THE GENESIS OF CAPITALISM: THE NEXUS BETWEEN "POLITICS IN COMMAND" AND SOCIAL ENGINEERING

Li Xing and Jacques Hersh
Aalborg University

Abstract

This paper aims to offer a framework of interpreting the "evolution" of capitalism that is reaching every corner of the world and has achieved greater legitimacy than at any time in human history. It covers an interdisciplinary discussion on the development of market capitalism that has been characterized by a dual process: unanticipated origin (cultural and historical) and anticipated progress (political economy).

The point of departure of this paper is that although the advancement of market capitalism is a process of societal development involving historical, cultural and religious causes (historical, divine, spiritual, miraculous), the establishment of capitalism is less the result of a force for cultural and economic dynamism than the realization of a political project. In other words, from being an enterprise within defined geographical boundaries to becoming a global project is first and foremost a transformative process involving political repercussions as being dealt with here (enforced variation, reshaping, selection and distortion).

In sum, the paper intends to problematize the significance of the evolutionary explanation, the culturalist approach as well as the economistic perspectives on the birth and expansion of capitalism and instead emphasizes the role of political power in its development and present-day stage. Politics to a great extent is undertakings of coercion, rationalization, legitimization and imposition which are the essence of market capitalism itself, i.e. politically motivated social engineering.

Key words: capitalism, market, religion, reformation, deformation, politics

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Analytical considerations

The axiom that the victor writes (his)story influences the conceptualization of contemporary capitalism. Seen in this light, the process of globalization (or Westernization as many also term it) affecting almost every aspect of human activity is taken as the logical outcome of the evolution of societal organization.

The rational for this position is found in the econocentrism of the "secular mind" (Coles, 1999) which sees modernity as the culmination of economic rationality, progressive spirituality and the faith of modernization. Through this prism, it is believed that humanity has entered the ultimate phase of its evolution, as expressed in the thesis on "the end of history" (Fukuyama, 1992). But as Anthony Giddens has put it "rather than entering a period of post-modernism, we are moving into one in which the consequences of modernity are becoming more radicalized and universalized than before" (1991:3).

In its endeavor to ascribe legitimacy to the social order of "real existing" capitalism, conventional thinking relies on neoliberalism which has become the dominant paradigm of economics. Its ideological foundations are found in the social and political philosophy of emerging capitalism based on the concept of individual freedom and democracy, causes that emanated in the struggle against the feudal order.

Acceptance of globalization as the child of historical capitalism opens for a problematization of the past in

order to understand the present and reflect on the future. However, just as conceptualizing the present, understanding the history of capitalism is an arena of conflict within the social sciences. In its long march towards achieving hegemony, the capitalist worldview was constantly resisted by another approach which challenged it ideological and politically. Awareness of this confrontation contributes to making sense of a historical process that would otherwise be at the mercy of the system's proponents' interpretation. In the words of Samir Amin:

> As far as modern history is concerned, that of capitalism, two discourses have been in opposition to each other in the past two centuries; and never could the one convince the adherents of the other. There is on the one hand the conservative discourse, which legitimizes the capitalist social order, and on the other hand, there is the socialist discourse which submits it to a radical critique (Amin, 1997:10).

The point, which deserves transparency in dealing with social theoretical constructions, is that they do not operate in politico-ideological vacuums. Given the societal context in which they operate, they come to serve the aims of special interest groups that find it worthwhile to support and encourage the one against the other. As Robert Cox doesn't tire in telling us: "Theory is always for someone and for some purpose. We need to know the context in which theory is produced and used; and we need to know whether the aim of the user is to maintain the existing social order or to change it" (Cox, 1995:31).

The arena of contest between different ideological/scientific paradigms is located of course within the confines of the power structure of societies.

This explains that while capitalist economic theory found it difficult to penetrate the realm of state socialism, socialist critique of capitalism likewise was put at a disadvantage as a result of the hegemony of liberalism in the "free world".

In capitalist society – which is the focus of this paper - social conflicts of one or another kind are always present. Under those circumstances one aspect of power relations is the ability to control the agenda of confrontation (Bachrach and Baratz, 1962). A good example of this is the fact that in the United States the struggle over the ownership of the means of production has almost always been kept out of the public agenda (Ross and Frachte, 1990: 9).

Thus not only is power reflected in the ability to prevail in conflict, it is also the capacity to determine the conceptualization of the issues involved. In this context socialization and social control play an important role in stratified societies. The secret charm of dominant power under such circumstances is attained if it can be dispensed in a consensual frame. As Ross and Frachte put it:

> The hegemony of capitalist culture, and the perceived realities of political choice are such that the given structure of choice appears to be rational, inevitable, "natural". There is often no "politics", that is, no large scale conflict or explicit contention about this structure of choice, because it has been accepted by potentially contending parties before public agendas are constructed". (ibid., 9)

It is within this critical frame of reference that this article discusses the genesis of global capitalism by critically focusing on the conventional reading of the

emergence and development process of this social formation.

Objective: understanding the evolution of capitalism

For the last two centuries, scholars and researchers have attempted to find answers to questions such as "Why did capitalism evolve in medieval Europe and not in China, India or anywhere else?" and "what were the necessary building blocks of capitalism?", and "what makes this economic system such a powerful global project?" Different explanations have been offered putting emphasis on different historical, cultural and social factors or aspects.

The conventional framework for understanding and interpreting these elements and their causal correlations is found in the discussion of how economic and cultural processes interact to shape and reshape the socio-economic environment in the evolution of market capitalism. In this context, the point of departure of this paper is the assumption that although the advancement of market capitalism is a historical societal process including cultural and religious dimensions (historical, divine, spiritual, miraculous), the establishment of capitalism is less the result of cultural and economic dynamism than the outcome of a political project. In other words, market capitalism is first and foremost a coercive political enterprise process with societal repercussion (enforced variation, reshaping, selection and distortion). Viewed in this light, we need to realize that we are dealing with a rationalizing, legitimizing and imposing political undertaking which is fundamentally at the heart of market capitalism. Given this background, the study of capitalism becomes the principal objective of political economy.

Market capitalism: the new secular religion

In the evolution of mankind, worship of a god was in many societies the point of reference for the construction of reality on which individuals' worldview was conceptualized. Religion as a belief system constituted not only the ideological cement of society, but the only way of comprehending the world. The conceptualization system of society offered little apart from reflection on the religious view of the cosmos. With the advancement of societal evolution following the development of science and technology, human society experienced recurring paradigm shifts during various periods of history, which in turn gave rise to different types of social theories. In other words, new material conditions and political institutions demanded different systems of thought and explanations.

