

# On Capitalism and Racism

Written by Haider Khan

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HAIDER KHAN, JUL 19 2016

The relation between capitalism and racism is both intimate and complex. In order to analyze this complex and contradictory relation, it is important to distinguish between the standard bourgeois model of capitalism and the historical development of capitalism. Given the space limitations, I can only develop the barest outline of the argument regarding the conflict between these two descriptions of capitalism—the model scenario and historical capitalism—and the acute contradictions of historical capitalism as such leading to racism in various forms. The historical and analytical plurality of forms of racism require their own extensive treatment as well. Here I will develop just the distinction between biological and sociological forms of racism and discuss briefly at the end what some French scholars have called “differential racism” under modern/postmodern capitalism (Balibar and Wallerstein 1991). There are other forms of neo-racism that are not discussed for lack of space (Balibar 1991; Guillaumin 1972).

I will first describe the standard classical liberal model of capitalism. I then describe briefly the Hume-Smith version and its technical neoclassical analogue. Taken together, they are—for the most part—actually a deeper scientific defense of an idealized capitalism than the Hayekian/Austrian school version of free market ideology which many libertarians accept.

### Racism and the Capitalist Model

The classical theory assumes a state that sets the rules of the game maintaining private property and competition. In the neoclassical formalization, a general rate of profit is obtained through competition leading to equilibrium in every market given the production structure and demand patterns. In this perfectly competitive model with free entry and exit, even when information is imperfect or costly, resources can still be allocated efficiently through the market system. The two welfare theorems state that such allocations are (Pareto) optimal and that through a redistribution of initial endowments, every (Pareto) optimal allocation can be sustained as a competitive equilibrium.

In such a model racism, sexism or other forms of discrimination may arise from imperfect information and will impose a cost on the firm. Thus, in general equilibrium such discriminating firms will disappear. It is clear, therefore, that racism is inconsistent with the long run equilibrium in this model of a capitalist economy (Arrow and Hahn 1994; Debreau 1959; Stiglitz 1994; Osborne and Rubinstein 1994). While the 20<sup>th</sup> and 21<sup>st</sup> century Keynesian liberals are aware of the restrictive assumptions of the model and therefore, of its limitations, conservatives like Milton Friedman rely on the virtues of the free market to eliminate racism and sexism.

However, the actual history of capitalism on our planet tells a different story. Alternative theories and mathematical models based on this actual history have to be more nuanced and indeed these models point out the contradictions inherent in capitalism that may under some conditions lead to virulent forms of racism. At the same time, since capitalism is a dynamic system—a key insight of Marx and Schumpeter among the early theorists of capitalism—it goes through not just technological, economic, political and social transformations over time but also ideological transformations as well. In terms of racism, this means that older biological ideologies of racism, no matter how much they are discredited scientifically, can coexist together with newer sociological and socio-biological ideologies of racism in the overall ideological complex of capitalism (Gould 1977; Wilson 1996; Asafa 2015).

A further profound idea of Marx is that a realistic theory of capitalism must make crises endogenous. That is to say, a

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scientific model of capitalism must capture the inherent tendency of capitalism to accumulate capital smoothly for some time and then run into a crisis of accumulation. Various business cycles of different lengths discovered by studying the actual history of capitalism need to be explained by discovering scientific laws of capital accumulation. This has been the scientific project of the critical political economy school since Marx.

The link between various forms of racism and capitalist crises were not examined explicitly by Marx although he was aware of the racism of the English towards the Irish and its political consequences for the retardation of the working class movement. Marx also supported the abolitionists and the North in the US civil war pointing out that white workers could not be free if the black workers were in chains.

Since Marx, however, there has been a blossoming of both actual anti-racist movements including socialist anti-racist movements and advances in our understanding of the links between capitalism, imperialism and racism in its many variegated forms. The biological theories of so-called “scientific racism” on which 19<sup>th</sup> century social Darwinism and then the 20<sup>th</sup> century eugenics theories were based have been thoroughly discredited as pseudo-sciences. But they still are held by particularly backward and dogmatic segments of the populations. More dangerously, these are revived with or without some new timely twists by their ruling classes and intellectuals in service of capitalism from time to time when crises deepen. Viewed in this light, the worst claims of Trump supporters in the US and the extreme right in Europe no longer seem so mysterious. With capitalist imperialism that developed towards the end of the 19<sup>th</sup> century in Europe leading to the global capitalist system of today (with a weak and contradictory socialist block that has collapsed mainly from its own internal contradictions) the ideologies of racism went through further transformations (see footnotes).

