

Lenin's Theory of Imperialism Today:

The Global Divide between Monopoly and Non-Monopoly Capital

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Abstract

The income gap between rich and poor countries has increased since 1980, despite the rapid growth of capitalist commodity production in parts of the Third World. However, contemporary Marxist writing rarely acknowledges this and can't explain how the imperialist core has maintained its dominance. Over the same period, academic Marxism has come to reject Lenin's theory of imperialism, but not replaced it with another Marxist theory. Academic Marxists instead accept some version of the popular narrative that Third World nations (especially China) are 'catching up' with the imperialist core.

It is shown that Lenin's *Imperialism: The Highest Stage of Capitalism* and its key theoretical concept—monopoly finance capital—provides a Marxist theoretical framework that can successfully explain the principle concrete developments in the international economy during the neoliberal period. These are: the growth of capitalism in the Third World yet lack of convergence with the imperialist core, how the global division of labour that developed during the neoliberal period concretely manifests and reinforces imperialist monopolistic dominance and how, on this basis, the imperialist core usurps the labour value¹ created in the Third World.

Much of essential conceptual framework developed in the thesis was explicit in Lenin's *Imperialism* but is lacking from contemporary discussion. It is argued, the most essential form of monopoly—and that which is the key to long-term *reproduction* of imperialist core dominance—is monopolistic dominance over the labour process. The latter is maintained by monopoly over the highest and most sophisticated labour. Monopoly capital develops in this way alongside and in connection with the parallel development of non-monopoly capital—much of which is based in the Third World.

For this reason, the usurpation of value from Third World societies—i.e. Third World exploitation—is shown to be an integral and inevitable feature of international production and trade and underscores the longevity of the imperialist system.

¹ The term "value" here is used in the sense developed in Marx's labour theory of value.

“I, Samuel T. King, declare that the PhD thesis entitled *Lenin's Theory of Imperialism Today: The Global Divide between Monopoly and Non-Monopoly Capital* is no more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work”.

Signature

A black rectangular box redacting the signature of the author.

20-03-2018

In memory of Doug Lorimer,

... without whose theoretical achievements the present work would not have been possible.

Special thanks to Max Lane for suggesting I read chapters 13–15 of *Capital* Vol. 1 to compare Marx's view of industrialisation with Third World development today. Also for his thoughtful contribution to the development of the concepts here presented.

Thanks also to Alice Auckbur, Allen Myers and Bronwyn Fitzgerald for their work and support for this project.

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Introduction

This thesis attempts to prove five closely related postulates. First, it will document that the neoliberal period, beginning around 1980, has not brought about a convergence in the income, wealth and general level of social and economic development between rich and poor countries. Rather, a large gap has been reproduced and reinforced whereby a small core of imperialist states—largely the same core states as 100 years ago—dominate the international economy and gain the lion's share of its income. In short, the period has reconfirmed the pre-existing international polarisation of wealth and income.

Second, it identifies three influential currents of writers that claim their own work is consistent with Marx, which either do not acknowledge or only weakly acknowledge the international polarisation. Where polarisation is acknowledged, these currents are unable to provide a concrete and plausible explanation for how the rich countries' dominance is being reproduced. These currents are writers around the Monthly Review (MR), David Harvey and those influenced by him, and the International Socialist Current (ISC)—the largest politically organised current identifying as Marxist in important imperialist core countries such as the United States, the United Kingdom and Australia.

Third, the thesis shows that one Marxist interpretation of modern capitalism—Lenin's *Imperialism: the Highest Stage of Capitalism*—has been overwhelmingly rejected by these same contemporary currents, not through a process of detailed debate or consideration, but largely on the basis of caricature. Further, these Marxist currents have not replaced Lenin's *Imperialism* with any other Marxist theory of imperialism and tend to lapse into non-Marxist definitions of imperialism and expectations of capitalist development.

Fourth, it will show that Lenin's *Imperialism*—and in particular its key concept, monopoly finance capital—directly anticipated the principal manner with which the rich countries reproduce their dominance in the contemporary period—that is, through monopolistic dominance of the labour process and especially the monopolisation of the technically highest aspects of the labour process.

The application of Lenin's theory to the contemporary period thus solves the apparent contradiction of the expansion of capitalist commodity production in the Third World in parallel with the Third World's continued domination by the imperialist core. The apparent contradiction is resolved with direct reference to the labour process.

Once it is seen that monopoly capital dominates the highest aspects of the labour process it

becomes clear that non-monopoly capital is relegated to lowest or ordinary labour processes: hence the development of an international division of labour that is characterised by two poles—monopoly and non-monopoly capital—based in monopoly and non-monopoly labour processes and hence the production of monopoly and non-monopoly commodities that can demand monopoly or only non-monopoly prices on the world market.

The first pole—monopoly capital—is principally based in the imperialist core countries, while the second characterises capitalist development in the Third World. The development of a technically hierarchical and polarised world division of labour means Third World non-monopoly capital is called upon to contribute value to the world economy, but cannot retain the value it creates because it cannot control the prices of its produce to the extent possible for monopoly capital. Thus, in resolving this apparent contradiction—growth but continued domination—the application of Lenin's theory to the contemporary period is also able to show the mechanism in which value—in the Marxist sense of necessary labour time—is transferred from the poor to rich countries.

Hence the fifth postulate the thesis proves is that—far from contradicting Marx's theory of value—Lenin's theory of monopoly finance capital—is able to show the concrete manner in which value is transferred via the world market. In this way, when applied to the contemporary period, it is able to do what contemporary Marxist explanations fail to achieve—a concrete application of Marx's law of value the world economy—and hence a scientific explanation of contemporary imperialism in the Marxist sense.

Method

The first postulate above—that global inequality among nations has been reproduced in the neoliberal period—is proven through compilation and organisation of income data from established sources. The second and third postulates are proven by detailed textual analysis of all the major, recent works about imperialism and the global economy in the neoliberal period produced by the Marxist currents identified. These are all examined for how they deal with 1) global inequality among nations, 2) North-South (N-S) exploitation, 3) the theory of imperialism in general, and 4) Lenin's theory of imperialism. Contemporary presentations of Lenin's *Imperialism* are compared to the texts Lenin wrote on the topic.

The fourth postulate—the contemporary relevance of Lenin's work—is examined, initially, by textual analysis of Lenin's *Imperialism* and his other works on the topic. The text is removed from the dominant contemporary perception and caricature, via critique of the latter. To investigate the essential concepts Lenin elaborates, *all* of Lenin's relevant works are consulted;

these are examined outside the context of contemporary Marxist analysis of imperialism. Finally his work is investigated against the key concepts in Marx's *Capital* on which it based. Lenin's theory of monopoly finance capital—thus elaborated—is then compared with the contemporary developments via the investigation of the latter that is carried out in the final part of the thesis.