Serving as a scientific explanation system the free market has become the central category and the core of the discipline of economics. As Blaug points out: "The history of economic thought ... is nothing but the history of our efforts to understand the workings of an economy based on market transactions" (1985:6). Accordingly conventional economics can be seen as the theoretical construction of capitalism. Rule also emphasizes the importance that the phenomenon plays in the modern mindset, "When historians of ideas go to work on the last decade of the twentieth century, the market will surely appear as one of our intellectual totems. What the Rights of Man were to the French Revolution – or what Manifest Destiny or the quest for the Kingdom of God on Earth were to their times – the market is to our own" (1998:29). Nevertheless, it must not be forgotten that economics as an independent discipline is a relatively modern phenomenon, and that until the mid-1700s "economics was generally discussed as a subordinate part of a

broader study of political, moral and theological matters" (Alvey, 1999:55).

In the similar vein, Robert H. Nelson, presents in his volume *Economics as Religion: From Samuelson to Chicago and Beyond* a significant analytical contribution in uncovering an important dimension of economics as a discipline and profession. In Nelson's view (2002), the religion of the modern secular world is scientific materialism in which the theological faith is located in economics/the market that brooks no questioning and challenge. The point of departure of its rationality, reasoning, conceptualization and understanding is based on what can be observed through the senses and what can be verified empirically. Nonmaterial/nonscientific explanations including non-measurable phenomena are dismissed or ignored. Economists, like the older ministerial classes of Christianity, have been playing the priestly role in the rationalization and deification of "value-free economics" and material progress as well as in asserting its strong influence in the social and political world.

The consequence of this tour de force which reduces all aspects of society to economic calculations is a prototype of ideological "soft totalitarianism." As a student of this evolution puts it: "Apart from presenting the 'economic' as its own sphere, removed from the reaches of democratic control, the politics of economism also tends to subordinate other social spheres to its normative supremacy" (Teivainen, 2002:2).

The deification of the market and economics[1]

The 20th century is often described as the "American Century". With globalization, the American Creed, which embraces worship of free markets, free elections, individual freedom and rights, liberal democracy, has become canonized. This gospel appears to have

achieved the status of a world religion. To most people in the United States, market capitalism is ideologically speaking becoming a kind of orthodoxy. That capitalism is the only way leading to happiness and well-being is taken as an article of faith. Any questioning of these basic tenets is considered to be heretical and the skeptics risk marginalization by mainstream opinion. Liberal economics has become theology. Even religion in today's US is so commercialized that "God is for sale", thus becoming a material and commodity for competition and consumption (Moore, 1994).

In the process of having achieved a hegemonic position within economics, operations and interactions within the market are construed as value-free and neutral objective, implicitly suggesting that like God the market cannot be judged normatively. In the view of the Central American Jesuit theologian and philosopher Franz Hinkelammert, the market is raised to a holy status level so that it can "judge over life and death but cannot itself be judged in terms of the effect it has on the life and death of every individual" (quoted in George and Sabelli (1994:96)). Harvey Cox observes that, in many ways there is a strong resemblance between the Western theological doctrines of religion and the modern market ideology in which the almighty market has become godlike (Cox, 1999:20-22).

Firstly, like God the market is attributed *omnipotence* (ultimate universal power). In the ancient era, the market was never godlike or the only deity because there were other centers of value and meaning. It is only in the last two centuries that the market has become transformed into the dominant divinity. Now, the market defines truth and possesses the divine power to "make something out of nothing and nothing out of something", such as converting earth and land to real estate, and human body to commodities (Cox, ibid.:20).

Secondly, like God the market is considered to be equipped by nature with *omniscience* (all knowledge and the truth). Human beings have to understand the market's wisdom which will, in return, shape our needs, determine whether, when, where, how to buy and sell. The market knows "the deepest secrets and darkest desires of our heart" and "… by probing our inmost fears and desires and then dispensing across-the-board solutions, it can further extend its reach." Thus, "… to question the omniscience of The Market is to question the inscrutable wisdom of Providence" (Cox, ibid.:22).

Thirdly, like God the market is ascribed the power of *omnipresence* (universal existence, everywhere regardless of whether one can see it or not). Consequently, the market is supposed to have everything to do with economics and societal development, and it is also believed to have close influence on every aspect of human life:

> … The Market is not only around us but inside us, informing our senses and our feelings. There seems to be nowhere left to flee from its untiring quest. Like the Hound of Heaven, it pursues us home from the mall and into the nursery and the bedroom. (Cox, ibid.:23)

The market's mode of functioning is raised to the standing of a natural law. In the words of a Protestant thinker, "The laws of the market … come to be seen as transcendent, [undergoing] a process of sociological sacralization. Not only are they given a higher status, they actually become untouchable, like the laws of nature" (cf. George and Sabelli, 1994:96-97). The contemporary doctrine of "market populism" – the presumption that the market and democracy are the two sides of the same coin, and that the market represents not only mediums of exchange but also mediums of

consent – has become the pivotal ideology of our time (Frank, 2001). In this way, the "invisible hand" of the market is like the hand of God holding the final truth of all interactions and phenomena.

As a consequence, economics implicitly becomes theological doxy and a science – an organized system of explanations to make sense of the real world and life. Within this type of explanatory catechism, there are a number of doctrinal principles which are taken as guidelines for human behavior and societal development:

1) The market is the invisible hand representing absolute and universal rules and laws. In this sense, the IMF, the World Bank, and the WTO are the legislating bodies of market laws on behalf of the highest authority: the dismantling of mandatory planning, the opening up of the economy to international competition, the implementation of financial liquidation and bankruptcy, the introduction of bonds, shares, and stock market for primary and secondary trading, the acceptance of international competition and integration with foreign trade and financial transactions, the privatization of state-owned companies, the diversification of ownership forms (private, joint-venture, state, and foreign), greater flexibility and mobility of labor and population, free prices, the removal of subsidies, closing 'inefficient' enterprises and the laying-off of redundant workers.

2) Market rules and laws are inalterable like those of nature. Those who obey the principles will be awarded, and those who defy them, such as Soviet socialism, Asia's "crony capitalism", Russian "mafia capitalism" as well as other types of statist capitalism, will be considered abhorrent and thus sooner or later will be punished.

