

**RECONSIDERING GLOBALIZATION AS THE INTERNATIONALIZATION OF CAPITAL:
IMPLICATIONS FOR UNDERSTANDING STATE RESTRUCTURING**

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Introduction

The last two decades have witnessed new and increasing divisions and contradictions within the states and ruling classes of all capitalist countries. How are we to understand these contradictions? The keyword, this paper will argue, is the internationalization of capital. The mystification of this process under the rubric of 'globalization' has only served to obscure the immensity of these contradictions. The particular language used by mainstream approaches (globalization, markets, governance, etc.) form a major obstacle to a critical understanding of the complex and contradictory dynamics of the current restructuring of capital and the state. Through its connotations as a non-contradictory and homogenizing process the term 'globalization' itself serves to mask the increasing inequalities and contradictions associated with the recent internationalization of capital. In this sense, 'globalization' is an ideological term that needs to be demystified and replaced by what it actually refers to: the internationalization of capital.

Thus the main reference point of this paper will be the *internationalization of capital* rather than *globalization* due to its two basic demystifying connotations. First, the term *internationalization* implies that the 'national' level still matters in the process both in the sense that national spaces are still relevant for capital accumulation and also because international capital accumulation cannot proceed without nation-states. Second, the emphasis on *capital* is important as it is basically capital that is internationally mobile in the so-called globalization process. In Albo's words 'globalization is an internationalism only of the capitalist class' (Albo, 1996: 17). The main question that needs to be answered in this context is how to understand the state in relation to the internationalization of capital. Is the current restructuring of states external or consequential on the internationalization of capital? What kind of a theoretical framework can help us understand the contradictions in this process? In what follows, I'll discuss the answers given by mainstream approaches to these questions and then go on to suggest an alternative answer in the Marxist framework.

1. Neo-classical and Neo-institutionalist Approaches

Theoretical discussions on the internationalization of capital and state are not new. The literature on the issue flourished in the 1970s in response to the new phase of internationalization of capital in the post-war era. New research on the subject has followed two main traditions since then: neo-classical economics and neo-institutionalist theory. Both approaches, in their own ways, treat the state and internationalization of capital as external to each other. While the neo-classical approach regards the internationalization of capital as a process which can best proceed with minimal state interference, the neo-institutionalist approach emphasizes the exclusive role of states as regulatory bodies in this process.

According to neo-classical views, transnational corporations (TNCs) act as efficient allocators of resources internationally so as to maximize world welfare. There are three versions of neo-classical views: capital flow models which regard foreign direct investment (FDI) as simply a capital flow which increases the stock of capital in the host country (Meier:1972); product cycle theories which emphasize technology transfer and the importance of TNCs in providing access to overseas markets for Third World exports (Vernon:1971); and internalization theories which regard TNCs as a way of bypassing imperfections in external markets (Caves:1982, Dunning: 1981).¹ The implication of all three approaches for the state is that the state should not intervene except for providing a favorable environment for foreign investment. This framework has served as the theoretical justification for the neo-liberal policies proposed by the IMF and World Bank in the last two decades.

The neo-institutionalist critiques of neo-classical theories on this issue, on the other hand, have followed two main strains. The first is based on Hymer's view of the impact of TNCs in the 1970s. In response to neo-classical writers like Vernon *et al*, Hymer (1979) emphasized the oligopolistic nature of TNCs, with the implication that there is a need for state control of TNCs, especially in the areas of transfer pricing and restrictive business practices. Thus, for Hymer, the host states should actively intervene in bargaining with TNCs in order to ensure that a greater share of such rents accrue to the host country, and the state should give preferential treatment to national capital (Jenkins, 1987). This approach has guided the theoretical framework for UNCTAD policies, which stress the adverse consequences of foreign capital for developing countries and advocate an active role for host states in negotiating investment terms with TNCs.²

The second strain within neo-institutionalism has emerged from the neo-Weberian camp as a reaction to the

¹ For a good overview of this literature see Jenkins (1987).

² See Kozul-Wright (1995), Kozul-Wright and Rowthorn (1998) for the UNCTAD position in the globalization context.

structuralist Marxist theories of state in the 1970s, especially in relation to the concept of relative autonomy of the state from capital. In *Bringing the State Back In* (1985), neo-Weberian writers like Evans and Skocpol criticized previous state theory for being society-centered and neglecting the autonomy and the organizational possibilities of the state for developmental purposes.³ Building on this tradition of state-centered analysis, neo-institutionalist writers like Wade (1996), Weiss (1997), Hirst and Thompson (1996) have emphasized the role of states in response to neo-liberal theory, that the world economy is more international than global, and that there is scope for state actions to boost the productivity of firms operating within their territory.

Throughout the 80s and 90s, the neo-institutionalist approach was regarded by many on the left as an alternative to neo-liberalism. While the neo-Weberian version formed the theoretical basis for social democratic alternatives in the advanced capitalist countries, the Hymerian version informed the national-developmental alternatives in the Third World with its emphasis on the role of the state in strengthening the bargaining power of developing countries in the new world economy. When neo-liberal theory and practice faced a serious crisis in the late 1990s, however, neo-liberal theoreticians increasingly turned towards neo-institutionalists' analytical tools and concepts and appropriated them within their own framework to form a revised neo-liberal orthodoxy. In this process, neo-institutionalist perspective totally lost its status as an alternative to neo-liberalism and became an essential component of it.

It should be noted, however, that this was a dual process. As the 1990s progressed, both neo-classical and neo-institutionalist theories faced their own theoretical limitations and increasingly turned to each other. This was not surprising given the theoretical affinity between the two. On the one hand, much of neo-liberal theory (as with Stiglitz, North) increasingly integrated institutions into the argument of market regulation. On the other hand, neo-institutionalists increasingly embraced the notion of market efficiency and dynamism (as with Evans, Zysman and others) with embedded markets and the social dimension. The convergence between neo-classical and neo-institutionalist approaches led to a revised neo-liberal synthesis that found its most clear political expression in the advanced capitalist countries in the Third Way, and its implications for the Third World in the new development orthodoxy of the World Bank. Panitch (2000) has rightfully called this process 'the social democratization of global capitalism'. In this conjuncture, the attempt to formulate an alternative agenda against neo-liberalism from a neo-institutionalist perspective has totally lost its ground. It is a political project doomed to failure precisely because neo-liberalism itself is going through a process of revision through incorporating the intellectual sources of neo-institutionalism. That's why any alternative project claiming to challenge neo-liberalism today has no intellectual source other than Marxism to resort to. That's where I would like to turn now.

2. An Alternative Approach

If we go back to the main question posed in the beginning of this paper, that is, whether the current restructuring of states is external or consequential on the internationalization of capital, it is safe to argue that both neo-classical and neo-institutionalist approaches are problematic on this issue as they treat the restructuring of states as external to the internationalization of capital, so they cannot explain the contradictions within capital and the states in this process. Although recent versions of both approaches are more nuanced on this question than earlier conceptions of 'states *versus* markets', the epistemological duality between states and markets is still there. Also, because they explicitly or implicitly treat internationalization of capital as a homogenizing process, neither of these approaches can explain the contradictions within state and capital in this process.

An alternative approach can be found in the Marxist literature, where state restructuring is treated as a process consequential on the internationalization of capital. The question, at this point, is how exactly to conceptualize this relationship in the context of globalization so as to allow for an understanding of the contradictory nature of the process as reflected within state apparatuses and within the capitalist classes. Marxist theory in the early 1970s was quite rich on this issue. However, as the decade progressed and especially from early 1980s on, it slowly gave its way to approaches that increasingly turned their focus away from the state-capital relationship. This paper will mainly build upon the insights of the earlier round of the Marxist debate, specifically the analytical tools of Poulantzas and Palloix, as well as latter works by Bryan, Harvey, Albo, Panitch and Tsoukalas. In what follows, I will introduce and discuss the basic concepts that will be used throughout the paper: spaces of capital and state, internationalization of capital, and the state.

³As Cammack (1989) points out, what was involved here was the assimilation of Marxist state theory into a non-Marxist framework in two steps: the replacement of 'class' with 'society' and then the counterposition of 'society' to the 'state', thus dissolving the class dynamics that underlied both.

2.1 Spaces of Capital and State

Capital accumulation takes place in a certain time and space. It involves the 'continual process of transformation of commodities and social relations in time and space in the pursuit of surplus value' (Albo: 2003). Marx depicted this process in the 'circuit of capital' in Volume II of *Capital*. The circuit of capital involves the production of commodities (C..P..C') which are then sold (C'-M') to be reallocated to new production (M'-C'). When conditions of new production are not so profitable, the last part of the circuit may also take the form of financial speculation (M'-M''). Whatever the form the last part takes, however, the first part of the circuit (production of commodities) always takes place in specific national spaces. The second part (realisation of commodities through the act of exchange) and the third part (allocation of revenue to new production or speculation), on the other hand, is not bounded to any particular place (Albo: 2003).

Following Albo's distinction here, in this paper, the space where the first part of the circuit (production of commodities) takes place will be called the '*space of production*' and the space where the second and third parts of the circuit (realisation and reproduction) takes place will be called the '*space of flows*'. The space within which capital accumulation as a whole takes place will be called the '*space of capital*' and the space where the conditions of accumulation as a whole are reproduced by the state will be called the '*space of state*'. It will be argued that even when the space of capital is international, the space of state continues to be national.

There are two basic contradictions that arise from the distinctions made above between different spaces. First is the contradiction between mobility and fixity in the process of capital accumulation, which is implied in the distinction between the 'space of production' and 'space of flows'. Most analyses of globalization fail to distinguish between these two spaces and tend to emphasize the space of flows at the expense of the space of production, ending up with a homogeneous and non-contradictory conception of the 'world market' and a capitalist class without internal contradictions. Second is the contradiction between the internationality of accumulation and nationality of state as implied in the distinction between the 'space of capital' and 'space of state'. Again, most recent analyses fail to differentiate between the two spaces, either treating both as global or both as national, ending up with a conception of state with no internal contradictions. These misconceptions can only be avoided if we accept that 'at one level the mobility of capital has made space uniform; yet differentiated space, particularly its national dimension, remains critical to an understanding of the patterns and determinants of mobility' (Bryan, 1995: 2).

2.2 Internationalization of Capital and the State

Another concept that needs to be clarified at this point is the internationalization of capital. Before discussing what the concept entails, it would be good to start with what it does not. A common misconception about internationalization of capital is associating it with only TNCs and FDI. This has been the case with both mainstream approaches and most of the Marxist literature. There are three problems with this conception. First, internationalization of capital includes TNCs and FDI but is not confined to them. It is a broader concept that involves the internationalization of three moments of the circuit of capital: money, commodities and productive capital. The exclusive focus on TNCs and FDI addresses only the third of these, that is, the internationalization of productive capital.⁴ Second the emphasis on TNCs leads to what Bryan (1995: 35) calls a 'premature focus on institutions' rather than the process as a whole. And third, the focus on TNCs leads to a misunderstanding of the contradictions of internationalisation as contradictory institutional relations (e.g. TNCs vs. states) rather than contradictions within capital and state (Bryan, 1995: 35).

A second problem with most of the mainstream and some of the Marxist definitions of the concept is the lack of spatial and historical dimension. This is most clear with neo-classical approaches which treat internationalization of capital as an abstract integration of markets but also true for some Marxist approaches that conceive it as a deterritorialized process. To avoid these misconceptions, this study will define capital as a relationship and process rather than an institution. Harvey's definition is quite useful at this point:

"Capital is not a thing or a set of institutions; it is a process of circulation between production and realization. This process, which must expand, must accumulate, constantly re-shapes the social relationships of production as it constantly changes the dimensions and forms of circulation" (Harvey, 1975: 332).

⁴ Similarly, it is also wrong to equate internationalization of capital with the international mobility of money or international industry relocation, as again, these are only parts of the process.

In this framework, internationalization of capital can be defined as the expansion of money, production and commodities across space and time.

The last point about the concept of internationalization of capital concerns the question of who will undertake the public functions necessary for the reproduction of international capital accumulation process. On this issue, most of the mainstream and some of the Marxist approaches have argued that these functions ('economic functions') of the state are being transferred to supranational organizations, while the national state retains only a 'political' (in Marxist terms repressive or ideological) role. This study will argue that this is a misconception based on the separation of the economic and political functions of the capitalist state. As Poulantzas (1974: 81) has argued, 'the economic functions of the state are in fact expressions of its overall political role in exploitation and class domination; they are by their nature articulated with its repressive and ideological roles in the field of class struggle of a social formation'. In other words, 'the reproduction of capital as a social relation is not simply located in the 'moments' of the cycle: productive capital - commodity capital - money capital, but rather in the reproduction of social classes and of the class struggle' (Poulantzas, 1974: 97). Thus the public functions needed for the reproduction of international capital accumulation cannot be isolated from the ideological-political conditions of its reproduction, which can only be undertaken by the nation-states. This means that these functions cannot be transferred to the supranational level, so only one way remains for their performance: they have to be *internalized* by the nation-states themselves. This is a key point as it implies that the contradiction between the internationality of capital accumulation and nationality of state is inherent in the process.