Briefly stated, the anti-racist movements within the core capitalist countries and the anti-colonial movements in the peripheral colonized countries led to a continued juxtaposition of the tension between the Universalist claims of liberal capitalism for equality and liberty for all and the particular oppressions of specific groups. The mastering of science and technology by the inferior races also discredited biological theories of race. Thus the main “neo-racist” theories towards the end of the 20<sup>th</sup> century relied on culturalist sociological assumptions. In this neo-racist formulation, cultures which are assumed to be discrete differential structures do not change or change only very slowly. Therefore, the claims of (inferior) cultures for equality in every sphere are unrealistic.

While these theories are rigid, ironically the actual capital accumulation process forces flexibility. During times of capitalist expansion, prompted by class-struggles that acquire anti-racist and anti-sexist dimensions, racism and sexism may retreat somewhat. The state itself becomes a contested territory. This is the history of post-WW2 capitalism in its social democratic forms until the early 1970s. Gains made by anti-racist and anti-patriarchal movements limited as they were, can still be understood as real advances from this perspective.

However, with the development of crisis tendencies from the 1970s onwards, the neoliberal strategy of privatization and market liberalization undermined the social democratic structure. At the same time, the internal contradictions of the socialist block led to a return to some of the worst forms of capitalist abuses. Add to this the regional imperialist wars in the Middle East and other places and you get a world that is in many respects like the crisis-prone world of the 1920s and 1930s. Sociological racist theories are on the rise along with socio-biological and socio-cultural variants largely because of the multifaceted global crises of capitalism revealed ever more intensely since the global depression of 2008.

A final word is in order regarding the differential, mainly anti-immigrant racist theories that developed originally in France in the post-war period with the influx of North Africans (Taguetteff 1988). The anti-immigrant—and sadly, now even anti-refugee—rhetoric has spread from France to the rest of Europe and to the US. In the US, however, there is a long tradition of nativist racism which of course excludes the real natives of North America and upholds unapologetically a form of chauvinistic white supremacy. In a strangely narrow manner, in the 19<sup>th</sup> century this North American form of chauvinistic Northern and Western European white supremacy excluded even the Eastern and Southern European immigrants. The institution of IQ testing in the US is linked with this position as are also the quotas limiting not just nonwhite but also Eastern and Southern European immigration in 1923. The more recent French theory has been based exclusively on culturalist assumptions and the superiority of the “revolutionary” liberal

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capitalist institutions set up by the French revolution that nonwhite non-European immigrants cannot understand or adopt as their own.

## Conclusion

Clearly, the bourgeois revolutions—however inconsistent and self-contradictory—marked a major advance in terms of ideas and political institutions of democracy and citizenship. Their Universalist claims were subsequently discredited by a dispassionate analysis of the capitalist mode of production and social formations. But the claims to genuine human rights and political citizenship remain to be developed and institutionalized globally. Today, we face perhaps the deepest global set of capitalist and imperialist crises since the beginning of the history of capitalism. Inevitably, various forms of racist and patriarchal theories and practices are coming to the fore. Building a global movement for a nonracist, nonsexist egalitarian and ecologically sustainable society is the only way forward for those who wish to see a better world beyond capitalism.

## Notes

The theory of capitalist imperialism as opposed to pre-capitalist imperialism is complex. For a nuanced discussion the reader is referred to my lecture entitled Finance Capital and Imperialism.

I have discussed some important flaws in the theory of socialism and in socialist practices in the USSR and PRC. My lecture and my paper on this subject are available online.

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### **About the author:**

**Haider Khan** is a distinguished Professor of Economics at the Josef Korbel School of International Studies at the University of Denver. He has been widely recognized for his expertise on social accounting matrix (SAM)-based economic modeling, which he employs to study problems in international economics and development. His areas of research include poverty and inequality, environment, foreign aid, trade and investment, as well as economy-wide modeling. Dr. Khan has worked closely with the International Labor Office, the Ford Foundation, the World Bank, the United Nations, and the Asian Development Bank. He has been awarded degrees from the University of Denver and Cornell University.