The final postulate—that Lenin's theory is necessary for the application of Marx's law of value to the contemporary imperialist world economy—is proven in two ways. First, through the theoretical examination of Lenin's concept of monopoly it is shown how this is consistent with Marx's own understanding of monopoly and Marx's law of value more broadly. Secondly by showing the close correspondence between Lenin's theory and the characteristic features of the neoliberal labour division—especially the development of monopoly and non-monopoly poles of capital—it is shown that Lenin's theory, and hence his application of Marx's law of value, is basically correct.

Contribution to knowledge

The thesis' contribution to knowledge is both theoretical and practical. Practically, it proves that imperialism is not undermining but reproducing global inequality—something usually denied by Marxist and heterodox writers alike. Additionally, it demonstrates that global inequality forms not a spectrum of income levels, but a stark polarisation, with almost no middle, or Second World, between the two principal groups of states—the imperialist core and the Third World.

Theoretically, the thesis is unique among Marxist works. It offers, perhaps, the first detailed exposition of Lenin's *Imperialism*, at least since Barone (1985) and Warren (1980) and provides a very different and far more detailed textual analysis than either of those works. It is the only work to attempt to apply Lenin's theory of monopoly finance capital to the labour process in the neoliberal period. It may be the only detailed examination of imperialist monopolistic domination of the labour process to be produced in a Marxist framework this century or even much longer.

The thesis shows the relative ease with which Lenin's theory is able to explain, in simple empirically verifiable terms, the reproduction of imperialist dominance. The concrete picture of the world economy built up in this manner is dominated by the categories of monopoly and non-monopoly capital. This formulation—"monopoly and non-monopoly capital"—is unique in contemporary literature. It can explain both capitalist growth and the N-S polarisation of the world capitalism more accurately than other available formulations. The formulation is taken

directly from comments made in Lenin's *Imperialism*—a text that is almost universally rejected or ignored by contemporary Marxist work on imperialism.

The thesis demonstrates that Lenin's theory is in no way counterposed to Marx's law of value—a commonly held view in contemporary Marxist writing since 1980. For these reasons, the thesis represents a direct challenge to the Marxists who reject Lenin's *Imperialism* and deny or ignore Third World exploitation by the imperialist core economies—two positions that almost always go together.

PART I. Income polarisation in the neoliberal period

Chapter 1. Income polarisation in the neoliberal period, aims to set the context of discussion by proving there has been no generalised trend of catch-up by Third World nations. In fact the divide between the rich and poor countries has been reconfirmed and, in absolute terms, increased during the 35-year period, 1980–2015.

PART II. Contemporary Marxist response to international income polarisation and the decline of Marxist writing on imperialism

Chapter 2.1, Contemporary Marxist response to polarisation, documents the Marxist response to polarisation in the neoliberal period, showing that most of the writers identified either deny, ignore or downplay the importance of the divide.

Chapter 2.2, 2011: Partial turn-around in analysis, analyses the work of a group of writers who, since around 2011, have identified the global divide as a crucial factor in Marxist analysis today, but are still unable to explain its reproduction.

Chapter 2.3, Historical decline of Marxist anti-imperialism, documents the manner in which contemporary Marxist writing since around the beginning of the neoliberal period has rejected Lenin's *Imperialism*. The chapter shows 1) rejection of Lenin's theory has proceeded not through study and consideration of *Imperialism*, but largely through caricature or entirely ignoring Lenin's work, and 2) that *Imperialism* has not been replaced by an alternative Marxist theory of imperialism but, more or less openly, by versions of Bill Warren's (1980) pro-imperialist bourgeois economic development theory (which Warren also presented as a Marxist analysis).

PART III. Lenin's monopoly finance capital

Chapter 3.1, Prevalent caricatures of Lenin's monopoly finance capital, addresses the two most prevalent caricatures of Lenin's work used to argue it is incorrect or no longer relevant. These are capital export and colonialism. The chapter, via direct reference to his work, shows that Lenin neither argued imperialism was *principally* defined by export of capital nor held the position that colonies were an inevitable feature of imperialism.

Chapter 3.2, Imperialism as the highest stage of capitalism, first addresses contemporary caricature of Lenin's concept (which is taken from Marx) of capitalism's "highest stage". Second, it shows that the concept postulates that capitalism in its monopoly stage has achieved the highest possible development of the essential social-productive-relations of capitalist society, something verified empirically.

Chapter 3.3, Finance capital: its treatment by Lenin and by contemporary Marxists, shows that Lenin's understanding of finance capital was based on the merger of all sections of large capital as finance capital (not its separation into discrete segments as is popularly assumed today). It is shown how Lenin's conception has a greater contemporary explanatory power than the contemporary "financialisation" literature, which proceeds from the opposite starting point.

Chapter 3.4, Lenin's theory of monopoly little understood, outlines the principal views of 'monopoly' adopted by the contemporary Marxist currents criticised in this thesis. The chapter shows that, even when these views are presented as being consistent with Lenin's views on monopoly, this is not the case. It also shows that these contemporary Marxists, consistent with much bourgeois economic theory, tend to view monopoly as a phenomenon that occurs only outside of the labour process.

Chapter 3.4.1, Lenin's theory of monopoly finance capital as a whole, elaborates Lenin's overall concept of monopoly finance capital. It proves, via direct reference to *Imperialism*, that the essential aspect of Lenin's monopoly finance capital is systematic scientific research and development undertaken for the purpose of raising labour productivity in the production of commodities for the capitalist market. For this reason, Lenin's monopoly is not in contradiction with Marx's law of value but in fact shows the concrete factors which condition the functioning of Marx's law under conditions of monopoly capitalism.

PART IV. Monopoly finance capital in the neoliberal period

Chapter 4.1, Monopoly finance capital in the neoliberal period, gives a general overview of how core monopoly capital functions in the neoliberal period. This is through an increasingly globalised division of labour where individual labour processes are distributed on an increasingly specialised and hierarchical basis between monopoly and non-monopoly capitalist corporations. It shows that this same basic economic division—between monopoly and non-monopoly capital—also pertains to the basic international division between rich and poor countries or global North and South. The latter principally is characterised by non-monopoly capital, while the imperialist core economies are principally characterised by monopoly capital.

Chapter 4.2, Monopoly of highest labour productivity, shows that this hierarchical division is reproduced in two essential ways. Firstly, by monopolistic control of the technically highest or most sophisticated labour processes, which results in monopoly of the highest labour productivity. Secondly, it is reproduced via monopoly of the reproduction of highest labour

power. The latter stands as the prerequisite of both highest labour productivity and the ability to continuously reproduce highest labour productivity. Monopoly capital achieves this via continuous and systematic high-end research and development, resulting in the constant revolutionising of the means of production.

