



**CRITIQUE OF THE CRITICS OF GIOVANNI ARRIGHI'S  
*ADAM SMITH IN BEIJING***

**GIOVANNI ARRIGHI'NİN *ADAM SMITH PEKİN'DE*  
BAŞLIKLİ KİTABININ ELEŞTİRMENLERİNİN  
ELEŞTİRİSİ**

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**ABSTRACT**

**This short critique of some of the reviews of Giovanni Arrighi's *Adam Smith in Beijing* makes four points. First, the characterization of contemporary China as a non-capitalist market economy is the most serious shortcoming of Arrighi's book. Second, Arrighi's explanation of the Industrial Revolution in relation to the increasing military requirements of the European states has solid historical foundations. Third, Arrighi makes a cogent argument that the "Great Divergence" of Europe and China was rooted in the relative extroversion of power struggles in Europe versus their relative introversion in China and the consequent imbalance of naval power between the two regions. Finally, Arrighi's structural analysis of hegemonic transitions in the world system enables the reader to track the links between China's economic ascent and the crisis of the U.S. hegemony. One of its most important implications is the increasing bifurcation of economic and military power in the contemporary world,**

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signaling the immense difficulty of a single nation-state (including China) to turn itself into a world hegemon.

**Keywords:** Giovanni Arrighi, *Adam Smith in Beijing*, China, United States, World Hegemony.

## ÖZ

Giovanni Arrighi'nin *Adam Smith Pekin'de: 21. Yüzyılın Soykütüğü* başlıklı kitabına yapılan bazı eleştirilerin kısa bir eleştirisini yapan bu makale dört temel argümanı savunuyor. Birincisi, Çin'in kapitalist olmayan bir piyasa ekonomisi olarak tanımlanması Arrighi'nin kitabının en ciddi eksikliğidir. İkincisi, Arrighi'nin Sanayi Devrimi'ni Avrupa devletlerinin artan askeri ihtiyaçları ile ilişkilendirmesinin sağlam tarihsel dayanakları mevcuttur. Üçüncüsü, Arrighi'nin analizi Avrupa ile Çin arasındaki "Büyük Ayrışma" ile güç mücadelelerinin tarihsel olarak ilkinde nispeten dışa ikincisinde nispeten içe dönük gelişimi ve iki bölgenin donanma gücü arasında Avrupa lehine ortaya çıkan dengesizlik arasında kurduğu bağlantılara ışık tutuyor. Son olarak, Arrighi'nin dünya sistemindeki hegemonya değişimlerine ilişkin yapısal analizi Çin ekonomisinin yükselişi ile ABD hegemonyasının krizi arasındaki ilişkinin kavranmasını sağlıyor. Günümüz dünyasında ekonomik güç ile askeri güç arasındaki bağlantının giderek çatallanması, bunun sonucunda (Çin de dahil olmak üzere) herhangi bir ulus devletin kendisini yeni bir dünya hegemonuna dönüştürmesinin muazzam ölçüde güçleşmesi bu analizin en önemli güncel sonuçlarından birisidir.

**Anahtar Kelimeler:** Giovanni Arrighi, *Adam Smith Pekin'de*, Çin, ABD, Dünya Hegemonyası.

## INTRODUCTION

Giovanni Arrighi (1937-2009) was a renowned scholar of political economy and historical sociology. As one of his obituaries (New Left Review, 2009: 118) aptly states, "of the minds produced by the international left in the second half of the twentieth century, few have been the equal, in historical imagination, architectonic scope and conceptual clarity, to Giovanni Arrighi, whose work will be read and reflected on for the rest of this century." Arrighi's

(2007) *Adam Smith in Beijing: Lineages of the Twenty-First Century* (hereafter ASB) both clarifies the theoretical perspective and main theses of his previous works and enables the reader not only to read his previous work with a new perspective, but also to consider the implications of his overall work on the future of historical sociology as a discipline.

Three main reasons support this premise. First, although it is possible to find a careful framing of arguments with a solid theoretical perspective derived from a specific reading of the works especially by Karl Marx, Joseph Schumpeter, Adam Smith, and (although seemingly less emphasized than others) Max Weber in all of his previous works, ASB clearly stands out with a long theoretical chapter which should be read as the summary of Arrighi's overall theoretical standpoint cultivated throughout his scholarly life as a historical sociologist. It seems certain that this part will be discussed as an example of a particular theoretical genre not only within the discipline of historical sociology, but also within social science in general.

