
Reflections

On the Origins and Legacies of Really Existing Capitalism: In Conversation with Kari Polanyi Levitt

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Kari Polanyi Levitt is Emeritus Professor of Economics from McGill University in Montreal, Canada. She was born in Vienna in 1923 to the well-known intellectual Karl Polanyi, and grew up there during the famous years of Red Vienna. She was educated in England before and during World War II, obtaining her BSc in Economics and the Farr Medal in Statistics from the London School of Economics in 1947. Following 10 years of engagement in trade union research in Toronto, she obtained her MA in Economics from the University of Toronto in 1959 and an appointment in the Department of Economics at McGill University in 1961, where her particular teaching interests were in Techniques of Development Planning and Development Economics. She has inspired generations of students with the vision she has continued to advance for six decades.

Kari has been involved in the field of development economics since its origins, as a student of several of the pioneers of the field and later as one of its pioneers herself, within the more radical tangents of structuralist development economics. Her important contributions to the field include her groundbreaking work with Lloyd Best in the late 1960s on developing the Plantation Economy paradigm, republished as *Essays on the Theory of Plantation Economy* (Best and Polanyi Levitt, 2009) and her seminal book, *Silent Surrender: The Multinational Corporation in Canada* (Polanyi Levitt, 1970), which galvanized the political Left in Canada, her adopted country.

She has maintained a continuous relationship with the University of the West Indies (UWI) since her first contact there in 1960, including collaboration with Alister McIntyre and Lloyd Best. She has also served as Visiting Professor at UWI on several occasions and was appointed the first George Beckford Professor of Caribbean Political Economy from 1995 to 1997, where she compiled *The George Beckford Papers* (Beckford and Polanyi Levitt, 2000). A collection of her writings on Caribbean issues was published as *Reclaiming Development: Independent Thought and Caribbean Community* (2005), and a collection of her writings on her father and on

contemporary economic development as *From the Great Transformation to the Great Financialization* (2013).

Kari is a founding member of the Canadian Association for the Study of International Development (CASID), which has awarded an annual essay prize in her honour since 2000. Together with Mel Watkins, she was the first recipient of the John Kenneth Galbraith Prize from the Progressive Economics Forum of Canada in 2008 and was awarded an honorary doctorate from the University of the West Indies in the same year. She is the Honorary President of the Karl Polanyi Institute of Political Economy, established in 1988 and based at Concordia University in Montreal. She was also inducted into the Hungarian Academy of Sciences in 2004 as an honorary member.

AF: How did you get into development economics? As a young student during the war years, were you initially interested in development economics?

KPL: No. During the war, the London School of Economics campus was relocated to Cambridge. All of the senior LSE staff were in London running the war effort — Lionel Robins, Professor Paich, Professor R.G.D. Allen — they were not in Cambridge. So we had enemy aliens and colonials as lecturers. The enemy aliens were people like Hayek and Mannheim, and Nicky Kaldor of course, Europeans with heavy accents. They had British passports, but they were not really British, so they were not in the inner circles of the Establishment running the war. Arthur Lewis was actually the only colonial. He was the first black person ever to be employed by London University. So the School was fascinating; it was really wonderful for us as students. We had the freedom of the city of Cambridge: we could live anywhere we wanted, and we could attend Cambridge University lectures; I could listen to Joan Robinson, Maurice Dobbis . . . Keynes was not there — he was in London running the war, so I never heard Keynes lecture.

Arthur Lewis gave the introductory lectures on economics at LSE. He drew this graph showing the marginal product of labour and the wage rate. He showed employment would be increased by reducing the wage rate. I gathered up all of my courage and decided to talk to him after the lecture. I said, ‘Sir, excuse me, but I don’t believe that. Before the war, we had 3 million unemployed and they couldn’t get employment at any wage’. So he asked my name and he said, ‘Miss Polanyi, I assume that you have come here to study the science of economics. When you have mastered it, you may return and we will discuss the matter’. [Kari laughs.] You know, he had quite a high pitched voice, he was quite thin at that time, and he looked hungry. Later he became quite portly.

In the second year he gave a class that made an important impression on me. He was obviously writing a textbook and he was giving us the chapters as he was writing it. It was an economic survey from 1919–39, and that

is where I first learned about the declining terms of trade of the countries producing agricultural products, Latin America and the Caribbean. But he also presented an account of Hitler's Germany — and of Russia, England, and the colonies.

But I myself was not at all interested in developing countries, or colonies. I was going to be a labour economist. I wanted to service the labour movement. I worked during two summer vacations in factories and during another summer we made a famous survey on the nutritional state of the British working population, for the Ministry of Food. This survey was done over several years. The result, if nutrition is measured by weight according to height, was that nutrition improved during the war. I also used to offer my help to the Labour Research Department, an independent labour research unit. When I was called up for National Service, I got my first real job, with the Amalgamated Engineering Unit in the research department, on recommendation from the Labour Research Department.

When the war was over, I went back to the LSE to finish my undergraduate degree. In 1947, I found myself in Canada. Joe [Levitt], my fiancé, had arranged for me to enrol in the Master's programme at the University of Toronto and to be a teaching assistant. I was very disappointed with the University of Toronto. I found it a dull and depressing place, although I enjoyed teaching a course on English economic history.

I left the university and presented myself at a factory called Acme Screw and Gear Company in Toronto. Of course I lied about my qualifications, never told them I had been to university or anything, and I got a job there. I was there for a year and thoroughly enjoyed the life. So, okay, I am now in the labour movement . . . but when colleagues discovered I was 'wasting my time' in a factory, they offered me employment with the United Electrical Union Labour Research Department. Later I worked for the Mine, Mills and Smelter Workers Union, as a journalist. There I had to produce a 16-page tabloid every month. I enjoyed the work. Eventually I decided I would enrol in graduate studies at the University of Toronto and that is when I became interested in development economics.

AF: How did you become interested?

KPL: The first time I came across that literature was in the 1950s. Because I had a strong mathematics background, I became interested in making input-output tables for inter-industry modelling. Professor Keirstead at the University of Toronto came from the Maritimes [in Canada] and had connections with Atlantic Provinces Economic Council, and he got me jobs in the summer working for them. I did one study for them on migration. Then I got interested in doing work for them on regional economic planning, for the so-called underdeveloped provinces of Canada, the maritime region — regional underdevelopment. That got me interested in starting to do regional input-output tables and I developed that when I came to McGill

[in Montreal]. So, I came to development economics also through my interest in planning and applying that to regional economic underdevelopment.

AF: Was that around the time that you first started going to Jamaica?

KPL: I started at McGill in 1961, right after Jamaica. Professor Keirstead was a friend of Arthur Lewis. He spent a sabbatical in Jamaica with his wife and undertook to do some studies for what was then the Federal Government of the West Indies. So he sent for a student, which ended up being me. I arrived in Jamaica in 1960. I arrived right in the middle of the Federal Government of the West Indies: it started in 1958 and collapsed in 1962.

Alistair McIntyre was teaching in Jamaica at that time. The campus of the University of West Indies [UWI] was dominated by expatriate British. In economics, Alistair McIntyre was one of the few West Indians and Lloyd Best had just been hired, as a junior fellow, at the Institute of Social Economic Research. He was supposed to be making estimates of national income for the small islands, but that did not match his interests, and being Mr Best, he decided he would follow his interests. I do not blame him, but his interest was in West Indian history.

AF: So then you started working with him around that time?

KPL: Well, that is when I met him . . . but I was interested in planning techniques. I knew more about techniques than about the substance, of course. So we thought we would do something together. He had gone to Guyana and then, when he came back in 1964, we started what became the Plantation Model.

At McGill, I couldn't teach development because another professor was teaching that, so I taught a course in planning techniques. I managed to supply Statistics Canada with quite a few students. McIntyre, in particular, kept sending me students, to supervise their graduate work at McGill.

AF: You were also writing Silent Surrender during that time?

