

# Neo-liberalism and ordoliberalism: a critique of two forms of imperialism and authoritarianism

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*Imperialism is primarily driven by a combination of public policies and accumulation regimes taking place within the domestic environment of the imperial state itself. As an international policy, however, imperialism aims at transforming other states' socio-economic and political orders, especially in the global periphery and semi-periphery, by way of transplanting its own class model prevailing in the metropolitan home. The two most important stylised and separable, but not separate, public policies of our times are that of Anglo-American neo-liberalism, which drives post-Bretton Woods globalisation/financialisation, and that of German-Austrian ordoliberalism, which guides the process of European 'integration'. The argument advanced here is that (Anglo-American) neo-liberalism and (German-Austrian) ordoliberalism are not stand-alone domestic policies, but are instead consubstantial with imperial undertakings. The former project is wider and truly global in scope, whereas the latter is dominating the EU/Eurozone and its immediate periphery (the Balkans/Eastern Europe and the MENA region). In this context, the article puts forth a qualitative critique of both public policies as imperial policies of domination, transformation and exploitation, buttressing regimes of permanent austerity and authoritarianism at home and permanent war and devastation abroad.*

*Keywords: Imperialism; New American Imperialism (NAI); Financialisation/Globalisation; Ordoliberalism; Neo-Liberalism; Core-Periphery Relations*

Do international relations precede or follow (logically) fundamental social relations? There can be no doubt that they follow. Any organic innovation in the social structure through its technical-military expressions modifies organically absolute and relative relations in the international field too. -- Antonio Gramsci<sup>1</sup>

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<sup>1</sup> A. Gramsci, *Selections from Prison Notebooks*, edited and translated by Quintin Hoare and Geoffrey Nowell Smith (London: Lawrence and Wishart, 1996).

## Introduction

Imperialism has never been dissociated from the domestic political and social orders which it serves. It is sourced by a combination of public policies and internal accumulation regimes, themselves creating conditions of outward capitalist expansion penetrating other jurisdictions. The two most important accumulation regimes of our times pertain to Anglo-American neo-imperialism and German-Austrian ordoliberalism. The former's ambition is to shape the domestic environments of every single state in the world after its own image. The latter guides the process of European 'integration' and manages the current Eurozone crisis, although its ambition goes further, embracing lands and geographies of Eastern Europe and the greater Middle East. That said, the aim of this article is to build an epistemic terrain composed of theoretical and descriptive categories drawn from the rich tradition of Marxian texts on imperialism and to use this terrain to articulate a qualitative critique of contemporary Anglo-American neo-liberalism *cum* German-Austrian ordoliberalism.

We consider this a very important undertaking, not least because progressive, heterodox and post-Keynesian writings, although they have contributed to our knowledge of contemporary global and European capitalism, have failed to connect their analyses with the notion of imperialism.<sup>2</sup> Our starting point is that neither neo-liberalism nor ordoliberalism stand alone as public policies within the domestic environment of core capitalist states; they are, instead, consubstantial with imperial undertakings aiming at transforming the internal socio-political order of all other states alongside the model of imperial metropolis. This, in turn, tends to accentuate core–core inter-imperial tensions and core–periphery conflicts. Moreover, due to the rise of China and the disintegrative tendencies within the Euro-Atlantic bloc, inter-imperialist, core–core tensions have in recent years accentuated; witness, among others, the Brexit phenomenon and the Eurozone crisis, which is a crisis of German-Austrian ordoliberalism *failing* to insulate the Eurozone from the crisis of neo-liberal (Anglo-American) globalisation.

The presentation order proposed serves our objectives: we will survey and select/deselect key theories of imperialism to build the epistemic framework necessary to articulate a critique of neo-liberalism and ordoliberalism. The starting point will be a review of Marx's own theory of capitalism, which was put forth at the outset of Britain's international domination because of its industrial and trade supremacy. We will then move on to the works by Rudolf Hilferding, Nikolai Bukharin and V.I. Lenin, a phase in the development of capitalism that reflects the crisis of Britain's hegemony and that of European imperialism. After WWII and the rise of the USA to the position of global hegemon, our focus will shift westwards, looking at the work of scholars such as Paul Baran, Ernest Mandel, Immanuel Wallerstein and Nicos Poulantzas. We will

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<sup>2</sup> Among others: T. Subasat (ed.) *The Great Financial Meltdown* (Cheltenham: Edward Elgar, 2016); C. Lapavistas et al., 'Eurozone Crisis: Beggar Thyself and Thy Neighbour', *Journal of Balkan and Near Eastern Studies*, 12:4 (2010), pp. 321–373; C. Lapavistas, *Profiting without Producing* (London: Verso, 2013); H. Martin Wolfson and Gerald A. Epstein, *The Political Economy of Financial Crises* (Oxford: OUP, 2013).

then move on to review recent approaches to financialisation/globalisation and new American imperialism (NAI) by reviewing the work of Giovanni Arrighi, David Harvey, Peter Gowan, Alex Callinicos and Leo Panitch. The discussion will enable us to create the conceptual and descriptive framework required to advance a critique of Anglo-American neo-liberalism and German-Austrian ordoliberalism, as *forms* of contemporary imperialism and authoritarianism.

### **The beginnings: Marx's theory of capital accumulation and European imperial expansion**

Capitalism is a dynamic social system and a mode of production based on the extraction of (absolute and relative) surplus-value that takes place in the material process of production, translated into a rate of profit for the enterprise. The rate of profit is the percentage return on the total capital invested.<sup>3</sup> Value and surplus-value can be produced only by workers and only in the material process of production. Technological innovation as such does not create value, although it facilitates its extraction, deepening the rate of exploitation and the extraction of relative surplus-value. Yet value (and surplus-value) spread unevenly: workers are rewarded, via the wage system, much less than the capitalists because, as Marx put it in *Capital*, quoting Ferdinando Galiani, 'where equality exists there is no gain.'<sup>4</sup>

This is the first key element of the capitalist system. However, the capitalist, that is, the personification of capital, is also structurally involved in competition with other capitalists (capitals) in open competitive markets.<sup>5</sup> Competition is a permanent feature of capitalism, whereby capitalism is understood as a social system. Here too, the exchange values circulating in the market develop in an uneven way: some capitalists win and some lose in the jungle of the market. This is the second key element of the capitalist mode of production. Consequently, capitalists are facing permanent opposition from workers, who aim at reducing the rate of exploitation and, therefore, the extraction of (absolute and relative) surplus-value achieving higher wages; they are also facing opposition from other capitalists who are trying to out-compete them in the market in their efforts to increase their sales and, thus, to impact positively on profits. Facing these two challenges that tend to undermine their main *raison d'être* (that is, the extraction of high amounts of profit), the capitalist opts for constant innovation and expansion into new markets.

Accumulation/centralisation of capital occurs via constant expansion into national and international markets, especially in underdeveloped parts of the world that did not

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<sup>3</sup> It is beyond the scope of this article to entertain debates and controversies within Marxist and progressive scholarship. As a result, we give here this definition of the 'rate of profit', which is broadly accepted among heterodox and post-Keynesian economists.

<sup>4</sup> Karl Marx, *Capital*, Vol. I (Harmondsworth: Penguin, 1976 [1867]), p. 261.

<sup>5</sup> Alex Callinicos, *Imperialism and Global Political Economy* (Cambridge: Polity, 2010).

go through an industrial revolution.<sup>6</sup> Blocs of capital, having established themselves in their country of origin through the process of ‘primitive accumulation’, tend to face crises of over-accumulation as the reinvestment of profits fails to produce new profits (returns). This happens because capitalists must innovate to compete with other capitalists. But technological innovation displaces labour-power—the only source of value and surplus-value—from the production process and this has the result of a fall in the rate of profit. (A countertendency is an increase in labour productivity and a reduction in unit labour costs, both of which increase the extraction of relative surplus-value.) Thus, these blocs of capital seek expansion into new territories where profitable employment of labour power, the only source of value and surplus-value, can be realised. Although Marx himself never used the term ‘imperialism’, the fundamentals of a Marxist theory of imperialism can be found in Marx’s own writings in *Capital*. In these he sees capitalism as a dynamic social system prone to expand internationally to achieve high profit rates and, if need be, solve its over-accumulation crisis at home.

This is a very promising start. Marx and Engels were writing at a time when Britain was the top world power, followed by other European powers, such as France, Germany and Italy. British imperialism was the political and ideological generalisation of free trade and corresponds to its competitive phase. Having secured the recruitment of servile local elites to govern favourable competition regimes for the multinational companies of their respective countries, the practice of European imperial elites at the time was to divide among themselves the world peripheries of Africa, Asia and Latin America into economic and political zones of exploitation and control. (This practice took on a more formal dimension in the inter-imperial arrangements and secret treaties following the end of WWI.) Thus, when later in the 19th century the USA attempted to penetrate Asian markets to counter a serious economic contraction at home due to the over-accumulation crisis of the 1890s, European colonial powers resisted the attempt.