Chapter 4.3, Non-monopoly Third World capital, documents that production in the Third World is dominated by labour processes that do not hold a monopolistic position within the international division of labour. It also shows that the largest Third World corporations have lower rates of profit than those of the imperialist core, which is a reflection of their non-monopoly position within the global labour division.

Chapter 4.4, Marxist literature on China, documents that among the Marxist currents investigated, it is agreed that China is either already an imperialist rival to the core economies or is rapidly developing in that direction. The chapter shows that this conclusion is not based on any qualitative analysis of the global labour division and China's role within it, but often on the uncritical use of statistics on Gross Domestic Product (GDP) or other similar measures of aggregate growth of commodity production in the country.

Chapter 4.4.1, China: Third World capitalism par excellence, shows that Chinese production as a whole exemplifies the type of non-monopoly capital outlined in the previous chapter as typical of low income Third World economies. Secondly, it is documented that in the neoliberal period, the trajectory of Chinese capitalist development has not been towards the technically highest labour processes that characterise the high-income imperialist core economies. Rather, it has rapidly developed the sort of productive forces that characterise other relatively developed Third World states.

The **Conclusion** summarises the key findings: the global division between monopoly and non-monopoly capital has caused the reproduction of global social and economic polarisation in the neoliberal period; capitalist development along these lines provides no prospect for the Third World to catch up with the imperialist core; this general picture was broadly anticipated by and is explainable using Lenin's theory of imperialism; and that contemporary Marxism's inability to do, so raises questions about the direction of future research.

PART I. Income polarisation in the neoliberal period

Chapter 1. Income polarisation in the neoliberal period

It is common for contemporary Marxist writers to argue that the neoliberal period has increased the income and wealth gap—or the polarisation of income and wealth—between rich and poor people, or between the working class and capitalist class. It is less common to acknowledge the growing polarisation between the small group of imperialist societies and the much larger group of Third World societies.² Many First World Marxists in fact argue that the terms 'First World', 'Second World', and 'Third World' are meaningless, dated terms that do not correspond to today's reality.³ That the imperialist societies are almost the same group of countries, occupying almost the same position as 100 years ago, is something rarely noted and less analysed. Yet such international polarisation has not only persisted since World War Two (WW2) but can be shown to have grown substantially, especially during the neoliberal period.

The international polarisation represents, alongside the polarisation of income and wealth between classes and its ever greater concentration within the capitalist class, an important *form* of the general trend towards the concentration and centralisation of capital that Marx anticipated in *Capital*.⁴ It is an important concrete form that the growing inequality between classes takes. As such, no accurate analysis of the international class struggle is possible today without taking the worldwide division and polarisation between societies into account.

At the second congress of the Communist International (Comintern) in 1920, Lenin emphasised in great detail the division of the world into a small minority of oppressor nations and "the vast majority" of the world's population who lived in the oppressed societies. Lenin estimated "about 70 percent of the world's population belongs to the oppressed nations"⁵ Since then, this polarisation has dramatically increased. It will be shown that by 2015 not 70% but 85% of the world's population live in poor countries as defined below. The relative size of the core country population—13.4% of the world's people—has halved compared with Lenin's estimate. Strikingly, today truly 'middle income' or 'Second World' countries (see below) are almost non-existent, accounting for just 1.6% of the world population.

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- 2 O'Shea, Louise, 'The game is up for 'trickle down' economics', *Red Flag*, 01-08-2017; Lees, Jonathan, 'Growing Wealth Inequality Reaching Breaking Point', *Socialist Appeal*, 04-12-2017; Maniatopoulou, Erin, 'Eye-Watering Inequality: A Symptom of a Sick System', *In Defence of Marxism*, 01-02-2018; an exception is Yates, Michael, 'Measuring Global Inequality', *Monthly Review*, 68, 6, 2016.
 - 3 Callinicos, Alex, *Imperialism and Global Political Economy*, Polity, 2009, p5; Weiniger, Patrick, 'Understanding Imperialism: A Reply to Sam King', *Marxist Left Review*, 9, 2015.
 - 4 Marx, Karl, *Capital: A Critique of Political Economy, Vol. 1: The Process of Production of Capital* [1867], Progress Publishers, ch.25, www.marxists.org/archive/marx/works/1867-c1/
 - 5 Lenin, V.I., 'Report on National and Colonial Questions to the Second Comintern Conference July, 26, 1920', in Riddell, John (ed), *The Communist International in Lenin's Time: Workers of the World and Oppressed Peoples, Unite! Proceedings and Documents of the Second Congress, 1920, Vol.1*, Pathfinder, 1991, p212.

Polarisation

If we examine the income in each country in terms of Gross Domestic Product (GDP) per capita in US Dollars (USD), the world's states are clearly divided into top and bottom parts, with a large, almost unpopulated gap in between. We can substitute the terms 'First World' for 'rich' or 'imperialist' countries and 'Third World' for 'poor', 'former colonial' or 'undeveloped' countries etc. Or we can simply say, 'North and South'. In whichever case, the world remains divided into rich and poor income poles (table 1).

Table 1: First, Second and Third World population (pop.) and income (US 2015 Dollars)

	No. of states and territories	Population (thousands)	GDP (millions)	GDP per capita	Percentage of world GDP	% of world pop.	GDP per capita as % of First World average
<i>First World (income above \$25,001)</i>	28	980,960	\$43,581,702	\$44,428	58.91%	13.37 %	100%
<i>Second-World (income \$15,701-25,000)</i>	18	116,119	\$2,661,059	\$22,918	3.60%	1.58%	51.58%
<i>Third World (income below \$15,700)</i>	148	6,239,386	\$27,741,670	\$4,446	37.50%	85.05 %	9.99%
WORLD	194	7,336,465	\$73,984,431	\$10,084.40	100%	100%	22.67%

Source: World Bank, 2017.⁶

GDP in USD is the most meaningful measure of the current health and power of each national capitalist class, and thereby of the developmental trajectory of each capitalist society. Unlike so-called 'purchasing power parity' (PPP), which exists only as a statistical construction, USD GDP measures (however imperfectly) income that capitalists and workers actually receive for the sale of commodities they own. US dollars command purchasing power over goods sold on the world market.