KPL: I was approached by Charles Taylor,¹ who was a colleague, to write a position paper for the NDP [New Democratic Party]² on the issue of foreign ownership. We are talking about the early 1960s. Charles Taylor was a possible candidate for the leadership of the NDP and his candidature was being pushed by David Lewis, who was the leader of the party. (David Lewis was the father of Stephen Lewis and grandfather of Avy Lewis, who is married to Naomi Klein.) That brought me to an NDP convention. The NDP

1. Charles Taylor is a well-known Canadian philosopher.

2. The social democratic party in Canada.

was not interested in getting involved with anything that was too radical sounding — the NDP was quite conservative.

I said, yes, I was interested because the majority opinion in the NDP was that foreign ownership was not a problem. If it was good for economic growth then whatever was done with the economic growth was another issue. The first thing I did was to distinguish between portfolio and direct investment. The argument had been simply about foreign investment, but we got onto this thing about the effect of the branch plant, and of the sale of so many Canadian companies to American companies. This had a dynamic effect because I was then asked to meet, for a whole weekend, with the national executive of the NDP. The book *Silent Surrender* really came out of that.

But then when I met Lloyd, I became interested in the plantation economy. There was a relationship, in a sense, between Canada, as a country that was increasingly dominated by the whole subsidiaries and branch plants of foreign companies, and the Caribbean, which was a typical case of islands involved in multinational mining and extractive activity in oil and bauxite. We wrote some interesting things together. It was Lloyd who persuaded me to publish what I had by 1968, in the *New World Quarterly*,³ under the title of ‘Economic Dependence and Political Disintegration: The Case of Canada’. And that began a kind of new existence. It was reprinted by Cy Gonick and at the time it became a minor sensation in Canada, until I was approached by Macmillan of Canada.

Then I got help, both from the NDP but particularly from Eric Keirens. Eric was a remarkable fellow, very independent minded. He was a capitalist, he was a former president of the Montreal stock exchange, and at McGill he was a professor of commerce. He became a close friend and he gave me a lot of good material for *Silent Surrender* because he really believed in the independence of Canada. He did not like the Americans buying up all of these companies, or the Canadians who were sending out everything to the Americans. Eventually, I had a book. *Silent Surrender* was finished in 1969, published in 1970. The publisher sent a copy to be evaluated by an economist at University of Toronto, who rejected it; he said this was political and not economics, it was ideological, it was whatever. But the publisher liked it and so the publisher asked if I knew someone else who I could send it to, and I said, send it to Mel Watkins. So they sent it to Mel and the rest is history. He just loved it and wrote the introduction for it.

Meanwhile, Lloyd had been at McGill from 1966 to 1968. We got some money from UNIDO for a project called ‘Export-propelled growth and industrialization in the Caribbean’. He left to go back home in 1968 and in 1969 there was a possibility I could go to Trinidad to continue work with him on the completion of this plantation economy model. Actually, CIDA

3. A Caribbean publication of the 1960s, no longer in print, but see: <https://newworldjournal.org/volume-iv-no-2/canada-economic-dependence-ald-political-disintegration/22/>

[the Canadian International Development Agency, which was going to fund her] tried to block me, by getting UWI to say that they no longer wanted someone working in social sciences. However, by that time, my good friend William Demas, who had been long-time economic advisor to Dr William [Eric William, the first prime minister of Trinidad and Tobago and author of *Capitalism and Slavery* (1944)], knowing that I had wanted to come to Trinidad and was preparing to do so, said, well, would you consider coming to develop the data base for the next 5-year plan? So, I agreed. For that he got support from the IMF. I finally went there in 1969 with money from the IMF, technical assistance. The IMF didn't have any problem with me — all of the problems I had originated in Ottawa. I guess they went back to the issues of Sir George Williams,⁴ the black writers' conference, and a whole lot of West Indian politics here in Montreal.

From 1969 to 1973 I was going back and forth and we really did amazing work. We worked with a team of young graduates from UWI and with statisticians from the Central Statistical Office. We developed a very innovative Trinidad and Tobago system of national accounts, based on what was then the new UN system of national accounts, but modified to make it conform to the structure of a petroleum economy. In 1973 that was terminated abruptly, because of the political situation there.

AF: Can you elaborate on the Plantation Economy?

KPL: I think it is important because most of my work has been done with regard to the Caribbean or with regard to world history. The Caribbean has been so important in terms of what we call the international framework, within which the plantation economy existed and continues to exist. There are four aspects of the world, of the external environment, in which the plantations were organized. To my mind, the four points continue to be very useful for understanding the structure of international trade and investment, and the shifting political spheres of influence.

The four aspects are: the division of the world by the Pope between Spain and Portugal, one east, one west; the navigation acts, the lines of communication; of course, the division of labour between primary commodities and manufactures; and finally the importance of what we call the metropolitan exchange standard. The fourth in particular remains important to this day, with the whole debate about the continuing importance of the American dollar as reserve currency in spite of the relative decline of the United States.

You know, it was a dramatic way of emphasizing that what we have in the English-speaking Caribbean — well, in all of the islands, even in the small ones — does not approximate an economy as described in

4. See: https://en.wikipedia.org/wiki/Sir_George_Williams_affair

textbooks of economics. The representative firm, as [Alfred] Marshall called it, is not the family-owned enterprise, but the subsidiary of a foreign company with extractive activity. We had in mind the petroleum industry of Trinidad, the bauxite of Jamaica, for example. So then, in looking at this and the historical path, it led to the plantation, which was set up by foreign capital with the express purpose of utilizing African labour to produce a commodity of high value for international markets. Then we explored the internal organizations of the plantations, the relation between planter and merchant. That is, the relationship between the organization of the production and the organization of the distribution, the finance, the access to markets, etc. — what in Marxist language would be the sphere of circulation, and the predominance of the sphere of circulation over the process of production.

AF: Which is the inverse of the basic Marxist understanding of capitalist development.

KPL: It is also the inverse of economics in general, because very much of classical economics is about the real economy. In fact, Keynes's principal quarrel with what he called the classics was because they ignored money. So they ignored the sphere of circulation.

AF: Much of modern economics continues to ignore money in that sense.

KPL: Indeed. I mean, this nonsense about the microeconomic foundations of macroeconomics is an effort to ignore money. Of course, people have to be confronted with the fact that, in historic terms, the great divide — between North and South, or between West and East, or however you wish to put it — really began with the industrial revolution in Britain and did not begin to take off until the early 19th century. However, this was not only due to huge spurts of growth in Europe and its offshoots, as [Angus] Maddison calls them, being the United States, Canada, Australia. It was also due to the negative reduction in growth in India, and particularly in China in the 19th century, which the Chinese now regard as their great humiliation.

Moreover, the three centuries that preceded the industrial revolution were enormously important because the really existing capitalism happened in the relatively small nations on the Atlantic periphery of the Eurasian continent: Spain, Portugal, France, The Netherlands and England. It did not happen in the more ancient civilization of China, or of India, or of the whole Hellenic Mediterranean region. It's a big historical question. It could have, but it did not happen in the great empires. It happened in these rather small and rather recent nation states. This really existing capitalism from Western Europe came together with the voyages of discovery, the conquest of the Americas. If we consider these three centuries, 1500 to 1800, that mercantilist era was characterized by what I call commerce and conquest, trade and war. The war

was almost entirely maritime. Historians talk about perpetual trade and war in the Caribbean.

What happened with the Renaissance — with the voyages of Vasco da Gama and then Columbus — is that these European states extended their territory to embrace all of the Americas. If Western Europe had not been able to expand to embrace all of the Americas, they would not have been the power that they became. An interesting example is The Netherlands. The Dutch were so successful, they built the first great commercial empire that went from the Baltic to the spice islands of Indonesia, and they established Amsterdam as the premier financial centre of Europe, but with the small population they had, they couldn't carry it any further.

Trade and war were there in the traditions of these countries of Western Europe that became the predominant metropolitan powers, *from the beginning*. From the beginning, there was expansion and conquest. And so, the relationship of trade and warfare, commerce and conquest, and the element of centres and peripheries, were all there from the get-go in the Western capitalist countries, before industrial capitalism. One could talk not about two globalizations but about three, to think of the expansion from the beginning.