Second, ASB offers new insights into the development of the modern world system, as it revisits the economic and politico-militaristic aspects of world hegemonies with a particular emphasis on the US hegemony. It develops the historical perspective offered by the previous two volumes of his trilogy.<sup>1</sup>

Finally, although the first two volumes also analyzed the decline of the US hegemony by placing it in the context of the long history of the world hegemonies, they did not provide a substantial analysis of the world system's future after the US hegemony. In providing the origins and dynamics of the "New Asian Age" in general, particularly the Chinese ascent, ASB completes the puzzle arising from the decline of the US hegemony, carefully avoiding the projections of any singular development path for the future. As shown below, by reading the implications of the decline of the US hegemony and the non-hegemonic rise of East Asia together, Arrighi concluded (albeit he did not complete) his research on the rise and fall of the hegemonies in the (more than five hundred years old) modern world (capitalist) system with a declaration of the *end of hegemony* as we know it.

Arrighi's book broaches key themes of the international political economy and historical sociology including the factors behind Europe's divergence from China in the 19<sup>th</sup> century, historical sources of the rise of China in recent decades, the class nature of the contemporary Chinese state, the extent to which China

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<sup>1</sup> For the first two volumes of his trilogy, see Arrighi, Giovanni (1994), *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London and New York: Verso); Arrighi, Giovanni and Beverly Silver (1999), *Chaos and Governance in the Modern World System* (Minneapolis: University of Minnesota Press).

catches up with advanced capitalist countries, and the future of the Sino-American relationship. For this reason, Arrighi's book has been intensely debated. This paper aims to contribute to these debates by engaging with the criticisms of Arrighi's book.

Almost all reviews of ASB, regardless of whether they give more weight to acclaim or criticism, appreciate the broadness of its historical and geographical scope and depth, and admit the difficulty of dealing with this type of study. Besides this acknowledgement, they discuss and criticize various arguments of the book, including Arrighi's view of capitalism inspired by Fernand Braudel's three-layered stratification of economy and his emphasis on the identification of the state with the capital, his take on Adam Smith's differentiation of the natural and unnatural paths in economic development, his analysis of the causes of the "Great Divergence" between China and Europe in the 19<sup>th</sup> century, his claim on the close link between the military and industry during the Industrial Revolution, his argument on the decline of the US hegemony, as well as the origins and character of the rise of China. This paper engages with all the major critiques of Arrighi's book.

This paper consists of five sections. Following the introduction, the second section explains our agreement with the critics that point to the shortcomings of Arrighi's analysis of the class character of contemporary China. The following sections spell out our disagreements with Arrighi's critics on other issues. In the third section, we discuss Mark Elvin's criticism of ASB's arguments on the military roots of the Industrial Revolution and the "Great Divergence" between China and Europe. In the fourth section, we deal with one of the most common misinterpretations of ASB, namely the concept of hegemony and Arrighi's claim that the US hegemony is declining. This issue is discussed with reference to the reviews of ASB written by Christopher Chase-Dunn, Joel Andreas, Mark Elvin, Leo Panitch, and Richard Walker. The concluding section summarizes the main arguments of this paper.

## **1. CAPITALIST CHARACTER OF THE CHINESE POLITICAL ECONOMY**

Although we defend Arrighi against his critics in the remainder of this paper, we agree with some of Arrighi's critics on the class character of contemporary China. Arrighi claims that contemporary China is a non-capitalist market economy for two reasons. First, in line with Samir Amin (2005: 274-275, 2011: 79), Arrighi takes the villagers' continuing rights to use small plots of farmland and absence of land privatization as signs that capitalism in contemporary China is not developed (Arrighi, 2007: 16). Second, Arrighi

suggests that although there are many capitalists in contemporary China, they have failed to control the Chinese state apparatus:

“On the first appeal, the reforms created myriad opportunities for the reorientation of entrepreneurial energies from the political to the economic sphere, which party cadres and officials eagerly seized upon to enrich and empower themselves in alliance with government officials and managers of SOEs—often influential party members themselves. In the process, various forms of accumulation by dispossession—including appropriations of public property, embezzlement of state funds, and sales of land-use rights—became the basis of huge fortunes. It nonetheless remains unclear whether this enrichment and empowerment has led to the formation of a capitalist class and, more important, whether such a class, if it has come into existence, has succeeded in seizing control of the commanding heights of Chinese economy and society.” (Arrighi, 2007: 368-369).