By measuring national income in USD (or their equivalent in national currencies) we gain an indication of the quantity of goods that can be obtained on the world market in exchange for a

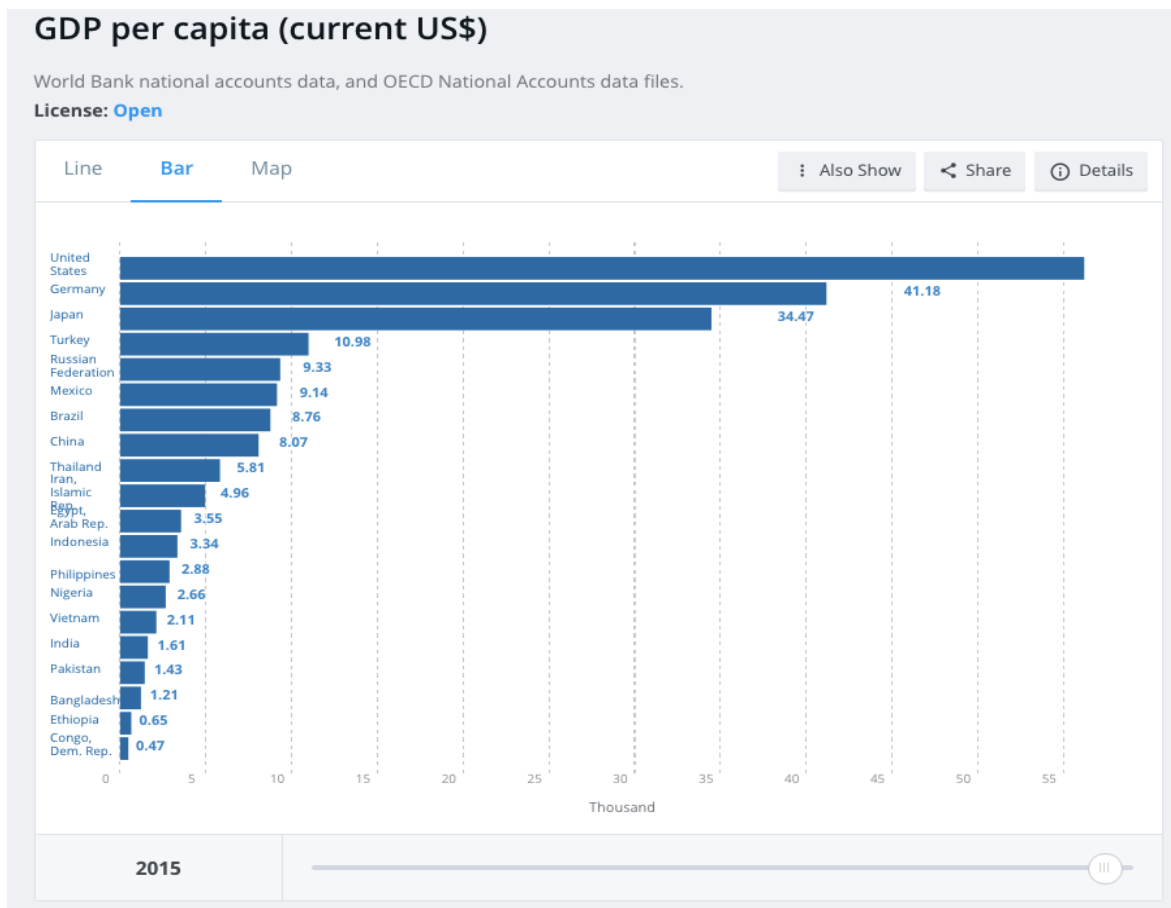
⁶ World Bank, *Databank*, 2017, databank.worldbank.org/data/home.aspx, last accessed 17-07-2017; For the full table of individual states and data sources see Appendix 1.

given country's own labour product. This comparison of labour product for labour product is an objective measure not of a given country's value creation, but of how much value it can capture. Comparing *per capita* GDP is useful as it compares the world *market* value (i.e. price) of labour product per person. This has a rough equivalence to per worker and per hour as there is a general correlation between the size of population and workforce. Gross GDP, on the other hand, can simply indicate a large or small population but, unlike GDP per capita, has no necessary correlation with the degree of concentration of capital or rates of profit.

Gross Indian GDP (over 2 trillion USD) for example, is very large, larger than Italy and not far off France. In a certain sense, this does correspond to power. The Indian *state* apparatus, for example, is certainly *regionally* powerful in relation to its smaller neighbours. However, the gross figure gives no indication of what part of that income is received by one billion tiny farmers, traders, petty capitalists and their low productivity workers, which may not substantially assist the Indian big bourgeoisie to establish a competitive position on the international market.

World income polarisation can be visually represented by graphing the income level of the twenty most populous countries in the world (figure 1). These countries, representing over 5 billion people or 70% of world population, are strikingly polarised into rich and poor countries, with no middle countries at all. Perhaps the most telling fact is that every one of the largest fifty states in the world falls into the same pattern. They achieve either First World or Third World per capita income. The largest Second World state, Saudi Arabia (pop. 31.5 million), is the fifty-first country in the world by population. The next biggest, Taiwan (pop. 23.5 million), is the sixty-second, followed by Greece (pop. 11 million), the seventy-seventh largest country in the world.

Figure 1: 2015 income of the 20 largest countries (70% of world population)



Source: World Bank, 2017.⁷

This definition of the Third World—i.e. countries with low per capita income, (table 1 and below)—includes 85% of world population *but just 38% of income*, while the First World gets 59% of income but contains just 13.5 % of population. Third World is defined as those countries whose per capita income (2015) was less than \$15,700. First World countries earned above \$25,000, so there is a large gap between them.

The income bracket that corresponds to the Second World, i.e. \$15,700-\$25,000, spans an income range of \$9,300 (table 2), larger than any other bracket, yet it is smallest in population (besides the tiny, super-high earning imperialist states). This can be seen if we compare the two brackets immediately below the Second World, i.e. 'Third World 1' and 'Third World 2'. Combined, these have a smaller income bracket size than the Second World (\$8,700 compared to \$9,430), yet their population is nineteen times greater. Above the Second World sit the least rich imperialist societies; those contained in the income brackets 'First World 5'. This has an income range of \$8,000, 94% as large as the Second World but a population 138% as large. 'First World 4' has a range 85% as large with a population over two and a half times larger. The same is true for 'First World 3' and '4'. Taken as a whole, the First World, despite collectively accounting for just over 13% of world population, still vastly outnumbers the Second World.

⁷ World Bank, *Databank*, 2017, databank.worldbank.org/data/home.aspx, last accessed 17-07-2017.

The Second World consists of a small number of mostly tiny societies.

