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Understanding 2016: China, Brexit and Trump in the History of Uneven and Combined Development

Abstract

This article uses the theory of uneven and combined development (U&CD) to produce a novel explanation of ‘Brexit and Trump’ – the two shock political events of 2016. The argument proceeds in three steps. First, we identify the global conjuncture of historical *unevenness* in which the votes occurred: how the neoliberal transformation of the advanced capitalist countries was synchronized with the radically different process of primitive accumulation in China. Second, we apply the theory of U&CD to this peculiar ‘simultaneity of the non-simultaneous’: the ‘big country’ effects of China’s industrialization, we find, were thrice multiplied by its *combination* with the advanced sectors of the world economy, which accelerated China’s take-off, brought forward its export phase, and widened its export profile at a moment of maximum openness in international trade. Finally, this produced the pattern of *development* that led to the events of 2016: the resultant trade shocks intensified the internal inequalities of British and American societies in ways that match the geography of the Leave and Trump votes. The analysis has a wider intellectual implication too, for the phenomena of historical unevenness and combination are intrinsic to the history of the global political economy; and the theory of U&CD therefore has a unique contribution to make to the field of International Political Economy.

Keywords

Brexit, Trump, uneven and combined development, late industrialization, China, International Political Economy.

Introduction

The political events of 2016 – Britain’s decision to leave the EU and the election victory of Donald Trump in the United States – are among the most dramatic upsets in modern political history.¹ Both have provoked large outpourings of analyses seeking to explain them. As Inglehart and Norris (2016) noted early on, these analyses fall into two broad categories: economic explanations that focus on social groups disadvantaged by “globalization”; and culturalist accounts which emphasize the backlash of a formerly privileged, white, male working class against the accumulated progress made by new social movements (feminist, gay, ethnic minority and environmental) in an increasingly post-industrial, multi-cultural society.

Perhaps understandably, these analyses have thus far concentrated overwhelmingly on detailed examination of the voting patterns: which social groups supported which side on the day, and with what intentions. In the Political Economy literature, at any rate, the significance of the wider historical and international context has yet to be explored with anything like the same intensity.

This may seem an unlikely suggestion. After all, Robert Brenner (2017) has explicitly attributed the events of 2016 to the decades-old “long downturn” in the global capitalist system. Having lost its ability to create new wealth, he argues, this system has instead generated ever deeper levels of inequality as its ruling elites have compensated themselves by taking larger shares of society’s wealth – leading ultimately to electoral revolt by a “tormented” working class. Brenner’s historical narrative has a wide international scope too: for it is the post-war rise of economic competitors to the U.S. – first in Europe, then Japan and the Newly Industrialising

Countries (NICs), and finally in China – that produced the surplus capacity in the world economy that stands behind the “long downturn” itself. Other Political Economy explanations for 2016 have their own deeper and wider backstories. Andreas Nölke, for example, extends Polanyi’s “double movement” in order to invoke an historical tendency for capitalist world development to alternate between globalizing and protectionist, regulated and deregulated or (in Polanyi’s terms) “embedded” and “disembedded” phases (Nölke 2017).

And yet it can be argued that at a deeper level, these narratives of “downturn” and “disembedding” actually obscure the international dimension that they appear to be incorporating. To be sure, in both cases this dimension is acknowledged as furnishing both a wider stage and additional actors to the drama. Importantly, however, it does not change the plot itself. In Brenner’s account, international competition plays out on a wider scale the same logic of process leading to overproduction and crisis that Marx identified as generic to capitalism as a form of society. Cycles of globalization and protectionism too rehearse at a supranational level the repeated “double movements” that “market society” installs as the rhythm of historical development inside individual countries (Polanyi 1957). Thus however important “the international” is empirically, it remains theoretically invisible for it adds nothing of its own to the fundamental logic of process being invoked to explain the events in question.

But what if this tacit assumption – that the international merely repeats on a wider scale processes that have already been theorized at the societal level – is mistaken? What if, on the contrary, the international adds a causal dimension of its own to the process of social change? In that case, approaches that did not uncover this causality

would fall short as social theories, and the historical explanations they enable would be correspondingly deficient.

In fact, the empirical problems with both the “long downturn” and “disembedding” explanations are not far to seek. Both before and after the crisis and recession of 2008-10, the U.S. economy posted per capita GDP growth rates that at least equalled its long-term average of 2 per cent and (after 1983) exceeded those of its developed competitors), challenging the notion of a sustained, system-wide downturn (Panitch and Gindin 2012:291-2). While inequality certainly deepened, this cannot be attributed to a fall in profit rates, which remained high and even reached record levels in 2013 (Norris 2014). Meanwhile, the idea of a backlash against “disembedding” encounters an even starker inconsistency. Of all countries, it was surely China that experienced the most dramatic dissolution of non-market forms of subsistence via the commodification of society. And yet it was not China, but Britain and the U.S. – societies where renewed “disembedding” involved a comparatively smaller change – that delivered the hammer blows of “Brexit and Trump” to the liberal world order.

Still, if neither the “long downturn” nor “disembedding” stand behind Brexit and Trump, what does? And why would it require a specifically *international* social theory in order to reveal the causal nexus involved? The answer, we suggest, is that the events of 2016 were ultimately the product of a unique world-historical conjuncture: the early “primitive accumulation” phase of capitalist development in China intersected in real time with the much more advanced development of capitalist countries that were themselves undergoing a process of “neoliberal” restructuring and technological change. This intersection transformed both sides; but, crucially for our

argument, it did so via causal mechanisms that derive specifically from the societal multiplicity of the human world, and which hence cannot be grasped by approaches that do not recognize the causal significance of the international.

In order to make our argument we turn to an idea that was designed to correct precisely this lacuna in social thought: Leon Trotsky's theory of uneven and combined development (U&CD). This theory was originally formulated in order to explain the Bolshevik Revolution of 1917 – an event that, in its own day, was as confounding to liberal and even Marxist thought as Brexit and Trump have been proving a century later. U&CD made explanatory sense of Bolshevism by locating Russian development in a wider international context. And the same, we suggest, can be done with Brexit and Trump today.

We do not claim that all the causes of these two upsets can be traced directly to the conjuncture described above. As we will show, however, it has been by far and away the largest feature of the world economy over recent decades; and when its subterranean effects are added to the more visible direct ones, the case for its central role becomes more and more compelling.

Our argument is set out in three parts. First, we consider where the current conjuncture stands in the longer-term history of capitalist development, and why, in order to understand it, International Political Economy needs the particular focus enabled by the theory of U&CD. Second, in the longest section of the article, we apply Trotsky's theory by historicising its three elements: the *uneven* world development that juxtaposed primitive accumulation in China with advanced

neoliberal capitalism in the West; the paradoxical interaction and *combination* of these two which created a new global social structure with its own mechanisms of growth and crisis; and the subsequent process by which in turn these led to the unexpected *developments* of 2016.

Finally, in the Conclusion, we return to the wider disciplinary significance of this exercise. Even before the shock events of 2016, a debate had emerged over how far the discipline of International Political Economy (IPE) had lived up to the expectations that had attended its birth in the 1970s. IPE had originally offered to dramatically widen the scope of international theory. Indeed the early work of Peter Gourevitch and others mined a rich seam of historical sociological analysis which in many respects prefigures the approach taken in the pages below (Gourevitch 1978).ⁱⁱ In subsequent years, however, the field seemed to have become trapped in a restrictive orthodoxy of its own – “the interaction of state and market” (Gilpin 1987:7) – oscillating between claims for the implications of politics for international economics and of economics for international politics (Burnham 1994:221-22; Boyle 2008). More recently, the optic narrowed even further: “the field of IPE has largely converged around a single theoretical perspective, liberalism; a single ontological position, rationalism; and a single method, quantitative analysis” (McNamara 2009:73). U&CD, we believe, offers a way out of this impasse by reviving the neglected international element in the formula of IPE. Such a revival has in fact been called for by Robert Keohane, one of the founders of modern IPE (Keohane 2009). And we end by showing how U&CD meets this call in remarkable detail.

IPE and The Present as History

But why should we expect that an engagement with “the international” might be of such significance for IPE? The answer, we suggest, lies in the very nature of IPE’s subject matter.

In 1853, Marx contemplated the historical meaning of British imperialism in India. In lines that would become famous – or infamous – in later years, he wrote that England

...it is true, in causing a social revolution in Hindustan was actuated only by the vilest interests, and was stupid in her manner of enforcing them. But that is not the question. The question is, can mankind fulfill its destiny without a fundamental revolution in the social state of Asia?
(Marx 1973:306-07).

Initial appearances notwithstanding, it is well worth trying to rescue Marx’s question from the patriarchal, teleological and Orientalist terms in which he formulated it. For buried inside lies a simple but profound intuition about the overall historical geography of modern world development. In 1853 industrial capitalism as a form of social life had barely spread beyond England. By the end of the century, to be sure, it would expand East across the European continent and would raise up the American colossus in the West. But even then, and despite having dragged the rest of the world into an unprecedented global division of labour, it would remain in itself a minority occupation. The largest human populations on the planet still lay where centuries of pre-capitalist “Old World” development had concentrated them: in continental Asia. These social formations were now subordinated to the capitalist world. But they were not yet themselves capitalist societies. And if we release Marx’s question from the

Nineteenth Century colouring of its original formulation, its deeper implication becomes immediately visible: capitalism began outside the demographic core of earlier human history; sooner or later, its expansion would detonate the core itself; and only when it did so would the full significance of industrialization for modern world history begin to unfold.

In his 19th Century way, Marx was anticipating what, in the light of Chinese industrialization today, has come to be known as the “big country” effect (Kaplinsky and Messner 2008). In 2016, China’s population was approaching 1.4 billion – more than 27 times that of South Korea, (the largest of the Asian NICs). If only for this reason, the impact of its industrial take-off on the world economy was bound to be unprecedented. And so it has proven. By 2008, China was consuming half the world’s cement production, a third of its steel and over a quarter of its aluminium (*Economist* 2008). In 2010, it became the world’s largest manufacturer. In 2013, it overtook the United States as the world’s leading destination for foreign direct investment. And a year later, China’s merchandise trade reached \$4.2 trillion, exceeding America’s for the first time (*Economist* 2014).

