he or she keeps an open mind. Arrighi maintains that China has been such a giant magnet for foreign investment (not all of it of the low-tech variety, incidentally) and such a tremendous success in the export game not so much because of its inexpensive labor, but because its labor is skilled, healthy, and productive relative to preponderant wage rates (p. 351). To his credit, Arrighi insists that the breathtaking progress made in the fields of mass education and basic medicine during the first three decades of Chinese socialism stand behind the high productivity of today's Chinese proletariat and salariat – in other words, if you peel away the vaunted "China price," you may just find the residue of Maoist egalitarianism (pp. 357, 370-371). Arrighi also makes the highly contested case that China's knockout GDP growth has been more internally than externally driven (pp. 353, 356). On this score, the jury is still out; one needs to be a statistical genius to parse the technical debates (with Arrighi shadow-boxing Martin Hart-Landsberg and Paul Burkett) on just how much China's growth performance has been stoked by foreign investment and global demand. Finally, reviewing Arrighi's survey of China's post-Mao political economy would not be complete without pinpointing one of his more questionable gaffs: he correctly celebrates the rural cooperative enterprises for being heroic generators of rural employment and non-farm development (pp. 361-364) but elides the fact that these cooperatives effectively disappeared in the late 1990's in the aftermath of further reforms.

The most stimulating current running through Part Four is Arrighi's suggestion that it is China's living tradition of popular rebellion which could have the final say as to whether and how the grotesque injustices internal to China, and its dubiously "non-capitalist market" society, will be remedied (pp. 376-378). Since he himself is favorably inclined to most of the CCP's post-1978 reform program – although he consistently cops to its excesses, especially its dystopian ecological implications – Arrighi would not put things so starkly. Nonetheless, Arrighi merits a bonus for appreciating the complex dialectic between mass mobilization and party-state initiative, a dialectic which could yet recombine to turn China down a more progressive path, one less monomaniacally driven to "get rich" whatever the human and environmental damage. Under duress from an uptick in myriad forms of social unrest, the CCP of Hu and Wen has endeavored to smooth the rough edges of China's breakneck accumulation drive, granting tax relief and income allotments to the rural poor, and requiring that all transnational subsidiaries collectively bargain with China's state-controlled workers' union.

Arrighi contemplates that policy turns such as these, launched under the banner of "harmonious development," might constitute proof of the CCP's continued receptivity to being pushed by movements from below, to better meet the needs of the bottom two-thirds of the population (pp. 16-17, 378). The assortment of socially ameliorative and pump-priming measures the CCP has adopted to cushion the impacts of the current global economic crisis – job retraining for sacked migrant workers, pay hikes for school teachers, massive expenditures on physical infrastructure, and such – lends credence to this idea. Without further gradual movement away from the still US-centered international monetary and financial system, there will be limits on just how much the CCP can direct China's stores of wealth toward a more equitable regime of growth. But that movement does seem to be gathering steam. As for Arrighi's hopes that China will embrace the best of its materials-conserving and labor-intensive past in the name of ecological sanity (pp. 388-389), one need not be a peak oil apocalyptic or climate change catastrophist to comment that Arrighi actually understates the gravity of the situation.

In sum, *Adam Smith in Beijing* is a very good book, rife with artful theoretical touches and politically useful arguments, and both a stiff challenge and a real reward to engage in a dialogue.