This brings us to back the concept of state. As Panitch (2000) argues, Poulantzas's work on internationalization and the nation state still stands as the most fruitful point of departure here. The two main misconceptions of state, as Poulantzas (1978: 129) put it in *State, Power and Socialism*, are the conceptions of the state as a thing and the state as a subject. The conception of state as a thing has marked the instrumentalist Marxist theories of state as well as neo-classical approaches that regard the state as an intrinsic entity external to markets. The conception of state as a subject, on the other hand, is characteristic of neo-institutionalist approaches that regard the state as an institution with a power of its own and absolute autonomy from capital. There are two problems with these conceptions. First, they both treat the state as external to capital and thus as a 'monolithic bloc without cracks of any kind' (Poulantzas, 1978: 131). Second, they lead to the same kind of misunderstanding about the contradictions of internationalisation as contradictory institutional relations (e.g. TNCs vs. states). In other words, they cannot explain intra-state contradictions in the process of internationalization. The internal contradictions of capitalist state can only be grasped if state, like capital, is conceived as a social relationship. In Poulantzas'(1978: 129) words 'state is the specific material condensation of a relationship of forces among classes and class fractions'. The internalization by the nation-states of the reproduction of the international accumulation process means that nation-states have to politically organize the unity of an internal capitalist class which is divided along new and more complex terms. In other words, the nation-states have to manage the contradictions within a capitalist class that is internally divided according to its differential form of integration with the process of international accumulation.

In sum, internationalization of capital is a *historical* and *geographical* process mediated by *states*. Thus a proper theoretical framework for understanding the internationalization of capital should include three crucial dimensions: a) time b) space and c) the role of state. Neither neo-classical nor neo-institutionalist approaches bring together all of these dimensions in a satisfactory manner. Neo-classical approaches, for instance, do not have any spatial dimension at all. Neo-institutionalist approaches, on the other hand, have a problematic conception of space. In Bryan's (1995: 51) terms, they fail to differentiate between the 'space of capital accumulation' and the 'space within which the conditions of accumulation are secured', treating both spaces as national.

The distinction between the two kinds of spaces is crucial for the purposes of this paper as the whole debate around globalization and state has been marked by the confusion of the two spaces, either treating both spaces as national or both as international. To the contrary, this paper will argue that the 'space of capital' (space within which capital accumulation takes place) is basically international while the 'space of state' (space within which the conditions of accumulation are secured) is mainly national. Accordingly, the main contradiction of internationalization arises from the incompatibility between the internationality of accumulation and nationality of state. In what follows, I will try to review the Marxist literature in this regard. I will discuss the literature in four parts: i) Marx's own writings on the issue, ii) classical imperialism theories of the 19th and early 20th centuries, iii) 1970s literature on the internationalization of capital and state, and iv) the current literature on globalization and

the state. I will have two criteria for discussion: i) to what extent each approach incorporates temporal and spatial dimensions as well as the role of states, ii) to what extent and in what ways the spatial dimension involves a differentiation between the 'space of capital' and the 'space of state'.

3. Marxist Theory on the Internationalization of Capital and the State

3.1 Marx's Own Writings

Marx's views on the internationalization of capital are most clearly articulated in *Communist Manifesto*, *Grundrisse* and *Capital*. In the *Manifesto* and the first volume of *Capital*, Marx discusses the early internationalization of capital marked by the spatial expansion of capitalism into non-capitalist social formations. The most often quoted paragraph from the *Manifesto* in this context is as follows:

"The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, establish connections everywhere. The bourgeoisie has through its exploitation of the world market given cosmopolitan character to production and consumption in every country...In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations..." (Marx and Engels, 1998: 39).

Only a few paragraphs before this quotation is the classical statement by Marx and Engels on the nature of capitalist state:

"...the bourgeoisie has at last, since the establishment of modern industry and of the world market, conquered for itself, in the modern representative state, exclusive political sway. The executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie" (Marx and Engels, 1998: 37).

Thus in the *Manifesto*, the formation of a world market and the modern state are treated as related processes. In other words, the account here on the internationalization of capital has, at least implicitly, a political dimension involving the role of the state. The same is true for the final section of the first volume of *Capital* on primitive accumulation and colonization, where Marx explicitly emphasizes the active role of the state in the expropriation of people from the soil and securing private property in land through what he calls the 'bloody legislations against the expropriated'. In both cases, internationalization of capital is treated as a process involving the political role of the state.

The account in the *Manifesto* has a clear spatial dimension as well. However, as Harvey (2001: 278) has argued, the concept of space in the *Manifesto* is problematic mainly because it is too universalistic, neglecting the importance of territorial differentiation and the uneven development of capitalism.⁵ Another problem with both the *Manifesto* and the first volume of *Capital* is an understanding of internationalization only in terms of the early expansion of capitalism into non-capitalist formations, neglecting the international movement of capital among already capitalist social formations.

In *Grundrisse*, on the other hand, Marx discusses the internationalization of capital as part of the circulation process of capital. He argues that 'a precondition of production based on capital is the production of a constantly widening sphere of circulation' (p.407) Thus, 'the tendency to create the world market is directly given in the concept of capital itself' (p. 408). He then goes on with the formulation that 'circulation proceeds in space and time' (p.533). The spatial moment here involves the bringing of the product to the market. The temporal moment, on the other hand, involves the time that passes before a commodity makes its transition into money. Circulation time is a barrier to the self-realization of capital so:

"while capital must on one side strive to tear down every spatial barrier to intercourse, i.e. to exchange, and conquer the whole earth for its market, it strives on the other side to annihilate this space with time, i.e. to reduce to a minimum the time spent in motion from one place to another. The more developed the capital, therefore, the more extensive the market over which it circulates, which forms the spatial orbit of its circulation, the more does it strive simultaneously for an even greater extension of the market and for greater annihilation of space by time" (p.539).

⁵ Bryan makes a similar comment on *Manifesto*: "While Marx and Engels' description of capitalism's expansion in *Manifesto* is perspicacious, 'there is a danger of Marxism sliding into a 'borderless globe' vision of a closed value system' (Bryan, 2002).

This is the most sophisticated treatment by Marx of the temporal and spatial dimensions of the expansion of capital in the same piece of work. In that sense, *Grundrisse* has a special place among his works, especially in terms of the prominence of the spatial dimension.

The same could not be argued for the discussion of the issue in the second volume of *Capital*. As Harvey (2001: 308) and Bryan (1995: 70) have pointed out, the main concern of Marx here is to unravel the inner dialectic of capitalism considered as a closed system so it doesn't involve any spatial dimension. In *Volume 2*, Marx analyses the three circuits of money, commodity and productive capital. The analysis here involves the movement of capital in the form of money and commodity. It does not explicitly involve a movement across national spaces but it can also be understood as such. In the context of the Marxist debate in the 1970s, for instance, it has actually been treated as such in the works of Palloix (1973) and others.

What is clearly lacking in both *Grundrisse* and the second volume of *Capital*, however, is the role of the state. The same is true for the third volume of *Capital*, where the chapter on the historical facts about merchant's capital is crucial as an account of the formation of the world market but has no reference to the role of state in this process at all.

It could be argued, then, that although Marx provided significant insights for the analysis of the historical and spatial dynamics of the internationalization of capital in different parts of his work, and touched the role of the state in some other parts, he never brought all these together in the same theoretical framework. Also, wherever Marx discussed the state in relation to the internationalization of capital, he only did this in the context of the early phase of capitalist expansion based on colonization, and only in terms of the state's geopolitical/ repressive role in this process. Nowhere did he analyze the economic role of the state in the international accumulation process.

Lastly, on the question of how Marx would view the distinction between space of capital and space of state, it is difficult to make a definitive judgement as this would rather be a speculation since he never discussed it openly. It is known that Marx planned to write two separate volumes of *Capital* on the state and world market that were never written. According to Hardt and Negri (2001: 236), this was because 'Marx's thinking was oriented toward a moment when capitalist valorization and the political processes of command would converge and overlap on the world level' and that's why the volume on the state could not be written until the world market had been realized. In other words, Hardt and Negri argue that in Marx's thinking the space of capital completely coincided with the space of state so for Marx the world market would be accompanied by a supra-national state. This is rather dubious because whenever Marx analyzed the relationship between state and capital, he did this in relation to specific nation-states, as Hardt and Negri themselves point out. So to derive an argument for the supra-nationality of state out of Marx would be too much speculation, if not political pragmatism.

3.2 Classical Imperialism Theories

The discussion took a new route in the context of the imperialism debates by the end of the 19th century. The inter-imperialist rivalries of the late 19th century, as Harvey (2001: 308) points out, 'forced Marxists to confront directly the dynamic relations between inner and outer transformations'. Thus, as different from Marx's own writings, the classical imperialism debate had a distinct spatial flavor from the beginning, as well as a more direct preoccupation with the question of state and the territorial dimension. However, the conception of space and of state in these theories were not without problems either. In what follows, I will discuss the writings of Luxemburg, Bukharin and Lenin in this regard.

In the *Accumulation of Capital* (1913), Luxemburg followed Marx in discussing the internationalization of capital in terms of the necessity for capitalism to expand into non-capitalist formations for markets. What distinguished her argument from Marx's was that for her, capitalism could not exist without non-capitalist buyers, i.e. without expanding into non-capitalist systems. As such, Luxemburg's analysis can be considered as the most extreme example of under-consumptionist theories that regarded internationalization of capital as a consequence of over-production in capitalist countries and the search for markets outside. The main problem with this approach, as previously argued for Marx, is its exclusive focus on the movement of capital into non-capitalist formations, leaving the dynamics of the international movement of capital among capitalist formations unexplored (Panitch and Gindin, 2002: 27). Also, like other classical imperialism theories, it is a one-sided development out of Marx, ignoring the other means by which capitalism can create fresh room for accumulation (Harvey, 1975: 328).

In terms of the question of state, Luxemburg, like Marx, mainly emphasized the repressive role of the state in the early expansion of capitalism through colonization and primitive accumulation. She also discussed some of the economic functions of the state in the colonization period, like international loans, protective tariffs and armaments expenditure. However, she never spelled out the links between competing capitals and states in this process (Brewer, 1990: 69). In terms of the historical dimension, on the other hand, her analysis was quite problematic in the sense that it did not specify different historical phases of the internationalization of capital but only generalized the earliest phase.

Bukharin's analysis in 1915 in his *Imperialism and World Economy*, was historically more specific in this regard. Following Hilferding, Bukharin explained the rapid growth of world economy by the unusual development of the productive forces of world capitalism accompanied by the export of capital (Bukharin, p. 25). He argued that through the 'transfusion of capital from one 'national' sphere into the other, there grows the intertwining of 'national capitals'; there proceeds the 'internationalization' of capital' (Bukharin, p.26). 'The internationalization process whose most primitive form is the exchange of commodities and whose highest organizational stage is the international trust', Bukharin argued, 'has also called into being a very considerable internationalization of banking capital in so far as the latter is transformed into industrial capital (by financing industrial enterprises), and in so far as it thus forms a special category: finance capital' (p.27).

According to Bukharin, 'the process of internationalization of economic life can and does sharpen, to a high degree, the conflict of interests among the various 'national' groups of the bourgeoisie.. 'Community of interests' is not always created in this field...the course of economic development creates, parallel to the process (of unity), a reverse tendency towards the nationalization of capitalist interests' (p.29). He gave three reasons why capital finds substantial obstacles on its road to overstep the 'national' boundaries. First, he argued, 'it is much easier to overcome competition on a 'national' scale than on a world scale'; second, 'the existing differences of economic structure and consequently of production-costs make agreements disadvantageous for the advanced 'national' groups'; and, third, 'the ties of unity with the state and its boundaries are in themselves an ever growing monopoly which guarantees additional profits' (p.31).

The result, Bukharin argued, is the transformation of the entire national economy into 'one gigantic combined enterprise under the tutelage of the financial kings and the capitalist state, an enterprise which monopolises the national market'. The problem with this argument, as Harvey (1975) and Brewer (1990: 114) have pointed out, is Bukharin's treatment of a certain tendency as a fact, ignoring the counter-tendencies. For instance, Bukharin's analysis ignores the tendency of big corporations to compete all over the world, rather than uniting to face foreign competition (Brewer, 1990: 114). Thus it leads to the severely misleading conclusion that competition is suppressed within national boundaries.

On the other hand, Bukharin's emphasis on the tendency for the nationalization of capital led him to problematize the concept of state in relation to capital more comprehensively than any other classical theorist of imperialism. He devoted two chapters to the nature of state in this context. However, his conception of the capitalist class as an entity totally united by finance capital on a national basis led him to theorize the state as a direct instrument of capital with no inner contradictions. 'When competition has finally reached its highest stage, when it has become competition between state capitalist trusts', Bukharin argued, 'then the use of state power, and the possibilities connected with it, begin to play a very large part...With the growth of the importance of state power, its inner structure also changes. The state becomes more than ever before an 'executive committee of the ruling classes.' So paradoxically, although Bukharin was the one who most explicitly theorized the state among classical imperialism theorists, his theory, as Brewer (1990: 115) put it, represented 'the abolition of the state as a body distinct from civil society'.

This extremely instrumentalist theory of state would influence the so-called state monopoly capitalism theses of the communist parties in the 1970s. The idea of competing national capitalisms or national capitals supported by their own national states, on the other hand, was taken up by Lenin in his analysis of imperialism.

