

A LONGUE DURÉE AND COMPREHENSIVE PERSPECTIVE ON THE
GREAT DEPRESSION OF 1873

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF SOCIAL SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

CAN DENİZ TURNA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
THE DEPARTMENT OF ECONOMICS

OCTOBER 2020

Approval of the thesis:

**A LONGUE DURÉE AND COMPREHENSIVE PERSPECTIVE ON THE
GREAT DEPRESSION OF 1873**

submitted by **CAN DENİZ TURNA** in partial fulfillment of the requirements for the degree of **Master of Science in Economics, the Graduate School of Social Sciences of Middle East Technical University** by,

Prof. Dr. Yaşar KONDAKÇI
Dean
Graduate School of Social Sciences

Prof. Dr. Meltem DAYIOĞLU TAYFUR
Head of Department
Economics

Prof. Dr. Onur YILDIRIM
Supervisor
Economics

Examining Committee Members:

Assoc. Prof. Dr. Muammer KAYMAK (Head of the Examining Committee)
Hacettepe University
Economics

Prof. Dr. Onur YILDIRIM (Supervisor)
Middle East Technical University
Economics

Assoc. Prof. Dr. Münis Seven AĞIR
Middle East Technical University
Economics

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct, I have fully cited and referenced all materials and results that are not original to this work.

Name, Last name : Can Deniz TURNA

Signature :

ABSTRACT

A LONGUE DURÉE AND COMPREHENSIVE PERSPECTIVE ON THE GREAT DEPRESSION OF 1873

Turna, Can Deniz

MS., Department of Economics

Supervisor: Prof. Dr. Onur Yıldırım

October 2020, 155 pages

The thesis was written during the long crisis of capitalism which has been on the air since 2008. The aim is to shed light on this crisis from a different perspective grounded in Braudel's long duration. Evaluating the crisis within a long period of time, placing it in the global context as well as examining other crises, can widen our perspective and contribute to our understanding about the crisis. Based on these objectives, this thesis examines the 1873-1896 crisis and evaluates its consequences from the perspectives of economic history and political economy. Finally, the thesis investigates the recent crisis and compares it with the one in 1873-1896. The 1873-1896 crisis is particularly important because it is the crisis upon which the foundations of the US hegemony were laid. It wrought radical transformations upon the capitalist system, and the effects of transformations have continued until today. In another words, the crisis of 1873 is the starting point of a *longue durée* (long

duration), and probably we are witnessing the last years of this long duration with the 2008 crisis.

Keywords: 1873-1896 Depression, crisis, 2008 crisis, hegemony, uneven development

ÖZ

1873 BÜYÜK BUHRANI ÜZERİNE UZUN DÖNEMLİ (LONGUE DURÉE) VE KAPSAMLI BİR BAKIŞ AÇISI

Turna, Can Deniz

Yüksek Lisans, Ekonomi Bölümü

Tez Yöneticisi: Prof. Dr. Onur Yıldırım

Ekim 2020, 155 sayfa

Bu tez, kapitalizmin 2008'den beri devam eden uzun krizi sırasında yazıldı. Tezin amacı, krize Braudel'in uzun dönem kavramına dayanan farklı bir perspektiften bakmaktır. Krizin uzun bir dönem içinde değerlendirilmesi, küresel bağlamda düşünülmesi ve diğer krizlerin incelenmesi, bakış açımızı genişletebilir ve krizi kavrayışımıza katkı sağlayabilir. Bu amaçlarla tezde; 1873-1896 krizi inceleniyor, bu krizin sonuçlarına iktisat tarihi ve politik iktisat perspektiflerinden bakılıyor ve son olarak içinde yaşadığımız krizin gelişimi incelenip, 1873-1896 kriziyle karşılaştırılıyor. 1873-1896 krizi, ABD hegemonyasının temellerinin atıldığı ve kapitalist sistemin etkileri bugüne kadar devam eden radikal dönüşümler geçirdiği kriz olduğu için büyük önem taşıyor. Başka bir deyişle 1873 krizi bir longue durée (uzun dönem)'nin başlangıç noktasıdır ve biz büyük olasılıkla bu uzun dönemin son yıllarına 2008 kriziyle tanık olmaktadır.

Anahtar Kelimeler: 1873-1896 Depresyonu, kriz, 2008 krizi, hegemonya, eşitsiz gelişme

For those who struggle for an equal and free world

ACKNOWLEDGEMENTS

I would first like to thank Prof. Dr. Onur Yıldırım for his supervision throughout the preparation of this thesis. I am grateful to him for his efforts and support at every stage of the thesis.

I would also like to thank to the members of my examining community, Assoc. Prof. Dr. Muammer Kaymak and Assoc. Prof. Dr. Münis Seven Ağır for their valuable and helpful comments.

Also, I would like to thank Prof. Dr. Fikret Adaman, Prof. Dr. Yaşar Eyüp Özveren, Assist. Prof. Dr. Çınla Akdere and Timothy Dilnutt for their contributions to the thesis.

Lastly, I would like to thank my family and my friends; Ozan Gürlek, Ali Osman Kutluhan Bostan, Savaş Kaptan for their encouragement about the completion of my MSc in METU.

TABLE OF CONTENTS

PLAGIARISM	iii
ABSTRACT	iv
ÖZ	vi
DEDICATION.....	vii
ACKNOWLEDGEMENTS.....	viii
TABLE OF CONTENTS	ix
LIST OF FIGURES	xi
LIST OF TABLES.....	xii
CHAPTERS	
1. INTRODUCTION	1
2. AN ECONOMIC HISTORY PERSPECTIVE ON THE 1873-1896 DEPRESSION	10
2.1. Introduction.....	10
2.2. The 1850s and 1860s: ‘Profitable’ Years Before the Depression.....	11
2.3. After 1873: The Long Standing Depression and Changes in the World Order	23
2.4. Conclusion	45
3. INSTITUTIONAL AND IDEOLOGICAL TRANSFORMATIONS IN THE 1873-1896 DEPRESSION.....	47
3.1. Introduction.....	47

3.2.	Reviewing Arrighi’s Work and Systemic Cycles.....	47
3.3.	The English Model and Its Evolution After the Crisis.....	50
3.4.	German-US Models and Finance Capital.....	62
3.5.	Lenin’s Perception of Imperialism: The Synthesis of Imperialisms of Hobson and Hilferding and The Emphasis on Uneven Development.....	74
3.6.	Conclusion.....	80
4.	THE 2008 CRISIS AND ITS COMPARISON WITH THE 1873-1896 DEPRESSION.....	84
4.1.	Introduction.....	84
4.2.	1990-2007: Pre-Crisis Years and Great Moderation.....	85
4.3.	2008 and onward: Global Financial Crisis and Long-Run Recession....	96
4.4.	Debates about Hegemony and the New Imperialism After 2008.....	106
4.5.	Conclusion.....	119
5.	CONCLUSION.....	125
	REFERENCES.....	132
	APPENDICES	
A.	TURKISH SUMMARY / TÜRKÇE ÖZET.....	138
B.	THESIS PERMISSION FORM / TEZ İZİN FORMU.....	155

LIST OF FIGURES

Figure 1 Foreign Investment in 1914: Investor Countries	39
Figure 2 Structure of the Post-1880 International Gold Standard	42
Figure 3 Long Centuries and Systemic Cycles of Accumulation	49
Figure 4 Current Account Balance of US between 1970-2018 (current US\$)	91
Figure 5 Real GDP Growth (Annual Percent Change).....	102
Figure 6 West Texas Intermediate (WTI or NYMEX) Crude Oil Prices Per Barrel (US\$).....	103

LIST OF TABLES

Table 1 Average annual consumption of raw cotton in the nineteenth century (000 tons).....	16
Table 2 Four indicators of European economic development, 1800–1913	18
Table 3 Distribution of World Manufacturing Production, 1870-1911 (%).....	27
Table 4 Comparative Indicators of Production Around 1911	27
Table 5 Transatlantic emigration from Europe, 1851–1920 (000).....	30
Table 6 Growth Rates of Agricultural Production 1800-1912	34
Table 7 US Tariff Revenue to Duty of Valuable Imports 1860-1915	35
Table 8 The Comparative Table of Colonisation in 1900	53
Table 9 The Share of Intra- Imperial Trade within the Total Trade of Britain	54
Table 10 Comparative Table of Britain’s Armaments and War Expenditure; and The Value of Colonial Trade for the period of 1884-1903.....	57
Table 11 Approximate Distribution of Foreign Capital about 1910.....	76
Table 12 The Length of Railways of the Largest Countries Including Their Colonies (In Thousands of Kilometres)	78

CHAPTER 1

INTRODUCTION

In 1958, at the beginning of his article, *Histoire et Sciences sociales: La longue durée*, Fernand Braudel stated that social sciences are in a general crisis. Cooperation between them and collaborative works are needed. However, they are all overwhelmed by the accumulation of new knowledge in their areas, and with the challenge of organizing the collaboration between them; a collaboration which had yet to be specified (Braudel, 2009, p.171).

“All historical writing periodizes the past, and makes choices among chronological realities, based on positive or negative preferences that are more or less conscious.” (Braudel, 2009, p.173). According to their periodization preferences historical analyses could be divided into the three categories: short time analyses that are event-based, the medium-term analyses that evaluates the past within periods of 10, 20 or 50 years and lastly the long-term analyses which investigates the past within secular length; “the history of long, even very long, duration (*longue durée*)” (Braudel, 2009, p.174).

For the organization of the cooperation between social sciences, Braudel suggested thinking of subjects in the long term, in *longue durée*, in which their genuine features could be more clearly understood, and the links between the different areas, such as economy, politics and society could be identified more

easily. On the other hand, traditional inclination in social sciences is to focus on the short-time and events. History could be seen as the gathering of events however, the whole could have completely different meanings than its parts. Focusing on the events could be very misleading and confusing.

At first glance, the past is this mass of detailed facts, some spectacular, others obscure and constantly repeated, the kind of facts which these days are the regular quarry of the microsociologist or sociometrics (and of the microhistorian as well). But this massive array does not constitute the whole thick reality of history that may subject to careful scientific reflection. Social science feels almost repelled by the event. And not without the cause. The short term is most capricious, the most deceptive of time periods (Braudel, 2009, p.175).

Observations which are short term and event-based result in misleading evaluations in economics, too. For example, at the beginning of 2000s, some leading economists, including Ben Bernanke who would later become the chair of the FED from 2006 to 2014, asserted that capitalism had entered a period of stability, ‘the great moderation’, in which, thanks to the appropriate intervention of central banks and advanced information technologies, it would not experience any kind of major crisis (Akçay and Güngen, 2016, p.11). This rather optimistic view was proven wrong within a few years with the advent of the 2008 global financial crisis. Similarly, some scholars argued that capitalism had been transformed, and since the 1980s, financialization was the new and permanent feature of capitalism. However, if economic history is examined, it can be seen that financialization is neither a new nor a permanent feature of capitalism. It is a recurrent tendency, which appears in the history of capitalism from time to time. The center of financialization has changed throughout history: at different times, the financial center was located in the Italian City States, Holland and Britain. Today, the US is the center.

This thesis was written during the current global recession, which has been going on since 2008. The evaluations of this crisis are generally based on short term and country specific analyses, too. In the analyses, responsibility for the outbreak of the crisis has generally been placed on unregulated financialization of the US, the mistakes of the FED - such as low interest rates at the beginning of the 2000s - and the greediness of financial industry. These are not wrong, but the crisis was also the result of other developments in the world economy over a longer period of time. Thus, evaluating the crisis over a longer period of time, conceiving of within its global context, as well as examining other crises, can widen our perspective and contribute to our understanding of the crisis.

The aim of the thesis is to examine the 1873-1896 crisis, and look at its results from the standpoints of economic history and political economy. Lastly, it investigates the evolution of the recent crisis and compares it with the one that took place from 1873 to 1896.

The 1873-1896 crisis is particularly important because it is the crisis in which the foundations of the US hegemony were laid, and which brought about a radical transformation of the capitalist system, the effects of which have continued until today. In addition to that, the comparison between the 2008 crisis, and the crises of the 1930s or the 1970s is more commonly found in literature. In comparison, comparisons between the 2008 crisis and 1873 crisis are few. The thesis attempts to contribute to the latter.

The long recession that began in 2008 has been accompanied by the erosion of the US power in the world. The USA, which once led the establishment of

institutions such as the IMF and the World Bank and became the undisputed leader of the capitalist world, has nowadays withdrawn from the Paris Climate Agreement, and has rendered the World Trade Organization's Appeals Body inoperable. The US has even cut its funding of the World Health Organization during the coronavirus pandemic by accusing of it being a China-Centric¹. How can we interpret the changing positions of the US in the world? Are there any relations between the declining role of the US in the world and the long recession which has continued since 2008 or even since the 1970s?

Braudel (2009, p.201-202) said that “the genius of Marx, the secret of his lasting power, is that he was the first to invent real social models, based on the historical *longue durée*”. Evaluating the history in the *longue durée* necessitates thinking of it within social models. Although social models come with some limitations, they are very useful in connecting the parts, and deriving a general structure in a longer time horizon. With this vision, this thesis especially uses the systemic cycles of accumulation approach to interpret the institutional and ideological changes that occurred in the aforementioned crises. The systemic cycles of accumulation approach are based on Braudel’s *longue durée* and were articulated and developed by Giovanni Arrighi in his famous book *The Long Twentieth Century*. It asserts that capitalism moved in cycles of accumulation which were organized around a hegemonic state. Each of these states became a ‘hegemon’ with its own style of capitalism. With their own style of contributing to the system, they widened

¹ <https://www.theguardian.com/world/2020/apr/15/world-health-organization-why-has-trump-suspended-funding>

or deepened capitalism and became the leader of the system for a certain period of time.

Until our time, four hegemonic cycles in capitalism were formed under the leadership of Genoa, Holland, Britain and the US. The last hegemony, the US hegemony began to flourish with the advent of the 1873 crisis. Within this framework, the 2008 crisis should be the end of this hegemony. Thus we could be in the last phase of a *longue durée* and to understand its end, to look at its beginning is both necessary and very useful.

The other pillar upon which this thesis rests is the uneven development concept which originates from Marxist literature. According to this concept, capitalism proceeds by creating uneven development both within and between countries. This concept does not mean that the existing inequalities are preserved permanently; in other words, the current rich do not continue invariably to be rich, nor the current poor continue to be poor. The developing states and individuals can vary, but the law remains unchanged. Capitalism feeds off this unevenness and creates it in order to further develop the system. Neoliberal practices, which include transferring wealth from workers to capitalist, transforming underdeveloped countries into developed countries via stagnation in real wages, financialization and moving the production to the areas where labor cost is low and selling their products in developed nations, should be seen as the responses of capitalism to the profitability crisis of 1970s. That is to say, capitalism intensified inequalities and has fed of them since the 1980s. The intensification of inequalities is not only specific to this period. Even in the formation of capitalism, the discovery of America and

transferring the wealth of the continent to Europe played a crucial role. Similarly, after the 1873 crisis, one of the main responses of the developed nations to the crisis was the new wave of colonization in which Africa and the Pacific regions were colonized completely, their people and resources were exploited, and their wealth transferred. Thus, increasing inequalities in the World since the 1980s should not be seen as an anomaly, they are an inherent tendency of capitalism, and this tendency intensifies when it lacks new value-generating mechanisms. This shows that an innovation crisis existed in it.

These wealth transfers and creation of uneven development led to parasitism and decay in exploiting countries, and sometimes they formed the basis for the change of capitalism's orbit. For example, in the second half of 19th century and in the beginning of 20th century, with rapidly expanded economy and ample resources, the US was one of the main profitable investment areas of Britain. British capitalists gained big profits from such investments and transferred parts of the US' wealth. Britain transferred not only US' but also many other countries' wealth to her own country in this period. However, this contributed to the decay of Britain by moving it away from production, and making it increasingly dependent on profits and tributes from outside. In the long run the center of capitalism moved from Britain to the US. Similarly, moving production to East Asia - and especially to China - in the 1990s and the 2000s, led to high profits for Western capitalists due to the cheap labor costs. However, this has also contributed to the rapid development of China. The center of capitalism may move one more time. However here, two important points should be emphasized. Firstly, this is not an automatic process, many variables need

to gather for the center of capitalism to shift. For example, although Africa and Latin America suffered exploitation for a long time, capitalism has not brought them meaningful development dynamics at least until now. Secondly, the new center also created the new unevenness or used existing unevenness. For example, China has created an unequal relationship with African and Latin American countries as the US and European countries did and its rapid industrialization also contributed to the de-industrialization of Southern Europe. All in all, the concept of uneven development is very useful both to understand the dynamics of capitalism and to discern the changes that have taken place in it. Therefore, this concept is used in this thesis to understand both causes and consequences of the crises.

The chapters of the thesis could be read separately, but they are also connected with each other in the thesis. The first two chapters investigate the 1873-1896 Depression from perspectives of economic history and of the political economy. In the first chapter, a general perspective on the crisis and the world at that time was provided through the lens of economic history. In the second chapter, the structural changes that occurred due to the 1873-1896 depression were examined. The reorganization of production and power relations in the world were investigated via imperialism literature. In the last chapter, the 2008 crisis is analyzed both from the perspective of economic history and political economy. Additionally, this crisis was compared with the 1873-1896 depression. In all chapters, the systemic cycles of accumulation approach and the uneven development concept were used as the theoretical framework.

The first chapter of the thesis, specifies and elaborates the main causes, indicators and important consequences of the 1873-1896 crisis from the perspective of economic history. In this context, the chapter investigates the pre-crisis years, the geographical enlargement of capitalism and the formation of a world market around the free trade system of Britain, the importance of the textile and iron industries, as well as the use of coal for energy. The role of Continental Europe and US industrialization besides the technological advances in transportation and in agriculture in the formation of this crisis were explained. Then the depression and its consequences are elucidated. The chapter also touches upon the decline in prices and profits, the erosion in the unique role of Britain in the world, the new wave of colonialism, the protectionist measures in the trade and the gold standard. The perspective provided us by economic history allows us to understand the background, causes and consequences of the crisis.

In the second chapter, the crisis is reviewed from the political economy perspective. The main focus was placed on the institutional and ideological transformations that occurred because of the crisis. To understand these transformations, the main imperialism literature of that time particularly Hobson (2000), Hilferding (2006) and Lenin (2007)'s works used along with the systemic cycles of accumulations approach. Hobson's work investigates the response of British capital to the crisis, while Hilferding's book shows the responses of German and, to some extent, the US capital to the crisis. Lenin combined these two books with the uneven development concept and gave us the overall framework of imperialism in the beginning of the 20th century.

In the last chapter, the 2008 crisis is investigated both from economic history and political economy perspective and it is compared with the 1873 crisis. Firstly, the pre-crisis years were analyzed, including the integration of China and the countries of the former USSR to capitalism in the 1990s, the hegemony of free trade, neoliberalism and also financialization in the world. Then the beginning of the crisis and its evolution in the US, EU, China and in developing countries, the great recession and protectionist measures in trade were discussed. Lastly, the crisis is analyzed from the hegemony debates and new imperialism. The possibility of Chinese hegemony and its character was discussed in the light of the 1873 crisis within the theoretical frameworks of the thesis.

CHAPTER 2

AN ECONOMIC HISTORY PERSPECTIVE ON THE 1873-1896 DEPRESSION

2.1. Introduction

This chapter presents a reinterpretation of the 1873-1896 depression from the perspective of economic history. The period from 1850 to 1870 was the time when Britain created a free trade system around the world. This system rested primarily on a new division of labor between different regions of the globe. After its industrialization matured, Britain began gradually to open up its markets. This process was completed with the liberation of agriculture through repeal of Corn Law in 1846. After this date, the free trade system in the world was established, in which Britain and partly France sold the industrial goods to the rest of the world and took inputs and agricultural goods in return. However, most of the time this trade relation was established by force rather than consent in the third world. China and India were the most notable examples of this. Both countries were defeated by Britain and other Western powers, and it was only after that that they opened up their markets completely to Western (mostly British) industrial products. The world came increasingly under the influence of Britain and France during the nineteenth century. The main sectors of British industry were the cotton textile and iron manufacturing, and coal was mainly used as the energy source. In the expanding world economy,

many states began to emulate the British model of industrialization. Belgium, parts of Germany, and France launched massive industrialization. Free trade was clinched with a set of free trade agreements which started with the Anglo- French treaty in 1860. There was not a common monetary standard during this period. Britain used the gold standard while others used bimetallic standard or silver standard.

The crisis followed the prosperous decades of the 1850s and 1860s. Germany and the US started to industrialize rapidly and started to challenge Britain's unique role in industrial production. Advancements in the agriculture sector damaged the division of labour by allowing the production and circulation of large amounts of agricultural supplies, and thus caused the substantial decline in the prices of agricultural products at the expense of European farmers. The result was persistent and substantial price declines across the world. Many countries in Europe, plus the US headed into protectionism. The new wave of colonialism especially in Africa began in this era. With the second industrial revolution, production in new industries, like the steel and chemical industries, increased and Germany and the US became more successful in these than Britain. The gold standard was adopted by the increasing number of countries in the world, and financial networks strengthened while the trade networks weakened.

2.2. The 1850s and 1860s: 'Profitable' Years Before the Depression

The 1873-1896 Depression came after the 'profitable' years of the 1850s and 1860s. After the first industrial revolution that started in Britain in the last quarter of the 18th and the first quarter of the 19th century, Britain progressively liberated its markets. Industrial protectionism was abandoned in the 1820s. The labor market was

liberated after 1834, and the agricultural market followed it in 1846. Protectionism of shipping was lifted in 1849 (Wallerstein, 2011). Like many other developing countries in history, Britain used protectionism on the road to development and abandoned it gradually only after its industries developed. Among these developments, the Repeal of Corn Law in 1846 was particularly important because it marked the new division of labor in the world which was shaped around Britain, and whereby lots of countries became suppliers of raw materials and agricultural products, and, additionally, became customers of Britain's industrial output.

During this era, the gap between Western Europe and the rest of the world widened. The big independent states like the Ottoman Empire, Iran and China were increasingly challenged by the Western states' economic and military power. The Ottoman Empire after the free trade agreement of 1838, Balta Limanı Treaty, lowered its custom tariffs and became an open market for the Western industrial goods. The abolition of monopolies and state controls on foreign trade removed barriers to the export of raw materials from the Ottoman Empire (Kaymak, 2008, p.124). Iran was under the dual pressure of Britain and Russia. China, after the defeat in the First Opium War (1839-1842), with weakened central authority entered the turbulent period which lasted almost hundred years. After the First Opium War, China was forced to sign a trade agreement, the Nanjing Agreement, with Britain that contained similar clauses with the Ottoman treaty such as restrictions on the Chinese government to apply unilateral tariffs, and the abolition of monopolies and controls. In addition to these, the Nanjing agreement contained punitive clauses such as a war indemnity, leaving Hong Kong to Britain. (Kasaba, 1993). China's situation

worsened in the following decades: “An Anglo-Franco-American triumvirate had controlled the Shanghai customs since 1854, but after the second Opium War and sack of Peking, which ended with total capitulation, an Englishman actually had to be appointed ‘to assist’ in the administration of the entire Chinese customs revenue.” (Hobsbawm, 1975, p.129).

Only Japan, within these old, large empires commenced the proper imitation of Western powers with the Meiji Restoration of 1868, and towards the end of the century, became one of ‘wolves’ in the world system. Japan’s case was particularly interesting historically. Japan actually displayed common features with Europe in terms of social structure. “Like the feudal order of Medieval Europe, [Japan had] a hereditary landed nobility, semi servile peasants and a body of merchant-entrepreneurs and financiers surrounded by an unusually active body of crafts, based on growing urbanization.” (Hobsbawm, 1975, p.147). Japan witnessed the defeat of its neighbor, China, in the Opium Wars, and this could be one of the reasons for its acceptance of Western superiority in the military and economic domains. As a result of this resemblance and the lust for Westernization, Japan centralized its state administration, introduced a new currency and a comprehensive land tax. It also implemented military reform which led to many Samurai uprisings which were unable to reverse the process of Westernization. (Hobsbawm, 1975, p.150-153).

Relatively less powerful states such as Morocco, Burma and Vietnam were also colonized by Western powers during this period. Siam maintained its independence, at least formally, with its strategic buffer zone feature between the British and French colonies. Most of the former colonies of Spain and Portugal in

Latin America gained their independence in the first quarter of the 19th century. However, regarding their economic situations, they were still very dependent. Efforts for institutional reforms were frustrated due to this lack of economic independence, and weak states in which clashes between local elites occurred violently. Their role in the world economy was becoming the suppliers of certain agricultural products such as tobacco, cotton, coffee and precious metals like silver.

India, Indonesia and parts of North Africa were colonized in this period. The importance of India for Britain was extremely high during the 19th century. It was forcibly transformed from an important exporter of textile products, to an exporter of raw cotton for the British textile industry. The destruction of the old economic structure triggered the major revolt in the north of India in 1857-1858. This revolt was cruelly suppressed by Britain. However, after the revolt the British became more cautious. In large areas of India, they used local princes as puppet administrators rather than direct rule, and the 'divide (according to their religion for example) and rule' principle more frequently. However, India's economic dependency on Britain continued in indirect rule as well.

The Civil War took place from 1861 to 1865 in the United States. The southern States actually represented the agricultural interest. They accepted this role, and found it beneficial becoming a raw cotton exporter to the free trade system of Britain. However, the northern States represented the industrialist interests which defended protectionist measures, and tried to create suitable conditions for capitalist development including free labor. Victory of the North was also the victory of the industrialists in the US. Egypt, which was formally part of the Ottoman Empire but

de facto had its own government, later annexed by Britain, was integrated into Britain's world system as a cotton exporter. In the years of the Civil War, the supply of raw cotton from the United States diminished, and the cotton supply from Egypt and Brazil relieved the cotton shortages. The share of raw cotton in the total exports of Egypt steadily increased starting from the years of American Civil War. It rose over 50% in the late 1860s, and reached 92% during 1910-13 (Kaymak, 2008, p.172). The construction and opening of the Suez Canal, which reduced the transport time from India and other parts of Asia, further increased the role of Egypt. The Suez Canal additionally substantially increased the integration of the Middle East into the world system. For example, the annual average of Iraq's export values was £230,000 in the first five years of the 1870s. This average increased to nearly £800,000 in the second five years of the 1870s (Owen, 2009, p.183).

Cotton textile and iron manufacture were the two main sectors of British industrialization. They were supported with the widespread use of coal as an energy source, and the steam engine as mechanical power (Cameron, 1993, p.198). The input of raw cotton required by the textile industry was largely provided by other countries such as India, the US, Egypt and Brazil. The strength of the British navy ensured the uninterrupted flow of imports and exports. However, the vast majority of manufacturing in Britain, especially of textiles, was for centuries based on a cottage industry, and not factory production. This was mainly the case even after the industrial revolution. Many innovations in the textile industry rested on the inventions of artisans and workers who had not received any scientific training or education. "Machines like the 'spinning jennies' or looms were used in the home

and provided traditional occupations with technological support. A close investigation of English censuses up until the mid-nineteenth century gives clear evidence of a state of ‘proto industrialization’ and production based on small enterprises and workshops.” (Di Vittorio, 2006, p.179). As it will be emphasized later, the industrialization and the creation of the main sectors of it would be different in continental Europe and the US.

Table 1 Average annual consumption of raw cotton in the nineteenth century (000 tons)

<i>Period</i>	<i>Great Britain</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>Belgium</i>	<i>Switzerland</i>	<i>United States</i>
1803–1812	25.7	8.0	–	–	–	–	–
1815–1824	46.0	19.0	–	–	–	–	–
1835–1839	165.8	43.6	8.9	–	5.9	–	–
1850–1854	320.0	67.2	26.0	–	10.8	–	–
1860–1864	327.0	70.8	51.2	–	9.4	–	111.4
1866–1875	498.8	85.4	92.4	17.5	18.5	31.2	205.5
1880–1889	662.0	108.1	166.2	75.5	22.3	24.7	422.7
1900–1909	790.8	205.4	380.4	167.8	48.7	26.0	950.4

Source: Di Vittorio (Ed.), 2006, p.180

The extensive use of coal as an energy source was one of the prominent features of British industrialization. According to Braudel (1979), this was marked by the transition from the age of wood to the coal era. The abundance of the coal reserves in Britain and its proximity to water, which was one of the cheapest ways to transport coal, facilitated its use in the absence of adequate wood. “... substitution of coal for wood, which sparked the development of the steam engine, the new techniques for the smelting of iron and eventually new means of transport, including the railway and steamship.” (Parthasarathi, 2011, p.2). Railways especially played a major role in the integration and deepening of the world economy. It facilitated the cheap transportation of products. In addition to this, the construction of railways was

very capital intensive, and provided investors with a profitable area in which they could invest. The railways played an important role in the industrialization of the US and continental Europe. The expansion out West, and a large incoming flow of both labor and capital were supported by the widening railway network in the US. The industrial 'emulation' of both in Western Europe, and later in the other parts of Europe such as Italy and Russia were enabled by railway networks. They were able to transport raw materials and industrial products within their countries and unify their separate local markets.

The period from 1850-1870 was also a time of industrialization for Western Europe and the US. There are many debates around the development patterns in capitalism, and the relations between the leading capitalist state(s) and backward (relative to the leader) countries. According to Gerschenkron (1968), there are 'advantages of backwardness' in the catch up process. In these countries, industrial growth could be more rapid, large scale industry could be more developed, and production rested on intermediate goods instead of consumer goods. In other words, the main sectors in industrialization differed in the leading and backward countries. These advantages were used by countries in Western Europe, the US, and, after 1870, by Japan.