Even more strikingly, but again resulting from its enormous scale, Chinese industrialization was significantly impacting the wider world economy at a much earlier stage of its own development than had been the case for previous late industrializers. In 2014, China’s per capita GNI ranked 100th in the world; but because this was multiplied by almost 1.4 billion, it was already enough to make China – a ‘developing country’ - the world’s second largest economy. Its foreign reserves of \$4 trillion – though once again lower in per capita terms than many of its neighbours’ – were easily the world’s largest. It was unprecedented for a developing

country – whose per capita income reached only a seventh of America’s (World Bank 2018a) – to exercise such weight in the world economy. But the reason was simple enough: these were the early stages of an industrial take-off which, in demographic terms, was equivalent to the simultaneous rise of eleven new Japans, or even four new USAs.

Marx, therefore, was surely not wrong to have implied that Asian industrialization, whenever it occurred, was an earthquake waiting to happen. But earthquakes are notoriously hard to predict. And here Marx was mistaken. *He* thought the ‘fundamental revolution’ in Asia was already underway in 1853, and India would soon be strong enough to overthrow the British Raj. In fact, however, it took almost a whole century before India and China even recovered their political independence. It took a further three or four decades before the Asian revolution that Marx had in mind finally took off, not in colonial India but in post-Maoist China. And this temporal displacement added a further peculiar twist to the situation. For China’s industrialization was so delayed that its big-country effects were pent up and carried forwards across historical and developmental time. They were then released into a radically different historical environment to the one envisaged by Marx. By the same token, the external environment and world historical context of China’s take-off were “swapped around” too: instead of the still largely “slumbering” agrarian world of the 1850s (Marx 1973:72), this take-off occurred in a post-Bretton Woods era, where the social, financial and technological power of the advanced capitalist countries had grown out of all proportion to what it was during the British-dominated age of steam. As a result, both sides of the equation were transformed. The early stages of industrial take-off in China intersected with advanced capitalist societies that were one or even

two hundred years 'ahead'. And these societies in turn found themselves co-existing and interacting with a vast new instance of a process (of primitive accumulation) that they themselves had long left 'behind'. It was as if socio-historical time had been broken up into spatially separate fragments, and these fragments had then been put back together in a different order, so that phenomena that originally belonged to different times had now ended up unpredictably next to each other.

Thus a dual unevenness – of demographic scale and historical temporality – began to release its effects into the world economy of the late Twentieth Century, compounding the latter's existing structure with new dynamics of growth and crisis. Never before had so large a social formation, at so low a developmental starting point, industrialized in a capitalist world context that was so much further advanced.

This peculiar, asynchronous conjunction may seem exceptional and even freakish. In fact, however, displacements and paradoxical intersections like this have been a chronic and highly consequential feature of capitalist world history from its beginnings. They are therefore intrinsic to the subject matter of IPE. As already noted, the original English industrial revolution occurred in (and in interaction with) a pre-capitalist global context. Subsequent European take-offs – France in the 1830s, Germany in the 1850s, Russia in the 1890s – confronted first England, and then, as the sequence lengthened, others too 'ahead' of them, even while they simultaneously left 'behind' the majority of the world's societies where industrialization was yet to occur. It was this international staggering and sequencing of industrial development that underpinned the enormous imbalance of global power that led to the late-19th Century climax of European imperialism – “a world in which the 'advanced' dominated the 'backward'” (Hobsbawm 1989:56). Indeed it became central to

Britain's special role in the late-19th Century world economy, which was increasingly based on the "crossover trade" that interrelated the development of industrialized, industrializing and pre-industrial regions (Findlay and O'Rourke 2007:327). And it even played heavily into the causes of the First World War. The spread of free trade across Continental Europe peaked with German unification in 1871. But this climax coincided with the industrialization both of agriculture in North America and of transatlantic freight transport. The result was the "great grain invasion" (O'Rourke: 1997) that threatened dislocation – both economic and political – of the still peasant-based societies of Continental Europe. Bismarck's protectionist response led to deepening tariff conflict abroad while installing a new reactionary political bloc at home – the "marriage of iron and rye". It was this hybrid outcome, triggered by the staggering of industrialization between Europe and North America, that set the *Kaiserreich* on a "collision course" with Russia, a course that would end in the July Crisis of 1914 (Gordon 1974:207; see also Rosenberg 2013:205ff).

Economic historian Sydney Pollard coined the term "the differential of contemporaneousness" in order to capture the systematic role played by such spatio-temporal difference. "No history", he insisted, "that sets out to describe realistically how Europe was industrialised can leave out this manner in which the process occurred, and the interrelationships which it set up as it proceeded" (Pollard 1981:46, emphasis added). And from this it follows that IPE cannot be adequate to its object unless it incorporates into its core theories this property of the historical process – the "contemporaneousness" of multiple, differentially developed societies. One need only recall the roster of those core theories – liberalism, mercantilism, World-Systems

Theory, neo-Gramscianism etc. – to confirm that this incorporation has been fitful at best.

And yet the resources for it do exist. For, like Alexander Gerschenkron (1962) before him, Pollard was, consciously or unconsciously, reproducing an argument originally made in a more general way by Leon Trotsky.ⁱⁱⁱ It was Trotsky who (in 1906) first argued systematically that the unilinear prognosis of the *Communist Manifesto* (in which capital “creates a world in its own image”) could not be realized at the global level. “Unevenness”, he later wrote, is “the most general law of the historic process” (1932:5). We should note that the use of the term “law” here “...need not be taken literally and Trotsky’s purpose will be served even if it is seen as designating only a general proposition or observation about historical development” (Knei-Paz 1978:89). Specifically: human history has always comprised a multiplicity of social entities of different types and scales, developing at different speeds. Yet this is more than a comparative observation about cultural variety and difference; it implies a broad causal claim that there exists a wider interactive context to any instance of social development; and that in turn imparts a dialectical, non-unilinear quality to historical change overall.

In this way, Trotsky built the significance of the international into a general model of world development. And the effect was to uncover a specifically international layer of causality at work in the ongoing history of the global political economy. Viewing the early 20th Century world scene, he suggested that the initial crystallizing of capitalism in North West Europe had already transformed the conditions of its emergence elsewhere in three main ways.

First, as a result of the imbalance of power which it created, other societies were now subjected to a “whip of external necessity” – they were “compelled to follow after” the industrializing countries on pain of losing their independence (Trotsky 1932:5). Secondly, however, the same historical unevenness that generated this pressure also created new ways of meeting it. Contemporaneity with societies that had already advanced further down the path of industrialization meant that “late developers” did not have to retrace the steps of their predecessors – they could import the technologies, the finance and the very idea of industrialization from abroad. This “privilege of historic backwardness” accelerated the process, enabling them to “leap” over “stages” that would otherwise have been necessary. But it also, thirdly, transformed the outcome: in a dramatic compression of the historical process, it “combined” fundamentally pre-capitalist social and political structures with the latest results of capitalist development from elsewhere.

For this reason, the law of unevenness also meant there was no single pattern to the creation of these “social amalgams” (Trotsky 1973:67): not only would global industrialization be staggered, with different societies joining the process at different points in time, and bringing different historical legacies to the shaping of “combined development”; but also, the external context in which they did so was itself undergoing continuous historical change as the lead societies continued to evolve, and the composition of the whole was repeatedly altered by the arrival of new and different centres of accumulation and development. In short, capitalist world development was both “uneven” and “combined”; and, by comparison with the largely unilinear logic traced by Marx in *Capital*, this transformed its law of motion

as an empirical historical process. The spread of industrialization was indeed producing an interconnected “social structure of humanity” (Trotsky 1962:9); but this structure itself was a shifting amalgam of social and political forms whose most general characteristic was (in a phrase often associated with Ernst Bloch (1977)) “the simultaneity of the non-simultaneous”. As Trotsky noted at one point, “[i]t is all a question of concrete correlations” (1932:379).

Trotsky used this schema to explain why, though industrialization was proceeding rapidly in late 19th Century Russia, that society was not taking on the liberal form of its Western predecessors – and why, on the contrary, its unique political sociology was moving towards a socialist-inspired revolution long before the ‘classical’ conditions for such an event had materialized. The reason, he suggested, lay in the particular spatio-temporal unevenness that had synchronized semi-feudal Absolutism in Russia with the onset of capitalist development in the West. It was the interaction between these two that set in train the particular logics of “combined development” that – quite against the expectations of orthodox Marxism – produced the Bolshevik revolution. And the result was no peripheral sideshow: via the Cold War that eventually ensued, the international unevenness of capitalist development had changed the shape of modern world history.

Thus the ‘I’ in IPE adds much more than simply an enlarged scale to the analysis. Properly understood, it also uncovers additional logics of process that reach transformatively into the core subject matter of IPE itself: the ongoing historical evolution of the global political economy.

The conjuncture of 2016 is hugely different from that of 1917. But once again the unevenness of world development and “the interrelationships which it set up as it proceeded” (Pollard), have played a key role in shaping the course of world affairs. As noted earlier, China’s enormous population makes its industrialization equivalent to the simultaneous take-off of eleven new Japans or even four new USAs. If we step back like Marx did in 1853 and reflect world-historically, if we try to picture “the present as history”, then it seems implausible that an event of such magnitude would not, even in its early stages, produce a truly dramatic impact on the structure of world development. As Keohane put it: “An appropriate metaphor is that of an elephant jumping into a small pond” (2009:41). But as we have argued above, the international unevenness at work here is not only one of scale but of temporality too. To picture the causal structure of this conjuncture, we therefore need to grasp the overall shape of its uneven and combined development. For it is this, we shall argue, that stands behind the events of 2016. But how?

Uneven and Combined Development: the Conjuncture of 2016

In order to find out, we must apply the theory of U&CD to the empirical historical events we are seeking to understand. As elaborated elsewhere, this can be done by concretising for the historical period in question the three constituent parts of the idea: – unevenness, combination, development (Rosenberg 2016:28-29).

