The origins and formation of ‘right-wing populism’ from the point of view of Marxist economics and their impact of these processes for Africa must be understood from observing the world market from an internationalist and multinational point of view.

The policies of ‘right-wing populist’ movements come from the big multinational financial and productive capitals, not from the local national bourgeoisie. This big financial and productive capital has as a goal the elimination of the fragmentation to the concentration and centralization of value, which is being caused by multinational production itself, at least as it has been functioning until now.

In addition, the international bourgeoisie has an understanding of East Asia’s economic ascension, right wing populists see these regions advance in the multinational market (where East Asia is now the centre of industrial production on the planet), as a result of the intervention of the state in the economy. It is from this characterization (and these goals) that they define themselves as ‘nationalists’ or ‘anti-globalists’, but always within the frame of multinational capital and competition.

Let me illustrate this with a couple of examples.

Both Hungary and Poland, or even Austria, have intensified the economic activity of their sovereign wealth funds or equivalent funds, for the investment of state capitals within their economies. In the
same way, Hungary and Poland are characterised by the nationalization of certain companies and assets, and by the great support of the state through state and public subsidies (coming mainly from the structural funds of the European Union, which are composed of state and public European budgets) to subsidize multinational companies and their operations within their countries, as well as social spending in general.

That means it is simply inaccurate to argue that they are ‘protectionists’ or ‘nationalists’ in the classic sense of the 20th century.

So, the convergence of the Viktor Mihály Orbán government in Hungary or the Polish government with certain multinationals is as great as any other globalised economy, but it is focused on state interventionism. It is worth restating the point. These governments see East Asia’s success and the ability to now compete at the multinational level as almost entirely due to their state-led or state-oriented support or intervention. Therefore, these ‘populist’ governments promote this economic perspective to prevent the fragmentation of concentrated and centralised capital.

It is also important to stress that multinationals arriving in different regions and countries, are producing growth and the development of mainly small and medium industrial enterprises. So, in East Asia the overwhelming majority of industrial companies are small and medium sized, instead of factory-scale, and they are vertically integrated through outsourcing or portfolio investment, which means part of the profits stays within those companies and is not automatically ‘repatriated’ to the multinational, in turn this benefits the host country and companies, and creates the possibility that the Asian Tigers, China or India, or even Turkey, Israel or South Africa, of developing multinationals themselves.

**Trumps Tariffs and Brexit**

Another example comes from Brexit and the trade war between United States and China, provoked by Donald Trump’s tariffs. None of these policies make the slightest economic sense for either the internal markets of England or the United States. The first ones to oppose and criticize Brexit or US commercial tariffs have been precisely the local big, medium and small bourgeois from those countries, for which inputs, raw materials and means of production, as well as exports, are all affected.

While multinational capitals who can produce anywhere in the world remain largely ‘immune’ from these policies. When production was located inside the nation-state, protectionism made sense, but with the internationalisation of the division of labour and multinationals, it can only affect the internal markets and not the companies with production sites all over the world.

Let’s look at these processes in a little more detail. Through tariffs (and Brexit, hard or soft, will produce tariffs for trade between England and the European Union) multinationals accomplish the deterioration of the conditions of production for their respective competitors and at the same time promote the movement of multinational production to regions more favorable to their interests.

This ‘movement’ of multinational production could stop the ‘spill over’ of productivity, knowledge and profits to those centres or possible centres of world production (for example, against China’s growth, in the case of the US trade war). So, we see in this process a way of preventing the fragmentation and competition at the level of the world market. From this follows that American multinationals are moving their productions sites from China to Vietnam or Malaysia, for example.

Again, it has to be stated that it is impossible to understand these policies (both Brexit or American tariffs) without appreciating that they come in part from multinational capital, as a form of
intervention in the multinational market, not at the level of nation-states, but at the international and multinational level.

I would argue that we are seeing a shift from commercial freedom characteristic of the World Trade Organization, for example, and the extensive phase of the internationalisation of the division of labour in late capitalism to an intensive phase based on the intervention of the state at the level of the world market. From this follows the resurgence of the state by ‘right-wing populism’, as economic intervention increases the role of the state as a centre or point of concentration of power (which has come to be known as ‘neo-fascism’).

**Contradictions, questions and solutions**

As I have already argued, the world centre for industrial and high-tech production (in East Asia), is not composed of factory-scale companies or processes, but of small and medium sized companies. In the same vein, the biggest component in intra-regional trade in East Asia, as the industrial centre of the world, is not based on finished products, but intermediate parts and components, which come and go from Vietnam to Malaysia, or from South Korea to China, etc. On top of this, it is the state and sovereign wealth funds, for example, which allow this concentration of power to take place. From Singapore to Vietnam, each has working mutual funds or wealth funds of different types, and they all have intensified their involvement in the economy in recent years.