Table 2 Four indicators of European economic development, 1800–1913

<i>Year</i>	<i>Production of iron and cast iron (million tons)</i>	<i>Consumption of cotton (million tons)</i>	<i>Production of coal (million tons)</i>	<i>Railway network (km)</i>
1800	(0.6)	(0.04)	(12.9)	–
1830	1.5	0.17	29.3	175
1840	2.6	0.31	45.1	2,925
1850	3.9	0.47	67.2	23,500
1860	6.5	0.73	114.6	51,850
1870	10.5	0.86	180.2	104,900
1880	13.9	1.14	216.7	169,100
1890	17.5	1.56	328.3	225,200
1900	25.5	1.99	437.8	292,200
1910	36.9	2.49	573.9	351,000
1913	45.9	2.79	646.8	362,200

Source: Di Vittorio (Ed.), 2006, p.178

Belgium had abundant coal resources similar to Britain. Moreover, its geographical proximity to Britain and the maritime tradition of the country led it to be a successful imitator of Britain and to become the first industrialized country in Continental Europe. France followed a different path of industrialization in comparison to Britain. It had scarce coal resource, and agriculture had played an essential role both demographically and economically throughout its history. “During the first half of the nineteenth century, it continued to concentrate on the agriculture, and in 1856, 49 per cent of the population was still engaged in farming, as against 22 per cent in Great Britain...The manufacture of luxury goods with high added value by artisans and domiciled workers accounted for three quarters of industrial output, and still enjoyed the great prestige and deep-rooted traditions under the direction of the Paris fashion centers.” (Di Vittorio (Ed.), 2006, p.198). The construction of railways and telegraph networks also contributed to its growth. Germany’s unification was not completed until 1871, although the customs union,

Zollverein, between German states was established in 1834. After that Germany started to experience tremendous growth. However, in the 1850s and 1860s, and with the expanding world market, German states, especially in the eastern part of Germany, specialized in grain production and exportation (especially to the Baltic region) while the western part of the country started to industrialize. The widening network of railways and the abundance of coal reserves along with the growing industry in the Ruhr basin contributed to the emergence of the German national market, and the unification and industrialization of Germany.

In the 18th and the beginning of the 19th century, Britain implemented export restrictions on coal and wool. The industrial revolution caused further restrictions on the emigration of artisans and machinery exports. The decades of 1850s and 1860s were the free trade era. Britain initiated this era with the gradual liberation of their markets in the first half of the 19th century. In this era, the industrial capacity of Britain increased and the industrialists of Britain wanted to reach the global markets. “The repeal of Corn Laws was motivated by “free trade imperialism” -a term initially used by Gallagher and Robinson (1953)-, which expressed the desire to establish a monopoly in the trade of industrial goods across the world. The free-trade movement in France had its support in Bordeaux, the wine-exporting region; Lyon, interested in silk; and Paris, producer of so-called Paris article for sale abroad (cabinet ware, perfumes, imitation jewelry, toys, and so on.)” (O’Rourke (Ed.), 2005, p.17, 21). As a result of these shared interests, the Anglo-French Treaty was signed in 1860. According to this agreement, France limited the ad-valorem duties and removed its prohibitions, Britain accepted the removal of the tariffs on nearly

all French goods except wine, and coal was traded duty-free from both countries. This was the symbol of the free-trade era not only because it decreased or removed the tariffs on many goods which were traded between Britain and France, but also because of the introduction of the most favored nation clause. According to this clause, Britain would automatically benefit from the future trade agreements signed by France with another country that lowered tariffs (Wallerstein, 2011, p.121-123). This agreement was followed by other trade agreements between the European powers: “France-Belgium, 1861; France-Prussia, 1862; by extension France-Zollverein, 1866; Prussia-Belgium, 1863 and 1865; Prussia-Britain, 1865; Prussia-Italy, 1865; and numerous others.” (Landes, 2003, p.200). German interest in free trade came from exporting grain and timber whose producers were the ruling class in Prussia. German producers had strong trade links especially in the Baltic region for these products.

In addition to economic gains, defending the free trade stemmed also from ideological commitment to liberalism. In this period, the world system was expanding under British hegemony. Being a hegemon means having not only military or economic superiority but also ideological superiority over the other agents in the hegemony. Thus ideological superiority also led European states to pursue liberal free trade policies. “The movement to free trade in the 1850’s in the Netherlands, Belgium, Spain, Portugal, Denmark, Norway and Sweden, along with the countries discussed in detail, suggest the possibility that Europe as a whole was motivated by ideological considerations rather than economic interests.” (O’Rourke (Ed.), 2005, p.33-34). The Third World was mainly colonized or had free trade

imposed upon it by the Western powers. The US, as it mentioned earlier, was divided between the free trade interests of the South and the protectionist interests of the North until the end of the Civil War. Although the tariff rate was generally higher than Europe in this country, there was a decline in the tariffs after the 1850s until the Civil War (Hughes & Cain, 2007, p.256).

Polanyi (1957) argues that the gold standard was one of the prominent pillars of the 19th century civilization. Britain started to use the de facto gold standard as early as 1717 (Eichengreen, 2008, p.6). In this year, the master of the mint, Isaac Newton fixed the price of gold too low and this resulted in the disappearance of much of the silver from circulation. Britain was able to sustain this early gold standard due to her economic power and her strong trade links with the rest of the world. For example, the gold supplied from Brazil facilitated this unilateral gold. In 1774, silver's legal status for the transactions over £25 was abolished, and, in 1821, the legal status of silver for use in small transactions was also abolished. Portugal accepted the gold standard in 1854 due to the strong trade link with Britain. (Eichengreen, 2008, p.15).

Except in Britain and Portugal after 1854, the gold standard became the common standard throughout the world only in the last thirty years of the 19th century. Until 1870s, many countries used gold and silver together in circulation, a form of bimetallism, or the silver standard only. Russia, Scandinavia, the German States, the Far East and the Austro-Hungarian Empire used the silver standard (Eichengreen, 2008, p.8). Countries which used the bimetallic standard secured a connection between the countries who used both the gold and silver standards.

Within bimetallic standards, the gold to silver ratio was fixed. If this ratio was close to the market price ratio of these two metals, both of the metals existed together within the market. Otherwise, as in the case of Britain in the 18th century, one of the metals went out of circulation. France was the most prominent country which used the bimetallic standard throughout most of the 19th century. The US, the Netherlands, Belgium and later Italy were other countries which used the bimetallic standard.

The bimetallic standard led to an oscillation between silver and gold due to the shocks to the supply of one metal which could originate from internal or external sources. Eichengreen gave two notable examples of these shocks:

Gold discoveries in California in 1848 and Australia in 1851 brought about a tenfold increase in world gold production. With the fall in its market price, gold was shipped to France, where the mint stood ready to purchase it at a fixed price. French silver, which was undervalued, flowed to the Far East where the silver standard still prevailed. When silver deposits were discovered in Nevada in 1859 and new technologies were developed to extract silver from low-grade-ore, the flow reversed direction, with gold moving out of France, silver in. The violence of these oscillations heightened dissatisfaction with the bimetallic standard, leading the French government to undertake a series of monetary inquiries between 1857 and 1868. (Eichengreen, 2008, p.12)

The trade expansion after the 1850s and the trade agreements of the 1860s caused the rising circulation of foreign silver coins in many countries. However, the fineness (silver ratio within the coin) was not the same in all countries. Italy carried out monetary reform after the unification in 1862, and determined the fineness of the coin as 0.835 (83.5 percent of coin needed to be made from silver). On the other hand, the fineness of French coins was 0.9. This contributed to the risk of Italian coins being substituted for the coins of France. There was a danger that French coins could disappear from circulation. To prevent this, France also decreased the fineness of its money to 0.835 in 1864. However, Switzerland's silver coins, whose fineness

was the 0.8 percent, started to pose a problem. This threatened to take French, Italian, and Belgian money out of circulation. In the end, France, Italy, Belgium and Switzerland held an international conference and specified the silver fineness of their coinages as 0.835. This was called the Latin Monetary Union. Britain was invited to this conference, however, she didn't participate. The currency of the US (where the Civil War had just finished) was inconvertible to silver or gold because of the financing requirements of the war. Because of the Franco-Prussian War in 1870, France, Russia, Italy and the Austro-Hungarian Empire put a hold on convertibility. Britain maintained monetary stability on gold, and after the war, with the adoption of the gold standard in Germany in 1871, many countries, one after another, adopted the gold standard, and so the world entered the gold standard era. (Eichengreen, 2008, 1-17).

2.3. After 1873: The Long Standing Depression and Changes in the World Order

Wallerstein (2011) argued that the turning point in the 19th century world order was in the years between 1866 and 1873. Between those years, German unification was completed, and Germany defeated France. The increasing industrialization of Germany, in the expanding world economy, was further supported by the war efforts. Consequently, heavy industries were developed and Germany became one of the biggest industrial powers. The US also, as mentioned earlier, was a major hub which pulled both capital and people, and grew very rapidly in the 19th century, especially in the second half of 19th century. After the Civil War, the US accelerated its growth and industrialization with the very high tariffs.

Germany and the US started to compete with Britain and to some extent France. After the prosperous years of the 1850s and 1860s, a depression began in the 1870s. Before this crisis, big investments resulted in large profits especially in capital intensive sectors like the railways. For example, between 1869 and 1873 in the US, the number of railroad lines increased by 50 percent (Beaud, 2001, p.136). Western Europe also experienced a rapid expansion of the railways. “The twenty-year period between 1850 and 1870, which saw the construction of the European continental and North American networks, has been defined as the ‘Golden Age of Railway’. In Europe, 50,000 miles of new lines were built, compared with the 15,000 that had been operating in mid-century.” (Di Vittorio (Ed.), 2006, p.214). Intensive investments created conditions conducive to overproduction and this led to crises starting in the newly industrialized countries and spread rapidly. The massive increase in the agricultural supply also contributed to the crisis. The depression started in 1873 in Austria and the US with stock exchange crashes which were followed by the banking crises in Austria, Germany and the US. There were crises in 1882, 1884, 1889, 1889, 1890, 1893 in Britain, Germany, France and the US. The visible reasons of the crisis were overproduction and a bubble in the financial sector like in many other crises of capitalism (such as the crises of 1930s or 1970s). However, the crises of capitalism in general cannot be explained with these symptoms only. They indicate more deep structural problems that signal the end of a particular phase of capitalism. In our case, these deep structural problems were the crises of British hegemony and the first industrial revolution.

The depression era, which started in 1873, continued until 1896. Throughout these years, production and trade continued to rise. Because of this, some scholars argue that this was not a depression at all (Gerschenkron, 1968); (Saul, 1969). However, this was not true. Although production and trade did not collapse, prices and profitability declined prominently. "... from 1873 to 1896 wholesale prices fell by 32 percent in Great Britain, 40 per cent in Germany, 43 per cent in France, and 45 percent in the United States" (Beaud, 2001, p.138). This was the indicator of the deadlock in the existing system. The main driver of the system and the regulator of the market in capitalism is the profit. If there is a problem with profitability, there is a real systemic crisis regardless of the motion of other indicators (growth, foreign trade etc.). The system responds to the crises in different ways and changes its own form to overcome the crisis. A transformation of the system occurred with this crisis, too. A more centralized and monopolized form of capitalism replaced the old irregular family capitalism. Additionally, there was a change in the leading states and in the leading industrial sectors.

The decline in prices and profitability stemmed mainly from increasing competition in the markets. The expanding world economy of the 1850s and 1860s led to the industrialization of Western Europe and the US. Schumpeter (2010) argues that the innovations which were created by the entrepreneurs, after some time lag, diffused and were used by the other actors. In our case, our entrepreneurial state Britain, which was the most prominent state of the first industrial revolution, began to lose its unique position in industry, and this led to competition between states in the markets. As it was emphasized before, the leading sectors of British

industrialization were the cotton, textile and iron manufacturing supported by coal as an energy source. In these sectors, Britain maintained its superiority throughout the 1870s, however, its superiority deteriorated in comparison to the US and Germany. In the 1890s, Britain's coal and iron production levels were surpassed by the US. (Landes, 2003, p.234). Germany's production of cast iron, which is a good indicator of industrialization, surpassed Britain's production in the 1900s. (Di Vittorio (Ed.), 2006, p.187). In cotton and textiles, Britain's superiority also diminished. In the 1900s, the consumption of raw cotton was higher in the US than in Britain. (Di Vittorio, 2006, p.180). Britain's cotton and textile sector was also increasingly challenged by Japan and India in the Far East. The inclusion of India in this list of countries may seem surprising. However, its challenge was more closely related to the increase in Britain's foreign investment, and the relocation of workshops to the US and India. To some extent, it was similar to the contribution of US and European capital to production in China and East Asia at the end of the 20th century. "From 1885 to 1913, British sales of yarn in China fell from 20 million to 2 million pounds. In 1905, India alone sold 200 million pounds there. And in 1913 the Japanese figure was 156 million, and her total export of yarn and thread was worth well over twice as much as that of Germany and about 40 percent of that of the United Kingdom." (Landes, 2003, p.240).

In addition to this, new industries and forms of energy (electric) became popular in the second industrial revolution. After the 1870s, production in the sectors of steel, chemicals and electricity became increasingly important as well as the production of cotton textiles and iron. In these new sectors, the US and German

superiority was more obvious. For example, the five-year average of steel production between 1910-1914 showed that Germany's steel production was more than double that of Britain, and production in the US nearly fourfold of that of Britain. In terms of electrical energy, records from 1914 showed that the US produced 43.4 billion kWh, and Germany, 8.8 billion kWh. On the other hand, Britain's production was just 3.0 billion kWh. (Di Vittorio (Ed.), 2006, p.196).

Table 3 Distribution of World Manufacturing Production, 1870-1911 (%)

<i>Country</i>	<i>1870</i>	<i>1881–1885</i>	<i>1896–1900</i>	<i>1906–1910</i>	<i>1913</i>
Great Britain	31.8	26.6	19.5	14.7	14.0
France	10.3	8.6	7.1	6.4	6.4
Germany	13.2	13.9	16.6	15.9	15.7
Italy	2.4	2.4	2.7	3.1	2.7
Belgium	2.9	2.5	2.2	2.0	2.1
Russia	3.7	3.4	5.0	5.0	5.5
United States	23.3	28.6	30.1	35.3	35.8
Japan	–	–	0.6	1.0	1.2
Others	12.4	14.0	16.2	16.6	16.6
World	100.0	100.0	100.0	100.0	100.0

Source: Di Vittorio (Ed.), 2006, p.195

Table 4 Comparative Indicators of Production Around 1911

<i>Countries</i>	<i>Population (millions)</i>	<i>Steel produced (million tons)</i>	<i>Electrical energy produced (billion kWh)^a</i>	<i>Sulphuric acid (000 tons)</i>
Great Britain	41	7.8	3.0	1,082 ^b
France ^c	39	4.7	2.1	900 ^b
Germany	65	17.6	8.8	1,500
Hapsburg Empire	65	2.6	1.0	350
Italy	35	0.9	2.2	596
Russia	122 ^d	4.9	2.0	275
United States	98	30.0	43.4	2,500
Japan	52	–	1.5	–

Notes:

^a Figures for 1914.

^b Figures for 1913.

^c Excluding Alsace and Lorraine.

^d With the Asiatic provinces: 165.

Source: Di Vittorio (Ed.), 2006, p.196

Therefore, the competition between countries in the industrial sector and the deterioration of the unique role of Britain in world industry was one of the reasons of the crisis, and continued until World War I. If this was the case, how can the end of crisis in 1896 be explained? First of all, although the prices went up after 1896, the interstate competition and the crisis of hegemony could not be completely overcome. World War I proved this. To explain the partial solution, to explain the end of depression in 1896, the developments in the area of agriculture and the different responses of leading industrial powers to the crisis need to be examined. The developments in agriculture, and some responses like increasing tariff and a new wave of colonization will be discussed in the following lines. Other responses like financialization, monopolization and capital exports are discussed in the second chapter which focuses more on the institutional and ideological transformation associated with the crisis.

New innovations and mechanization in agriculture such as the reaper, sower, fertilizers, drainage tiles and new strains of wheat enabled a major increase in agricultural output, especially in grain after the 1860s (Gourevitch, 1977, p.281). The US, Australia, Argentina and Russia, thanks to their geographical advantages and developing technology, became large grain producers. Advancements in transportation like continental rail networks, refrigeration, and motorized shipping supported this process, and further contributed to the declining prices in agriculture (Gourevitch, 1977, p.281). “In 1894 the price of wheat was only a little more than a third of what it had been in 1867—a splendid bonus for shoppers, but a disaster for farmers, and farmworkers, who still formed between 40 and 50 percent of working

males in the industrial countries (with the single exception of Britain) and anything up to 90 per cent in the others... The decades of depression were not a good time in which to be a farmer in any country involved in the world market.” (Hobsbawm, 1989, p.36)

After the 1896, the decline in the price of agricultural products came to a halt and then slightly increased. The reasons behind this were increasing demands which were a consequence of the rapid increase in national income and urbanization in Europe and the US, as well as the protection of agricultural producers with tariffs. Industrialization was a process in which not only the economic sphere but also the social sphere of life changed. One important change occurred in demography. Fast urbanization as the results of rapid industrialization, increasing efficiency in agriculture, and the enhancement of the transport system took place in Europe and the US. The sharp increase in the urban population in Europe could be better understood with statistics.

In Great Britain, the proportion of town dwellers to the total population rose from 48 per cent to 73 percent between 1851 and 1910-1914; in France it went from 25.5 per cent to 44.2 percent and in Russia from 7.8 percent to 19.6 per cent...In Germany and Austria in 1800, there were only three cities with more than 100,000 inhabitants: Berlin, Vienna and Hamburg, to which were added Munich and Breslau, fifty years later. The fourteen cities with over 50,000 inhabitants had fewer than 2 million altogether. Yet following rapid industrial growth in the second half of the century, by the beginning of the twentieth there were already seventy-six centers with more than 50,000 inhabitants, containing 13,650,000 people altogether. (Di Vittorio (Ed.), 2006, p.162,163)

This rapid urbanization with the increase in income and the population also augmented the demand for agricultural goods. “The international market in primary products grew enormously- between 1880 and 1913 and international trade in these commodities just about tripled.” (Hobsbawm, 1989, p.50). In addition to this, after

the initial big advancement in agriculture and high increase in agricultural output, and transportation, the technical progress slowed down thus the rate of growth in agriculture slowed down. The recovery of agricultural prices after 1896 could partly be explained with these factors.

Migration, both within and between countries, accelerated in the 19th century within the context of increasing industrialization, mechanization in agriculture, and the development of transportation. “Between 1821 and 1914, a figure estimated at between 46 million and 51 million people left Europe for other continents. The majority emigrated to the United States, which between 1821 and 1880 received two-thirds of the European emigrants.” (Di Vittorio (Ed.), 2006, p.166). One of the reasons for this massive migration was the crisis whose severity varied from country to country, and from time to time. For example, between 1881-90 the number of people that migrated from Germany more than doubled from 626,000 to 1,342,000, compared to the previous ten years. Emigration from Italy also increased sharply after the agricultural crisis and the trade war with France (Di Vittorio (Ed.), 2006, p.166). Thus, migration was also one of the responses to the depression.

Table 5 Transatlantic emigration from Europe, 1851–1920 (000)

<i>Country</i>	<i>1851– 60</i>	<i>1861– 70</i>	<i>1871– 80</i>	<i>1881– 90</i>	<i>1891– 1900</i>	<i>1901– 10</i>	<i>1911– 20</i>	<i>Total</i>
Austria and Hungary	31	40	46	248	440	1,111	418	2,334
France	27	36	66	119	51	53	32	385
Germany	671	779	626	1,342	527	274	91	4,310
Italy	5	27	168	992	1,580	3,615	2,194	8,581
Norway	36	98	85	187	95	191	62	754
Portugal	45	79	131	185	266	324	402	1,432
Russia	–	–	58	288	481	911	420	2,158
Spain	3	7	13	572	791	1,091	1,306	3,783
Sweden	17	122	103	327	205	324	86	1,184
UK and Ireland	1,313	1,572	1,849	3,259	2,149	3,150	2,587	15,879

Source: Di Vittorio (Ed.), 2006, p.180

Maintaining free trade order in the world, which was shaped around Britain from 1846 and diffused to Europe due to the free trade agreements from 1860 in cooperation with France, became increasingly difficult within the changing world environment of the 1870s.

Maintaining the free trade order in the world became increasingly difficult within the changing world environment of the 1870s. This world order was based on the international division of labor in which Britain, and partly France, sold industrial goods to the rest of the world and bought agricultural goods and inputs for its industry from the rest of the world. However, in the golden years of the 1850s and 60s, various parts of continental Europe, especially Germany, and the US were industrialized and were no longer eager to accept the existing world order. They wanted to further improve their industrial sectors and to sell their industrial goods firstly to their internal markets, and then to the other countries. Below, O'Rourke offers a very good description of changing environment in trade;

... Britain and France, still between themselves responsible for 60 per cent of world trade in the 1870s. Between them tariff reduction was a relatively painless affair... as German exports relentlessly displaced those of Britain and France from European markets and then after 1900 began to compete effectively with them on extra-European markets, the frailty of the agreements of the 1860s became very clear. There were popular agitations against imports from Germany and claims of unfair trading practices by Germany... (O'Rourke, 2005, p.41-42)

In addition to the rapid development of Germany and the US the limitations on the mobility of agricultural goods (due to the technical difficulties in transport and scale of agriculture) were removed gradually, and after the 1860s and 1870s, both the supply of agricultural goods, and the ability to transport them improved sharply. This led to an increasing pressure on the agricultural producers of Europe

due to the low prices of the supplies of agricultural products from the US, Argentina, Russia etc.

Increasing competition in agriculture led to the merger of agricultural and industrialist interests in Germany. The western part of Germany had industrialized at an increasing rate after the 1860s, and defended protectionism in trade. The German industrialists defended protectionism and state support as can be seen in the views of Friedrich List and the infant industry hypothesis. According to the hypothesis, new industries should be protected to enable them to compete on the international market. On the other hand, before the crisis, the eastern part of Germany relied mainly on agriculture and specialized in the grain trade with the Baltic states. The Large landowners (Junkers) of eastern Germany benefited from Britain's free trade system and defended free trade until the 1870s. However, increasing pressure from the big grain-producer countries like the US, Russia, and Argentina caused a change of mind in the agricultural producers of Germany, and they also became defenders of protectionism in trade due to this huge import pressure on their agricultural goods. In other words, both the industrialists who sought protection during their development process and the farmers, who suffocated from the pressure of cheaper imports, began defending protectionism in Germany. As a consequence of these incorporated interests, in 1879, Germany became the first big country to introduce protectionist tariffs. Before Germany, Austria, Spain and Russia had partly introduced protectionist tariffs in 1877, however, their role in international trade and in the trade of manufactured goods were limited. Therefore, the turning point in the transition toward protectionism was the introduction of the

German tariffs. With further modifications, in 1888, on average the German tariffs were five times higher than the 1879 level in the agricultural domain. (Bairoch, 1976, p.48-49).

Germany's move was followed by the other countries in Continental Europe. Austria, Spain, Sweden, Russia, Switzerland, Italy, Portugal and France introduced higher tariffs or increased their tariffs after Germany's tariff raise. Small states such as the Netherlands and Belgium, two countries which actually applied higher tariffs on agricultural products, and Denmark, did not apply the protectionist tariffs along with Britain because they had small internal markets. Among them, Denmark responded to the grain invasion by transforming its agriculture. Danish agricultural producers used cheap grain to improve their husbandry and became successful animal producers. This was used as a good example by the defenders of free trade, however, the applicability of the Danish case to the other states was very difficult. It was a small country, and so the transformation was relatively easier, however, in a country in which the ownership of land was different, and the agricultural area bigger like Germany or France, the application of this transformation was very difficult. Decline in British agricultural production also proved this. Although France was Britain's most important free-trade partner in the world, France had never been eager to free trade as Britain due to its strong agricultural sector. In 1892, France also introduced higher tariffs, called the Méline tariffs and, in the following years, strengthened them such as the 1910 tariffs raises. (Bairoch, 1976, p.48-54). The trade war which took place between France and Italy, from 1888 to 1896, was historically important. It began after Italy's protectionist measures and escalated

with the severe retaliation from the French. The trade war hurt the economies of both Italy and France. However, the effects became certainly more harmful to the Italian economy, and accelerated a major wave of migration particularly from the agricultural area of the country to the American continent.

Table 6 Growth Rates of Agricultural Production 1800-1912

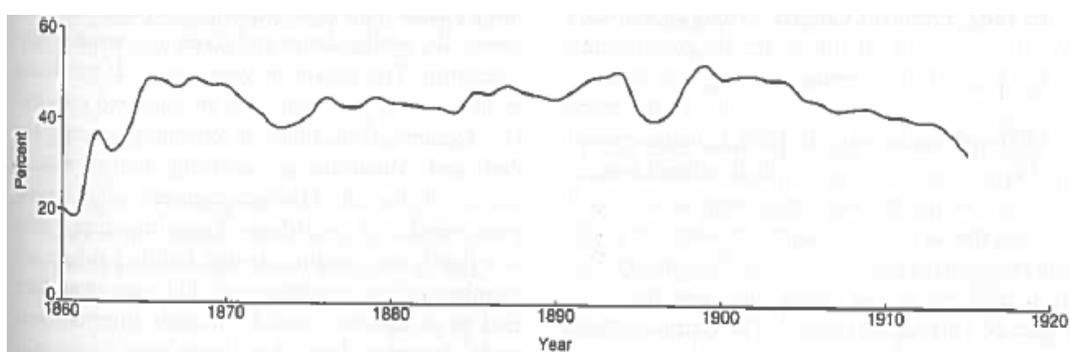
<i>Periods</i>	<i>Great Britain</i>	<i>France</i>	<i>Germany</i>	<i>Italy</i>	<i>United States</i>	<i>Japan</i>
1800–1850					3.00	
1816–1850		1.42				
1850–1870		0.78	1.50		2.84	
1856–1870	0.59					
1870–1912	-0.13	0.49	1.49	0.84	2.34	
1886–1912						1.38

Source: Di Vittorio (Ed.), 2006, p.169

The US had a big and expanding internal market both in terms of size and geographical scope. In terms of size, the US was growing very rapidly throughout the 19th century. In terms of geography, the US expanded to the West creating new settlements which fed by the flow of immigration. “Population almost tripled between 1860 and 1914...Between the Civil War and World War I, the population grew by a factor of 2.93. Net national product in constant prices grew by a factor of 6. Average persons could thus buy two times as much in 1914 as could their counterparts in 1860 and there were nearly three times as many people.” (Hughes & Cain, 2007, p.341, 351). The industrialist groups in the US wanted to benefit from this big and expanding market by instituting protective policies. With the Civil War, the problem of clashing interests between the agriculturalist and the industrialists was settled in favor of the industrialist. However, in the political and monetary arena the struggle partly continued until the end of the 1873-1896 crisis. The fiscal

requirements of the state also played a role in these increasing tariffs. The US applied very high tariffs in industry but not in agriculture because the strong agricultural sector did not need protection. On the eve of WWI, in 1913, the average tariff rate on industrial products entering the US was 44%. This was more than double the average French tariff rate of only 20%. which was the highest in Europe (Bairoch, 1976, p.54).

Table 7 US Tariff Revenue to Duty of Valuable Imports 1860-1915



Source: Hughes & Cain, 2007, p.413

Britain together with some small countries continued to implement a free trade policy despite the debates around it. The small share that agriculture had in the British economy certainly played a role in Britain's free trade advocacy even after the 1870s. The free trade system was a British creation. Due to its large number of colonies and its high dependency on both raw materials and the market, Britain was singlehandedly faithful to the system which was the creation of Britain. However, even in Britain, there were fervent debates over the future of free trade policies. In 1881, the National Fair Trade League which was against the unilateral openness of British markets was founded. The members of this organization claimed that other countries, especially Germany, violated the fair trade rules, so they should be

prevented by higher tariffs on their products in the British market. Although this movement gained momentum from time to time, and included some important politicians such as Chamberlain, who was the former president of Board of Trade, the National Fair Trade League and defenders of protectionism in general could not achieve their aims in Britain until WWI.

All in all, the free trade era closed throughout the world after 1879. In the new period, countries became increasingly protectionist even though the volume of commercial goods in the trade between countries continued to increase. The new protectionist era emerged as the consequence of high competition and declining prices in agriculture, increasing industrialization of continental Europe and the US, and the decline in the hegemony and material base of the British free trade system. The characteristics of the new industries, which appeared in, or were enhanced by the second industrial revolution such as steel, also necessitated protectionism. This was due to the high installation costs and provided an opportunity for economies of scale in the case of big investments protected by the state with tariffs and other means.

Increasing competition in the world gave way to a new colonial era. Between 1800 and 1914, the large part of the world was divided and controlled formally or informally by Britain, France, US, Germany, Japan, Italy, the Netherlands and Belgium (Hobsbawm, 1989, p.57).

Between 1876 and 1915, about one-quarter of the globe's land surface was distributed or redistributed as colonies among a half-dozen states. Britain increased its territories by some 4 million square miles, France by some 3.5 millions, Germany acquired more than 1 million each. The USA acquired some 100,000, mainly from Spain, Japan something like the same amount from China, Russia and Korea. (Hobsbawm, 1989, p.59)

The African and the Pacific regions were almost completely colonized in this period. In the Pacific, no independent state was left, the entire region was partitioned by Britain, Germany, France, the Netherlands, the US and to some extent by Japan. Tropical Africa was a dangerous region for the Europeans for the centuries because of fatal diseases. They mainly went there mainly for the slave trade. After the transatlantic slave trade finished, they lost their interest in Africa. In 1820, there were just less than 35,000 Europeans, most of them in the Cape, in Africa; this number increased to 6 million in 1950 (Maddison, 2007, p.227). “Before the 1850s, the annual mortality of newly arrived Europeans varied between 250 and 500 per thousand. (Curtin, 1995). The discovery that quinine could counter the parasites transferred by mosquito bites caused European death rates to fall to 50 per 1000 in the second half of the nineteenth century.” (Maddison, 2007, p.227). After the progress in medical technology, communication (telegraph), transportation (such as steamboat and railways) and under the pressure of increasing competition between industrial powers, they could travel beyond the coastal areas in Africa. After 1880, this process accelerated, European states invaded Africa to capture and use its mineral resources, and plantation crops. Fifty-seven European colonies were established in Africa, only Ethiopia could resist against the military power of the Europeans and repelled the Italians (Maddison, 2007, p.4).