This forced US Secretary of State, John Hay, to issue his ‘Open Door’ notes in September and November 1899, urging European imperial powers to open their markets in SE Asia and China to international competition.<sup>7</sup> ‘Open Door’ imperialism has since been a permanent feature of the USA’s drive for global dominance, although it took on different forms after WWII and the crisis of the Bretton Woods system in the late 1960s (see below).

### Marxian theories of imperialism before and after WWI

Rosa Luxemburg’s argument deserves a specific mention, not least because it sparked important controversies within Marxism that influenced many generations, including

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<sup>6</sup> L. Pradella, ‘Imperialism and Capitalist Development in Marx’s *Capital*’, *Historical Materialism*, 21:2 (2013), pp. 117–147.

<sup>7</sup> William A. Williams, *The Tragedy of American Diplomacy* (New York: Norton, 1972 [1959]); C. Layne, *The Peace of Illusions. American Grand Strategy from 1940 to the Present* (Ithaca: Cornell University Press, 2006).

David Harvey's more recent work. According to Luxemburg, there is a lack of sufficient demand to absorb the commodities produced and this, as opposed to Say's thesis, makes the gap between supply and demand unbridgeable.<sup>8</sup> The solution lies in what Luxemburg defines as the 'dualist' nature of capital accumulation. The first aspect of capital accumulation concerns, among others, the relationship between the capitalist and the worker. The second aspect concerns the colonial policy of metropolises of capitalism, which is effectively the interaction between capitalist and non-capitalist modes of production. This second aspect of capital accumulation provides the solution to the underconsumption problem of the metropolises. Trade, investment and repatriation of profits from the underdeveloped areas of the world are essentially the form that modern imperialism acquires according to Luxemburg. In other words, imperialism means extreme exploitation, oppression and the looting of non-capitalist, peripheral parts of the world.<sup>9</sup> Luxemburg asserts that a precondition for the capitalism of the metropolises to exist and reproduce themselves is the subordination of non-capitalist, peasant peripheries and their insertion into a global market. Luxemburg's conclusion is that since core capitalisms will eventually soak up the underdeveloped peripheries in their efforts to deal with crises of under-consumption, they will face automatic collapse once their extended reproduction via the exploitation of non-capitalist peripheries will cease to offer investment and profiteering outlets. As we shall see below, Harvey's argument on 'new imperialism' builds almost entirely on Luxemburg's epistemic framework.

However, Luxemburg did not dwell on money and finance as key variables for a theory of imperialism. Hilferding did. His work includes a theory of money and finance built around the notion of 'founder's profit';<sup>10</sup> a description of the formation of 'joint stock companies' generating a tendency to monopoly; and a theory of finance capital which he defined as the merger of industrial (productive enterprises) and financial (banking-money) capital. Discussing at length the role of the banks in the concentration/centralisation of capital, Hilferding argued that the separation of commercial (merchant) and financial capital was one of the key features of the competitive phase of capitalism. Monopoly capitalism, Hilferding maintains, eliminates this separation giving way to finance capital. In the words of Hilferding:

An ever increasing part of the capital of industry does not belong to the industrialists who use it. They are able to dispose over capital only through the banks, which represent the owners. On the other side, the banks have to invest an ever-increasing part of their capital in industry, and in this way they become to a greater and greater extent industrial capitalists. I call bank capital, that is, capital in money form which is actually transformed in this way into industrial capital, finance capital.<sup>11</sup>

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<sup>8</sup> Jean-Baptiste Say's liberal demand: Jean B. Say, *A Treatise of Political Economy* (Philadelphia: Grigg and Elliott, 1834 [1803]), pp. 288–296. As is well known, John Maynard Keynes criticised Say in his *The General Theory of Employment, Interest and Money* (Cambridge: Cambridge University Press, 1993 [1936]).

<sup>9</sup> Rosa Luxemburg, *The Accumulation of Capital* (London: Routledge, 1952 [1913]).

<sup>10</sup> C. Lapavistas, *Profiting without Producing* (London: Verso, 2013), pp. 46–58.

<sup>11</sup> R. Hilferding, *Finance Capital* (London: Routledge, 1981 [1910]), p. 225.

Clearly, at the dawn of the 20th century, capitalism had already overcome its competitive phase and assumed monopolistic features. Nikolai Bukharin's work on imperialism, which preceded that of V.I. Lenin on the same subject (Lenin wrote the introduction to Bukharin's work which only became available and widely known in 1927) argues that monopoly capital marks a further intensification of competition among blocs of capital at the international level shifting the terrain of big capital competition from the national to international. Bukharin, like Lenin, built his theory of imperialism drawing on the work of Rudolf Hilferding and John Hobson, the latter being a radical liberal and not a Marxist. For Bukharin, who follows Hilferding, imperialism means penetration of banking capital into industry and formation of finance capital. This strategy, Bukharin argues, assists cartels to overcome over-accumulation crises at home. What follows is a massive export of capital precisely because 'in our era, the interests of finance capital demand first of all expansion of the home state territory, ie it dictates a policy of conquest, a pressure of military force, a line of "imperialist annexation"'.<sup>12</sup>

Bukharin asserts that capital, facing the prospect of the 'impossibility of doing business at home, the race for higher rates of profit' becomes the 'motive power of world capitalism'.<sup>13</sup> Thus, commodities, services, finance and investments travel abroad to repatriate profits and values generated there. 'England's policy in Egypt', Bukharin remarks, is that 'the transformation of all of Egypt into a gigantic cotton plantation furnishing raw material for the English textile industry may serve as a striking illustration'.<sup>14</sup> Unlike Hilferding, however, Bukharin sees two historical capitalist processes at work: the first is what he calls 'internationalisation' and the second is what he calls 'division of the world economy into national blocs'. The clash between the two tendencies of capitalism drives the system into war and breakdown.

Lenin's work on imperialism aims at countering Karl Kautsky's theory of 'ultra-imperialism', which argued that the international tendency of finance capital is towards unification and international peace, not division and war. Thus, Kautsky thought that the Great Powers, in their efforts to deal with over-accumulation crises, would agree to conquer and exploit the world jointly rather than fighting over its division, thus intensifying competition. Lenin, like Bukharin and Leon Trotsky, were against this theory. Lenin's argument had been that capitalism's tendency to develop in an *uneven* and *combined* way trumps any structural-linear tendency towards 'ultra-imperialism'. In his polemical essay 'On the Slogan of a United States of Europe' (1915), Lenin wrote that although 'temporary agreements' between European capitalists were possible, this would be for 'suppressing European socialism'.<sup>15</sup> In this essay, Lenin compared Europe to the USA and pointed to the

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<sup>12</sup> N. Bukharin, *Imperialism and World Economy* (London and Sydney: Bookmarks, 2003 [1915]), p. 80.

<sup>13</sup> Bukharin, *op. cit.*, p. 86.

<sup>14</sup> Bukharin, *op. cit.*, p. 96.

<sup>15</sup> V.I. Lenin, 'On the Slogan for a United States of Europe', <https://www.marxists.org/archive/lenin/works/1915/aug/23.htm> (accessed on 12 April 2017).

stagnation of the former and the rapid development of the latter, thus implicitly recognising a power shift away from the ‘old continent’. A ‘United States of Europe’, Lenin argued, if it ever became possible, would be a reactionary bloc against the USA. All in all, uneven and combined development prevails and wars and conflict in capitalist history are inescapable. More specifically, progressive revolutions led by the working class break out in the weakest link of the capitalist imperial chain, which is characterised by the historical concentration of many political, economic and ideological contradictions. The weakest link, according to Lenin, may not be a country of advanced capitalism but a country of the colonial periphery.

Lenin charged Kautsky and the Second (Social Democratic) International—with betrayal of internationalist principles when they sided with their respective national bourgeoisies. In 1914, the majority of the Social Democratic Party of Germany (SPD) voted for war credits in the Reichstag, thus endorsing Germany’s imperialist war. Lenin’s drive to break away from the Second International to establish the Third (Communist) International had theoretical as well as political foundations.

‘The economic quintessence of imperialism’, Lenin argued, ‘is monopoly capitalism’. Monopolies, which spring from the banks, accelerate the capture of ‘the most important sources of raw materials’ and sustain a colonial policy of annexation and division of the world among the great imperialist powers.<sup>16</sup> Lenin espouses in full the thesis that imperialism is appropriation of international value and concentration of money capital in core capitalist countries. This, he argued, had resulted in the creation of the idle and parasitic class of *bondholders* (rentiers), that is, ‘people who live by “clipping coupons”, who take no part whatever in production’.<sup>17</sup> Moreover, extra profits appropriated from colonies allow the funding of a ‘labour aristocracy’ in the core countries, especially in England, a development that had influenced the socialist movement to adopt reformist, economic (e.g. fighting for higher wages alone without politicising the struggle) and nationalist attitudes instead of internationalist and revolutionary/radical ones. In this context, Lenin saw that inter-imperialist rivalries lead to the decay and contraction of capitalism as a global imperial system and, as such, is the *highest stage* of capitalist development.