We find both arguments unconvincing. First, the absence of land commodification does not prevent the development of capitalist relations of production. On the contrary, based on their control over land, village administrations transfer large tracts of land to agrarian, industrial and real estate capital relatively easily. Instead of bargaining with each and every rural household holding on to small parcels, companies only deal with village administrations, which are usually able to transfer land in large and consolidated blocks. Hence, strong government control over land saves the private sector from otherwise significant transaction costs and thereby effectively assists capitalist development in China (Trappel, 2016). Hence, we agree with Bieler and Morton’s (2018: 164) critique of Arrighi by stressing that incomplete land commodification cannot be taken as a proof of China’s non-capitalist character.<sup>2</sup>

Second, as the growing body of literature on the “relative autonomy of the state” demonstrates, the relationship between capitalist interests and state

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<sup>2</sup> However, Bieler and Morton mistakenly frame this question in terms of the long-standing debates over the definition and periodization of capitalism between the Political Marxism tradition (that they substantially agree with) and the dependency and world systems analyses. In their critique of Amin (which also applies to Arrighi, since they agree on this issue), Bieler and Morton (2018: 164) write: “Amin’s assessment is problematic too in the way he contrasts state capitalism with free market capitalism, emphasizing the external relationship between the ‘political’ and the ‘economic’. Precisely because peasants have not held a title to their land, but only user rights, it has been easy to dispossess them, asserts David Harvey.” Here Bieler and Morton imply that Amin and Arrighi make this problematic assessment because they do not share the assumptions of Political Marxism. However, Charles Post, a representative of Political Marxism, fundamentally agrees with Amin and Arrighi on this question. According to Post (2008: 323-324), Chinese rural economy is “decidedly non-capitalist” since “village authorities still have control over land use.” Hence, taking the incomplete commodification of land at face value and as criteria of the non-development of capitalism is a problem shared by a variety of scholars, some of which have similar ideas to Bieler and Morton on other critical questions.

policies is often complex due to various reasons, among which the serious internal conflicts of the capitalist class are particularly important. Capitalists do not directly dictate their interests to state officials. Politicians and bureaucrats make policies that serve the common interests of the capitalists to the extent possible. However, even the policies with the broadest capitalist support cannot satisfy all fractions of the bourgeoisie. Moreover, the working class can get (sometimes substantial) concessions from the state depending on its organizational strength. Hence, a complete capitalist control of the state apparatus is impossible. Therefore, using such an impossible yardstick to assess the class nature of the Chinese state is problematic. More importantly, and ironically enough, it is easier to draw the connections between the bourgeoisie and state officials in contemporary China. Through the privatization of the substantial portion of the state-owned enterprises in the second half of the 1990s and early 2000s, a wealth of about 5 trillion US dollars was transferred to top Chinese party-state officials. By 2006, about 2900 of 3200 people with over 15 million dollars of personal wealth in China were the family members of the top bureaucrats (Li, 2016: 19-23, 32-34). In 2002, capitalists were allowed to be members of the Chinese Communist Party. In short, Chinese bureaucracy has transformed itself into a bourgeoisie. Hence, in line with Joel Andreas (2008) and Bieler and Morton (2018: 163), we argue that Arrighi's characterization of the Chinese state is problematic.

## 2. THE INDUSTRIAL REVOLUTION AND THE "GREAT DIVERGENCE" OF CHINA AND EUROPE

Apart from numerous well-grounded points of critique, two of Elvin's criticisms appear to be weak. The first one refers to ASB's argument that the armaments race among the core countries of the world capitalist system was the main cause of the innovations in the realm of production that led to the Industrial Revolution in England and then Continental Europe. Elvin rejects this argument and puts forward science in its very abstract form as the main source of the Industrial Revolution:

"Arrighi says that 'the armament race was the primary source of the endless stream of innovations. What he should say, at most, is rather that this race was often an accelerator. The 'primary source' was usually a science that had its origins far from the battlefield. Consider the history of nuclear fission...Speaking oversimply, the sequence of developments that followed led to the Manhattan Project, from which came the fission bomb, and Hiroshima, and also nuclear power. Warfare was absent from all but the final phase, where it made a spectacular and horrible entry. Thus Arrighi's formulation does indeed pick up a relevant aspect of the story, but it also overlooks the deep source of the cultural capacity that made it

possible to bring off these extraordinary feats. This omission makes his analysis of the reasons for Western Europe's period of economic dominance seriously inadequate. He says, for example, that the industrial revolution in capital-goods manufacture was 'largely a by-product of the European armaments race.' This is half true, at the very best. What really made dramatically better economic technology possible over the longer run was the rise and intensification of modern science, many of whose results were fed back into improving, or indeed revolutionizing, the production process." (Elvin, 2008: 102).