It then continued with the better-known free trade imperialism, and the empires, in the latter part of the 19th century, the conquest of Africa and Asia, etc. As our friend Eric Hobsbawm writes, quite correctly, without the previous mercantile colonial system, the revolution in the spinning industry in Britain, British textiles, would not have had markets to sell their rather poor cotton products. They could be sold only in the colonial trade, they could not be sold otherwise. So the old mercantilist order that was dissolved somewhat with the coming of free trade in England and in Europe had served the purpose of providing the original markets, including India of course, where British cotton goods were sold by the East India company, and Britain put enormous tariffs against the importation of Indian cotton — a well-known story.

AF: And you derived these insights from your work on the Plantation Economy?

KPL: I think there is also something to be learnt from the structure of the early chartered companies, in terms of what I call the symbiotic relationship between the political authority, the monarch, and the merchant in the accumulation of territory and wealth, and the way the chartered companies were made into almost autonomous entities. The sovereign granted monopoly rights to merchant companies to establish exclusivist relations with foreign rulers in Asia and Africa. They were given the power to build ports and forts, dispense justice, and so forth. I make the comparison with the multinational corporations, which I call the new mercantilism.

That line of thinking leads us to another important similarity, and that is the emphasis on the importance of who controls communication. In the work that we did on the Plantation Economy, the merchant had superior power over the planter. The chartered companies were large and powerful business enterprises compared with the multitude of producers whose access to metropolitan markets they controlled. The merchant had control of the market overseas, in the metropole, the source of much of the capital, the actual control over the means of transportation. The producers — the planters — were in a subsidiary position. The merchant sold the goods and also supplied the inputs and could take his cut.

Today, with the information revolution, we are seeing enormous structures of power accrue to those who control channels of communication. But even before we had the phenomenon of the Amazons, the Googles, etc., in the production chains, which we are very familiar with, it was very very clear that the control and the profit accrue principally to the platform that organizes the chain. The producers, the capitalists as much as the workers who produce the various inputs that are assembled, etc., are in a subordinate position to those who are controlling this whole process. The deindustrialization that has happened in the Western countries has created big problems but it has not impoverished these countries in terms of GDP (for lack of a better measure). They have gained in various kinds of fees and profits and interest, and other kinds of incomes, and have moved towards the top of the income distribution. We know about the unfavourable distribution. But the control of channels of communication, what used to be the navigation acts in the mercantilist system, is something that has carried right through to the present: communication gives control. Information technology today has been greeted positively, obviously with some good reason, but it has some very big issues regarding power.

Hence, from the very origins of European hegemony, we see the predominance of metropolitan finance over production in the peripheries, in contrast with the predominance of production over finance in the centre. Viewed from the periphery, merchants remained central. They distributed and sold the products of the emerging English industrial system in colonial markets, and the sugar and other commodities of the slave plantations in international markets. Merchants controlled the channels of international commerce, including finance, insurance and shipping.

These aspects supported the establishment of European hegemony throughout these centuries. The evolution of capitalism needs to be understood in light of these 300 years of mercantilist conquest and unequal trade, which transformed the peripheries and integrated them into the production networks of the centre in various differentiated ways before the advent of industrial capitalism. There was no radical break between mercantilism and English capitalism from the perspective of the periphery. US capitalism also shows a similar continuity, although the major innovation of US corporations was to merge production with distribution.

AF: So the Plantation Economy helped you understand economic development more generally?

KPL: Yes, but you see, the Plantation Economy was also something special, in a sense unique to the Caribbean. Of course, plantations have been set up in other countries. Interestingly, a colleague of mine has been doing research on the fact that when the planters were compensated for the loss of their slaves, at the time of emancipation, many of them, with connections within the British empire, established plantations in South Asia, Southeast Asia, and so forth. But those were not based on slave labour.

When we developed this idea, in the 1960s, those were very different times, they were times of radical social political movements. We had in Trinidad, in 1970, what was called a black power revolution, an uprising. So the political idea that in some ways not very much has changed since the days of the slave plantation was something that people could sense.

AF: You have argued that modern capitalism is returning to its mercantilist origins and you have drawn parallels to the Plantation Economy. Can you explain?

KPL: This is what some people have called extractive imperialism. In my book *Silent Surrender*, there is a chapter called ‘From the Old Mercantilism to the New’. In the old mercantilism, again, the representative firm was a joint stock corporation, the chartered companies; they received their monopolies from the sovereign; there were many shareholders; they were adventurers, etc. I saw similarities with the gigantic multinational corporations, also similarities in the sense that the centre, the head office, is in control of a variety of locations, and again how control over communication is so central to the organization of both of the old chartered companies and the modern multinational corporations.

AF: And you were writing this already in the late 1960s . . .

KPL: Yes. And it is still relevant today — more so than ever I think. I was working on *Silent Surrender*, which was on the effects of the multinational corporations on host countries in the developed world, the US–Canada relationship, at the same time as I was working on plantation economies with Lloyd Best, so I have always seen the connections. People have found it strange that I would see any similarities between American companies buying up Canadian industries and what is going on in the islands of the Caribbean.

And we are now seeing a certain regression of capitalism to these mercantilist origins in the capitalist heartlands in the US, the UK and even in continental Europe. This regression is commonly referred to as ‘financialization’, meaning the growing dominance of finance and commerce over

production. This is best seen in terms of the concentration of power in multinational corporations, which increasingly do not directly produce anything but, instead, organize production and distribution. Hence, production has become increasingly subservient and subordinated to commerce through subcontracting and outsourcing in various ways, and through proprietary arrangements and monopsonistic structures of buyers vis-à-vis producers. This is a very different reality from that of industrial capitalism in its heyday and from the descriptions of firms in typical microeconomics textbooks. It can be seen as a certain type of degeneration of capitalism in comparison to the age when industrial capitalism was based on innovation in production rather than innovation in financial and proprietary arrangements, which is why we call it a predatory form of capitalism.

However, the mercantilist origins of this predatory capitalism are best viewed from the peripheries. This is in contrast to the common approach that views such predatory capitalism as somehow a perversion from the idealized classical forms of capitalism that emerged in Europe on the basis of the primacy of productive innovation over commerce. The early mercantilist origin of capitalism in the peripheries sheds light on the continuity of commerce over production, especially but not only in these peripheries, from slavery to the emergence of transnational corporations as a form of 'new mercantilism' controlling commerce in the peripheries. At both ends of the historical spectrum, the imbalance of power relations in international trade is rooted in this imbalance of commerce over production, whereby production in peripheries is subservient to commerce controlled by mercantilist or new mercantilist corporations. It is for this reason that Marxist models of capitalists exploiting labour are not very appropriate for understanding the economic dependency and exploitation of countries that are incorporated as peripheries into the international capitalist system.

Rather, it is quite tenable to suggest that the future of the capitalist centres can be seen in the history of the peripheries. For instance, those of us working on the Caribbean used to think that the short view was a peculiarity of the Plantation Economy, whereas now a similar short view has become generalized to the economies of the centres, such as in the US and the UK. This short view is the view of commerce: when prospects look good for your export crop, you borrow and expand; when times turn bad, you have no resources to diversify, so you stay in the same staple crop and you borrow to try to maintain your standard of living; when borrowing is no longer possible, you mortgage your land; when that is no longer possible, you consume capital. In the days of slavery, consuming capital meant overworking and starving your slaves. In contemporary times, it means laying off public servants and reducing public expenditures on education and health, which is equivalent to consuming the human capital of a population.

AF: If I recall correctly, you have said that the first application of scientific methods of organizing labour was on the slave plantations. Do you think this influenced Adam Smith?