All bourgeoisie economic analysis and research on the multinational market from recent years is questioning neoliberal policies, and describing not without surprise, the incredible performance of economies and multinationals where countries have state-led types of policies for their own multinationals (subsidies, trade barriers, lower interest rates, etc), like India or China, and how this seems to be working much better than Western non-interventionism for the growth and rise of those countries. This change in perspective is a change in bourgeoisie consciousness, in the face of the incredible ascension of Asia as a real competitor, and the possibility of reproducing the same success in the West through the same state-oriented policies (from which wealth funds are just one example).

Poland and Hungary are not the only European countries expanding production through state funds, but we see the same processes from Turkey or from Persian Gulf states, or even India and China. Turkey’s president Recep Tayyip Erdoğan recently formed the first sovereign fund in the country, under his own personal management. Similar processes can be seen in Gulf States, with funds under the control of their royal families, or under Hussein el-Sisi and the state-military elite who are in charge of Egypt’s industrial sector.

Even Jair Bolsonaro’s Brasil has immediately focused on pension funds reform, which would allow private investment through those funds, just as we have seen in Austria, Hungary or Poland where state funds are starting to invest in the private and multinational sectors.

We need to remember that even though the US and UK still maintain hegemony in terms of the financial control of assets at the multinational level (demonstrated in Gerhard Duménil and Dominique Lévy’s 2018 book), it is the Chinese financial sector which surpasses the Triad in terms of revenue and profits; they may control fewer assets, but are producing the largest revenues of all and China is doing this through exactly these types of sovereign funds. By ‘Triad’ I mean the three historically dominate centres of the world economy from the late 1940s until the end of the 20th century: the United States, the European Union and Japan.

How do these wealth funds work? Wealth funds are very similar to bank capital, which is the definitive characteristic of financial capitalism. But the difference is that it is not based on dividends,
and you don’t need to work around stocks and dividends from specific companies, but you can participate on the ‘pool’ of financial assets invested in different companies all at once, getting a percentage of total profits or revenues controlled by the wealth fund.

This allows for a faster way of diversification and centralization of profits and value, even more resolutely than bank capital in some senses. Instead of a stock which represents a percentage of the profits for a single company, etc, the percentage you own on a wealth fund is equal to a percentage of the profits not only for one company, but for all the profits from all companies the wealth fund finances all at once.

‘Right wing populism’ or ‘nationalism’ has meant a turn to the state and its financial assets and capabilities, in stark contrast with neoliberalism, where all talk was about a minimal state. It is crucial to point out the historic discrepancy between neoliberal ideology (that states that the state should not interfere with markets) and the neoliberal political projects and practices (that actually reshapes the state, assigning to it clear fields of action, private property right protection, fiscal incentives, privatisation of the public etc.)

Alain Lipietz (1997) actually studies how job deregulation and reduction of the state’s involvement is stronger in the Triad, where the flexibilization occurs at the level of the job market and not the internal productive process, and the opposite happens in the Global South: the state is more involved comparatively (although there are also examples of privatization, structural adjustment programs, etc, in Africa or Asia!), the flexibilization occurs at the internal level of the production process, and not at the level of the job market which is highly organized and centralized, etc.

The same process where sovereign wealth funds from the Global South turn into competitors at the multinational level, is at play when multinational production fragments itself into small and medium companies through ‘spill overs’: state-led economies perform better in the world market by subsidizing their multinationals. Equally sovereign funds from countries with state-led economies have the biggest concentration and centralization of financial assets.

The consensus among bourgeoisie economists is that state subsidizing of multinationals is the reason for the Asian miracle, and the reason they even entered the multinational market in the first place. This means an intensified competition, both for the market and the state. The whole Huawei controversy or the trade negotiation between the US and China over state subsidies, show the motives and the purpose of ‘right wing populism’.

This explains the convergence of libertarianism with conservative statism in the United States, where Trump erases regulations at the same time as his administration applies tariffs. It may also explain the United Kingdom’s Tory government’s announcement of the end of austerity, and the possibility of state planning.

**Falling profit rates**

These processes, I would argue, can only be explained by the fall in the profit rate (and its different multiple causes) within multinational companies, which makes it impossible for multinationals to simply buy up companies and integrate them vertically as their own. The companies are instead forced to reduce costs through outsourcing, in combination with ‘offshoring.’ The state, in this situation, turns into a point of comparative and relatively high concentration of capitals, compared to the reigning fragmentation throughout the rest of the economy, where the rate of profit keeps falling, or where the economy continues to fragment into small and medium companies.

This explains the historical rise of sovereign and wealth funds in peripheral economies of the South,
allowing them to become real competitors at the multinational level against the Triad. It is these processes that force or propel the formation of this ‘right-wing populist, ‘anti-globalist’ or ‘nationalist’ movements.