The first step is always to specify the empirical unevenness – in this case between China on the one hand and the advanced capitalist countries (ACCs) on the other – that is to be placed at the centre of the analysis. Step two then reconstructs the particular “combination” to which the intersection of these unevenly evolved parts

gives rise: how, that is, both China and the world economy were transformed by their interaction, and what new “social structure of humanity” emerged. Finally, in step three we must trace this process of combined development until it connects to the proximate causes of the particular events – or “development” – that we are trying to explain: how, in short, did the changes set in train by China’s late industrialization create the conditions for the unexpected voting behaviour of 2016?

Following the steps of this analysis brings our alternative explanation into view. First, we find that the international conjunction of post-Maoist China with a neoliberal world economy was itself produced by earlier processes of uneven and combined development – unexpectedly illustrating Trotsky’s claim for unevenness as “the most general law of the historic process”. Second, the “combination” of China’s primitive accumulation with a much more advanced world economy transformed both sides, generating an unprecedentedly large trade shock at a moment of maximum openness in the world economy. And finally, this trade shock impacted manufacturing employment in Britain and the US, producing regionalized effects that matched the geography of the Leave and Trump votes respectively.

In sum, we suggest that without historical unevenness, neither China nor global capitalism would have existed in the forms they did; the shock of China’s industrialization would not have been so large; its impact on the politics of the advanced countries would not have been so pronounced; and the political upsets of 2016 would likely not have occurred. This is the argument we shall now attempt to substantiate.

a. Unevenness: Roots of the Conjecture

In order to take the first step, we must piece together the structure of uneven development at the core of our analysis. Let us begin, then, with the pattern of capitalist development in the West.

From around 1870 until the post-war era, U.S. productivity grew faster than its rivals', based on a new model of economic growth (Abramowitz 1994:91, Hirst et al. 2009:134). Later known as "Fordism", this new model involved a mix of resource-intensive mass production with a continental-scale national market. And it was a model that, for a variety of reasons, America's older rivals could not implement for themselves. The gap was widened still further by the two world wars, so that by 1950 manufacturing productivity in the U.S. was double Britain's, three times (West) Germany's, and nine times that of Japan (Hirst et al 2009:134). Following the defeat of fascism, however, (and with the break-up of the European empires and the binding of all the leading capitalist powers within U.S.-dominated Cold War alliances), Western Europe and Japan were finally in a position (with U.S. assistance) to exploit the 'privilege of historic backwardness' by rebuilding their economies on Fordist lines. The result was the "largest surge of economic growth in history" (Shipman 2014:186). And the catch-up nature of this "long boom" can be read in the differential growth rates involved. While U.S. productivity (measured in GDP per hour worked) grew at an annual average of less than 3 per cent between 1950 and 1973, average productivity growth in Germany was running at almost 6 per cent per year, and in Japan the annual rate was even faster, at 7.74 per cent annually (Maddison 2001:352).

By the late-1970s, German and Japanese manufacturing productivity was converging with the U.S. (Van Ark and Pilat 1993:17). But as the gap narrowed, growth rates slowed. And here too the differential sharpness of the slowdown reflected the different roles played in the catch-up nature of the long boom. Between 1973 and 1998, productivity growth in the U.S. declined by 45 per cent, but in Germany it fell by 60 per cent, and in Japan by almost three quarters (Maddison 2001:352, authors' calculations; see also Hirst et al 2009:139 and Crafts 2008:63).

Thus the post-war long boom and its eventual exhaustion were not simply – as Brenner (2006:141) implies – a cyclical expansion followed by a standard capitalist crisis of overproduction. Nor are they fully explained as an episode of “embedded liberalism” (Ruggie 1982), in which co-operation was first facilitated and then undermined by the rise and fall of U.S. hegemony. Rather, they were rooted in a longer-term episode of uneven and combined development: America's own late industrialization had introduced a new developmental gap among the advanced economies which subsequently fuelled an enormous but “inherently transitory” global surge of catch-up growth (Abramowitz 1994:119; see also Pollard 1997:19 and Crafts 2008:56).

It was the economic and social difficulties caused by the eventual slowdown that led to the rise of what came to be known as “neoliberalism”. In 1979-80, after almost a decade of failed attempts to revive growth rates by Keynesian methods, new governments emerged in Britain and the United States that were determined to break up the corporatist constraints on capital that had built up during the long boom. Tax-cutting and assaults on the power of organized labour at home were matched by the

removal of controls on the international movement of capital and the use of the Third World debt crisis to prise open long-protected national economies across the global South. (“Average tariffs in the developing world fell from 34.4% in the early 1980s... to 12.6% [by 2000]” (Findlay and O’Rourke 2007:499).) This period already witnessed the first stirrings of the “new international division of labour” that was to become so significant in the first decade of the 21st Century: partly in response to the rise of the NICs in East Asia, advanced capitalist countries, especially the Anglo-Saxon ones, began to abandon less competitive industrial sectors (textiles, steel-making, ship-building), leading to partial de-industrialization; and a “retail revolution” in the United States, gave an early boost to the phenomenon of ‘contract manufacturing’ (Feenstra and Hamilton 2006:218ff).

From the 1980s onwards, this process would combine with new developments in information technology to produce what Richard Baldwin calls “perhaps the most momentous global economic change of the last 100 years” (Baldwin 2013:13), namely the “second great unbundling” in the history of industrialization. In the original Industrial Revolution, production had become spatially separated from immediate consumption, allowing massive economies of scale that triggered both the phenomenon of modern economic growth itself and the “great divergence” between industrializing and non/de-industrializing regions of the world. From the mid-1980s, however, a “second unbundling” began, as stages of production previously concentrated within a given locality (or even an individual factory) were increasingly dispersed among sites in different countries. Technically, it was the digital revolution that facilitated this change by making it “possible to co-ordinate complexity at distance” without ceding control of the technologies involved (Baldwin 2013:16).

“Modularization”, electronic communications, and containerization all played key roles in this breakthrough to a “new American model of industrial organization” (Sturgeon 2002:455). What made it *profitable*, however, was the “vast wage differences between developed and developing nations” (Baldwin 2013:16). Just like the colonial experience, the Bolshevik Revolution and the long boom, the late 20th Century world economy of transnationalized production, emerging markets and global value chains (GVCs) would be underpinned by the historical and geographical unevenness of world development.

Thus if the domestic content of neoliberalism was the break-up of statist regulation and socialized provision, it had a crucial international dimension too, leveraging this global unevenness of development and thereby facilitating a faster and deeper change than could otherwise have occurred. Moreover, it was the collapse of “actually existing socialism” – the social formations produced by Trotsky’s original conjuncture of uneven and combined development – that provided the demographic scope for this interactive mechanism to operate. In a few short years, the world labour market effectively doubled in size. And no less than half of this effect was provided by just one country: China (Freeman 2006:31).

Like the advanced capitalist countries, China too entered the post-Bretton Woods era profoundly shaped by earlier, though very different, processes of uneven and combined development. In the hundred years leading up to the revolution of 1949, China had been unwilling or unable to ‘follow after’ the industrializing Western powers in the way that Japan did after the Meiji Restoration of 1868 (Lockwood 1956; Moulder 1977; Hung 2016). As a result, it suffered a “century of humiliations”:

repeated military defeats, international legal subordination, civil war, territorial disintegration and finally large-scale invasion by Japan. In the end, the Chinese Communist Party was the only political force capable of responding to this “whip of external necessity” by expelling the foreigners, reuniting the country and establishing the internal conditions to sustain China’s independence in the future.

But due to the extreme historical unevenness of world development, this would be a ‘communist party’ of a most peculiar kind, even further removed from the expectations of Marx and Engels than the Bolsheviks had been. The Russian Revolution had occurred in a ‘backward’ country, at a point where the industrial working class was nowhere near being a majority of the population. But if the Russian proletariat in 1917 was small, the Chinese proletariat in 1921 (when the Chinese Communist Party was founded) was virtually non-existent; and within a few years the Party had turned its back on the cities altogether, basing itself instead on the support of China’s enormous peasantry. As Isaac Deutscher noted, this strategy was necessitated by the fact that China’s modernization was even more belated than Russia’s (Deutscher 1964:29ff). And it proved successful. But it also led to a peculiar developmental policy on the part of the Maoist state. Limited industrialization needed to happen if China’s independence were to be secured into the future. But, given its rural social basis, the CCP would not follow Stalin’s policy of a violent urbanization of the peasantry. Instead, private landlordism was abolished and the countryside was collectivized, thus finally enabling the state to extract a rural surplus for investment in new industries in the towns. The rural population, meanwhile, was tied to the communes, and prevented from migrating to the cities. And these political structures

became the vehicle for delivering services – like education and healthcare – at levels never before experienced by China’s rural majority (Hung 2016:43ff).

Later it would become apparent that this peculiar “combined development” of a Stalinist command economy with the largely still-agrarian foundations of Chinese society had produced an unintended effect of great consequence: an enormous reservoir of healthy, educated labour, dammed up in the countryside but available for the rapid expansion of industry when state policy changed. When the sluice gates were opened, the result would be the largest process of internal migration in history – some 144 million by 2000 (Naughton 2007:129) – feeding a demand for cheap labour driven by equally unprecedented levels of foreign investment pouring in from more advanced capitalist countries.

In 1867, Marx had argued that the origins of capitalism in any society do not lie in some original act of frugality that produced the first surplus for investment (Marx 1976:873). The real substance of what the Classical Political Economists had called “primitive accumulation” was rather the process of (generally violent) social change in which pre-capitalist social structures were destroyed, and were replaced by capitalist relations of production and exchange. The peculiarity of Maoism in China was that it had already accomplished the first half of this process of primitive accumulation, and in so doing, it had also created the conditions in which the second half – the shift of population from collectivized agriculture to urban private property and wage labour – could occur all the more quickly.

In this respect, China differed strongly from the other Asian giant, India. As Barrington Moore long ago pointed out, “the price of peaceful change” in India was that its vast rural population (and its land) remained tied to pre-capitalist property relations, and trapped in far lower levels of health and education (Moore 1977:314ff; see also Saith 2008). Partly for this reason, throughout the three decades of sustained high growth in China, India’s economy was unable to achieve a similar take-off (Downes 2009:117). By contrast, in China when the turn to the market eventually came, the peasantry was already dispossessed, and both political control and ownership of the means of production were concentrated in the hands of a centralized party-state. In short, China’s prior history of combined development, by removing pre-capitalist obstacles to the speed of social change, could (and would) act as a further multiplier (over and above the simple fact of demographic scale) of the external impact of China’s industrialization.