This critique has several problems. First of all, Elvin does not deal with Arrighi's primary source, namely William H. McNeill's book on the relationship between military-related technology and proto-industrial and industrial production from A.D. 1000 onwards. The empirical evidence gathered by McNeill clearly shows that military-led production has been the primary source of large-scale industrial production from the Song dynasty of China (from 10<sup>th</sup> to 13<sup>th</sup> century) and Latin Christendom's age of military expansion to Italy and England in the 16<sup>th</sup> century and Sweden in the 17<sup>th</sup> century. McNeill's evidence finds further support in historical examples that point toward the increasing industrialization of arms production in early modern Europe due to the demands of warfare. Artisanal production of weapons in Dutch workshops, as well as gun production and trade in Birmingham, underwent significant transformations in terms of specialization and standardization of production during the 18<sup>th</sup> century (Torres-Sánchez, Brandon and Hart, 2018: 8-9). The expanding industrial production of arms in private enterprises in this context depended on the frequent wars which, in turn, created demand for specific military-related technologies and a growing export market for military products (Torres-Sánchez et al., 2018: 8). McNeill (1982: 27-87) also indicates that armaments production was one of the primary sources of the development of wage labor and market activity among different geographies.<sup>3</sup> In his analysis of the capital goods-phase of the Industrial Revolution, McNeill singles out military-related production as the primary source of the whole process:

"Thus both the absolute volume of production and the mix of products that came from British factories and forges, 1793-1815, was profoundly affected by government expenditures for war purposes. In particular, government demand created a precocious iron industry, with a capacity in excess of peacetime needs, as the postwar depression 1816-20 showed. But it also created the condition for future growth by giving British ironmasters extraordinary incentives for finding new uses for the cheaper product their new, large-scale furnaces were able to turn out. Military demands on the British economy thus went

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<sup>3</sup> For a similar argument see Anievas and Nişancıoğlu (2015: 256).

to shape the subsequent phases of the industrial revolution, allowing the improvement of steam engines and making such critical innovations as the iron railway and iron ships possible at a time and under conditions which simply would not have existed without the wartime impetus to iron production. To dismiss this feature of British economic history as 'abnormal' surely betrays a remarkable bias that seems to be widespread among economic historians." (McNeill, 1982: 211-212).

Moreover, as McNeill points out, the connection of military and industrial development intensified especially between 1884 and 1914. As a result of ongoing vigorous industrial research in relation to arms trade in that period, technical innovations took place in areas such as steel metallurgy, industrial chemistry, electrical machinery, radio communications, turbines, diesels, optics, calculators, and hydraulic machinery. These innovations changed the course of industrial production and transformed the everyday lives of millions of people all over the world in the 20<sup>th</sup> century (McNeill, 1982: 292-293). Extensive research on military aircraft during the World War I was later put in the service of technological developments witnessed in civil and commercial aircraft (Buzan and Sen, 1990: 332). Likewise, as notably documented by Flamm (1987), developments in the technology of computers during the World War II, as well as the emergence of a civil computer industry in the United States after the war, were dependent on the research brought about by governmental spending on military defense. In order to underline this ongoing relationship between military interests and industrial development, Flamm (1987: 173) goes as far as suggesting that the existing computer technology would not have developed as fast as it did if military demand for the information-processing technologies had not increased. Civil actors did not possess deployable resources or even interest to initiate this line of research (Flamm, 1987: 173). Buzan and Sen (1990: 334) make a similar point about the initial military research on atomic power that provided the base for a civil industry of nuclear energy, emphasizing that only the reason of war alone could compel the states to invest in such costly research.

Finally, military competition between the United States and the Soviet Union in the Cold War context indicates the military roots of industrial development. Expenditure on military research triggered by the Cold War paved the way for the emergence of new industries (Markusen and Serfati, 2000: 272). One of the most notable examples of such industries is space industry since, as Flamm (1987: 51) points out, research program on space was initiated in the United States only after the Soviet Union's Sputnik project. As indicated by Buzan and Sen (1990: 335), the emergence of space industry, and various scientific and commercial activities associated with it (such as surveillance and broadcasting), were dependent on the output of this initially military line of research. In short, it seems evident that McNeill's thesis on the link between



military development and industrial capitalism remained significant throughout the 20<sup>th</sup> century.