### Theorising imperialism after WWII

The age of industry and free trade was at the same time the age of Britain’s international supremacy. But the arrival of Germany and the United States onto the European and world stage undermined Britain’s position. Moreover, WWI turned Britain, along with France, into a debtor nation. Germany had a Treaty obligation to pay Britain and France for war reparations. In turn, Britain and France were to pay the

<sup>16</sup> V.I. Lenin, *Imperialism: The Highest Stage of Capitalism* (New York: International Publishers, 1916 [1939]), pp. 123–125.

<sup>17</sup> Lenin, *op. cit.*, p. 100.

USA for their war debts. None of this worked out.<sup>18</sup> Germany increasingly became a revisionist power and the USA began closing off its markets to defend its producers from depreciating European currencies. The USA began raising tariffs in 1921 and 1922, whereas the Smoot-Hawley tariff law of 1930 pushed many other countries into retaliatory measures. It was not Nazi Germany that had first raised tariff walls but the liberal and 'Open Door' United States. It appeared that pre-WWII Marxist theories of imperialism had (more or less) got it right: as Bukharin and Lenin argued, monopoly capitalism and division of the world into zones of colonial control accentuated inter-imperialist contradictions and led to the breakdown of the imperial order and war. But the enthronement of new American imperialism as the global hegemon after WWII—and its military adventures in Korea, the Suez Canal and Vietnam—called for new approaches from Marxists.

The new American imperialism (NAI) is *informal*. Unlike old-fashioned formal European colonial rule of the underdeveloped global peripheries, NAI set up a novel strategy in the 1940s, whose aims can be summarised as follows: preventing repetition of the 1929 financial crash by setting up institutions that can act as 'lenders of last resort' (e.g. the International Monetary Fund [IMF]); subordinating European colonial powers to the USA's global hegemonic drive, thus making competing colonial blocs a thing of the past (the USA had been very critical of European colonialism); reconstructing the social economies of the two ends of Eurasia (Western Europe and Japan), integrating them into a global capitalist economy under the supremacy of American multinationals, the monetary aspect of which rested on the hegemony of the dollar established at Bretton Woods in 1944; and engineering a 'Soviet threat', a purely ideological scheme, in order to consolidate its grip on Europe via the creation of the North Atlantic Treaty Organisation (NATO), a security alliance cultivating hostility against the Soviet Union, but whose primary aim was to keep Europe under America's grip and to put pressure on the Soviets to open up their market to Western multinationals.<sup>19</sup>

What we can call the 'American School of Marxism' is perhaps best represented by the works of Paul Baran, Paul Sweezy and Harry Magdoff. These have extensively analysed the history and present-day manifestation of the new international political economy of the American empire. Their work on imperialism and the economic and financial crises from the 1960s onwards represents a reasonably coherent body of thought, which found expression also in the longest standing socialist journal, *Monthly Review*, founded in 1949 by Paul Sweezy and Francis Otto Matthiessen.

The 'American School' introduces the concept of 'surplus'. For our purposes—to build an epistemic framework of concepts and historical categories defining the

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<sup>18</sup> M. Hudson, *Super-Imperialism* (London: Pluto Press, 2003).

<sup>19</sup> G. Kolko, *The Politics of War* (NY: Random House, 1968); L. Panitch and Sam Gindin, 'Finance and the American Empire' in *Socialist Register* (London: Merlin Press, 2005); P. Gowan, *The Global Gamble* (London: Verso, 1999).

notion of imperialism—it is very important. In the context of Baran's and Sweezy's work, the concept of 'surplus' is defined in three ways:<sup>20</sup>

- (1) As the difference between current net output and current consumption ('actual surplus').
- (2) As the amount that a pro-growth policy would devote to investment without substantially reducing consumption ('potential surplus').
- (3) As the difference between an optimal level of output and an optimal level of consumption ('planned surplus', applicable only to socialist regimes).

American monopoly capitalism (*cum* imperialism) is stagnating because the (1 + 2) surplus generated is failing to finance demand, i.e. the purchasing power of workers. Thus, there is a chronic lack of demand, which can be temporarily solved by military adventures and the absorption by the state of large chunks of surplus. Under these conditions of chronic lack of demand and efforts to solve it in a militaristic-imperialist way, monopolies also stagnate because of incessant competition. However, Sweezy and Baran argued that monopolistic competition withers away as the firms become fewer and fewer in their effort to exploit underdeveloped peripheries of the world.<sup>21</sup> At this point, their argument comes very close to the Kautskyite thesis of 'ultra-imperialism', which was refuted by Bukharin and Lenin. It is worth noting that, according to Baran, the underdeveloped peripheries tend to remain so because countries of the core discourage competition of manufactured products imported from the advanced imperial core. In addition, local mercantile interests (large import consortia, sub-contractors, go-betweens) in the periphery, what Baran called *comprador bourgeoisie*, are attached to the foreign capital of metropolises undermining endogenous industrial development. Thus, underdevelopment persists, and the periphery finds it impossible to catch up with the developed core. This is a very important insight which, with all the necessary qualifications (see later in this article), finds expression and veracity in today's global South and East, certainly within the Eurozone and within the state formations proper.

But the American School includes many tendencies, the most important of which are *dependency theories* and *world system theories*. They became prominent mainly through the works of Andre Gunder Frank, Immanuel Wallerstein and, later, Christopher Chase-Dunn. Frank's main argument, following to a large degree Baran's work, was that underdevelopment is closely tied to development, effectively being two sides of the same coin. 'Comprador' administrations, especially in Latin America, are tied to and dependent on the imperialist core. Large import consortia in periphery countries are profoundly dependent on their imperial suppliers, becoming the agencies of foreign capital within peripheral state formations controlling the political elites of those states. In the end, dependent peripheries remain underdeveloped and dependent, Frank argued, because they 'lack access to their own surplus',

<sup>20</sup> P. Baran, *The Political Economy of Growth* (Harmondsworth: Penguin, 1973 [1957]), pp. 128–133.

<sup>21</sup> P. Baran and Paul Sweezy, *Monopoly Capitalism* (Harmondsworth: Penguin, 1966 [1968]).

this being appropriated by the metropolises.<sup>22</sup> According to Frank, so entrenched has the dependency of the periphery on the core become that even prospects of revolutionary emancipation of the colonies, as predicted by Lenin, become remote. In Latin America, 'neo-imperialism and monopoly capitalist development are drawing and driving the entire bourgeois class [ ... ] into ever closer economic and political alliance, and dependence on, the imperialist metropolis'.<sup>23</sup> The gist of Frank's argument, as well as many other dependency and world system theorists (such as the important work by Chase-Dunn<sup>24</sup>) is that, historically, core capitalist countries, such as Britain and the USA, having recruited local comprador elites to serve their interests in government and the economy, create such levels of dependency and subordination that any radical change and serious industrial development in periphery states is impossible. Wallerstein's approach is similar, although he insisted that capitalism is a *world system* and not simply a *social system*. Nation-states and cultural systems are profoundly inter-dependent and inter-woven into a world totality characterised by commodity exchange relations and a diversified social/technical division of labour. Wallerstein went on to divide the (capitalist) world system into three tiers of states: core states; periphery states; and semi-periphery states.<sup>25</sup> Core states, because of their strong administrative and government apparatuses, realise the transfer of surplus from the periphery, thus further strengthening the core. Core states manipulate the periphery by restricting its ability to protect its industry and imposing monopolistic restrictions. The so-called 'import-substitution industrialisation' attempted by Latin American governments and elsewhere was anathema to American imperialism as it gave these economies competitive edge *vis-à-vis* American multinationals. It also created potentially sovereign local governments uncontrollable by the metropolitan centre. Semi-peripheral states are seen by Wallerstein as a kind of 'middle class' or 'labour aristocracy of states', which prevent polarisation of the world system into extremely poor and extremely rich areas. This is quite functional for servicing the needs of the core, because extreme polarisation may lead to the radicalisation of the periphery and the success of Marxist revolutions.

A critique of these arguments from 'orthodox' Marxian positions was developed by Poulantzas<sup>26</sup> and Laclau<sup>27</sup> but we find that the overall contribution of the American school adds value to our effort to construct an epistemic framework defining the concept of imperialism in today's financialised capitalism. As we shall see, Poulantzas himself, despite his criticism of this approach—which rested on the premise that world system theorists emphasise market relations at the expense of the 'mode of production'—adopts the term 'comprador bourgeoisie' by way of integrating it into his

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<sup>22</sup> Andre G. Frank, *Capitalism and Underdevelopment in Latin America* (London: Modern Reader Paperbacks, 1969), p. 9.

<sup>23</sup> Frank, *op. cit.*, p. 343.

<sup>24</sup> C. Chase-Dunn, *Global Formation. Structures of the World-Economy* (Oxford: Rowman & Littlefield, 1998).

<sup>25</sup> I. Wallerstein, *The Modern World System* (New York: Academic Press, 1974).

<sup>26</sup> N. Poulantzas, *Classes in Contemporary Capitalism* (London: NLB, 1974 [1978]).