Still, at the time of Mao’s death in 1976, this advantage was less visible than two much more pressing facts. On the one hand, nearly three decades of communist rule had failed to solve the basic problem of food supply, and the country was facing the prospect of looming shortages (Vogel 2011:232). On the other hand, although China’s post-war economic growth, boosted by technology transfer from the Soviet Union, had been stronger than many other Third World countries, it could not match the speed of development in East Asia, and it continued to fall even further behind the advanced capitalist societies technologically. As the Party’s leading development strategist later put it, China’s “science and technology lagged some fifty years behind the level in developed capitalist countries... We cannot move into the front ranks of the world... unless we make a big effort to catch up” (quoted in Kerr 2007:83-84).

Meanwhile, Japan, with only one-tenth China's population, had an economy four times the size of China's (Hobsbawm 1994:471). And Japan's take-off was now being repeated across the East Asian NICs, with the effect that China was increasingly surrounded by booming capitalist economies allied to the capitalist superpower of the United States. The "whip of external necessity" was sharpening once again. And China's response would be "a wholesale rejection of the Maoist economic ideology" (Dernberger, cited in Cumings 1989:214).

Thus the unevenness that was activated from the 1980s onwards was not simply that of accumulated capital in the West co-existing with a surplus of low-wage labour in the less developed countries. *That* correlation, after all, has been a staple of modern world development almost from the industrial revolution onwards. What was peculiar to the turn-of-the-century conjuncture was the socio-political opening of both sides that transformed this factual unevenness into a catalyst of explosive change.

Previously divergent historical trajectories now intersected in a sudden real-time interaction of the advanced capitalist economies with the primitive accumulation stage of capitalist development in China. The result of this massive "simultaneity of the non-simultaneous" was one of the widest regional wage differentials on the planet (Katzenstein 2003:220) - and both foreign corporations and a Chinese Communist Party who were primed to exploit the opportunity it presented. By this circuitous route, delayed and diverted by an international causality he never theorized, the "fundamental transformation in the social state of Asia" foretold by Marx would finally arrive.

b. Combination: the changing 'social structure of humanity'

In Trotsky's analysis of Czarism, "combined development" was a complex and paradoxical sociological phenomenon. An industrial economy was emerging – but in the absence of a capitalist possessing class. An archaic, absolutist state was drawing new vigour from orchestrating the industrial take-off. And due to the temporal compression of the process, a new politics arose from the interaction of social forces (like a semi-feudal state with a modern industrial working class) that had elsewhere been separated in developmental time. All of these effects have been replicated in China: the paradox of a communist party-state leading the turn to capitalist development has been widely noted; and a minor literature has emerged (apparently unaware of Trotsky's theory) to analyse the policy dilemmas of China's uniquely "compressed development" (Whittaker et al. 2010).

For our purposes, however, the really crucial aspects of combined development are those which increased the impact of China's take-off on the world economy in general, and on the advanced capitalist countries in particular. And in this respect, three aspects proved to be especially significant: the "privilege of historic backwardness"; the historical timing of its activation (coinciding with both the digital revolution and the liberalization of the international economy); and what might be called the resultant "resequencing" of developmental stages. The first and second of these made the catch-up growth of China much faster, while the second and third both deepened and widened China's export surge, unleashing a much larger shock to the employment structures of the advanced countries than was produced by other late-industrialising economies like Germany and Japan. Each of these three aspects played

an important role. But because the second overlaps so strongly with both of the other two, we shall, in what follows, incorporate it directly into our discussion of them, rather than treating it separately.

As we know, Trotsky argued that the “leaping” of developmental stages enabled by the “privilege of historic backwardness” produced an accelerated rate of growth in late-industrialising countries. And many subsequent writers have noted how this effect has only intensified as the gap between “developed” and “undeveloped” economies has increased over time (Szirmai et al. 2013:7). The initial quintupling of per capita GDP that took Britain more than 160 years to achieve was accomplished in a century in the USA, and only 75 years in Japan (Dunford and Yeung 2011:35-6). In the East Asian NICs it took barely 25 years. And China, despite its much greater size, quintupled its per capita GDP (PPP) in under 20 years (World Bank 2018) – “outperform[ing] every other long economic upturn in the history of modernity” (Ten Brink 2013:18). But what exactly does the “privilege of historic backwardness” comprise?

For China in 1979, it had four main sources: the pre-existence of foreign learning; the possibility of technology transfer; the access to developed export markets; and the accumulated wealth of foreign capital available for inward investment. What role did these play in the take-off that followed?

First, China’s late development meant that it did not need to re-invent the process of industrialization itself. The obviousness of this statement should not blind us to what it implies about the enormous causal significance of historical unevenness. Trotsky

had observed how the pre-industrial tribal peoples of his day “throw away their bows and arrows for rifles all at once, without traveling the road which lay between those two weapons in the past” (Trotsky 1932:5). This same mechanism, adjusted for time and place, characterizes all uneven development and is not at all restricted to physical technologies. Thus, in the earliest stages of economic reform, the Chinese government drew on the accumulated expertise of more advanced capitalist countries. The World Bank was invited to advise on the introduction of market mechanisms into the Chinese economy. Intensive links were also forged with the Japanese government with a view to incorporating the regional experience of the East Asian take-offs (Vogel 2011:456ff). Meanwhile, direct business links between the Mainland and overseas Chinese communities in Hong Kong, Taiwan and Singapore allowed China to substitute the advanced managerial skills, trading networks, and business culture of the “little dragons” for its “own missing and undeveloped market institutions” (Zhang 2000:77). Moreover, in the first three decades after 1978 over a million Chinese students studied abroad – rising to four million by 2015 (Vogel 2011: 456; ICEF Monitor 2016).

Using foreign learning in these ways, China was able both to steer the early stages of its reforms and to acquire new cadres of educated professionals and entrepreneurs long before it could otherwise have developed the domestic capacity to produce them – hence dramatically accelerating the process of social change.

But China’s leap was also occurring, secondly, through the import of the latest production technologies. All national processes of industrialization produce a jump in productivity simply by virtue of the redeployment of surplus labour out of subsistence

agriculture and into industrial-scale production. Late industrialization, however, augments this jump through its access to more advanced foreign technologies that relieve it of the time necessary to invent them anew. In China's case an initial "splurge of buying complete turn-key plants" (Gittings 2006:215) soon gave way to a more effective strategy of using China's enormous domestic market as a "bargaining tool" to compel multinational corporations to take Chinese partners in joint ventures (Wang et al. 2002:24) In this way, China "was able to obtain technology on a scale unprecedented for a developing nation" (Shenkar 2005:66). Moreover, in sector after sector – from manufacturing through transport and retailing to telecommunications – China utilized "its built-in advantage of not having sunk investment in second-generation technologies" (Shenkar 2005:60), enabling a faster uptake of the most advanced methods than was occurring in the leading capitalist countries themselves.

What made this especially impactful, however, was the fact that technology transfer also matched advanced production technologies with extremely cheap Chinese labour (averaging 67 cents per hour in 2004 (U.S. Department of Labor, 2006:4). Eventually, as the supply of fresh labour from the countryside slowed, wages would rise, and the gap would reduce. While it lasted, however, the combination underpinned the all-conquering "China price" (Engardio et al. 2004) – a windfall for foreign multinationals, but a boost to the international competitiveness of Chinese-owned firms too (including State Owned Enterprises).

China's take-off was accelerated by historical unevenness in a third crucial respect. From the start, but especially after 2001, it relied on being able to sell its output in the enormous markets created by two centuries of capitalist development elsewhere –

above all in the United States and Europe. China's reliance on this particular "privilege of historic backwardness" was so great that by 2006, its exports-to-GDP ratio reached 37 per cent, an unprecedented level for such a large country. (By contrast, Japan's ratio never exceeded 15 per cent, while Brazil's peaked at 16.5 per cent. Only India, exploiting the same historical conjuncture as China, came anywhere close, reaching 25 per cent in 2013 (World Bank 2018b).)

In fact, the delay of China's take-off gave it a triple "privilege" in this respect. Not only did it entail the existence of much larger export markets than would otherwise have been available; but in addition, these markets were at a historical high point of openness such as had not been seen for over a century; and China's access to them was now facilitated by the *regional* unevenness of development that was also acting as such a pressing "whip of external necessity". We noted earlier that during the 1970s, low cost labour in Hong Kong and Taiwan had already attracted a first wave of contract manufacturing orchestrated by U.S. retailers. As wages rose in these countries during the 1980s, however, profits fell. And when China began to open up, Hong Kong and Taiwanese companies were primed for a wave of off-shoring of their own. During the late 1980s, some four-fifths of Hong Kong's light manufacturing industry and almost a million jobs were transferred across the border (Huang 2001:186-7) – where wage levels were as low as one-eighth of those in Hong Kong (Downes 2009:110). And in the 1990s, Taiwan's huge electronics contract manufacturers shifted a growing proportion of their production to the Mainland too. These companies provided a free gift of ready-made export openings for China's take-off: for they "uncoupled the pipeline they had established to world markets from

their original home bases and reconnected it to China's new export zones" (Brandt and Rawski 2008:12).

The sequencing of industrializations in East Asia thus provided a spatio-temporal bridge between China and the world economy, ensuring that limits to the speed of China's take-off were not set by the development of its own internal market. Without this bridge, formed out of the regional and global unevenness of development, it is inconceivable that the speed of China's industrialization could have been sustained.