KPL: What I said is that a plantation with 3,000 slaves implied an industrial organization that makes Adam Smith's pin factory look miniscule in terms of the division of labour. It was mind blowing, when I was taken in Jamaica, somewhere not too far from Antigua Bay, to the Good Hope Plantation, which had 3,000 slaves. I mean, how do you organize something like that? You are going to have people who will be rebellious, run away to the hills, and the organization and the accounting, and all the different aspects of that operation . . . We are talking about the late 18th century, and what you had in Britain at the time was largely artisanal industry, nothing was organized on a big scale. Possibly on a physical scale, such as the sheep pasture, but not in terms of labour.

What I said, which my colleague Lloyd Best did not like to hear, did not agree with, is that I thought that the production of sugar on slave plantations was in every sense a capitalist operation, organized with European capital, with the exception of the labour regime, which was not wage labour but slave labour. But the labour power embodied in these human machines was valued, the amount of work that could be extracted from them, according to their size and age and health, was estimated, and so on. So it seems to me to be obvious that this preceded the more scientific management of production in English agriculture.

Marxist definitions tend to define capitalism as private ownership of property and wage labour. But if you look at capitalism in terms of the production of something for the sheer purpose of selling it at a profit, then the plantations have major attributes of tropical agrarian-style capitalism. They also constituted the first major investment of capital in an overseas location for this purpose.

In the case of the English colonies, as I have noted, there are also remarkable similarities between these particular characteristics and the English agricultural revolution and the role played by English oligarchic landed classes, the same landed classes whose younger sons were sent to the colonies and became part of the planter classes. The plantocracy and the English landed oligarchy are largely the same families, the same people.

This long view highlights how the Caribbean slave plantations were, in many respects, at the genesis of capitalism and the plantations were entirely capitalist enterprises; the sole difference with the modern factory system lay in the fact that the labour was unfree. Indeed, the slave trade only derived its profitability from the profitability of the slave plantations. Sugar was the largest single import of Britain, constituting close to one-quarter of the value of all British imports in the 18th century. At the same time, the capitalist agriculture that was evolving in Britain was often developed by the same families that were involved in the Caribbean slave plantations. This synergy

of mercantilism remains a hugely underemphasized, if not ignored, aspect in the Eurocentric debates on the origins of capitalism in Northwest Europe, which usually focus on internal causes such as agrarian transformations in the English countryside rather than the more global commercial origins of these transformations.

AF: How does this relate to a similar emphasis of production in early development economics?

KPL: The fact that really existing capitalism happened in the relatively small nations on the Atlantic periphery of the Eurasian continent accounts for the fact that GDP per capita in Western Europe — in all the statistics, the Maddison estimates — was significantly higher than in Eastern Europe, and remains so to this day. Now, what is Western Europe? It borders the Atlantic, it has special relationships with different areas of the world.

So, when we come to the [early] development economists and the importance of people like Gerschenkron, Rosenstein Rodan, they were living in regions of the world that were backward in relation to Western Europe. Gerschenkron was of course Russian (born in the Ukraine) and much of his work was done on the rise of Tsarist Russia.

AF: ‘Backward’ is not a very popular term these days . . . can you clarify?

KPL: Well, backward, absolutely, backward. Economically underdeveloped. Economically backward. At the time of the Russian revolution in 1917, this is a country hugely dominated by a peasantry, with some cities, with some industrial establishments, actually mostly with foreign capital, and some modern technology. This is part of the story of the Russian revolution and the Soviet Communist Party, which considered itself to be a vanguard party based on the working class, but the working class was extremely small, in relationship to a vast peasantry, and they came into conflict, of course. The whole history of the early decades of the Soviet revolution was really about conflicts between the peasantry and the prevailing regime that was based on urban and industrial regions.

Gerschenkron and others understood the problems of economic underdevelopment because they could understand it in terms of their own countries in relation to Western Europe. Thinkers like Arthur Lewis came from the colonies and so also had this perspective, but what is not so obvious and perhaps not so well understood is the relationship within Europe, of East Europe to the West. Europe is deeply divided in that way.

AF: Eric Reinert also gives a lot of emphasis to the Eastern European experience and to the early development economists who came out of that experience. Is your view somewhat different?

KPL: It is very different. I have a real problem with Reinert, in particular with his book on why poor countries remain poor (Reinert, 2007). It has a very strong bias against agriculture. Okay, understood, economic development does proceed from agricultural to industrial civilizations, yes, but his book is so negative with regard to agriculture, whereas in our world, if we wish to save this planet from the way in which humanity is moving to destroy it, it is the physical environment that we have to be concerned with, it is the way we produce the food that we require without destroying the basis of the whole ecosystem.

Reinert's book tends towards a streamlined interpretation of development economics along the dominant theme of increasing returns to scale, which appears to be his way of dealing with industrialization. He draws exclusively from the European continental experiences and economists such as Ragnar Nurkse, whereas the driving force of capitalist expansion into the non-European peripheries, and the way that capitalism shaped the rest of the world through trade, war, commerce and conquest, originally emanated from countries of the Atlantic seaboard such as The Netherlands, the UK and France. Similarly, the origins of classical political economy also came from these countries, particularly the UK. Hence, his narrow focus and emphasis on increasing returns not only dismisses the role of agriculture (and Adam Smith, for whom the quintessential capitalist was a farmer), but it also dismisses the origins of the European expansion into the non-European world, the origins of classical political economy, and the effects of both on Latin America and other regions of the non-European periphery. My own analysis places these themes centre stage.

Again, what I am saying is that the really existing capitalist system was born in England and in some neighbouring states, and had within it, as far as I am concerned, commerce and conquest, trade and war, from the beginning. That does not play the same role in the development of the Hapsburg Empire, or for that matter in the Tsarist Empire, or the unification of Germany. But I think it carries over into the era of American hegemony.

Gerschenkron is the classic in terms of the development of the latecomers. I take all of that. That is certainly part of the doctrine of the development economists. But, in terms of the significance for developing countries that are, by and large, more rural and agricultural, or at least were until not very long ago, the dismissal of agriculture and the way in which Reinert sees agriculture only as backwardness is not helpful, I think. So much of Arthur Lewis, for instance, is an argument for the need to increase productivity in the food-producing sector in order to raise the supply price of labour to industry.

Then you have in Adam Smith a very strong line of argument favouring domestic investment, particularly in farming actually, over the activities of the big merchant adventurer companies. He called this the natural path. Now, what did Adam Smith mean by the natural path? I think he meant the progression from agricultural production into the processing of food, the

processing of hides, the processing of tissue, fabric, etc., from the ground up, so to speak, as distinct from that dismissal of agriculture. So, in a way, the natural path would be one that would be obviously followed by the great empires, such as China, which of course Adam Smith admired very much. This is distinct from a kind of development that sees maybe the cities as the source of modernization and development, and the countryside as backward. That would be more Reinert.

AF: But as you yourself point out, the actual path of development of North Atlantic capitalism was the unnatural path through mercantilism, not the natural path.

KPL: Yes and no, because there was also the agricultural revolution. Remember, that is something missing from the stories of European bourgeois capitalism — the fact that capitalist principles, of investment of money to make profit, were first applied in England to agriculture, between the sheep raising, which was an export activity, and the wheat cultivation, which was for the domestic market. Arthur Lewis took that with him into his theory, because he was trained in England and owed so much to his English education, and he talked about the need to modernize and raise productivity in agriculture. I think he learnt that, really, from the application of the English model.

AF: But as you just noted, much of this investment in the land in England was itself partly financed by wealth coming from the plantations.

KPL: Absolutely. The roots of the Anglo Saxon model, if you wish, differ from China, for example, as a country which had all the other attributes for developing capitalism, but didn't. It differs in two ways. One was a particularly English thing, the role played by the rural oligarchy; it was called the improvement, or the agricultural revolution. The tenant farmers were not peasants anymore, they were farmers, meaning they were farming for profits, on land owned by landowners, and they were paying rents. Both of these classes were engaged in agriculture. That is one. And the other difference of course is what we have been saying — their expansionism, commerce and conquest. They were facing the sea and all the expansion was maritime. This aspect was very different from what might be the more natural path, not depending on foreign conquest. The city states of the Mediterranean that came before The Netherlands and England — Venice and Genoa — were also engaged in trade and in war, but there was no agriculture. So, with the early Italian economists that Reinert cites, it was all about the benefits of trade and the division of labour, but not agriculture.