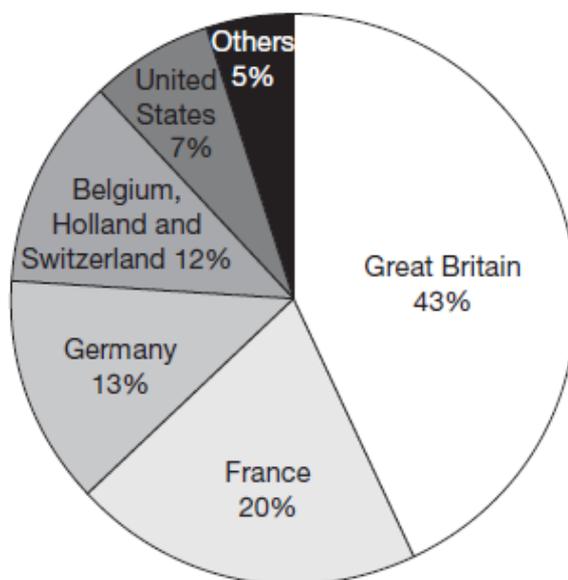
In Asia, Burma was invaded by Britain whose zone of influence extended to Tibet, Persia and the Persian Gulf area. Russia moved in to annex Central Asia and Siberia. The Netherlands strengthened its control over Indonesia and its periphery. Indochina was colonized by France. Japan gained control over Korea and Taiwan at

the expense of China. The large independent states like China and the Ottoman Empire maintained their political independence, however, their economic independence was substantially reduced in addition to their territorial losses. The Ottoman Public Debt Administration under the control of the European powers was established in 1881 to control public revenues of the state. This establishment and one of its side establishments, the Regie Company, even had its own armed forces and led to popular unrest in the tobacco sector. China had a similar story and its entire customs revenue was under the control of Western powers. The country increasingly became an open market for the Western powers. Iran was unable to maintain its political independence and in 1907, with the agreement of Russia and Britain, it came under the direct rule of Britain.

The Latin American states maintained their political independencies even after the 1870s. The Monroe, which was declared by the US in 1823 and elaborated upon later, expressed US hostility to further European colonization in the Western hemisphere and also contributed to the protection of political independence of the Latin American countries. Additionally, the US did not expand its direct rule over America except in Puerto Rico and along a strip which included the Panama Canal. However, Latin American countries were economically dependent on Britain and partly on the US. Argentina and Uruguay were in Hobsbawm (1989)'s words, the 'honorary' dominions of Britain. Both of them produced goods for Britain such as wheat and meat. Moreover, they were also some of the main destinations for the British investments especially after the 1880s.

Both these colonies and semi-colonies provided foodstuffs (wheat, meat, sugar, tea, coffee and cocoa) which was demanded by the rapidly growing urban population of the west. They also provided raw materials such as rubber, tin and non-ferrous metals for industries in the west. In addition to this, they provided a growing market in which particularly the British could invest. After the crisis, Britain increasingly directed its capital exports and investments to its dominions and honorary dominions such as Australia, New Zealand, India, Argentina, Uruguay and the US.

Figure 1 Foreign Investment in 1914: Investor Countries



Source: Di Vittorio (Ed.), 2006, p.233

After the 1870s, most of the world adopted the gold standard. The adoption of the gold standard in 1871 by Germany caused a chain effect. Why did this effect start in the 1870s and why in Germany? The chain reaction came from the necessity; countries' felt for a common monetary standard with their commercial and financial

partners. The diffusion of the industrial revolution to Continental Europe both enabled and required this development too. With the industrial revolution, particularly with the advent of the steam engine, minted coins could be standardized and became more impervious to counterfeit attempts. The quotation below explains very well the role of technological progress in passing to the gold standard.

The smallest gold coin practical for hand-to-hand use was too valuable for everyday transactions. Worth several days' wages, it was hardly serviceable for a laborer. It had to be supplemented by less valuable silver coins, as under a bimetallic standard, or by token coins whose legal-tender value exceeded the value of their metallic content, as eventually became the practice under the gold standard. But the circulation of token coins created an incentive to take metal whose market value less than the value of the legal tender made from it and to produce counterfeit coins. Because screw presses powered by men swinging a beam produced a variable imprint, it was difficult to detect counterfeits. The difficulty of preventing counterfeiting is thought to have discouraged the use of tokens and to have delayed the adoption of the gold standard until the second half of the nineteenth century, when steam-powered presses capable of producing coins to high precision were installed in the mints. England, for example, suffered a chronic shortage of small-denomination coins and rampant counterfeiting. In 1816 the British mint was fitted with steam-powered presses, and the abolition of silver's legal-tender status for small transactions followed within five years. (Eichengreen, 2008, p.15, 16)

The industrialization of Western Europe and the US also diversified the commercial and financial relations throughout the World. After the 1870s, the world became increasingly multipolar instead of unipolar as it was in the decades of the 1850s and 1860s in which most trade was done with Britain. This multipolar world and the depression of 1873-1896 complicated Britain's substantial foreign capital investments, increased both Germany's and the US' shares in the world's industrial production, increased the role of finance both between and within countries, and made essential a common standard in money. The gold standard responded to this need.

After the suspension of convertibility of currencies in France, the Austro-Hungarian Empire, Italy and Russia due to the Franco-Prussian War, there was

uncertainty over the future of the monetary system in Europe. Because of the suspension of the silver standard in Austria-Hungary and Russia, Germany was unable to benefit from it when the country traded with the East. On the other hand, Britain promised great potential with its high level of urbanization and large number of consumers, which used the gold standard. Moreover, the notable amount of credit in Germany was financed by Britain. The big war indemnity, five billion francs, which Germany took as a result of its victory in the war, allowed it to become familiar with accumulating gold and constituted the basis for Germany's new currency, the mark, which was based on the gold standard. Because the German Empire had been newly founded, the state did not have reputational concerns about switching the currency and adopting the gold standard. (Eichengreen, 2008, p.16, 17).

Germany's move was followed by Sweden, Denmark, Norway, Holland and the countries of the Latin Monetary Union. They were geographically close to Germany, traded with it and, thus, were the first countries to join the gold standard after Britain, Portugal and Germany. The number of countries which adopted the gold standard continued to increase. Towards the end of the 19th century, only Spain, in Europe, maintained its inconvertible paper currency. The US was actually in the gold standard when the convertibility of its currency was restored in 1879, although the actual legal adoption took place in 1900. Russia and Japan adopted the gold standard in the last years of the 19th century. In Latin America, Argentina, Uruguay, Peru and Mexico adopted the gold standard although throughout the continent, silver mining was widespread and its interest groups were strong. India, Ceylon and Siam

also adopted the gold standard at the end of the 19th century. The silver standard continued to be used only in China and some Central American countries (Eichengreen, 2008).

Figure 2 Structure of the Post-1880 International Gold Standard

Domestic Circulation in the Form of:

		Largely Gold Coin	Gold, Silver, Token Coinage, and Paper
<u>Reserves in the Form of:</u>	Gold	England Germany France United States	Belgium Switzerland
	Largely Foreign Exchange	Russia Australia South Africa Egypt	Austria-Hungary Japan Netherlands Scandinavia Other British Dominions
	Entirely Foreign Exchange		Philippines India Latin American Countries

Source: Eichengreen, 2008, p.20

The application of the gold standard differed among countries. In Britain, France, Germany and the US, the money in circulation consisted mainly of gold; however, other countries such as Belgium, Netherlands, Japan and the countries of Latin America had gold, silver, token coinage and paper together in circulation. The form of reserves also varied from country to country. Reserves could be in gold plus foreign exchange or entirely in foreign exchange. However, the common feature of

all gold-standard countries was their readiness to convert their currencies to gold or other gold-based currencies like pound-sterling (to gold indirectly).

The Gold standard was based on the price-specie-flow model of David Hume. This model assumes that gold coins circulated throughout the world, if a country had a trade deficit, gold would flow out from the country. Because of the low amount of money circulating in the country, prices would fall and, in the countries which have trade surpluses, prices would rise. Additionally, relative prices would change, imported goods become more expensive and exported goods become cheaper; exports would increase and imports decrease, and trade and gold would balance. Eichengreen (2008, p.25) added two main features to this model in order to explain the system in the late 19th century: international capital flows and international gold shipments (new discoveries etc.). Even after adding these variables, the real situation was more complicated than the model plus the system could produce irregularities. These irregularities were solved by the central banks and other agents which were ideologically committed to the gold standard. For example, a central bank used monetary tools such as the discount rate and interest rate to regulate the monetary market and gold reserve level. However, if the movement of capital is not restricted, change in the interest rates or reserve requirement ratios in one country could affect the other countries' gold and money supply and disarrange the equilibrium in these countries. Therefore, not only within the country but also between countries, the system should be regulated, or at least be coordinated under the gold standard. On the international level, as the biggest central bank, the Bank of England, acted as the coordinator and gave signals for

changes in the monetary policies. In the twenty years before the First World War, the discount rates had an inclination to move together between countries (Bloomfield, 1959), (Eichengreen, 2008, p.24-34). This shows the international harmony in the system.

However, outside the continent of Europe the working of the gold standard system was more irregular. First of all, in the US, Latin American countries and many parts of the world there was no central bank at that time. In the US, the Federal Reserve System was established in 1913 and in many Latin American countries central banks were only established only after the 1920s. Up until then, monetary policy was handled by the governments. During the years of the 1873-1896 Depression, the gold standard was considered as one of its causes. According to this approach, the limited supply of gold in these years caused deflation and depression. Frustrated farmers, who were one of the most affected groups from the decline in the prices, and silver miners were furious about the gold standard in the US. In Europe, the reactions of farmers were soothed by the protectionist tariffs in agriculture. However, in the US, the agricultural sector had defended free trade and, therefore, was unable to compromise over the protectionist tariffs. In addition to this, silver mining was a strong sector in the US. The interests of farmers and silver miners in increasing the money supply (especially in the silver form) overlapped which led to tense political struggles in America over the monetary standard. In 1890, the Sherman Silver Purchase Act was designed to relieve this discontent. The Treasury bought silver and circulated it to stop its price falling. After 1896, with the end of crisis, the discussion around the gold standard diminished. Latin American

countries such as Argentina, Brazil, Chile and some Southern Europe countries like Italy and Portugal suspended the convertibility of their currency and depreciated their money frequently in times of crises (Eichengreen, 2008, p.34-42).

Consequently, the gold standard which had been implemented by Britain unilaterally since the 18th century, spread to Europe and then the world after the 1870s. The industrial revolution and its diffusion to Western Europe and the US, and the increasing capital flow in the world both enabled and required a common monetary standard. This monetary standard became the gold standard after Germany had adopted it. In Europe, the requirements of the system were checked by the central banks, and the system became politically more accepted. However, most parts of the world, except Europe, did not have a central bank, thus, the operation of the system was unsettled. Moreover, the opposition of the farmers, landowners and silver mining groups were powerful and affected the system in the years of the depression especially in the US. As will be mentioned later, the gold standard has a particular importance in the world as British hegemony shifted to the financial area from the industrial production and trade area after the 1870s.

2.4. Conclusion

The industrial revolution, which started in Britain in the late 18th century, led, after the mid-19th century, to a more integrated world economy. Although the center of the system was Britain, industrialization diffused to Western Europe and to the US in these years and prepared the conditions for the crisis. The huge increase in agricultural output and its accelerated circulation (as a consequence of the

advancement in transportation and agricultural technologies) were also prominent reasons for the crisis.

The crisis was a general crisis of capitalism and, because of the unified world economy, the effects were felt everywhere. Although the effects of the crisis were similar, the responses to them differed from one country to another. Most of the European countries headed for protectionism, the US had already increased its tariffs after the Civil War and maintained its high tariffs, new waves of colonialism started, Britain increased capital exports, and Germany and the US started to implement more monopolistic capitalist practices by including new sectors like chemistry and steel. However, interdependence between countries continued. The most important indicator of this was the worldwide adaptation of the gold standard. With the crisis, the free trade system and British hegemony started to decline, the US and Germany surpassed the British industrial production in most sectors. More importantly, their industrialization both in terms of sectors and in the structure of institutions were differentiated from Britain's industrialization after the crisis. These institutional and ideological differences, and comparative responses to the crisis are to be examined in more detail in the following chapter.

CHAPTER 3

INSTITUTIONAL AND IDEOLOGICAL TRANSFORMATIONS IN THE 1873-1896 DEPRESSION

3.1. Introduction

“The bourgeoisie cannot exist without constantly revolutionising the instruments of production, thereby the relations of production, and hence social relations in their entirety.” (Marx, K., & Engels, F., 2004, p.64-65). This necessity of change is felt especially in times of crises. The 1873-1896 Depression was the one of these crises, and Britain, Germany and the US responded to the crisis with their own institutional and ideological transformations. To understand the importance and the role in history of these transformations, the systemic- cycles approach will be explained first, and then the crisis will be evaluated from this perspective. After that, the imperialism notions in Hobson, Hilferding and Lenin’s books will be analyzed to figure out the specific responses of Britain, Germany and the US.

3.2. Reviewing Arrighi’s Work and Systemic Cycles

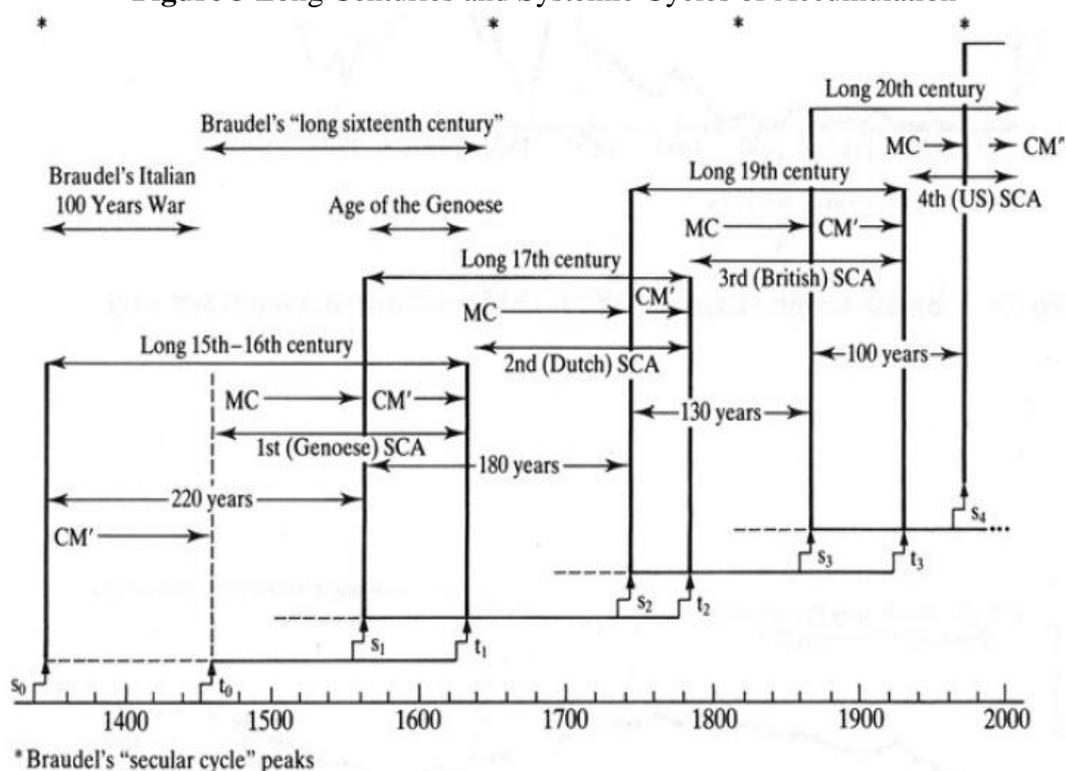
According to the world system approach, capitalism progressed in the form of successive systemic cycles (Arrighi, 2010). Each cycle is led by a hegemonic state and consists of two phases; material expansion and financialization. Beginning of the hegemony, the shift in hegemony from the material expansion to the financialization (signal crisis), and lastly the ending of the hegemony (terminal crises)/beginning of a new hegemony are marked with crises. Thus, a systemic cycle

witnesses three big crises, each with a specific meaning. After a period of the crisis in the world, the new hegemonic state advances capitalism with a specific contribution which enables material expansion in the world. This contribution to the system is characterized by a reduction in the costs or organizational improvements in production or commerce. A rise in profits occurred because capital is invested in profitable areas, and the volume of capital expands. However, after a while, the expansion of investments and the imitation of the specific contributions of hegemony from the other countries/capitalists puts pressure on profitability due to over accumulation. Thus competition increases, profits fall and the crisis (the *signal* crisis) occurs again.

With this crisis, the second phase of the cycle starts. Capital, particularly in the hegemonic country, heads for finance and withdraws from real investment due to regressive profits. At this stage, the role of hegemonic state is transformed to become the financial center of the world, and the mediator for capital. Its production or exchange model loses its attractiveness, and the existing hegemon is no longer a role model for capitalist development. This creates a period of worldwide uncertainty. Out of this uncertainty, the future hegemony gradually emerges. Its cycle does not start immediately. It is just a preparatory phase for its hegemony, but its ascent begins during this period. Nevertheless, the future hegemonic country is not necessarily the sole candidate for the future hegemony. There could be other candidates in this period of uncertainty, but ultimately they fail to establish their own hegemony in the world. Along with the next crisis, the terminal crisis of the existing hegemony, the material expansion era of new hegemony starts and a new cycle

begins. However, cycles do not replicate each other. Every new hegemony comes and takes the leadership with a specific method of widening and deepening capitalism. Thus, although the framework and stages are the same, the features of hegemonies are very different.

Figure 3 Long Centuries and Systemic Cycles of Accumulation



Source: Arrighi, 2010, p.220

The British hegemonic cycle was the third of these hegemonic cycles (Arrighi, 2010). Britain's hegemony was based on the synthesis of two developmental paths: the path of the Venetian Republic with the features of 'naval supremacy and an entrepot-like domestic economy'; and Imperial Spain with its feature of 'conglomeration of widely scattered territories' (Arrighi, 2010, p.58-59). Naval supremacy and an entrepot-like domestic economy allowed it to become the

center in the world trade. Scattered territories provided the necessary materials for production and they became a market for industrial production of Britain. Thanks to this synthesis, Britain became the home place of the industrial revolution, and its improvements, especially in the textile and iron manufacture and extensive use of coal, greatly reduced the production costs. In other words, the “internalization of the production costs” was the specific contribution of its hegemony to the capitalist system.

However, the big investments of the 1850s and the 1860s, plus the industrialization in Continental Europe and the US led to the 1873-1896 Depression. This depression was the signal crisis of the British cycle, it indicated the transition from material expansion to financialization. With this crisis, the US and Germany emerged as the potential hegemonic states for the following cycle. Thus, with this crisis, the British model lost its standing as the role-model of quality in the world. The responses of Britain, Germany and the US diverted from each other in the uncertain environment of financialization. To understand these responses, the literature on imperialism that emerged in the beginning of the 20th century gives us very useful clues. Hobson’s book (2000), explains the response of Britain and Hilferding’s book discusses the positions of Germany and the US to some extent. Lenin combined these two book and, with the emphasis on uneven development, asserted that it is a special stage of capitalism, namely, imperialism.

3.3 English Model and Its Evolution After the Crisis

John Atkinson Hobson published his famous book: *Imperialism: A Study* in 1902. In his study, the aggression of Britain held central place. He was an eye-witness to the Boer War (1899-1902), known also as the Second Boer War, in which

he was correspondent of the *Manchester Guardian* in South Africa. His book starts with the distinction between colonialism and imperialism. According to Hobson, colonialism is “migration of part of a nation to vacant or sparsely peopled foreign lands...colonialism, in its best sense, is a natural overflow of nationality; its test is the power of colonist to transplant the civilization they represent to the new natural and social environment in which they find themselves.” (Hobson, 2000, p.6-7). However, in most of the British colonies, except Australasia and Canada, this was not the case. Even in Australasia and Canada, Hobson mentioned, local conditions were able to cause the formation of new national identities.

Our other colonies [outside the Australasia and Canada] are plainly representative of the spirit of Imperialism rather than of colonialism. No considerable proportion of the population consists of British settlers living with their families in conformity with the social and political customs and law of their native land; in most instances they form a small minority wielding political or economic sway over a majority of alien and subject people, themselves under the despotic political control of the Imperial Government or its local nominees. This, the normal condition of a British colony, was well-nigh universal in the colonies of other European countries... When a State advances beyond the limits of nationality its power becomes precarious and artificial (Hobson, 2000, p.7-8)

In ancient and medieval times, empires also existed. They were mostly the sole empire of their times, were within a certain territory, and had an international character in the form of a federation of states, on example was the *pax Romana*. Because of that, scholars such as Machiavelli and Kant argued that the foundation of an empire, which collects many states within its body, is the only possible way to ensure peace. However, the new feature of imperialism at the end of the 19th century and beginning of 20th century, was on of competing empires. They were “natural enemies of each other” in a cut-throat struggle (Hobson, 2000, p.3-13).

After the 1870s, the European states and the US annexed or created zones of influence in large parts of Africa, Asia and the Pacific islands. Britain's zone covered an area of 13,000,000 square miles with a population of 400-420 million at the beginning of the 20th century. A third of this area and one fourth of the population was annexed to the Empire in the last thirty years of the 19th century (Hobson, 2000, p.18). France, Germany, Italy, Belgium, Portugal and the US followed similar imperialist policies in competition with each other. The deliberate expansionism of imperialism accelerated after the middle of 1880s. Why did these competing empires involve themselves in such a cut-throat struggle starting from the last quarter of the 19th century? To understand this, Hobson asserts that the analysis of this new imperialism's economic roots is necessary.

The industrial revolution led to a great improvement in industrial production. It increased efficiency and the utilization of machines enabled production of large quantities. Britain, as the first country to experience this revolution, benefited from its position by selling its expanding range of products to other countries. It maintained its unique position in world manufacturing and trade throughout of the 19th century. However, the industrialization of other countries began to undermine the role of Britain, selling its products became more and more difficult, therefore, investing in the industry with the previous profits became meaningless. In this conjuncture, imperialism became a necessity.

Table 8 The Comparative Table of Colonisation in 1900

	Number of Colonies.	Area. Square Miles.		Population.	
		Mother Country.	Colonies, &c.	Mother Country.	Colonies, &c.
United Kingdom	50	120,979	11,605,238	40,559,954	345,222,239
France . . .	33	204,092	3,740,756	38,517,975	56,401,860
Germany . . .	13	208,830	1,027,120	52,279,901	14,687,000
Netherlands . . .	3	12,648	782,862	5,074,632	35,115,711
Portugal . . .	9	36,038	801,100	5,049,729	9,148,707
Spain . . .	3	197,670	243,877	17,565,632	136,000
Italy . . .	2	110,646	188,500	31,856,675	850,000
Austria-Hungary	2	241,032	23,570	41,244,811	1,568,092
Denmark . . .	3	15,289	86,634	2,185,335	114,229
Russia . . .	3	8,660,395	255,550	128,932,173	15,684,000
Turkey . . .	4	1,111,741	465,000	23,834,500	14,956,236
China . . .	5	1,336,841	2,881,560	386,000,000	16,680,000
U.S.A. . . .	6	3,557,000	172,091	77,000,000	10,544,617
Total . . .	136	15,813,201	22,273,858	850,103,317	521,108,791

Source: Hobson, 2000, p.23

So long as England held a virtual monopoly of the world markets for certain important classes of manufactured goods, Imperialism was unnecessary. After 1870 this manufacturing and trading supremacy was greatly impaired: other nations, especially Germany, the United States, and Belgium, advanced with great rapidity, and while they have not crushed or even stayed the increase of our external trade, their competition made it more and more difficult to dispose of the full surplus of our manufactures at a profit. (Hobson, 2000, p.72)

Imperialism was a response to overproduction and the over accumulation of capital. It was based on capturing new markets and excluding the capitalists of other countries from the market as much as possible for the idle capital of the imperialist country. Because of its leading role in the industrial revolution, Britain was the foremost aggressive country in following imperialist policies, but its rivals applied similar policies motivated by their own economic necessities. Germany implemented such policies in the East, and West Africa, in China, The US, although

his market was big and expanding, rapidly started to apply them in Cuba, the Philippines, and Hawaii (Hobson, 2000, p.78).

As one nation after another enters the machine economy and adopts advanced industrial methods, it becomes more difficult for its manufacturers, merchants, and financiers to dispose profitably of their economic resources and they are tempted more and more to use their Governments in order to secure for their particular use some distant, underdeveloped country by annexation and protection... Everywhere appears the excessive powers of production, excessive capital in search of investment... It is this economic condition of affairs that forms the taproot of Imperialism. (Hobson, 2000, p.80-81)

Although the annexation of new regions and territorial expansion of Britain accelerated after the 1870s, the proportion of intra-imperial trade did not increase. Both the percentage of imports from colonies and exports to colonies in Britain's trade statistics displayed a tendency to decrease after the 1870s (Hobson, 2000, p.34).

Table 9 The Share of Intra- Imperial Trade within the Total Trade of Britain

Four-Yearly Averages.	Percentages of Imports into Colonies, &c., from Great Britain.	Percentages of Exports from Colonies, &c., into Great Britain.
1856-1859	46.5	57.1
1860-1863	41.0	65.4
1864-1867	38.9	57.6
1868-1871	39.8	53.5
1872-1875	43.6	54.0
1876-1879	41.7	50.3
1880-1883	42.8	48.1
1884-1887	38.5	43.0
1888-1891	36.3	39.7
1892-1895	32.4	36.6
1896-1899	32.5	34.9

Source: Hobson, 2000, p.34

Thus, the “Trade follows the Flag” argument was not relevant after the 1870s according to British trade statistics. The main motive behind imperialism was not

trade but investment. Incomes from foreign investments had increased more and more (Hobson, 2000, p.51-56). Idle capital in Britain was used for the financing of government debts of foreign countries, and lending credit for big investment projects like railways, mining, telegraphs. Although investment links between Britain and its dominions were strong, big investments were not made only in colonies but also they were made in Britain's 'spheres of influence' and in rapidly developing countries such as Argentina, Uruguay or the US, too (Hobsbawm, 1989, p.66). Other profitable areas for investment were armament expenditures and war expenses. The wars such as the China-Japan War (1894-1895) or the Boer War (1899-1902) gave a big impulse to investment. For the first time, the Chinese State accumulated foreign debt during this war. The considerable indemnity which European states took from China after the Boxer Uprising (1899-1901) also moved financial mills in Europe (Hobson, 2000, p.58). The aggression of the Western States triggered fear in Asia, which resulted in states increasing their expenditures on armaments and this created public debts for these states.

There is not a war, a revolution, an anarchist assassination or any other public shock which is not gainful to these men [financiers] they are harpies who suck their gains from every new forced expenditure and every sudden disturbance of public credit...These men are the only certain gainers from the war, and most of their gains are made out of the public losses of their adopted country or the private losses of their fellow-country-men. (Hobson, 2000, p.58)

Britain's capital transformed structurally: finance triumphed over the real-sector and investments gained importance over trade. Armament expenditures and war expenses became the most profitable and substantial areas of investment. Financing government debts of foreign countries was one of the main businesses.

All of these activities required the active participation of the state both to secure investments and to open up new areas for profitable investments.

It is not too much to say that the modern foreign policy of Great Britain has been primarily a struggle for profitable markets of investment. To a larger extent every year Great Britain has been becoming a nation living upon tribute from abroad, and the classes who enjoy this tribute have had an ever-increasing incentive to employ the public policy, the public purse, and public force to extend the field of their private investments, and to safeguard and improve their existing investments. (Hobson, 2000, p.53-54)

Increasing investments in foreign countries especially in the form of financing government debts and armaments, came with substantial risks. Private firms did not want to bear these risks by themselves. For example, in the case of a state failing to pay its debts, British capitalists were unable to retrieve the money owed them from the state by themselves. Another risk came from the capital of other industrialized states. If other countries had access to the profitable market, the investment opportunity could disappear due to the existence of excess capital. An investment area needed to be protected from the competition of the other states' capital either formally or informally. Therefore, imperialism necessitated and rested upon protection (Hobson, 2000, p.64-71). The state involvement was an obligation to secure increasingly risky investments.

Two comparisons were used to show the increasing role of the state in the book. Firstly, there is a comparison between the increase in the rate of foreign trade and public expenditure of Britain. The average yearly value of foreign trade rose from £636,000,000 in the period of 1870-1875 to £868,000,000 between in the period of 1895-1903. On the other hand, public expenditure grew from £63,160,000 to £155,660,000 over the same periods (Hobson, 2000, p.94). Another indicator was the comparison between expenditure on armaments and wars, and the value of

colonial trade. The table below shows that the growth in the rate of expenditure on armaments and wars far surpassed the growth rate of the value of the colonial trade.

Table 10 Comparative Table of Britain's Armaments and War Expenditure; and The Value of Colonial Trade for the period of 1884-1903

Year.	Armaments and War.	Colonial Trade. Import and Export Trade with Possessions.
	£	£
1884	27,864,000	184,000,000
1885	30,577,000	170,000,000
1886	39,538,000	164,000,000
1887	31,768,000	166,000,000
1888	30,609,000	179,000,000
1889	30,536,000	188,000,000
1890	32,772,000	191,000,000
1891	33,488,000	193,00,0000
1892	33,312,000	179,000,000
1893	33,423,000	170,000,000
1894	33,566,000	172,000,000
1895	35,593,000	172,000,000
1896	38,334,000	184,000,000
1897	41,453,000	183,000,000
1898	40,395,000	190,000,000
1899	64,283,000	201,000,000
1900	69,815,000	212,000,000
1901	121,445,000	219,000,000
1902	123,787,000	223,000,000
1903	100,825,000	232,000,000

Source: Hobson, 2000, p.65

With these statistics, Hobson emphasized that politics and the economy merged in the new imperialism. The state apparatus was used for protecting private interests and investments. Armaments and war expenditures grew. Bondholders of

foreign states' debts had links with politicians. The imperialist state was the protector of private investment and intervened with force if investments were likely to fall into danger as in the case of Egypt, Turkey and China (p.108).