Finally, historical unevenness yielded a *financial* privilege of historic backwardness too. From the early 1990s, China was able to draw from the results of earlier accumulation in other countries to help power its export-led industrialization drive (Naughton 2007:402-6). A century earlier, Czarist Russia had exploited this same temporal privilege through state borrowing on Europe's stock markets. As a result, wrote Trotsky,

...capitalism in Russia did not develop out of the handicraft system. It conquered Russia with the economic culture of the whole of Europe behind it, and before it, as its immediate competitor, the helpless village craftsman or the wretched town craftsman, and it had the half-beggared peasantry as a reservoir of labour-power. (1906:181)

China's situation, to be sure, was different. Peasantry and industry alike had already been collectivized in a command economy that was now unravelling. And it was not state loans but Foreign Direct Investment through which the advanced countries now

reached back across developmental time, accelerating China's take-off by infusing (by 2016) 1.7 trillion dollars into the process (Morrison 2015:17). But the basic mechanism – late developers' access to much greater investment capital than would otherwise have existed – were the same. And the result was explosive. By the start of the new millennium, foreign-invested enterprises accounted for close to half of China's total exports, and almost all its exports in electronics (Naughton 2007:406). As China's share of global manufacturing activity increased, its exports skyrocketed. From \$250 billion in 2000, their value rose to \$2 trillion by 2012 as the country overtook first Japan, then Germany and finally the United States to become the world's largest manufacturing exporter (Morrison 2015:21).

Analysing the case of Czarist Russia, Trotsky (1932:9) had noted that, “[a]rising late, Russian industry did not repeat the development of the advanced countries, but inserted itself into this development, adapting their latest achievements to its own backwardness”. China now accomplished a similar dialectical leveraging of historical unevenness through “a bold policy of *liangtou zaiwai* (extending both ends of the economy abroad)” (Zhang 2000:21). Specifically, China “inserted itself” into the ongoing development of the advanced capitalist societies as a sub-section of their increasingly trans-nationalized production processes (Steinfeld 2002:24). And by specializing initially in the provision of cheap labour for digitally-modularized assembly work, it adapted above all “their latest achievements” (efficiency gains achieved through the “unbundling” of manufacturing into global value chains) “to its own backwardness” (that is, to its temporary possession of a mass of surplus labour power generated by the process of primitive accumulation).

In sum, the result of China's "historical belatedness" was that the impact of its industrial take-off, massive as it would always have been, was even further enhanced. This was partly due to acceleration enabled by the accumulated "privilege of historic backwardness", and partly due to the way that uneven development synchronized China's take-off with a neoliberal deregulation of the international economy that enabled the elements of historical privilege to operate with unusual freedom. But this synchronizing itself had a final consequence which we earlier referred to as the "resequencing" of developmental stages.

The historical timing of China's take-off meant that it could not repeat the trajectories of Japan and the East Asian NICs that had occurred so recently before it. They had industrialised via the 'classic' late development model, in which high levels of protection and import substitution had allowed for the emergence of an integrated national economy which eventually (and comparatively late in the process) achieved an internationally competitive export sector. The effects of those exports had been dramatic enough, forcing the advanced capitalist countries to adjust and partially abandon ageing sectors in a "New International Division of Labour". In China's later case, however, industrialization was driven instead by integration into global value chains created by foreign multinationals who were transnationalizing their production processes. Not only did this mean that the protectionist, import-substituting route was cut off. It also meant that China's export surge began at the very start of the process, when its wage levels were considerably lower than its NIC predecessors' had been (Hung 2016:70). And, due to the modularization of production steps, these exports were not confined to the simple low-end products characteristic of the earlier stages of previous industrialization processes. They included high-tech exports that now

competed with the advanced countries in sectors that would previously not have been exposed to competition from low-wage economies (Rodrik 2006:4).

Thus the inner logic of China's industrial take-off was re-sequenced. An export surge that included hi-tech products came not at the climax of national industrial development, but paradoxically near the start as its leading sector. As Trotsky noted of late-industrialising societies in general, China did "not take things in the same order" (Trotsky 1932:5). And as a result of its repositioning, this export surge would prove unique in the history of industrialization not just for its demographic scale, but also for the extreme cheapness of its labour costs and the unprecedented technological range of its output. Moreover, with China's WTO accession in 2001, the sudden shock of this export surge would impact other countries at a historical moment of maximum openness – just as the "great grain invasion" of the 1870s had flooded European markets at the very point when free trade policies had removed protective barriers across the Continent. And once again, it was historical unevenness – an international "simultaneity of the non-simultaneous" – that lay at the root of this complex phenomenon.

* * *

And yet "combined development" is a feature not only of the late-industrializing society itself, but also of the world economy into which that society, with its accelerated development and hybrid social structures, is increasingly incorporated. As Trotsky put it, "the question of making the Russian national economy assimilate certain aspects of European production" eventually became also "a matter of making the capitalist industrial organism of Europe assimilate the national economy of

Russia” (Trotsky 1973:35). The same was now true of “the national economy of” China – and here we begin to approach the causes of the political events of 2016.

China’s super-charged industrialization had four main external effects. First, it changed the overall shape of the world economy via the transfer of manufacturing industry from the global North to the South. Second, it played a key role in changing the *texture* of the world economy too by boosting the rise of global value chains. Together with the China trade shocks that impacted the U.S. and U.K. economies, this changing texture became, thirdly, a driver of the fall in manufacturing employment in both countries. And this ‘hollowing out’ of the employment structure led, fourthly, to deepening inequalities in these societies. Though cushioned by cheapened imports and lowered interest rates (supported by the “China price” and Beijing’s dollar recycling respectively), this inequality underpinned a political polarization that would intensify under the pressure of the Great Recession and the regionalized shape of the recovery that followed.

This political polarization will form the last link in our three-part application of Trotsky’s theory and is therefore reserved to the next subsection below. For now, we focus instead on how China’s take-off impacted the shape and texture of the world economy, and how this hollowed out the employment structures in the U.S. and Britain, feeding through into deepening inequality in those countries.

By the end of the 20th Century, a massive transfer of industry had occurred from North to South. This led to much talk of the “rise of the South”, or at least the emergence of a cluster of rapidly developing economies, the BRICS, who were

expected to challenge the long-term dominance of the advanced capitalist countries. The aggregate figures for these claims were indeed impressive: between 1990 and 2007, developing countries' share of world manufacturing value added more than doubled from 14.4 per cent to 31.9 per cent (current prices), while their share of world manufacturing exports rose from 20.5 per cent in 1993 to 30.9 per cent by 2005 (Szirmai et al. 2013:15-6). What is even more remarkable, however, is the sheer weight of China within these aggregate figures – to the extent that one must seriously question the claims made for the very existence of the wider process in which it was statistically concealed (Starrs 2014:96). Between 1990 and 2007, China's share of world manufacturing value added quadrupled, comprising 59 per cent of the South's total increased share; and between 1993 and 2005, China's share of global merchandise exports increased by almost 7 percentage points, accounting for almost two-thirds of the South's total increased share (Szirmai et al. 2013:15-6).

In fact, not only was it largely China, (and not some more general “rise of the rest”), that changed North-South ratios in the world economy; but China's rise even seemed to *set back* decades of progress in numerous other Southern countries. This was because the breadth of China's export surge made it also a direct competitor of developing economies in Latin America, sub-Saharan Africa and South East Asia, leading to widespread fears of deindustrialization in these regions (Jenkins 2013; Kaplinsky and Morris 2007). For those with natural resources, the effect was masked by the simultaneous “commodities super-cycle” generated by China's voracious appetite for raw materials (Starrs 2014:82). These countries could experience rising national income even as their manufacturing industries withered. However, for oil importers like Malaysia, Thailand and the Philippines the consequences were dire.

These countries found themselves caught in an acute “scissors crisis”: squeezed between falling prices for their exports and rising costs of imported raw materials. Writing in 2009, Shahid Yusuf concluded that Southeast Asia had just “a decade’s breathing space” to somehow find paths to higher value production *outside* manufacturing industry, or else risk being “reduced to a backwater” (2009:172).

Meanwhile, China’s industrialization also was transforming the shape of East Asia’s *regional* economy, and with this, the *texture* of the world economy itself. East Asia had been the original site of the “flying geese” model of development, in which the continuing ascent of the Japanese economy created spaces for the take-off of the NICs behind it in a sequence of nationally-integrated industrializing processes. From the late-1990s, however, the industrialized economies in the region began instead to regroup around China’s role as an assembly hub within a new transnational production complex – “factory Asia” (World Trade Organization 2011:14). Trade within Asia increasingly took on a triangular pattern, with intermediate goods and components produced in Japan, South Korea and Taiwan exported to China for processing before being re-exported to consumers in the West.

This dramatic restructuring of the regional economy would have been impossible without China’s enormous supply of low-cost, rural labour - the result of its delayed primitive accumulation. By the mid-2000s, migrant labourers provided almost half of all workers in the leading export-processing industries (Yue 2015:132). And with the working population thus expanding in the booming coastal Special Economic Zones, foreign manufacturers based there could expand their operations almost without limit: between 2001 and 2006 they more than doubled the size of their workforce, from 9 to

almost 21 million (Chen 2009:109). Indeed, the capacity for rapid growth of its export-processing sector was so great that, over the first decade of the 21st Century, China accounted for two-thirds of the Global South's entire processing trade, making the country the primary outlet for East Asia's exports of manufactured goods to the West (World Trade Organization 2011:21).

The shift here was not just quantitative but qualitative too. For the reordering of East Asia's regional economy around China played a key role in changing the *texture* of the world economy – partly replacing nationally integrated industrial economies with transnational production complexes tied together by global value chains. International supply chains were not in themselves new, but they had previously been overwhelmingly concentrated in relations among advanced capitalist countries. However, the intersection of China's take-off with the “second unbundling” discussed above dramatically accelerated the growth of global value chains after 2000 (World Bank 2017:2). A surge of foreign manufacturing investment transformed the Pearl River Delta into the world's largest industrial region. And the resulting agglomerations of export-processing industries in China's coastal cities unleashed powerful competitive forces that drove the search for ways to standardise and modularize more production stages (Steinfeld 2010:104ff). In this way, China's delayed development became a driver of the “second unbundling” of manufacturing on a global scale, its “backwardness” pushing forward the “latest achievements” (Trotsky 1932:9) in the leading economies themselves.

However, as Trotsky would also have noted, the speed and scope of China's rise brought with it the challenge of ‘making the capitalist industrial organism of [the

advanced countries] assimilate the national economy of China. As its export-sector expanded, markets in the West were flooded by low-cost Chinese goods. Between 2000 and 2007, China doubled its share of U.S. and U.K. imports (WITS 2018). And, by 2007, Chinese factories were supplying 40 per cent or more of a growing volume of U.S. imports of furniture, televisions, and mobile phones, and over 60 per cent of all laptops imported to the U.S. (Drayse 2008:262; Berger and Martin 2011:10ff).