In *Imperialism, the Highest Stage of Capitalism* (1917), Lenin basically followed Bukharin as well as Hilferding and Hobson to emphasize the tendency for monopolization, the formation of finance capital and the export of capital as major factors leading to the formation of national blocs of centralized capital and intense national rivalries among them. His main purpose here was to counter Kautsky's theory of 'ultra-imperialism' by pointing out the inevitability of conflicts expected to arise from a territorial redivision of the world in response to the inter-imperialist rivalry, and thus to the revolution as the only way forward.

Although the main strength of Lenin's approach here was its historical dimension, his analysis was precisely problematic in those terms. This was because Lenin's polemic against Kautsky was marked by the 'overpoliticisation of theory' in Panitch and Gindin's (2002: 24) words. This led to a major theoretical shortcoming in Lenin's analysis. Like Bukharin, Lenin also treated the question of the division of the world on the basis of national blocs of capital as taken for granted. In other words, Lenin gave no answer to the question of why a 'country' should be a relevant unit in this context (Brewer, 1990: 123). As Bryan (1995: 51) points out, the whole line of argument by Bukharin and Lenin on the competing national blocs of capital was marked by the failure to differentiate between the 'space of capital' and the 'space of state'. They treated both of these spaces as national so they saw the only contradiction of internationalization as a rivalry among national blocs of capitals/states, with no inherent contradiction in the international accumulation process itself.

3.3 1970s Literature on the Internationalization of Capital and the State

When the debate on the internationalization of capital re-emerged in the early 1970s, the main question was how the post-war proliferation of TNCs as well as the rise of Europe and Japan as new centers of accumulation affected the balance between the 'internationalization' and 'nationalization' of capital as reflected in the state form. In the context of the post-war developments, Mandel (1967, 1970) and Rowthorn (1971) represented the Lenin-Bukharin line of argument in a revised form. In *'International Capitalism and 'Supranationality''* (1967), Mandel argued that the international amalgamation of capitals inside Europe has reached a considerable degree so as to challenge the hegemony of the U.S. and also affect the state form in Europe. 'The growth of capital interpenetration inside the Common Market, the appearance of large amalgamated banking and industrial units which are not mainly the property of any national capitalist class', Mandel (1967: 147) argued 'represent the material infra-structure for the emergence of supranational state-power organs in the Common Market.' According to Mandel (1967: 149), the interpenetration of national capitals within Europe would necessarily be accompanied by the transfer of state power to the supra-national level mainly because only a supra-national state could respond to a general recession through European-wide policy instruments like a single currency or taxation system.

Mandel's argument of a direct correspondence between the interpenetration of national capitals and the emergence of a supra-national state was based on a quite instrumentalist conception of the state. For Mandel (1970: 51), the state aimed 'to guarantee directly the profits of the dominant sectors of the big bourgeoisie'. In the European case, this implied that only a supra-national state could guarantee the profits of the 'big European concerns' by 'generating the necessary purchasing-power, keeping up employment while continuing to limit redundancies to a 'reasonable' volume and to sell the major part of their output' (Mandel, 1970: 97). In other words, since Mandel saw the state as an instrument of big capital, his conception of a European state as the instrument of the 'big European concerns' was a mere reflection of his instrumentalist theory of state at the regional level.

Mandel (1970) argued that the process of European integration would mean an enhanced inter-imperialist rivalry between the U.S. and Europe. As such, he reformulated Lenin's theory of imperialist rivalry in the post-war context. His approach differed from that of Lenin and Bukharin only in the sense that he defined the competing state-capital blocs in the world economy in regional rather than national terms. The problem essentially remained the same: a failure to differentiate between the 'space of capital' and 'space of state' by defining both spaces as regional. In other words, by formulating a direct correspondence between the space of capital accumulation and the space of state action, he reduced the contradictions of internationalization to a rivalry among regional blocs of capitals/states, again disregarding the contradictions of the international accumulation process itself.

In his article *'Imperialism in the Seventies - Unity or Rivalry'* (1971), Rowthorn clearly followed Mandel in this sense. He stated that his conclusions are 'broadly similar to those of Ernest Mandel, who stresses the growing challenge of European and Japanese capital to American hegemony' (Rowthorn, 1971: 65). The only difference, he argued, lied in his emphasis on direct investment by the European and Japanese in contrast to Mandel's emphasis on exports.

Rowthorn's article had the merit of presenting the 1970s debate on the imperialist unity vs. rivalry quite systematically. Another strength of his article was its direct preoccupation with the question of the relationship between internationalizing capitals and the state. He discussed this question in terms of the relationship between the 'strength of capital' and the 'autonomy of a state vis-a-vis other states'. He argued that there is no one-to-one

correspondence between the strength of capital and the autonomy of state in a specific country. For instance, the weakness of the British state should be explained 'not by the simple decline of British capitalism as such, but by the very strength of the cosmopolitan activities of British capital, which has helped to undermine further its strictly domestic economy' (Rowthorn, 1971: 66). 'The international expansion of British big capital coupled with the contraction of the British state and the domestic economic base of British capitalism', he argued, 'have led to a situation where many British companies now conduct a larger part of their business in areas where the British state exercise no control and little influence, and where it can offer them little or no protection' (Rowthorn, 1971: 67). If, as in the case of internationalizing British capital, 'the state power available to capital is not commensurate with its needs', Rowthorn argued, there are two main courses of action: "The state can ally itself or even merge with other states, thereby placing greater state power at the disposal of its capital...Alternatively, failing an alliance or merger of states, capital can change its nationality" (p.70). He then argued that 'alliances or mergers of states are likely to be of more immediate significance in view of the growing unity of the Common Market and Britain's application for membership' (p.71). Thus, he reached the same conclusion as Mandel: a European capital supported by a European state in competition with the U.S. capital supported by its own state. He even went further than Mandel to add that this new bloc of European capital with its European state would act as a 'nationalist' force (p.72).

There were three main problems with Rowthorn's approach. First, on the question of who would take care of the needs of the internationalizing capitals if not their own states, he only posed two alternatives: a supra-national state taking care of the capitals operating in its region or a total change in the nationality of these capitals. He forgot to mention a third alternative, that is, the possibility that other nation-states could assume responsibility for foreign capitals operating within their own territories. This third alternative, which could be called the 'internalization' alternative, was totally absent from both Mandel's and Rowthorn's analyses. Second, although it could be true that some functions of the nation-state were indeed transferred to the supra-national level, the state's political function of 'organizing capital and disorganizing labor' in Poulantzasian terms, could not be transferred (hence the impossibility of a 'social Europe'). Third, Rowthorn's concept of 'a strong capital with a weak state', which he used for explaining the British case, as well as his definition of state autonomy in opposition to other states rather than in relation to capital, coupled with his notion of competing 'national' blocs of capitals supported by their own states (the term 'national' here redefined by himself so as to include regional phenomena) put his theory only one step away from institutionalist/ neo-Weberian approaches. It was not surprising in this context, that he totally shifted to a neo-institutionalist position in his later works.⁶ In brief, it could be argued that both Mandel and Rowthorn posed the right question of who would take care of the internationalizing capitals in the new post-war economy but their answer of 'supra-national states' was problematic.

3.3.1 Breaking points in the debate: Murray, Poulantzas and Palloix

When Murray posed the same question in his article *'The Internationalization of Capital and the Nation State'* (1971), he gave a different answer. Murray (1971: 85) contended that the rapid post-war expansion of TNCs had led to a 'territorial non-coincidence' between internationalizing capitals and their domestic states, which was reflected as a contradiction in the state form. He argued that this was a point neglected in the Lenin/Kautsky debate because the economic role of the state in capitalism was absent in this discussion.

'In the process of capitalist production and reproduction', Murray (1971: 87) argued, 'the state has certain economic functions which it will always perform...In tracing the territorial expansion of individual capitals, one of the central points at issue will be what institutions perform these structural economic functions for the expanded capitals'. He identified six primary functions of the capitalist state: guaranteeing of private property rights, economic liberalization, economic orchestration, input provision, intervention for social consensus, and the management of the external relations of a capitalist system (Murray, 1971: 88-93). In the new era of internationalization of capital after 1945, he argued, these functions may be performed by different actors including capital itself. The domestic state, foreign state structures, the extended capital itself, or the existing state bodies in co-operation with each other can perform them.

Murray argued that the bodies to perform the state functions for internationalizing capitals will differ according to factors such as the degree of productive centralization, stage of overseas company development, forms of international flow, degree of dependence on state partiality and the strength of foreign competition (Murray, 1971:

⁶ See for example, Kozul-Wright and Rowthorn (1998).

100-102). Thus, Murray's main argument was that 'there was no necessary link between a capital and its state in the area of extension, that capital was rather a political opportunist, and that existing states often suffered a decrease in their powers as a result of internationalization' (Murray: 1971: 109).

Murray's analysis was criticized by Warren (1971), Fine and Harris (1979) and Radice (1984) for necessarily implying a weakening of the national state as a result of the internationalization of capital. Murray indeed argued that internationalization of capital often leads to a decrease in the power of nation-states, however this was not an automatic outcome in his analysis. The whole point about his argument on the 'political opportunism' of capital was that the decline of the nation-states was *only one* of the historical possibilities and not the only logical outcome. In other words, for Murray, the relationship between internationalization of capital and state was contingent, taking different forms depending on various factors. This contingency was both a strength and a weakness of his analysis. It was a strength because, as different from Mandel and Rowthorn who saw the supra-national state as the main actor to perform public functions for internationalizing capitals, Murray showed that it was only one of the possible actors, the others being domestic states, foreign states or the extended capital itself. Also, through his emphasis on the territorial non-coincidence between internationalizing capitals and the state and the various forms this non-coincidence could take, he paved the way for a discussion of the differentiation between 'space of capital' and 'space of state' and in that sense formed a breaking point in the debate.

On the other hand, Murray left the question of the relationship between state and international capital too contingent and even ambiguous by arguing that public functions for the international capital could be performed by all sorts of institutions in all sorts of ways. It was in this sense that contingency was at the same time the main weakness of his theory. Paradoxically, this was a result of his concern with emphasizing the economic functions of the state that he thought was neglected in the Lenin-Kautsky debate. However in doing this, he bent the stick too far in the other direction. He separated the economic functions of the state from its political function of reproducing the overall system, thereby reducing them to technical tasks that could be undertaken by all sorts of institutions other than the nation-states. He neglected the fact that these economic functions are intermingled with the political function of the state in reproducing the class domination as a whole, which could only be undertaken at the national level and this sets the limit to the contingency of the relationship between international capital and state form.

It was precisely this problem that Poulantzas decisively tackled in his article *'The Internationalization of Capitalist Relations and the State'* in 1974. Here Poulantzas (1974: 73) argued that 'the current internationalization of capital neither suppresses nor by-passes the national states'. Against the arguments that juxtaposed states and capitals externally to each other, he wrote:

"It is impossible to separate the various interventions of the state and their aspects, in such a way as to envisage the possibility of an effective transfer of its 'economic functions' to supranational or super-state apparatuses, while the national state would retain only a repressive or ideological role; at the very most, there is sometimes a delegation in the exercise of these functions. In fact, by looking in this direction, one loses sight of the real tendencies at work: the internalized transformations of the national state itself, aimed at taking charge of the internalization of public functions on capital's behalf" (ibid, p.81).

Thus, on the question of who would assume responsibility for the public functions necessary for the reproduction of international capital, Poulantzas gave a decisive answer: These functions had to be internalized by the nation-states themselves. In this way, he resolved the ambiguity in Murray's analysis and went one step further by clearly showing that even when the 'space of capital' is international, the 'space of state' has to remain national (as opposed to Murray's argument that it *could* remain national under certain circumstances).

Another breaking point in the course of the debate was Palloix. Palloix's main concern was criticizing the approaches that exclusively focused on MNCs. Against these approaches, he argued that the MNCs are only a part of the broader process of internationalization of capital. 'Only an examination of the internationalization of the circuit of social capital', Palloix (1975a: 85) argued, 'can give us the means to define the internationalization of capital as a social relation, and to understand the place of the multinational firm within the total circuit'. Thus he studied the internationalization of capital based on Marx's analysis of the circuits of capital in *Capital*. Using Marx's analysis that the circuit of capital goes through three stages - - money, commodity, and production, Palloix argued that the circuit of commodity-capital has operated internationally from the very beginnings of capitalism whereas the internationalization of the money-capital circuit and the productive capital are recent phenomena. As

such, Palloix rehistoricized the debate by bringing back Marx's circuit of capital in and discussing the history of internationalization of each circuit⁷.

Another contribution of Palloix was his emphasis on the 'omnipresence' of the nation-state during the internationalization process:

"In all the political and economic literature, it seems that since the discovery (!) of the multinational firm, the nation-state has been regarded as devoid of any power outside of its national boundaries. This has led to the thesis that supranational institutions must be created because the nation-state is ineffective on the international level...How strangely forgetful of the history of continual intervention by the capitalist state!" (Palloix, 1975b: 12).

Against those theories which hold that the nation-state will lose its effectiveness to provide for the self-expansion of capital on a world scale, Palloix (1975b: 12) argued that 'the role of the state has been continuous, but it has varied during the different phases of internationalization, depending upon what the internationalization of capital has implied for the management or sanction of the law of value by the state'. In the phase of internationalization of commodity capital, Palloix (1975b: 12-13) argued, the role of the nation-state is to use both free exchange and protectionism in order to adapt the system of international norms to the interests of the internal bourgeoisie and to align the national productive apparatus to correspond to the commodity-relations on the international market by eliminating unprofitable lines of production and a specific international division of labor.