You see, at the centre of the Italian city-states is a city. A town, a bourgeois town, burgers. I mean, the word bourgeois comes from burger, which means citizen of a town with a wall around it, which is a burg. European continental

development is so much to do with the role of the towns with regard to the countryside. Feudalism was principally concerned with the relationship of feudal authorities, princes, who have to contend with controlling the food supply surrounding them. This was so different from the English story.

To my mind Celso Furtado was one of the few people who understood that the English oligarchs, the landowners, were entrepreneurially minded, unlike the Europeans. The French were the opposite. The French landowners resisted and all progress was within the cities. In England in the 18th century, it was the landed estates where the aristocracy carried on their social life. The Jamaican great houses replicated the English country estates, which they were familiar with because a lot of those families came from the landed gentry of England. But that landed gentry of England was improving. I have always found that fascinating because they talk about a bourgeoisie, but the bourgeoisie derives from the European concept of the town people, as distinct from the gentry and the landowners. But the English bourgeoisie was rurally based.

AF: There is no example of modern growth based on industrialization that followed the natural path, is there?

KPL: Well, no, because once the industrial revolution started where it started, which was in Western Europe, it then spread through Europe and then in many ways industrialization came from imitation, from import substitution. So it was something coming from abroad in trade, as manufactured goods, and countries figured out they wanted to produce that themselves. On that I think we are back to Latin American structuralists, particularly Furtado, who points out that modernization, the modern lifestyle and industrialization, came to the commodity-exporting peripheries through consumption, not production. It came because the classes that had more disposable income purchased the imports, which eventually these countries undertook to produce domestically. But access to industrial civilization was not through the imitation of production but through replacing the imports directly. So that is already a different path.

It is also really important to remember that Adam Smith did not see the industrial revolution himself. Even Ricardo, who wrote a generation later, added on a famous chapter at the end of his book called 'On machinery'. So if machinery is just a final note you put on there, you are obviously not talking about industrial capitalism, in which the machine plays a critical role.

AF: If I dare to paraphrase, we might say that while mercantilism was an 'unnatural path', it nonetheless supported capitalist development in the metropole, whereas it undermined such development in the peripheries. This is an argument that falls clearly into the dependency tradition. Do

you locate your arguments within this tradition? Or do you prefer to stay away from such labels?

KPL: Well, first of all, I think that this designation of dependency is actually a metropolitan term, along with world systems, which has been superimposed on a lot of other work. I guess the brief answer to your question would be yes, but I don't think labelling is particularly helpful.

I think what is helpful — and what I think is a definition of development — is the recognition that there are economies that have been shaped by the domination of metropolitan structures of power. And they are not underdeveloped. I do not believe in some sort of natural stages of progression, that they are underdeveloped because they are agricultural, but rather that these structures — social, economic and political structures — have been created not by following a natural path, to use that idea, but by their encounter with the dominant powers of the metropolitan. I still think that Celso Furtado explains this the best.

Now the emphasis that some people make, say Andre Gunder Frank, or [Arghiri] Emmanuel, that there is an unequal exchange, is so obvious that it is not even interesting. What is really at issue is the way these economies have been shaped by the historical reality. And that is very different in different parts of the world. I always say that the language of centre and periphery comes from Prebisch and Latin America. The phenomenon is particularly clear in the case of the Americas.

As Lloyd Best and I described it, there were three different kinds of colonization. There were colonies of conquest, principally those of Latin America, where they got the gold and the silver. Silver was enormously important. It demonstrated that Europe did not have the quality of industrial goods that were made in China and in the East. Europeans did not have commodities to balance what they wanted from the East — the trade of spices, of porcelain, of silk, etc. — so they had to be balanced by silver. The silver assisted enormously in that trade.

Then there were colonies of settlement, which between them largely destroyed the indigenous populations, marginalized them, enslaved them, dispossessed them. And then there were what we call the colonies of exploitation, sheer exploitation, the plantation economies. These brought African slave labour to achieve what was really the first large-scale production of trade goods, organized by the Europeans in Brazil, in the Caribbean, and then in the southern United States, to produce sugar, cotton, tobacco, whatever.

In all of the Americas, the states that have arisen, that were created, all speak a European language, all have some variant or another of a Christian religion, many of them are settled, in both the North and the South Americas, by Europeans. Because of the richness and resources of the Americas, they were destined to become industrial sources of food and raw materials, and later minerals. So they were peripheries, but peripheries in the purer sense of the term as commodity-supplying regions. Africa was also involved in that.

The extension of Europe eastwards — the trading companies from the Levant to the Indian ocean, to India, and the China Seas and the Spice Islands — was initially of lesser importance and also of lesser value than the kind of primitive accumulation or transfer of resources that was organized from the Americas. It was also fundamentally different given that it was based on exploration and trade. In the early mercantilist period, wherever Europeans traded in the East, they were just one more trader among many others. They did not uproot the social structure of the villages in the countryside in this earlier period. Even later, their colonies in Asia were not colonies of settlement. As a result, the elites in these eastern peripheries were not of European origin because there was little or no European settlement. In most of Asia, Christianity was not or could not be imposed on any significant scale, in contrast to Latin America where Christianization became all-pervasive, even among indigenous peoples. In this sense, the western regions were truly peripheries, in the classic understanding of the word, whereas the eastern regions were much less so.

AF: But for you, the fundamental expression of structuralism is how these countries encounter the dominant structures of power. So, couldn't you apply that to, say, Southeast Asia, where the encounter with the dominant power had an impact on the structure of the economy and society?

KPL: Of course you can, but you also have to take into account the previous civilizations and societies that were in Southeast Asia, and it was those that fed the independence movements there. I mean, there was a big struggle. When I was a student in England, I knew young students from Malaysia who went back and were fighting the British in the jungle. But they were fighting the British in the jungle to reclaim what they considered to be their country. That is a different story from Latin America.

You had huge famines in India and China. That was British imperialism, but it was superimposed on an existing society. You see, we did not have that in the Americas; the existing societies were destroyed. They were not incorporated, they were really eliminated.

This basic difference between the western and eastern regions of the periphery is profound. It arguably carries right through to the present and is a crucial determining factor in the differential developments of these two broadly defined peripheral regions of global capitalism. It highlights what has become known as the two great divergences, which we started to notice only after the 1970s. One divergence has been between North and South, while the other has been between the industrializing eastern and the primary-commodity export-dependent western parts of the periphery. Notably, the latter — Latin America, the Caribbean and Africa — all underwent structural adjustment programmes in the 1980s. From the short perspective of an

otherwise long lifetime, it is interesting to note that there was no clue of these divergences in 1950.

AF: How do you position these ideas with those of World Systems theory, such as the work of Immanuel Wallerstein?

KPL: Wallerstein has been a successful and useful academic entrepreneur, who has turned out very little work of any originality, but has that capacity for seeing what others have done and marketing it with words like this, ‘world systems’. I think the greatest of the scholars, on whose work he has drawn, is [Giovanni] Arrighi. In Arrighi’s work, you can really see the path he has taken, from being a leftist Trotskyist, Maoist Italian leftist, to the first book, *The Geometry of Imperialism* (Arrighi, 1983), to the rest.

Gunder Frank (the early Gunder Frank) really saw this world system as beginning with the voyages of Columbus. But Gunder Frank again was very different: he was the opposite of the successful entrepreneur. He was, I think, quite a genius, who had a lot of problems of organizing his life and of dealing with depression, for instance, but he had the insight to say: ‘Whoa! Hold on! The Third World did not begin in Latin America. You really need to go back a few thousand years’. That is the *ReOrient* book (Frank, 1998). I find it a very courageous book. Gunder Frank established his reputation on the concept of the development of underdevelopment, and then in *ReOrient* he basically dismissed all the greats — Marx, Polanyi, Braudel, even his younger self — as Eurocentric. Interestingly, the only one who escaped this dismissal was Adam Smith.