<sup>27</sup> E. Laclau, *Politics and Ideology in Marxist Theory* (London: NLB, 1977).

own analytical framework. Thus, implicitly, Poulantzas adopts a dependency framework in his analyses of transatlantic economic relations (core–core relations) and North–South relations (core–periphery relations).

### **The ‘Long 1960s’: Ernest Mandel, Nicos Poulantzas and current debates on Anglo-American neo-liberalism, financialisation and New Imperialism**

Since the early 1960s, the USA has suffered from a persistent balance-of-payments problem and has lost its status as a creditor power. With American capitalism being embroiled in a debt spiral, President Nixon cut the Gordian knot: in August 1971 gold convertibility to the dollar was suspended as the fixed exchange-rates system could no longer hold. This let America’s national currency devalue and float freely on global currency markets. By the early-to-mid-1970s the Western economies stagnated and developed high inflation: the so-called *stagflation* period. It seemed that the monopoly stagnation thesis of the American School got it right. It also seemed that the Marxist ‘law’ of uneven (and combined) development held water, since Western Europe and Japan, after being assisted by the USA in the 1940s to recover, started competing with her on an equal footing.<sup>28</sup> Prominent Marxists, such as Ernst Mandel, saw in these developments the beginning of the decline of America’s imperial system. Let us quote his rationale at length:

The law of uneven development led to an increasing decline in the ability of American commodities to compete with those of the USA’s most important imperialist rivals [ ... ]. The foundering of the Bretton Woods system shows that the whole international credit expansion based on the use of the paper dollar as a world currency could collapse like a house of cards. It is a sign of the growing insecurity of national credit expansion. [There is] a contradiction between the role of the dollar as the buffer of the US industrial cycle and its role as a world currency. Its first role implies permanent inflation; its second role maximum stability. It was possible for the system to survive so long as dollar inflation was very mild and American labour productivity unchallenged. But both conditions were gradually eliminated [ ... ]. The insecurity of the world economy today finds expression in intensified international competition, which in turn corresponds to the relative decline in the preponderance of the USA.<sup>29</sup>

Clearly, Mandel and many other Marxists, including world system theorists and especially Frank in his last book, *ReOrient*<sup>30</sup>, although having diverging theoretical and empirical premises, agreed that the USA entered a period of terminal, albeit slow and protracted, decline since the 1970s. In particular, the late author challenged the Euro-centric character of Marxist political economy and suggested a macro-historical and macro-sociological reading of global capitalism pointing to the significance

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<sup>28</sup> R. Brenner, *The Economics of Global Turbulence* (London: Verso, 2006 - first exposition of the argument in a single issue of *New Left Review*, 1988, I: 229, pp. 1–265).

<sup>29</sup> E. Mandel, *Late Capitalism* (London: NLB, 1975), pp. 464–465.

<sup>30</sup> Andre G. Frank, *ReOrient* (Berkeley: University of California Press, 1998).

and centrality of Asia over the last 1000 years. In his earlier work written with Barry Gills, Frank sees Europe's and the West's domination of global political economy as a fleeting moment in the gigantic macro-historical scheme of his analysis in which China and other Asian civilisations played a far more significant role, expanding the beginnings of the world's interacting structures into five millennia.<sup>31</sup> Arrighi's last work, *Adam Smith in Beijing*, which is dedicated to Frank, sets the record straight: there has been a clear power-shift to China since the era of financialisation/globalisation that followed the *stagflation* of the 1970s and marks a hegemonic transition in the global system in the same way that the financial crisis of 1929 marked the terminal decline of the British Empire and the passage to American hegemony.<sup>32</sup> Arrighi follows to a large extent the French historical school around Fernand Braudel and its cyclical, *long durée*, approach.

Poulantzas, one of the most sophisticated neo-Marxists, although subscribing to some key premises of the American School—for example, Poulantzas accepts the definition of *comprador* capital in the subordinated peripheries and the core/periphery dichotomy *per se*—criticised it on the grounds that it 'underestimates the inter-imperialist contradictions resulting from uneven development', thus becoming a 'left-wing version of the Kautskyite theory of "ultra-imperialism"'.<sup>33</sup> However, his most important contribution on imperialism and transatlantic relations has been his critique of Mandel and the way in which he analyses American hegemony in Europe.

Poulantzas criticises Mandel for overlooking the nature of American investment in Europe, which is mostly *direct* investment, and not *portfolio* investment, 'taking control of firms and enterprises'.<sup>34</sup> This is not the case with most European investments in the USA, Poulantzas argued. This means that 'American capital in Europe is effectively multiplied by its cumulated value and by the reinvestment of profits on the spot'. The fact that American exports within the imperial core are in decline does not mean that the US economy is in decline or that American supremacy will end soon. Moreover, most firms and enterprises in Europe, especially in West Germany, are under American control. Yet Mandel makes the statistical mistake to count as 'European' exports the 'exports of American-controlled firms in the European countries'.<sup>35</sup> In other words, American capital dominates Europe and, in effect, according to Poulantzas's powerful formulation,

US capitalism turns all states into its relays: the states themselves assume responsibility for the interests of the dominant imperialist capital in its extended development actually within the 'national' formation.<sup>36</sup>

<sup>31</sup> Andre G. Frank and Barry K. Gills (eds), *The World System. Five Hundred Years or Five Thousand?* (London: Routledge, 1993).

<sup>32</sup> G. Arrighi, *Adam Smith in Beijing* (London: Verso, 2007).

<sup>33</sup> N. Poulantzas, *State, Power, Socialism* (London: NLB, 1978), pp. 38–39.

<sup>34</sup> Poulantzas, *op. cit.*, p. 51.

<sup>35</sup> Poulantzas, *op. cit.*, p. 55.

<sup>36</sup> N. Poulantzas, 'Internationalization of Capitalist Relations and the Nation-State' in Martin Jacques (ed. 2008), *The Poulantzas Reader* (London: Verso, 1973), p. 245.

This was (and is) the reason—one could argue even today—behind Europe’s inability to stand up to the USA in security and defence matters and to build an independent security presence in Eurasia, albeit a reactionary one, as Lenin predicted back in 1915. Additionally, it explains the failure to move on to independently plan a monetary architecture as outlined by the Werner Report of 1969–1970, a move that failed spectacularly. Poulantzas had also developed an original heterodox theory of the state. Breaking away from orthodox Marxist positions that see the state as an instrument in the hands of the bourgeoisie manipulated at will, he defines the state as the material condensation of social relations and an extended terrain of strategic action in which social struggle unfolds. Further, he argues that the capitalist state has always been structurally embedded in the social/technical division of labour and, participating in the extended reproduction of the capitalist relations of production, it amalgamates social struggle. This insight is significant in that it allows Poulantzas to elaborate the notion of ‘authoritarian statism’. Writing during the years of the decline of Keynesian policy-making, the retreat of the labour movement and the failure of ‘historic compromise’ in Italy, Poulantzas seemed to have foreseen the retreat of democracy and the coming of a neo-liberal executive over-loaded with a deeply authoritarian public policy. About the same time, Michel Foucault sheds light on *ordoliberalism* (see later in this article), which is the German-Austrian version of neo-liberalism, what others call the ‘social market economy’ or the ‘Freiburg School’. Foucault sees a relative juxtaposition between Anglo-American neo-liberalism, what he often calls ‘American anarcho-liberalism’ and German-Austrian ordoliberalism, although he fails to define with precision the key features of each public policy set out to dominate the West and the globe, following the *stagflation* of the 1970s.<sup>37</sup>

The debates about the economic decline of the USA that were inaugurated by Marxist intellectuals in the 1960s and 1970s, as well as issues concerning the retreat of democracy in Europe and globally (see later in this article), reverberate to the present day and it is in this sense that we can talk of ‘the long 1960s’. For instance, Leo Panitch and Sam Gindin,<sup>38</sup> Ray Kiely<sup>39</sup> and many others, especially scholars contributing to the *Socialist Register*, follow, by and large, Poulantzas’s positions. Others, such as James Petras<sup>40</sup>, John Weeks<sup>41</sup> and, to a certain degree, David Harvey<sup>42</sup>, side with the ‘declinists’.<sup>43</sup> Post-structuralist approaches to the issue of American Empire, such as that by Michael Hardt and Antonio Negri, are arguably espousing

<sup>37</sup> M. Foucault, *The Birth of Biopolitics* (New York: Palgrave, 2010 [1979]).

<sup>38</sup> L. Panitch and Sam Gindin, *The Making of Modern Capitalism* (London: Verso, 2012).

<sup>39</sup> Ray Kiely, *Rethinking Imperialism* (New York: Palgrave, 2010).

<sup>40</sup> J. Petras and Henry Veltmeyer, *Globalization Unmasked* (London: Zed Books, 2001).

<sup>41</sup> J. Weeks, ‘A Global Approach to the Global Financial Crisis’ in *The Global Financial Meltdown* (Cheltenham: Edward Elgar, 2016).

<sup>42</sup> D. Harvey, *The New Imperialism* (Oxford: OUP, 2003).