In the phases of internationalization of money capital and of productive capital, on the other hand, 'commodity relations on the international market are replaced by relations between capitals' and 'international value bursts forth in its entire social scope in the internationalization of capital' (Palloix, 1975b: 13). In this phase, the main role of the nation-state is aligning internal conditions of production and exchange to international conditions through the use of a monetary standard:

"The monetary standard, with its contradictions, is the best reflection of international value. It is not at all surprising to notice the displacement of power in the state away from places like the Ministry of Industry towards a decision center where the internationalization of the state is obvious: the Ministry of Finance. This ministry holds the key to internal political economic policy - given that all internal political economic problems are part of an external political problem - by means of the monetary standard, a cash norm" (ibid, p.13).

'In the historical development of the internationalization of capital', Palloix argued, 'the nation-state will, with increasing seriousness, internally consider its external reality, insofar as certain parts of the state - some more than others - will submit to the international situation'. So while the internationalization of certain parts of the state is barely visible in the earlier phase of internationalization of commodity capital, the nature of the state apparatus is profoundly changed in the latter phase of internationalization of money-capital and of productive-capital. In the earlier phase, according to Palloix (1975b: 13), 'the state attempts to establish a commercial network, by carving out a colonial domain for commercial capital, and by reflecting the international law of value on the national law of value'. In the latter phase, however, 'certain parts of the state must reflect the increasingly urgent necessity for international standards --as expressions of the international law of value - in the structure of national production

⁷ Other writers drew upon Palloix's analysis to periodize the history of capitalism in terms of the different phases of the internationalization of capital. Most prominent among them were Bina and Yaghmaian (1988, 1998). According to Bina and Yaghmaian (1988), the early internationalization of capital was marked by the spatial expansion of capitalism in precapitalist societies through the internationalization of the circuit of commodity capital. Colonial trade justified on the basis of comparative advantage and primitive accumulation on the basis of extraction of absolute surplus value was the main feature of this period. By the end of the 19th century, the circuit of money capital largely and the circuit of productive capital initially had also been internationalized. The early internationalization of the circuit of money capital occurred mainly through loans to colonial states. Early internationalization of productive capital, on the other hand, occurred through the expansion of TNC activities in the primary sectors of precapitalist economies in the late 19th and early 20th centuries. It involved the spatial movement of a part of a single production process to a 'foreign' site. The internationalization of productive capital was completed in the post-war era through the penetration of TNCs in manufacturing activities, and both production and the realization taking place in the new site. This phase coincided with the strategy of import-substitution industrialization (ISI) in the Third World. This is an important point as ISI has generally been perceived as the 'national' phase of development in the Third World, and the phase of export-orientation is associated with internationalization. This model shows, to the contrary, that ISI was a significant phase of the internationalization of capital, and thus a left-nationalist strategy based on economic protectionism was not even viable in the ISI phase. ISI was only a prelude to export-led industrialization, the more general and higher level of the internationalization of production.

and trade for capital whose self-expansion occurs in the international arena' (ibid, p.14). Thus, 'the state becomes hierarchical as a result of the predominance of the monetary sanction, reflecting internationalization'. However, 'the internationalization of the nation-state, of certain parts of the state, does not at all lead to their replacement by a supranational organism' (ibid, p.14).

Thus, Palloix was quite clearly on the side of those theories that differentiated between the 'space of capital' and 'space of state' and problematized the 'internalization' of public functions of the international capital by the nation-states. He made two important contributions to this line of thinking. First, by differentiating between the history of internationalization of each circuit of capital, he added a historical dimension to the debate and was able to explain the specificity of the recent phase of internationalization through his emphasis on the preeminent role of money form as the expression of international value in the recent phase. This theme of 'monetary sanction' was taken up by Bryan (1995) in his analysis of the distinctiveness of the recent internationalization of capital as the subjection of all national calculations to international standards. Second, through his discussion of the continuous but varying role of the state in each phase of internationalization of the circuit of capital, Palloix was able to identify the nature of the restructuring of the state in the recent phase of internationalization: the reordering of the internal hierarchy of the state apparatus and increasing contradictions within the state reflecting the requirements of monetary sanction. This was a theme shared by Poulantzas (1974) and revived in the globalization context by Panitch (1994) and others.

3.4 Current Literature on Globalization and the State

When the debate re-emerged in the context of globalization and the restructuring of states in the late 1980s and 1990s, the ambiguity in Murray's analysis regarding the relationship between the space of capital and space of state has recurred as a division between those who argue for the coincidence between the two spaces, and those who defend the non-coincidence between the two. On the one side are those who treat both spaces as national as in the case of regulationist (e.g. Aglietta, 1982), neo-institutionalist (e.g. Hirst and Thompson, 1996) and national-developmental approaches. On the other side are a wide range of approaches that treat both spaces as international, e.g. neo-Gramscian writers like Robinson, world-system approach (Wallerstein *et al*), Hardt and Negri, as well as some neo-Weberian (e.g. Castells) and eclectic approaches (e.g. Held).

There is a third line of thinking, however, which has its origins in the works of Murray (1971), Palloix (1973) and Poulantzas (1974), and has been reiterated in the globalization context by Bryan (1995), Tsoukalas (1999) and Panitch (1994, 2000). For this line of thinking, the 'space of capital' is different from the 'space of state'. The space of capital accumulation is basically international while the space of state action is mainly national. Accordingly, the main contradiction of internationalization arises from the incompatibility between the internationality of accumulation and nationality of state. In what follows, I will review the Marxist literature on globalization and state in this regard. I will first discuss neo-Gramscian approaches (Cox, Gill, Robinson and Van der Pijl), Open Marxism school (Holloway, Clarke, Burnham *et al*), and Hardt and Negri. I will argue that all these approaches, in their own ways have a 'deterritorialized' approach to the issue. I will then go on to discuss the alternative 'territorialized' approach based on the works of Bryan, Panitch, Albo, Tsoukalas and Harvey.

3.4.1 Deterritorialization of the Debate

The main context of the globalization and state debate in the 1990s was the expansion of capitalist relations of production to all parts of the world following the collapse of the Soviet Bloc. This gave rise to approaches that tended to theorize internationalization as increasing deterritorialization of social relations in a 'borderless globe'. In this context, the internalization problematic of the post-Murray debate was increasingly replaced by analyses that focused exclusively on the global level. In what follows, I will discuss the reflections of this development within Marxist theory.

3.4.1.1 Neo-Gramscian Approaches

Cox's *Production, Power, and World Order* (1987), which stands as the pioneer of neo-Gramscian analyses on globalization and the state, was written *before* the globalization agenda defined above. Therefore it can not be seen as the real starting point of deterritorialization but it has provided many of the conceptual tools for latter neo-Gramscian analyses that increasingly deterritorialized the debate so we need to start from Cox's original work.

Cox's main concern in *Production, Power, and World Order* is a critique of neo-realist approaches dominant in the international relations discipline. Against the state-centered and ahistorical character of neo-realist approaches,

Cox emphasizes the role of historical blocs in the making of world orders that alternate between hegemonic and nonhegemonic structures. Cox identifies three successive structures of world orders: the liberal international economy (1789-1873), the era of rival imperialisms (1873-1945), and the neoliberal world order (post World War II). Each phase, Cox argues, is characterized by new forms of state, new historical blocs and new configurations of production relations. The third phase which he calls 'Pax Americana' is marked by the 'internationalization of production' and the 'internationalization of the state' (p.109).

The internationalization of production consists of 'transnational production organizations whose component elements are located in different territorial jurisdictions' (Cox, 1987: 244). Cox defines three capital fractions in this process: the transnational managerial class, national capital and local capital. The transnational managerial class includes those who control TNCs, with a whole range of experts and specialists involved with the maintenance of the world economy. The national capital is composed of those who control big nation-based enterprises, and local capital refers to locally based petty capitalists. This classification has the merit of offering a framework for explaining the contradictions within capital in the process of internationalization⁸. Cox's definition of capital fractions, however, is not without problems. The 'transnational managerial class', for instance, is defined on Weberian rather than Marxist terms, that is, on the basis of power relations rather than production relations and referring to an 'elite' rather than a class⁹. Also, the criterion of size (big vs. small) used to differentiate between national and local capital, for instance, leads to the unclarity of the lines between the two.

Cox's concept of the 'internationalization of state', on the other hand, involves the process whereby the national state structures are adjusted to the exigencies of the world economy in response to external pressures and realignments of internal power relations (p.253). Here Cox definitely has an 'internalization' problematic in the sense that he focuses on the mechanisms by which the internationalization process is internalized by state structures, e.g. through the restructuring of the hierarchy of agencies within governments (the prioritization of those agencies that act as links between the world economy and the national economy) (p.228). In this context, he also discusses how contradictions within capital are reflected within state structures, e.g. the contradiction between capitals operating in the world market and thus becoming absorbed into the transnational managerial class, and those remaining apart from this movement and becoming increasingly dependent upon state protectionist measures (p.361). In the U.S. case, for instance, where the cleavage between the two tendencies has appeared more openly in the economic crisis following 1973, Cox argues:

"The international sector has privileged access to the executive branch and particularly to those agencies managing foreign economic policy, the State Department and Treasury. Protectionist interests are more effective through lobbies in the Congress and, along with local entrepreneurs, in the state legislatures. The result has been ambiguity in U.S. policy: continuing commitment affirmed by the executive to international commitments and *ad hoc* protectionist measures enacted by Congress." (p.362)

Interestingly, for Cox the reflections of this struggle between the international and national fractions in Europe has taken the form of alternative policy clusters *within national politics* rather than a struggle at the supra-national level (p.364). All these examples show that Cox takes the national level quite seriously as the space of state action for the reproduction of the conditions of accumulation¹⁰. In other words, if we go back to our distinction between

⁸ Similarly, Gill (1993) also differentiates between transnational and national fractions of capital and discusses some of the contradictions between the two. Furthermore, he argues that the Gramscian form of hegemony favouring capital over labour needs to be refined so as to distinguish between transnational and national fractions of capital (p.101).

⁹ This is a common problem with the conception of transnational capitalist class in all neo-Gramscian approaches. For instance, Van der Pijl mentions three stages in the transnational class formation in relation to internationalization of three circuits of capital. The internationalization of the circuit of commodity capital saw the emergence of transnational networks of merchant communities. The subsequent internationalization of money capital led to an internationally interlocked haute finance of central bankers and investment bankers. And after World War II, 'a transnational managerial class emerged with the comprehensive internationalization of production by multinational corporation' (p.98). In all its phases, however, his concept of transnational class is defined in Weberian rather than Marxist terms, referring to elite networks like Freemasonry, Rhodes-Milner group, etc. The same is true for Gill, who also talks about the formation of a transnational capitalist class or class fraction, with its own particular form of 'strategic' class consciousness, but defines this class in terms of an 'elite' controlling transnational networks and organizations.

¹⁰ In a number of places throughout his work, nation-states come forward as prominent spaces of reproduction. Concerning EU, for instance, he argues that the policy unification of the EEC countries has come about 'only to a limited degree through a transfer of powers to supranational agencies; to a greater extent it has been the result of interpenetration of national policy-

the 'space of capital' and 'space of state', Cox's approach is closer to the argument of a non-correspondence between the two. However, since Cox gives primacy to the 'world order' as the explanatory factor in understanding changes in national state structures¹¹, he doesn't go further in explaining the dynamics of national policy formation on the basis of internal class dynamics. As Panitch (1994) argues, Cox's 'outside-in' orientation to the internationalization of state is limited at this point. This limitation can only be overcome if we conceive the role of states not only as *internalization* but also *mediation*. In Panitch's words, 'the role of states remains one not only of internalising but also of mediating adherence to the untrammelled logic of international capitalist competition within its own domain' (Panitch, 1994: 71). This is where Poulantzasian analyses differ from neo-Gramscian analyses by focusing directly on how states *mediate* the contradictions within capitalist classes operating in their domains.

Thus, although Cox's work provides valuable insights on how the contradictions of internationalization are internalized by states, his outside-in orientation forms the limits to a territorialized approach. Neo-Gramscian approaches that have followed from Cox's work (mainly by Gill, van der Pijl and Robinson) as well as Cox's latter work itself have distanced their foci of analysis further away from the internal dynamics of specific social formations. Instead they have focused exclusively on the supra-national level. This may be partly due to a shift in the major concern of neo-Gramscian analyses from a critique of neo-realist approaches to a more comprehensive critique of both mainstream and vulgar/economistic Marxist approaches. In this context, the concept of civil society has come forward as a major analytical tool besides state and capital¹². This preoccupation with civil society, however, has meant a further digression away from analyses of states in relation to capital, and a further deterritorialization of the debate.