Of course, state intervention or fragmentation are not the real causes of East Asia’s rise nor of the increasing competition at the multinational level. From a Marxist point of view, the historical fall in the profit rate hits the Triad and developed countries the hardest, in terms of its expanded reproduction. Why? In Marxist terms this is because of a bigger organic composition: more expensive equipment and raw materials (constant capital) compared to the labor component (variable capital), which causes the fall in the profit rate itself.

The process is relatively simple: if profit is derived from what is extracted from ‘the labour component’, it is in the economies of the Triad with a high concentration of constant capital that we see profit rates in a historical, downward spiral. The difference between the profit rate and the accumulation rate (gross investment) is considerably smaller than in peripheral or underdeveloped countries.

As the 20th century Polish revolutionary and Marxist economist Henryk Grossman explained, even if the profit rate falls immediately after the organic composition of capital rises, it can maintain itself above the accumulation rate and sustain expanded reproduction, but only for a while. After a certain period, the profit rate will be inferior to the accumulation rate, and this is where troubles begin: expanded reproduction needs to be held back, which is precisely what neoliberalism is.

Instead of big investments and rising wages to augment profits and productivity, we see the opposite: the cutting costs rationale, and the reduction of real wages. In peripheral or underdeveloped countries, constant capital was cheaper, and so organic composition was lower and profit rates higher. This allows for extended reproduction to have more space to develop in peripheral countries instead of in the Triad.

As it has been shown, the fall in the profit rate works with different causes, specifically the exploitation rate, the unemployment rate and the new value rate in conjunction with the financial variable (the reduction in the financial profit rate), to create crises (See Carchedi, 2017).

These issues are of such vital importance to capitalist development that they must be explained carefully. The difference between the profit and accumulation rate was greater, so peripheral countries were suddenly in the position of sustaining expanded reproduction, as we have seen in the Asian Tigers or China and India, while the Triad had to immerse itself in the cutting-costs rationale of neoliberalism to hold back expanded reproduction. This is the crux that explains East Asia’s resurgence against the West today, in Marxist terms. Just as neoliberalism is not the cause of the crisis, rather the reaction by the bourgeoisie to the reality of the historical fall in the rate of profit since 1973/4, so ‘right-wing populism’ is a reaction against the consequences (state interventionism and fragmentation at the multinational market level) of that very same historical process.

**The processes at work in the Global South**

The internationalisation of the division of labour of late capitalism integrated the bourgeoisie of the Global South not only into the financial aspect of imperialism, but into its multinational aspect, through the emerging industrialisation of areas of the South. This took place through the so-called ‘Taylorism’ and ‘peripheral fordism’, as Alain Lipietz’s described it in 1997.

This caused the political erasure of the so-called progressive bourgeoisie in the South, which also eliminated the conflict between anti-colonialist ‘bourgeois’ movements from the Third World and the
Triad. It was a huge triumph for the Triad’s class project to have finally eliminated this faction at conflict between anti-colonial layers of the bourgeoisie from the South and themselves.

It eliminated reformist, social democratic and import-substitution programs in the South, precisely because industrialisation was now realised by multinationals, instead of their own nationalistic and anti-colonial projects and at the same time integrating them within the circuits of multinational capitalism.

The internationalisation of the division of labour of late capitalism first defined by Ernest Mandel, seems to have had two different stages: an expansionist stage, with the conglomerates boom of the 1950’s and 1960’s, and the industrialisation and vertical integration of productive processes all around the world.

Today we enter a stage where expanded reproduction shrinks or contracts (due to the fall in the rate of profit), and multinationals stop integrating vertically in the classic and strict sense, and decide to outsource or seek portfolio investments as the main way to diversification.

Portfolio investments are different from Foreign Direct Investment and vertical integration in the sense that they allow for the Southern bourgeoisie to stop being simply passive investors, and allows them to start to behave like active investors, integrated not only as minority partners of multinationals, but as members of the multinationals themselves.

The first stage of the internationalisation of the division of labour saw the Southern bourgeoisie’s integration into financial capital in a passive way, but the end of the expansive phase of late capitalism has allowed them to turn this relationship upside down: the Triad’s bourgeoisie turns into passive investor, and the South has taken charge and control of the multinational means of production.

These processes have seen the integration of the anti-colonialist class faction of the South, into the industrial and multinational class faction of the multinational Triad over the last forty years. This has also changed the character of the Southern bourgeoisie from a simple ‘comprador’ class, into a managerial multinational faction (not a new class, as Duménil and Lévy argued in 2018) which deals and controls directly in the businesses of the Triads multinationals.