<sup>43</sup> It should be noted that the same sort of debate takes place within the realist school of International Relations (IR), especially in the USA, but we cannot elaborate here due to lack of space. For a brief introduction on this, see Fouskas and Dimoulas, *Greece, Financialisation and the EU* (Part 1) (New York: Palgrave, 2013).

a version of Kautsky's position in that they see America as a transnational agent that has made inter-imperial conflict obsolete.<sup>44</sup>

Having said this, a distinctive place in contemporary Marxist debates on imperialism and international relations is occupied by the work of the late Peter Gowan.<sup>45</sup> Although Gowan subscribed to the declinist argument in the sense that the USA no longer has the economic power enjoyed in the 1940s and 1950s due to the relative ascendance of other caucuses of capital accumulation (e.g. South-East Asia), he nevertheless argues that anticipating the terminal decline of the USA is rather premature.<sup>46</sup> In a way, Gowan's work provides a splendid definitional framework for the global (and domestic) public policy of Anglo-American neo-liberalism after the end of the Bretton Woods system.

According to Gowan, the fall of the Bretton Woods system in 1971 was a *deliberate* move on the part of the Nixon administration to place the entire global political economy on a *dollar standard* in alliance with the petro-oligarchies of the Gulf region, especially Saudi Arabia. In practice this meant money and credit unleashed, placing Wall Street (and the City of London) at the centre of an expanding financial operation network across the globe, something which Gowan called 'Dollar-Wall Street Regime' (DWSR).<sup>47</sup> Thus, neo-liberalism was born from within the domestic environment of two core states, Britain and the USA. (Although the first experiment with it was in a peripheral country, Pinochet's Chile.) As a form of domestic public policy, neo-liberalism entailed, first and foremost, liberalisation of the financial and banking sectors, extensive privatisations, welfare retrenchment, and a ferocious fight against inflation and Fordist (high) wages. It adumbrated, in other words, a coming regime of permanent austerity, insulating economic policy-making from negotiation and social struggle, thus prescribing a de-politicisation of social and political economy: policy reforms had to be presented as a quantifiable collection of charts and numbers in support of the supply-side of the market, the only one that could foster growth.

In turn, this required a strong state and an authoritarian turn to overturn the demand-led Keynesian constitutional settlements of the post-war period. This was a process that Stephen Gill and other scholars described as 'New Constitutionalism'.<sup>48</sup> This model, also described as 'The Washington Consensus', or 'shock therapy', is embracing periphery states and zones in particular<sup>49</sup> and buttressed the transition to market economies of all the former Communist states. Thus, it spread across the

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<sup>44</sup> M. Hardt and A. Negri, *Empire* (Cambridge: Harvard University Press, 2000) and M. Hardt and A. Negri, *Multitude* (New York: Penguin, 2004).

<sup>45</sup> P. Gowan, *The Global Gamble* (London: Verso, 1999); (2007), 'Economics and Politics within the Capitalist Core and the Debate on the New Imperialism', mimeo; *A Calculus of Power* (London: Verso, 202).

<sup>46</sup> Alan Cafruny and Magnus Ryner (2016) are very close to Gowan's position, although this is not explicitly acknowledged. See their *The European Union and Global Capitalism* (New York: Palgrave, 2016).

<sup>47</sup> P. Gowan, *The Global Gamble*, op. cit., pp. 19–59.

<sup>48</sup> S. Gill and A. Claire Cutler (eds) *New Constitutionalism and World Order* (Cambridge: CUP, 2014).

<sup>49</sup> Roy-Mukherjee, 'Connecting the Dots: The Washington Consensus and the "Arab Spring"', *Journal of Balkan and Near Eastern Studies*, 17:2 (April 2015).

world, re-defining the global accumulation regime by defining policy contours in every single state formation. This development dramatically altered the balance of power in favour of capital. International norms and regulations also followed suit. By 1994, the post-war General Agreement on Tariffs and Trade (GATT) regime was reformed into the World Trade Organisation (WTO), ensuring that 'Open Door' WTO norms and discipline are adopted by all members of the 'free trade' club.

Agreeing with Robert Brenner<sup>50</sup>, Gowan argues that American and Western capitalism still must exit the over-accumulation crisis it entered in the late 1960s. He captures America's economic decline in relative and highly qualified terms. Because of the centrality of the dollar in a floating exchange-rates regime, Gowan sums up a crucial argument from the radical debates of the 1970s<sup>51</sup>—namely, that the American Treasury collects trillions of dollars from tributaries around the world by way of having their surpluses invested in T-bills. Countries such as Saudi Arabia, Germany, Japan and China hold trillions of dollars of American debt, which in turn helps the USA to finance its internal and external deficits and build its military bases around the world free of charge.<sup>52</sup> Further, the DWSR can engineer crises in various hot spots and economic caucuses, such as South-East Asia, and then employ bail-out strategies spearheaded by the IMF itself, which is an extension of the American Treasury. In this way, the USA deepens the dependency of various world regions on its financial operations. But the new American imperialism, according to Gowan, does not only have financial-economic aspects. Influenced by the work of the revisionist historian Gabriel Kolko, Gowan insisted that the US system of global imperial governance also has political and ideational dimensions. The post-WWII (informal) imperial system built by the USA did not seek domination over an ensemble of independent European and Asian imperialisms, mimicking previous colonial arrangements led by Britain and France. Quite the opposite, in fact: the new American imperialism, following the pioneering strategic thought of such practitioners as Dean Acheson and Paul Nitze in the 1940s, aimed at *primacy*. That is, a form of hub-and-spoke system of power in which the USA is the centre of global power and decision-making with *all* other powers of both the core and the periphery following the American lead. In this respect, Gowan sees NATO as a security structure that institutionalises the *dependency* of the EU on the USA. In terms of *ideational* undertakings, the USA has developed two ideological schemes, reminiscent of the friend–enemy binary elaborated by Carl Schmitt in his *The Concept of the Political*.<sup>53</sup> The USA launched an ideational 'war on Communism' during the Cold War, later substituted by the rhetoric of 'human

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<sup>50</sup> R. Brenner, *The Economics of Global Turbulence* (London: Verso, 2006) - first exposition of the argument in a single issue of *New Left Review*, 1988, I: 229, pp. 1–265.

<sup>51</sup> M. Hudson, *Super-Imperialism* (London: Pluto Press, 2003).

<sup>52</sup> Years later, Yanis Varoufakis gave currency to this well-known and valid argument with his 'Global Minotaur' metaphor. See Yanis Varoufakis, *The Global Minotaur* (London: Zed Books, 2011); Yanis Varoufakis, *And the Weak Suffer What They Must?* (London: Vintage, 2016).

<sup>53</sup> Carl Schmitt, *The Concept of the Political* (Chicago: The University of Chicago Press, 1996 [1932]).

rights' and the 'war on terror' after the terrorist attacks on the USA on 11 September 2001.

David Harvey, who endorses Gowan's analyses, builds on the contribution of Rosa Luxemburg. He argues that capitalist expansion and development always require 'less economically developed' geographies to exploit, geographies and spaces that are 'outside' the mode of production of the dominant world power. Thus, 'primitive accumulation'—violence and privatisation of land, violent commodification of labour power, colonial appropriation of assets and manipulation of national debts and so on—is a recurrent phenomenon in capitalist history and advances any time the capitalist centre needs to solve crises of over-accumulation at home and reverse profitability losses. Let us quote his argument at length:

Some of the mechanisms of primitive accumulation that Marx emphasised have been fine-tuned to play an even stronger role now than in the past. The credit system and finance capital became, as Lenin, Hilferding, and Luxemburg all remarked at the beginning of the twentieth century, major levers of predation, fraud, and thievery. The strong wave of financialisation that set in after 1973 has been every bit as spectacular for its speculative and predatory style. Stock promotions, Ponzi schemes, structured asset destruction through inflation, asset-stripping through mergers and acquisitions, and the promotion of levels of debt incumbency that reduce whole populations, even in the advanced capitalist countries, to debt peonage, to say nothing of corporate fraud and dispossession of assets (the raiding of pension funds and their decimation by stock and corporate collapses) by credit and stock manipulations—all of these are central features of what contemporary capitalism is about. The collapse of Enron dispossessed many of their livelihoods and their pension rights. But above all, we have to look at the speculative raiding carried out by hedge funds and other major institutions of finance capital as the cutting edge of *accumulation by dispossession* in recent times.<sup>54</sup>

Alex Callinicos corroborates Harvey's and Gowan's argument by asserting that in the slow and protracted period of decline that America entered in the late 1960s, other capitalist centres of power, such as Russia and China, may challenge America's still dominant economic and military position.<sup>55</sup> Callinicos, who is influenced by Bukharin and attempts to drive a wedge between Marxist and realist theories of International Relations (IR), prefers the term 'geo-political competition' to that of 'inter-imperialist rivalries' and argues that 'capitalist imperialism is best understood as the intersection of economic and geopolitical competition'.<sup>56</sup> But the issue of 'financialisation', especially if we factor in recent heterodox and post-Keynesian debates on the subject, is the most interesting one.