In what has come to be known as the Amsterdam IPE project, Kees van der Pijl states his main concern as 'to connect economics and politics in a way which cannot be achieved by either a monolithic concept of capital with a big 'C' (prevalent in much modern Marxism... and American Elitism...); or the politicism of mainstream IR' (p.3). In other words, his main problematique is 'how economics and politics become fused in transnational and historical processes of class formation'. In order to answer this question, he uses three main concepts: 'comprehensive concepts of control', 'capital fractions' defined at the transnational level, and Cox's notion of 'state-civil society complexes'. Comprehensive concepts of control are the frameworks of thought and practice which present the specific interests of a combination of capital fractions as the general interest. The concepts of control which have guided transnational class formation over a period of three centuries, van der Pijl argues, are liberal internationalism; state monopoly tendency; corporate liberalism, and neoliberalism (p.6). 'Neoliberalism', van der Pijl argues, 'is the expression of the hegemony of a transnational ruling class unified behind a concept of control reflecting a particular configuration of capitalist forces' (p.5). The concept of capital fractions, on the other hand, 'makes it possible to reconstruct the historical growth of capital in terms of pluralism (or better, 'polyarchy', since the range of options remains within narrow limits) of class strategies which articulate, ultimately, empirical constellations of particular fractions' (p.3), underlining political pluralism as a necessary condition of developed capitalism (p.62)¹³.

making process' (p.258). Another example of the way he emphasizes national specificities, is his argument that the balance between international and fractions of capital has differed historically from country to country (p.363).

¹¹ "Here I am suggesting that the relative weight of internal and external factors, and the nature of these factors, is not constant but is conditioned by the prevailing structure of world order" (Cox, 1987:109).

¹² The argument for bringing civil society back in has been most forcefully made by van der Pijl (1998). Following Habermas, Van der Pijl argues that 'society' remains logically separate both from the state and from capital, 'a fact perhaps obscured by the term 'capitalism'.. which suggests a comprehensive, closed totality' (p.27). The reintroduction of 'society' as a third concept besides state and capital, he argues, throws a different light on the limits of the capitalist order by emphasizing the contradictions between capital and society besides the internal contradictions of capital (p.28). Gill (1993) makes a similar point and looks for counter-hegemonic civil society forces at the global level. It should be added at this point that, from another tradition, Hardt and Negri also incorporate the concept of 'society' into their analysis besides capital and state in the same way. They argue that New Deal is the first form of disciplinary society where 'the entire society, with all its productive and reproductive articulations, is subsumed under the command of capital and the state' (p.243). Thus they share the same concern with neo-Gramscians about freeing society from both capital and state through the formation of a *global civil society* (p.7)

¹³ The parallelity between van der Pijl's analysis of capital fractions, concepts of control and polyarchy with Poulantzas' concept of power bloc should be noted here. We will see below that Robinson too makes a similar argument about capital fractions and ensuing polyarchy, but with quite different implications.

Lastly, van der Pijl uses Cox's 'state/civil society complexes' to identify different state forms in relation to transnational class formation. Drawing upon Cox's (1986) argument that 'there exists a plurality of forms of state, expressing different configurations of state/civil society complexes, which remain largely unexplored in international relations theory', van der Pijl defines two ideal-typical state/society complexes: Lockean and Hobbesian. The Lockean state/civil society complex has its origins in the post-1688 revolution England, where the self-regulation of a property-owning civil society and the separation of public and private spheres was guaranteed by the state. The Hobbesian state/civil society complex, on the other hand, is characterized by the suspension of the differentiation between state and society in favour of a 'state class', with the prototype being France in seventeenth and eighteenth centuries (van der Pijl, 1998: 78).

The process of internationalization of capital, van der Pijl argues, has been accompanied by the internationalization of the Lockean state-civil society complex, through a constant expansion of the 'Lockean heartland' absorbing the 'Hobbesian contender states'. The internationalization of capital, he argues, 'does not evolve as an economic process in a fixed landscape of sovereign states' but it is 'an aspect of a process of expansion of the state/society complex in which capital crystallised under what proved to be the most favourable conditions' (p.83). In that sense, it can be argued that van der Pijl sees both the 'space of capital' and the 'space of state' as transnational -- in the form of a transnational state-civil society complex. He argues that a 'denationalised, total capital on a world scale' is governed by 'international quasi-state structures' based on Lockean foundations absorbing the challenges of the Hobbesian perspective (p.77-78). It should be noted, however, that for van der Pijl, the formation of transnational state structures is an evolving tendency rather than a completed process.

Gill's position on this point is very close to van der Pijl. Gill (1993) also uses van der Pijl's 'hegemonic state-civil society complexes' in his analysis of the transition from the post-war *international historic bloc* of 'welfare-nationalist' forces to a *transnational historic bloc* of neo-liberal forces since the 1970s and 1980s. In this process, he argues, the Hobbesian state-civil society complexes are being replaced by the Lockean state-civil society complexes in which there is a vigorous and self-regulating civil society thus a greater potential for legitimacy and hegemony in Gramscian terms. He calls this process the 'internationalization of Lockean form of self-regulating civil society' (p.40). However, he leaves the question of the correspondence between space of capital and space of state unanswered. On the one hand, he argues, the division of the world into many states reinforces the structural power of transnational capital in contrast to national capital because states may be forced to adopt neo-mercantilist policies in order to attract foreign direct investment (Gill and Law, 1993: 106). Thus the structural power of internationally mobile capital would be enhanced by having a large number of relatively small states. On the other hand, capital needs public goods to be performed at the global level, which would be best provided by a single international political authority. The tension between these two tendencies, Gill argues, leaves the problem of political order at the global level unsolved (Gill and Law, 1993: 106). 'Although we can talk of 'an embryonic international political society and a still underdeveloped, but more discernible, internationalised civil society' (p.114), Gill argues, 'we are far from a situation in which a global political society is truly in prospect' (p.118). So like van der Pijl, Gill also sees the formation of transnational state structures as an evolving tendency rather than a completed process. Despite this caution, however, their concept of a 'transnational state-civil society complex' marks a further step in the deterritorialization of the debate.

Among neo-Gramscian writers, Robinson goes furthest in completely deterritorializing the terms of the debate through his argument for a total correspondence between the space of capital and space of state. In *Promoting Polyarchy: Globalization, US Intervention, and Hegemony* (1996), he argues that 'the emergence of a global economy brings with it the material basis for the emergence of a single global society, including the transnationalization of civil society and of political processes' (Robinson, 1996: 4). This process, for Robinson, means that nation-states are increasingly inappropriate units of analysis for understanding not only economic but also social and political processes (p.4)¹⁴. Thus Robinson has a completely deterritorialized concept of both capital and the state¹⁵: Globalization, he argues, is characterized by 'the increasing separation of classes from

¹⁴ It is interesting to note in this context that as different from other neo-Gramscian writers (especially Cox and Gill) who distance themselves from the world system approach, Robinson bases his theory on a revised world system theory, which he thinks 'forms a powerful macrostructural framework for analyzing world events' through its basic theoretical proposition that the development of international society is constituted by the spread of a social system at the international level" (p.19).

¹⁵ Robinson argues that Gramsci's concept of the 'extended state' shows the way forward for a deterritorialized concept of the state: 'the extended state which incorporates civil and political society and upon which hegemony is constructed needs in no way to be correlated, theoretically, with territory, or with the nation-state' (p.370).

territoriality and class power from state power' as well as 'a dispersal of global decision-making away from specific core states'¹⁶.

According to Robinson, the keyword for understanding the global political system that corresponds to the new global economy is 'polyarchy', referring to the hegemony of a transnational elite representing transnational capital. On the other hand, Robinson argues that the most important feature of this new global political structure is 'democracy promotion' that has become hegemonic transnationally. This is where Robinson's concept of polyarchy becomes most confusing because whatever its limits, his concept of democracy here involves not only the ruling class but also subordinate groups. In Robinson's words, his notion of hegemony here incorporates both dominant and subordinate groups in the center and periphery, and in that sense it differs from Cox and Gill's concept of hegemony which focuses on *intra*-elite consensus only (p.30). As such, Robinson's concept of 'polyarchy' as a globally hegemonic project of 'democracy promotion' becomes a contradiction in terms as it refers not only to the plurality of ruling class fractions but also a real process of consensus formation among subordinate groups over the world¹⁷. This is not only theoretically problematic but also empirically invalidated by the latest strategy of the U.S. towards 'non-globalized' areas of the world. Also, Robinson's argument on the decline of the nation-state contradicts with his proposition that what he calls 'democracy promotion' is an active foreign policy of the U.S. nation-state in 'installing and stabilizing polyarchic political systems in the South' (p.41)¹⁸.

Robinson's analysis becomes once again confusing when he argues that the *nation-state framework* is outdated because *capital is internationalized*. His example of how 'national trade deficits' lose their meaning when the majority of world trade is conducted as 'intra-firm trade' between different branches of transnational corporations (p.368) is an indication of this conceptual confusion, which stems from the inability to differentiate between 'space of capital' and 'space of state'. In other words, when Robinson talks about intra-firm trade, he refers to the internationality of the space of capital but uses this example to argue for the internationality of the space of state and thus the redundancy of the nation-state. Similarly, he refutes analyses based on the nation-state for their treatment of *capital and classes* as *national*, which again is an indication of the same confusion.

The same confusion can most clearly be seen in the following statements:

"Yet many Marxists and non-Marxists alike advance a peculiar dualist construct that posits separate logics for a globalizing economic systems and a nation-state-based political system. The nation-state is seen in this dualist construct as immanent in capitalist development, and transnational class formation therefore cannot really be conceived beyond the collusion of "national" classes" (Robinson, 2000: 18).

In the first part of his statement here Robinson talks about the duality between internationality of accumulation and nationality of state. In the second part, however, he talks about the nationality of classes. Again, as a result of his own bias to see space of class and space of state as always overlapping, he attributes the same kind of thinking to others, i.e. if the state is national then classes must be national too¹⁹.

Concludingly, it could be argued that neo-Gramscian approaches have increasingly shifted to a deterritorialized approach to the internationalization of capital and state in the course of their development since Cox's initial work

¹⁶ All these factors together with the 'decline in the relative power of the US nation-state and other core states in recent decades', Robinson argues, account for 'the decreased effectiveness of traditional military power and the absolute coercive capacity of the core in the world system'. It goes without saying that especially this last argument has been totally refuted by the unprecedented U.S. power in the Iraq war.

¹⁷ Robinson's concept of polyarchy here marks a break with a wide range of Marxist theories on the issue (e.g. Poulantzas's concept of 'power bloc' or van der Pijl's 'concepts of control' which basically refer to the same reality -plurality of different ruling class fractions in capitalism) and comes closer to a liberal understanding of power relations.

¹⁸ We will see below that there is a similar contradiction in Hardt and Negri's argument of a completely deterritorialized empire and the US nation-state at the top of the hierarchy of this empire.

¹⁹ For instance Robinson argues that Cox, Gill and van der Pijl have a 'nation-state centered concept of class' because 'they postulate national bourgeoisies that converge externally with other national classes at the level of the international system' (Robinson, 2000: 14). The accuracy of this argument with regard to its description of Cox, Gill and van der Pijl is questionable because the 'national' element that is remnant in their analysis is not at the level of class but state. In other words, while Cox, Gill and especially van der Pijl define classes at the transnational level (and thus see the space of capital as basically transnational), to varying extents they all see the nation-state as still partly (though to a decreasing extent) relevant for the reproduction of the conditions of accumulation. Once again Robinson attributes his own confusion of the space of capital and space of state to Cox, Gill and van der Pijl, ending up with a misreading of their arguments.

in 1987. The elements of deterritorialization were present in Cox's initial work too, especially in his outside-in orientation to the state as well as his definition of the transnational class as a transnational elite with the final control over the dynamics within each specific social formation. However, the inside/outside duality as well as a concern to understand how internationalization is internalized by nation states was still there in this early work. In the course of the later development of the neo-Gramscian analyses, the focus has shifted totally to the transnational level. In this process, van der Pijl's and Gill's concepts of 'transnational state-civil society complex' have marked a further deterritorialization of the debate. The final step, however, has been made by Robinson, who has gone furthest in treating both the space of capital and the space of state as completely overlapping and transnational, ending up with a theoretical framework totally ignoring the role of nation-states in the internationalization process and thus unable to explain the contradictions of state restructuring.

3.4.1.2 Hardt and Negri's Empire

Coming from a different tradition of Marxism, Hardt and Negri converge with Robinson on a completely deterritorialized concept of capital and state based on a complete overlapping and transnationality of the space of capital and space of state. In *Empire*, Hardt and Negri argue that 'sovereignty has taken a new form, composed of a series of national and supranational organisms united under a single logic rule', which they call Empire (p.xii). According to Hardt and Negri, what we are witnessing is a qualitative passage 'from imperialism to Empire and from the nation-state to the political regulation of the global market' (p.237). 'Economic geography and political geography', they argue, 'both are destabilized in such a way that the boundaries among the various zones are themselves fluid and mobile. As a result, the entire world market tends to be the only coherent domain for the effective application of capitalist management and command' (p.254).

Hardt and Negri explain the difference between imperialism and Empire with reference to Marx's distinction between the formal and real subsumption of labour under capital. Imperialism involves capital's internalization of its outside through spatial expansion and thus the formal subsumption of labor under capital, whereas Empire involves the full realization of the world market and thus the processes of real subsumption of labor under capital. Discipline, Hardt and Negri argue, is the central mechanism of this transformation:

"When a new social reality is formed, integrating both the development of capital and the proletarianization of the population into a single process, the political form of command must itself be modified and articulated in a manner and on a scale adequate to this process, a global quasi-state of the disciplinary regime" (p.255).