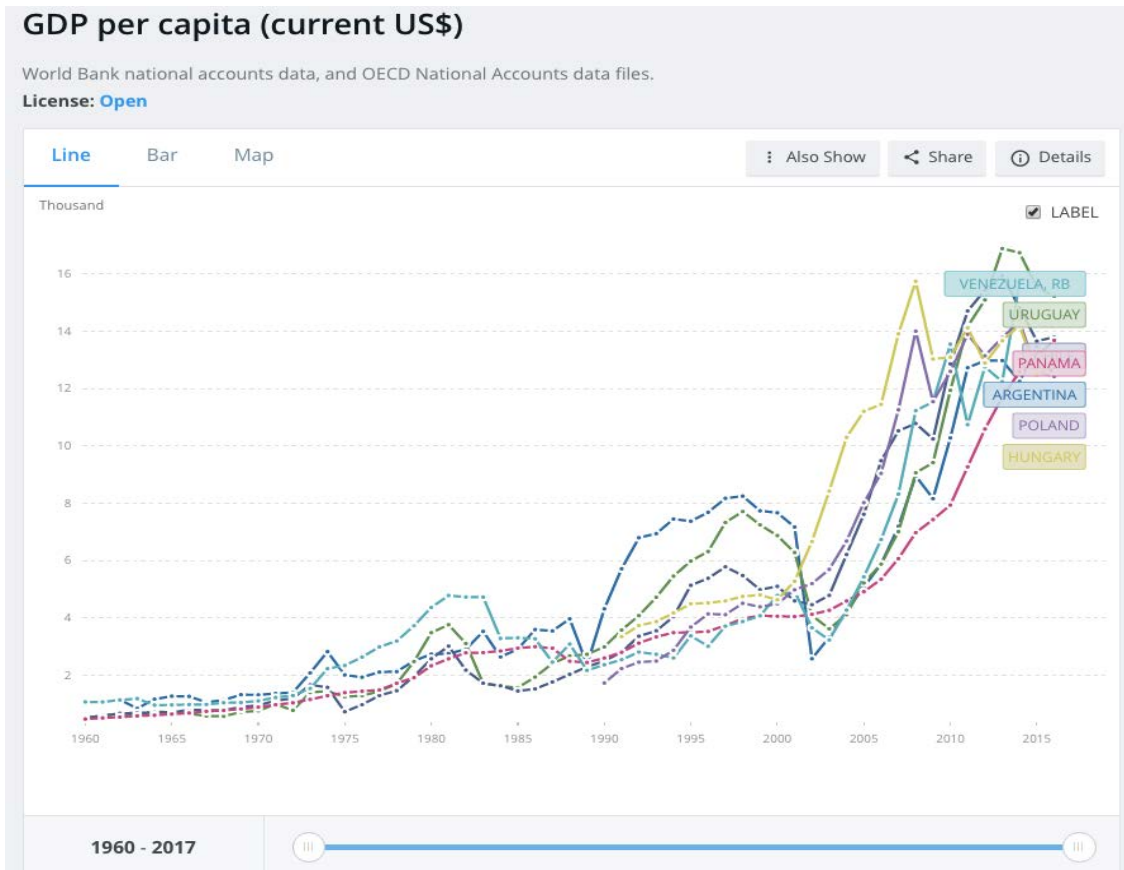
Table 2: World income brackets, 2015 (current USD)

Income group	Income bracket	Size of income bracket	Pop. in bracket (1,000s)	% of world pop.
<i>First World 1</i>	\$58,000+	---	19,353	0.27%
<i>First World 2</i>	\$50,001-\$58,000	8,000	351,676	4.83%
<i>First World 3</i>	\$42,001-\$50,000	8,000	154,435	2.12%
<i>First World 4</i>	\$34,001-\$42,000	8,000	295,550	4.06%
<i>First World 5</i>	\$25,001-\$34,000	9000	159,886	2.18%
<hr/>				
<i>Second World (excluding oil exporters)</i>	\$15,700-\$25,000	\$9,430	67,495	0.92%
<hr/>				
<i>Third World 1</i>	\$11351-\$15,700	\$4,350	153,251	2.10%
<i>Third World 2</i>	\$7,001-\$11,350	\$4,350	2,014,299	27.64%
<i>Third World 3</i>	\$3,001-\$7,000	\$4,000	929,74 2	12.76%
<i>Third World 4</i>	\$0-\$3000	\$3,000	3,142,144	43.11%
			7287841	99.34%*

Source: Individual country figures: see Appendix 1. *excludes Second World oil exporters

The income categories, as here defined, are in accordance with the way that countries are clustered. The figure taken as the upper limit of the Third World in 2015 (\$15,700) is not arbitrary but represents the upper limit of a definite cluster of relatively prosperous Third World states ('Third World 1'). Besides some micro-states, all these are in Latin America and Eastern Europe, the most important being Argentina (income \$13,432), Venezuela, (\$12,625), Chile (\$13,416), Panama (\$13,268), Poland (\$12,555) and Hungary (\$12,617). The richest was Uruguay with an income of \$15,574. As can also be seen in figure 2, all these countries have a similar income and, according to World Bank statistics, have done so for a long time.

Figure 2: Top income Third World states



Source: World Bank, 2017. Includes: Uruguay, Argentina, Chile, Venezuela, Panama, Poland and Hungary.