3) In order for developing and transitional societies to ensure that these fundamental principles are accepted and maintained, certain sacrifices and painful reforms or

adjustments, such as “shock therapy” and various structural adjustment programmes, etc., are deemed to be necessary.

4) Regardless of the fact that inequalities and crises in many parts of the world may seem to contradict the ideals of market rules and laws, it is believed that these flaws including poverty, environmental pollutions and ecological degradations, can be corrected in the long run without abandoning market fundamentals.

5) Those who challenge such principles and attempt to find alternatives, such as statism or other forms of communitarianism, are seen as challenging the only viable political and economic system conducive to human happiness and prosperity. As a consequence of the defeat of state socialism and the spread of liberalism and market capitalism, humanity is claimed to have arrived at the “end of history” (Fukuyama, 1992).

Market capitalism and civilization specificities

Whether market capitalism is the natural outcome of human civilizations or not is an essential issue. The answer to this question is determinant to the understanding of present-day contradictions in the world. It is argued here that the free market as an exchange instrument is the product generated by a specific development process within specific geographic areas. In other words, it can be conceptualized as a socio-cultural entity. To say that the free market is a socio-cultural institution is to suggest that the way people interact in the exchange process (regulating and coordinating their economic behaviors) shapes people’s identity and behavior.

According to Wilk’s studies on the relationship between economy and culture (see Acheson 1997: 233-234), economic anthropology has shown that economic arrangements are based on one of three assumptions

about human nature. The first regards humans as economic beings who are motivated by self-interest and who are strongly associated with the free market where autonomous profit-seeking individuals interact with one another without much concern to ties of kinship or community. The second sees humans as social beings whose behaviors are molded in association within groups. Several approaches of political economy including Marxism are related to this interpretation. The third believes that humans are moral or ethical beings whose worldview is shaped by a set of values. This is what Wilk identifies as “cultural economics.”

Max Weber can be identified as related to the last supposition. In his *Economy and Society* (1921) he analyses the main aspects of economic rationality in a capitalist society in the West and contrasts them with economic orientations in other types of society. These characteristics of rationality find their expression in: market exchange, where transactions are determined only by the pursuit of interests; generalized use of money as means of rational capital accounting; the rational management of labour in production and strict factory discipline; rational technology; clear separation of the enterprise from the household. Moreover, these economic features are assisted by extra-economic public goods, such as the functioning of government administration and the legal system, which guarantee the reliability of all contracts entered in the market.

Weber argued that a unique causal connection existed between the spiritual and the temporal, namely the effect of religion (Lutheranism and Calvinism) on the development of capitalism especially in terms of: 1) rationalization and creativity of economic activities; 2) organization of political and social life; 3) rational organization of free labour (separation of productive activity from the household); 4) modern book-keeping system; and 5) industrial organization. These

characteristics are depicted as unique cultural phenomena of Western civilization and as the elements behind the emergence of capitalism in Europe. The conclusion that follows from this conceptualization is that the lack of the same distinctive traits explains why capitalism failed to emerge in other historically advanced civilizations such as China and India.

Social scientists have since Weber debated in a manner of either agreeing or disagreeing with him. In similarity with the Weberian conceptualization but in a developmental context, some scholars, such as de Soto (2000), take up the question, which many people have been asking and studying and which is one of the most debated issues the world faces today: Why do some countries succeed in developing capitalism while others fail? As an institutionalist economist, de Soto attempts to show that historically speaking every developed nation in the world at one time went through the transformation process from predominantly informal, extra-legal ownership forms to a formal, codified property law system in which people are allowed to leverage property into wealth. In line with this type of thinking, it is therefore not because of the lack of salable assets or the shortage of entrepreneurial spirit, but the lack of instutionalization that some countries fail to make capitalism flourish. This approach's shortcoming is that evidence shows that the establishment of a capitalist-friendly legal infrastructure cannot be realized outside the compatible environment of cultural values and social norms. In addition, it should not be ignored that many developing countries were/are actually burdened by political turmoil and social unrest due to the privatization process of the structural transformation of property relations imposed by Western-oriented economic development and expropriation of parts of the economic surplus through debt servicing.

It is argued by some Weberians that the rise of market capitalism was an outcome of a peculiar institutional development which found its clearest expression in the capitalist economy. This evolution refers to the nuclear core of social and cultural institutions, the historical role of a particular *family* type - individualistic bourgeois family with its social habits and norms; this is claimed to be "the only institution sufficiently dynamic to spontaneously engender social processes that made for both the development of a modern market economy and the rise of civil society during the 18th and 19th centuries in the northwestern part of Europe" (Berger, 1998: 45). Furthermore, it is perceived to be "the core features of any social order based on the principles of individual liberty, political democracy, and a market economy" (ibid.: 45). During the societal transition from family to factory production, the division of labour increased and economic activities based on the family also moved to the firm. Likewise, with the emergence of a formal education system, education and training functions previously provided by the family and church were replaced by a specialized institution - the school.

In the middle of the 18th century, the European feudal era was in a gradual process of eroding. The old social and political order in which the elites including monarchies, the Church, the land-aristocracies as well as the bourgeoisies formed the ruling coalition in the appropriation of the lion's share of the economic surplus, began to waver. The emerging wealthy business sectors, being tired of resisting the older political hierarchies, opted for republican state-forms as a better political environment for the further development of their economic activities. However, they also understood that the only way to lead society on the road to capitalism was to gain access to *political power*. Therefore, they took the advantage of the people's discontent by promising a democratic republic under the spirit and

principle of liberty, equality, fraternity as well as offering popular participation in the new regime. The "people power", first in France and later in the United States, overthrew the old regimes. In the course of the two centuries since, the discourse of freedom, rights, liberty, equality and fraternity has been associated with capitalism.

Western secularization in historical perspectives

The breaking-up of the old order resulted in the dissolution of the political and spiritual dominance of nobility and Church. The concept of "secularization" entailed a long historical evolution and societal development characterized by intense conflicts, struggles, transformations, and changes which accompanied the process whereby religious ideas and teachings came to be considered as having no inherent value to society and development. It also has come to imply a sense of triumphalism, a pervasive assertiveness of modern Western civilization, which seeks to establish its cultural values as having universal validity regarding the past, present, and future. Less optimistic is the thesis of cultural clashes that projected to be the profound source of potential conflicts between the West and the rest since the systemic contest with socialism has been resolved in favor of capitalism (Huntington, 1996).