The new imperialism caused widespread damage and contained many risks; it was an anomaly from the societal point of view. "[Imperialism] Irrational from the standpoint of the whole nation, it is rational enough from the standpoint of certain classes in the nation." (Hobson, 2000, p.47). The increasing expenditure on armaments and the costs of the enclosed markets was financed by indirect taxation, so the burden of these expenditures was borne by society. However, the profits were gained by a small minority of British society, namely, financial capitalists. It worsened the distribution of income in society. Indirect taxation masked the growing expenditures of the state; people could not easily see the connection between indirect taxation and the increasing public expenditures because indirect taxation was hard to detect in comparison to direct taxation.

Imperialism revived the possibility of a major war between those states which pursued imperialist policies. As emphasized before, the interests of industrialized states clashed with each other all over the world. All of them wanted parts of the world for their excess capital, and they inevitably came into confrontation with the other imperialist states in their efforts to expand. The profit gained by capitalists from the armaments and war expenditure further encouraged state aggression and strengthened the possibility of a major conflict.

Though the conduct of nations in dealing with one another has commonly been determined at all times by selfish and shortsighted considerations, the conscious, deliberate adoption of this standard at an age when the intercourse of nations and their interdependence for all essentials of human life grow ever closer, is a

retrograde step fraught with grave perils to the cause of civilization. (Hobson, 2000, p.13)

Older forms of imperialism as in Ancient Greece and Rome had two principal aims: capturing treasures and supplying the slaves. According to Hobson, these aims were still valid in the age of the new imperialism with some modifications (Hobson, 2000, p.246-249). The imperialist powers exploited the resources of colonized countries both for their monetary value, as in the case of gold, and for their input value for industry as in the case of cotton. The principal aim of Britain in the Boer War was to obtain the possession of the gold mines in South Africa. While following imperialist policies, the gold still had an important role. The slave trade had been banned in the 19th century, however, the motivation to use the colonized people as the workforce was a common focus of in both old and new imperialism.

The new imperialists used this workforce in its own land instead of carrying it to their own country. Capital became more mobile and more abundant, at the end of the 19th century, in comparison to ancient and medieval times. Capital was moved to the colonies and invested here. Investments greatly improved the manufacturing sector and greatly increased gains of capital. The people of the colonized countries were the wage laborers and not slaves, but they still worked for the profit of imperialists. They were forced to work by indirect methods. Their old form of economic life was destroyed, and so they were obliged to become wage laborers in order to sustain their lives. Taxation was widely used as a mechanism to force domestic people to work as wage labourers. Imperialism generally favored the indirect taxation to direct taxation but for colonized people, Britain also imposed the direct taxes such as labor tax or hut tax. The people could only pay these taxes with

wages which they earned with labor contracts (Hobson, 2000, p.265-268). The migration between colonies was also one of the common practices used by imperialism to overcome the labor shortage problem in less populated areas. These migratory labor forces came from India, China and Polynesia used in New Caledonia, South Africa, Burma, Borneo, New Guinea and parts of Australia, America, Oceania and tropical Africa (Hobson, 2000, p.250).

With its looting of resources and treatment of people like slaves, imperialism triggered an emotion of resentment in the people of colonized countries (Hobson, 2000, p.11). Nationalism was an awakening in these countries and their nationalism was extroverted, and formed from hatred for the imperialist powers and nations. According to Hobson, this new nationalism was the opposite of the older form of the nationalism which was more introverted and in which there was no direct antagonism between nationalities; it was more cohesive and inward looking.

Not only does aggressive Imperialism defeat the movement towards internationalism by fostering animosities among competing empires: its attack upon the liberties and the existence of weaker or lower races stimulates in them a corresponding excess of national self-consciousness... From this aspect aggressive Imperialism is an artificial stimulation of nationalism in peoples too foreign to be absorbed and too compact to be permanently crushed. We welded Africanderdom into just such a strong dangerous nationalism, and we joined with other nations in creating a resentful nationalism until then unknown in China. (Hobson, 2000, p.11)

All in all, imperialism caused competing empires, put the financial or investing interests over the mercantile interests, boosted public debts in states, encouraged wars and armaments, aroused an angry and dangerous nationalism among the colonized people, but only served the sake of small group of people in the Empire. It was an anomaly rather than the natural and inevitable situation from Hobson's vision. What could be the solution to the elimination of this dangerous

anomaly? Hobson gave special importance to the problem of under-consumption. Nations in competition with each other headed to imperialism due to lack of markets and consumption. However, imperialism was very dangerous, destructive and not sustainable in the long run. On the other hand, the redistribution of wealth by increasing taxation, especially by direct taxation, and raising wages would improve people's purchasing power and would create a continuously widening market in which the society could produce and invest as much as possible.

The struggle for markets, the greater eagerness of producers to sell than of consumers to buy, is the crowning proof of a false economy of distribution. Imperialism is the fruit of this false economy; "social reform" is its remedy. The primary purpose of "social reform" using the term in its economic significance, is to raise the whole-some standard of private and public consumption for a nation, so as to enable the nation to live up to its highest standard of production. (Hobson, 2000, p.88)

Hobson, at the end of the book touched on the developmental dynamics of capitalism briefly. According to him, backward countries could learn from Western industrial methods. This could occur in three stages. Ordinary commerce and the process of investment were the first two stages. After these in a third stage, a colonized or backward country, Hobson especially discussed this possibility for China, could develop its own organization and capital. Then with its internal development, capital and organization, it could become industrialized and even turn into an imperialist country (Hobson, 2000, p.308). If the redistribution of wealth cannot be achieved and China cannot resist the Western powers with its own dynamics, Hobson predicted that Britain would decay as the Roman Empire did in its final years. Britain would become more and more dependent on the tribute gained by invading a wider area and would lose its productive capacity, and turn into a

parasitic state and society. The book ends with this analogy (Hobson, 2000, p.364-368).

In his book, *Imperialism: A Study*, Hobson detected the transformation of British capital as a result of the 1873-1896 depression and influenced other thinkers in the imperialist literature. Hobson identified the increase of financialization and capital export, the new wave of colonialism, imperialist rivalry in the world, rising armament and war expenditures, and the possibility of a major war between the imperialist powers which finally broke out in 1914. All this plus the decay in imperialist countries were identified by Hobson. However, his focus was mainly on Britain, thus he mapped the external transformations of capital; expansionist moves, fights for market etc. Inner transformations of capital would be detected by Hilferding who analyzed the transformations of German and, partly, the US capital.

3.4. German-US Model and Finance Capital

Rudolf Hilferding's book, *Das Finanzkapital*, was first published in 1910, eight years after the Hobson's book, *Imperialism: A Study*. Finance Capital was one of the best descriptions of imperialism at the beginning of 20th century, although the term finance capital was generally used in the book instead of imperialism. Using the term finance capital was meaningful because his notion of imperialism was different from Hobson's conception on a number of points. Hilferding focused on the inner process of capital accumulation, the concentrating and unifying tendency of capital, much more than the external process of capital accumulation, the competition between capitals in the world scale or the fight for markets. At the end of his book, Hilferding also accepted the requirements of capital exports similar to

Hobson in the age of imperialism, however, the roots of this necessity were different in Hilferding.

As Arrighi (2010, 166-168) cleverly detected, Hobson portrayed the transformation of British capitalism with the depression of 1873-1896. The main factor that shaped this transformation to restore profitability was the pecuniary logic of British capitalism. Because of that, its main focus was extroverted; gaining colonies and semi colonies as much as possible and gaining tribute from abroad. On the other hand, German capitalism's response to the crisis was more introverted, technical transformation was at the center of this story. Germany tried to overcome the crisis of profitability with the concentration and unification of capital in the spheres of industry, banking and commerce. Therefore, Hobson and Hilferding actually portrayed the two faces of imperialism.

What was the response of US capitalism? US capitalism responded to the crisis with the concentration of capital, too, but its corporate capitalism differed from the German model on some key points. Thanks to its large internal market and abundant resources, concentration of the US's corporate capitalism occurred vertically, containing the whole production process, from the production of raw materials to the selling of products to consumers, it all existed in one corporation instead of horizontally which could be understood as agreements between, or the unification of firms in one sector. The role of banking and finance in this unification was not crucial as in the case of Germany. The different features of the US model will be emphasized with an intermediate section while describing the German model.

‘The Finance Capital’ started with the analysis of money and credit and these were followed by the analysis of the joint-stock company and bank capital. Money and bank capital were important for the Hilferding due to their close relation with the industrial capital in the formation of finance capital. Then in part III, the formation of finance capital is explained.

Capitalist production aims to profit. Every capitalist tries to obtain maximum profit not only by increasing his gains, but also by eliminating his competitors. The relative surplus in profit, in comparison to their rivals, results in the surplus of capital, new and big investments, new market shares and the elimination of rivals in the long run. However, since all capitalists try to invest in profitable areas, profit margins decrease in profitable areas, and an equalization of profits becomes the general tendency across all production (Hilferding, 2006, p.183-204).

However, this framework started to change with technical advancements. Technological progress increased labor productivity in the manufacturing process. Thus, the organic composition of capital, the ratio between constant capital (the means of production) and variable capital (labor) in the production process, changed in favor of constant capital. In other words, the same amount of labor was used with the growing quantity of capital. The investment costs, needed for big investments increased along with labor productivity. However, this requirement of major investments was not felt to the same degree in all parts of industry. Some parts of industry such as steel needed much bigger factories and investment than other industries like textiles or shoe production (Hilferding, 2006, p.185-186). However, the increasing cost of investments greatly reduced the mobility of capital. Whenever

an investment was made, because of the longer turnover time of capital, exiting from the market was not possible within a short time. Both entrance into and exit from the industry became more and more difficult.

The difficulty of entering the industry was overcome by joint stock companies, in which investments were financed by many people according to their shares. People would invest in the shares of a firm as long as they expected a good profit from these shares. Thus, in industries in which people expected to obtain an above average profit, the investment opportunities were sustained by the share system. However, the share system did not eliminate the difficulty of exiting from the markets. In case of a depression, shares could not be sold, and due to the large amount of fixed investment, capital could not move to other sectors easily. The facilitation of investments, by enabling the entrance of new firms, made the situation of existing firms more vulnerable especially in the heavy industries. Even the entrance of one new firm could depress the prices and profits in the capital intensive sectors due to the large production capacity of each firm (Hilferding, 2006, p.190).

On the other hand, industries in which individual production continued to prevail, such as in the labor intensive sectors of the retail trade and petty capitalist production, became overcrowded with small-sized capital and capital which could not compete with heavy industries (Hilferding, 2006, p.190-191). Competition was tougher than in the labor intensive sector, so their profit margins were smaller. In addition to this, their profits also shrank owing to advertising campaigns which emerged as a consequence of the bitter competition. All in all, these firms faced the

problem of profitability in both capital and labor intensive sectors although the problem stemmed from different origins in these sectors.

Overcoming these profitability problems was possible wherever the capital was strong enough to surpass the competition. The elimination of free competition was the remedy. It only occurred in the capital intensive sectors and led to persistent inequalities in profits between it and the labor intensive sector in which competition was an ongoing problem. However, in the long run, this inequality was also “eliminated by the removal of the division between different sectors of production” (Hilferding, 2006, p.191). In other words, the inequality between the profits continued until to the point when all parts of the economy were covered by finance capital.

The elimination of free competition started with agreements between firms in the capital intensive sectors. As explained above, exiting from these sectors was very difficult and competition was too risky. Thus, the existing firms turned to monopolization in their industry by agreements. That could occur with the fusion of different enterprises (mergers) or by deals between firms (consortiums). However, the result was the same in both situations; the restriction of competition in the sector (Hilferding, 2006, p.197).

The restriction of competition was supported and enabled by banks (Hilferding, 2006, p.191-192). Bank capital was dependent on industrial profits via the channel of the companies’ credit. The profitability problem and the bankruptcy of the capital intensive firms could pose a threat to banks, too. Furthermore, by buying and selling the shares of these companies, the banks were not only creditors

but also shareholders. Due to these reasons, in stable and profitable industries, the elimination of competition and the unification of capital within them was encouraged by the banks. The power of banks as creditors and shareholders was used to convince stubborn firms which did not want to participate in the cartel.

The triumph of one enterprise means defeat for the others, in which the bank is equally interested. These enterprises had drawn heavily upon bank credit and the borrowed capital is now endangered. The competitive struggle itself involved all the enterprises in losses...Hence the bank has an overriding interest in eliminating competition among the firms in which it participates. Furthermore, every bank is interested in maximum profit, and other things being equal, this will be achieved by the complete elimination of competition in a particular branch of industry. That is why the banks strive to establish monopolies. In this way, the tendency of both bank capital and industrial capital to eliminate competition coincides. At the same time, the increasing power of bank capital enables it to attain this goal even if it is opposed by some enterprises which, on the basis of particularly favourable technical conditions, would perhaps still prefer competition. Industrial capital has bank capital to thank for eliminating competition at a stage of economic development in which, without intervention, free competition would still prevail. (Hilferding, 2006, p.191-192)

Cartelization led to the integration of industrial and bank capital. They became an inseparable unit because of the banks' possession of the companies' shares. In the capital intensive sector, the industrialists owned less and less of the capital that was growing. Officers of banks joined the boards of the industrial firms. Industry and the banks connected with each other through these personal relationships in addition to formal contracts. The importance of commerce also diminished, and this gave further impetus to relations between banks and industry. Large parts of the investments which previously had been in commerce, were then diverted to industrial capital and increased further the importance of industry (Hilferding, 2006, p.208-222).

As mentioned in the last paragraph, the relative importance of commerce declined during the times of finance capital according to Hilferding (2006, p.226).

Production became more important than trade. In addition to this, with the unification of the banks and industry, the power of these capitalists increased, and they were able to dictate their own conditions to the commerce sector. As a result, commerce lost its independence and turned to the means of unified capitalism of industry and bank capital. “This decline is definitive, and the development of finance capital reduces the significance of trade both absolutely and relatively, transforming the once proud merchant into a mere agent of industry which is monopolized by finance capital.” (Hilferding, 2006, p.226).

With the inclusion of commercial capital, the formation of finance capital was completed. Previously, the different areas of industry, bank and commerce capital were unified under the governance of high finance. Free competition was eliminated, and the individual capitalists came together under the monopolistic combines (Hilferding, 2006, p.301). With the monopolistic combines Hilferding generally referred to the horizontal integration in an industry. The cartels made agreements or merged within an industry. The principal aim of these agreements was to the control of the prices within the industry. The prices settled in the markets with the match between demand and supply. However, the demand was fixed at least in the short run, thus, to control prices the cartels actually needed to control supply, and the levels of production. Consequently, in reality, cartels acted like a single firm, they decided together how much would be produced.

However, horizontal integration was not the sole form of concentration. Vertical integration, the unification of the whole production and exchange process in a firm was another form of concentration in the economy. It differed from the

sector-specific combination. Hilferding (2006, p.204) asserted that the distinction between horizontal and vertical combinations was purely technical and depended on various technical and economic factors. However, both forms of combination had some distinct features. Maybe the most important aspect was that a vertical combination did not eliminate the competition completely. It provided economies of scale which were advantageous to the large vertically integrated firms; they reduced the production costs substantially. However, their combinations led to oligopolistic combines in industries rather than the monopolistic combines as in the case of horizontal combines. Hilferding gave special importance to the monopolistic combines and cartelization in the formation of finance capital. From this point of view, Hilferding actually told the story of horizontal integration rather than vertical integration. Horizontal integration was the common feature of the German and Austrian forms of concentration of capital. On the other hand, the US model contained more features of vertical integration than horizontal integration.

In the US during the 1870s and 1880s, the railroad and manufacturing firms also tried to implement an industry-wide price fixation and production quotas. However, they did not have the necessary legally binding contracts; as these agreements could not be enforced in the courts, they failed. Most of the time, one member of the cartel tried to increase its sales simply by cutting prices. The 1890 Sherman Antitrust Act increased the difficulty the cartels were facing. It made “combinations in the form of a trust or otherwise in restraint of trade” illegal, and directly targeted the formation of cartels in industry. However, the courts generally did not extend this prohibition to cover enterprises that were vertically integrated as

they operated in different sectors; therefore, vertical integration gained momentum after the 1890s (Chandler, 1977, p.317-339).

The hugeness of the country, its abundant resources and expanding internal market also allowed the integration of the production and exchange process. Another difference from the German model was that the role of finance was limited in the development of capitalism in the US. Industry and bank relations were not as intimate as Germany; the banking system was less developed, and the role of foreign credit, especially from Britain, was very important there. Even in the railroad sector which required a large amount of credit, wrote Chandler (1977, p.187), the power of finance was limited; the banks did not generally participate in strategic planning or operations. The most effective groups were the salaried, full-time managers who worked for the newly created big enterprises. Bureaucratization of production was essential and US capitalism resembled managerial capitalism rather than financial capitalism in the beginning of 20th century.

According to Arrighi, by signing long term contracts between each other, the firms in Germany were able for a while to determine prices. Thanks to these contracts, they partly eliminated uncertainty and suspended the market for a certain period of time. On the other hand, in the US, thanks to the vertical integration, all or most of the production processes were planned within the corporation; price mechanisms in production eliminated permanently, and the market was superseded rather than suspended. This was one of the important distinctions between the German and the US form of capital concentration, and indicates one of the reasons

why the US model has become more successful in the long run (Arrighi, 2010, p.296-297).

Hilferding (2006, p.239-243) emphasized that capitalist production consists of the cycles of prosperity and depression. Commodities were sold in the market, turned into money, then this was invested in further commodity production in the expectation of further profits (C1 – M – C2). However, this process is interrupted, when the expectation of profitable investment disappears and money was not invested as C2. These crises occurred as a result of overproduction and the over accumulation of capital. After a certain period of time, with the destruction of a certain proportion of capital, and with the advent of new organizations and investments, profitability was restored, and a new era of prosperity began.

Was the formation of finance capital able to change this process and prevent the crises? The answer was no according to Hilferding (2006, p.297). Capitalism inherited the periodic crises. However, finance capital was able to change certain features of the crises. By using price controls and limiting production, the cartels generally aggravated the crises in non-cartelized industries which were damaged by contracting demand and could not control prices unlike the cartelized industries. Therefore, their collapse happened more quickly than the cartelized firms and, thus, these sectors opened for the cartelization. However, the capitalist crisis is not simply a crisis of overproduction, but of an over accumulation of capital and the lack of investment opportunities. This problem continued even in the cartelized industries and further strengthened with the curtailing of production to control prices. The only answer to the problem of over accumulation of capital was the opening of new areas

for investments. This requirement of capital exports was acutely felt by finance capital especially in times of crises (Hilferding, 2006, p.239-298).

After finance capital reached its maturity, it reshaped commercial policy according to its own interests. In Britain, industrial capital favored free trade because of its leading role in the industrial revolution. However, finance capital, which emerged prominently in the newly developed countries, preferred to enclose its largest territories and implement protectionism there against the capital of other countries. Thus, the interests of finance capital in one country increasingly clashed with the interests of others as outlined in Hobson's book. However, according to Hilferding, the aim was not only to enclose large territories but to also establish monopolistic combines within those territories. In addition to this, Hilferding argued that industrial development in both German and US capitalism was more complete, technically and organizationally, than in the British, Dutch and French models. Because of that, in British capitalism, capital exports took the forms of credit and loans, while German and US capital was directly invested in production, the construction of factories, for example. British capital was used for as loan capital for industries which were under the management of German or US capitalists in the backward countries (Hilferding, 2006, p.331-332).

Hilferding, in line with Marxist thinking, pointed out that economic power bringing along political power. The unification of all power in the hands of few oligarchs intensified the struggle of finance capital both with the oligarchs of other countries, and with the proletariat within the country. Protective tariffs and cartels increased the cost of living. Increasing armament expenditure to ensure the security

of the enclosed territory increased the tax burden on the proletariat. This raised the contradiction between wage labor and capital. Furthermore, this concentrated power facilitated transcending capitalism because large parts of production and state power were concentrated in the hands of the few. Therefore, for the proletariat, taking over the state would ensure the control over production. In other words, the conditions were suitable for the dictatorship of the proletariat (Hilferding, 2006, p.364-370).

Once finance capital has brought the most important branches of production under its control, it is enough for society, through its conscious executive organ - the state conquered by the working class- to seize finance capital in order to gain immediate control of these branches of production. Since all other branches of production depend upon these, control of large-scale industry already provides the most effective form of social control even without any further socialization. A society which has control over coal mining, the iron and steel industry, the machine tool, electricity, and chemical industries, and runs the transport system, is able, by virtue of its control of these most important spheres of production, to determine the distribution of raw materials to other industries and transport of their products. Even today, taking possession of six large Berlin banks would mean taking possession of the most important spheres of large-scale industry, and would greatly facilitate the initial phases of socialist policy during the transition period, when capitalist accounting might still prove useful. (Hilferding, 2006, p.367-368)

Hilferding identified transformations in German capitalism after the crisis of 1873. His focus was on the inner dynamics of capital, the unification process of industry, bank and commercial capital, and the market's tendency to monopolization. These were the prominent features of German capitalism. Hilferding evaluated both German and US capitalism in his analysis, but he did not make a clear distinction between them. Although the concentration of capital was a feature of US capitalism, too, its way of doing this was different from the way German capitalism achieved it. US capital integrated vertically instead of horizontally, and the role of bureaucratization, instead of financialization, in its formation was far greater.

3.5. Lenin's Perception of Imperialism : Hobson and Hilferding's Synthesis of Imperialisms and The Emphasis on Uneven Development

Vladimir Ilyich Lenin wrote his influential pamphlet *Imperialism: The Highest Stage of Capitalism* in 1916, six years after the publication of *Finance Capital* and fourteen years after the publication of *Imperialism: A Study*. In his work, Lenin combined the important features of Hobson and of Hilferding's concepts of imperialism, and added some new features to this combination. He also asserted that imperialism is 'the highest stage of capitalism'. Institutional and ideological transformations had been detected by Hobson and Hilferding separately and in different contexts. From this point of view, his book was a combination, and a summary of these transformations which occurred after the 1873-1896 crisis. In addition to that, his specific contributions of uneven development, and his improvement upon the concept of decaying capitalism (which was originally the coined by Hobson) provides us with a very useful means to understand why insubordinate movements, in the form of revolutions and independence movements against imperialism, were so influential throughout the 20th century. His contributions were also useful in explaining why these rebellious movements became generally successful in underdeveloped and developing countries rather than in imperialist countries which were both developed and industrialized.

The first three chapters of the book proceed in parallel to *Finance Capital*. In the age of imperialism, free competition was replaced by monopolies. This tendency was obvious not only in Germany and the US but also in Britain. This was, in fact, a general tendency around the world. Lenin used statistics to prove this. For

example, for Germany, in 1907, the number of large industrial enterprises which employed more than 50 workers, constituted only 0.9 per cent. On the other hand, they actually employed 39.4 per cent of workforce, used 75.3 percent of steam horsepower, and 77.2 percent of the total available electricity in the industrial sector. This data, especially about energy consumption, showed that the majority of production was carried out by a small number of the large firms in Germany. The statistics of industrial production for the US were also similar. Nearly half of the total industrial production was carried out by one percent of the number of enterprises in 1909 (Lenin, 2007, p.16, 17). Although Lenin's monopolization claim encompassed the whole world, his statistical examples of concentration came mainly from German and US, and not Britain. In addition to that, Lenin did not make a distinction between monopoly and oligopoly: he considered both of them as the monopolizing forces in his text.

This monopolization occurred in three stages. In the first stage, between the years 1860-1870, free competition reached its peak, and the monopolies were in an embryonic stage. After the crisis of 1873, in the second stage, cartels developed over a wide section of production, but monopolization was still in transition. It was only after the end of the 19th century that cartels became one of the cornerstones of the economy and capitalism developed into imperialism (Lenin, 2007, p.21-22).

Lenin's book emphasizes the increasing involvement of the banks in industry, and the formation of finance capital through the unification of banks, industry and commerce. (Lenin, 2007, p.31-62).

At the same time a personal union, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another

through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice versa. The German economist, Jeidels, has compiled most detailed data on this form of concentration of capital and of enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 others, making a total of 751 companies... On the other hand, on the Supervisory Boards of these six banks (in 1910) were fifty-one of the biggest industrialists, including the director of Krupp, of the powerful "Hapag" (Hamburg-American Line), etc., etc. (Lenin, 2007, p.41-42)

In the fourth part of the book, the necessity of capital exports, common to both Hobson and Hilferding, is discussed. The imperialist period is characterized by the exports of capital, while free competition is characterized by the exports of goods (Lenin, 2007, p.62). The necessity of capital exports stems from the lack of profitable investment opportunities in imperialist countries. On this point, Lenin rightly detected that large parts of British capital exports were directed to the British colonies in America and Asia, while most of the French capital exports were directed to Europe, especially to Russia as in the form of loan capital. German capital was invested in Europe and America (Lenin, 2007, p.64-65).

Table 11 Approximate Distribution of Foreign Capital about 1910

	(In billions of marks)			
	Great Britain	France	Germany	Total
Europe	4	23	18	45
America	37	4	10	51
Asia, Africa and Australia	29	8	7	44
<i>Total</i>	70	35	35	140

Source: Lenin, 2007, p.64

Then the book proceeds to examine the partition of the world as describe in Hobson's work. However, Lenin divided this part into two subcategories; the division of the world among capitalist combines and the division of the world among the great powers. In the first subcategory, international agreements between cartels, especially in the newly developing sectors, are investigated. The cartels initially turned into monopolies (or oligopolies) in the national markets, and then made agreements to divide the world among themselves. For example, in electrical sector, the world was divided between the American and German cartels by an agreement in 1907; A.E.G, the German firm, took Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey, Balkans, and the US's General Electric Co. took the United States and Canada. They also agreed to share their inventions and experiments (Lenin, 2007, p.70). However, this was not a permanent agreement: a re-partitioning of the world was always an option. The second sub-category, which was close to Hobson's notion of sharing the world among the great powers, was described as a new wave of colonialism which accelerated in the 1880s with the depression of 1873-1896. The colonization of the third world, particularly Africa and Polynesia, was analyzed in the context of the struggle between imperialist powers. Lenin claimed that with this wave of colonization the imperialist countries completed the partition of the world. However, the re-partition of the world remained as a possibility.

The concentration of production, the formation of financial capital, capital exports, the creation of international monopolies, and the completion of territorial division moved capitalism on to the stage of imperialism (Lenin, 2007, p.88-98).

According to Lenin, it was not an anomaly within capitalism but a natural result of the historical process of capitalism. Imperialism also brought an uneven development both within imperialist powers and between imperialist powers and the rest of the world. Lenin asserted that the uneven development within imperialist powers appeared although the partition of the world was completed. The partition of the world did not truly reflect the level of development of the imperialist powers. This led to conflict between the imperialist powers and, ultimately, to war. Additionally, an uneven development occurred between imperialist powers and the rest of the world. Imperialism increased the exploitation of the third world.

Lenin used the railways as the indicator of two types of uneven development. Railways were very useful both for investments of main industries of capitalism like coal, iron and steel, and for the diffusion of capitalism, both goods and people could easily be transported, and capitalist production enabled etc. (Lenin, 2007, p.10).

Table 12 The Length of Railways of the Largest Countries Including Their Colonies (In Thousands of Kilometres)

	1890	1913	
U.S.A.	268	413	+145
British Empire	107	208	+101
Russia	32	78	+46
Germany	43	68	+25
France	41	63	+22
<i>Total for 5 Powers</i>	491	830	+339

Source: Lenin, 2007, p.98

Thus, about 80 per cent of the total existing railways are concentrated in the hands of the five biggest powers. But the concentration of the ownership of these railways, the concentration of finance capital, is immeasurably greater, for the French and English millionaires, for example, own an enormous amount of shares and bonds in American, Russian and other railways.

Thanks to her colonies, Great Britain has increased the length of her railways by 100,000 kilometers, four times as much as Germany. And yet, it is well known that the development of productive forces in Germany, and especially the development of the coal and iron industries, has been incomparably more rapid during this period than in England—not to mention France and Russia. In 1892, Germany produced 4,900,000 tons of pig iron and Great Britain produced 6,800,000 tons; in 1912, Germany produced 17,600,000 tons and Great Britain, 9,000,000 tons. Germany, therefore, had an overwhelming superiority over England in this respect. The question is: what means other than war could there be under capitalism of removing the disparity between the development of productive forces and the accumulation of capital on the one side, and the division of colonies and "spheres of influence" for finance capital on the other? (Lenin, 2007, p.98)

The uneven development between the imperialist countries and the rest of the world, that is, the exploitation of the rest of the world by the imperialist powers led to another important development; parasitism and the decay of capitalism. Between 1865 and 1898, Britain's national income approximately doubled, however, its income from abroad increased nine fold in the same period (Lenin, 2007, p.104). Although other imperialist powers did not receive such a large amount of tribute from the colonies, they too gained a considerable amount of income from abroad. This huge income provided the super-profits, profits coming from the exploitation of home countries' working classes plus tribute from abroad, for the capitalist classes of imperialist powers. Parts of this income was used for bribing the upper stratum of the labor movement in the home country. "And the capitalists of the "advanced" countries are bribing them [the labour leaders and the upper stratum of the labour aristocracy]; they bribe them in a thousand different ways, direct and indirect, overt and covert" (Lenin, 2007, p.14). As a result, the expectation of Hilferding, and previously of Marx and Engels, which was that the proletarian

revolution in the most advanced countries, would face the difficulties created by those labor aristocracies. In Britain, the labor aristocracy was the most powerful in comparison to other imperialist countries because of the huge tribute pouring in from abroad (Lenin, 2007, p.106-107). With this concept, Lenin developed Hobson's parasitism notion and provided one of the most valuable explanations as to why the rebellious movements against imperialism, which were very effective in the 20th century across the globe, were not able to be successful in the most advanced capitalist countries. On the other hand, imperialism, which was the stage of capitalism which appeared after, and was an answer to, the 1873-1896 depression, triggered a furious reaction against the imperialist powers in the colonized countries, and in the areas in which 'capitalism was not strongly developed such as Russia and Eastern Asia' (Lenin, 2007, p.96). It also manifested itself in the form of the revolutions and independence movement of the 20th century.