This “China shock” as it became known (Autor et al. 2016), accelerated the process of deindustrialization that had been gathering pace since the 1980s. Sectors exposed to low-cost imports saw rising rates of plant closures and labour-shedding as firms shifted a growing proportion of their routine manufacturing work abroad, or abandoned less competitive sectors entirely (Bernard et al. 2004; Oldenski 2014). The result was a sharp decline in manufacturing employment. Between 2000 and 2007, the number of manufacturing jobs in the U.S. shrank by one-fifth (3.6 million), while manufacturing employment in Britain fell by over one-quarter, with a loss of almost a million jobs (Berger and Martin 2011:14; Rhodes 2017:7). Analysis suggested that China’s export surge was responsible for one-quarter of U.S. manufacturing job losses over the period 1990 to 2007, and from one-fifth to one-third of the decline in Britain between 2000 and 2015 (Autor et al. 2013; Foliano and Riley 2017:R11).

Of course, job losses were only one side of the coin. The other side was the increased productivity and profitability of the firms that had now rerouted their production processes through the much cheaper Chinese workforce. And as uncompetitive production was abandoned, U.S. manufacturing benefited from a double effect: greater concentration in higher-value producing activities and, simultaneously, lower

prices for imported inputs (Levinson 2017:11; Milberg and Winkler 2013:122). Nor were the benefits of Chinese exports limited to manufacturing. In the huge American service sector, the falling price of ICT goods imported from China facilitated the rapid and widespread adoption of productivity-enhancing digital technologies (Mann 2006:81ff). The result was a notable improvement in overall productivity growth, with the U.S. (and to some extent Britain as well) moving ahead of Europe and Japan in the decade from 1995 through 2004 (Crafts 2008:52). Deepening interdependence between a rapidly industrializing China and an increasingly post-industrial U.S. – between Shenzhen and Silicon Valley – thus seemed to lift the American economy onto a new, higher growth path.

Yet this emerging pattern of transnational production also harboured contradictions. And these became increasingly apparent in the years leading up to the financial crisis. Externally, the accelerated off-shoring of manufacturing to China fuelled imports and a deterioration in the U.S. and British balance of trade from the late-1990s onwards. Internally, the “hollowing out” of the manufacturing sector led to rising levels of inequality as growing demand for highly-skilled labour in the U.S. drove up wages at the top end of the jobs market, while the declining number of medium-skill jobs pushed less-educated workers into lower-paid employment in the service or construction sectors (Autor 2010:3). A similar trend was evident in Western Europe, with Britain experiencing a particularly steep rise in the growth of low-skill jobs over the period from 1996 to 2008 (Holmes 2014:2).

As labour markets became more polarized, uneducated men in the U.S., in particular, found themselves increasingly marginalized. Between 1979 and 2007, real earnings

for those without high school diplomas in the U.S. dropped by 16 per cent, while for those men with postgraduate degrees incomes rose 26 per cent (Autor 2010:26). The rapid rise of Chinese manufacturing exports – rather than simply technological change – was a crucial driver of growing job polarization and income inequality (Kemeny et al. 2015:1570). In both the U.S. and Britain, evidence suggests that unskilled workers in those manufacturing sectors most exposed to Chinese competition after 2000 also were more likely to experience higher levels of unemployment and declining wages (Pessoa 2016:3; Ebenstein et al. 2015:16).

One might well ask how it was possible for this inequality to be sustained at such levels. Part of the answer lies in two further external effects of China's industrialization: deflation and cheapening credit. On the one hand, the flood of low-cost imports from China helped suppress price inflation for a range of goods, allowing hard-pressed families to maintain their real consumption despite declining incomes (Broda 2008; Amiti et al. 2017:3). On the other hand, China also made a significant contribution to the low interest rates that sustained the growth of corporate and household debt, and the boom in housing markets. Vital to investing in sustaining the purchasing power of the American consumer, it quickly became the largest foreign holder of U.S. government securities. Between 2002 and 2008, China's accumulated purchases of U.S. Treasuries and other public debt rose from \$181 billion to \$1.2 trillion (Morrison and Labonte 2013:6). In a further instance of the role played by "the simultaneity of the unsimultaneous", this transferred the high savings characteristic of the early stages of industrialization into support for consumption patterns in the world's most advanced economy. The recycling of China's dollar surpluses helped

balance the growing American current account deficit, supporting the U.S. Federal Reserve's low-interest rate policy after 2001 and fuelling the expansion of global liquidity (Ferguson and Schularick 2007:224-5). In the decade leading up to the crisis in 2007, U.S. personal debt rose from 93.4 per cent of disposable income to almost 140 per cent, while in Britain it leapt from 102 per cent to 173 per cent, higher than any other industrialized country (Turner 2008:26-7). In this way, the rise of China also became part of the story of financialization that was such a prominent feature of the period.

By the eve of the crisis, then, the global economy had been transformed. Projected across the historical unevenness of world development, the most advanced production processes based on the "second unbundling" had been grafted onto the early primitive accumulation phase of China's industrialization. Via this new transnational social structure, China's export surge was launched and boosted by foreign companies who increased their profits and drove down wage levels in their own societies by integrating Chinese labour into their production processes (either directly or indirectly through offshoring and out-sourcing respectively). Meanwhile, the transfer of low-value-adding industrial processes to China (and the rising competitive challenge this posed to what remained of the manufacturing sectors in the advanced countries) pushed the advanced countries further towards the edges of the "smile curve": that is, towards the most knowledge-intensive, high-value stages of the production process such as design and marketing (Dollar 2017).

In one sense, this was not new. Ever since the original industrial revolution, less developed economies had specialised (often under colonial compulsion) in low-value-adding activities like agriculture and raw materials extraction, thereby enabling the lead societies to concentrate more on higher-value-adding manufacturing processes. In this way, what Marx identified as the most fundamental law of capitalist development – its endless drive to raise human productivity in pursuit of ever larger amounts of surplus value – has *always* been accomplished in part via an *international* division of labour premised on (and productive of) a global configuration of uneven and combined development.^{iv} What was new at the end of the 20th Century was that it was no longer primary commodities, nor even individual sectors of manufacturing (like textiles or shipbuilding), but disaggregated aspects of manufacturing *per se* that were being devalued and shuffled off by the socio-technological advances occurring at the frontier of value-production.

Two possible outcomes loomed over this process. Either the advanced economies could abandon uncompetitive lower-value-producing industries but upgrade their labour forces so that employment structures regrouped around high-value-producing knowledge industries. In this case, the outcome would be an accelerated advance into a post-industrial, service-dominated economy (just as, after 1846, the British economy had responded to rising imports of cheap grain by transferring more and more labour out of agriculture and into industrial manufacturing (Bairoch 1989:48-9)).

Alternatively, firms could simply take advantage of global labour arbitrage to reduce their costs – a choice that would lead to higher levels of inequality at home, coupled with increasing imbalances in the world economy. As we have seen, there is evidence that both of these processes were underway. In the short term, however, the first

scenario was overtaken by the effects of the second, in the form of the global financial crisis.

Assisted by China's contribution to deflation and easy credit, the boom in house prices and debt-financed consumption had concealed the underlying weaknesses in employment and income growth (Jagannathan et al. 2009:16). But as the U.S. housing boom slowed from late-2005, these structural problems became evident. Eventually, a decline in mortgage borrowing and weakening of property prices triggered a financial panic amongst those lenders which had been the most active players in the sub-prime market. As loans were called in and short-term credit dried up, the edifice of global debt imploded, dragging the banks and millions of homeowners with it. In little more than a year, from the third-quarter of 2007 to early 2009, the net worth of American households fell by some \$16 trillion – one-quarter of the total (Atkinson et al., 2013:10). The resulting decline in consumer demand led to a sharp contraction of the real economy. In the U.S., payroll numbers shrank by almost 9 million over the course of the recession, 2 million in the manufacturing sector alone (Atkinson et al., 2013:11). In Britain, GDP contracted by over 4 per cent, its worst performance since WWII (Reuters 2014), while nearly one million full-time jobs were lost between 2008 and 2010 (Campos et al. 2010:28).

Trotsky, then, had been right: uneven development involved not only the impact of the world economy on the late developer, but also the obverse relation. And in the case of China, the already unprecedented demographic weight of its impact on the world economy was multiplied by its accelerated speed, by the conjunctural openness

of the international economy, and by the re-sequencing of China's take-off – in short, by the consequences of uneven and combined development.

c. Development: the Road to 2016

In order to complete our analysis, we must now connect these arguments to the votes of 2016 – votes in which, in the English case especially, other issues like immigration from nearby countries seemed at the time to play a much larger role than trade with China. We make this connection in two steps. First, we show that the effects of China's rise on employment structures and global imbalances did not end with the global financial crisis but were, if anything, intensified in its aftermath. This deepened the sectoral and regional inequalities in the two countries, leading to a growing cultural division too between metropolitan and other areas.

Second, however, we turn to the 2016 votes themselves. Here we find that the geographical distribution of the votes in both cases maps at best only weakly, if at all, onto the impact of other (non-China-related) factors, while matching much more strongly with the impact of China on the British and U.S. economies. Above all, even British hostility to immigration, it turns out, was not the independent factor it appeared to be. Instead, it seems to have played a proxy role in voting patterns that in fact were much more strongly driven by the regionalized impact of China's rise on manufacturing employment.

Let us begin then with developments between 2008 and 2016. In the wake of the financial crisis, China's growth slowed dramatically, sliding from 14 per cent in 2007

to just under 7 per cent in 2016 (World Bank 2018c). And as China's growing middle class (now larger in absolute terms than America's) and the effects of its post-crisis stimulus package combined to push up domestic consumption, the ratio of exports to GDP almost halved from 37 per cent in 2006 to just under 20 per cent in 2016 (World Bank 2018b). But this appearance of a "rebalancing" and "de-coupling" did not mean that China's huge manufacturing sector no longer roiled the world economy. Between 2009 and 2014, as growth in the U.S. and elsewhere picked up, Chinese exports nearly doubled in value (World Bank 2018d), while their share of America's imports reached a record 21.5 per cent in 2015 (WITS 2018).