The Southern bourgeoisie is still a ‘small partner’ of the Triad or what Paul Baran described in the 1960s as the lumpen-bourgeoisie, but instead of a nation-state bourgeoisie, which produces for its own internal market, or trades the imports and exports of its internal economy, or produces agricultural products, etc, it now controls the means of production of major multinational assets. In a word, the South’s bourgeoisie has stopped producing for its internal market only, and started to produce for multinationals.

If we follow Karl Marx’s work, The 18th Brumaire of Louis Bonaparte, there are two contradictory tendencies here: the absorption of the Southern bourgeoisie into a single international class (with all of the unevenness and dependency that continues to characterize this class), and at the same time, the revulsion based on the increasing competition this multinational integration produces.

This means the international bourgeoisie moves from away from the conflict that characterised 20th century anticolonialism and industrialisation/import-substitution, to act as a unified faction or class under the financially dominant faction of the global class. At the same time, it integrates heterogeneous factions into multinational competition, acting not as a dominant minority faction, but as an entire class.

This contradiction between governing as a faction or as a class, explains precisely the mixture of
fascistic characteristics, and democratic and republican elements. If you govern as a whole class, you govern through parliamentary and democratic dialogue on how to run society. If you govern as a particular faction among others, you will try to impose your faction’s view on the others, and rule above your own class. The internationalisation of the division of labour in late capitalism, eliminating the internal factional conflict between the Triad and the Third World, creating at the same time an intensification of competition and control from multinational capitals seem to be explained by this enormous historical development.

These processes explains the entire political climate and movement to the right, and the virtual disappearance of a progressive bourgeois element from Central America to Africa itself – the transition from progressive (bourgeois) struggles to the so-called neoliberal age. This represents an intensification of the class struggle between a more compact international bourgeois class, and a proletariat with a smattering of allies in parliaments or in mainstream political parties.

**Finally, to Africa**

For Africa, this divergence in expanded reproduction related to the fall in the profit rate – which produces the phenomenon I have just described – has enabled the economic ‘boom’, just as it facilitated peripheral countries on the continent attempting to transform themselves into Asian Tigers, or to see the so-called BRICS as a vehicle to their development and growth, etc.

It does not mean that profit rates have not fallen in Africa or other peripheral countries, it rather means peripheral countries, because of their own underdevelopment, can expand reproduction more decisively than their central and metropolitan counterparts.

This demonstrates how capitalism feeds off ‘backwardness’ itself. We should remember as well, that the so-called economic ‘boom’ in Africa has not translated into the improvements in the lives of peasants and workers, rather the improvement of the economic figures for certain extractive companies on the continent. The boom in GDP growth rates has not translated into higher living standards for workers and the poor on the continent.

At the same time, Africa has something very valuable to teach to the rest of the world: Africa, more than any other continent, thanks to its fragmentation of land and smaller commercial integration, knows very well what it means when the state is in relative terms, a bigger point of concentration of capitals compared to private merchant or financial capitals. Just like in Asia or Latin America, the state in Africa turns into a great possibility for the bourgeoisie to accumulate bigger sums of capital quickly, and dispose of them in any way they want, if they have the state-power to do so.

Like sovereign wealth funds today, Africa knows what it means for the state itself to turn into a medium for capitalist enrichment and profit making, and not a neutral ‘people’s state’ which eliminates class contradictions. This turns the fight (even the electoral fight) for the state into a bitter struggle of factions, which, as we know, has already led to disastrous scenarios (from civil wars, to total state repression) or to apparently ‘progressive scenarios’ – until recently Ethiopia was the poster-boy of this ‘success’ – which hides exactly the same process of using the state and state-funds to finance private and multinational production.

At the beginning of his administration, Trump was accused of wanting to turn the US into a ‘Third World strong-man government’, which besides the racist undertones of the comment, was essentially correct. The concentration of power in the state, plus the concentration of specifically economic power in the state, which seems to be the characteristic of ‘right wing populism’, is indeed very common to us here in the so called ‘Third World’ – with the fragmented character of agriculture, land tenure, and commercial integration, etc.
Africa understands this world better than others, since the continent has a long history of seizures of state power in order to control the economic concentration and centralization of state budgets, assets and capitals.

At the end of this short essay I should repeat myself: ‘right wing populism’ shows how capitalism feeds off backwardness. The cheapest solution for multinational companies is to control the state in order to stall falling production (a movement very similar to the international bank and state budgets bailouts that happened during the 2008 crisis). The world may now be facing Africa’s recent history. Do Africa’s decades of trauma confront metropolitan and central countries, as the road where they are now heading?

This article was first published in the Review of African Political Economy Journal.

Published by the good folks at The Elephant.

The Elephant is a platform for engaging citizens to reflect, re-member and re-envision their society by interrogating the past, the present, to fashion a future.

Follow us on Twitter.