As for Immanuel Wallerstein, I have known him for a long time. He first came to our attention in a newsletter that he circulated. In those days it was a way of drawing attention to yourself. It is perfectly legitimate. Nowadays we would call it a blog, but in those days it was a newsletter, and among the persons who received it was my father [Karl Polanyi]. My father was living in Canada already and Wallerstein tried very hard to make himself known to Karl Polanyi, who really was not terribly interested, except that Wallerstein was very close friends with Terence Hopkins. Terry Hopkins was a student of my father, and my father loved him, I mean, he loved all his students.

Then I knew Wallerstein when he was here at McGill teaching sociology in the late 1960s, but his creation of this World Systems theory came later. It is a powerful idea on which he has built his career. When he presented it at the first Karl Polanyi conference [Hungary 1986], people thought he got this from Polanyi. Other people thought he had gotten it from the work of Lloyd Best and myself, you know, the four characteristics that I was telling you about, because Terry Hopkins would share our working drafts with him. His book also has a massive amount of copying of quotations of Braudel. There is nothing original. You see, Wallerstein invented ‘world systems’, the concept. He has been a very successful and systematic entrepreneur in organizing this concept.

AF: It is interesting that Wallerstein has become one of the central lineage references of the post-development and decoloniality scholarship.

KPL: What does this mean, this coloniality? I don't know what they are talking about. I mean, Canada has many traces of its colonial origins, that is a fact, but is that coloniality? Or does it mean that the relations that Canada has developed with indigenous people are of a colonial kind?

AF: The arguments are also often related to a critique of a Eurocentric vision of development as industrialization and so on.

KPL: Well, industrialization, we have to defend that. Industrialization was *key*. As Deepak Nayyar wrote (Nayyar, 2013), it was catch-up. It was the idea that if we are going to be independent, we must be as good as or better than those old colonial powers. People who then criticize industrialization because it is dirty, because it uses carbon fuels, for whatever reason — I think one has to resist those arguments.

AF: These views have also tended to encourage a sort of anti-statism, feeding into the neoliberal critique of the state.

KPL: This is where the anti-statism from the left and the right meet. The whole attack on the idea of government as innately corrupt is where left meets right. It is a big problem for the left, because it is very appealing. This is the point I have been making: the hostility to the state is a commonality between left-wing anarchism and libertarian liberalism. And that, I think, is really a problem because I insist that we cannot dismiss the importance of the modern state.

Also, people keep talking to me about civil society, but I say why do we need this idea of civil society? What is wrong with society? The origin of this notion of civil society goes back to the Cold War, to critiques of the Soviet Union on the basis of the authoritarian nature of the state and the support given by the Western powers to anyone agitating against the state, and they call that civil society. And then with the collapse of the Soviet Union, the term was taken over to label all of these bottom-up things as civil society. To my mind, this is a very confusing concept. And it is very compatible with neoliberalism. That's a big problem.

AF: Human rights have also been co-opted in a similar manner.

KPL: This is also unfortunate, because if you remember the words of the famous 'Internationale' in German [Kari starts singing in German, until she gets to *menschenrechte*] — that's human rights. These were revolutionary concepts, of human rights, *menschenrechte*. Funnily enough, the English translation gets away from this. The English translation of the chorus of

the 'Internationale' is 'the human race'. But the German is *menschenrechte*, which is human rights. It is very interesting.

With the right to development, for instance, it is only the state that can realize the right to development of the individuals that compose the society. That actually is the case with all of the social and economic rights. They are rights of individuals, but only individuals who are in a society that has a state that can move to realize those rights. The right to development is similar.

AF: *Can you elaborate on the right to development? You have written about this.*

KPL: Well, the right to development was the last gasp of the United Nations, in terms of their very important role in assisting developing countries to undertake structural transformation towards development. It was very clear at the end of the 1970s, and after the various United Nations initiatives for the New International Economic Order, that the countries of Europe, the capitalist centres, were going to dig in. There was going to be no negotiation. The project at that time was something called the Common Fund. It was an UNCTAD initiative, in the first development decade of the 1960s, with Prebisch in charge, but then it came up again in the 1970s and the 1980s. The proposal was that there should be a common fund of several billion dollars, but it really never happened. There were some individuals associated with the UN who wrote a very interesting *mea culpa*. They acknowledged that they did not counter the thrust towards what we now call neoliberalism in the 1980s, the dismantling of policies that were supported by the UN in earlier times.

So, in the mid-1980s there was a resolution in the UN General Assembly on the Right to Development. I suppose it was in the spirit of the economic and social rights that go all the way back to the original UN declaration. But the right to development is like all human rights. It is an individual right, but it is the kind of individual right that cannot be achieved except by collective action. No individual can individually cause economic development to happen because it is something that requires, as far as I am concerned, a role for the state.

Later — when we come to the human development story at the end of the 1980s — it was importantly influenced by Amartya Sen. The person behind it was Ul Haq, but he used the authority of Sen, particularly with regard to the treatment of income — the idea that there is a diminishing utility of income. But increasingly there was a tendency to individualize these rights. You know, in some ways Amartya Sen contributed to the neoliberal ideology, in terms of the interpretation of development as a human right of each and every individual.

AF: He is very clearly and unabashedly a liberal theorist.

KPL: And we then come to the human rights agenda. Now, human rights — I mean, who can quarrel with human rights? You can't. But on the other hand, global human rights is a complement to the neoliberal ideology. It is very effective in justifying the various policies of neoliberalism. Moreover, by eliminating the nation, by removing the nation from the vocabulary, by removing the word international and substituting this word global, you put the nation out of sight, out of mind, and you are substituting a global view, and global human rights, for what used to be international solidarity. International solidarity is the recognition of solidarity between peoples in different nations and contexts, fighting for whatever. That has been, I think, appropriated by the change of language to global. We talk about the global economy but I question just what this global economy is. I don't say it doesn't exist, but it is not a global version of a national economy.

I also read it in what my father was writing about the 19th century world market. He said really there was no such thing as the world market. For any one nation, the world market is the markets in all the other countries. Each of them is under the jurisdiction of a national government and each of them, at that time, had a national currency. The only way that becomes a world market is by tying the value of these currencies, for instance by making them equivalent to a certain amount of gold. That then creates what can be considered a world market. But each of these currencies is nevertheless based within nation states, where the laws and whatever goes on there are according to the institutions of that nation.

I think that what we have seen with globalization is the creation of truly global power structures, but they are private. They are either multinational corporations, where the corporation is organized as an entity that operates in very many different parts of the world, but it has a centre. Or you have financial funds or whatever that are directed in a certain way, buy and sell all over the place. But these are not equivalent to a national economy which operates within national institutions and a national political framework. There is no global framework, there are no global institutions that replicate on a big scale what goes on within a nation.

AF: So what do you think of the argument that we need to shift our terminology from international to global development?

KPL: I absolutely object. I object to every elimination of the word national or international. This word global has been co-opted to substitute for international — *international* — solidarity. International has been wiped out by this word global. As I have said before, language matters. When you have global, what disappears is the nation. International disappears, and now we

are supposed to have global human rights, this global economy, this global civil society. It doesn't exist, actually.

We should really just talk about the trajectory and evolution of capitalism. That is why I appreciate Furtado so much, because he was so strong on the importance of the nation: the importance of national development, the importance of self-reliance, of strengthening domestic savings and investment, of strengthening internal links, and basically of controlling and limiting the international, the involvement in the whole export model, we know the story.

AF: Was there a 'golden age' of capitalism?

KPL: It was a golden age really only in Europe and the well-to-do countries. Particularly in Western Europe, these 30 so-called golden years were probably the best that capitalism could offer, given the fact that you had very strong socialist parties and a strong socialist tradition in Europe, and the capitalist business, which was profitable in that period of 30 years, was underpinned by a very powerful system of social security. But on the whole, these 30 golden years were also very advantageous for development. The role for the state that really comes through so clearly in Keynes was also an advantage, for supporting developmentalism.