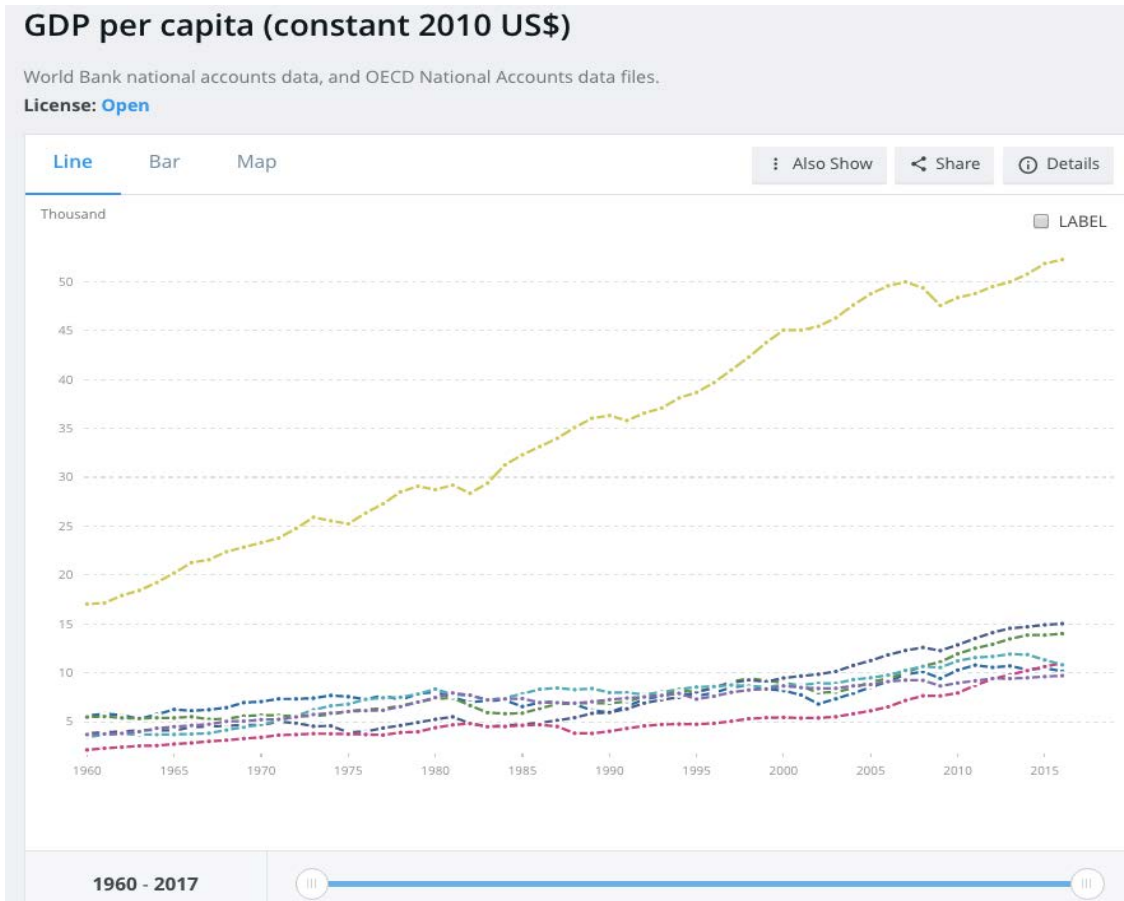
The figure of \$15,700 takes in the upper limit of this definite grouping or, more accurately, two similar groupings, one in Latin America and another in Europe. Both are quite developed, yet both are clearly second rate in relation to the vastly more powerful imperialist core, according to their income. While the numbers of US dollars that delimit this group must be adjusted each year, the countries that make up the category remain largely unchanged over time. Arguably this relates to the principal characteristic they have in common: that of being more developed than most other Third World capital, yet remaining non monopolistic in relation to imperialism. The degree of coherence of this grouping can be seen when it is compared to the far more incoherent, eclectic and unstable Second World (below).

It is fully justified to define this grouping as the top of the 'Third World' for two reasons. The first is because it can clearly be seen as a part of a larger group of relatively developed Third World states. Secondly, this top group has an income level that is a fraction of even the poorest imperialist state—Spain.

In Latin America, these are principally the populous states of Mexico (income \$9,005) and Brazil (\$8,539). Income in Chile and Argentina is not significantly higher (at least when we

also compare it to the imperialist core states). The nations in this group sometimes trade places. For example, Mexico had the highest income for the period 2001–2005. Yet on the whole they stick within a fairly tight income band (figure 3) and form a clear regional grouping of relatively developed Third World states. 'Third World 1' at least since 1960, has not moved far from the much larger Third World 2 (figure 3).

Figure 3: Latin America, Third World 1 and 2 versus US

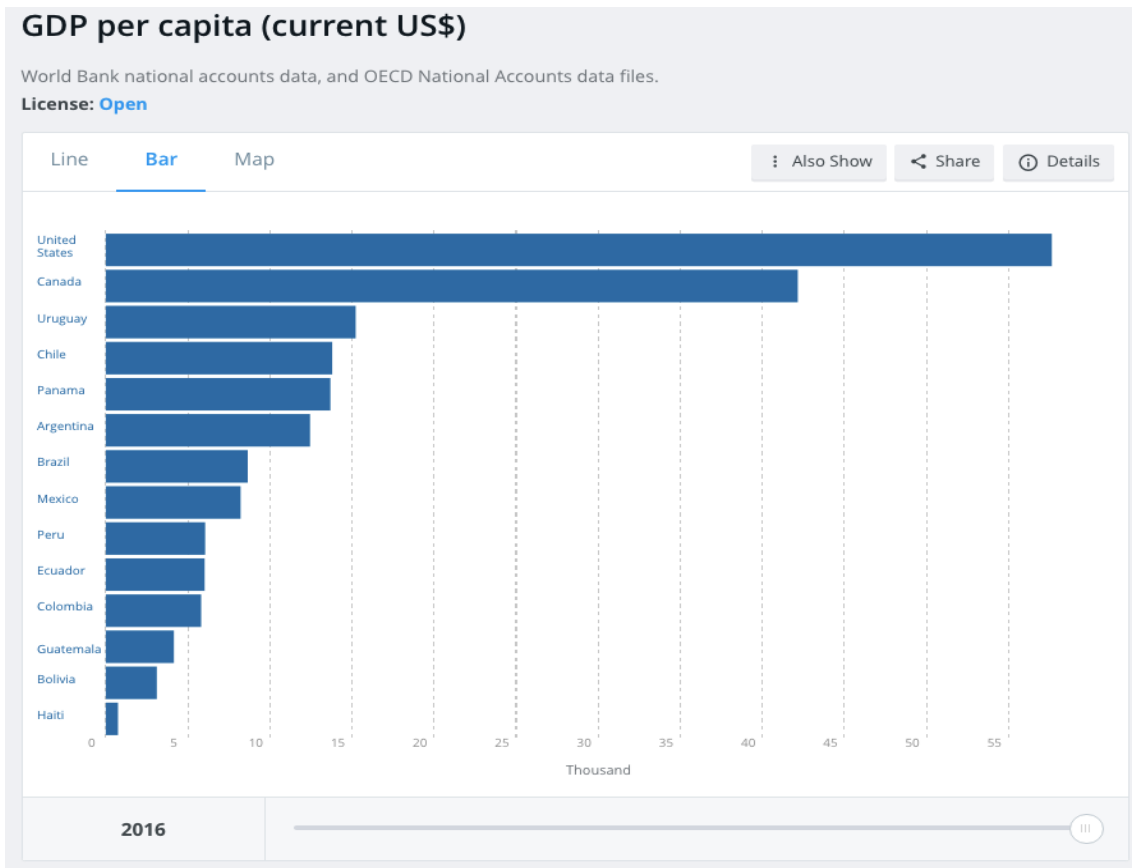


Source: World Bank, 2017. Includes (top to bottom): United States, Chile Uruguay, Panama, Brazil, Argentina and Mexico.

Looking at the 2016 income of all the largest North and South American states, it is clear that, while there is a spectrum of incomes within the Third World, the most pronounced gap is between the First and Third Worlds, i.e. between the USA and Canada and the rest. The only outliers in the polarised income division in the Americas are the Bahamas (pop. 388 thousand) and the US colony of Puerto Rico (pop. 3.7 million)—a tax haven that has been in economic crisis and losing population for over a decade.⁸ However, these tiny societies do not register on a table of major American states (figure 4).