Lenin summarized both the transformation of Britain, and of German and US capital in his book and enriched this analysis with the concepts of uneven development and decaying capitalism. However, in his summary, he did not explain the diverging aspects of British, German and American capital. Instead he collected all their features together in his notion of imperialism, and added to that his own contributions of uneven development and the decay of capitalism, which he named as the highest stage of capitalism.

3.6. Conclusion

The 1873-1896 Depression was a breaking point in the long history of capitalism. With this crisis, the structural features of the existing relations of

production, as well as the power relations between states were fundamentally transformed. It was a signal crisis in which the existing hegemon started relatively to decline: its capital increasingly headed to finance, and new candidates for hegemony gradually emerged with its own models of production within capitalism. From this point of view, Britain was the hegemon, and Germany and the US who were the potential candidates for the future hegemony produced different responses to the crisis. These responses were well explored in the books of Hobson, Hilferding and Lenin through the concept of imperialism.

Hobson, with its book, *Imperialism: A Study*, mapped out the response and the transformation of British capitalism to the depression of 1873-1896. The crisis occurred as a result of an over accumulation of capital. Britain lost its unique position in world production, and turned to aggressive imperialism. Its colonial territories expanded and these colonies were used for the investment of excess capital rather than commercial profit. Its idle capital, besides being used for war and armament expenditures, was employed to finance the state debts of foreign governments. Although Hobson asserted that all the countries experienced the same process, these were the distinct features of British capitalism and its pecuniary logic in which the principal aim was to gain the largest possible revenue by the investment of capital. Thus, Britain did not experience a big structural transformation in its production process. Its profits were mainly sustained by the investments in its widespread colonies, and in the newly developing states such as the US and Argentina as the form of tribute.

On the other hand, with this crisis, the production processes of Germany and the US changed radically. One of the best explanations for this transformation is found in Hilferding's book, *Finance Capital*. Hilferding explains how capital was concentrated in these countries. Profitability problems and the large investment requirements of newly developing industries were overcome firstly by the unification of bank and industry capital. Then with the inclusion of commercial capital, the formation of finance capital was completed. Nevertheless, the structural dynamics of crises inherited by capitalism, particularly an over accumulation of capital, continued in the age of finance capital: exports of capital became a necessity after the cartelization process in the home country had been largely completed. Although the necessity of capital exports was common to both Hobson and Hilferding, their points of departure were very different. Hilferding emphasized the inner dynamics of capital, profits gained by the economies of scale and technological progress: technical rationality was in the center of the formation of finance capital, and it was differentiated fundamentally from the pecuniary logic of British capital.

However, Hilferding talked mainly about cartelization, the combination of capital to constitute a monopoly within a specific sector to control prices. This was the main feature of the German form of concentration. The US model concentrated vertically instead of horizontally as a result of the size of the country, its resources, and its legal structure. Additionally, the relations between industry and the banks were not as intimate as in Germany, and the US' dependence on foreign capital, especially British capital as form of loans and credits, was higher. As a result, US

became a large vertically integrated capitalist oligopoly, and can be labelled 'managerial capitalism' rather than finance capitalism.

Hobson and Hilferding exposed two different faces of imperialism. Lenin in his book, combined the features of two types of imperialism, associated it with the concept of uneven development, and claimed that imperialism was the highest stage of capitalism. Arrighi criticized Lenin for this combination. He claimed that Lenin ignored the distinction between the two types of imperialism in his book. This claim is true to some extent. However, Lenin wrote his book with the eye of an outsider, as the leader of a movement fighting against imperialism, and he did not come from any of the existing hegemon or potentially hegemonic countries. From this point of view, this combination has a meaning and gave us a valuable summary of imperialism at the beginning of 20th century, although imperialist powers have their own distinctive features. Furthermore, his notion of uneven development and his contribution to the concept of decaying capitalism were useful as explanations of the movements against imperialism and capitalism which were very effective in the 20th century, and as reasons as to why they failed in the developed countries. The uneven development in the world paved the way for uprisings against imperialism and capitalism and the decay in society in developed countries. This was due to the distribution of parts of the profits that came from the developing and underdeveloped countries which then prevented any rebellious movement in those advanced countries from being successful.

CHAPTER 4

THE 2008 CRISIS AND ITS COMPARISON WITH THE 1873-1896 DEPRESSION

4.1. Introduction

After the examination of the 1873 crisis, in the last chapter, the thesis going to focus on the present crisis which has been in effect since 2008. This analysis rests on the experiences of the 1873-1896 crisis and the application of a theoretical framework, especially the systemic cycles of accumulation approach upon the current crisis with an emphasis on the concept of uneven development in capitalism. The crisis is examined in three parts, firstly the economic developments in the world before the crisis, then the crisis and its evolution are investigated by focusing particularly on the US, the EU and China, and lastly, the crisis is investigated from the perspective of hegemony. Because the crisis has not yet finished, the inferences made in this chapter are more uncertain, especially regarding the hegemony debates. Finally, due to its rapid development and growing role in the world system in the recent decades, China is in the center of many of the analyses in this chapter. However, this does not mean that China's hegemony is certain. History always creates possibilities, and there is never only one option. Based on developments, the Chinese hegemony could be established in capitalism as the hegemonies of Genoa, the Dutch, Britain and the US were established. Alternatively, its project to establish hegemony could fail as Germany's did at the beginning of the 20th century.

4.2. 1990-2007: Pre-Crisis Years and Great Moderation

Similar to the 1850s and 1860s, capitalism experienced a geographical expansion at the end of 1980s and the beginning of 1990s. China, starting from 1978, began to implement capitalist practices which accelerated after the 1990s. The Soviet Union and the Socialist Bloc collapsed at the beginning of the 1990s, and began their transition to a capitalist economy. However, the transitions of former USSR countries and China were very different. The former Socialist Bloc countries, including Russia, suffered from shock therapy prescriptions, states privatized economic production units, oligarchs came into existence, people of these states were driven to the misery as the people of third world especially in Latin America and Africa were driven to poverty in the 1980s with the neoliberal agendas.

On the other hand, China experienced a gradual transition to capitalism with the strong involvement of the state. Its transition started in the late 1970s. It started in the rural areas instead of the cities. Arrighi (2007, p.361-363) emphasized the role of Township and Village Enterprises (TVEs), which were small scale rural industries, in the economic ascent of China. These enterprises, along with state restrictions, had a major role in preventing a large, uncontrolled migration from rural to the urban areas. "Through various institutional barriers to spatial mobility, the government encouraged rural labor to leave the land without leaving the village." (Arrighi, 2007, p.363). In addition to that, they constituted the initial steps of the China's industrialization.

However, starting from the 1990s, capitalist practices in the cities gained importance, and the transition to capitalism accelerated. In the 1990s, like in other

developing countries, the World Bank took a role in the market reforms in China (Oktay, 2017, p.83). The coastal cities of China became the center of foreign investments and the center of the new big industrial facilities. With the decollectivization of agriculture, a regular and cheap supply of labor was channeled into the industrial facilities of the coastal areas (Bieler and Morton, 2018, p.178; Gray, 2014, p.139). However, during the 1990s, state involvement was still important in the Chinese economy. The central role of state owned enterprises (SOEs) and state regulations in the economy, and the re-organization of the economy for a competitive environment were the main features in China which distinguishes it from the other developing countries. “Indeed the key reform has not been privatization but the exposure of state-owned enterprises (SOEs) to competition with one another, with foreign corporations, and, above all, with a mixed bag of newly created private, semi private, and community owned enterprises.” (Arrighi, 2007, p.356).

Capitalism entered the crisis period in the 1970s, not only materially, as in the expression of declining profit and stagflation but also ideologically. Policy makers were unable to address the problems of the crisis with Keynesian principles which had been very influential in leading economies since the 1945. The hegemonic state, namely the US, was in decline; it began to lose its ability to lead the world. The terms of trade turned in favor of the third world, and third world countries developed rapidly in the 1970s. However, in the 1980s, the situation reversed. The increasing interest rates and a ‘US driven escalation of competition in world financial markets’, cut the funds of developing and underdeveloped countries, and

they were forced to accept neoliberal prescriptions. Additionally, their efforts to form an alliance between them failed (Arrighi, 2007, p.6). As a result of this failure, countries in Latin America and Africa remained as suppliers of primary goods to Western Countries and later to China.

Therefore, the ideological hegemony of the First World countries, particularly the US, was restored in the form of neoliberalism. This ideological restoration was completed with the collapse of the USSR and the integration of China to the capitalist system in the 1990s. The problems of declining profits and over accumulation of capital, the economic roots of the crisis, were solved by two means. The first one was the 'spatial fix', the term used by Harvey (2006). This was the moving of production, especially the labor intensive parts of production, into the countries which had a cheap labor force. The second was financialization as in the previous hegemonic cycles. The organized working classes in the Western Countries were defeated by the shift of production to the other regions of the world, strong ideological attacks as expressed famously in Thatcher's words "There is no alternative" which came after the failure of Keynesianism in the 1970s, and the beginning of the disintegration process of the USSR. Parts of the production process were moved to areas where labor cost was low. For those working on the remaining parts, real wage increases stopped, and excess capital was directed to finance. Therefore, profits were restored, at least partially, the single world market was again established, and the ideological hegemony of the US and neoliberalism became unquestionable all over the world. Globally, the 1990s and the beginning of the 2000s looked like the world of the 1850s and the 1860s in which a single world

market had also been established around a liberal ideology of the hegemonic state, namely, Britain for former and US for latter period.

One of the important pillars of the neoliberal ideology in the 1990s was free trade and the establishment of the World Trade Organization in 1995. This was also required due to the existence of fragmented supply chains as a result of the relocation of production into low-cost-labor areas. The most prominent which, of course, was China. However, the North American Free Trade Agreement (NAFTA) which was signed in 1992 between the US, Canada and Mexico, the establishment of European Single Market, in 1993, which involved the free movement of goods, capital, services and labor, and the EU-Turkey Customs Union which was established in 1996 showed that free trade and relocalisation of production were not limited to China. Mexico, parts of Eastern Europe, and Turkey were some other examples.

The establishment of the World Trade Organization was an important indicator of the free trade era. The World Trade Organization (WTO) was established in 1995 as a result of negotiations that took place in the Uruguay Round (1986-1994). It was an institutionalized form of the General Agreement on Tariffs and Trade (GATT) signed in 1947. One of the distinctive features of the WTO in comparison to GATT has been its dispute settlement mechanism which includes an enforcement power to resolve trade disputes between the member states of the organization. In addition to this, GATT was only aimed at regulating goods. However, during the Uruguay Round, three new agreements were reached. These were The General Agreement on Trade in Services (GATS), The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), and The Agreement

on Trade-Related Aspects of Investment Measures (TRIMS) which covered services, intellectual property and investments. (Peet, 2009, p.186-191). With these agreements, multinational corporations and developed countries in the West tried to expand areas in which the neoliberal trade rules reigned and to implement ambitious trade liberalization in goods produced in the underdeveloped and developing countries.

The undemocratic nature of the WTO and its rules against protectionism and state subsidies, which have hampered the growth of industries in underdeveloped and developing countries' has long been criticized. But at the same time, capitalism's profit seeking motive led to the expansion of the system, and the integration of new regions into capitalism. The industrial revolution started in Britain in the beginning of 19th century then spread to Europe, US, Japan, Korea and China.

China in the 1990s, was not only a part of this expansion but also tried to intervene in this process with an active state participation in industrialization. For example, Chinese state obliged foreign firms which wanted to invest in China to share their technological knowledge with their Chinese partners, especially in the sector of automotive and information technology (Arrighi, 2007, p.355-356). Under these conditions, the participation of China in the WTO caused two opposite effects. One effect was the decline in Chinese tariffs, and the decrease in barriers at least in terms of tariffs which stood around 40% at the end of 1980s (Oktay, 2017, p.97). Additionally, China became a member of an organization which was majorly controlled by First World Countries.

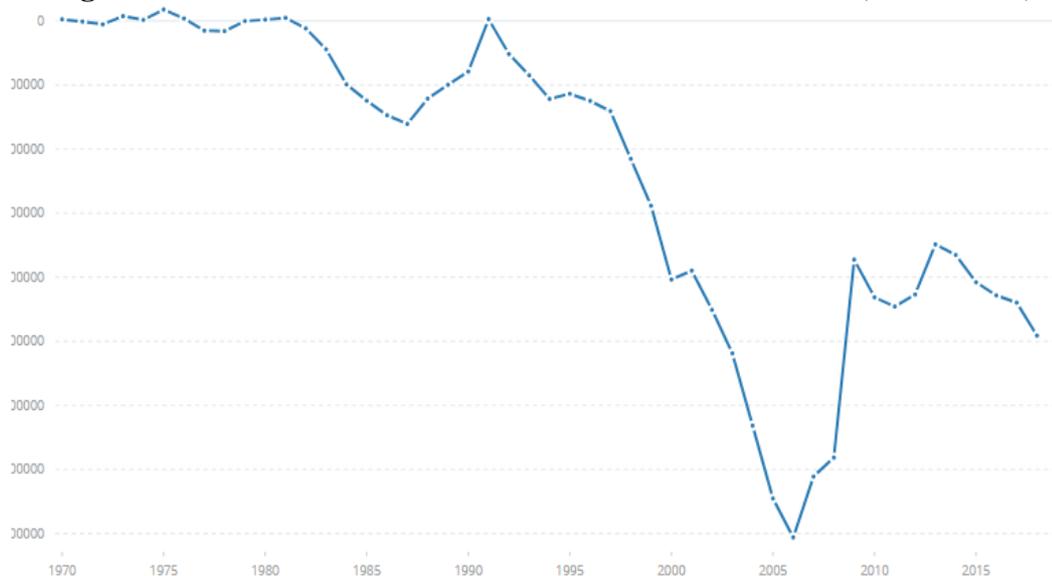
The second effect was positive for China; thanks to the most favoured nation clause of the WTO, which prohibited the discriminatory treatment between members and foresaw the same tariffs for all members, except in the cases of comprehensive trade agreements, China gained a major advantage to attract foreign investments. Moreover, it used the advantages of WTO membership, and its developing country status to dramatically increase its exports. “[In China] Foreign direct investment, which had totaled only \$20 billion for the whole decade of the 1980s, soared to \$200 billion by 2000 and then more than doubled to \$450 billion in the next three years.” (Arrighi, 2007, p.351-352). From today’s point of view, the later effects looked much more influential than the former one, and the WTO membership of China facilitated her ascent as the manufacturing hub of the world.

China’s industrialization came after, but was connected with the industrialization of other East Asian countries. Starting in Japan in the 1950s and the 1960s, industrialization then continued with South Korea, Taiwan and Hong Kong. Therefore, East Asia, at the beginning of the 1990s, had substantial knowledge and resource capacity in the industrial sector. China benefited from this legacy in many ways. For example, in the beginning of its industrialization, most of the direct foreign investments came from its neighbors and from the Chinese diaspora abroad. “By 1990 when Japanese investment took off, the combined investments of US\$ 12 billion from Hong Kong and Taiwan accounted for 75 percent of all foreign investment in China...” (Arrighi, 2007, p.352).

These developments led to a new international division of labor in the world. Already in the beginning of the 1990s, Japan, South Korea and Taiwan had begun

to sell their industrial products in the US domestic market. However, they, in comparison to China, were more dependent on the US. They needed US military protection, energy and food supplies (Arrighi, 2007, p.6-7). With the entrance of China into the picture, the balance changed substantially. China with its huge scale, cheap labor and more independent status made the US and Western production especially in manufacturing more and more difficult. We can observe this situation in the current account deficit of the US. "... from a situation of near balance in 1991, the US current account deficit in 2006 grew to \$800 billion, or 5.9 per cent of GDP, widening dramatically to this unprecedentedly high level after 2001." (Iley and Lewis, 2013, p.43).

Figure 4 Current Account Balance of US between 1970-2018 (current US\$)



Source: The World Bank - *Current account balance (BoP, current US\$)* accessed 19 April 2020, <https://data.worldbank.org/indicator/BN.CAB.XOKA.CD>

The 1997-98 crisis marks the beginning of a huge bifurcation between the Northern deficit and the rest of the world's surplus in the current-accounts of their respective balances payments. The bifurcation reflects the fact that there are less and less goods and services that the North, especially the United States, can produce at lower prices than the rest of the world. (Arrighi, 2007, p.382)

However, decreasing competitiveness of the North in production did not mean that the South was transformed into industrial region as a whole. For example, Latin American countries remained as primary goods suppliers although they benefited from the high commodity prices in the beginning of the 2000s. As a result of its increasing industrial base and double digit growth, China became one of the prominent customers of Latin American primary products. The overwhelming majority of Chinese imports from Latin American countries consisted of primary products. “Latin America is a major exporter of primary commodities to China, with copper ore, soybean, soya oil, iron ore, crude oil, and refined copper leading the way in terms of exports...; if we combine primary goods and resource based manufactures, then in 2008 87.7% of Latin American exports were in these sectors, compared to 53.6% for the rest of the world.” (Bieler and Morton, 2018, p.172; Kiely, 2015, p.160)

Loss of competitiveness in the production of goods and services accelerated the financialization tendency of capitalism in the US and Europe. This tendency had already begun with the crisis of the 1970s. Financial deregulation became a trend all over the world after the 1980s in the highly competitive environment of world manufacturing. The sharp increase of interest rates in the US with the famous Volcker Shock, gave capitalist an opportunity to restore profitability of its financial assets first in the US, and then in the growing number of developed and underdeveloped countries. This occurred despite the US continuing to implement a type of Keynesianism with the means of big spending in armament expenditure of state and related budget deficit in the 1980s. US neoliberalism was truly

implemented in the 1990s with the balanced budget practices (Brenner, 2006). However, the growth rates of the US and the investment level could not reach the pre-1970 level after the neoliberal restoration. Furthermore, the real-wages of the American working class increased only very slightly. In other words, the neoliberal restoration could not create a new form of capital accumulation at least in the real sectors, but instead it distorted the distribution of income in favor of capital to restore profitability (Brenner, 2006). Neoliberal practices were combined with the increasing competition of East Asia and China in industry, the relocalization of world industrial production there and the growing trade deficit of the North, especially of the US.

Under these conditions, deregulation reached its peak in the late 1990s after the abolition of the Glass-Steagall Act in 1999, which had been introduced in 1933 as a legacy of 1929 crisis with the aim of separating commercial banking, which gave credit based mainly on the individual deposits, and investment banking, which was mainly based on the selling of the stocks and bonds (Akçay and Güngen, 2016, p.27-28). This regulation was aimed at the prevention of high-risk investments financed by household savings. The abolition of the act led to the removal of barriers between commercial banking and investment banking, and the new sort of unregulated banking system; the shadow banking system flourished as an alternative to regulated banking systems. The shadow banking system grew with financial innovations such as collateralized debt obligations, mortgage-backed securities etc. which enabled the commodification of individual and institutional debts (Akçay and Güngen, 2016, p.33, 79). Mortgage credits especially, were widely used under these

mechanisms. The shadow banking system, with its unregulated structure and very high leverages, made securitization, transformed long term debts, particularly mortgage credits, to short term debts or to money with trading transactions. As a result, housing prices in the US from the beginning of the 2000s until the beginning of the 2007-2008 crisis increased rapidly. The decreasing purchasing power of the American working class, and the decreasing competitiveness of American capital in industry were compensated for by the credit mechanism and financialization.

The profits of financial institutions in the US more than doubled from 20 percent of all corporate profits in 1979 to an astonishing 40 per cent in 2001-2003. As even non-financial corporations began gaining significant profit from financial investments, the view arose that capitalism had been fundamentally transformed by 'financialization'...both household and financial sector debt relative to GDP rose from 1979 to 2007 with the former ratio doubling while the latter rose almost six fold by the eve of crisis. (Kotz, 2015, p.35, 130; Subasat, 2016, p.22)

Thus, deregulation and increasing financialization in the US financial system, which eventually caused the 2007-2008 crisis, should also be evaluated as a result of three structural problems of US economy: the slowing down of investments and growth rates of economy, the growing trade deficit and the increasing indebtedness of households (Duménil and Lévy, 2011, p.34-41).

The Economic and Monetary Union had a big role in the formation of the crisis via creating uneven development in Europe. This process started initially with trade liberalization through the Customs Union between the Western European States in 1968. Then liberalization was extended to trade in services and finance in the mid-1980s (Bieler and Morton, 2018, p.228). In the 1980s, first Greece then Spain and Portugal entered the European Economic Community. However, the main transformations occurred in the 1990s in terms of both geography and in terms of the deepening of liberalization connected with developments around the world. In

the 1990s, with the collapse of the USSR, the unification process between Western and Eastern Europe began. Similar to the shift of production to East Asia, on a European scale some parts of production started to shift to Central and Eastern Europe due to the low labor costs in those regions and its geographical proximity to Germany and Northern Europe. This helped increase the productivity and competitiveness of German industry (Simonazzi et al., 2013, p.660).

On the other hand, the labor intensive industries of Southern Europe, particularly Greece and Portugal, came under increasing pressure from China with its increasing industrial production. With the formation of the Economic and Monetary Union, their competitiveness decreased further. Because of the Monetary Union, they could not depreciate their currencies and higher inflation rates increased labor costs. Under these conditions, two different types of growth model came into being in Europe starting from the 1990s. Germany and Northern Europe grew with the export-led strategy, and developed big current account surpluses. While Southern Europe countries were increasingly deindustrialized, and experienced demand led growth with the help of cheap credit. The big current account surpluses of Northern Europe created the appropriate conditions for cheap credit (Bieler and Morton, 2014, p.220). It was obvious that this was not sustainable in the long run. However, this was not the fault of Southern Europe or due to the laziness of their people as asserted widely especially in the beginning of crisis; it was the direct consequence of the economic structure in the European Union.

4.3. 2008 and onward: The Global Financial Crisis and the Long-Run Recession

The global financial crisis was born in the US. The FED lowered interest rates after the dot-com crisis of 2000. Low level of interest rates in a highly unregulated financial system led to the mortgage bubble by causing a constant increase in housing prices. The FED increased interest rates to prevent a rise in inflation after 2004 and tried to stabilize them around 5% in 2006. The increasing interest rates depressed housing prices and triggered the crisis. However, the US economy already had structural problems leaning on the world conjuncture as emphasized before; thus, low interest rates at the beginning of 2000s were not a choice but a necessity for the FED (Akçay and Güngen, 2016, p.25, 69).

After the crisis began, the mortgage crisis turned quickly into a financial crisis which threatened the whole system. The FED and the Treasury responded to the crisis by lowering the interest rates sharply, and the creation of big assets purchasing programs. From December 2008 to December 2015, the interest rates were between 0.00 and 0.25% (Akçay and Güngen, 2016, p.97). In the second half of 2008, the Troubled Assets Relief Program which had 700 billion US dollars at its disposal was implemented as part of a large assets purchasing strategy. With these strategies and with the reserve currency advantages of the US dollar, the US economy partly recovered. For example, the unemployment rate which rose over 10% in 2010 from nearly 5% in 2008, began to fall after 2010 (Akçay and Güngen, 2016, p.105).

The crisis shook confidence in neoliberalism and the self-functioning market hypothesis; the role of the state gained importance in the recovery. The unregulated

financial system and increasing inequalities were the target of the social movements like Occupy Wall Street. In addition to that, recovery was always fragile. An unending recession continued. For example, an increase in interest rates which came after seven years, at the beginning of 2016, did not take long. At the beginning of 2019, interest rates were stabilized around 2.40%, almost half of the level of 2006 and began to fall in the second half 2019.

The financial crisis in the US affected the whole world. However, the effects of the crisis, especially in the early years were felt more heavily in the countries with strong commercial and financial links with the US. The US and the EU had strong trade and economic ties historically, and an increasing financialization further strengthened these links, thus the EU countries, particularly Eurozone countries were affected most by the crisis. In 2009, while the world economy shrank by 1.1%, Eurozone economies shrank by 4.3% on average. Within the Union, the worst affected countries were the Southern Europe countries. The demand based growth model of Southern Europe economies had not experienced any problems when credits and funds were available. However, with the crisis, credit and funds dried up, and these countries fell into a debt crisis or real estate crisis, as in Spain.

The lack of the ability to depreciate their currency due to the monetary union, further aggravated the crisis. The future of monetary union was in danger. "...the EMU has limited countercyclical state intervention in times of crisis and has relied from the beginning of downward pressure on wages for adjustment alongside the development of financialization and creation of national and personal debt for economic growth" (Bieler and Morton, 2018, p.224). The European troika: the

European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) provided financial aid to Southern European countries and Ireland. However, in exchange for these aids, harsh austerity measures were imposed upon these countries. Northern European countries, which were on the other side of the uneven development coin in the EU, with their export led strategy avoided taking the real responsibility.

Greece became the worst affected country from these measures. Its unemployment rate increased to 27% in 2013, and its GDP shrunk sharply. Greece also had a strong progressive and labor movements, and thanks to these became the center of long lasting resistance to the Troika's austerity measures. The uncompromising attitude of Troika, and the undermining of democracy first in Greece and then in Italy showed that the implementation of neoliberal policies could only be possible with force not consent. Bieler and Morton (2018) rightly detected that there are important similarities between 19th century capitalism and neoliberal practices in Europe today.

Nevertheless, some of the dynamics Luxemburg observed can be noted in relation to the expansion of capitalist surplus accumulation and how it is currently being constituted within the Eurozone under conditions of neoliberalisation, including: 1.) the way loans from core capitalist spaces to peripheral spaces ensure a profitable made of investing surplus capital; 2.) the fact that such a strategy is not sustainable in the medium to long term; and 3.) that the ultimate shift towards more authoritarian forms of government and the undermining of national sovereignty and democracy can be witnessed. (Bieler et al., 2016, p.433-436; Bieler and Morton, 2018, p.234)

This similarity was observed by Bordo and James (2014) in a different context. They asserted that the Economic and Monetary Union (EMU) today, and the gold standard of the 19th century show striking similarities, but that the crisis in the EMU appeared even worse.

Both arrangements are based on fixed exchange rates, monetary and fiscal orthodoxy. Each regime [Economic and Monetary Union (EMU) today and the gold standard of the 19th century] gave easy access by financially underdeveloped peripheral countries to capital from the core countries. But the gold standard was a contingent rule – in the case of an emergency like a major war or a serious financial crisis – a country could temporarily devalue its currency. The EMU has no such safety valve. Capital flows in both regimes fueled asset price booms via the banking system ending in major crises in the peripheral countries. But not having the escape clause has meant that present day Greece and other peripheral European countries have suffered much greater economic harm than did Argentina in the Baring Crisis of 1890. (Bordo and James, 2014, p.275)

China's export led economy experienced difficulties when the global financial crisis began in 2007-2008. Contraction in the economies of the US and Europe caused a decline in Chinese exports. They decreased 17% in 2009 in comparison to previous years and many workers lost their jobs, especially in export-industries (Oktay, 2017, p.205). Coastal provinces like Shanghai and Guangdong were most affected. "In the third quarter of 2008, about 670,000 factories went into bankruptcy" (Schmalz and Ebenau, 2012, p.494; Bieler and Morton, 2018, p.184). China responded to the crisis with a stimulus package of 589 billion US dollars, which aimed to boost domestic consumption, lowered interest rates, and introduced incentives for construction. As an indicator of the major increase in construction in China, 6,500 million tonnes of cement were used between 2011-2013 while the United States consumed 4,500 million tonnes of cement between 1990 and 1999 (Harvey, 2016; Bieler and Morton, 2018, p.185-186). These responses caused an increase in the debt stocks of China; the total debt to national income ratio increased from 150% in 2008 to 250% in 2016. However, stimulus packages and increasing construction and consumption could not prevent a slowdown in the growth rate. The double digit growth rate of the country decreased to single digit and recently to 6-7% (Akçay and Güngen, 2016, p.208).

The global financial crisis in its early phase affected most of the developing countries via trade channels (Cömert (Ed.), 2016, p.14). The contraction in world GDP in 2009 and the declining demand in the markets of the US and Europe were the reasons for this effect. However, the almost zero interest rates in the advanced economies stimulated a capital flow to developing countries, and this generated a partial recovery in their economies after the first shocks were over. However, after the 2014-2015 period, the increasing recession and the EED's efforts to increase interest rates had the effect of depressing developing economies by decreasing capital flow to these countries. A decline in the prices of primary commodities also negatively affected these countries, especially in Latin American countries due to their role in the international division of labor. As emphasized before, exports of primary products were the main revenue source for many countries in Latin America; the decline in the price of primary commodities cut this revenue.