The Bretton Woods era was also advantageous — although I think that we tend to look back and glorify the Bretton Woods arrangements and ascribe to them benefits which should really be attributed to the capacity of the United States to have so generously financed a lot of things in that period. The Marshall Plan was the obvious example, and similar kinds of expenditures that assisted in the recovery of Japan. The US was very powerful. This was the glorious period of US hegemony; it has been ascribed to the Bretton Woods financial order, but behind that order was the presence of the US as a world power that was in a strong enough position to extend external finance.

AF: To South Korea and Taiwan as well.

KPL: Yes, very much so — something it is no longer able to do. The US has become a massive debtor country. But those 30 years — what the United Nations calls the golden years of capitalism — were really the prime of the hegemony of the United States. Think of the way in which they folded Europe into their security concerns, the way in which, particularly in Germany of course, they extended, if you wish, the market. The Marshall Plan was remarkable, something like 2 per cent of GDP. Compared to so-called foreign aid now, which is very much less than 1 per cent of anyone's GDP, apart perhaps from the Scandinavian countries . . . I think the whole importance of overseas development assistance is enormously diminished.

AF: One of the criticisms of developmentalism in the 1960s and 1970s was that it became associated with authoritarian governments, corruption and so on.

KPL: Whether we are looking at the early industrial revolution in England or at catch-up industrialization — Bismarck's Germany, Tsarist Russia at the end of the 19th century, as Gerschenkron has described, Japan of course, which became an authoritarian imperialist power, the Soviet Union — in every one of these cases, industrialization, the catch-up to modern technology, was characterized by a political regime that was authoritarian. That includes England — certainly the masses of people had no vote at that time. You really cannot call that a democracy. So, that process of achieving a very high rate of savings, of suppressing consumption, of transformation from an agricultural into a modern industrial society, is really a very difficult one. The one exception was the United States, on account of the vastness of the land settled — land stolen from the indigenous populations that were largely destroyed and certainly marginalized.

So, the association of capitalism with democracy is a very questionable one, particularly in the ascent, in the catch-up period, in the difficult periods of high rates of savings, suppressed consumption, and movements of peoples. I would say that one has to look at the historical process and where it has happened. Similarly in the four little tigers [South Korea, Taiwan, Hong Kong and Singapore], they call themselves democracies now, but they were not democracies. You have China, it is a one-party state. Thank god for that. I could not imagine the dangers and chaos that would ensue if they introduce party politics in China. Really, I think the world would not be safe.

AF: Some scholars, such as Thandika Mkandawire, argue for democratic developmental states.

KPL: Yes, I would argue for that too, because of technological progress. So much of what we used to find difficult to produce and therefore very valuable is now very common, very cheap. We have benefited from the technology that has been developed . . . Yes, I am seeing what has happened in history, but this is not necessarily what must continue to happen.

That being said, what we are seeing now is a trend of authoritarian governments, with popular support. We see it in Turkey, in the Philippines, in India, in Hungary, Poland . . . These are rising powers. And these regimes, whatever they are, they are not Western liberal democracies, that is for sure. It is not clear how many Western liberal democracies are going to survive anywhere. It is hard not to recognize the rise of authoritarian regimes — and they are not on the left.

AF: Many argue, even often from the left, that globalization has reduced the effectiveness of nation states and made them powerless to do the types

of things they used to be able to do in terms of regulating capital, taxation, and so on, because it is so easy for corporations to bypass governments.

KPL: That is a very real phenomenon. The reduction of the capacities of nation states to govern is a reality. It is very well illustrated by the way that corporations escape taxation. But the critique or the comments usually claim that this is not only a reality, but also desirable, in the sense that national boundaries are passé, irrelevant, and an efficient modern organization requires global governance, an international financial order. I don't know. As far as I am concerned, this is not anything that is within sight. If it were within sight, it would be extremely repressive and authoritarian, because I believe the further you move away from where people can influence in some way the outcome, the political outcome, the further you move from any form of democracy, toward a totalitarian authoritarian control. So the supranational organizations that we have — the Bank of International Settlements, the G7, or whatever — those are centres of political decision making that are furthest removed from popular influence of any kind.

AF: Given the nature of very powerful multinational corporations that wield so much power and wealth in the global economy, don't we need forms of international governance that can regulate them? That's the argument for the European Union. If you do not have a regional level of government that is able to regulate...

KPL: You see, the European Union is a very good example of what can happen, what has happened. A union is preferable, it can achieve many good things, such as the movement of people, which has been the greatest single achievement. But it is precisely where the union is strong, which is acting in the common interest of all of the banks, that has impacted most negatively on the policy space and, if you wish, the democratic process of the constituent nations. What has been constructed in the European Union, what comes out of Brussels, represents the interests of finance and banks.

AF: But still, how do democratic forces negotiate with and attempt to regulate these very powerful transnational economic organizations, international banks, large corporations, large global mining companies that have thousands of subsidiaries and armies of accountants and lawyers working for them?

KPL: The answer of course is that I do not know. However, I would say the danger with any kind of regulation is that these powerful organizations take charge to self-regulate. I really believe that we have to strengthen the regional dimensions of the world order. The individual nations are not powerful enough — they can be taken advantage of in international regulations, so that instead of regulating the multinationals, the multinationals write the

rules and enforce them. The problem then is representation at the regional level, as with the European Union. But it is more likely to be able to assert the political leverage of the populations of the constituent nations at the regional level than it is at the global level.

AF: Even at the national level — if you look at the US for instance, political power is captured by very powerful economic interests.

KPL: Yes, but whatever progress has been made in modern times toward what might be called some form of democracy has been made at the national level. What we had previously — and it was accepted — was a large number of countries with very solid, nationally owned enterprises, including national banks, banks that were not privately owned. In that sense, there has been a huge regression in the last 40 years, in the neoliberal counter-revolution that rolled back so much of the public control over investment and capital.

AF: Are you pessimistic about the future?

KPL: I guess we have to come back to that old quote by Gramsci, pessimism of the intellect, optimism of the will. I do not know any other way to live except to see some possibilities of a good future, because if you were really totally convinced that the world is going to perdition, then there is no point in anything . . .

But I think a more meaningful question is how I see current developments, because I really do see a crisis of liberal capitalism. I see capitalism as an economic and social order having reached a stage that I describe as financialized rentier capital, which is no longer able to sustain the kind of social and political order that we have had and that has served us well. It is no longer able to sustain a certain level of societal coherence — let's call it democratic representational government and all of these things. These systems seem to have deteriorated to the point where 70 per cent of Americans don't believe in either political party; young people increasingly do not believe in politics of the representational liberal variety; and we are seeing the rise of authoritarian governments that have popular support. Let's face it, whether it is Erdogan in Turkey, or Putin in Russia, there is support.

AF: Just to be provocative, since I've known you, you have always seen the system as on the verge of crisis [Kari laughs], and wisely so, but one of the things that is so striking over the last 30 or more years is the resilience of the neoliberal capitalist system. Even though analytically, intellectually, we see it converging towards crisis, it somehow manages to sustain itself. It is resilient.

KPL: I would argue that the demise of the Soviet Union in 1990 put new wind into the neoliberal sails — the TINA effect — 'there is no alternative'. Since

that time, it has sustained itself by progressive financialization, by creating structures of debt that have served to balloon and sustain real progress, yes, and increasingly the creation of rents. That is, the extension of private ownership into areas of knowledge which really are social, which should not be private, and the creation of scarcities and rents which yield income, but only for those who own. We have seen the progressive deterioration of income distribution, internally, within almost all countries. The increase in internal differentiation is, I think, universal, even if at a global scale there might have been a reduction in inequality because so many people have been raised from abject poverty, particularly but not exclusively in China.

As I keep saying, we still live in nations, we live in countries, the only governments we have are national, by and large. We might move from one place to another, but we still do so in the framework of national societies, and they have all become more unequal, and therefore they have all become more contentious in some ways.

AF: Do you see this as a dangerous development?

KPL: I don't think the world has been as dangerously disordered as it is now, since the outbreak of World War I, although we did not know it at the time.