In ASB, Arrighi makes his overall argument on the warfare-led nature of the Industrial Revolution with reference to McNeill's work:

“McNeill, among others, attributes a crucial role to military demands on the British economy during the Napoleonic Wars in making the improvement of steam engines and such epoch-making innovations as the iron railway and iron ships possible at a time and under conditions which simply would not have existed without the wartime impetus to iron production. In this sense, the Industrial Revolution in the sectors that really mattered –i.e., the capital-goods industries- was largely a byproduct of the European armaments race. Very soon, however, the application of the products and processes of modern industry to war-making activities –what McNeill calls ‘the industrialization of war’- gave an unprecedented impulse to that race.” (Arrighi, 2007: 268).

Elvin does not present any evidence to refute McNeill's thesis. Instead, he merely posits science in its abstract form as a source of all industrial development in Europe. However, contrary to Elvin's argument, the initial phases of the Industrial Revolution took place without any qualitative transformation in scientific understanding. Almost all changes in industrial technology resulted from the innovations that enabled the efficient and massive use of the existing scientific framework. Referring to the work of historian Joel Mokyr, Kenneth Pomeranz (2001: 47) demonstrates that a vast majority of European innovations until 1830 did not bring about any radical change in the conditions of production. As Pomeranz (2001: 67) further indicates, Watt's steam engine, one of the innovations that later came to define the Industrial Revolution, was developed through incremental changes rather than major leaps. Moreover, this innovation did not require any scientific background exclusive to Europeans since its underlying principles were also known to the Chinese at the time (Pomeranz, 2001: 61-62). Therefore, despite Elvin's claims, modern scientific development does not seem to be capable of explaining European industrialization nor does it necessarily reflect a unique “cultural capacity” on the part of Europeans.

Arrighi and McNeill state that innovations in this period, as well as their implementation on a larger scale, were primarily caused by the war-making requirements of the European states at the time. Even R. Bin Wong (1997: 149-151), who does not share the view that European industrialization can be directly attributed to the competitive circumstances of political economy in Europe, acknowledges that interstate competition in Europe's mercantilist period was responsible for the emergence of institutions that favored and expanded the possibilities associated with industrial capitalism in Europe. According to Wong

(1997: 130-131), the fragmented structure of power in the early modern Europe forced these competing states to come up with new methods of resource extraction such as credit markets in order to meet the demands of warfare and colonial expansion. The commercial innovations and new capitalist institutions utilized by European states in order to raise revenues, in turn, resulted in the continuation of the mercantilist logic of competition in Europe during the industrialization period (Wong, 1997: 149-151). Thus, Wong's account also points towards the link between military competition and the European experience of industrialization, albeit not as directly as Arrighi and McNeill do. And without any empirical evidence against the points raised above, Elvin's attempt to refute the Arrighi-McNeill thesis of warfare-led industrialization remains groundless.

Another serious weakness of Elvin's critique has to do with the fact that contrary to Arrighi, who singles out the superiority of the military power of the European states as the most important factor behind the "great divergence" between Chinese and European economies with reference to the Chinese defeat in the Opium Wars, Elvin presents the scientific underdevelopment of China as the main cause of the divergence:

"Unlike Europe, late-imperial China did not have modern science to draw upon for the continued improvement of its technology. This was the decisive reason why its economic trajectory – in spite of its intensely competitive society, its peasants' ability to adapt and innovate, and its merchants' commercial acumen – was so different during this period that of Western Europe and the United States...The most likely reason why China at this time did not produce a home-grown modern scientific *movement*, apart from the multi-generational programme of scholars working on the sideline of historical phonology, is that there was an insufficient density of interest; in other words, too small a number of seriously interested and interacting people to sustain the socio-intellectual networks of cooperation, communication, criticism and transmission that are required." (Elvin, 2008: 103)

Here, Elvin makes a case for the underdevelopment of science in late-imperial China and its economic consequences, arguing that the lack of scientific networks to ensure the accumulation and diffusion of scientific knowledge in China was the main dynamic behind the stagnation of Chinese economy later on. Bearing in mind the early scientific revolutions of imperial China in the previous eras, Elvin's notion of underdevelopment, together with its supposed role in European domination, certainly merits a closer examination.