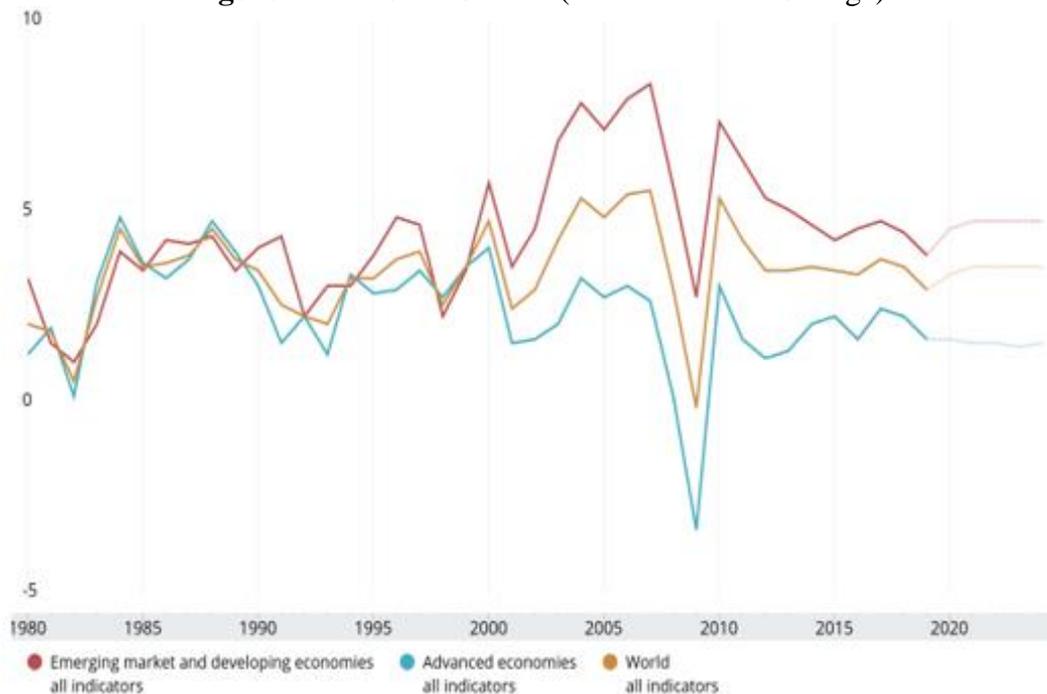
The global financial crisis turned into a form of constant recession after first shocks. In the US, even seven years after the crisis, the interest rates of FED were almost zero; however, this did not lead to remarkable inflation in the US economy. From the end of 2015, the FED gradually increased interest rates, but limited them to just 2.40%. This, however, was very short lived and they began to fall again in the second half of 2019. With the beginning of Coronavirus pandemic, the rates were again lowered to almost zero in March 2020. The EU and Japan went further than the US on this issue. The European Central Bank, in 2014, and Japan Central Bank, in 2016, began to implement negative interest rates. The implication that negative interest rates may be implemented by the US and other countries in the near future

is very important because it shows that the expectation of deflation or of a recession will continue. In other words, the expectation is that an amount of money will be more valuable in the future, and that means also in the future, monetary policy will be ineffective because there will be no room for a further drop in interest rates (Akçay and Güngen, 2016, p.215).

Another important indicator of recession was the slowdown in the rates of growth. The direct effect of the global financial crisis on developing countries and China was the slowing down in their growth rates. As shown in the chart below, the increasing growth rates of developing countries at the beginning of the 2000s, did not fully recover after the crisis, and the tendency of rates to decline has continued since 2010. The growth rates in advanced economies were also very stagnant. If the coronavirus pandemic is added to this picture, the partial recovery expectation of the IMF in developing countries for coming years does not seem very realistic.

Another indicator was the prices of commodities throughout the world. The prices of metal products and oil increased very rapidly at the beginning of the 2000s. Increasing demand from China and the developing countries, due to high growth rates, had a big effect on this rise. However, with the crisis this trend ceased and then reversed.

Figure 5 Real GDP Growth (Annual Percent Change)



Source: IMF, 2019, World Economic Outlook (October 2019)

As the global economy entered into a recessionary period, the decline in global demand was accompanied by a drop in commodity prices. For example, after reaching a peak of US\$133 per barrel in July 2008, the price of oil fell by more than 70 percent to an average of US\$39 per barrel in February 2009. Similar declines were observed in the prices of metal products such as copper. (Cömert (Ed.), 2016, p.15)

Although oil prices increased from 2009 to 2011, they then followed a downward trend. Similar to the FED's interest rates of, oil prices also increased partially after the end of 2015, but could not reach the pre-crisis level, and in 2018 and 2019, they began to fall again.

Figure 6 West Texas Intermediate (WTI or NYMEX) Crude Oil Prices Per Barrel (US\$)



Source: <https://www.macrotrends.net/1369/crude-oil-price-history-chart>, accessed 04 April 2020

Lastly, after the crisis the rate of unemployment rose sharply in the US and in Europe, especially in Southern Europe. In the US, unemployment increased to 10% in 2010, while in the Eurozone it increased to 12% in 2013. Although the unemployment rate decreased after this date, the newly created jobs were generally low-paid and insecure, and part-time working became abundant. In the Southern European Countries, the persistent problem of unemployment among the young has continued. In the US, the ratio of labor force to population also decreased from 66% in 2008 to 63% in 2016, which contributed to the recovery of the employment rate (Akçay and Güngen, 2016, p.209-210). When the crisis/recession spread to the developing countries, unemployment and similar insecure and part-time work

practices have also risen, especially among the young. Overall, although the unemployment rate level stabilized or partly recovered, the system could not or did not produce sufficient full-time and permanent job opportunities for the world population, insecure and part time jobs were the main response to the crisis in most parts of the world. The coronavirus pandemic further has aggravated the situation by increasing unemployment dramatically.

China benefited from its participation in the World Trade Organization in 2001 to accelerate its export oriented industrialization, contrary to expectation of the US and European countries. However, its export oriented industries faced increasing difficulties after the global financial crisis started. One pillar of these difficulties was the increasing protectionism worldwide. After the 2008 crisis, measures which can be called trade restrictions sharply increased in G-20 countries, from 2008 to 2013; 1,200 trade restrictive measures were implemented, and most of them were anti-dumping measures against Chinese products (Oktay, 2017, p.545-546). The definition of dumping is selling a product in foreign markets with a price lower than the home country to eliminate rivals or increase shares in this market. This practice is prohibited according to rules of the World Trade Organization. Countries have implemented anti-dumping measures extensively against Chinese products. China's "non-free market economy" status, which was dictated to China as one of the participation conditions to WTO and remained in effect until the end of 2016, facilitated the utilization of anti-dumping measures against China.

The election of Donald Trump as the US president in 2016 was a milestone. The prominent actor of the free trade era in the 1990s, and defender of the WTO, the

US from that point on began openly to implement protectionist policies. The US announced the withdrawal from the ambitious free-trade agreement negotiations with the Pacific countries, the Trans-Pacific Partnership (TPP) and its Atlantic equivalent, the Transatlantic Trade and Investment Partnership (TTIP), a planned free trade agreement with the EU. The US insisted on the renegotiation of North American Free Trade Agreement (NAFTA) which had been signed in 1992 between the US, Canada and Mexico. In 2018, first the US then China increased tariffs on each other's imports. From this perspective, 2018 resembled 1879, in which Germany increased her tariffs after the free trade era signaling the opening of the protectionist period.

...the big background of the China US trade war is threefold. First, from the viewpoints of US policymakers and stakeholders, there are some areas of concerns including China's alleged widespread cyber economic espionage against U.S. firms; relatively ineffective record of enforcing intellectual property rights; discriminatory innovation policies; mixed record on implementing its World Trade Organization obligations; extensive use of industrial policies to promote and protect industries favored by the government; and interventionist policies to influence the value of its currency (Morrison, 2018). Second, it is part of the Trump Administration's policy towards trade including unilateral policies, renegotiation or withdrawal from agreements, and threats of import protection, thus the China US trade war is part of Trump Administration's plan on dealing the US' trade issues. Third, there are hot debates on whether a rising China will seek to change the rules of the liberal world order and challenge the US as the hegemon (De Graaff & Apeldoorn, 2018; Liu, 2020, p.158).

The US-China trade war kept going in 2019, although the parties announced a temporary truce and partial agreement at the beginning of 2020, the problem is not over; how this trade dispute will evolve in the future is still unknown. Another important development was that the WTO Appeal Body became dysfunctional at the end of 2019 because the US stalled the appointment of its members. If a country appeals a decision of panel, which is the first step in the dispute settlement

mechanism of WTO, this dispute can no longer be resolved by the WTO. Countries will, therefore, fall back on their bilateral retaliations with each other. All in all, protectionism has been on the rise throughout the world and the main source of this is the US. Hegemony rests on the consent of others. In hegemonic relations, force is also used as an instrument from time to time. However, the US has used its dominant position and force mechanism in the world more and more to deal with its structural problems. This shows an erosion in its hegemony; a country resting mainly on force rather than consent could not be named as the hegemon anymore.

4.4. Hegemony Debates and New Imperialism After 2008

Fast growing China became the world's manufacturing center gradually through the 1990s and the 2000s. This development was accompanied by an increasing demand from China for the primary products and industrial inputs. As early as the beginning of the 2000s, China's appetite for raw materials, especially from Latin America and Africa, could be observed. For example, in 2008, 87.7 percent of Latin America's exports to China consisted of primary products and inputs used in manufacturing (Bieler and Morton, 2018, p.172; Kiely, 2015, p.160). This could have been one of the important motives of the American invasion of Iraq, to secure and control the global oil supply to maintain its hegemonic position (Bieler and Morton, 2018, p.5). For Arrighi (2007) this invasion was an attempt by the US to restore its hegemonic power and its failure marked the end of the US hegemony. Seeing the Iraq War as a concluding moment in the US hegemony is controversial but the inefficiency of this move to stop the rise of China is obvious. China's big share in the import of commodities could be better understood by statistics.

China in the international system that in 2014, it imported 57.7 percent of the world's iron ore, 31.0 per cent of its copper ore, 57.7 percent of its soy beans, 31.8 per cent of its integrated circuits [IT products] and 14.4 percent of its oil, creating major trade dependencies with (among others) Chile and Peru, Australia and Brazil, the US and Brazil, Taiwan and Hong Kong, and Saudi Arabia and Russia respectively (Ogden, 2017, p.91).

Before the 2008 global financial crisis, the Chinese state took a big role in securing the necessary inputs for the country's industry via direct foreign investments. Large State Owned Enterprises (SOEs) were "accounting for approximately 80% of Chinese cumulative investment stock" (Bieler and Morton, 2018, p.172; Deng, 2013, p.519). However, after the 2008 crisis, the role of the Chinese state and Chinese expansionary policy gained more importance. In a similar way to the construction boom within the country, infrastructure projects and road and port construction outside the country became one of the responses to the crisis. The One Belt, One Road or, as it is now called, the Belt and Road Initiative has become the direct expression of this aim. This project was announced initially in 2013 with two components. One component was aimed to establish the land connection and other was the sea connection through Eurasia.

This essentially land-based part of the new Silk Road entails extensive development of connective infrastructure-high-speed rail, roads, and highways, Internet networks, and fiber optic cables-along two axes: a "northern" route going from Western China (through Xinjiang) into Kazakhstan, Russia, and northern Europe, and a "southern" route going from Western China (again through Xinjiang) into Kyrgyzstan, Uzbekistan, and Turkmenistan and then, via Iran and Turkey, into southern Europe...The Maritime Silk Road would expand maritime links and cooperation between China and Southeast Asia and extend sea-based connectivity from China around the Indian Ocean basin, into the Persian Gulf and Red Sea, and, via the Suez Canal, into the Mediterranean (Leverett and Bingbing, 2017, p.125-126).

The total territory which the projects would affect contains 4.4 billion people (63 percent of the world's population) with an aggregate GDP of \$2.1 trillion (29 percent of the world's wealth) (Leverett and Bingbing, 2017, p.125-126). Therefore,

over such an enormous territory, China has been trying both to open new markets for its excess capital via investments and to strengthen its geopolitical position in the world against the US. Echoing the 1873 crisis, investment rather than trade, capital exports rather than goods exports is gaining importance. However, unlike the end of the 19th century, the export of capital mainly was coming from the emerging hegemonic country China rather than the existing hegemon, the US. At this point, one of Arrighi's important claims can be revisited. According to Arrighi, hegemonic states resembled two previous hegemonic states: the US managerial capitalism contained certain features of Dutch corporate capitalism. Maybe China's hegemony also carries some features of the British hegemony as in the case of the importance of capital export. Purchasing of the Piraeus Port, the principal port of Greece, by China and strong involvement of the country in Portugal showed that Chinese involvement increased not only in Africa, Asia and Latin America but also in Southern Europe which was the most affected part of the Eurozone crisis. As a response, the US increased trade tensions by increasing import duties and sanctioning Chinese firms, as in the case of Huawei, and raised the pressure in Latin American countries including military coups, as in the case of Bolivia in 2019. The Pacific and particularly the South China Sea has become the new area of struggle between China and the US. Taking into consideration the struggle in such a huge area, we can assert that there is an imperialist rivalry in the world. As Hobson (2000) categorized the competition between the then empires at the beginning of the 20th century as imperialist rivalry, today there are two competing empires which are

trying to increase their zone of influence in various parts of the world within the framework of a new imperialist rivalry.

At this point, some theses that Arrighi raised in his *Adam Smith in Beijing* (2007) should be criticized. This criticism also facilitates an understanding of the development of China in the world. Arrighi emphasized the importance of rural industrialization and its foremost institutions, Township and Village Enterprises (TVEs), in the development of China. (Arrighi, 2007, p.361-367). The role of gradual development and the importance of rural industry in the rise of China to economic ascendancy is undeniable. On the other hand, the importance of TVEs is just temporary, after a while China's industrialization became concentrated in the coastal cities accompanied by increasing urbanization and development.

...and yet despite, or perhaps because of, their organizational variety, in retrospect TVEs may well turn out to have played as crucial a role in the Chinese economic ascent as vertically integrated, bureaucratically managed corporations did in the US ascent a century earlier (Arrighi, 2007, p.363).

Arrighi discusses the deepening and widening of capitalism in his *Long Twentieth Century*. In this process, the specific contributions of hegemonies to capitalism are very important. Vertically-integrated, managerial corporations of the US hegemony are the specific contributions of its hegemony to capitalism. However, TVEs should not be seen as the specific contributions of China because the specific contribution should be used by the hegemon throughout its hegemony. This is true for managerial corporate capitalism in the US, but not for TVEs in the case of China. TVEs were more and more replaced by industrial units in large cities only in the beginning of China's hegemony, if such a hegemony comes about. A similar mistake can be seen in Arrighi's perception of Chinese industrialization. According to

Arrighi, China's industrialization is industrious not industrial, based on labor force rather than the expensive machines, and it's a crucial difference of China's developments in comparison to Europe (Arrighi, 2007, p.365-367). However, Arrighi neglected the fact that almost every backward country started its industrialization with labor intensive industries such as textile production. This is true in the case of China, like many other countries, at the beginning of its industrialization. Bieler and Morton (2018, p.220) rightly pointed out that starting from the 1980s and accelerating in the 1990s, Southern Europe's labor intensive industries such as the textile industry suffered from Chinese competition. However, today it is obvious that the role of textiles in China's industries has declined in favor of more capital intensive goods like electrical machinery, vehicles or steel products. Again Arrighi attributed too much importance to an element that was only influential in the transition period and named it as the permanent feature of China.

Another of Arrighi's claims is that the concluding moment of the US hegemony was the Iraq War. In his view, the unsuccessful attempt of the US to restore its hegemony with force led to the completion of the persistent decline in its hegemony; the Iraq War marked the end of its hegemony. Because of this analysis, he gave too much importance to military power in his book (Arrighi, 2007, p.250-277). However, the signal crisis and the terminal crisis should be based on economic reasons and crises, and not on a military failure. It is very important for the integrity of an analysis to decide which areas determine, and which areas follow in the establishment and maintenance of hegemony. Although the military failure could have accelerated the decline of the US's hegemony, it could not be the concluding

moment or the real reason for its fall. The hegemonic countries with their specific contribution of innovating capitalism first led the world to an era of material expansion. When this innovation lost its allure, the signal crisis occurred. After that, the hegemon became the financial center of the world and then was superseded by the new hegemon after a terminal crisis. The whole of this process is mainly fed from the economic infrastructure. Thus Arrighi's analysis about China was not compatible with this scheme, and caused him to exaggerate the role of the military rather than the economy. The concluding moment could be the ongoing economic crisis which started in 2007-2008, as the other turning points such as the 1870s, the 1930s, the 1970s which were characterized by economic crises. Arrighi's book (2007) was written before the global financial crisis; he certainly saw the signs of the fall in the hegemony and attributed them to one concluding moment. However, this contradicts with his previous analyses of him.

Lastly, he considers China as a non-capitalist market economy, and asserts that there could be solidarity between underdeveloped countries and China. "The foundations of the old Bandung [solidarity between third-world countries] were strictly political-ideological and as such, were easily destroyed by the monetarist counterrevolution. The foundations of the Bandung that may be emerging now, in contrast, are primarily economic and, as such, far more solid" (Arrighi, 2007, p.384-385). Actually China's economic relations with the underdeveloped or developing countries in Latin America and Africa are not very different from those of the Western powers. China buys primary products and raw materials from these

countries for its own industry. That is one of the reasons for the underdevelopment of Latin American and African countries in the world system.

In line with the crucial role of the state in Chinese development, access to these primary commodities has partly been secured through outward FDI by large Chinese SOEs [State Owned Enterprises]... In the sub-Saharan region, widespread deindustrialisation has accompanied this process. ‘One important reason that the region’s high rate of growth did not produce meaningful improvements in majority well-being is that growth driven by primary commodity exports generally creates few formal sector jobs’ (Hart-Landsberg, 2015: 15). Moreover, deindustrialisation has gone hand in hand with exploitative working conditions. Common trends in Chinese companies in Africa include ‘tense labor relations, hostile attitudes by Chinese employers toward trade unions, violations of workers’ rights, poor working conditions, and unfair labor practices’ (Jauch, 2011: 52). In turn, as Kiely (2015;160) points out, ‘Latin America is a major exporter of primary commodities to China, with copper ore, soybean, soya oil, iron ore, crude oil, and refined copper leading the way in terms of exports...’ (Bieler and Morton, 2018, p.172).

Lenin’s analysis in his influential pamphlet, *Imperialism: The highest stage of capitalism* (2007), is still valid today. Capitalism led to uneven development both within the countries and between countries. This has been the development dynamics of capitalism. China in its industrialization process did not only deindustrialize the sub-Saharan region but also the old industrial center such as the United Kingdom by causing the collapse of the steel sector there (Bieler and Morton, 2018, p.5), just as industrialization of the United Kingdom in the 19th century caused deindustrialization of India in that period. Within China also “inequality rose rapidly and the Gini coefficient has risen from 0.28 in the early 1980s to 0.48 in 2008 (Bieler and Morton, 2018, p.170). Therefore, the unevenness of development was and is the prime feature of capitalism and it is true for China like all the other capitalist economies in the World.

American hegemony is the latest of four hegemonies after Genoa, Holland and Britain in capitalism according to systemic cycles of accumulation approach

(Arrighi, 2010, Preface). With the 1873-1896 crisis, the rise of US capitalism accelerated in the world system and this country emerged as a potential hegemon in the world system. With the crisis of the 1930s, the first phase of its hegemony, namely, material expansion began, and with the 1970s crisis, the second phase of its hegemony, financialization and the decline in hegemony started. In the systemic cycles approach, the second phase of the existing hegemony, namely financialization, is also the period in which the future hegemon began to develop rapidly in the world economy. In other words, the latest phase of the existing hegemony overlapped with the emergence of the new (future) hegemony. For example, the 1873-1896 crisis marked the beginning of the demise or financialization period of British hegemony as well as the emergence of the future US hegemony.

In line with this scheme, the 1970s crisis should mark both the beginning of the financialization of the US hegemony and the emergence of new hegemony. Looking back from today, it could be said that this emerging hegemon should be China. However, China's ascent started partially only in the 1990s, and fully in the 2000s in the world system more later than the 1970s. As an example, Arrighi (2010) mentioned the possibility of a Japanese hegemony or other possibilities for the future but did not mention the possibility of a Chinese hegemony in the famous book, *The Long Twentieth Century*, which was published in 1994. In the formation of the 1970s crisis, there was a problem of over accumulation in the industries created by Japan, Germany and the US. However, again China had no role in this. On the other hand, in the formation of the 1873 Depression, an over accumulation in industry was also

one of the leading factors, but as a candidate for the future hegemon, the US had a direct role in this problem along with Germany and Britain. Thus, there is an anomaly in the emergence of the future hegemony/demise of US hegemony.

To explain this anomaly, one claim could be that East Asia as a whole rose after the 1970s and became a candidate for hegemony. An increasing and successive industrialization occurred in East Asia starting from 1950s-60s. Related to that, East Asia, particularly, Japan contributed to the over accumulation problem and the outbreak of the 1970s crisis. In its industrialization process, China has certainly benefited from the regional examples as well as the knowledge and capital accumulation in the region as in the industrialization of Europe in the 19th century.

However, thinking of a region as a unit of analysis in hegemony debates has its own problems. If we take a region as a unit, we would implicitly assume that the countries in the region developed coherently, and their interests and positions in the world resemble each other. However, this is not the case both in the past and today. Although, Continental Europe was industrialized in the 19th century successively and countries within this region facilitated the industrialization of each other via capital and knowledge accumulation, their ways of development and positions in the world as well as their interests differed widely from each other, otherwise WWI did not occur. This is true for East Asia today. For example, South Korea and Japan are historically the allies of the US, and developed to be dependent on the US. On the other hand, China is the rival of the US in the world today and developed more independently from the US. In its developmental process, the importance of rural areas also showed that, it differed from South Korea and Japan. Today their

developments are not very coherent either. The economy of Japan seems very stagnant, and even shrinks from time to time after 2008 crisis. On the other hand, China's development has continued even though its growth rate declined marginally. Furthermore, it has increased its role as a potential hegemon in the world. Thus, successive and connected developments in a region do not mean that that region should be evaluated as a coherent and common-interest group, especially in debates about hegemony.

Another explanation for the anomaly in the demise of the US hegemony could be Brenner's long-downturn hypothesis. Brenner (2006) asserted that after the 1970s crisis, growth and profit rates slowed down historically in capitalism, especially at its centers. In other words, there has been a long crisis in capitalism that started from the 1970s, and the exit from this crisis has not yet been completed. Within the framework of this approach, neoliberalism can be evaluated as only a distributional adjustment in favor of capitalists rather than a new form of capitalism. With the spatial fix and financialization, wealth was transferred from the working class to capitalist without a significant innovative period or a new way of organization of capitalism. Piketty's analyses on the rising of inequalities since the 1980s also confirmed this wealth transfer in favor of the capitalists. In 1980, the richest 10% of society in India, the US, Russia, China and Europe receives 25% - 35% of their country's total income; this ratio rose to 35% - 55% in 2018 (Piketty, 2019, p.36). However, this wealth transfers could only be a temporary answer to the crisis: there is a limit on it. To fully overcome the crisis, new innovations, new ways of organization in production or new sectors for profit generations, should be made

in the system. In addition to that, wealth transfers also cause a contraction in demand and this further depresses profit generation.

According to the systemic cycles approach, the 1970s crisis is complete, and the 2008 crisis can be viewed as the new crisis which has demonstrated the demise of the US hegemony and the starting point of new hegemony, the Chinese hegemony. If the constant crisis approach is considered valid, the 2008 crisis will lose the quality to be viewed as a separate crisis, it will just be a moment in the long crisis which has been continuing the 1970s. This could be a useful argument in the explanation of China's lack of influence in the world economy throughout the 1970s and the strong position of the US, in the 1990s, even after the signal crisis of its hegemony.

Nevertheless, the constant crisis hypothesis has its own problem, too. First of all, from the 1970s to 2020, is fifty years which is too long to be considered a period of crisis. The 1873-1896 crisis, and the crisis in the 1930s lasted a much shorter time. Using the crisis term for such a long time makes the crisis term meaningless to a certain extent. Secondly, uneven development and the transfer of wealth are always used to sustain capitalist accumulation. Even in the beginning, the transfer of the wealth from Latin America to Europe was a big impulse to the initiation of capitalism. This continued with colonialism and imperialism. Thus, wealth transfers and redistribution could provide enough means to overcome the crisis at least for a certain period of time. Lastly, from the systemic cycles of accumulation approach, if we have lived within a long crisis since the 1970s, only after this crisis would come to end, would the US hegemony enter a period of

financialization. However, the financialization of the US and its gradual withdrawal from industrial production started from the 1980s.

Although the claim that East Asia is a conglomeration of coherently developed countries, and the hypothesis of constant crisis since the 1970s are not very convincing, they provide us with very useful insights into the debates about hegemony. The claim that East Asia is a conglomeration of coherently developed countries is useful in the understanding of China's rapid development in the world system; the developed states in the region allowed the rapid development of China via the transfer of capital and knowledge accumulation. This claim is also useful in the explanation of the US's partial withdrawal from industry, and the beginning of its financialization period in the 1980s although China did not have a significant position in the world economy.

The long-downturn hypothesis exposed the stagnation in capitalism since the 1970s and the necessity of fundamental change for the full restoration of profit while shedding light on the distributional character of neoliberalism. It is also useful for its explanation of the similarities between the 1873-1896 crisis and the crisis which we have experienced since 2008. Although one was the signal crisis and the other was the terminal crisis, they share common features. Both of them came after an era of free trade, and protectionism began as a response to these crises. The fact that there are competing empires and increasing importance of capital exports, and their long-run recessionary features are the other common points. Perhaps the demise of the US hegemony was unusually prolonged due to the late emergence of China and the fall of the Socialist Bloc. These events allowed US hegemony to catch an

abnormal temporary break in the 1990s, and some of the events such as protectionism and the rivalry between empires emerged not after the 1970s crisis but after the 2008 crisis.

In the framework of systemic cycles of accumulation, the 2008 crisis should be the terminal crisis of the US hegemony in which the demise of the US hegemony is completed, and China's material expansion begins. However, as emphasized previously, to initiate a new material expansion era, the mastery of the existing industrial branches is not sufficient, the new hegemon should widen or deepen capitalism with a specific contribution. Opening new sectors and a new way of organization are possible forms of such a contribution. For example, after the 1873 crisis, Germany and the US, as potential candidates, were very successful in opening new sectors such as the chemical industry, and the steel and electric industries as well as in finding new ways of organizing capitalist production: finance capital or horizontal integration in the case of Germany, and managerial corporate capitalism or vertical integration in the case of the US. Therefore, China needs to find its own contribution to capitalism; its material expansion era can only start with this innovation.

By taking into consideration the increasing ecological problems, these new innovations could be related to the lowering the carbon emissions; such as the innovations which enable the widespread use of electric cars or the power generation using renewable sources to replace fossil fuels. Regarding the creation of new forms of organization in capitalist production, hegemon, to a certain extent, imitate the two preceding hegemonic state and differentiate themselves from the former one in

the systemic cycles. For example, US managerial corporate capitalism bore a resemblance to Dutch corporate capitalism (the two preceding hegemon) and differed from the British one in terms of organization. Similarly, the improvement of China's hegemony in the organizational domain could partly remind us of the British hegemony's organizational method.

In particular, the vertical integration of processes of production and exchange which became the single most important feature of the US regime of accumulation played no role in the formation of and expansion of the nineteenth century British regime. On the contrary, the main thrust of the regime was towards the vertical fission rather than integration of the sequential sub processes of production and exchange linked primary production to final consumption (Arrighi, 2010, p.291).

The importance of exports in their developmental paths is the common point shared by China and Britain. China's increasing inclination toward capital exports increased the similarity between these two states even further. Therefore, some of the features of British hegemony such as vertical fission could be seen in the hegemony of China based on the argument of Arrighi and the historical similarities between these two states.

4.5. Conclusion

Capitalism looked more unified in the beginning of the 1990s, both geographically with the integration of the former USSR countries and China to the system, and ideologically as in the expression of hegemony of free trade ideology and neoliberalism across the world. Although China and the ex-Soviet countries became integrated into the capitalist world system within similar periods, the 1980s and the 1990s, their ways of articulation were very different. China integrated and prioritizing rural development; the most notable example of this was the Town and Village Enterprises (TVEs) which played a very important role at the beginning of

Chinese industrialization and gradual integration to capitalism. On the other hand, ex-Soviet countries suffered from shock therapy practices, which caused a sudden and chaotic transition to capitalism, withdrawal of state from the economy in favor of a few oligarchs, caused misery for the large parts of society, similar to the experiences of the third world in the 1980s with the neoliberal agendas.

After the 1970s crisis, capitalism was able to overcome the crisis with two main responses. The first one was the spatial fix to increase profit margins which featured moving production, especially from the labor-intensive sectors such as textiles, to places where the cost of labor was low. This fragmentation and dispersion of the production process across the world required free trade, the free movement of goods and parts which were essential to the supply chains. In the 1990s, this spatial fix accelerated along with the ideology of free trade; manufacturing moved more and more to cheap-labor areas in the world; China was the main recipient but not the sole example; Mexico, East European countries, especially the neighbours of Germany, and Turkey were other examples. Moving production accompanied by the free trade agreements, NAFTA, Turkey and the EU Customs Union, the establishment of the EU Single Market were the most notable examples. Of course, the creation of the World Trade Organization was very important in this process. However, the inclusion of China into the World Trade Organization, in 2001, became a milestone. Although this organization was created by, and largely controlled by the Western countries, China used the membership to strengthen its export led industrialization and attracted direct foreign investments, especially in the

coastal areas of the country, and created increasing pressure on the industries of the US and Europe, especially those of Southern Europe.

The second response to the crisis of the 1970s was financialization. With the rising competition in world manufacturing, capital was gradually directed to financialization, especially in the centers of capitalism such as the US and the EU. The increasing pressure of Chinese manufacturing, of which the most concrete indicator was the increasing current account deficit of the US, accelerated financialization in the West. With the repeal of the Glass-Steagall Act, the barriers between retail banking and investment banking disappeared, and under low interest rates, at the beginning of the 2000s, speculation increased, and the mortgage bubble came into being in the US. The decreasing purchasing power of the US working class compensated with debts in the short run, but this aggravated the situation in the long run. In the European Union, the crisis created by the Economic and Monetary Union. Northern Europe countries especially Germany grew with their export-led model which produced big current account surpluses. On the other hand, the Southern Europe countries under the cheap credit conditions created by the current account surpluses of the Northern European countries, and increasing pressure from manufacturing from East Asia, became heavily reliant on demand led growth. These two opposite models of growth could not be sustained in the same economic and monetary union in the long run, and this situation became a crisis at the end of the 2000s.