Partly as a result, when (from June 2009 onwards) the U.S. economy finally started to pull out of recession, the recovery did not include a revival of manufacturing employment. This 'recovery' in the U.S. and in Britain after 2010 proved to be extremely skewed, generating relatively few routine, middle-income jobs (Siu and Jaimovich 2012:12-3). By 2016, employment in the U.S. manufacturing sector had recovered only a third of the 2.3 million positions lost in 2008 and 2009, although output had risen by one-fifth (Levinson 2017a:2). As a consequence, the bulk of U.S. employment growth during the recovery came in low-wage, non-routine occupations like hospitality and healthcare. In Britain, the jobs recovery was more hour-glass shaped, with strong growth in both low-wage services and high-wage business and professional services (Coulter 2016:213). Manufacturing, however, remained moribund: by 2015 the sector had managed to claw back just 80,000 of the over 400,000 manufacturing jobs lost in 2008-10 (Rhodes 2017:7). Both countries thus saw a resumption of the trend towards deepening labour market polarization that had characterised the preceding period (Plunkett and Pessoa 2013:19).

This meant in turn that the recovery took a highly *regionalized* form. Metropolitan areas like London and the Southeast in the U.K., or the New York and Los Angeles coastal corridors in the U.S., benefitted from strong service industry growth. But in ‘non-metro’ areas historically more dependent on manufacturing employment – the Midlands in Britain, and the Midwestern states of the U.S. – the recovery never came. By 2016, employment levels in the metro areas of the U.S. had not only reversed their 5 per cent drop during 2008-09; they were now 4.8 per cent above their pre-crisis levels. In the non-metro areas, however – which had already borne the brunt of job losses over previous decades – employment rates remained 2.4 per cent *below* what they had been at the start of 2008 (Edsall, 2017). Meanwhile, in some industrial regions of Britain like Yorkshire and Humberside, per capita GDP in 2015 languished still some 6 per cent below its pre-crisis level, and 14 per cent below the national average (Haldane 2016:8). And needless to say, these regions were also hardest hit when the central government slashed welfare spending and public sector employment after 2010 (TUC 2014).

Little wonder then that in both countries these regions became the epicentre of a deepening polarization of national politics. The polarization itself was not new. In the United States, the election of Ronald Reagan in 1980 and the success of Newt Gingrich’s “Contract with America” in the 1990s had both reflected a growing cultural divide between large, ethnically-mixed cities with diversified service-based economies and the more conservative, white suburbs of “middle America”. But that divide became more apparent in the 2000s, as Americans became less moderate politically, shifting their support to more extreme candidates on both the right and

left. And as David Autor and his colleagues show (2016a), there was a correlation between increased voter support for more conservative Republicans in Congress and the exposure of a local manufacturing economy to import competition from China. Particularly in majority-white communities where whites formed a majority, increased trade exposure over the 2000s catalysed support for “Tea Party” Republicans – right-wing populists opposed to immigration and multilateral trade agreements (Autor et al., 2016a:41).

Similar polarizing trends were evident in Western Europe where the negative employment effects of manufacturing imports from China were linked to rising support for more right-wing and protectionist political parties (Colantone and Stanig 2018a). In Germany, however, political polarization was delayed by strong growth in manufacturing exports, a more balanced regional distribution of industry, and active labour-market policies to assist workers displaced by trade shocks (Dippel et al. 2015:36). That was not the case in Britain. While the regional income gap here was now the largest in the OECD (Economist 2011), those communities faced with economic decline received little by way of government support, even as they bore the brunt of harsh austerity measures imposed in the wake of the financial crisis (Economist 2016:20). It was in these former manufacturing regions that support for the U.K. Independence Party (UKIP) rose sharply after 2010. Older, white, less educated, and living in economically-depressed regions of the country, UKIP’s supporters were drawn from the same demographic as those working-class Americans who had turned their backs on mainstream politicians in the 2000s. In the 2014 elections to the European Parliament, they composed 15 per cent of the U.K. vote, securing the largest number of British MEPs. The following year, in the general

election, the party repeated this success, winning 12.6 per cent of the popular vote, with its highest support coming from Britain's most deprived regions (Hawkins et al. 2015). The first-past-the-post electoral system restricted the party's representation in Parliament to just one seat. But the potential threat posed to the Conservative Party had already led David Cameron to make his ill-judged decision to include the promise of a referendum on EU membership in the Conservatives' 2015 election manifesto.

Finally, the regional unevenness of the economic recovery in both countries, (sharpened by the differential impact of the China shock on manufacturing and service industries), added a cultural and racial dimension to the political polarization that preceded the votes of 2016. In the U.S., where whites make up 62 per cent of the total population, non-metropolitan areas are 78 per cent white, while this figure falls to only 56 per cent in the hundred largest urban areas where ethnic minorities and recent immigrants are concentrated. With white workers thus over-represented in declining areas, and under-represented in booming ones, a "lopsided racial sorting of jobs" (Porter 2016) came to characterise the recovery: of the nine million new jobs created between 2007 and 2016, most went to urban ethnic minorities, while whites experienced a net loss of 700,000 jobs (though overall, of course, 'white' workers retained their significant economic lead over ethnic minorities (Lowrey 2016)). In Britain too, the recovery favoured the multi-cultural metropolis, breeding an impression (when viewed from the "provincial backwaters" (Jennings and Stoker 2016)) of an unholy alliance between "liberal cosmopolitan elites" and entitled ethnic minorities supporting unrestricted immigration to the detriment of white working class communities elsewhere. In both countries too, these "liberal elites" were associated with progressive positions on feminism, gay rights, environmental activism

etc. while non-metro populations tended to be older, less educated and more culturally conservative. The scope thus existed for a predominantly economic contrast to extend into a much wider cultural opposition (see also Colantone and Stanig 2018).

Thus, when British citizens were given the opportunity to express their view on EU membership in a referendum in 2016, the voting pattern was as steeply regionalized as the recovery had been. Nationally, working-class voters provided 60 per cent of the total Leave vote, but the highest turnouts and levels of support for Brexit were in the deindustrialized regions of the Midlands, the North and Wales (Uberoi 2016; Watkins 2016).

In fact, as Colantone and Stanig argue, this regional variation undermines the conventional view that support for Brexit was linked to immigration (Colantone and Stanig 2018b:201). These authors do not deny the prominence of immigration as an issue in the Referendum campaign. But they show that (beyond the agricultural areas of Eastern England), there was no correlation between the strength of the Leave vote in a given area and the local extent of recent or historical immigration. If anything, a negative correlation existed, as London's strong showing for Remain illustrates. There *was* however a very high positive correlation between the strength of the Leave votes and the extent of a region's exposure to Chinese import competition between 1990 and 2007. And since voters in these exposed areas did indeed report high levels of concern over immigration, Colantone and Stanig are led to a remarkable conclusion: far from immigration being an explanation that contradicts the causal significance of the China trade shocks, it was the regionally-varied impact of these shocks that was the strongest predictor of the varying levels of concern over

immigration (2018b:207). Colontone and Stanig further found that within any given area, individual voters did not themselves need to have been directly affected by import competition for their voting behaviour to conform to this pattern. Voting was “sociotropic” rather than “pocketbook”: it was not shaped by individual fortunes alone, but rather by the “general economic situation of their region, regardless of their specific condition” (2018b:214; see also Dippel et al. 2015:35) – perceptions that were, however, heavily skewed by local and regional conditions. In this way, the steep regional variation in the impact of the China shocks also helps explain how, in those areas where it triumphed, the Leave vote was able to extend beyond the most immediate victims of the shocks themselves.

On the surface of the U.K. referendum debate, numerous other issues like the Syrian refugee crisis, the ongoing Eurozone crisis, and the desire to “take back control” from Brussels crowded out any arguments about China, which was barely mentioned. Underneath, however, it seems to have been the regionalized impact of the China shocks that determined the levels of anxiety that voters experienced in relation to these other issues. In line with this, in the decade before the Referendum, the percentage of Britons agreeing that “the EU is one of the most important issues facing the country” rarely reached double figures, before suddenly leaping (from around 5 per cent) to 40 per cent in the first half of 2016 and surpassing 50 per cent in the first quarter of 2017 – leaving *The Economist* to conclude that Brexit was truly “a solution in search of a problem” (*Economist* 2017).

A similar pattern of sociotropic voting seems also to have played a key role in the election of Donald Trump. Support in the Democratic primaries for the left-wing,

anti-free trade candidate Bernie Sanders had been strong in those northern and mid-western districts most exposed to foreign economic competition (Davis and Hilsenrath 2016). When Hillary Clinton received the nomination, however, these districts were left without a Democratic candidate prepared to challenge the status quo on trade policy. They turned, therefore, to Donald Trump, producing a sufficient shift in key swing states – Wisconsin, Pennsylvania and Michigan – to win him the electoral college vote. That shift was especially strong in counties with a high share of routine jobs vulnerable to offshoring or automation (Kolko 2016). As in Britain, these districts were those where the impact of China’s “import shock” had left a legacy of economic insecurity - manufacturing regions where job growth had been slower since 2000, where earnings were lower, and where more men had dropped out of the labour market entirely (Casselman 2016). Thus, although Trump voters tended in general to have higher-than-average incomes and were less likely to be unemployed, they also lived in districts where higher mortality rates and lower intergenerational mobility pointed to the existence of more general economic and social distress (Rothwell and Diego-Rosell 2016:17-8) - that is, in the largely white, working-class manufacturing counties which had been hit hardest by the “China shock” (Pierce and Schott 2016).

Indeed, a counter-factual exercise by Autor and his colleagues concludes that, had the China “import shock” been a quarter smaller during the 2000s, Clinton would have won the states of Michigan and Wisconsin, while if it had been half its actual size, she would also have taken Pennsylvania, securing enough electoral college votes to win the Presidency (Autor et al. 2017:7). In the event Trump won despite losing the popular vote by some three million – the largest disparity in votes for any successful presidential candidate in American history. That this could happen was due to the

combination of an archaic Electoral College system – one weighted in favour of voters in now less-populated, largely white, rural districts – with the highly-localized impact of the import shock on the economies of large numbers of those increasingly marginalized districts (Riley 2017).