Despite what Elvin suggests regarding the lack of scientific networks in late-imperial China, Kenneth Pomeranz (2006: 258-259), based on the evidence

gathered by Benjamin Elman, demonstrates that scholarly networks of communication of scientific knowledge including mathematics and experimental methodologies came into place in the Chinese empire around the 17<sup>th</sup>-18<sup>th</sup> centuries. While Pomeranz (2006: 259) also recognizes that this development is not exactly the Chinese counterpart of scientific revolution in Europe, the evidence he brings out still tells us that Elvin's conclusions with regard to the lack of Chinese scientific networks might be hasty. The influence of the existing scientific community in late-imperial China on the extent of technological development, in addition to the relationship of the latter with the eventual economic results, needs further investigation. It should also be noted that scientific networks, contrary to what Elvin seems to claim, do not exist in a vacuum. Even if we were to accept Elvin's thesis on the importance of scientific networks in Europe for the later European domination, we would still have to account for the existence of many government-funded experimental research programs and scientific institutions that solely focused on the improvement of military technology due to the demands of warfare in Europe in the 18<sup>th</sup> and 19<sup>th</sup> centuries (Andrade, 2016: 246). Therefore, the historical evidence still forces the reader to see the centrality of the war-making activities as an explanation of development or underdevelopment of technology in each locality, rather than explanations simply based on a depoliticized understanding of "scientific development".

Moreover, any account of the "great divergence" based on the Chinese scientific or technological underdevelopment should answer the question why China, who had the most developed naval technology on earth in the 15<sup>th</sup> century, became one of the least developed naval powers in the 19<sup>th</sup> century. As William H. McNeill (1982: 44-45) and Paul Kennedy (1987: 7) underscore, owing to its lead in naval technology and the successful expeditions in the Indian Ocean between 1405 and 1433, the Chinese navy was probably the most favorable candidate to start the expeditions to the Americas. However, the existence of a serious military threat around the Northern borders and the absence of any serious military threat in the seas resulted in the abandonment of overseas expeditions and the efforts to build up a strong navy (McNeill, 1982: 46-47) The consequent neglect and underdevelopment of the Chinese navy became one of the main reasons for the Chinese defeat by the British four centuries later. Thus, with reference to McNeill and Kennedy, Arrighi (2007: 320-321) argues that while the power struggles were extroverted in Europe, they were introverted in China. He relates this difference to different paths of economic development in order to explain the "Great Divergence" in China. By doing so, he provides a more credible explanation than Elvin's account does.

### 3. THE CONCEPT OF HEGEMONY AND THE DECLINE OF THE US HEGEMONY

Most of the reviews of ASB misinterpret Arrighi's use of the concept of "hegemony." Arrighi defines hegemony with reference to the works of Antonio Gramsci and Ranajit Guha. According to Arrighi, Gramsci viewed hegemony as a specific combination of coercion and consent, which enables the dominant classes "to present their rule as credibly serving not just their interests but those of subordinate groups as well" (Arrighi, 2007: 150). On the other hand, "when such credibility is lacking or wanes, hegemony deflates into sheer domination," (Arrighi, 2007: 150) which Guha identifies as a "dominance without hegemony" (Guha, 1992, as cited in Arrighi, 2007: 150). This is also true for the interstate system where a hegemonic state could establish its hegemony through a combination of military force (preferably by the other states or agencies on behalf of the hegemonic state) and consent which gives the hegemonic state a capacity to lead the interstate system. ASB argues that the character of the US power shifted from hegemony to domination without hegemony. Arrighi links the economic crises and the crises of hegemony of subsequent world hegemonies through a historical analysis of their signal and terminal crises. In other words, he provides a *structural* analysis of hegemony and the crisis of hegemony in the world system rather than just making a conjunctural analysis based on the failures and mistakes of the leaders of the powerful states. However, Elvin is not satisfied with this structural analysis and proposes a more conjunctural and socio-psychological perspective:

"Last of all, what should one make of the author's important final theme, the incontrovertible decline of American 'hegemony,' in the sense that, while crude 'power' has been retained, 'authority' in terms of moral standing and leadership has been largely squandered? Declining hegemony is the main topic of Arrighi's sixth chapter, yet he gives little attention to its probable socio-psychological roots. My own view is that, unlike most of the other trends discussed in *Adam Smith in Beijing*, this loss of accepted leadership status was due to stupidity and largely avoidable." (Elvin, 2008: 108-109).

Furthermore, Elvin claims that the decline of the US hegemony is not inevitable:

"If [the U.S.] had adopted a principled and self-restrained role as first among equals in supporting an international rule of law, it could have mobilized an immense depth of enduring support. One might argue that this was impossible, given the nature of the beast; but to some extent it was surely a self-inflicted and unnecessary wound. If so, this role might conceivably be won back, with great care and patience, though I would not be overly optimistic." (Elvin, 2008: 109).