Historical perspectives

The gradual development of modern secular society in the West led to the separation of Church from the state (or politics). Religion has been transformed in such a manner as to become a matter of personal preference for each individual. Furthermore, it is generally accepted that the Church should have no role to play within the

affairs of the state or the society at large. In secular society the role of religion is seen as subservient to the interests of the state. This is the common understanding of a modern society in today's world. Secularism has reached its strongest manifestation in the West, which historically forced most other nations to adopt this course either through military and economic means, or through cultural and educational influences. This notwithstanding, the entire phase of colonization and colonialism was based on the messianic pillar of bringing Christianity to the non-European people of Africa, Asia and South America.

In the Middle Ages, Europe was ruled by a feudal system upheld by the Monarch, Nobility and the Church. The principle of religious philosophy that man's life was predestined by God helped feudalism to maintain the status quo and oppression over society. Dissident humanist philosophies were suppressed by the power of the Church. Those who defied the prevailing religious dogmas were banished, tortured or executed. The term "Middle Ages" was often used synonymously with the "Dark Ages" as Europe was in the darkest period of its history.

The feudal system began to collapse due to a number of parallel developments and challenges causing the gradual marginalization of the Church. The first was the revolution in science (Hall, 1983), which started to play an important role in Europe and lead to the confrontation with the teachings of the Church. The law of gravity, the revolution in astronomy, the innovation in biology etc, represented challenges to the existing fundamental assumptions leading to what Thomas Kuhn (1970) referred to as changes of *paradigms*[2].

The second ideological challenge was the Renaissance and intellectual libertarianism which found expression in the flourishing of art, music, literature, philosophy and exploration, as well as the attacks on the

dominance of religion and the belief system based on superstition. Humanism in the West denoted a break with religious mysticism, thereby drawing a distinction between God and man believing that man was born to be free and human existence should not be predetermined by God. These teachings are now widely regarded as the philosophical sources of Western human rights and democracy.

The third challenge to the established structures of feudalism and emerging agrarian capitalism was the Industrial Revolution, which transformed Europe (first England and the Netherlands[3]) into manufacturing capitalism much earlier than the rest of the world and which provided Europe with powerful weapons for imperial expansion and colonization supplanting the earlier mercantilistic phase. In the view of the functional approach, this forceful development transformed society from "a holistic traditional life form permeated by religion toward a steadily increased *differentiation* of social functions leading to the marginalization and even obsolescence of religion" (Dallmayr, 1999:718, *italic* added). This transformation also developed newer social categories and relations - industrialists and workers - in the emergence of the nation-state. The final establishment of the capitalist system in Europe as manifested by commercial interests, free trade, market expansion and profit-earning, marked the end of the dominance of the old system leading to *the rise of new centers of power*.

The marginalization of the dogma and role of religion in Europe represented a process of ideological transformation from the "age of faith" (Church-State) to the "age of reason" (nation-state). Faith is the strongest indication of belief in truth even in the absence of any objective fact or in opposition to observable evidence. The age of reason indicates that truth can solely be obtained by a process of rational and logical thinking which is based on the evidence provided by the senses.

Capitalism and religious reformation/deformation

In addition to the above mentioned historical influences on the evolution of secularism in the West, another explanation which may have facilitated its emergence in Europe was that, although many political ideological systems were generated by Western civilization, the West has not given birth to any native-born religion. As Huntington notes:

> The great political ideologies of the twentieth century include liberalism, socialism, anarchism, corporatism, Marxism, communism, social democracy, conservatism, nationalism, fascism, and Christian democracy. They all share one thing in common: they are products of Western civilization. No other civilization has generated a significant political ideology. The West, however, has never generated a major religion. The great religions of the world are all products of non-Western civilizations and, in most cases, antedate Western civilization (Huntington, 1996:53-54).

It can be deduced from this recognition that since Christianity was not of Western origin, the possibilities of *reformation*[4] within the Christian religion could not but result in a deformed belief system, i.e. the *Protestant deformation* (Kurth, 1998). Deformation implies a process of reshaping, changing and finally transforming the original ideas into a modified moral and ethical system. It marked the beginning of Protestantism, and represented a major break in the theological dogma of

Christianity. Far from being marginalized, religion was seen as a pioneer of capitalist behavior.

The cultural and religious uniqueness of the West

Max Weber is known for his writings on the rise of capitalism in the West from the perspectives of culture and religion. He theorized the deformation process (i.e. "rationalization process") – as the outcome of the relationship between Protestantism, especially Calvinism, and the rise of capitalism in the West. His thesis was that religion (Protestantism) played a positive role in the rapid development of capitalism in Europe.

According to this interpretation of the rise of modern capitalism, religious (Calvinist) spirituality was secularized when the dedication to the task of societal regeneration became linked to the generalization and multiplication of capital and when profit-making was turned into an ethos, a moral crusade.[5] Weber's thesis is explained by David Loy as follows:

> Calvinist belief in predestination encouraged what became an irresistible need to determine whether one was among the chosen; economic success in this world came to be accepted as demonstrating God's favor; this created the psychological and sociological conditions for importing ascetic values from the monastery into worldly vocations, as one labored to prove oneself saved by reinvesting any surplus rather than consuming it. (Loy, 1997)

Accordingly, this gave birth to a socio-economic evolution which began to function in a manner independent of religion while the latter was compelled to comply with the economic logic. As Marx vividly remarked, "The English Established Church, e.g., will more readily pardon an attack on 38 of its 39 articles than on 1/39 of its income" (Marx, 1977:10). That is to say, the original motivation behind "capitalist spirituality" gradually became irrelevant with maturing capitalism. When the preoccupation with *market*, *capital* and *profit* develops into the engine of economic growth, it has not only survived but has also become the core of modern economics as the only rational and scientific explanatory system.

Historically, the Protestant tradition rejected hierarchy and community as means to salvation. Protestantism was "a protest against the form that the Christian religion had taken in the Roman Catholicism of the late Middle Ages and Renaissance." (Kurth, 1998:224) In the economic sphere, the common characteristic of Protestant entrepreneurs was that their "religious feeling was often intense but essentially private and personal" with a desire "to be left alone by religious enthusiasts and organizers and to escape from the clericalist and cannon-law network" (Johnson, 1993:34). In fact, many tended to emigrate to places where religious rules were relaxed and where they could develop their innovative energies and capabilities[6]. The religious dimension in the history of capitalism in the United States is often used as a case in point to support this type of explanation. Even today, the clue to American economic superiority over that of Europe is argued to be found in the "God factor", i.e. the pious, industrious and hard-working United States that was born from and has kept the Protestant spirit of capitalism is said to be in clear contrast to the decline and fall of the spirit of Christian asceticism in Europe, which manifests itself in decreasing working hours, increasing strikes, declining church attendance and believing less in God (Ferguson, 2003).