⁸ Current data is scarce. In 2013, Puerto Rico's GDP per capita was almost as high as Spain. Since then, this poorest section of the US has been undergoing an economic crisis comparable to that of Greece in the European Union; see Roberts, Michael, 'Puerto Rico: When It Rains, It Pours', *Michael Roberts Blog*, 17-10-2017.

Figure 4: Largest states by population in the Americas, 2016

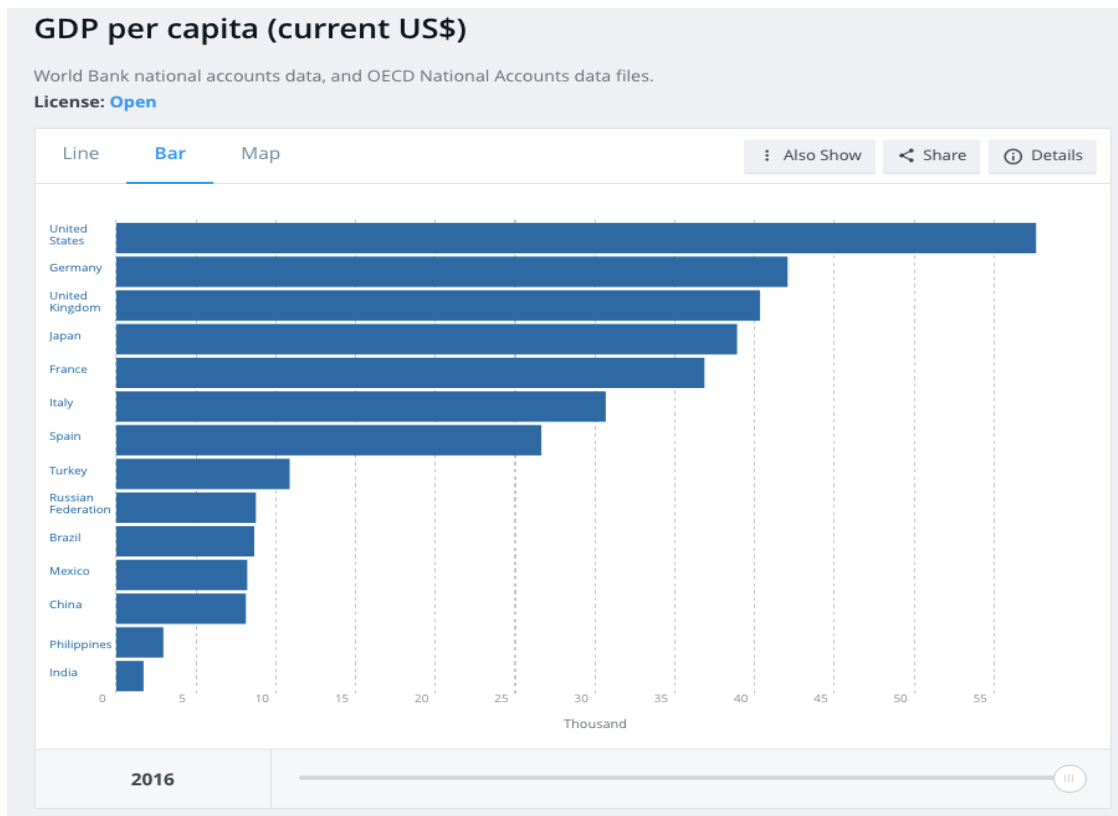


Source: World Bank, 2017.⁹

Turning to Third World income more broadly, Latin America is not unique. Rather the major developed Third World states in Latin America appear as peers of the major developed Third World states in other parts of the world, most importantly China (income \$8,000), Russia (\$9,093), Turkey (\$9,126). These large, relatively developed states have income almost identical with their large Latin American peers Mexico (\$9,005) and Brazil (\$8,539). Thus a large group of the most developed, very populous, Third World states (Third World 2) fall within a remarkably tight income band that is both well above the less developed Third World states such as India (\$1,598) or the Philippines (\$2,904) yet still far below even the lowest imperialist states (figure 5).

9 2016 figures for Venezuela are unavailable.

Figure 5: Selected large Third World and First World states' income



Source: World Bank, 2017.

'Third World 2' groups some 28% of the entire world population into the small income bracket of \$7,001–\$11,350 income. It should be expected that this populous income bands (besides the poorest countries \$0–3000) will occur with certain smaller states as its outliers, and it does. 'Third World 1' exists as a satellite of the much larger 'Third World 2', which is a definite grouping not only statistically. Uruguay, Chile and Argentina then are the upper echelon of the most developed sub-group of countries that form a large part of the Third World. We can rank this grouping within the global economy by comparing its income to the imperialist core. Even the poorest core country, Spain (income \$25,832, see below), earns nearly *double* that of top earning Third World states Argentina (\$13,432), and Chile (\$13,416) and *three times* that of Mexico, Brazil and China, Russia and Turkey. That is the size of the gap between the two worlds.

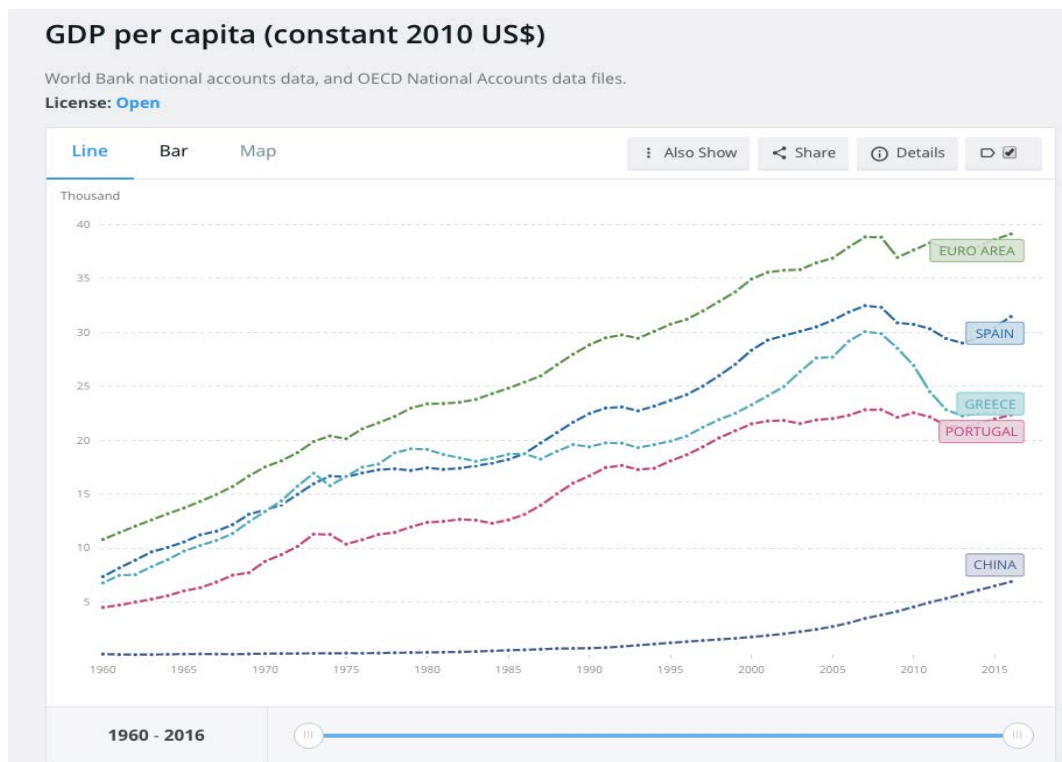
In Europe, there are eight small states between the richest major Third World state, Poland (\$12,555), and the core state with the lowest income—Spain (\$25,832). These are Slovakia (\$16,088), Estonia (\$17,119), Czech Republic (\$17,548), Greece (\$18,002), Portugal (\$19,222), Slovenia (\$20,727), Malta (\$22,596) and Cyprus (\$23,243).