To repeat the caveat made in the Introduction: the China shocks were not the only factors at work in the political upsets of 2016. In the U.S., financialization, automation of production and the effects of NAFTA played into the job losses too, while in the U.K., regionalized economic distress linked up with pre-existing currents of Euroscepticism on both left and right of the political spectrum. But when the direct effects of China's take-off are added to its indirect results (which include the acceleration of supposedly independent processes such as financialization and automation) then it is hard to see any other causal factor of the same magnitude. And as the work of Autor et al for the U.S. and Calantone and Stanig for the U.K. suggests, it is equally hard to imagine the Leave and Trump campaigns succeeding without the enabling conditions created by the rise of China. As the *Wall Street Journal* ruefully concluded, this event “rattled the American economy more violently than economists and policy makers anticipated at the time or realized for years later” (Davis and Hilsenrath 2016). But the same was true of the world economy as a whole – and there is no reason to believe that the results of this conjuncture of uneven development (especially if supplemented by a possible Indian take-off in the coming decades) will be limited to the votes of 2016.

Conclusion

The time has come to piece together the different elements of our explanation. Its starting point lies in the apparently anodyne claim that human history is internationally uneven. And yet it is this unevenness which made it possible that right up to the end of the 1970s, industrial capitalism had yet to penetrate the Asian demographic core of pre-modern world development – and hence that post-industrial societies on the verge of a digital revolution could find themselves co-existing with Asian Giants still based overwhelmingly on agriculture. By 1979, however, a “concrete correlation” had crystallised that would finally bring this era to a close. Maoist development in China and the Fordist “convergence boom” in the West were both now exhausted, and in their aftermath both sides discovered an unexpected opportunity. In the deregulated world economy, China found a path to rapid industrialization by exploiting the social, technological and financial results of more advanced development elsewhere. And in the peculiar two-step process of primitive accumulation in China, corporations in the advanced capitalist countries were able to reach back across developmental time and exploit “an enormous pool of reserve labour willing to work at wage levels below those which prevailed at the start of the Industrial Revolution in Britain” (Downes 2009:111). This extraordinary world-historical intersection propelled a restructuring of the world economy in which the Anglo-Saxon countries in particular shed further layers of the manufacturing industry that had for so long been the carrier of the most advanced value-production, refocussing instead on new knowledge-intensive industries atop the emerging global structure of GVCs.

However, in the explosion of combined development that followed, the “big country” impact of China’s take-off was thrice multiplied by the effects of historical

unevenness: via the “privilege of historic backwardness” that increased its speed; via its conjunction with the “second unbundling” that gave it a much wider export profile from the very start; and via its simultaneity with the post-Cold War liberalization of the international economy that reduced the barriers to foreign markets. It is the resultant triple blow that accounts for the severity of the shock to employment structures in Britain and the U.S. - a severity that was ultimately all the more intense because its build-up was initially obscured by cheapened wage goods and easier credit. But when the build-up was revealed by the financial crisis and the Great Recession that followed, political polarization (strongly matched to the geography of exposure to the China trade shocks) was the outcome in both cases. The new “social structure of humanity”, it turned out, had generated not only an enormous surge of growth, but also the seeds of social and political crisis.

This was the context in which both the U.K. referendum and the 2016 U.S. presidential election were conducted. And all it took was an unforeseen but all too possible alignment of circumstances to turn these votes into vehicles of an inchoate but widespread anti-establishment backlash. In Britain, this effect was produced by the conjunction of austerity politics at home with the spectacle of the Eurozone crisis (and the misery of the Greek drama in particular) and the Syrian refugee crisis. In the U.S., it was the geographical unevenness of the recovery, conjoined with a flawed and complacent Democratic candidate and an Electoral College that (for reasons connected with the historical geography of U.S. industrialization) disproportionately favoured exactly those small-town industrial regions that had borne the brunt of the manufacturing outsourcing, and had benefitted least from the eventual economic recovery. And in both cases, the result caught unawares even the populist political

actors who had hitched their fortunes to the two votes. These actors had hoped to achieve advancement from a strong showing but had not, apparently, expected to win. “You were only supposed to blow the bloody doors off”, exclaimed Sarah Vine, the flabbergasted partner of Michael Gove on the morning after the U.K. referendum (Steerpike 2016). Five months later, the Trump campaign, and even Trump himself, were stupefied and even, by some accounts, “quite horrified” by their own victory (Wolff 2018:18). In both cases, it turned out, the protagonists had been riding the effects of a much larger historical process than they realised. And it is this process, both in its overall shape and in the detail of its inner causal mechanisms, that the theory of U&CD enables us to understand.

As noted in the Introduction, most explanations of Brexit and Trump have been based on close-up analysis of the voting patterns involved. And even those which have ventured into longer-term and larger-scale arguments have ultimately remained extrapolations of social logics seen to operate either within the two national societies concerned or within “capitalism” as a whole conceived as a singular social setting. But if the analysis developed in this article is plausible, we should now be able to see much more clearly what the problem is with this state of affairs. For the political events of 2016 were not the outcome of some secular process within a uni-linear logic of capitalist development. On the contrary, all the social processes that led to the conjuncture of 2016 – from the creation and break-up of both Maoism and Bretton Woods, through the super-charging of China’s industrial take-off and its impact on the world economy, and on to the political polarization of British and American societies – were rooted in causes that arose specifically from the co-existence of

multiple societies at different levels of development. The whole scenario therefore demands an international theorization.

It might be objected that such a theorization is impossible: no systematic implications can follow from our explanation because its concrete elements are all unique circumstances specific to the conjuncture being analysed – the stuff of history, not theory. And yet, as we have tried to show, they do point, again and again, to something general, perhaps even, as Trotsky suggested, *the* “most general law of the historic process”: namely that via international differences and interactions, historical unevenness plays a *constitutive* role in social development and change. And it is this constitutive role of “the international” that can be grasped as a distinctive layer of social causality by using the theory of uneven and combined development.

What then are the implications of this claim for the wider field of International Political Economy? Writing in the midst of the 2008 financial crisis, Robert Keohane reflected on the historical evolution of this field. IPE had emerged in the 1970s as a response to the deep changes underway at the time. At first, its bold innovations were “loose and sketchy, and we did not engage in sophisticated causal inference to support our grand theories” (Keohane 2009:36). Decades of further scholarship largely rectified these shortcomings, but they did so at a price. The Open Economy Politics framework that eventually “swept into dominance in the field” (2009:37) certainly provided much greater analytical rigor. But it also brought a “suppression of the ‘I’ in IPE” (2009:39), as attention was focused on the domestic preference formation of state actors. It encouraged a neglect of the operation of “structural power”, as work on mid-range hypotheses increasingly took for granted the wider constellation of global

development within which policy choices were being made. And its excessive preoccupation with quantitative analysis was in danger of rendering invisible what Finnemore and Farrell term “causal mechanisms [that] exist independently of directly measurable relationships between variables” (quoted in Keohane 2009:39).

For Keohane, the upshot of these tendencies was a dramatic shortfall: “substantively, what is missing for me in contemporary IPE is the *synthetic interpretation of change*” (original emphasis). And the remedy would require a no less fundamental rebalancing of the discipline itself:

I would urge scholars now active in the IPE field to spend more of their time pondering the big questions about change, and asking not only what the best existing research tells us about them, but what interpretive leaps may be necessary to point the way to more profound and relevant scholarship. I offer this admonition particularly to those scholars who have attained reputations for science and can therefore afford to let the wings of imagination spread. (2009:42-3).

By the standards of the Open Economy Politics approach, the use of “uneven and combined development” in the current article may well appear “loose and sketchy”. Our argument may seem both too ambitious and insufficiently grounded in a rigorously quantitative methodology. It does, however, point to an “interpretive leap” that, remarkably, addresses all three of the imaginative limits to IPE identified by Keohane. First, by visualizing the human world in terms of multiple interacting societies (at different levels of development), it reverses the “suppression of the ‘I’ in

IPE” and shifts attention back from a mainly comparative analysis of interest formation towards a focus on the “concrete correlations” that uneven development produces at the international level. Second, by conceiving global industrialization as an ongoing historical process that is both cumulative and yet also staggered in space and time, it presupposes that the wider disposition and content of “structural power” must change over time. Indeed, by analysing successive conjunctures of uneven and combined development, it re-historicizes the temporary global configurations of structural power that otherwise, by being “taken for granted”, would become obstacles to a “synthetic interpretation of change”. And finally, by focusing on “the whip of external necessity”, “the privilege of historic backwardness” and the changing structures of “combined development” (at both societal and global scales), Trotsky’s idea goes beyond quantitative analysis to uncover a distinctive set of “causal mechanisms” that are irreducibly international in their nature.

And here lies the deep significance of the idea for the discipline of IPE. When this discipline emerged in the 1970s, the wider discourse of Political Economy had already existed for almost two centuries. What could justify the creation of an additional field? The answer – then as today – is that if IPE is to find its own *raison d’être* this must lie in the elucidation of the specifically *international* dimension of the subject matter it shares with Political Economy more generally. But to perform this role, it needs first to have what Kenneth Waltz called “a brilliant intuition” – an ontological premise that, albeit at first only flickeringly, illuminates the entire object domain and suggests an original way of interrelating the parts so as to make sense of historical outcomes (Waltz 1979:9). In the past, IPE’s “brilliant intuitions” have generally been about the significance of economics for international politics or of

politics for international economics: the problematic of states versus markets. It is hard to think of a prominent approach in this field that has begun instead with the multiplicity of differentially developed *societies* and has reasoned from this to the (international) causal mechanisms that over-determine the political economy of the human world. Yet this is precisely what U&CD enables us to do.

As we hope to have shown in this article, reasoning from this premise can produce an improved understanding of the political events of 2016. But if the more general theoretical conclusions we have drawn are also sound, then the contribution of U&CD to the field of IPE could go much, much further than that.

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ⁱⁱⁱ For the (unacknowledged) relationship between Trotsky’s and Gerschenkron’s ideas, see Selwyn (2011).

^{iv} For a lucid account of the elements of this process, see Hirst et al, 2009, chapter 5.