Besides Weber, Hegel and Marx also accepted the aspects of the culturalist explanation as to why

Occidental (Western) societies were able to achieve industrialization earlier than the rest of the world, and why the *Oriental* (Asian) societies failed to do so.[7] Their explanations were based on the perceptions that traditional religions (inward, static), cultures (Confucianism, communal and collective) and social/political patterns (bureaucratic, absolutist) in oriental societies were structural barriers inimical to the development of capitalism whose dynamism requires innovation, incentives, self-interest and individualism. This also denotes the recognition that modernization is preconditioned on cultural capital and ideological attitudes which must be receptive to capitalism.

Given this ascription to the importance of capitalism's cultural precondition, it is not surprising that this line of thinking achieved paradigmatic preeminence within the most dominant development theory, i.e. the modernization school, which has exerted great influence on policy-making in the context of the Third World. Since the Second World War, the dichotomy of tradition-modernity has received more than its share of attention. As spelt out by Sadie, development denotes a complete cultural transformation:

> Economic development of an underdeveloped people by themselves is not compatible with the maintenance of their traditional customs and mores. A break with the latter is a prerequisite to economic progress. What is needed is a revolution in the totality of social, cultural and religious institutions and habits, and thus in their psychological attitude, their philosophy and way of life. What is, therefore, required amounts in reality to social disorganization. Unhappiness and discontentment in the sense of wanting more than is obtainable at any moment is to be generated." (1960:302)

The disembodiment of modern society from its traditional context can paradoxically be noted in the transformation of modern capitalism which now "stands in opposition to Calvinism and to religion in general." The reason for that transformation is that the dominant market economy has become an entity that combines norms, values, markets, money, and laws as an *unanticipated consequence* of the Protestant ethic because "people create social structures but that those structures soon take on a life of their own, over which the creators have little or no control. Because people lack control over them, structures are free to develop in a variety of totally unanticipated directions" (Ritzer, 1996:149). In other words, the derivations of Protestantism in the rise of capitalism were later transformed into a unique deformed capitalist system of its own which is what we are experiencing today.

In line with this interpretation, modern secular politics can be viewed as an unanticipated consequence of the market mechanism determined by the inherent profit-making logic of capitalism. Not only nation-states but the entire system of international relations are directly or indirectly connected with this outcome. Politics in the West, whether domestic or international, is generally perceived in terms of power, government, national interest and patriotism, and are often associated with political parties, division and balance of power, and mutual checks. All of these have no foundation in the original Christian principles.

The central theme I: an anticipated deformation

While many scholars agree with the Weberian notion that market capitalism developed as a historically and culturally specific socio-economic formation in which religious ethics played a certain role in its origin, others

such as Karl Polanyi disagree with the culturalist thesis of modern capitalism as an unanticipated consequence of religious ethics. Whether the transformation from religious deformation was marked by an unwillingness to adhere to any particular doctrine or by the antagonism of strictly institutionalized and clericalized Christianity towards the progressive elements identified with the capitalist system is an anticipated or unanticipated process is an issue of debate. The following two sections of this paper highlight a critical discussion of classical economics and Weberian culturalism as well as bring into light our views on the role of politics in the genesis of capitalism.

The political economy of
Transformation and catching-up

The transformation of the market place as an institution of exchange into a market system of capital accumulation is what distinguishes capitalism form pre-capitalist societies. The history of the market can be said to reach back several thousands of years to the post-neolithic times according to two German political economists who point out that the specific integration of different economic elements in this system – the "market economisation" (Vermarktwirtschaftung) of land, natural resources, labour power, and money – is of later date. Only since the Industrial Revolution can we speak of the "market economy" as a totality (Altvater and Mahnkopf, 1997).

According to economic anthropology, the modern capitalist mode of production differentiates itself from all preceding ways of organizing material life and social reproduction. It is distinctive in the way that economic relations (actors and institutions) are separated from non-economic relations – a distinction between a society with market and a market society (Polanyi, 1957). A

market society implies that society itself has become an "adjunct" of the market. And a market economy can exist only in a market society because social relations in such a society are embedded in the economy rather than the other way around – i.e. an economy embedded in social relations (Wood, 1999).

The importance of this argumentation – which goes against the classical and liberal orthodoxy - is that the market as such is not a natural phenomenon; nor is it a reflection of human nature. It emerged neither from the spontaneous interaction of autonomous individuals, nor as an unanticipated consequence of Protestant ethics. Although Polanyi recognized the existence of unintended consequences in social life, he strongly believed that economic and trade relations necessitated centrally organized and controlled interventionism:

> There was nothing natural about laissez-faire; free markets could never have come into being merely by allowing things to take their course. ... Laissez-faire itself was enforced by the state. The [1830s and 1840s] saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrational bureaucracy able to fulfill the tasks set by the adherents of liberalism. ... Laissez-faire was not a method to achieve a thing, it was the thing to be achieved. (Polanyi, [1944] 1957: 139)

During the period 1830 to 1850 in Britain, the enhancement of the state's administrative functions in the form of bureaucratic control was highly needed to manage the complexity of the countless laws passed to dismantle the traditional agricultural system and to pave the way for rapidly developing industrial capitalism. In other words, the implementation of state regulation and

intervention was a precondition for laissez-faire to mushroom.

The societal implication is that market dominance is inseparable from political instrumentality as well as a conscious design. Self-regulating laissez-faire requires strong "support" from the state:

> While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable proportions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money. (Polanyi [1944] 1957: 76)

The same applies to the forces at work in the world economy. Putting "politics in command" was not only a precondition for socialist construction as Mao put it, but was/is a prerequisite for market capitalism. In more contemporary times, the rise of American global economic power especially with regard to its boom in the 1990s had less to do with market mechanisms than with deliberate political interventions. Key macroeconomic relationships between the American economy and the international political economy came about through constant US interventions in restructuring the global market through the exercise of statecraft in a number of areas in order to favor its own economic interest. This explains the manipulation of dollar politics (exchange and interest rates), the imposition of the free movement of finance, the compulsory end of capital control in the rest of the world, beneficial terms of trade with the South, and the military control of the sources and supply of energy and raw materials (Gowan, 2001).