The first part of Hardt and Negri's argument regarding the relationship between the full realization of a world market and the real subsumption seems quite plausible. The problem starts in the second part: Why would the disciplinary mechanism governing the world market necessarily take the form of a world state? And even if this would be the logical alternative, is it really so?

Hardt and Negri have a contradictory answer to the last question. The Empire, they argue, is governed by a 'pyramid of global constitution' composed of three tiers. The highest tier of 'unified global command' is composed of US at the top, G7 states at the second level, and international associations at the third level. The second tier is structured by the networks of transnational corporations and nation-states that are subordinated to them. And the third tier consists of groups that represent popular interests in the global power arrangement (p.310). It is interesting to note here that, while on the one hand, Hardt and Negri conceive Empire as a completely deterritorialized structure, on the other hand they put the 'US nation-state' at the top of its 'unified global command', to be followed by G7 nation-states at the second tier. As in the case with Robinson, we need then to ask: if the global command of the world market is unified in the hands of a single nation-state with other nation-states subordinate to it, then what is meant by the decline of the nation-state here?²⁰

The answer to this last question is given again in the description of the 'pyramid of global constitution'. Nation-states reside on the second tier of the pyramid, 'on a level that is often subordinated to the power of the transnational corporations', where they act as 'filters of the flow of global circulation and regulators of global command' (p.310). This description is based on the typical assumption that states have their own powers (compared to the power of TNCs), and thus their role is reduced to a filter, or a transmission belt between the global and the local, conceived in isolation from class powers in their territory.

²⁰ A similar point about Hardt and Negri is forcefully made by Panitch and Gindin (2002: 25).

Hardt and Negri have the most extremely deterritorialized approach to capital as well. Following Deleuze and Guattari, they argue that capital operates on the plane of *immanence*, ‘through a generalized decoding of fluxes, a massive deterritorialization, and then through conjunctions of these deterritorialized and decoded fluxes’ (p.326). The functioning of capital, they argue, is ‘deterritorializing and immanent in three primary aspects that Marx himself analysed’ (p.326): separation of populations from territories in the processes of primitive accumulation, reduction of all forms of value to money, and the immanence of laws by which capital functions to the very functioning of capital (p.326). Due to this deterritorializing tendency of capital, Hardt and Negri argue,

“...even the boundaries of the nation-state tend to fade into the background as capital realizes itself in the world market. Capital tends toward a smooth space defined by uncoded flows, flexibility, continual modulation, and tendential equalization” (p.327).

Modern sovereignty, on the other hand, operates on the plane of *transcendence*, through the ‘striation of the social field’. As such, ‘transcendence of modern sovereignty conflicts with the immanence of capital’ (p.327). ‘Historically’, Hardt and Negri argue, ‘capital has relied on sovereignty and the support of its structures of right and force, but those same structures continually contradict in principle and obstruct in practice the operation of capital, finally obstructing its development’.

Thus for Hardt and Negri there is a contradiction between the ‘smoothness’ of the space of capital and ‘striation’ of the space of sovereignty. This contradiction, they argue, has been mediated by civil society for one historical period but not any more. The withering away of civil society stems from the decline of the labor unions, and is concomitant with the ‘passage from disciplinary society to the society of control’. This process involves the ‘smoothing of the striation of modern social space’ and sovereignty itself becomes immanent like capital. The space of sovereignty becomes smooth and thus completely compatible with the space of capital and the contradiction between the two is thus resolved.

The process of smoothing of the space of sovereignty also corresponds to the passage from imperialism to Empire. Imperialism, Hardt and Negri argue, which once contributed to capital’s survival and expansion through providing new territories for it, has also created rigid boundaries among various global spaces, precluding the full realization of the world market:

“Imperialism is a machine of global striation, channeling, coding, and territorializing the flows of capital, blocking certain flows and facilitating others. The world market, in contrast, requires a smooth space of uncoded and deterritorialized flows...The full realization of the world market is necessarily the end of imperialism” (p.332-333).

In this process, the divisions among nation-states as well as between center and periphery lose their meaning. The lines of division ‘will no longer be found along stable national or international boundaries, but in fluid infra- and supranational borders’ (p.335).

There are two problems with Hardt and Negri’s conception of the ‘space of capital’ and ‘space of sovereignty’. First, when they talk about the ‘smoothness’ or ‘immanence’ of the space of capital, they are basically referring to the ‘space of flows’ that was discussed in the introduction of this study. The space of capital, however, is not confined to the space of flows. As argued before, it also involves the space of production, which is always ‘striated’ in some way or another. Thus it is only the space of flows which can be seen as ‘smooth’ or ‘immanent’, not the whole space of capital²¹. The second problem in their approach is their argument that in the globalization process the space of sovereignty is also ‘smoothened’ or transnationalized to match the smoothness of the space of capital. Here Hardt and Negri wish to match their deterritorialized concept of capital with a deterritorialized concept of state. However, even their own emphasis on the privileged position of the U.S. nation-state in the new space of sovereignty is enough to show that this is not the case.

The completely deterritorialized concept of capital implied by Hardt and Negri’s concept of immanence could be seen as a fair description of the increased mobility of money capital in the current process of

²¹ This point has been clearly made by Albo (2003): “If places of production are always historically specific class relations conditioning the formation of value within nation-states, then the economic flows of the world market such as commodity trade, portfolio investment and direct investment connect these places as part of a system of interacting national social formations’. In this process, ‘the local and particular of value production is connected with the abstract and the universal flows of money in the world market’.

internationalization²². Whatever the degree of dominance of this form in the current context, however, it is still *only one* of the forms of capital, not the whole. This is a point missed by the Open Marxism approach as well. That's where the discussion will turn now.

3.4.1.3 Open Marxism School

The main concern of Open Marxism school, which is grounded in the Conference for Socialist Economists and the journal *Capital and Class*, has been to criticize structural Marxism's strict duality between base and superstructure. In that context, they emphasize 'social totality' and conceive state and capital as aspects or forms ('modes of existence')²³ of this social totality. Thus they view the state as 'a differentiated *form* of the social relations of production' and national states as political 'moments' in the global flow of capital (Burnham, 1997: 153).

The approach of Open Marxism school to the internationalization of capital and the state can best be seen in Holloway's *Global Capital and the National State* (1994). According to Holloway, the relation between state and capital 'can be understood only in a global context' (p.23). His main question is, what is common in different national states that makes us speak of the 'state' as a general concept? Against the economic determinist and functionalist approaches that answer this question through a base-superstructure model, Holloway argues that 'the state is not a structure but a rigidified form of social relations' (p.29), it is a 'moment of the totality of the social relations of capitalist society' (p.27). 'The political as a moment of the relation between capital and labour', he argues, 'is a moment of a global relation. However, it is expressed not in the existence of a global state but in the existence of a multiplicity of apparently autonomous, territorially distinct national states' (p.31). In other words, according to Holloway, capitalist state necessarily takes the form of the nation-state because exploitation and coercion are separated in capitalism. As the relation of exploitation was liberated from spatial bonds in the process of transition to capitalism, he argues, 'the coercion which provided the necessary support for capitalist exploitation acquired a new territorial definition' in the form of nation-states (p.31).

Another reason why capitalist state necessarily takes the national form, Holloway argues, is that the nation-state serves the 'decomposition of global social relations' as a crucial element in the fragmentation of opposition to capitalist domination, in the decomposition of labour as a class (p.31). Thus for Holloway, capital has always been international and state has always been national in capitalism, so 'there is a basic territorial non-coincidence between the state and the society to which it relates' and this is equally valid for both center and the periphery (p.32)²⁴ In terms of the distinction between the space of capital and space of state, then, Holloway clearly argues that the 'space of state' is *necessarily* national in capitalism even if the 'space of capital' is global. In that sense, Open Marxism school makes a strong case at the epistemological level for the non-correspondence between the two spaces by arguing that this is a systemic requirement of capitalist relations of production²⁵.

The problem starts when Holloway puts the contrast between the globality of capital and nationality of state as a contrast between the mobility of capital and the immobility of state (p.33). 'The contrast between the spatial liberation of the process of exploitation (mediated through the flow of capital as money), on the one hand, and the spatial definition of coercion (expressed in the existence of national states), on the other', he argues, 'is expressed as a contrast between the mobility of capital and the immobility of the state' (p.33). In this framework, Holloway criticizes the approaches on the left which treat capital 'as though it could be understood in terms of its personal, institutional or local attachment, instead of seeing these attachments as transitory moments in the incessant flow

²² Even money capital, however, is not totally deterritorialized in Hardt and Negri's sense. The following example can be given from Harvey (1999: 421) for this: "If a powerful bank hold the mortgage debt on much of the infrastructural investment within a territory, then it undermines the quality of its own debt if it syphons off all surplus money capital and sends it to wherever the rate of profit is highest. In order to realize the value of the debt it already holds, the bank may be forced to make additional investments within a territory at a lower rate of profit that could be commanded elsewhere".

²³ According to Open Marxism school, 'form' can be understood either as 'species' or 'mode of existence'. The forms of something are in the first case the specific characters it can assume. In the second case, on the other hand, something exists only in and through the forms it takes (p.xvii).

²⁴ Holloway adds at this point that this does not mean that 'the relation between global capital and all national states is the same': "The territorial definition means that each state has a different relation to the global relations of capitalism" (p.33).

²⁵ It should be noted at this point that, in line with this strong case on the nationality of state form in capitalism, some scholars from the Open Marxism tradition have made a number of interesting analyses of the state-class relationships in specific social formations. In that sense, their approach is quite different from neo-Gramscian approaches that focus exclusively at the supranational level. See for example Bonefeld *et al* (1995).

of capital' (p.34). Thus, Holloway sees all 'immobile' forms of capital (like productive capital) as 'transitory' and therefore irrelevant for the analysis of the relation between global capital and the nation-state²⁶. He only takes into consideration the money form of capital because 'the absolute contingency of space', he argues, 'is epitomised in the existence of capital as money' (p.31).

In this context, Holloway argues that the relation between global capital and national state can be imagined through the metaphor of nation-states as 'reservoirs seeking competitively to attract and retain the maximum amount of water from a powerful and largely uncontrollable river' of global capital (p.38). In this understanding, global capital can not be tied down to any particular part of the world. This kind of a deterritorialized concept of capital, coupled with a concept of nation-state whose role is reduced to a 'reservoir' which can not control but only respond to the unstoppable movement of capital forms the limits of the Open Marxism school.

The problem with this approach, as with Hardt and Negri, is the failure to distinguish between the space of production and space of flows, and treatment of the space of flows as the whole space of capital. The theorization of money capital as 'the global capital' leads to a totally deterritorialized concept of capital ('immanent' in the case of Hardt and Negri, and 'a-spatial'²⁷ in the case of Holloway). The exclusive focus on money capital leads to the misleading view that all capital is mobile and the main contradiction is between the mobility of capital and immobility of state. When the whole process of circulation of capital is taken into consideration, however, it becomes clear that the tension is not between mobility of capital and immobility of state, but 'between fixity and motion in the circulation of capital, between concentration and dispersal, between local commitment and global concerns', which 'put immense strains upon the organizational capacities of capitalism' (Harvey, 1999: 422). In other words, it is wrong to see capital as totally mobile and free from spatial bounds because 'a portion of the total social capital has to be rendered immobile in order to give the remaining capital greater flexibility of movement' (Harvey, 1999:419). Also, the exclusive focus on the mobility of money capital as if other fractions of capital no more exist²⁸ leads to an inability to explain the contradictions within capital in the process of internationalization. Thus, what we need is not only a territorialized concept of state but also a territorialized concept of capital²⁹.

3.4.2 Re-territorialization of the Debate

The conceptual tools of a territorialized approach to state and capital in the context of globalization can be found in the works of Bryan, Panitch, Albo, Tsoukalas and Harvey, who all emphasize in their own ways the non-coincidence between the space of capital and space of state, and how this non-coincidence is reflected as a contradiction within each national state. In what follows, I will draw upon their arguments to discuss i) why territoriality is still important in the globalization debate, ii) how to understand the contradictions within capital and within the state in a specific social formation in this process.

3.4.2.1 Why Territoriality Still Matters

Internationalization of capital does not lead, as Robinson, Hardt and Negri *et al* have argued, to the deterritorialization of social relations. In Tsoukalas' (1999) words, 'territoriality has not evaporated' with globalization, and this is true for both capital and the state. The territoriality of capital basically means that production and accordingly exploitation always takes place in a specific territory. As Albo (2003) has pointed out,

²⁶ 'The reproduction of capital depends on its (transitory) immobilisation in the form of productive capital, involving its embodiment in machinery, labour power, land, buildings, commodities', he argues, but 'in its most general and abstract form, money, capital is global, liquid and fast-flowing' (p.33).

²⁷ 'The global nature of capitalist social relations', Holloway (p.31) argues, 'is inherent in the nature of the capitalist relation of exploitation as a relation, mediated through money, between free worker and free capitalist, a relation freed from spatial constraint. The a-spatial, global nature of capitalist social relations has been a central feature of capitalist development since its bloody birth in conquest and piracy'. The term '*a-spatial*' here is worth noting.

²⁸ Holloway himself is aware that this is not the case: "Money dominates because production has ceased to be so attractive for capital, but ultimately production is the sole source of capital's self-expansion" (p.43).