Emphasizing the significance of the different capacities of different US administrations on the way and timing of hegemonic decline is one thing, claiming its reversibility is another. Elvin seems to confuse the two. Other reviewers are similarly confused on the same subject. For example, Richard Walker claims that:

“In fact, Arrighi ultimately declares that “the root problem of the US and world capitalism in the 1980s was not low rates of profit as such” ...Rather, it had to do with a crisis of US hegemony due to defeats in Vietnam and a financial unraveling that brought down the American dollar (Bretton Woods) system of international monetary regulation. Arrighi attributes “financialisation” to the “indirect effects of the US escalation on the balance of payments” ... Later, however, he contradicts himself, saying, “Hard as it is to know what exactly lay behind this explosion, it is plausible to suppose that it was triggered by the joint crisis of profitability and US hegemony of those years” ... So falling profits do figure in the model, apparently, and Arrighi says elsewhere...that faced with low profit prospects, corporations will shift their surplus from reinvestment to cash and other financial assets, prompting expansion of the financial sector.” (Walker, 2010: 60-61).

Contrary to Walker’s claim, there is no contradiction in Arrighi’s analysis of the twin crises of profitability and hegemony. Arrighi repeatedly discusses the connections of the two by underscoring the deadlock in which a crisis of profitability led to a crisis of hegemony, of which the US tried to fix through war-making, whose failures only worsened the crisis of profitability.<sup>4</sup> Moreover, after the transitory *belle époque*,<sup>5</sup> which was a prelude to the terminal crisis of the US hegemony, the wheels of the crisis started to turn again, resulting in the loss of *hegemony* (the financial constraints on the war-making activities of the US) and hegemony (Arrighi, 2007: 161-165, 255-258).<sup>6</sup> Therefore, not Arrighi but Walker seems confused on this point.

Leo Panitch’s critique of Arrighi’s analysis of the US terminal crisis in ASB contains more serious confusions. Without paying close attention to the US’ worldwide competition with other powerful states, Panitch reduces the entire US hegemony to the formula of “making the world safer for capital accumulation.” For Panitch, as long as the world remains capitalist, the US hegemony is safe:

“Although the making of truly global capitalism has certainly been the American state’s project, at least since the Second World War, that project has emphatically *not* been to govern the world directly itself, or to assign that task to international

<sup>4</sup> For an earlier version of this sort of analysis see Arrighi (1982).

<sup>5</sup> See Arrighi and Silver (2003).

<sup>6</sup> On this point also see Lachmann (2010: 136).

institutions to which it would subject its own sovereignty. Rather, it has conceived the project of making global capitalism as consisting of making the world safe for capital accumulation everywhere by trying to make all the world's states capitalist, with appropriate legal, juridical, bureaucratic and coercive institutions and practices...Relative autonomy to the end of fostering the global accumulation of capital also operates at the level of the imperial capitalist state." (Panitch, 2010: 81).

Although there is no reason to deny the importance of the safety of global capital accumulation for the US interests, there is also no reason to dismiss the challenge of Chinese ascent to the US interests. In fact,

"The irony in Sino-American relations is that when China was in the grip of ideological Maoism and displayed such ideological ferocity that Americans believed it to be dangerous and menacing, it was actually a paper tiger, weak and virtually without global influence. Now that China has shed the trappings of Maoism and embarked on a pragmatic course of economic development and global trade, it appears less threatening but is in fact acquiring the wherewithal to back its global ambitions and interests with real power." (Bernstein and Munro, 1997: 22, as cited in Arrighi, 2007: 372-373)<sup>7</sup>

In other words, as opposed to Panitch's claim, rather than securing its hegemony, China's integration in global market relations made the crisis of the US hegemony more acute than ever. The United States clearly supported China's transition to capitalism since the 1980s. China's emergence as a low-cost manufacturer of the products designed by American companies was a boon for American capital, which had been struggling with the problem of low profitability since the 1970s. Although China's massive trade surplus vis-à-vis the US has been a concern for the US policymakers, China's investment in the US treasury bonds helped the US dollar to retain its global currency status and thereby allowed the US to borrow internationally with very low interest rates. Finally, China's export of cheap consumer products to the US also helped the American lower class consumers to sustain their consumption standards despite the stagnation of real wages.

