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# Book Reviews

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## **Adam Smith in Beijing: Lineages of the Twenty-First Century**

Giovanni Arrighi; New York: Verso Press, 2008, 418 pp., \$25.95 (paperback).

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*Adam Smith in Beijing* offers a wide-ranging investigation into the trends/struggles likely to shape the global political economy of the 21st century. Arrighi explores theories of development, the causes and consequences of the late 18th century “Great Divergence” between East and West, the forces driving the expansion and transformation of global capitalism and its leading centers, and the economic and political factors responsible for the decline of U.S. hegemony and economic ascent of China. Arrighi concludes that the broad contours of the 21st century will be shaped by two things: the U.S. response to China’s growing economic strength and China’s ability to sustain its “non-capitalist” market path. Arrighi is hopeful that the outcome will be a China-centered world economy, resulting in the “greater equality and mutual respect among peoples of European and non-European descent that [Adam] Smith foresaw and advocated 230 years ago” (378). This is a stimulating book that is also theoretically and politically flawed.

Part I provides the theoretical foundation for the rest of the book. Arrighi is interested in understanding the process of national development. For this, he finds Adam Smith far more useful than Karl Marx. Marx, he asserts, never developed a theory of national development, only a theory of global capitalist development. This preference for Smith over Marx is reinforced by Arrighi’s determination that capitalism represents only one form of market economy.

Arrighi presents Smith’s view that economic development is driven by market expansion, which is itself propelled by a self-reinforcing process of product specialization/exchange and producer competition. “Over time, however, this virtuous circle comes up against the limits imposed on the extent of the market by the spatial scale and institutional setting of the process. When these limits are reached, the process enters a high-level equilibrium trap” (25).

Arrighi follows Smith in recognizing critical differences between the historical development paths of China and Europe. Although both China and Europe had market economies, they operated according to different dynamics. China emphasized the mobilization of human rather than non-human resources and was inward rather than outward oriented, thereby better serving majority interests. Smith celebrated China’s “natural path,” which he contrasted with the “unnatural path” followed by European countries.

So, why did China’s “virtuous” growth end in a high-level equilibrium trap, while Europe’s growth accelerated, enabling many of its countries to become powerful enough to dominate and exploit the rest of the world, including China? For Arrighi, the answer is politics.

European capitalists were able to take command of their respective states and direct them to pursue an outward oriented growth strategy backed by military power. The resulting boost in industrial and military capabilities (spurred by ongoing intra-European warfare), expanding world market, and accumulation of wealth (thanks to global conquest) ended up creating a technologically vibrant and powerful capitalist Europe.

By contrast, Chinese ruling elites maintained control over their capitalists. As a result, they were able to preserve a more “harmonious,” non-capitalist, market based development path as well as an East Asian system of state relations that produced some 300 years of uninterrupted regional peace. However, a heavy price was paid for these achievements: a lack of technological dynamism, decaying military prowess, and eventually a loss of independence.

Among other things, Arrighi succeeds in establishing that Adam Smith was no simple cheerleader for free-market capitalism. At the same time, Arrighi’s Smithian-grounded engagement with the past leads him into trouble, best reflected by his concluding embrace of a China anchored future. By rejecting Marx in favor of Smith, Arrighi narrows his/our options to competing forms of market economies (capitalist and non-capitalist). He never considers that market socialism may not be a viable social formation or the possibility of non-market socialism.

Arrighi also follows Smith in minimizing the importance of internal class relations/structures in the promotion of capitalism. For Arrighi, “the capitalist character of market based development is not determined by the presence of capitalist institutions and dispositions but by the relation of state power to capital. Add as many capitalists as you like to a market economy, but unless the state has been subordinated to their class interests, the market economy remains non-capitalist” (331-2). For Smith and Arrighi, it was the emphasis on long distance trade that best revealed the class subordination of the state and determined that European growth would be capitalistic.

While Arrighi is right to stress the importance of militarism and conquest in the development of capitalism, I disagree with his conclusion that the origins of capitalism, and thus the Great Divergence, owes more to the European pursuit of externally aggressive policies than the maturation of internal processes, most importantly the separation of direct producers from the means of production and the rise of independent commodity production.

Arrighi’s notion of capitalism also leaves unanswered the question of when and under what conditions states become subordinated to specific class interests, a question that Marxism seems best suited to answer. This point is critical when evaluating China’s political economy. Arrighi appears to believe that Chinese Communist Party rule safeguards the country’s (alleged) non-capitalist path despite the presence of ever more powerful capitalist interests and accumulation dynamics. In fact, it is Arrighi’s belief that China’s economic success is due to the party’s post-1978 success in melding the country’s past “natural path” with the West’s “unnatural path.” In contrast, I believe that the outcome of China’s reform process has been the restoration of capitalism itself, although with “Chinese characteristics” (Hart-Landsberg and Burkett 2005).

Part II examines the post-1970 decline of U.S. economic dominance, and the significance of that decline for global capitalism’s future. It is structured around a sustained engagement with Robert Brenner’s analysis of the forces generating global stagnation and a thoughtful consideration of past periods of global turbulence and transformation.

In broad brush, Brenner argued that the long-term stagnation (from 1973-93) in the developed capitalist world is best explained by the growth in competition between producers in the United States, Japan, and Germany. With older and less efficient U.S. competitors reluctant to withdraw capacity, the resulting overproduction led to declining profitability and stagnation for all concerned. U.S. attempts to overcome this stagnation produced a slight redistribution of world profits in its favor, but failed to restore the early postwar buoyancy of the global capitalist system.