²⁹ Bryan makes this point forcefully when he argues that it is wrong to see the world as divided *only* by political space: "The problem with those conceptions is that they start from the notion that the world is, in the first instance, a unified, seamless totality (there is a single unit of value; a uniform process of accumulation), and 'then' segmented (fractured/divided) by the intrusion of territory. They conflate the process of abstraction (an integrated world) with a historical process (the conflicts and contradictions by which capital expanded across the globe. The notion of the world fractured or divided by political space is, therefore, both predicated on an ideal type (uniform, apolitical, non-territorial space: the borderless globe), and limited in its depiction of the possible significant sources of 'difference'" (Bryan, 2003).

‘the appropriation and production of value and commodities through the exploitation of labour takes place in spatially specific places of production; but the circulation of commodities and the distribution of value in exchange flows is potentially not bounded to any particular place’. In other words, the exploitation of labour always takes place in spatially specific places of production ‘that are constituted by the specific territorially-embedded conflictual social property relations of capitalism’ (Albo, 1997: 8). The contemporary internationalisation of markets, in this context, is ‘a contradictory ‘space of flows’ between these ‘spaces of production’ (p.8)³⁰.

In the same vein, Tsoukalas (1999) argues that economic activities do not take place in a ‘trans-territorial class vacuum’: Exploitation always takes place ‘within the territories of specific societies organised as sovereign states’. Accumulation, Tsoukalas argues, can take different organizational forms but its operationalization, by definition, remains domestic:

“If the constitution of domestic power blocs and their internal antinomies and political antagonisms can only be properly understood in conjunction with their trans-territorial entrepreneurial capacities, they must nonetheless also always operate within definite borders, however loose their dependence on internal markets may be. Even if capital may be controlled in the ether, it must be accumulated on earth.” (p.58)

Thus, the territoriality of capital basically involves the fact that exploitation takes place within national spaces. The territoriality of state basically follows from this: it means that the conditions of exploitation are still reproduced at the national level. In this context, against conceptions that look for the reproduction of the accumulation process at the supra-national level, Tsoukalas (1999) follows Poulantzas in arguing that ‘the overall responsibility for reproducing internal class relations and equilibria resides with national states’ (p.61) because ‘social coherence, systems of exploitation and class conflicts remain purely internal affairs’ (p.62). ‘On the material level’, he argues, ‘deregulation, labour fragmentation, productivity and profit maximisation can only be ensured within a juridically-given territorial context. In this sense, far from dispensing with national states’ functions and services, the extended reproduction of the accumulation of international capital is totally dependent on their constant intervention’ (p.67).

Thus, Tsoukalas revives Poulantzas’ basic argument that the economic functions of the state are not just some technical tasks that can be separated from its political functions and transferred to the supra-national level. ‘The political and ideological cohesion of social formations, still materialised only by and through states’, he argues, ‘provides the basis for reproducing the (interchangeable) coherent socioeconomic and legal environments necessary for any productive organisation’ (p.67). In the same vein, Albo (2003) argues that ‘the social practices of capitalism have historically been compartmentalized within the territorial domain of nation-states which have provided a common currency, legal structure, class formation and social institutions, and which interact as part of a world market’. In that sense, the role of the nation state in reproducing the overall conditions of class domination has not declined with globalization. In Panitch’s (1994: 67) words, “global class interpenetrations and contradictions need to be understood in the context of the nation state’s continuing central role in organising, sanctioning and legitimising class domination within capitalism”. This brings us back to the question of how to understand these contradictions.

3.4.2.2 Contradictions within Capital

The accentuation of contradictions within capital in the recent internationalization process is based on two factors. First is the increasing non-coincidence between the internationality of capital accumulation and nationality of state, which is expressed within the capitalist class of each social formation as the increasing incompatibility of different demands from the state. In Tsoukalas’ words, ‘the contradictions and antagonisms of international capital are now directly present within national socioeconomic formations’ (p.59), thus ‘it is now even more true that the contradictions between fractions of capital within national states are ‘internationalised’ (p.60). The second factor is related to the nature of the recent internationalization process. As Bryan (1995: 84) argues, globally-integrated capital markets have brought the whole spectrum of monetary policy into the division between capitals with conflicts over the exchange rate and the interest rate. In other words, the conflicts associated with state regulation of the money system are more complex than those associated with the tariff and trade policy

³⁰ Harvey (1990) has made a similar point through his argument that capital constantly seeks a ‘spatial fix’ to the problems of overaccumulation that result from the process of intra-capitalist competition, which is reflected as a contradiction between fixity and mobility in the circulation of capital.

which was the major source of conflicts within capital in the post-war era.

How are we, then, to formulate the divisions within capital in the recent process of internationalization? What we are looking for here is a conceptualization that refers specifically to the contradictions in the recent process of internationalization, involving the spatial dimension as well as the role of state. Bryan's (1995) framework is quite helpful at this point. Bryan (1995: 95) argues that neither the divisions between industrial, commercial and bank capitals nor the division of foreign and national capital are directly relevant in this sense. The particularity of the contradictions of internationalisation, he argues, cannot be identified with these divisions. The spatial dimension of accumulation is absent, and the role of the state in securing the conditions of accumulation involves no dimension which is particular to the contradiction between the nationality of the state and the internationality of accumulation³¹.

Instead of these two divisions, Bryan suggests a division based on the four forms of international integration in terms of different spatial combinations of production, realisation and reproduction: the national circuit, the global circuit, the investment-constrained circuit, and the market-constrained circuit. National capital is the capital which produces, sells and reinvests in the same national space. It is small scale (not large enough to reproduce internationally) and likely to be concentrated in import-competing or naturally protected industries. Global capital produces within a nation-state, but it can sell on global markets and reinvest beyond the borders. Its realization and reproduction is located according to international conditions of profitability. Investment-constrained capital can sell on global markets but cannot consider international production. It is integrated into international accumulation at the level of exchange, but not production. It consists of smaller-scale capital which produces exportable commodities, but is not large enough to undertake production internationally. The lifting of capital controls in the 1980s reduced the importance of this form of accumulation; these capitals also shifted into the global circuit as they either outgrew protected investment opportunities or such opportunities dried up. Finally, market-constrained capital can invest internationally, but can only sell within national markets (See Table 1).

Table 1: Circuits of Capital and International Accumulation

	Production (C..P..C')	Realisation (C-M')	Reproduction (M-C')
National	National	national	national
Investment-constrained	National	international	national
Market-constrained	National	national	international
Global	National	international	international

Source: Dick Bryan, The Chase over the Globe

Note: C..P..C: production of commodities;

C'-M': realisation of commodities through the act of exchange; and

M'-C': reproduction of capital (allocation of revenue to new production).

Each of the different phases in the circuit of capital involves the impact of state policy, and thus the basis for division between individual capitals over state policy (Bryan, 1995: 88). Each of the four fractions of capital described above benefit from different kinds of state policies. For instance, tariff and exchange rate policies are the central concern for market-constrained capital, 'these policies form a critical divide between different sorts of TNCs in their expectations of nation state policies' (p.91). Controls on imports of commodities and money capital, as well as the impact of monetary policy on the exchange rate, determine the size and fortunes of each. The internationalization of capital has reduced capital in the investment-constrained circuit, but capital in the national and market-constrained circuits still exert significant influence in the policy formation of nation states. The exchange rate remains a major irresolvable conflict between capitals engaged in different forms of accumulation (Bryan, 1995: 92-93).

³¹ Bryan's critique of the foreign-national distinction as having no economic significance is especially important at this point. The economically important characteristic of 'foreign' capitals, Bryan argues, is not the location of ownership, for this is a politico-legal definition, but that they engage in international relocation of capital - money, production and commodities. Yet this is not exclusive to 'foreign-owned' companies: 'nationally-owned' TNCs do this too. This is a very important point in challenging nationalist analyses that make a distinction between foreign-owned and locally-owned TNCs as if they have different economic interests and demands from the state.

The main strength of Bryan's division is that it is defined with reference to the state so it can help explain the contradictions of state policy. Each form of accumulation is reliant on state intervention for its relative prominence within the national spaces of accumulation, 'because interventions which advance one form of accumulation inevitably retard another' (p.98). Another strength of Bryan's approach is its historical and spatial dimensions. In Bryan's division, historical processes of concentration and centralisation involves a tendency for capitals to move towards the international circulation of commodities and/or the international relocation of production. These also involve the transformation from one spatial form of accumulation to another.³² 'Concentration and centralisation', Bryan (1995: 99) argues, 'means that the policies advocated by individual capitals (or groups of capitals) cannot be simply 'read off' from their current form of international integration'. This explains why nationalist policies formulated on the basis of a static concept of 'national bourgeoisie' are unviable: Individual capitals in the national circuit advocate state protection for their demands only until they move to the international circuit, which is their ultimate motive.

In sum, Bryan's analysis of four types of capital producing within the same country but having differing sites of realization and reproduction is very helpful for understanding the contradictions within capital in each social formation. Since Bryan focuses on the types of accumulation involving some process of production within the nation concerned and production here is equated only with the existence of a labor process (e.g. banks are also deemed to undertake production if their individual circuit involves a labor process in the concerned country), it is possible in this framework to explain the contradictions within an internal capitalist class divided according to its differential forms of integration with the process of international accumulation. The next question concerns how these contradictions are reflected within the state apparatuses.

3.4.2.3 Contradictions within the State

Before discussing the contradictions of state restructuring specific to internationalization, it should be noted that the formation and implementation of state policies in capitalism has always been a contradictory process. These contradictions stem from the basic fact that capitalist state is based on a plurality of dominant classes or fractions, as opposed to the previous types of states which were based on the 'exclusive domination' of one class or fraction (Poulantzas, 1968: 230). This is reflected in the structure of the capitalist state as a '*power bloc*' composed of several dominant classes or fractions one of which is hegemonic over the others and thus constitutes the 'contradictory unity' of state (Poulantzas, 1968: 239), and in the '*political scene*' as a plurality of political parties representing (or misrepresenting) different class interests. In other words, the political organization of dominant class in capitalism takes two basic forms: within the state apparatus as a 'power bloc' and in the 'political scene' as political parties. While the political scene covers a particular space that contains the struggle between social forces that have already organized themselves as political parties, the power bloc is constantly organized by the state itself because political parties cannot always act as the organizing factor of the interests of the hegemonic fraction. In that sense, the political organization of capital through the state in the form of a power bloc is more continuous than its organization in the political scene through political parties. This does not mean, however, that the former is less contradictory than the latter.

The distinction between these two concepts is quite important as the specific character of a certain state in a certain period depends a lot on the relationship between the two. For instance, when new contradictions emerge within capital, the dominant fraction may be unable to organize its hegemony in the political scene in which case these contradictions tend to be managed by the state bureaucracy rather than by political parties. This situation is often accompanied by the predominance of the executive *vis-a-vis* the legislative organ within the state, on the one hand, and the decline of the parties and their replacement by pressure groups, on the other (Poulantzas, 1968: 315).

Poulantzas has showed how the plurality of dominant classes or fractions is reflected in the structure of the capitalist state as a 'power bloc', composed of several politically dominant classes or fractions made possible by the internal play of state institutions. The fragmented structure of the capitalist state helps this process. As Harvey (2001: 280) points out, 'the net effect of the fragmentation of institutions is probably to make it easier to achieve 'the formation and supersession of unstable equilibria' between fractions of capital and between the dominant and the dominated'. In this context, 'the formal separation of powers between executive, legislature and judiciary',

³² "...for instance, a small company in the national circuit moving into exporting, and thus the investment-constrained circuit. Thus capitals in the national circuit may advocate state policies to subsidise or otherwise assist exports" (p.98).

Harvey argues, 'ensures that the state can act as an effective arbiter between the various fractional interests within the capitalist class' (2001: 276).

How does internationalization add to this? How are the 'tensions between fixity and motion in the circulation of capital' reflected within state structures? Harvey (1999: 422) argues that these tensions are contained through the creation of 'nested hierarchical structures of organization which can link the local and particular with the achievement of abstract labour on the world stage'. 'While the nation-state occupies a key position in this hierarchy', he argues, 'supra-national organizations reflect the need for global co-ordinations, and regional, city, and neighbourhood governmental arrangements links universal with purely local concerns'. However:

"Conflict abounds between levels within this hierarchical structure, making a mockery of any theory of the state as a monolithic, unitary phenomenon. And even though much of the power may be located at the national level, the problem of integrating local with global requirements always remains a thorny problem for any administration" (p.423).

How does the state cope with this thorny problem of managing contradictions within capital with respect to internationalization? Several mechanisms come forward. First is the predominance of the state apparatus *vis-a-vis* political parties; i.e., the decline of the 'political scene' and the increasing concentration of power in the state (Albo, 2002). In Poulantzas' terms, this is because new contradictions within capital that emerge in the process of internationalization tend to be managed directly by the state rather than political parties. The result is 'a recrudescence of organizational political practice by the state apparatus' (Poulantzas, 1968: 315). In the globalization context, this point has been reiterated by Tsoukalas (1999: 69) who points out that 'political conflict is concentrated on secondary debates and cannot directly reflect well-established and internalised class issues...one may legitimately speak of a growing 'theatricality' of internal political conflict, still organised in parties'.