Historically, finance gains currency when the real economic sector (commerce, manufacturing, agriculture) fails to register high levels of profitability, recedes and must start relying overwhelmingly on finance. Entrepreneurs switch to financial

<sup>54</sup> D. Harvey, *The New Imperialism* (Oxford: OUP, 2003), p. 147.

<sup>55</sup> A. Callinicos, 'Does Capitalism Need the State System?', *Cambridge Review of International Affairs*, 20:4 (2007), pp. 533–549; A. Callinicos, *Imperialism and Global Political Economy* (Cambridge: Polity, 2010).

<sup>56</sup> Callinicos, 'Does Capitalism need the State System?', op. cit., p. 545.

activity and speculative arbitrage—what Marx called ‘money begetting money’—because it is there that they could achieve high returns on their invested capital. The financialisation of non-financial enterprises constitutes a major new development in contemporary capitalism.<sup>57</sup> Under financialisation, the service sector and all professions attached to it (banks, legal and accountancy services, head-hunters, asset and equity managers and personnel, and so on) proliferate. Services become the backbone of the economy and interest-bearing capital spreads across the economy and social reproduction.<sup>58</sup> Yet, financial and speculative profiteering was and remains the most vulnerable sector in a capitalist economy. It is highly susceptible to crises and boom/bust cycles. In addition, it is not conducive to real economic growth as it operates through a devaluation of labour-power, post-Fordist regimes of flexible capital accumulation and the domination of the services sector.<sup>59</sup> In other words, neo-liberal financialisation tends to eliminate competition between capital and labour, but adds to it between enterprises and factions of capital. One of the most prominent Marxist groups that offered valuable analyses on the neo-liberal crisis of financialisation that erupted in 2007–2008 is the new generation of scholars of the American School. John Bellamy Foster and Fred Magdoff, among others, and many contributors to *Monthly Review* offered precious insights on the first global crisis of the regime of Anglo-American financialisation.

Following the work of Baran and Sweezy on monopoly capital—which argued that the natural condition of the monopoly capitalist economy is stagnation—Foster and Magdoff saw financialisation as a ‘shift in gravity of the economy from production to finance’.<sup>60</sup> As the superstructure of monopoly, financialisation—as an extreme form of commodification of non-material commodities (securities, derivatives, special vehicles and so on)—intensifies the monopoly’s tendency towards stagnation and crisis. US imperialism, according to their analyses, is the imperialism of ‘monopoly-finance capital’ whose underlying tendency since the 1980s is the massive growth of debt relative to GDP. Differentiating themselves from post-Keynesian approaches which tend to reduce financialisation to a mere speculative activity prone to crisis and implosion,<sup>61</sup> Foster and Magdoff insist that the underlying cause of US imperialism is not simply financialisation but the stagnation tendencies of monopoly capital since the 1970s under the new regime of ‘monopoly-finance capital’. Thus, contrary to the tendency to see financialisation as an independent profiteering activity with no or minimal connection to the real economic sector,<sup>62</sup> Foster and

<sup>57</sup> C. Lapavistas, *Profiting without Producing* (London: Verso, 2013).

<sup>58</sup> Ben Fine, ‘The Material and Culture of Financialisation’, *New Political Economy*, 22:4 (2017), pp. 371–382.

<sup>59</sup> A. Lipietz, ‘The Post-Fordist World: Labour Relations, International Hierarchy and Global Ecology’, *Review of International Political Economy*, 4:1 (1997), pp. 1–29.

<sup>60</sup> John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis* (New York: Monthly Review Press, 2009), p. 18.

<sup>61</sup> Martin H. Wolfson and Gerald A. Epstein, *The Political Economy of Financial Crises* (Oxford: OUP, 2013).

<sup>62</sup> Lapavistas’s (2013) work on financialisation tends, at times, to disconnect the concept from the real economy, although this is not always the case.

Magdoff connect financialisation with the erosion of the base of the real economy and analyse the explosive mix of the stagnation of the monopoly and the corrosive effects of its financialisation, which act to deepen its stagnation. Contrary to the view of Leo Panitch, Sam Gindin and others, the new generation of the American School argues that neo-liberal financialisation failed to solve the over-accumulation crisis of the 1970s, that is, the stagnation of monopoly capitalism.

*Germany, ordoliberalism and the Eurozone crisis*

The ‘success’ of Anglo-American neo-liberalism—its financial centres being Wall Street and the City of London as offshore money-hubs *par excellence*—rested on excessive financial operations at home and abroad; excessive speculative arbitrage; excessive re-cycling of fictitious capital appropriating international value, creating the ‘debt-driven’ growth of the 1990s and early 2000s;<sup>63</sup> and excessive production of legislation and norms at both national and global levels aimed at, amongst others things, transplanting politico-economic and ideational orders of neo-liberal policies across the globe. In the relevant codified jargon, all this is called ‘structural adjustment programmes’, ‘rule of law’ and, in the case of embattled peripheries and war zones, ‘transitional justice’. These activities, coupled with military interventions in key neuralgic areas of the globe, have spectacularly failed to regulate the structural contradictions of capital, despite the indisputable defeat of the labour movement in the 1980s.<sup>64</sup> In addition, they failed to arrest the slow and protracted decline of the Western economies.

The ‘success’ of German-Austrian ordoliberalism rested on the victory of the economic model of ‘social market economy’, which Germany managed to transpose onto the European Economic Community/European Community/European Union and even beyond. Also, a key moment was when this reactionary orthodoxy prevailed over France, particularly after Francois Mitterrand’s famous U-turn in 1983. The (secret and open) negotiations between French and German delegations in the 1980s over the thorny issue of the European Monetary Union and the monetarist criteria firmly enshrined by the Maastricht Treaty secured Germany’s ordoliberal hegemony in the EU. Time and again, as with the Anglo-American hegemonic design, the aim of German-Austrian ordoliberalism is the transformation of the domestic environments of European states to make them conform to their own ordoliberal socio-economic model. This is enough to identify both public policies as imperialist, of course. But there are additional reasons for such a characterisation.

The global financial crisis of 2007–2008 penetrated the Eurozone via the banking sector. German and French banks, exposed to toxic financial commodities from the USA and Britain, were the first to fail. Germany’s economy has the highest degree of

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<sup>63</sup> R. Brenner, *The Economics of Global Turbulence* (London: Verso, 2006) - first exposition of the argument in a single issue of *New Left Review*, I: 229 (1988), pp. 1–265.

<sup>64</sup> D. Sassoon, *One Hundred Years of Socialism* (London: I.B. Tauris, 1996).

financialisation in the EU.<sup>65</sup> But Germany, having frozen wages from the mid-to-late 1990s onwards, became the top exporting country in the Eurozone, amassing and recycling large surpluses at the expense of the periphery. Thus, it could displace the crisis of its exposed banking sector and impose an austerity agenda on the indebted periphery of the Eurozone in particular. This effectively bailed out its failing banks.<sup>66</sup>

Three issues are important here. First, the crisis in the Eurozone spread from the Anglo-American financial core as a crisis of the imperialism of neo-liberal financialisation: this was a crisis of the function of core–core interpenetrative financial transactions. Second, Germany’s deflationist agenda, inspired by an ordoliberal public policy, failed to protect its own economy, and that of the EU/Eurozone, from this Anglo-American driven global financial crisis. Third, and given the growth rates of the Eurozone and the EU from the 1980s onwards, German-Austrian ordoliberal austerity failed to deliver sustainable growth, especially under EMU conditions. Austerity and growth are two irreconcilable magnitudes.<sup>67</sup> However, what is relevant to us is also *the extent* to which Germany’s ordoliberal public policy is imperialist. To answer this question, we must understand the profound policy meaning and determinants of ordoliberalism and how it operates in the EU/Eurozone and beyond.

Ordoliberalism, as we saw earlier, is what others call the ‘social market economy’ or ‘The Freiburg School’. Effectively, it is the German-Austrian version of neo-liberal economics. It emanated from academic circles during the inter-war period and influenced policy-making after the war. Ordoliberal Alfred Müller-Armack was Germany’s chief negotiator for the Treaty of Rome (1957). The literature that examines the way in which ordoliberal principles and rules have dominated the process of European integration becoming Treaty-bound norms for all member-states, especially Eurozone members, is now vast.<sup>68</sup> The argument advanced is that Germany, following decades of (secret and open) negotiations—primarily with France—has managed to transplant into the institutional architecture of the EU key policy tenets of its economic-institutional model. This has created a pan-European system of supranational governance that resembles Germany’s own. This model is based on strict anti-inflationist principles and a monetary policy protecting the Euro; central bank independence; de-politicisation of economic policy-making; and a rigid rule-making economic constitution inserted in Treaties and buttressed by an ensemble of ‘federated

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<sup>65</sup> C. Lapavistas et al., ‘Eurozone Crisis: Beggar Thyself and Thy Neighbour’, *Journal of Balkan and Near Eastern Studies*, 12:4 (2010), pp. 321–373.

<sup>66</sup> Vassilis K. Fouskas and Constantine Dimoulas, *Greece, Financialisation and the EU* (New York: Palgrave, 2013); T. Subasat (ed), *The Great Financial Meltdown* (Cheltenham: Edward Elgar, 2016); Y. Varoufakis, *Adults in the Room. My Battle with Europe’s Deep Establishment* (London: The Bodley Head, 2017).