In the current era of global capitalism, Polanyi's analysis deserves to be taken seriously into

consideration. The evolution of globalization cuts across different political coalitions, national bureaucracies and other domestic social institutions to 'peg' the state to market interests with the result that important decisions are made by corporate financial centers in North America and Western Europe. As Boyer and Drache point out,

> In the 1990s, governments on both the right and left approach policy-making as a spectacular casino where everybody is trying to guess the next move of the Bundesbank, the results of the next election in Canada, Germany, the UK or France or the forthcoming statement by President Clinton on interest rates. (1996: 19)

The "invisible hand" of the market wears a political glove. It has long been held that corporate elites are just "a functional group that reproduces itself, by following the scientific laws of economics and respecting 'good governance'", but what is often neglected in this view is the hidden political implications that "Corporate leaders of today are involved in politics. Even if the economy remains *determinant*, politics *decides*" (Joxe, 2002: 155).

In the uneven historical development of capitalism, on which classical economists had little to say, economic nationalism offered an interpretation of international political economy, which not only recognized the imperative of statism in the promotion of industrialization strategy. The prominent political economist, Friedrich List (1789-1846), concluded from the economic history of the industrial process of Western nations such as England that there had never been such a phenomenon as unintended industrialization, free competition, or free international trade. Rather, the English example showed the opposite – the *intended* trade and market expansion

backed by *designed* protectionism of national economies and by military force if necessary:

> Had they (the Britain) sanctioned the free importation into England of Indian cotton and silk goods, the English cotton and silk manufactories must of necessity soon come to a stand. India had not only the advantage of cheaper labour and raw material, but also the experience, the skill, and the practice of centuries. The effect of these advantages could not fail to tell under a system of free competition…. Accordingly, England prohibited the import of the goods dealt in by her own factories, the Indian cotton and silk fabrics. The prohibition was complete and peremptory. ([1885]1991: 42-43)

As a consequence of British industrialization strategy, the industrial revolution of India was sabotaged. In the chapter called *The Theory of the Powers of Production*, List argues that when two different countries characterized by unequal development levels maintain free trade between them, the result is that the one selling manufactured goods would be supreme while the other selling raw and agricultural products would be subservient. Only after years of protectionism, violence and imperial power, during which Britain became far ahead of any competitor, did it adopt the principles of free market with nevertheless deep reservations. Forty percent of British textiles constituted exports to India and the steel markets in the colonies were always available when the British steel price was less competitive on international markets (Chomsky, 1997).

While the Listian approach, defined as traditional economic nationalism, proved successful in the industrialization of Germany, Japan and even the United States which refused premature free trade and favoured

mercantilist state protection to promote manufacturing industries. In a similar way, the success of the East Asian newly industrializing countries in the last century was based on a path which could be called neo-Listian. From this angle, the strategic role of the state encompassed the neutralizing of domestic and external forces and harnessing them to the national project was the objective of the "developmentalist state" (Hoogvelt, 1997: 205-206). In the latter case, however, it should not be ignored that post-World War II geopolitics played a determining role in East Asia where the United States allowed non-liberal economies to emerge (Hersh, 1993 and Li, et al. 2002).

The "invisible hand" versus moral economics

It is generally recognized that what we know today about neoclassical economics is primarily derived from Adam Smith, whose book *The Wealth of Nations* (1776) is generally considered to be the intellectual underpinning for the discipline of economics. He is seen as the father of market capitalism who sketched the theory of general equilibrium whereby the pursuit of private gain can be socially productive under conditions of free competition. He is especially remembered for the notion of the *invisible hand* and the *equilibrium* thesis - the idea that the market's competitive dynamic based on self-interest turns individual behavior into the most efficient use of resources and socially desirable outcomes.

While the "invisible hand" has become the guiding concept for neoclassical economists, it is forgotten that Smith was also professor of moral philosophy at Glasgow University whose publications included *The Theory of Moral Sentiments* (1759), which presented his views on human motivation and moral behavior. The

very first paragraph of this book could be taken as evidence of a sensitivity to social relations:

> How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it. Of this kind is pity or compassion, the emotion which we feel for the misery of others, when we either see it, or are made to conceive it in a very lively manner. That we often derive sorrow from the sorrow of others, is a matter of fact too obvious to require any instances to prove it; for this sentiment, like all the other original passions of human nature, is by no means confined to the virtuous and humane, though they perhaps may feel it with the most exquisite sensibility. (Smith [1759] 2002: 11)

Is it reasonable to ascribe the interpretation that what Adam Smith wanted to bring together was the Christian ethics of "Moral Sentiments" with the acquisitive assumption of capitalist behavior of the "Wealth of Nations"? That is a combination of the individual premise of his economics with the decency of conduct undergirding social, political and economic activities, private and public. His concept of economics as a moral science, in the view of Young (1997), shows that a close relationship exists between Simth's ethical philosophy and economics – each developing in relation to the other.

However, a more critical evaluation of Adam Smith's contribution maintains that after having written his volume on morality (1759), his magnum opus (1776) – which only became influential a generation later - became useful to pro-capitalist forces promoting their political project with little regard to issues of morality

(Perelman, 2000: 8). In the words of a critique: "It took a professor of ethics to prise the science of Economics from the clutches of ethics – to exclude ethics from the explanation of the economic process" (Buarque, 1993: 12).

For centuries, advocates of capitalism have treated Smith's equilibrium theory[8] much as they have treated market theory more generally. In the view of some scholars, Smith's ideas are distorted by self-serving corporate capitalists who selectively choose those elements of his thinking that support their objective. Schlefer (1998) argues that Adam Smith has often been misquoted and distorted in economic literature to such an extent that he is made to say things he did not mean. Others (Fitzgibbons, 1995; Korten, 1995) maintain that Smith has been misconstrued by libertarian economists and corporate capitalists. According to this line of thinking, the distortion lies in the fact that Smith's theoretical assumptions of market economics are not the same as free-market ideology, and that his economic theory specifies a number of basic conditions needed for a market to set prices efficiently in the public interest. The greater the deviation from these public- and morality-oriented conditions, the less socially efficient the market system becomes. For Smith, any form of economic concentration would weaken the market's natural ability to establish a price mechanism, to produce a satisfactory outcome for market interactions as well as to fairly distribute resources. It is important for society to have basic controls against such an evolution which would be detrimental to the functioning of society: "Those exertions of the natural liberty of a few individuals, which might endanger the security of the whole society, are, and ought to be, restrained by the laws of all governments" (Smith [1776] 1937: 324).