While Arrighi finds much to praise in Brenner’s work, he also has criticisms. He faults Brenner for focusing on just three countries; East Asia more generally should not be ignored. He also rejects Brenner’s argument that the primary cause of the crisis was overproduction; labor struggles, third world national independence movements and wars, and the collapse of the cold war alliance system were also key factors.

Arrighi argues that globalization of production was one of the most important responses core country capitalists made to stagnation. This globalization involved a restructuring and

decentralization of corporate operations, leading to the creation of multinational corporate controlled production networks centered most importantly in East Asia, and eventually China. This development both weakened U.S. economic dominance and strengthened Chinese/East Asian economic power. And the more the United States struggled to maintain the global economic system, the more it ended up weakening itself and strengthening East Asia.

Arrighi also draws on history to refute the notion that the recent financialization of the U.S. economy will save it. Past dominant centers have traveled this road before, he argues. Eventually their financial activity ends up directly underwriting the rise of a new (bigger and more powerful) center, which over time comes to dominate a restructured and expanded global market. Arrighi believes that a similar dynamic is at work today, with U.S. financial activity serving to underwrite China's economic ascent.

Arrighi is right to call for a broader analysis of the long stagnation, one that includes more countries and sectors, and political developments. At the same time, he is far from successful in integrating these additional factors into a unified explanation. And, while the historical comparisons of global crises and transformation were thought provoking, Arrighi relies too much on past patterns to explain current trends. For example, there was little concrete analysis of the actual financialization process reshaping the U.S. and world economies. As a result, Arrighi seems to miss the fact that in contrast to the past, it is the new productive center, China, which is channeling capital to the old industrial center, the United States.

Part III largely focuses on U.S. responses to its weakening position. Arrighi argues that while the United States has suffered a terminal loss of hegemony, it remains the dominant world power, in large measure because of its military strength. At issue, then, is whether and in what ways the United States will use its remaining strength to defend its economic position, especially vis-a-vis China.

Arrighi takes the Project for a New American Century as the exemplar of U.S. elite planning for world dominance. Its implementation was delayed until the 2003 invasion of Iraq, but "far from laying the foundations of a second American century, the occupation of Iraq has jeopardized the credibility of U.S. military might, further undermined the centrality of the U.S. and its currency in the global political economy, and strengthened the tendency towards the emergence of China as an alternative to U.S. leadership in East Asia and beyond" (209). This failure has left U.S. planners uncertain about next steps, although as Arrighi points out, most continue to favor an aggressive stance towards China and other challengers to U.S. interests.

Interestingly, the global response to the exploding world economic crisis that followed publication of this book suggests that U.S. hegemony may be stronger than Arrighi and others previously thought. The U.S. government appears central to all international discussions and actions designed to resolve it. In addition, all the major capitalist governments appear firmly united on strengthening existing international institutions long thought to be organs of U.S. power, such as the IMF and World Bank.

Part IV takes up China/East Asia, past and present. Arrighi first examines the historical development and workings of the China-centered East Asian state system. He then presents his analysis of contemporary China.

Unfortunately, Arrighi's understanding of the Chinese experience is way off the mark. In contrast to his celebration of the Chinese market experience, the human and structural foundation for China's post-1978 reform growth was laid in the pre-reform period, thanks to the achievements of a state controlled, non-market economy. Arrighi's characterization of contemporary China as a non-capitalist market economy might capture the first decade of reforms, when markets were introduced to promote state enterprise efficiency. But, the reform process had its own momentum. By the early 1990s, the Communist Party was aggressively promoting private over state production and foreign firms and markets over domestic ones. The

end result was a fusion of state-party-capitalist interests, and the re-establishment of capitalism in China (Hart-Landsberg 2008).

Workers and farmers have paid a heavy cost for China's transformation into a foreign dominated export-driven economy. Farmers suffer from declining incomes and loss of social services, leading to massive urban migration. Urban workers suffer from stagnating wages, exploitative workplace conditions, heightened job and social insecurity, and growing unemployment. Farmers and workers have responded accordingly; the number of officially recorded large scale "public order disturbances" has grown from 58,000 in 2003, to 87,000 in 2005, 120,000 in 2008, and 58,000 in just the first quarter of 2009 (*Chinaworker.info* 2009).

Arrighi is right to view capitalism as a global whole and emphasize the importance of U.S. and Chinese relations and policies in shaping that whole. However, a class perspective reveals that the gains from this global system are going to transnational capital and its allies (especially those in the United States and China), and the costs are being borne by workers and their communities (including those in the United States and China). Thus, hope for a new future rests more on our success in building collective opposition to capitalism itself than it does on the passing of the leadership baton to China. Also worth encouraging are new regional initiatives such as ALBA in South America which represent an alternative to the logic of the existing system.

Despite my criticisms, this is a book worth reading. Arrighi takes theory seriously and his work demonstrates its importance in helping us prepare for future struggles. And, there is much to be gained from his wide-ranging historical and comparative perspective on capitalism as a constantly changing, expanding, and destructive social system.

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*Adam Smith in Beijing* begins where *The Long Twentieth Century* (1994) ends. In the latter, the Italian comparative-historical sociologist Giovanni Arrighi observes a growing split—in his words a "bifurcation"—between Western military power and the emerging East Asian economic power by the end of the twentieth century. Such an immense bifurcation, Arrighi argued, had no precedent in the history of capitalism, and could give rise to three quite different outcomes: a world empire controlled by the United States and its European allies; a world-market society whose center becomes East Asia over time; or endless worldwide chaos. In *Adam Smith*