<sup>67</sup> Vassilis K. Fouskas and Shampa Roy-Mukherjee, ‘Austerity and Growth in Europe: Germany’s Impossible Mission’, *Croatian Political Science Review*, 53:4 (2016), pp. 7–29.

<sup>68</sup> Amongst others – K. Dyson and Kevin Featherstone, *The Road to Maastricht* (Oxford: OUP, 1999); M. Wilkinson, ‘The Reconstitution of Post-War Europe: Lineages of Authoritarian Liberalism’, *LSE Working Papers* 05/2016, Law Department.

executives'.<sup>69</sup> This, in many respects, resembles the design of Friedrich Hayek in his rather forgotten 1939 essay, 'The Economic Conditions of Inter-State Federalism'.<sup>70</sup> Wolfgang Streeck goes as far as to say that all major European institutions, such as the European Central Bank, the European Commission, the Council of Europe and even the European Court of Justice are forms of authoritarian governance protecting European free markets from democratic interference.<sup>71</sup> A similar point of view from a juridical-philosophical perspective is developed by William E. Scheuerman.<sup>72</sup> From this perspective, the very meaning of the *rule of law* in conditions of ordoliberal (and neo-liberal) financialisation, in both the metropolises and the peripheries of capitalism, has nothing to do with justice, democracy, rights and civilisation as liberal theorising in the field of international politics would have us believe. 'Rule of law' (for the core) and ideologies of 'transitional justice' (for the embattled peripheries of the global South) are embodiments of the technocratic rules that the individual of a fragmenting neo-liberal society, at home and abroad, must internalise so that they can be inserted without any resistance to the supreme rule and disciplinarian realm of capital accumulation, expansion and 'free' global markets.

Working-class family units and, with them, the Fordist wage, must be undermined because they are not conducive to the devaluation of labour-power through the market mechanism, whereas they over-burden the fiscal component of the state. The 'new citizen' in the West and the East, North and South, must feel co-responsible with the 'entrepreneur' in a society in which the workers-consumers of both sexes are no longer defined contractually as *employees* but as *associates*, with no rights whatsoever, on ridiculously low wages and harsh working conditions.<sup>73</sup> This is what Michel Foucault, who tackled the ordoliberal/neo-liberal phenomenon as early as the late 1970s—juxtaposing it somewhat with the Anglo-American neo-liberalism of the 'Chicago School'—called *bio-politics*. According to Foucault, without this bio-political dimension, which effectively encapsulates a new life style and a world view, the ordoliberal project may not have succeeded.<sup>74</sup> These analyses should be read in tandem with contemporary events in various EU states and the impact of the Eurozone crisis. To crack down on acts of terror, EU states imposed, one after the other, 'states of emergency'. This reinforced the executive-authoritarian arm of the state, which acts already in an

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<sup>69</sup> W. Bonefeld, 'Freedom and the Strong State: On German Ordoliberalism', *New Political Economy*, 17:5 (2012), pp. 633–656; W. Bonefeld, 'Authoritarian Liberalism: From Schmitt via Ordoliberalism to the Euro', forthcoming in *Critical Sociology*.

<sup>70</sup> F.A. Hayek, 'The Economic Conditions of Interstate Federalism' in *Individualism and Economic Order* (Chicago: The University of Chicago Press, 1947 [1939]).

<sup>71</sup> W. Streeck, 'Heller, Schmitt and the Euro', *European Law Journal*, 21:3 (2015), pp. 361–370.

<sup>72</sup> William Scheuerman, 'Hermann Heller and the European Crisis: Authoritarian Liberalism Redux?', *European Law Journal*, 21 (2015), pp. 302–312.

<sup>73</sup> This trend started from the USA with Wal-Mart and expanded rapidly to the UK and elsewhere. This is the real meaning of Tony Blair's 'stakeholder society', launched in Britain in the late 1990s and embraced by the ideologues of 'Third Way'. In this respect, it could be argued that Tony Blair, as leader of the Labour Party, contributed far more than Thatcher's Tory Party in embedding ordoliberalism in the UK.

<sup>74</sup> M. Foucault, *The Birth of Biopolitics* (New York: Palgrave, 2010 [1979]), pp. 103–243.

authoritarian manner to impose austerity and welfare retrenchment.<sup>75</sup> Anglo-American neo-liberalism, as we saw earlier, has been consubstantial with globalisation and the dominance of American-led finance since the 1980s in an increasingly securitised global environment post-9/11. Ordoliberalism, on the other hand, is consubstantial with the process of European ‘integration’, the management of its current crisis and the hegemonic position of Germany in those processes. Like neo-liberalism, however, ordoliberalism also has an authoritarian core which is centred on the disciplinarian, de-politicised and technocratic rule-binding approach to the construction of the EU,<sup>76</sup> a policy approach implemented by the federated executives of member-states in a completely undemocratic manner.<sup>77</sup>

Having said this, and based on our analyses of imperialism so far, we should stress that Germany’s policy in the EU is imperialist for some good reasons. First, if *export of capital* and *recycling of surpluses* at the expense of peripheral states constitutes imperialism, then Germany’s policy in the EU and beyond is imperialist. But in terms of monetary economics, it is more than imperialist; it is an *imperial bondage* reminiscent of classical colonialism. This is because all Eurozone members, regardless of their level of economic development or institutional capacity, are locked into a monetary union that provides no alternative for them to devalue their currencies and regain some meaningful competitiveness.<sup>78</sup> The same was true during the good years of the Gold Standard before WWI, and the bad years of the Gold Standard when Britain re-introduced it after WWI in a vain attempt to stabilise the world economy under its colonial rule, thus restoring its global supremacy. Moreover, peripheral states and countries in East/Central Europe and the Balkans are subject to direct and rather *formal* supervision of their budgetary and monetary institutions from the European Commission.

All in all, the public policy of ordoliberal financialisation that guides the process of European ‘integration’ and manages its crisis is a clear-cut imperialist policy. Apart from the Single Market mechanism, imperial arrangements of value transfer from the periphery to the core were institutionalised in the EU well before the current crisis and the launch of the Euro in 1999 (2001 for Greece). Appropriation of value by the core became more pronounced during the crisis, especially in peripheral

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<sup>75</sup> Kees van der Pijl, ‘Euro-Zone Authoritarianism and the Neo-Liberal Project in Greece and Southern Europe’, in Vassilis K. Fouskas and Constantine Dimoulas (eds.) *Greece in the 21st Century. The Politics & Economics of a Crisis* (London: Routledge, 2018, forthcoming).

<sup>76</sup> Streeck, *op. cit.*

<sup>77</sup> W. Bonefeld, ‘Authoritarian Liberalism: From Schmitt via Ordoliberalism to the Euro’, forthcoming in *Critical Sociology* (2017).

<sup>78</sup> Strictly speaking, Lapavistas’s argument is not ‘orthodox’ Marxist, but this is not necessarily disadvantageous, as it tackles aspects of economic reality that ‘orthodox’ approaches failed to analyse in depth. (‘Orthodox’ Marxist approaches usually focus on the fall of the rate of profit.) Lapavistas argues that neo-liberal economics created a demand problem across Europe, which the Eurozone crisis intensified, especially in the periphery. He sees no crisis of profitability at the present phase and his explanation of the crisis is confined to analysing the financial/banking sector, the financialised enterprises and the balance of payments. In this context, his argument is close to an under-consumptionist argument. A good critical review of the various approaches to the Eurozone crisis is offered by Stavros Mauroudeas in his ‘The Greek Crisis: Structural or Conjunctural?’ in Turan Subasat (ed.) *The Great Financial Meltdown* (Cheltenham: Edward Elgar, 2016).

countries, such as Greece. The announcement by the European Central Bank in October 2017 that it has so far made €7.8bn in profits from its Greek bond holdings reveals the true imperial nature of the so-called ‘bailouts’ of Greece that EU (read, German-Austrian ordoliberalism) and the International Monetary Fund (read, Anglo-American neo-liberalism) policy-makers organised in return for massive austerity measures from 2010 onwards.<sup>79</sup>

### Concluding remarks

Drawing from classic texts on imperialism and Marx’s own analyses in *Capital*, we have shown that imperialism spreads internationally those policies, norms, regulations and accumulation regimes that have previously prevailed in its imperial home-base. The aim is to export capital at minimal cost and risk; prevent and/or defuse possible crises of over-accumulation at home; and, significantly, have the domestic socio-political orders of subaltern states subordinated to the metropolitan socio-political order by, if possible, copying the policy principles and the culture ‘norms’ of that order. Imperialism is not just export of capital. It is export of a specific socio-economic and political model of capital management and social life-style. It is in this context that ‘Open Door’ and free trade are the preferred policy regimes for imperialism, although imperial metropolises ‘reserve the right’ to have their ‘door closed’ to others when they decide so and to protect their own market. This is precisely what happened in the inter-war period, the pioneer being the USA and not Nazi Germany. At any event, as Antonio Gramsci noted from his prison cell in the 1930s, social relations *precede* and do not follow international relations, that is, inter-state relations.<sup>80</sup>

We have also established, especially by dwelling on Poulantzas’ work, that the state in all periods in capitalist history is present in the production and reproduction of socio-economic relations. Therefore, regimes of capitalist accumulation and public policy are interwoven. Further, what is embedded in those socio-economic and class relations and, by extension, in inter-state relations, is a profound degree of asymmetry and inequality embracing all transnational social and state actors involved. True, Thucydides, the father and icon of all realist approaches to IR theory, spoke of asymmetrical/uneven development of states and state power. But this is a smart *observation/description* and not a *theory*. In Marxian IR theory states, just like the agents of social production, are not equal in terms of power, but unequal because of the inequality embedded in the social relations of production and reproduction. Thus, the process of their development as *social formations* is uneven and combined. This stems from

<sup>79</sup> M. Khan, ‘ECB made Euros 7.8bn Profits from Greek Bond Holdings’, *Financial Times*, 10 October 2017.