The main responses of the developed countries such as the US, the EU and Japan to the crisis were the big assets purchasing programs, and the lowering of

interest rates to almost zero. Although these measures enabled a partial recovery, they did not make it possible to completely exit from the crisis. In the EU, bailouts for Southern Europe countries accompanied by harsh conditions caused an increase of long running problems such as high youth unemployment. The inflexible structure of the Economic and Monetary Union was similar to the 19th century gold standard, and along with the austerity measures undermined democracy and made an exit from the crisis more difficult for the Southern European countries.

China and the developing countries were affected by the crisis via their trade channels. Decreasing commodity prices and the stagnation of European and US markets as well as the periodical decrease in the flow of capital negatively affected the developing countries. China's export-based industries had difficulties which China attempted to overcome by stimulating demand through investments in major construction projects both within and outside the countries. However, the growth rates of both China and the developing nations have slowed since the crisis began.

The crisis is not over; it has continued in the form of a constant recession. The negative interest rates in developed countries, the slowing down in the growth rates of developing countries and China, the decrease in the prices of primary commodities, and the system's inability to create full-time permanent jobs are the indicators of this recession. Tariffs have increased reciprocally between China and the US, the WTO's Appeal Body has become dysfunctional, and more and more countries are using protective measures such as anti-dumping since the crisis began. This indicates the commencement of a new protectionist era, and also a sign of increasing competition between the countries of the world.

With the increasing barriers in trade and the stagnation of the markets, China's directed more and more of its capital to exports and investment in projects outside of the country. The Belt and Road initiative, an ambitious investment project in Asia and Europe, added to its strong involvement in Africa and Latin America via direct foreign direct investments and economic links are all signs of this. In turn, the US has increased the pressure on China over Latin American Countries, as the coup d'état in Bolivia in 2019 shows this and its involvement in the Pacific, especially in the South China Sea, in addition to its presence in the Middle-East are evidence of it pushing back. Therefore, the confrontation of these two states has become more frequent in a wider geographical area, and this echoes the imperialist rivalry of the competing empires at the end of the 19th century.

At this point, seeing China as a non-capitalist market economy and expecting the solidarity between China and underdeveloped countries, as Arrighi (2007) did, are very misleading since it was an underdeveloped country in the past. The US had gained its independence from a colonialist country, too, but this past did not stop it pursuing imperialist policies. South-South cooperation might seem logical, but capitalism always created unevenness; China's capitalist development is also no exception to that. Its development contributed to deindustrialization of many regions including sub-Saharan Africa and Southern Europe, and increased inequality within the country. Africa and Latin American countries have maintained their primary good supplier position in their relation with China, and the inequalities in their relations have persisted as in their relations with the Western Powers.

From the systemic cycles of accumulation approach, the 1970s crisis was the signal crisis of the US hegemony, the beginning of financialization and decline, and the 2008 crisis would have been the terminal crisis of its hegemony, when the hegemony ended and new hegemony began. However, the late development of the potential new hegemon, China, in the 1990s and the 2000s rather than the 1970s, and the maintaining of US' power in 1990s, plus the stagnation in capitalism since the 1980s and the similarities between the crisis of 2008 and 1873 bring to mind that there could be an anomaly in the demise of the existing hegemony and the emergence of the new.

As a result, for the full implementation of the Chinese hegemony, China should make specific contributions to capitalism which could widen capitalism into new sectors or deepen it with new organizational methods. Otherwise, the existing stagnation in capitalism will persist and the new hegemony will not start. In the case of the US hegemony, these contributions were the managerial corporate capitalism and new sectors such as electric and steel. At this point, based on Arrighi's argument, it could be asserted that there are similarities between the existing hegemon and the two preceding hegemon, thus China's hegemony may bear some similarities with Britain's hegemony. The importance of exports in the development of China as in the case of Britain, and the increasing importance of capital exports after their crises for both countries also support this argument.

CHAPTER 5

CONCLUSION

This thesis has been written during the long crisis of capitalism which has been ongoing since 2008. Its aim was to shed light on the crisis from a different perspective grounded in Braudel's long duration. Braudel asserted that, in the long term, in *longue durée*, the true features of the subjects could be comprehended more clearly. Based on this viewpoint, the 2008 crisis has been analyzed in long duration. This thesis has been fed by two main sources: the systemic cycles of accumulation approach and the concept of uneven development. Within the theoretical framework of these sources, the 1873-1896 crisis was investigated and compared to the current crisis. The 1873-1896 crisis was chosen for comparison because it was a very significant crisis in which the roots of the US hegemony were laid and capitalism was radically transformed; the effects of these transformations continue until today. In other words, the 1873 crisis is the starting point of a *longue durée*, and we could be witnessing the last moments of it with the 2008 crisis.

In the first chapter, the 1873-1896 crisis was examined from the perspective of economic history. The crisis came after the prosperous years of the 1850s and the 1860s. Britain as the first country to industrialize, developed its industries earlier than other countries, especially in the textile and iron manufacturing sector and using coal as energy source. As its industries developed, Britain gradually removed protectionism from its markets in the first half of the 19th century. During these

liberalizations, the Repeal of Corn Law in 1846 which was the removal of the protection of its agricultural sector was particularly important. Starting with that, the free trade system in which industrial goods were sold by Britain to the rest of the world and, agricultural goods and industrial inputs such as cotton were bought by Britain from the other countries was formed. Thus, trade links between countries increased and the single market was created in the 1850s and the 1860s. The free trade system was created by free trade agreements in Europe. However, many non-western countries were coerced to participate with economic and military impositions to this free trade system. India, China and Ottoman Empire are just a few examples of this. The gap between the Western states, especially Britain, and the rest of the world widened in these years.

As Britain's trade and industrial production increased, continental Europe and the US also started to industrialize in 1850s and 1860s. The construction of railways and the big profits gained by trade also facilitated their industrialization. Belgium, France, parts of Germany and the US industrialized in these years. The increasing industrial production in the world coincided with the increasing agricultural outputs thanks to technological improvements and the advancements in transportation. These developments created an increasing pressure on Britain's free trade system and its unique role in the world. As a result, the crisis of 1873 began.

With the crisis, prices fell both of industrial and agricultural goods, and profits remained depressed for a long time. The main reasons behind the crisis were the over accumulation of capital and the overproduction both in industry and agriculture. There were crises in 1882, 1884, 1889, 1889, 1890, 1893 in Britain,

Germany, France and the US. The years of crisis became the antithesis of the developments in the 1850s and the 1860s. Profits declined, the single world market was fragmented by protectionist measure, and the gold standard was accepted worldwide. Countries implemented protectionism, starting from 1879, either to protect their agricultural production or to protect emerging industries. Britain used the gold standard unilaterally as early as the beginning of the 18th century, however the adoption of the gold standard by other countries began only after the 1870s. This could be seen as the consequence of a multipolar world. While Britain had a unique role in the world system, there was no need for a common monetary standard, however, with the erosion in its hegemony, the need for a common monetary standard was felt in the system. The new wave of colonialism also became another response to the crisis, Africa and Pacific regions were totally colonized. “Between 1876 and 1915, about one-quarter of the globe’s land surface was distributed or redistributed as colonies among just half-dozen states. Britain increased its territories by some 4 million square miles, France by some 3.5 million, and Germany acquired more than 1 million” (Hobsbawm, 1989, p.59).

In the second chapter, the institutional and systemic transformations that occurred with the 1873-1896 Depression were analyzed. According to the world system approach, capitalism has moved in the form of successive systemic cycles (Arrighi, 2010). Each cycle is led by a hegemon state and consists of two phases: material expansion and financialization. The 1873-1896 Depression was the signal crisis of the British cycle, it signified the transition from material expansion to financialization for the British hegemony. With this crisis, the US and Germany

emerged as the potential hegemonic states for the following cycle. Thus with the crisis, the British model lost the status of role-model in the world, and responses of Britain, Germany and US diverted from each other in the uncertain environment of financialization. To understand the institutional transformations, the literature of imperialism, which provided us with extremely useful tools, emerged at the beginning of the 20th century. Within this literature, institutional transformations, both in the existing hegemon, Britain, and in candidates for the next hegemony, the US and Germany, as well the extent of the relationships between third world countries and imperialist countries were all analyzed. Hobson's book (2000), explains the response of Britain; Hilferding's book (2006) explains the responses of Germany, and, to some extent, the US. Lenin in his book (2007) combined these two books and with an emphasis on uneven development, and asserted that imperialism was a special stage of capitalism.

Hobson, in his book, *Imperialism: A Study*, explained the response and transformation of British capital to the depression of 1873-1896. To respond to the profitability problem that occurred with the crisis, Britain moved toward imperialism, invaded large territories or created zones of influence in order to seize profitable investment opportunities for its capital. Investment gained more importance than trade, idle capital in Britain was used in the financing the state debts, armament expenditure or big investments such as railroad construction in other countries. Thanks to its success of gaining large territories and dominant role in the world, unlike the capital of the US and Germany, British capital did not substantially experience vertical or horizontal concentration. Vertical fission, rather than

integration, and the pecuniary logic to gain profit became the main features of its capitalism until the end of its hegemony.

On the other hand, German and US capital merged to overcome the profitability crisis. The big investments required by the newly developed industries such as steel also necessitated this concentration of capital. Hilferding, in his book, *Finance Capital*, very successfully detected this monopolization process. Finance capital was characterized by the unification of industry, bank and commercial capital. Hilferding emphasized the inner dynamics of capital, profits gained by the economies of scale and technical progress; technical rationality was at the center of the formation of finance capital, and it differed fundamentally from the pecuniary logic of British capitalism. Hilferding actually explained the German form of concentration. In this model, capital was integrated horizontally, the competition eliminated within a specific sector thanks to the combination of firms and price controls. However, US capitalism differed from the German model on certain key points. Thanks to its large geographical area, rapidly developing markets and legislative structure, its concentration occurred vertically, the complete of both production and selling of goods were organized within one single firm. Bureaucratization flourished to manage these large firms. The role of bank capital was also more limited in the US model. Therefore, the transformed US capital should be called the corporate capital rather than finance capital.

Lastly, Lenin in his influential booklet, *Imperialism: The Highest Stage of Capitalism*, combined the British, German and US responses with an emphasis on uneven development and labelled imperialism the highest point of capitalism. Thus,

his book should be considered an effective summary of the responses of capitalism to the crisis of 1873-1896. His concept of uneven development shed light on the developmental path of capitalism. Creating unevenness has been the most important feature of capitalism in the past and today, and it is very also useful in comprehending the geography and source of resistance movements against imperialism and capitalism.

In the last chapter, the ongoing crisis since the 2008 in the world was analyzed both from an economic history and a political economy perspective. Firstly, the pre-crisis years were evaluated. Similar to the 1850s and the 1860s, capitalism grew geographically at the beginning of the 1990s, and a single world market was established. Both China and the former USSR countries were integrated into the capitalist world economy in these years, however, their integration differed from each other. While China experienced a gradual transition to capitalism with the strong involvement of the state, the integration of the former USSR countries was sudden and catastrophic for their citizens. China started industrialization in its rural areas in the 1980, and its industrialization accelerated in the 1990s in the coastal cities. The creation of the World Trade Organization, in 1995, became the expression of a single world market. Although this organization was under the control of the Western powers, the membership of China, in 2001, further supported the export led industrialization of China. Its increasing industrialization depressed industries in Europe, especially in Southern Europe, and the US. The increasing current account deficit of the US in the 1990s and at the beginning of the 2000s was the most notable indicator of the US's loss of competitiveness. These developments accelerated the

financialization tendency in the US and Europe which had already started in the 1980s. In Europe, the Economic and Monetary Union created two different growth models; export led and demand led, in the North and the South of the continent. The contrast between these two growth models within the monetary union and deindustrialization of Southern Europe created the infrastructure of the Eurozone crisis.

The global financial crisis started in the US as a mortgage crisis and progressively diffused throughout the world via trade and financial channels. In the US and the EU, interest rates were lowered to the almost zero and big assets purchasing programs were launched after the crisis began. In the early phases of the crisis, China's export led industries were affected very negatively. Despite the efforts of the Chinese State to stimulate demand by launching a wave of huge construction projects, Chinese growth slowed down after the crisis. Similarly, developing countries were also affected mostly through trade channels and their growth rates also declined. After the first shocks of the crisis were over, the crisis continued in the form of a long recession. Lower interest rates, decreased commodity prices, lowering growth rates and the inability of the system to create secure, permanent, full time employment was one of the indicators of the long recession. Lastly, protectionism has been on the rise after the crisis. The trade war between US and China, increasing tariffs and non-tariff barriers in the world as well as the decreasing role of the WTO are all the signs of this new protectionism.

Even before the global financial crisis, Chinese State took a big role in securing the necessary inputs for its industry via the direct foreign investments,

especially in Africa. However, after the 2008 crisis, the role of Chinese state and Chinese expansionary policy has gained more importance. Similar to the construction boom within the country, infrastructure projects, road and port construction outside the country became one of the responses to the crisis. China was involved in projects in Eurasia as well as Africa and Latin America after the crisis. As a response, the US has increased the tension in trade through increasing the duties and sanctioning Chinese firms such as Huawei, as well as raising the pressure in Latin American including the military coup in Bolivia in 2019. The Pacific and particularly the South China Sea emerged as the new struggle area for the two hegemonic powers. There is a new imperialist rivalry in the world.

Within the systemic cycles of the accumulation framework, the 2008 crisis should mark the beginning of the new hegemon's material expansion, a period in which capitalism deepens or widens. However, to initiate material expansion, China, as the most likely hegemon candidate, should make a specific contribution to capitalism. This contribution could be a new form of organization such as the vertically integrated corporates of the US hegemony, or opening new sectors such as steel and chemicals at the end of the 19th century. Otherwise overcoming this long crisis which we are living through is very difficult, and China may be a failing hegemon like Germany at the beginning of the 20th century. The importance of the export led industries in its development and the extroverted features of China, such as increasing foreign investments, is reminiscent of the British hegemony. If these similarities persist and China could make its own specific contribution to capitalism, China's hegemony may bear strong similarities with Britain's hegemony.

REFERENCES

- Akçay, Ü., & Güngen, A. R. (2016). *Finansallaşma, Borç Krizi ve Çöküş*. Notabene Yayınları.
- Arrighi, G. (2007). *Adam Smith in Beijing: lineages of the 21st century*. London: Verso.
- Arrighi, G. (2010). *The long twentieth century: Money, power, and the origins of our times*. Verso.
- Bairoch, P. (1976). *Commerce extérieur et développement économique de l'Europe au XIXe siècle* (Vol. 53). Mouton: École des hautes études en sciences sociales.
- Beaud, M. (2001). *A history of capitalism, 1500-1980*. NYU Press.
- Bieler, A., & Morton, A. D. (2018). *Global capitalism, global war, global crisis*. Cambridge University Press.
- Bieler, A., Bozkurt, S., Crook, M., Cruttenden, P. S., Erol, E., Morton, A. D., ... & Uzgören, E. (2016). The enduring relevance of Rosa Luxemburg's The accumulation of capital. *Journal of International Relations and Development*, 19(3), 420-447.
- Bloomfield, A. I. (1959). *Monetary policy under the international gold standard: 1880-1914*. Federal Reserve Bank of New York.
- Bordo, M., & James, H. (2014). The European crisis in the context of the history of previous financial crises. *Journal of Macroeconomics*, 39, 275-284.
- Braudel, F. (1979). *Le Temps du Monde (Civilisation matérielle, économie et capitalisme, XVe-XVIIIe siècle, 3)*.
- Braudel, F. (2009). History and the social sciences: the longue durée. *Review (Fernand Braudel Center)*, 171-203.

- Brenner, R. (2006). *The economics of global turbulence: the advanced capitalist economies from long boom to long downturn, 1945-2005*. Verso.
- Cameron, R. E. (1993). *A concise economic history of the world: from Paleolithic times to the present*. Oxford University Press, USA.
- Chandler, A. D. (1977). *The visible hand: The managerial revolution in American business*. The Belknap Press.
- Cömert, H. (Ed.). (2016). *The Global South After the Crisis: Growth, Inequality and Development in the Aftermath of the Great Recession*. Edward Elgar Publishing.
- Curtin, P., Feierman, S., Thompson, L., & Vansina, J. (1995). *African history: From earliest times to independence*. Longman.
- De Graaff, N., & Apeldoorn, B. V. (2018). US–China relations and the liberal world order: Contending elites, colliding visions? *International Affairs*, 94(1), 113–131.
- Deng, P. (2013). Chinese outward direct investment research: Theoretical integration and recommendations. *Management and organization review*, 9(3), 513-539.
- Di Vittorio, A. (Ed.). (2006). *An economic history of Europe*. Routledge.
- Duménil, G., & Lévy, D. (2011). *The crisis of neoliberalism*. Harvard University Press.
- Eichengreen, B. (2008). *Globalizing capital: a history of the international monetary system*. Princeton University Press.
- Gallagher, J., & Robinson, R. (1953). The imperialism of free trade. *The Economic History Review*, 6(1), 1-15.
- Gerschenkron, A. (1968). *Continuity in History and other Essays*. Cambridge, Mass: Belknap Press of Harvard University Press.

- Gourevitch, P. A. (1977). International trade, domestic coalitions, and liberty: Comparative responses to the crisis of 1873-1896. *The Journal of Interdisciplinary History*, 8(2), 281-313.
- Gray, K. (2014). *Labour and development in East Asia: Social forces and passive revolution*. Routledge.
- Harvey, D. (2006). *Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development*. Verso.
- Harvey, D. (2016). *Abstract from the Concrete*. Sternberg Press.
- Hilferding, R. (2006). *Finance capital: a study of the latest phase of capitalist development*. Routledge.
- Hobsbawm, E. (1975). *Age of Capital: 1848-1875*. New York: Charles Scribner's Sons.
- Hobsbawm, E. (1989). *Age of Empire: 1875-1914*. New York: Vintage.
- Hobson, J. A. (2000). *Imperialism: A Study*. The University of Michigan Press.
- Hughes, J. R., & Cain, L. P. (2007). *American Economic History*. Pearson Education.
- Ile, R. A., & Lewis, M. K. (2013). *Global Finance After the Crisis*. Edward Elgar Publishing.
- Kasaba, R. (1993). Treaties and friendships: British imperialism, the Ottoman Empire, and China in the nineteenth century. *Journal of World History*, 215-241.
- Kaymak, M. (2008), *1873-1896 Krizi: Kapitalizmin Uluslararasılaşması ve Osmanlı İktisadiyatı*. Ankara: Hacettepe Üniversitesi Sosyal Bilimler Enstitüsü, Unpublished PhD Thesis.
- Kiely, R. (2015). *The BRICs, US 'decline' and global transformations*. Springer.

- Kotz, D. M. (2015). *The rise and fall of neoliberal capitalism*. Harvard University Press.
- Landes, D. S. (2003). *The unbound Prometheus: technological change and industrial development in Western Europe from 1750 to the present*. Cambridge University Press.
- Lenin, V. I. (2007). *Imperialism: The highest stage of capitalism*. Denver: Frederick Ellis.
- Leverett, F., & Bingbing, W. (2017). The New Silk Road and China's evolving grand strategy. *The China Journal*, 77(1), 110-132.
- Liu, K. (2020). China's Policy Response to the China US Trade War: An Initial Assessment. *The Chinese Economy*, 53(2), 158-176.
- Maddison, A. (2007). *Contours of the world economy 1-2030 AD: Essays in macro-economic history*. Oxford University Press.
- Marx, K., & Engels, F. (2004). *The communist manifesto*. Broadview Press.
- Morrison, W. M. (2018). *China-U.S. Trade Issues*, July 30, Congressional Research Services.
- Ogden, C. (2017). *China and India: Asia's emergent great powers*. John Wiley & Sons.
- Oktay, F. (2017). *Çin: ekonomi ve politika yeni büyük güç ve değişen dünya dengeleri*. Türkiye İş Bankası Kültür Yayınları.
- O'Rourke, K. H. (Ed.). (2005). *The international trading system, globalization, and history* (Vol. 6). Edward Elgar Pub.
- Owen, R. (2009). *The Middle East in the World Economy, 1800-1914*. London: I.B. Tauris

- Parthasarathi, P. (2011). *Why Europe grew rich and Asia did not: Global economic divergence, 1600–1850*. Cambridge University Press.
- Peet, R. (2009). *Unholy trinity: the IMF, World Bank and WTO*. Zed Books Ltd.
- Piketty, T. (2019). *Capital et idéologie*. Le Seuil.
- Polanyi, K. (1957). *The great transformation: the social and political origins of Our time*. Boston: Beacon.
- Saul, S. B. (1969). *The Myth of the Great Depression, 1873–1896*. Springer.
- Schmalz, S., & Ebenau, M. (2012). After neoliberalism? Brazil, India, and China in the global economic crisis. *Globalizations*, 9(4), 487-501
- Schumpeter, J. A. (2010). *Capitalism, socialism and democracy*. Routledge.
- Simonazzi, A., Ginzburg, A., & Nocella, G. (2013). Economic relations between Germany and southern Europe. *Cambridge Journal of Economics*, 37(3), 653-675.
- Subasat, T. (Ed.). (2016). *The Great Financial Meltdown*. Edward Elgar Publishing.
- Wallerstein, I. (2011). *The modern world-system IV: Centrist liberalism triumphant, 1789–1914*. Berkeley.

A. TURKISH SUMMARY / TÜRKÇE ÖZET

1958'de, Histoire et Sciences sociales: La longue durée adlı makalesinin başında, Fernand Braudel sosyal bilimlerin genel bir kriz içinde olduğunu belirtir. Aralarında işbirliği ve işbirliğine dayalı çalışmalara ihtiyaç vardır. Ancak, hepsi kendi alanlarında yeni bilgi birikiminden ve aralarındaki işbirliğini organize etmenin zorluğundan bunalmış durumdadır (Braudel, 2009, s.171).

"Tüm tarihsel yazılar geçmişi dönemlere ayırır ve az ya da çok bilinçli olan olumlu ya da olumsuz tercihlere dayanarak kronolojik gerçekler arasında seçim yapar." (Braudel, 2009, s. 173). Tarihsel analizler dönemselleştirme tercihlerine göre üç kategoriye ayrılabilir: Olaya dayalı kısa süreli analizler, 10, 20 veya 50 yıllık dönemler içinde geçmişi değerlendiren orta vadeli analizler ve son olarak uzun vadeli analizler. Uzun vadeli analizler geçmişi yüzyıl yada yüzyıldan daha uzun dönemlere ayırarak inceler. Braudel'in kelimeleriyle incelenen "uzun, hatta çok uzun sürenin tarihidir (*longue durée*)" (Braudel, 2009, s.174).

Braudel'in sosyal bilimler arasındaki işbirliğinin sağlanabilmesi için önerilerinden biri konuların gerçek özelliklerinin daha net anlaşılabilmesi için uzun vadede değerlendirilmesidir. Öte yandan sosyal bilimlerde geleneksel eğilim, kısa zamana ve olaylara odaklanmaktır. Tarih, olayların bir araya gelmesi olarak görülebilir ancak bu çoğu zaman doğru değildir; bütün, kendisini oluşturan parçalarından farklı anlamlara sahiptir. Olaylara odaklanmak çok yanıltıcı ve kafa karıştırıcı olabilir. "Kısa dönem en aldatıcı olan zaman dilimidir" (Braudel, 2009, s. 175).

Kısa vadeli ve olay bazlı gözlemler, iktisatta da yanıltıcı değerlendirmelerle sonuçlanmaktadır. Örneğin, 2000'li yılların başında, aralarında 2006'dan 2014'e kadar ABD Merkez Bankası'nın (FED) başkanı olarak görev yapan olan Ben Bernanke'nin de aralarında bulunduğu bazı önde gelen iktisatçılar, kapitalizmin bir istikrar dönemine girdiğini ileri sürdüler: büyük moderasyon (great moderation) adı verdikleri bu dönemde merkez bankalarının ve ileri bilgi teknolojilerinin uygun müdahalesi ile büyük bir kriz yaşanmayacağını iddia ettiler (Akçay ve Güngen, 2016, s.11). Bu oldukça iyimser görüş, 2008 küresel mali krizinin ortaya çıkmasıyla birkaç yıl içinde yanlış olduğunu kanıtladı. Benzer şekilde, bazı bilim adamları kapitalizmin dönüştüğünü ve 1980'lerden beri finansallaşmanın kapitalizmin yeni ve kalıcı özelliği olduğunu savunuyorlar. Ancak iktisat tarihi incelendiğinde finansallaşmanın kapitalizmin ne yeni ne de kalıcı bir özelliği olduğu görülebilir. Finansallaşma kapitalizmin tarihinde zaman zaman ortaya çıkan, tekrarlanan bir eğilimdir. Finansallaşmanın merkezi tarih boyunca değişmiştir: farklı zamanlarda finans merkezi İtalyan Şehir Devletleri, Hollanda ve Britanya'da bulunuyordu, bugün ise finansallaşmanın merkezi ABD'dir.

Bu tez, 2008 yılından bu yana devam eden mevcut küresel durgunluk döneminde yazılmıştır. Bu krizle ilgili değerlendirmeler genellikle kısa vadeli ve ülkeye bazlı analizlere dayanmaktadır. Analizlerde, krizin patlak vermesinin sorumluluğu genellikle ABD'nin düzensiz finansallaşmasına, FED'in hatalarına - 2000'lerin başında uyguladığı düşük faiz oranları politikası gibi - ve finans sektörünün açgözlülüğüne verildi. Bu analizler yanlış değil, ancak kriz aynı zamanda dünya ekonomisinde daha uzun süre meydana gelen uzun vadeli

gelişmelerin sonucuydu. Bu nedenle krizi daha uzun bir süre içinde değerlendirmek, onu küresel bağlamı içinde düşünmek ve diğer krizleri incelemek, bakış açımızı genişletebilir ve krizi anlayışımıza katkı sağlayabilir.

Bu bağlamda tezin amacı, 1873-1896 krizini incelemek ve sonuçlarına iktisat tarihi ve politik iktisat açısından bakmak ve son olarak, 2008 krizinin gelişimini araştırıp 1873'ten 1896 kriziyle karşılaştırmaktır.

1873-1896 krizi özellikle önemlidir, çünkü ABD hegemonyasının temellerinin atıldığı ve etkileri bugüne kadar devam eden kapitalist sistemde radikal bir dönüşü yaratan krizdir. Buna ek olarak, 2008 krizi ile 1930'lar veya 1970'lerdeki krizler arasında yapılan karşılaştırmalara literatürde daha çok rastlanmaktadır. Buna karşılık, 2008 krizi ile 1873 krizi arasındaki karşılaştırmalar azdır. Tez, bu alanda katkı sunmaya çalışmaktadır.

2008'de başlayan uzun durgunluğa, dünyadaki ABD hegemonyasının erozyonu eşlik etti. Bir zamanlar IMF ve Dünya Bankası gibi kurumların kurulmasına öncülük eden ve kapitalist dünyanın tartışmasız lideri haline gelen ABD, bugünlerde Paris İklim Anlaşması'ndan çekiliyor, Dünya Ticaret Örgütü Temyiz Kurulunu işlevsiz kılıyor. ABD, koronavirüs salgını sırasında Çin merkezli olmakla suçlayarak Dünya Sağlık Örgütü'nü bile finansmanını kesti. ABD'nin dünyadaki değişen pozisyonunu nasıl yorumlayabiliriz? ABD'nin dünyadaki gerileyen rolü ile 2008'den bu yana hatta 1970'lerden beri devam eden uzun ekonomik durgunluk arasında herhangi bir ilişki var mı?

Braudel (2009, s.201-202), "Marx'ın dehası, kalıcı gücünün sırrı, tarihsel uzun dönemlere (*longue durée*) dayanan gerçek sosyal modelleri ilk icat eden kişi

olmasıdır” diye yazmıştı. Uzun dönemde (*longue durée*) tarihi değerlendirmek, onu sosyal modeller içinde düşünmeyi gerektirir. Sosyal modeller bazı sınırlamalarla getirirse de, parçaları birbirine bağlamada ve daha uzun bir zaman ufkunda genel bir yapı türetmede çok kullanışlıdır. Bu vizyonla bu tez, özellikle söz konusu krizlerde meydana gelen kurumsal ve ideolojik değişimleri yorumlamak için sistemik birikim döngüleri yaklaşımını kullanır. Bu yaklaşım Braudel'in *longue durée*'sine dayanmaktadır ve Giovanni Arrighi tarafından ünlü kitabı Uzun Yirminci Yüzyıl'da ifade edilip Braudel'in düşüncesi geliştirilmiştir. Kapitalizmin hegemonik bir devlet etrafında örgütlenmiş birikim döngüleri içinde hareket ettiğini ileri sürer. Bu yaklaşıma göre bu devletlerin her biri, kendi tarzıyla kapitalizmde birer "hegemon" haline geldi. Sisteme kendi üsluplarıyla katkıda bulunarak kapitalizmi genişlettiler ya da derinleştirdiler ve belli bir süre için sistemin lideri oldular.

Bugüne kadar, Cenova, Hollanda, İngiltere ve ABD önderliğinde kapitalizmde dört hegemonik döngü oluştu. Son hegemonya, ABD hegemonyası 1873 krizinin ortaya çıkmasıyla gelişmeye başladı. Bu çerçevede 2008 krizi bu hegemonyanın sonu olmalıdır. Böylece bir biz bir uzun dönemin (*longue durée*) son aşamasında olabiliriz ve bir dönemin sonunu anlamak için onun başlangıcına bakmak hem gerekli hem de çok faydalıdır.

Bu tezin yararlandığı diğer kaynak, Marksist literatürden gelen eşitsiz gelişme kavramıdır. Bu kavrama göre kapitalizm, hem ülkeler içinde hem de ülkeler arasında eşitsiz gelişme yaratarak ilerler. Bu kavram, mevcut eşitsizliklerin kalıcı olarak korunduğu anlamına gelmez; başka bir deyişle, mevcut zenginler her zaman zengin, mevcut yoksullar da yoksul olmaya devam ederler diye bir kural yoktur.