AF: And in your mind this is due to neoliberalism?

KPL: Together with the neoliberalist ideology of human rights. But the human rights that are singled out as the most important to the West are rights (or so-called rights, or apparent rights, or claimed-to-be rights) which are basically not acceptable to the majority of people in this world. Like gay marriage, which is really contrary to prevailing belief systems in very many different societies in this world, including our own. But the fact is that the West — particularly the Americans, I must say — have championed some of these liberal causes at a time when people have reason to be fearful of what is going on in the world. They are fearful because of wars, because of the displacement of people — and it is not only the refugees who are displaced, and who have cause to be fearful, but also people in the countries into which these refugees have been pouring in large numbers, who are fearful of receiving them — and because of this perpetual 'war on terror' that the West has created and that makes people fearful. I don't even know what it is that they are fearful about, but it gives people the wish to find some strong personality or government that will protect them from these perceived dangers. It seems to me to be kind of obvious. Also, of course, those who are more comfortable with this liberal discourse are the privileged of our society. So that leaves others in the society who are the disadvantaged, who know that they are or feel that they are, whether it is the result of disappearing employment or disappearing community.

AF: Isn't that a common explanation for the rise of Trump in terms of locating it in the support of working classes and those disenfranchised by globalization? A lot of studies have in fact shown that that is not necessarily the case: it might have been a marginal factor, but there are also a lot of strong and powerful interests behind people like Trump.

KPL: Yes, but what Trump can do is to use the democratic system to get people behind him and build a popular movement, to capture the leadership over people who are going to validate him and his crowd in political terms. The fact that Trump and those around him are there to make themselves richer than before — and many of them are already very rich — is neither here nor there. It is the fact that he has the ability to capture the discontent, to express it. But what is new about that? That is the fascist appeal: it happened in the 1930s too.

AF: So, are you worried about the return of fascism?

KPL: Well, that depends on what you mean by fascism, really. My understanding of fascism comes from Europe of the 1930s, because that is where the word came from. The word fascism first came from Italy, from Mussolini's version of national socialism. Hitler's movement was also called national socialism — that is how we got the word Nazi. The initial adversaries were the socialists, who made class the basis of their solidarity. The fascist movement, which was a corporatist one, was to replace the solidarity of the working class by some form of solidarity of nation, of nationalism — hence the term national socialism. That nationalism, particularly evident in Germany, was strengthened by having adversaries, which is where it found the racialism. So that the German nation is superior to other Europeans, who are lesser breeds.

To my mind, fascism is opposed to socialism, but neither socialism nor fascism are individualistic liberal capitalism. Democracy is a relative of individualistic capital. I look at it in the Austrian way: in the 1930s, there was a fear on the part of the Austrian ruling classes about the perceived dangers of socialist parties, socialist militias, socialism. There was an effort to generate militias — called *Heimwehr* in Austria; in Germany they were called something else — in order to arm themselves with some power. But their aim was to maintain the basic structure of the system, to maintain the ruling classes, to continue to be the ruling classes. That was fascism.

There was also a racial element which singled out the Jews, especially. I think this was particularly European, where Jews played a particular kind of role in the societies where they became scapegoats. But I do not see fascism as necessarily identified with anti-Semitism. Rather, it is a strategy of the ruling classes — including what were the industrial ruling classes of that time, as well as the other traditional ruling classes, the landed aristocracy

— to maintain power by offering people a solidarity of nation rather than a solidarity of class. That is how I understand it in the 1930s.

So, it is interesting if you look at Trump in those terms, or even Brexit for that matter, or Italy . . . Definitely there is an appeal to solidarity and togetherness, whether it is more of nation or of people, and it plays to the sentiment of *heimat* in German, *patrie* in French. I don't know what you call it in English. Maybe we do not have a word for it in the Anglosphere. Patriotism comes from the French. Fatherland already sounds fascist, it sounds German. *Heimat* is a very lovely phrase. It translates into homeland. We think of that as being some kind of nasty militia homeland, but homeland in German means country. It is an appealing word.

Fascism was not necessarily expansionist either. The issues with Franco were not external to Spain, they really were about the overthrow of the Republic because the Republic was feared to be socialistic. In the case of Mussolini, certainly Italians felt that they were entitled to some colonies too — 'look at the British, the French and the Belgians, we want some too, we are going to go to Abyssinia' — but I do not think it was a major element, because you did not have it with Franco. You did not have it with the Austrian fascists. They were not expansionist. If anything they were fearful of the Germans, and the upper classes were divided about whether to make a kind of local version of right-wing fascism, with the *heimat* and so on, or whether to go with the Nazis. Austrian patriotism worked for them in a sense of nationalism against the Germans. 'After all, we were the Great Hapsburg Empire, who are these Teutonic come-lately god-damned Germans? They are not civilized, they have not been here for very long, compared to the grandeur of the Hapsburg Empire, blah blah blah . . .'. But they were not expansionist, more defensive.

I think things like 'Make America Great Again' are typically fascist, kind of national. But behind fascists are the old ruling classes. I think that is a characteristic of fascism. On the other hand, there is also a deep cleavage within the ruling classes and the elites in the US today, between the neoliberal supporters of globalization and these more nationalistic elites.

AF: What role has neoliberalism — understood as a counter-revolution that has bolstered the power of capital over labour — played in this?

KPL: I think there are two kinds of roots that we need to look at with regard to neoliberalism. One of them is in terms of the creation of the ideology. The difference between neoliberalism and classical liberalism — the John Stuart Mill kind of liberalism — was the circumstances that gave rise to the former, which seem to have been the death of liberalism, compared to the Soviet Union, the New Deal, etc. But the point of Hayek and company was not to diminish the role of the state. The point was to change it and in a sense to use the state, and the regulations and the rules that govern society, to ensure the rights of property. So it was quite a strong state in

many ways, but it was a strong state for the purpose of protecting property from the rabble, in other words, from the functioning of democratic rules and regulations. That is the ideology and it is important. When Hayek got his Nobel Prize in 1974, it was a legitimization of the creed, even though the prize had to be shared with Myrdal. And [Milton] Friedman got one shortly after.

The other root is the one of policy, which is equally important. Because when they say that there was a counter-revolution in the 1970s, I believe that counter-revolution was predicted in a sense by Kalecki, in the lecture that he delivered to the Marshall society in 1942. I was there and I heard him lecture. What he was saying with his Marxist-type building blocks, with department one and department two instead of consumption goods and investment goods, was that in conditions of full employment the position of workers would be strengthened. And although it might be profitable for the capitalists — they continue to make profits under this kind of system of shared productivity — they would lose their relative power. Kalecki suggested that they would not be content to lose relative power.

I think that is exactly what was happening. They were losing power, they were being challenged in various ways. When you put that together with foreign affairs — the movement against the war in Vietnam, revolutions of various kinds from Afghanistan to Nicaragua, Iran, the hostage crisis (very humiliating to the Carter regime) — there was a sense of ungovernability. There was talk about whether democracy is ungovernable. Then you had the Trilateral Commission of Japan, Europe and America in 1973, and the first convening of what became the G7 in 1975. It was the first time that the major capitalist powers had created a group expressing concern with the increasing disorder in the world, both domestically with stagflation and internationally with these apparent gains in the New International Economic Order, OPEC and the oil crisis, and all of that, a combination of circumstances. It was really a class position and it played itself out in terms of the governing classes making the case that a change of direction was needed, a regime change as somebody called it, towards what we then came to know as the neoliberal regime. So I think these go in parallel — what happens in reality and what is constructed as an ideology.

AF: Any last words?

KPL: I think there are a number of people who have proven their perceptions to be worth listening to, who have been warning us about where we are taking the world with technology. These include my father, but also many others, such as Albert Einstein. I like to cite Einstein, who said that we must be certain that the creations of our mind shall be of benefit and not a curse to mankind. And among the creations of our mind are our scientific attitude, our belief in science and technology. Economics is also a creation of our mind and I think it is one that should be questioned.

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