<sup>80</sup> Justin Rosenberg (*The Empire of Civil Society* [London: Verso, 1994]) has produced an entire Marxist theorising of IR on this very point made by Gramsci, which guided him back to the original analyses of *Capital*. His later work, however, is overwhelmingly defined by the realist tradition of IR and an attempt to construct a non-Eurocentric approach drawn from the notion of uneven (and combined) development (UCD).

the extreme reification (both national and international) of the value-form. This is uneven and combined, inasmuch as any concentration of value on one class (the bourgeoisie) means less distribution of value to another class (the workers). *Uneven (and combined) development*—which as we saw earlier constitutes a fundamental concept for a Marxian theory of IR—is situated in capitalist relations of production.<sup>81</sup> Value transfers occur and are distributed from global and regional peripheries to core imperial states, because imperialism means appropriation of international value.

Brushing aside the topological-geographical connotations of the description, the duality of *core-periphery* pioneered by world system theorists makes sense because it reflects the reality of social, class and inter-state relations on the ground. The core is imperial and the periphery is subordinated to the core. This subordination, according to Poulantzas—who at this point subscribes to insights made by Frank, Baran and others—may even take on a triple form—economic, political and ideological.<sup>82</sup> This is especially likely if *comprador* elements dominate the peripheral state. For example, Fouskas and Dimoulas (2013 and 2015), in their analysis of the Greek debt crisis, argue that Greece has been dominated by comprador elements for most of its history.<sup>83</sup> Thus, they consider that the core-periphery concept, albeit descriptive, has analytical and heuristic value and should be part of a heterodox theory of IR. Similarly, the concept of *surplus* introduced by Baran and Sweezy is useful and can be incorporated in an innovative Marxist theory of IR and imperialism, not least because it can be statistically measured and assessed in the context of balance of payments and the current account of the states. This is a method successfully tested by Lapavistas and others in their work. However, it should be noted that Lapavistas—whose work falls within the remit of heterodox economics, rather than Marxist—is one of those scholars who fails to take issue with imperialism. His approach to money and contemporary financialisation is not placed within a framework of discussion on new imperialism.

As we have seen, this is not the case with Leo Panitch, Peter Gowan, Alex Callinicos or David Harvey. New imperialism is led by the USA and, unlike pre-1945 European imperialisms, is informal. Moreover, it operates through hub-and-spoke arrangements and the hegemony of the dollar-Wall Street amalgamation that was established in the wake of the breakdown of the Bretton Woods system, internationalising the Anglo-American model of neo-liberalism as a public policy that should be adopted by every single state in the world. In Gowan's work we find perhaps the most explicit connection between neo-liberalism and (new) imperialism. Harvey endorses Gowan's position but, as a geographer, sees more value in reconciling the Marxist thesis of

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<sup>81</sup> A. Callinicos, *Imperialism and Global Political Economy* (Cambridge: Polity, 2010); A. Callinicos and Justin Rosenberg, 'Uneven and Combined Development: the Social Relational Substratum of the International. An Exchange of Letters', *Cambridge Review of International Affairs*, 21:1 (2008), pp. 77–112; J. Rosenberg, *The Empire of Civil Society*.

<sup>82</sup> N. Poulantzas, *Classes in Contemporary Capitalism* (London: NLB, 1978 [1974]), p. 71.

<sup>83</sup> Vassilis K. Fouskas and Constantine Dimoulas, *Greece, Financialisation and the EU* (New York: Palgrave, 2013).

over-accumulation crisis with the under-consumptionist argument of Luxemburg. He introduces the concept of *accumulation by dispossession*, explaining how capital and the global reproduction of American hegemony require perpetually new geographical spaces and bases for accumulation and value extraction. The new American imperialism (NAI) is sustainable only via war ventures given that a resort to war is necessary to appropriate these new spaces—a bellicose foreign-policy stance reinforced by the rise of China and the crisis of the EU.

What is at stake, first and foremost, is the appropriation of the vast resources of Eurasia. Callinicos's significant intervention in the debate, admittedly influenced by Bukharin's work, concerns the Marxist appropriation of the realist notion of *geopolitics*. This helps him bridge the (realist) inter-state system with global capital competition, defining imperialism as the intersection of economic and geopolitical competition.<sup>84</sup> Stronger views about the decline of American imperialism, as we saw, come from Frank's latest work, *ReOrient*, and Arrighi's *Adam Smith in Beijing*. Panitch's and Gindin's panoramic contribution, *The Making of Global Capitalism*, is on the extreme opposite pole.

German-Austrian ordoliberalism also needs 'Open Door' conditions to operate successfully and project hegemony. This need lies at the core of their cooperation with the USA at the global level, as illustrated at the Uruguay Round of 1994, when the World Trade Organisation was established. But ordoliberalism does not yet have the global reach Anglo-American neo-liberalism wields through institutions such as the IMF, which is effectively an extension of the American Treasury (or the WTO). The dollar remains the world's top reserve currency. Additionally, ordoliberalism does not have substantial military capacity and thus power-projection capacity: the security and defence of Europe is still under NATO's, that is, America's, control.

Ordoliberalism is Germany's key imperial project in the context of the EU and its immediate periphery, such as Eastern Europe, the Balkans and the MENA/Mediterranean region. Germany has secured 'Open Door' in Europe via the single market and bilateral customs union agreements. As we have seen, it has managed to transplant its ordoliberal public-policy model—de-politicisation of economic relations, independence of central banks, anti-inflation bias and export-led growth—across the EU/Eurozone. It has achieved this via the Treaty mechanism and after having prevailed over France in bilateral (both secret and open) negotiations. All EU/Eurozone states must transform their domestic socio-political orders according to the rules and norms embedded in the Treaties. The introduction of the Euro in 1999 (2001 for Greece) epitomised the domination of Germany in monetary and economic relations, since the entire continent was turned into a D-mark fixed exchange-rates zone, enabling Germany and other European states of the core to recycle their surpluses

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<sup>84</sup> In this respect, one could argue that Callinicos's work on imperialism is influenced by Bukharin's pioneering approach. However, Harvey's and Callinicos's work and the embedding of 'geopolitics' within Marxism enabled young scholars to advance analyses on imperial geopolitics (for example, A. Colas and Gonzalo Pozo-Martin, 'The Value of Territory: Toward a Marxist Geopolitics', *Geopolitics*, 16:1 [2016], pp. 211–220).

at the expense of the periphery. It is thus beyond doubt that German-Austrian ordoliberalism, like Anglo-American neo-liberalism, is an imperial project.

Neo-liberalism and ordoliberalism, on the one hand, and democracy, on the other, are incompatible. We should recall the late Poulantzas's elaborations on the role of the state in the imperial transnational chain of contemporary capitalism as it transitioned from Keynesianism to neo-liberalism. Poulantzas diagnosed a deep authoritarian tendency in this process and provided a rigorous analysis of 'authoritarian statism' that has sparked a great debate among left-wing intellectuals in Britain at the time.<sup>85</sup> He was not far off the mark. Contemporary research on neo-liberalism and ordoliberalism—see, among others, the works by Andrew Gamble, Bob Jessop and Werner Bonefeld—confirms the interrelationship between neo-liberalism/ordoliberalism and authoritarian theory and practice.<sup>86</sup> If the primary site of contemporary imperialism as international policy is the amalgamation between domestic accumulation regimes and the public policies of (German-Austrian) ordoliberalism and (Anglo-American) neo-liberalism, then authoritarianism, before it goes European or global, is also sourced domestically.

### Disclosure Statement

No potential conflict of interest was reported by the author.

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<sup>85</sup> Stuart Hall and Martin Jacques (eds) *The Politics of Thatcherism* (London: Lawrence and Wishart, 1983); Andrew Gamble, *The Free Economy and the Strong State* (London: Palgrave-Macmillan, 1988); Stuart Hall, 'Authoritarian Populism: A Reply to Jessop et al.', *New Left Review*, 151, May–June (1985).

<sup>86</sup> B. Jessop, *The State* (Cambridge: Polity Press, 1915), pp. 211–249.