However, this process appears to be unsustainable for both countries for a number of reasons. First, the Chinese capital and state are not satisfied with the country's position as a low-end final assembly line of the American capital and

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<sup>7</sup> This account certainly underestimates China's level of economic and military power in the Mao era. We should also underscore that the Sino-Soviet animosity after the early 1960s was a major boon for the US in its global competition with the Soviet Union. The absence of such an extreme hostility between China and Russia makes China's rise a significant challenge for the US.

therefore they attempt at moving towards higher value added and more profitable lines of production. Although China is clearly far from overtaking the US in terms of research and design capacity, even its early (and limited) successes has led the US policymakers into panic, as manifested by various official declarations and media reports claiming that China is undermining America's technological leadership, industrial espionage allegations against Chinese companies, and the recent arrest of a senior Huawei executive in Canada with the US official request for extradition (Segal 2018). Second, although China is still the largest holder of US treasury securities, the recent Chinese-led initiatives (especially the Belt and Road Initiative and the foundation of the Asian Infrastructure Investment Bank) demonstrate that China aims to diversify its investment portfolio so as to undermine the global standing of the US. The US government openly counters both initiatives and tries to establish a counter-coalition with countries such as Japan and India (Chatzky and McBride 2019). Finally, the geopolitical tension between the US and China is increasing. The US military strategy is shifting from the 9/11 War on Terror paradigm to the prioritization of countering China, especially in the South China Sea. Regardless of their disputes, there is a bipartisan consensus among the US political establishment about challenging China by all means possible (Hung 2018 44-45). Hence, Panitch's (2010: 81) insistence on *not* seeing the increasing share of Chinese funds in the U.S. financial market as a weakness of the US is a major mistake, especially in the context of the ongoing world economic crisis which makes China's jump out of the US financial boat a matter of time and prepares for the creation of a financial center alternative to the Wall Street.

One of the least understood parts of ASB is its characterization of the Chinese ascent. In one of the strongest critiques of ASB, Joel Andreas writes that ASB predicts the "Chinese world hegemony" (Andreas, 2008: 123). There is no such prediction in the book. In fact, one of the central theses of ASB is that the increasing bifurcation of economic and military power as seen in the actual decline of the U.S. hegemony and the rise of East Asia as the most dynamic region of the world economy signifies the "end of hegemony" as we know it. Christopher Chase-Dunn points to the logical conclusion of this bifurcation:

"Though Arrighi does not say this, his analysis implies that a future increase in political globalization based on hegemony would require a hegemonic national state that is significantly larger than the U.S. The fact that there are no states larger than the U.S. in terms of economic size (the European Union is about the same size, and China is much smaller) means that the hegemonic sequence as the evolution toward a more coordinated and integrated form of global governance by a single national state has probably come to an end. Of course a new period of hegemonic rivalry and deglobalization is likely during the decline of U.S. hegemony. Hopefully this will not

devolve into another “Age of Extremes” of the kind that happened in the first half of the century. But eventual further integrative evolution of global governance will require condominium of existing states, or even a multilateral global state. As Peter Taylor (1996) said, the U.S. is probably the last of the hegemons.” (Chase-Dunn, 2010: 46).

#### 4. CONCLUSION

This short critique of the reviews of Giovanni Arrighi’s *Adam Smith in Beijing* makes four points. First, as some of its critics show, the characterization of contemporary China as a non-capitalist market economy is the most serious shortcoming of the book. Second, contrary to Elvin’s theory that the Industrial Revolution is mainly the product of scientific developments, Arrighi’s explanation of the Industrial Revolution in relation to the massive requirements of the war-making activities within the European states system has solid historical foundations. Third, Elvin’s explanation of the “Great Divergence” of Europe and China in relation to the scientific underdevelopment of late-imperial China does not adequately explain the root causes of that divergence. Arrighi’s argument of the relative extroversion of power struggles in Europe versus their relative introversion in China and the consequent imbalance of naval power between the two regions, which resulted in “the subordinate incorporation of East Asia within the globalizing European system,” (Arrighi, 2007: 336) has enough explanatory power to refute Elvin’s critique. Finally, Arrighi’s structural analysis of hegemony in the world system is capable of explaining the rise and subsequent demise of world hegemonies. Contrary to Panitch’s criticism, which reduces the interests of the U.S. to the maintenance of capital accumulation on a global scale and lacks the analysis of the role played by the Chinese economic ascent in the general decline of the U.S. hegemony, Arrighi’s analysis enables the reader to track the links between China’s economic ascent and the terminal crisis of the U.S. hegemony. One of the most important implications of Arrighi’s analysis is the bifurcation of economic and military power, signaling the immense difficulty of a single nation-state (including China) to turn itself into a world hegemon.

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