Even though a case can be made that classical economics in its Smithian version showed more social

compassion than present-day neoliberalism, the concern for the consequences of emerging industrial capitalism was given little attention by the classics. By leaving out of the analysis the violent process of separating people from their means of existence, known as primitive accumulation, classical economics gave capitalism the needed legitimacy in the confrontation with the medieval Christian paternalistic ethic which had condemned greed, acquisitive behaviour and the urge to accumulate wealth (Perelman 2000; Hunt and Sherman 1981: 30)

In the current era of globalization, the rise and dominance of corporate capitalism resulting in concentration of wealth (Anderson and Cavanagh, 2000), increasing inequalities, and global environmental crises indicates that the gap between moral ethics and economics is enlarging. A remarkable mismatch can be observed between on the one hand modern economics' emphasis on competition, productivity, efficiency, free market and on the other hand moral, religious and ethical frameworks of social justice, collective values as well as human development. The market does not generate and accumulate "moral capitals"; on the contrary, it depletes society of them. It reduces people to servants of the economy rather than have the economy serve the people. The nature of economics in the eyes of Amartya Sen "has been substantially impoverished by the distance that has grown between economics and ethics" (1987: 7).

The evolution of market capitalism can been seen as having gone through a number of deformation stages: 1) from cultural and religious reformation to a modified form of moral and ethical system that is detached from the original moral ethics; 2) from "society with market" (moral economics) to "market society" (value-free economics); 3) from theological and spiritual salvation (faith in God) to a misguided type of secularism (faith in the market). Such an evolution is not an unanticipated process; rather, it can be identified as embedded within the political economy of capitalism.

When the effect of the deformed transformation reaches its highest level, a new type of belief system emerges – the religion of market capitalism with the *market* as the deity that implicitly promises to alleviate global sufferings through economic development. The key difference between the old religion and the new one is that the former adhered to values defined and observed by the Church, i.e. human beings as moral and ontological creatures; whereas in the latter, people become commodities and consumers interacting in the value-free market, i.e. humans as tradable things and objects. Ironically, rational reason, which broke the theological myth and helped capitalism flourish, is elevated to a holy faith in capitalism, demanding complete obedience and disregard of other interpretations. This new secular religion is coined by Thomas Frank as "market populism" (2000).

The central theme II:
An anticipated war of political struggles

The case can be made that the main distinguishing characteristic of the 20th century has been the endless struggles between people and nations whose devotion to ideological paradigms or systems of political ideas was regarded as unacceptable to others. Political concepts, such as socialism, democracy, conservatism, neoliberalism, realism, globalism and so forth involved political, economic, and psychological struggles for universal acceptance.

Since the 1920s when capitalism suffered the Great Depression and during the crises in the 1970s, supporters of the capitalist system were on the defensive. This was partly due to the contrast of the rapid economic growth of the Soviet Union until the

1970s as well as its military and technological expansion. The impressive performance displayed by the economy of USSR aroused fears in Western political classes that the socialist development model might attain ideological significance in the non-socialist world. In addition, the Chinese development strategy based on self-reliance was likewise recognized as another potential rising force. In the prevailing mood of the time, neoliberalism, which considered socialist and nationalist movements as anti-systemic to the capitalist world system, occupied little space in the mainstream intellectual frame. The so-called anti-systemic forces included the socialist countries, the national liberation movements, and the coming to power of social-democratic and labour parties in the Western world. It was fashionable at the time for governments of capitalist countries to identify themselves as either Keynesian or Social Democratic.

The transformation of ideological hegemony from proto-socialist and pro-labour systems of welfare states to individualistic capitalism, under the current impact of global capitalism, was not an automatic process. It entailed decades-long ideological and political struggles between contending forces. Adherents of neoliberalism realized as early as the immediate post-World War II period that in order to fundamentally transform political, economic and social ideologies they had to prepare for time-consuming and gradual changes of intellectual and psychological convictions. With the end of the Cold War neoliberalism is claimed by its adherents to be the only legitimate system of ideas. But this was not the outcome of a process left to chance. The inherent shortcomings of state socialism as well as the financial and economic difficulties of the welfare states together with the debt crisis in the Third World were encouraging signals for the offensive of neoliberalism. But its victory is the result of a half century's ideological efforts to penetrate the realms

of politics, economics and various international organizations. The alliance of financially strong interest groups with academics and intellectuals nurtured in American thinktanks was able to transform the agenda within economic and political thinking and decision-making in the course of decades (George, 1997).

While accusing socialist experiments of totalitarianism and ideological indoctrination, neoliberalists have taken the propositioin for granted that *ideas* must penetrate into people's mind through all possible means, i.e. education, press, media, and international institutions. This strategy recognizes the force of ideology behind social transformation since human beings are not born with neoliberal thinking. In order for certain ideas to receive greater attention and publicity, they must be promoted through financial support so as to build a strong intellectual superstructure. The goal of building such a framework is to nurture a liberal worldview: the conceptualization of capitalism as an indispensable condition for political liberty. A solid intellectual infrastructure of neoliberal ideas corresponds to what Gramsci (1971) considered to be part of capitalism's "hegemonic project," that is the power and ability to define, sustain, and control ideas in order to "get into people's heads and …acquire their hearts, their hands and their destinies" (George op.cit.: 51).

The Fall of the Berlin Wall was perhaps the "greatest victory" for partisans of neoliberalism who believe in the slogan - *Ideas Have Consequences*, the 1948-book by one of the American founding fathers of neoliberalism, Richard Weaver. Likewise, Thatcherism and Reaganism, as the political protagonists of neoliberalism, can be seen as having proved that ideas like actions do have consequences in a specific context of neutralizing counter-movements. One of the on-going outcomes is the trend toward the formation of an ideal-type neoliberal world that we are witnessing today: the globalization of

the world market, technology, finance, and culture. Rapid integration and uniformity that bind the world together through fast food, pop music, high-tech computers are pressing nations into a commercially homogenous global structure. In every part of the world, national identities and sovereignties are eroding giving rise to global entities – multinational companies and transnational banks. The ideological compulsion to create an international market, which in turn requires a common belief, common language, common policies, and common currency, is at the same time creating a global cosmopolitan city-life style based on one commonality – American Express and Visa Card.