Gelişmekte olan devletler ve kişiler değişebilir, ancak yasa değişmeden kalır. Kapitalizm eşitsizliği besler ve sistemi daha da geliştirmek için yeni eşitsizlikler yaratır. Reel ücretlerdeki gerilemeyle zenginliğin artan bir oranda işçilerden kapitalistlere aktarılmasını, finansallaşmayı ve üretim işgücü maliyetinin düşük olduğu alanlara kaydırılırken üretilen malların gelişmiş ülkelerde satılmasını içeren neoliberal uygulamalar, kapitalizmin 1970'lerin karlılık krizine tepkileridir. Yani kapitalizm 1980'lerden sonra eşitsizlikleri yoğunlaştırdı ve onlardan beslendi. Eşitsizliklerin yoğunlaşması sadece bu döneme özgü değildir. Kapitalizmin oluşumunda bile Amerika'nın keşfi ve kıtanın zenginliğinin Avrupa'ya aktarılması çok önemli bir rol oynadı. Benzer şekilde, 1873 krizinden sonra gelişmiş ülkelerin krize verdikleri temel tepkilerden biri, Afrika ve Pasifik bölgelerinin tamamen sömürgeleştirildiği, insanların ve kaynaklarının sömürüldüğü ve servetlerinin aktarıldığı yeni sömürgeleştirme dalgasıydı. Dolayısıyla, 1980'lerden bu yana Dünya'da artan eşitsizlikler bir anormallik olarak görülmemeli, bunlar kapitalizmin içsel bir eğilimidir ve bu eğilim, kapitalizm yeni değer üretecek mekanizmalardan yoksun olduğunda yoğunlaşır. Bu yoğunlaşma kapitalizm içinde bir inovasyon krizinin var olduğunu gösterir.

Bu servet transferleri ve eşitsiz gelişmenin yaratılması, sömüren ülkelerde asalaklığa ve çürümeye yol açtı ve bazen kapitalizmin yörüngesinin değişmesinin temelini oluşturdu. Örneğin, 19. yüzyılın ikinci yarısında ve 20. yüzyılın başında, hızla genişleyen ekonomisi ve bol kaynaklarıyla ABD, İngiltere'nin en karlı yatırım alanlarından biriydi. İngiliz kapitalistler bu tür yatırımlardan büyük karlar elde ettiler ve ABD'nin servetinin bir kısmını transfer ettiler. İngiltere bu dönemde sadece

ABD'nin deęil birok lkenin servetini kendi lkesine aktardı. Bununla birlikte, bu, İngiltere'yi retimden uzaklařtırarak ve onu dıřarıdan gelen karlara ve haralara giderek daha fazla baęımlı hale getirerek rmesine katkıda bulundu. Uzun vadede kapitalizmin merkezi İngiltere'den ABD'ye kaydı. Benzer řekilde, 1990'larda ve 2000'lerde retim Doęu Asya'ya ve zellikle in'e tařınması, ucuz iřgc maliyetleri nedeniyle Batılı kapitalistler iin yksek karlara yol atı. Ancak bu aynı zamanda in'in hızlı geliřmesine de katkıda bulundu. Kapitalizmin merkezi bir kez daha deęiřebilir. Ancak burada iki nemli nokta vurgulanmalıdır. Birincisi, bu otomatik bir sre deęildir; kapitalizmin merkezinin kayması iin birok deęiřkenin bir araya gelmesi gerekir. rneęin, Afrika ve Latin Amerika uzun sredir smrlse de kapitalizm onlara en azından řimdiye kadar anlamlı geliřme dinamikleri getirmemiřtir. İkinci olarak, yeni merkez aynı zamanda yeni eřiřsizlięi yaratır veya mevcut eřiřsizlięi kullanır. rneęin in, ABD ve Avrupa lkelerinin yaptıęı gibi Afrika ve Latin Amerika lkeleriyle eřiřsiz bir iliři yarattı ve hızlı sanayileřmesi de Gney Avrupa'nın sanayisizleřmesine katkıda bulundu. Sonu olarak, eřiřsiz geliřme kavramı, hem kapitalizmin dinamiklerini anlamak hem de onda meydana gelen deęiřiklikleri ayırt etmek iin ok kullanıřlıdır. Dolayısıyla bu kavram, bu tezde krizlerin hem nedenlerini hem de sonularını anlamak iin kullanılmıřtır.

Tezin blmleri ayrı ayrı okunabilir, ancak tezde birbirleriyle de baęlantılıdır. İlk iki blm 1873-1896 Bunalımı'nı iktisat tarihi ve politik iktisadın perspektiflerinden inceler. Birinci blmde, iktisat tarihinin merceęinden, krize ve o dnemdeki dnyaya genel bir bakıř aısı verilmiřtir. İkinci blmde 1873-1896 depresyonu nedeniyle meydana gelen yapısal deęiřiklikler incelenmiřtir. Dnyada

üretim ve güç ilişkilerinin yeniden örgütlenmesi emperyalizm literatürü aracılığıyla değerlendirilmiştir. Son bölümde, 2008 krizi hem iktisat tarihi hem de politik iktisat perspektifinden analiz edilmektedir. Ek olarak, bu kriz 1873-1896 depresyonuyla karşılaştırılmıştır. Tüm bölümlerde, teorik çerçeve olarak sistemik birikim döngüleri ve eşitsiz gelişme kavramı kullanılmıştır.

Birinci Bölüm

Tezin ilk bölümü, 1873-1896 krizinin temel nedenlerini, göstergelerini ve önemli sonuçlarını iktisat tarihi perspektifinden irdeliyor. Bu bağlamda bölüm, kriz öncesi yılları, kapitalizmin coğrafi genişlemesini ve İngiltere'nin serbest ticaret sistemi etrafında bir dünya pazarının oluşumunu, tekstil ve demir endüstrisinin önemini ve aynı zamanda kömürün ana enerji kaynaklarından biri olarak kullanımını incelemektedir. Bu krizin oluşumunda ulaşım ve tarımdaki teknolojik gelişmelerin yanı sıra Kıta Avrupası ve ABD sanayileşmesinin rolü açıklanmaktadır. Daha sonra depresyon ve sonuçları irdelenmektedir. Bölümde ayrıca fiyatlar ve kârlardaki düşüşe, Britanya'nın dünyadaki benzersiz rolündeki erozyona, yeni sömürgecilik dalgasına, ticarete korumacı önlemlere ve altın standardına değiniliyor. İktisat tarihinin bize sağladığı perspektif, krizin arka planını, nedenlerini ve sonuçlarını anlamamızı sağlıyor.

1850'den 1870'e kadar olan dönemde, İngiltere dünya çapında bir serbest ticaret sistemi oluşturdu. Bu sistem, öncelikle dünyanın farklı bölgeleri arasındaki yeni bir işbölümüne dayanıyordu. Sanayileşmesi olgunlaştıktan sonra İngiltere yavaş yavaş pazarlarını açmaya başladı. Bu süreç, 1846 yılında Mısır Yasası'nın yürürlükten kaldırılmasıyla tarım sektörünün serbestleştirilmesiyle tamamlandı. Bu

tarihten sonra İngiltere ve kısmen Fransa'nın sanayi mallarını dünyanın geri kalanına sattığı ve karşılığında sanayileri için girdi ve tarım ürünleri aldığı bir serbest ticaret sistemi kuruldu. Ancak, çoğu zaman bu ticaret ilişkisi üçüncü dünyada rıza yerine zorla kurulmuştur. Çin ve Hindistan bunun en dikkat çekici örnekleriydi. Her iki ülke de İngiltere ve diğer Batılı güçler tarafından mağlup edildi ve ancak bundan sonra pazarlarını tamamen Batının (çoğunlukla İngilizlerin) endüstriyel ürünlerine açtılar. Dünya, on dokuzuncu yüzyılda İngiltere ve Fransa'nın etkisi altına girdi. İngiliz sanayisinin ana sektörleri pamuklu tekstil ve demir imalatı idi ve kömür ana enerji kaynağı olarak kullanıldı. Genişleyen dünya ekonomisinde, birçok devlet İngiliz sanayileşme modelini taklit etmeye başladı. Belçika, Almanya'nın bazı bölgeleri ve Fransa muazzam bir sanayileşme başlattı. Serbest ticaret, 1860 yılında İngiliz-Fransız antlaşması ile başlayan bir dizi serbest ticaret anlaşmasıyla sağlamlaştırıldı. Bu dönemde ortak bir para standardı yoktu. İngiltere altın standardı kullanırken, diğerleri bimetalik standart veya gümüş standardı kullandı.

Kriz, 1850'lerin ve 1860'ların müreffeh yıllarını takip etti. Almanya ve ABD hızla sanayileşmeye ve İngiltere'nin endüstriyel üretimdeki benzersiz rolüne meydan okumaya başladı. Tarım sektöründeki ilerlemeler, büyük miktarlarda tarımsal malzemenin üretimine ve dolaşımına izin vererek dünyadaki işbölümüne zarar verdi ve tarım ürünlerinin fiyatlarında önemli düşüslere neden oldu. Sonuç, dünya çapında kalıcı ve önemli fiyat düşüsleri yaşandı. Avrupa'daki birçok ülke ve ABD korumacılığa yöneldi. Özellikle Afrika'da yeni sömürgecilik dalgası bu dönemde başladı. İkinci sanayi devrimi ile birlikte çelik ve kimya sanayileri gibi yeni sanayilerdeki üretim arttı ve Almanya ve ABD bu sektörlerde İngiltere'den daha

başarılı oldu. Altın standardı, dünyada artan sayıda ülke tarafından benimsendi ve ticaret ağları zayıflarken finansal ağlar güçlendi.

İkinci Bölüm

İkinci bölümde, kriz ekonomi politik perspektifinden inceleniyor. Kriz nedeniyle meydana gelen kurumsal ve ideolojik dönüşümler ana odak noktası olarak alınıyor. Bu dönüşümleri anlamak için, o dönemin ana emperyalizm literatürü, özellikle Hobson (2000), Hilferding (2006) ve Lenin'in (2007) çalışmaları ve sistemik birikim döngüleri yaklaşımı kullanılıyor. Hobson'un çalışması Britanya sermayesinin krize verdiği tepkiyi incelerken, Hilferding'in kitabı Almanya'nın ve bir dereceye kadar ABD'nin krize verdiği tepkileri açıklıyor. Lenin ise Hobson ve Hilferding'in çalışmalarını eşitsiz gelişme kavramıyla birleştiriyor ve bize 20. yüzyılın başında emperyalizmin genel çerçevesini gösteriyor.

1873-1896 Bunalımı, kapitalizmin uzun tarihinde bir kırılma noktasıydı. Bu krizle birlikte, var olan üretim ilişkilerinin yapısal özellikleri ve devletler arasındaki güç ilişkileri kökten değişti. Bu, mevcut hegemonun görece gerilemeye başladığı bir sinyal kriziydi: hegemon ülkedeki sermaye büyük oranda finansa kaydı ve kapitalizm içinde kendi üretim modelleriyle yavaş yavaş hegemonya için yeni adaylar ortaya çıktı. Bu açıdan hegemon İngiltere ve gelecekteki hegemonya için potansiyel adaylar olan Almanya ve ABD krize farklı tepkiler verdiler. Bu tepkiler, Hobson, Hilferding ve Lenin'in kitaplarında emperyalizm kavramı aracılığıyla ustaca incelenmiştir.

Hobson, *Emperyalizm: Bir İnceleme* adlı kitabıyla İngiliz kapitalizminin 1873-1896 depresyonuna tepkisini ve dönüşümünü haritalandırdı. Kriz, aşırı

sermaye birikiminin bir sonucu olarak ortaya çıktı. İngiltere, dünya üretimindeki eşsiz konumunu kaybetti ve saldırgan bir emperyalizme yöneldi. Sömürge bölgeleri genişledi ve bu koloniler ticari kârdan ziyade fazla sermayenin yatırımı için kullanıldı. İngiltere'nin atıl sermayesi, savaş ve silahlanma harcamaları için kullanılmasının yanı sıra, yabancı hükümetlerin devlet borçlarını finanse etmek için kullanıldı. Hobson, tüm ülkelerin aynı süreci yaşadığını iddia etse de, bunlar İngiliz kapitalizminin özgün özellikleriydi ve asıl amacın sermaye yatırımı ile mümkün olan en yüksek geliri elde etmek olduğu İngiltere sermayesinin maddi mantığı idi. Dolayısıyla İngiltere, üretim sürecinde büyük bir yapısal dönüşüm yaşamadı. Karları esas olarak geniş sömürgelerinden alınan haraçlarla ve ABD ve Arjantin gibi yeni gelişen ülkelerdeki yatırımlarla sürdürüldü.

Öte yandan bu krizle birlikte Almanya ve ABD'nin üretim süreçleri kökten değişti. Bu dönüşüm için en iyi açıklamalardan biri Hilferding'in *Finans Kapital* adlı kitabında bulunmaktadır. Hilferding, sermayenin bu ülkelerde nasıl yoğunlaştığını ayrıntılı bir şekilde açıkladı. Karlılık sorunları ve yeni gelişen endüstrilerin büyük yatırım gereksinimleri, öncelikle banka ve sanayi sermayesinin birleşmesiyle aşıldı. Daha sonra ticari sermayenin de katılmasıyla finans kapitalin oluşumu tamamlandı. Bununla birlikte, kapitalizmin miras aldığı krizlerin yapısal dinamikleri, özellikle de aşırı sermaye birikimi, finans kapital çağında da devam etti: ana vatandaki kartelleşme süreci büyük ölçüde tamamlandıktan sonra sermaye ihracatı bir zorunluluk haline geldi. Sermaye ihracatının gerekliliği hem Hobson hem de Hilferding için ortak olsa da, hareket noktaları çok farklıydı. Hilferding, sermayenin iç dinamiklerini, ölçek ekonomilerinden elde edilen karları ve teknolojik

ilerlemeyi vurguladı: teknik rasyonalite, finans kapitalin oluşumunun merkezindeydi oysa Hobson sermayenin dış dinamiklerini; karlılığı restore etmek için yeni pazarlar elde etme çabasını, bunun için saldırgan bir emperyalizme yönelmesini, maddi rasyonalitesini vurgulamaktaydı.

Bununla birlikte, Hilferding esas olarak, belirli bir sektör içinde fiyatları kontrol etmek için bir tekel oluşturmak üzere sermayenin birleşimi olan kartelleşmeden bahsetti. Bu, Alman sermayesinin temel özelliği idi. Oysa ABD modelinde, ülkenin büyüklüğü, kaynakları ve yasal yapısı nedeniyle yatay değil dikey olarak yoğunlaştı. Ek olarak, sanayi ve bankalar arasındaki ilişkiler Almanya'daki kadar yakın değildi ve ABD'nin yabancı sermayeye, özellikle de İngiliz sermayesine bağımlılığı daha yüksekti. Sonuç olarak ABD, dikey olarak bütünleşmiş büyük bir kapitalist oligopol haline geldi.

Hobson ve Hilferding, emperyalizmin iki farklı yüzünü ortaya çıkardı. Lenin kitabında, iki tür emperyalizmin özelliklerini birleştirerek, onu eşitsiz gelişme kavramıyla ilişkilendirmiş ve emperyalizmin kapitalizmin en yüksek aşaması olduğunu iddia etmiştir. Arrighi, Lenin'i bu kombinasyon için eleştirdi. Lenin'in kitabında iki tür emperyalizm arasındaki ayrımı görmezden geldiğini iddia etti. Bu iddia bir dereceye kadar doğrudur. Ancak Lenin, kitabını emperyalizme karşı savaştan bir hareketin lideri olarak bir dışarıdan bir gözle yazdı, o mevcut hegemonun veya yeni hegemonya adayı bir ülkenin yurttaşı değildi. Bu açıdan bakıldığında, bu kombinasyonun bir anlamı vardır ve emperyalist güçlerin kendine has özelliklerini belli bir ölçüde göz ardı etmesine rağmen, 20. yüzyılın başındaki emperyalizmin değerli bir özetini bize vermiştir. Dahası, onun eşitsiz gelişme ve çürüten kapitalizm

kavramlarına katkısı, 20. yüzyılda emperyalizme ve kapitalizme karşı çok etkili olan direniş hareketlerini ve bu hareketlerin gelişmiş ülkelerde neden başarısız olduklarının açıklamak için bize önemli araçlar sunmaktadır. Dünyadaki eşitsiz gelişme emperyalizme ve kapitalizme karşı ayaklanmalara ve gelişmiş ülkelerde toplumsal çürümeye zemin hazırlamıştır. Bunun nedeni, gelişmekte olan ve az gelişmiş ülkelere elde edilen kârın bir kısmının gizli veya açık bir tür rüşvet olarak gelişmiş ülkelerdeki ezilen sınıflara dağıtılması yoluyla gelişmiş ülkelerdeki isyankar hareketlerin etkisinin azaltılmasında aranmalıdır.

Üçüncü Bölüm

Son bölümde, 2008 krizi hem iktisat tarihi hem de politik iktisat açısından incelenmiş ve 1873 kriziyle karşılaştırılmıştır. İlk olarak, 1990'larda Çin ve eski SSCB ülkelerinin kapitalizme entegrasyonu, serbest ticaret hegemonyası, neoliberalizm ve ayrıca dünyadaki finansallaşma dahil olmak üzere kriz öncesi yıllar analiz edildi. Daha sonra ABD, AB, Çin ve gelişmekte olan ülkelere krizin başlangıcı ve evrimi, ticaretteki büyük durgunluk ve korumacı önlemler incelendi. Son olarak, kriz hegemonya ve yeni emperyalizm tartışmalarına değinilerek analiz edildi ve Çin hegemonyası olasılığı ve bu olası hegemonyanın karakteri 1873 krizinin ışığında tezin teorik çerçevesi içinde tartışıldı.

1990'ların başında kapitalizm, hem coğrafi olarak eski SSCB ülkeleri ile Çin'in sisteme entegrasyonu ile hem de ideolojik olarak, serbest ticaret ideolojisi ve neoliberalizmin dünya çapında hegemonyasının etkisiyle dünya genelinde bugüne kıyasla daha birleşik bir görüntü veriyordu. Çin ve eski Sovyet ülkeleri benzer dönemlerde, 1980'lerde ve 1990'larda kapitalist dünya sistemine entegre olmuş

olsalar da, ekmeleme biçimleri çok farklıydı. Çin, kırsal kalkınmayı organize etti ve önceliklendirdi; bunun en dikkate değer örneği, Çin sanayileşmesinin ve kapitalizme aşamalı entegrasyonun başlangıcında çok önemli bir rol oynayan Kasaba ve Köy İşletmeleri (TVE'ler) idi. Öte yandan, şok terapi uygulamalarından mustarip olan eski Sovyet ülkeleri, kapitalizme ani ve kaotik bir geçiş yaptı, devletin ekonomiden birkaç oligark lehine çekilmesi, tıpkı neoliberal reçetelerin 1980'lerde üçüncü dünyadaki sonuçları gibi toplumdun büyük kesimlerinde sefalet yarattı.

1970'ler krizinin ardından kapitalizm, krizi iki ana tepkiyle aşmayı başardı. İlki, üretimi, özellikle tekstil gibi emek-yoğun sektörlerde işgücü maliyetinin düşük olduğu yerlere taşımayı içeren kar marjlarını artırmaya yönelik mekansal değişikliklerdir. Üretim sürecinin dünya çapında bunun sonucu olarak parçalanması ve dağılması, tedarik zincirleri için gerekli olan serbest ticareti, malların ve parçaların serbest dolaşımını gerektiriyordu. 1990'larda, serbest ticaret ideolojisi ile birlikte bu mekansal değişiklik hızlandı; imalat dünyanın ucuz emek alanlarına gittikçe daha fazla kayd; imalat sanayinin taşınması bağlamında Çin önde gelen bir örnekti, ancak tek örnek değildi; Meksika, Doğu Avrupa ülkeleri, özellikle Almanya'nın komşuları ve Türkiye diğer örneklerdi. Serbest ticaret anlaşmaları, NAFTA, Türkiye ve AB Gümrük Birliği, AB Tek Pazarının kurulması yoluyla üretimin yeni alanlara taşınmasının yasal zemini oluşturulmuştu. Elbette Dünya Ticaret Örgütü'nün kurulması bu süreçte çok önemliydi. Ancak 2001 yılında Çin'in Dünya Ticaret Örgütü'ne dahil edilmesi bir kilometre taşı oldu. Bu organizasyon Batılı ülkeler tarafından yaratılmış ve büyük ölçüde kontrol edilmiş olsa da, Çin üyeliğini ihracata dayalı sanayileşmesini güçlendirmek için kullandı özellikle

ülkenin kıyı bölgelerine doğrudan yabancı yatırımları çekti ve ABD ve Avrupa, özellikle Güney Avrupa, endüstrileri üzerinde artan bir baskı yarattı.

1970'lerdeki krizin ikinci tepkisi finansallaşma oldu. Dünya imalatında artan rekabetle birlikte sermaye, özellikle ABD ve AB gibi kapitalizmin merkezlerinde kademeli olarak finansallaşmaya yöneldi. En somut göstergesi ABD'nin artan cari işlemler açığı olan Çin imalat sanayisinin artan baskısı, Batı'da finansallaşmayı hızlandırdı. Glass-Steagall Yasası'nın yürürlükten kaldırılmasıyla, perakende bankacılık ile yatırım bankacılığı arasındaki engeller ortadan kalktı ve düşük faiz oranları altında 2000'li yılların başında spekülasyon arttı ve ABD'de mortgage balonu oluşmaya başladı. ABD işçi sınıfının azalan satın alma gücü kısa vadede borçlarla telafi edildi, ancak bu durum uzun vadede durumu daha da kötüleştirdi. Avrupa Birliği'nde Ekonomik ve Parasal Birliğin krizin temellerini oluşturdu. Büyük cari işlemler fazlası vererek ihracata dayalı modellerde başta Almanya olmak üzere Kuzey Avrupa ülkeleri büyüdü. Öte yandan, Kuzey Avrupa ülkelerinin cari işlemler fazlasının yarattığı ucuz kredi koşulları ve Doğu Asya'dan gelen imalatın artan baskısı altında Güney Avrupa ülkeleri, talep kaynaklı büyümeye büyük ölçüde bağımlı hale geldi. Bu iki zıt büyüme modeli, uzun vadede aynı ekonomik ve parasal birlik içinde sürdürülemedi ve bu durum 2000'li yılların sonunda bir krize dönüştü.

ABD, AB ve Japonya gibi gelişmiş ülkelerin 2008 krizine verdiği başlıca tepkiler, büyük varlık satın alma programları ve faiz oranlarının neredeyse sıfıra indirilmesi oldu. Bu önlemler kısmi bir toparlanma sağlasa da krizden tam olarak çıkmayı sağlamadı. AB'de, sert koşulların dayatıldığı Güney Avrupa ülkelerine yapılan kurtarma operasyonları, yüksek genç işsizliği gibi uzun süredir devam eden

sorunların artmasına neden oldu. Ekonomik ve Parasal Birliğin esnek olmayan yapısı 19. yüzyıl altın standardına benziyordu ve kemer sıkma önlemleriyle birlikte demokrasiyi baltaladı ve Güney Avrupa ülkeleri için krizden çıkmayı daha zor hale getirdi.

Çin ve gelişmekte olan ülkeler krizden ticaret kanalıyla etkilendiler. Düşen emtia fiyatları, Avrupa ve ABD piyasalarının durgunluğunun yanı sıra sermaye akışındaki dönemsel düşüş, gelişmekte olan ülkeleri olumsuz etkiledi. Çin'in ihracata dayalı endüstrileri büyük zorluklar yaşadı. Çin hem ülke içinde hem de dışında büyük inşaat projelerine yatırım yaparak ve talebi teşvik ederek krizi aşmaya çalıştı. Ancak kriz başladığından bu yana hem Çin'in hem de gelişmekte olan ülkelerin büyüme oranları yavaşladı.

Kriz bitmedi; sürekli bir durgunluk şeklinde devam etti. Gelişmiş ülkelerdeki negatif faiz oranları, gelişmekte olan ülkeler ve Çin'in büyüme oranlarının yavaşlaması, birincil emtia fiyatlarının düşmesi ve sistemin tam zamanlı kalıcı istihdam yaratamaması bu durgunluğun göstergeleridir. Çin ve ABD arasında gümrük tarifeleri karşılıklı olarak arttı, DTÖ'nün Temyiz Organı işlevini yitirdi ve kriz başladığından bu yana giderek daha fazla ülke anti-damping gibi koruyucu önlemler kullanmaya başladı. Bu, yeni bir korumacı dönemin başladığını göstermektedir ve aynı zamanda dünya ülkeleri arasında artan rekabetin bir işaretidir.

Ticaretin önündeki engellerin artması ve piyasaların durgunlaşması ile Çin, sermayesini giderek ülke içi ve ülke dışındaki yatırım projelerine yönlendirdi. Asya ve Avrupa'da iddialı bir yatırım projesi olan Kuşak ve Yol girişimi, doğrudan

yabancı yatırımlar ve ekonomik bağlantılar yoluyla Afrika ve Latin Amerika'daki varlığına ek olarak Çin'in etki alanını genişletmeyi hedefledi. Buna karşılık ABD, Latin Amerika Ülkeleri üzerindeki baskıyı artırdı, 2019 Bolivya darbesinde olduğu gibi, ve Pasifik'te, özellikle de Güney Çin Denizi'nde, daha çok yer almaya başladı. Yani 19. yüzyılın sonunda rakip imparatorlukların emperyalist rekabetini hatırlatan bir biçimde bu iki devletin çatışması daha geniş bir coğrafi alana yayılmaya başladı.

Bu noktada, Çin'i kapitalist olmayan bir piyasa ekonomisi olarak görmek ve Arrighi'nin (2007) yaptığı gibi, geçmişte az gelişmiş bir ülke olduğu için Çin ile az gelişmiş ülkeler arasında bir dayanışma beklemek son derece yanlıştır. ABD de sömürgeci bir ülkeden bağımsızlığını kazanmıştı, ancak bu geçmiş emperyalist politikalar izlemesini engellemedi. Güney-Güney işbirliği mantıklı görünebilir, ancak kapitalizm her zaman eşitsizlik yarattı; Çin'in kapitalist gelişimi de buna bir istisna değildir. Çin'in gelişmesi, Sahra altı Afrika ve Güney Avrupa da dahil olmak üzere birçok bölgenin sanayisizleşmesine katkıda bulundu ve ülke içindeki eşitsizliği artırdı. Afrika ve Latin Amerika ülkeleri Çin ile ilişkilerinde öncelikli hammadde tedarikçisi konumlarını korudular ve Çin ile ilişkilerindeki eşitsizlikler Batılı Güçlerle ilişkilerinde olduğu gibi devam etti.

Sistemik birikim döngüleri yaklaşımına göre, 1970'ler krizi ABD hegemonyasının sinyal krizi, finansallaşmanın ve hegemonyanın düşüşünün başlangıcıydı ve 2008 krizi, hegemonyanın sonunun ve yeni hegemonyanın yükselişinin işareti olmalıdır. Bununla birlikte, potansiyel yeni hegemon Çin'in 1970'lerden ziyade 1990'larda ve 2000'lerde geç bir dönemde gelişimi, 1990'larda ABD'nin gücünü sürdürmesi, 1980'lerden bu yana kapitalizmdeki durgunluk ve

1873 krizi ile 2008 krizi arasındaki benzerlikler mevcut hegemonyanın çöküşünde ve yeni hegemonyanın ortaya çıkmasında bir anormallik olabileceğini akla getiriyor.

Sonuç olarak, Çin hegemonyasının kurulabilmesi için Çin'in, kapitalizmi yeni sektörlere genişleterek ve yeni örgütsel yöntemlerle derinleştirerek kapitalizmi katkıda bulunması gerekir. Aksi takdirde kapitalizmdeki mevcut durgunluk devam edecek ve yeni hegemonya başlamayacaktır. ABD hegemonyası kurulurken kapitalizm, dikey olarak bütünleşmiş şirketler gibi yeni örgütlenme şekillerinin ve elektrik ve çelik gibi yeni sektörlerin ortaya çıkışı ile derinleşmiş ve genişlemiştir. Bu noktada, Arrighi'nin argümanına dayanarak, mevcut hegemon ile kendisinden iki önce gelen hegemon arasında benzerlikler olduğu, dolayısıyla Çin'in hegemonyasının İngiltere hegemonyasıyla bazı benzerlikler taşıyabileceği ileri sürülebilir. İngiltere'nin 19. yüzyılda gelişmesinde olduğu gibi Çin'in gelişiminde de ihracatın ve her iki ülke için kriz sonrası sermaye ihracatının önemi de bu argümanı desteklemektedir.

B. THESIS PERMISSION FORM / TEZ İZİN FORMU

ENSTİTÜ / INSTITUTE

- Fen Bilimleri Enstitüsü / Graduate School of Natural and Applied Sciences**
- Sosyal Bilimler Enstitüsü / Graduate School of Social Sciences**
- Uygulamalı Matematik Enstitüsü / Graduate School of Applied Mathematics**
- Enformatik Enstitüsü / Graduate School of Informatics**
- Deniz Bilimleri Enstitüsü / Graduate School of Marine Sciences**

YAZARIN / AUTHOR

Soyadı / Surname : Turna
Adı / Name : Can Deniz
Bölümü / Department : İktisat / Economics

TEZİN ADI / TITLE OF THE THESIS (İngilizce / English) : A LONGUE DURÉE AND COMPREHENSIVE PERSPECTIVE ON THE GREAT DEPRESSION OF 1873

TEZİN TÜRÜ / DEGREE: Yüksek Lisans / Master Doktora / PhD

1. **Tezin tamamı dünya çapında erişime açılacaktır.** / Release the entire work immediately for access worldwide.
2. **Tez iki yıl süreyle erişime kapalı olacaktır.** / Secure the entire work for patent and/or proprietary purposes for a period of **two years**. *
3. **Tez altı ay süreyle erişime kapalı olacaktır.** / Secure the entire work for period of **six months**. *

* Enstitü Yönetim Kurulu kararının basılı kopyası tezle birlikte kütüphaneye teslim edilecektir.
A copy of the decision of the Institute Administrative Committee will be delivered to the library together with the printed thesis.

Yazarın imzası / Signature

Tarih / Date