Second mechanism, which follows from the first, is the predominance of the executive *vis-a-vis* legislative within the state apparatus. In Poulantzas' (1968: 315) words, 'the decline of political parties does not mean a political disorganization of the power bloc, in so far as the state itself takes over this role: this is often so in the case of a state autonomy in which the executive is characteristically predominant, when this latter is combined with the decline of the parties and their replacement by pressure groups'. Albo (2002) makes the same point in the globalization context: 'The foremost symbol of the concentration of political power', he argues, 'has been the decline of legislative bodies and democratic accountability and the strengthening of the unilateral exercise of power by the Executive branches'.

Third, the internal hierarchy of the executive branch is re-ordered to augment the role of agencies dealing with capital accumulation in general and economic internationalization in particular (Poulantzas: 1974, Panitch, 1994: 72; Albo, 2002). What Poulantzas calls the '*specialized economic apparatus*'³³, which is directly linked into the accumulation-reproduction process of capital comes forward in this process. The predominance of the specialized economic apparatus within the executive, Poulantzas argues, is accompanied by 'the establishment of distinct

³³ According to Poulantzas, the state manages the contradictions within capital through a process whereby 'certain apparatuses are subordinated to others, and through the domination of a particular state apparatus or branch which crystallizes the interests of the hegemonic fraction - - domination exercised over other branches or apparatuses that are the resistance centres of other fractions of the power bloc' (Poulantzas, 1978: 137). In the internationalization context, the apparatus which crystallizes the interests of the hegemonic fraction is the '*specialized economic apparatus*'. In *State, Power, Socialism*, Poulantzas (1978: 170) discusses the 'reorganization, extension and consolidation of the '*specialized economic apparatus*' as the restructuring principle of state space'. The specialized economic apparatus has a number of characteristics that are crucial for understanding the contradictions of neo-liberal restructuring of states: i) 'it is directly linked into the accumulation-reproduction process of capital, and is thus the most affected by the rhythm and contradictions peculiar to that process', ii) 'it increasingly concentrates even those economic functions which used to be divided among various apparatuses', iii) 'since it is the least subject to the conjunctural hazards of government policy it often follows a specific logic in partial contradiction with general state policy', iv) 'it is this apparatus which most clearly demonstrates the *continuity* of the state, even though it is the most directly embroiled both in the internal contradictions of the power bloc and in the contradictions between the bloc and the dominated classes' (Poulantzas, 1978: 171). It should be noted here that the specialized economic apparatus is the privileged centre of the hegemonic fraction, which in this case is international capital, but other fractions of capital are also represented in this apparatus because it plays a role in reproducing the overall cycle of capital. Thus what is involved here is not a mechanical division between state apparatuses and branches each representing a specific capital fraction. The contradictions of internationalization are reflected within each state apparatus and branch but mostly concentrated within the specialized economic apparatus.

circuits (specifically economic commissions or boards) within various state apparatuses' (Poulantzas, 1978: 171). These commissions or boards, which are referred to as the 'regulatory agencies' in the globalization context, together with Treasuries and Central Banks, form the core of the 'specialized economic apparatus' that currently dominates other branches of the state apparatuses (the established hierarchy of ministries).

The predominance of a specialized economic apparatus and specifically the 'regulatory agencies' within the state leads to growing contradictions between 'the professed aims of the political personnel responsible for the regulation of deregulation, on the one hand, and the established state bureaucracy entrusted with the symbolical, juridical and ideological cohesion of national social formations on the other' (Tsoukalas, 1999: 72). 'On the level of representations', Tsoukalas argues, 'this contradiction may be summed up in the ostensible incompatibility between public 'neutrality' and particularistic 'preferentiality'' (p.72). In other words, certain parts of the state directly engage with certain individual capitalists, who must be directly involved in the crisis management.³⁴ Tsoukalas describes this process as the 'selective and differentiated relative autonomy reflected in the internal contradictions that mark the various 'branches' of the state apparatus'. In the same vein, Bryan (1995:5) argues that, in response to the intensified contradictions within capital, 'national policy formation has increasingly pursued *ad hoc* agendas, often informed by the most banal of formal economic propositions - that competition is good, debt is bad, inflation is worse, etc.'

On the other hand, the growing contradictions within capital are masked behind a new ideology of 'techno-authoritarianism' (Tsoukalas, 1999: 74). In Albo's (2003) words, the bureaucratic insulation of state's economic functions from democratic structures occurs 'under the neoliberal guise of protecting the market from political interference, when in fact the political role of the market is being strengthened to offset any democratic initiatives being fought through the state'.

The dilemma for individual states in this context is that many state policies advantage one part of capital, but penalise another (Bryan, 1995: 5). There is only one policy for states in the process of internationalization of capital that can please all parts of capital at the same time: the assault on labour. That is why globalization can only proceed in the political context of neo-liberalism.

Conclusion

In this paper, I tried to review the Marxist literature on the internationalization of capital and the state in terms of how major approaches have treated the space of capital accumulation and space of state action in the internationalization process from Marx to the recent debates on globalization. The conclusions can be summarized as follows.

Marx's views on the internationalization of capital were mostly shaped in the context of the expansion of capitalism into non-capitalist formations rather than the international movement of capital among already capitalist social formations. That's why Marx discussed the role of the state in internationalization only in geopolitical/ repressive terms. Nowhere did he analyze the economic role of the state in the international accumulation process. Also, although he provided significant insights for the analysis of the historical and spatial dynamics of the internationalization of capital in different parts of his work, and touched the role of the state in some other parts, he never brought all these together in the same theoretical framework. This was also true for his treatment of the question of the relationship between space of capital and space of state. The undifferentiated concept of space in the *Manifesto* for instance, was quite different from the much more differentiated and territorialized concept of space in *Grundrisse*. Therefore it is difficult to make a definitive judgement on Marx's position on this issue on the basis of his scattered writings.

The discussion took a new route in the context of the inter-imperialist rivalries of the late 19th century, which 'forced Marxists to confront directly the dynamic relations between inner and outer transformations' (Harvey, 2001: 308). As different from Marx's own writings, the classical imperialism debate had a distinct spatial flavor from the beginning, as well as a more direct preoccupation with the question of state and the territorial dimension. The main problem with classical imperialism theories, however, was their one-sided emphasis on Marx's certain arguments on the expansion of capitalism, treating certain tendencies as facts and ignoring other (counter-) tendencies (Harvey:1975, Brewer: 1990). In this context, Bukharin and Lenin's treatment of internationalization

³⁴ That's the whole point of 'crony capitalism' which is not a deviation that can be fixed as neo-liberal and neo-institutional approaches argue, but a tendency inherent in the recent internationalization of capital.

exclusively as a rivalry among national blocs of capitals/states was marked by the failure to differentiate between the 'space of capital' and the 'space of state'. As Bryan (1995) points out, by treating both of these spaces as national, they saw the only contradiction of internationalization as a rivalry among national blocs of capitals/states, with no inherent contradiction in the international accumulation process itself.

When the debate on the internationalization of capital re-emerged in the early 1970s, the main question was how the post-war proliferation of TNCs as well as the rise of Europe and Japan as new centers of accumulation affected the balance between the 'internationalization' and 'nationalization' of capital as reflected in the state form. In the context of the post-war developments, Mandel and Rowthorn reproduced the Lenin-Bukharin line of argument by conceiving internationalization as a rivalry among regional blocs of capitals/states. Their approach differed from that of Lenin and Bukharin only in the sense that they defined the competing state-capital blocs in the world economy in regional rather than national terms. The problem essentially remained the same: a failure to differentiate between the 'space of capital' and 'space of state' by defining both spaces as regional and thus overlapping. In other words, by formulating a direct correspondence between the space of capital accumulation and the space of state action, they also reduced the contradictions of internationalization to a rivalry among regional blocs of capitals/states, again disregarding the contradictions of the international accumulation process itself.

The breaking points in the course of the 1970s debate were Murray, Poulantzas and Palloix. Murray was the first one to argue for a 'territorial non-coincidence' between internationalizing capitals and their domestic states, and thus a differentiation of the space of capital and space of state. However, Murray left the question of the relationship between international capital and state form too contingent and even ambiguous by arguing that public functions for the international capital could be performed by all sorts of institutions in all sorts of ways (the domestic state, foreign state structures, the extended capital itself, or the existing state bodies in co-operation with each other).

It was Poulantzas who resolved this ambiguity in Murray's analysis by pointing out that the economic functions of the state could not be separated from its political function of reproducing the class domination as a whole, and this could only be undertaken by the nation-states. Thus, on the question of who would assume responsibility for the public functions necessary for the reproduction of international capital, Poulantzas gave a decisive answer: These functions had to be internalized by the nation-states themselves. In this way, he clearly showed that even when the 'space of capital' is internationalized, the 'space of state' has to remain national.

Another breaking point in the course of the debate was Palloix. Palloix was clearly on the side of those theories that differentiated between the 'space of capital' and 'space of state' and problematized the 'internalization' of public functions of the international capital by the nation-states. He made two important contributions to this line of thinking. First, by differentiating between the history of internationalization of each circuit of capital, he added a historical dimension to the debate and was able to explain the specificity of the recent phase of internationalization through his emphasis on the preeminent role of money form as the expression of international value in the recent phase. Second, through his discussion of the continuous but varying role of the state in each phase of internationalization of the circuit of capital, Palloix was able to identify the nature of the restructuring of the state in the recent phase of internationalization: the reordering of the internal hierarchy of the state apparatus and increasing contradictions within the state reflecting the requirements of monetary sanction.

When the debate re-emerged in the 1990s, the new context was the expansion of capitalist relations of production into all parts of the globe following the collapse of the existing socialist regimes. This gave rise to approaches that tended to theorize internationalization as increasing deterritorialization of social relations in a 'borderless globe'. In this context, the internalization problematic of the post-Murray debate was increasingly replaced by analyses that focused exclusively on the global level, as with neo-Gramscian approaches (especially Robinson), Hardt and Negri, *et al.* On the other end of the spectrum, the Lenin-Bukharin line of argument on the competing national blocs of capitals supported by their own states was revived in the globalization context by regulationist, neo-institutionalist and various national-developmental approaches that treated both the space of capital and the state as national. Although this line of argument formed an alternative to the completely deterritorialized approaches, their concept of territoriality reproduced the flaws of the Lenin-Bukharin-Mandel-Rowthorn line of formulating a direct correspondence between the space of capital accumulation and the space of state action, thereby disregarding the contradictions of the international accumulation process itself.

The breaking points in this last round of the debate were the works of Bryan, Panitch, Albo, Tsoukalas and Harvey, who all provided in their own ways the conceptual tools for the re-territorialization of the debate by reproducing Murray-Poulantzas-Palloix line of argument on the non-coincidence between the space of capital and space of state, and how this non-coincidence is reflected as a contradiction within each national state. The position of each approach is summarized in Table 2.

Table 2: Space of capital and space of state in Marxist theory (1)

	Space of capital accumulation	Space of state action	Relation between the two spaces
Lenin, Bukharin Regulation school, Neo-institutionalist approaches -----	national	national	compatible
Mandel, Rowthorn	regional	regional	
Robinson, Hardt and Negri	international	international	compatible
Murray, Palloix, Poulantzas Tsoukalas, Albo, Panitch, Bryan	international	national	incompatible

It should be noted here that Open Marxism school has a peculiar position on this issue. On the one hand, they make a strong epistemological case for the non-correspondence of the space of capital and space of state by arguing that the separation of coercion from exploitation and the ensuing territorialization of coercion within nation-states is a systemic requirement of capitalism. In that sense, they have a territorialized concept of the state. On the other hand, by treating the space of capital exclusively in terms of the ‘space of flows’, they end up with a deterritorialized concept of capital. In other words, they treat the state as territorialized, but capital as deterritorialized. This means that they see space as divided only politically. In this sense, their approach differs from those of Albo, Panitch, Bryan *et al*, who see space as divided both politically and economically. Their positions are summarized in Table 3.

Table 3: Space of capital and space of state in Marxist theory (2)

	Space of capital	Space of state
Robinson, Hardt and Negri	deterritorialized	deterritorialized
Open Marxism	deterritorialized	territorialized
Albo, Panitch, Tsoukalas, Bryan, Harvey	territorialized	territorialized

The discussions above show that it is not only important to differentiate between the space of capital accumulation and space of state action, but also have a territorialized conception of capital itself. A territorialized conception of capital, on the other hand, is possible through a differentiation between the ‘space of production’ and ‘space of flows’. While the space of flows may take different forms, the space of production is always ‘territorialized’ because production entails exploitation which always takes place within specific social formations (Tsoukalas: 1999, Albo: 2003). The constant tensions between the space of capital and space of state, on the one hand, and between the space of production and space of flows (‘the tension between the fixity and motion in the circulation of capital’ in Harvey’s words) on the other, are reflected as increasing contradictions within the capitalist class and state of each social formation. The contradictions within capital in this process can be analyzed most adequately by looking at the spaces of production, realisation and reproduction of individual capitals operating within each social formation (Bryan, 1995). The contradictions within the state, on the other hand, can be best understood by analysing the mechanisms by which the nation-state *internalizes* and *mediates* the contradictions of the international accumulation process (Panitch, 1994). These mechanisms involve a re-ordering of the internal hierarchy of the state marked by the predominance of the state apparatus over political parties; of the executive over legislative and judiciary organs; and of a ‘specialized state economic apparatus’ over established bureaucracies. None of these measures, however, can resolve the contradictions of the international accumulation process. The result is an increasing disintegration and fragmentation of the state apparatuses masked behind the totalistic ideology of globalization.

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