When the claim is made that we have entered a new era of globalization featured by "information technology" and "free market," these catchy terms are not just language reflections of reality, but represent the strong ideological bias of liberalism which has been carefully nurtured by those who stand to gain from its rule. The collapse of the European and Asian communist systems has led liberal politicians, economists and journalists to display a zero-sum game logic in the analysis of the ideological dichotomy: if communism does not work, then it must be replaced by capitalism; if socialist planned economies fail, then liberal free-market economies must be universally accepted. These simple binary oppositions in which Communism is contrasted to free market, authoritarianism to democracy, dictatorship to freedom have become "universal criteria" of world politics and economics. However, given the absence of any viable social alternative, the hidden nature of market economics will from now on be analyzed and assessed on the basis of its own merits/dismerits

Conclusion

In this paper, we have attempted to offer a framework for understanding the birth and expansion of capitalism, which has a different analytical focus than the mono-causal explanation that rely on culture, technology and economics. In our view, the shortcoming of these approaches is that their explanations are basically constructed around the proposition that the origin and development of capitalism is an fortuitous consequence of an aggregation of series of mutually-supportive activities. Viewed from this optic, capitalism emerged within a specific socio-cultural setting and developed out of a long process of competitive activities of merchants and manufacturers in the rational pursuit of their individual economic self-interest, which evolved in the development of new production relations and eroded the existing structure of society. However, although acknowledging its significance, we reject this conventional wisdom and emphasize what is usually not debated – the *political essence* and *content* behind the "evolution" of capitalism. To paraphrase Karl Marx, if the appearance of a phenomenon revealed its essence, there would be no need for scientific inquiry.

The entire history of capitalism is one of a forced process of inclusiveness and exclusiveness. Its starting point was the imposition of a ruthless coercion on common people through the compulsory enclosure and enforced formation of new property relations and legal system. With the restrictive access to land accompanying industrial transformation began a new form of production relations based on primitive capitalist accumulation. Simultaneously, Europe's expansion overseas, which began with conquest and trading relationships, resulted in the extension of the capitalist system of production. Through the slave trade, colonialization, "free trade", world wars, foreign aids,

structural adjustment, etc., the division of world resources and international division of labor was imposed and extended by military and political means. These aspects in the history of capitalism are outside the purview of conventional economics as well as the culturalist analysis.

The same process is still at work in many parts of the world. In developing countries many peasants are being press-ganged into factories as capitalism is forcibly imposed on them. The transition of non-capitalist society into market capitalism is not the choice of the people nor is it generated by the market necessities, rather, it is implemented by the elites of these countries with the support and encouragement of global capitalist forces and installations and on the basis of their political and economic interests. China's societal development in the past decades in a case in point.

It is no exaggeration to conclude that in historical retrospect and in the predictable future following the consequence of the radicalization and universalization of market capitalism, major issues concerning human society, such as development, globalization, North-South divide, inequality, poverty, security, welfare, trade, terrorism, war, etc., are and will be bounded within political foundations. Under these circumstances, politics is the most important arena where solutions of societal contradictions as well as sources of human struggles are to be found.

Endnotes

[1] One of the points of reference for this article is the discussion of the religiosity of capitalist market and economics, which tends to rely on extra-scientific theorems with mystical assumptions. For a satirical perspective of this approach, please refer to the piece of

"biblical story" of the holy creation process – the prophet, the prophecies, and the tenets the God's words – the *natural law* of economics (Madjd-Sadjadi, 2004).

[2] In Kuhn's explanation paradigms are social and intellectual constructs, system of explanations and interpretations by which natural scientists/social scientists attempt to make sense of the real world. When the old paradigm begins to be confronted by anomalies, a new paradigm starts to emerge and struggles to consider and interpret the same evidence in a new light, thus opening novel avenues for accumulating additional knowledge.

[3] Within the Western Christian religion there was a long struggle between the Protestant Reformation and the Catholic Counter-Reformation in pre-modern Europe where the leading powers were divided along religious lines: Catholic, Protestant, Eastern Orthodox and Muslim. The Wars of Religion (1618-1648) ended with the Peace of Westphalia. Among these powers, the Protestant (first England and the Netherlands and later the United States) had distinctive secular characters which were analyzed by Max Weber who in *The Protestant Ethic and the Spirit of Capitalism* developed a culturalist explanation as to why capitalism originated in the Protestant part of Europe.

[4] A religious movement in 16th-century Europe that took place as an attempt to reform the Roman Catholic Church and ended with the establishment of independent Protestant Churches.

[5] In Weber's understanding, the spirit of capitalism in the West became a moral and ethical system stressing economic success, whereas, material greed and profit-making were viewed as ethically immoral in many non-Western cultures as well as pre-protestant Europe.

[6] It should not be forgotten that in order for capitalism to flourish in North America and Australia, forced

population transfers of the destitute from Europe took place in order to colonize these areas, thus giving these entrepreneurs the needed labor power for their economic activities while releasing population pressures in the metropoles.

[7] Friedrich Hegel, in comparing Western consciousness with that of the rest of the world which created revolutionary history, placed China in the "childhood" phase of history; and Karl Marx, whose theories and insights inspired the Chinese Revolution, described China in some articles for the New York Herald Tribune as a society "vegetating in the teeth of time", and characterized the Great Wall of China as a metaphor for the universal resistance of non-European societies to change. See Dirlik and Meisner (1989:17).

[8] Equilibrium refers to an ideal market-price situation in which the interactions of economic agents are mutually consistent. Taking commodity price for example, equilibrium of price is shaped by a mutual affecting process in which suppliers increase prices when demand is in excess and decrease them when supply is in excess - the mechanism regulates the forces of supply and demand. See Begg, David, et. al (2000:30-32).

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Li Xing is an Assistant Professor at the Research Center on Development and International Relations, Institute for History, International and Social Studies, Aalborg University and Jacques Hersh is Professor at the Research Center on Development and International Relations, Institute for History, International and Social Studies, Aalborg University.

Li Xing, Ph.D
Assistant Professor
Research Center on Development and International Relations
Institute for History, International and Social Studies
Aalborg University
Fibigerstraede 2
9220 Aalborg
Denmark
Phone: 0045 96 35 8426; Fax: 0045 98 15 32 98
E-mail: xing@ihis.aau.dk

Jacques Hersh, Dr. Sc. Soc
Professor
Research Center on Development and International Relations
Institute for History, International and Social Studies
Aalborg University
Fibigerstraede 2
9220 Aalborg
Denmark
Phone: 0045 96 35 8301; Fax: 0045 98 15 32 98
e-mail: hersh@ihis.auc.dk