Most important European ex-Socialist states, except the former German Democratic Republic

(GDR), have Third World income levels. Russia (\$9,093), Ukraine (\$2,115), Poland (\$12,555), Romania, (\$8,973) and Hungary (\$12,617) are the largest. Besides the Ukraine, these are broadly comparable to the most developed Latin American states. The most populous state—Russia—has a per capita income almost identical with that of Brazil and Mexico, the most populous Latin American states. Similarly, the largest top level Third World European states—Poland and Hungary—have incomes very similar too (though just below) those of Argentina and Chile.

Besides ex-Socialist states, the other European part of the Second World are Portugal and Greece. Portugal seems, uniquely for a state of that size (pop. 10 million), to have occupied a position of a Second World income level satellite to the European imperialist core since at least 1960. For over fifty years, Portuguese income appears to have tracked the imperialist core, but at a lower level. Greek income, on the other hand, has historically been around or above Spain and Italy. As such, it was a part of the core in income terms until its recent crisis and might be expected to return to it in the future. If not, it will be the only core state to fall out of the core group at least since 1960.¹⁰ While certainly presenting a variation within the bipolar formation of the world economy, these Second World European states account for only 0.6% of world population or around 40 million people.

Figure 6: Portugal, Greece and Spain



Source: World Bank, 2017.

¹⁰ Unless Chile and Argentina are considered to have been part of the core group prior to 1973–1974 when their incomes peaked and then fell below Spain.

So far we have outlined the top income Third World countries, which together account for 30% of world population, as well as the Second World, which accounts for 1.6%. However, the largest group within the Third World is made up of the poorest states. Countries with an average income between \$0 and \$3000 make up some 43% of the human population. In this category are the giant poor South Asian states of India (\$1,598), Pakistan (\$1,435) and Bangladesh (\$1,212), the poorer South East Asian states of the Philippines (\$2,904), Vietnam (\$2,111), Myanmar (\$1162) and Cambodia (\$1,159).

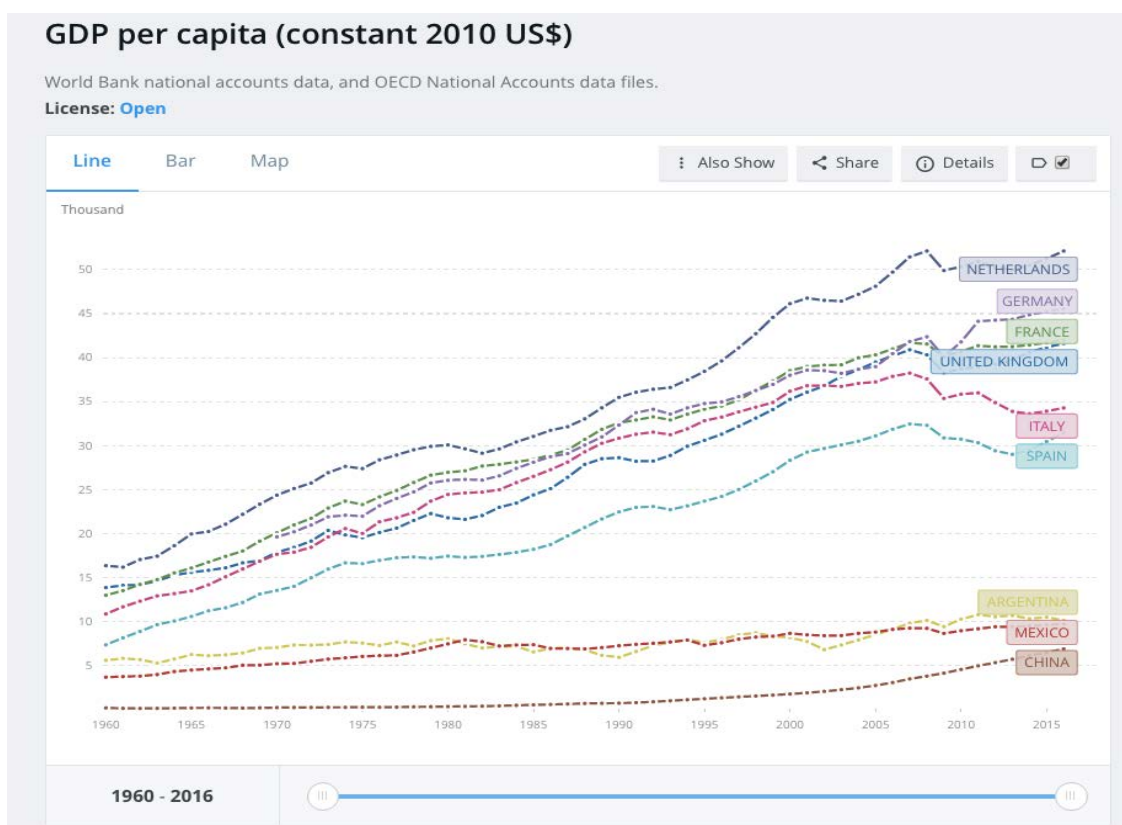
We can add to this the Ukraine (\$2115), Yemen (\$1,406), Afghanistan (\$594) and Uzbekistan (\$2,132), Nepal (\$743) and Syria (\$2671). In addition, almost every African state besides Egypt (\$3,615), South Africa (\$5,724), Algeria (\$4,206), Angola (\$4,206) and smaller states like Libya and Tunisia, are part of this poorest group.

In the Americas, by contrast, it is only in Central America and the Caribbean where the poorest countries, principally Haiti (\$818) and Honduras (\$2,529), have such absolutely low income. The rest of the poor countries in the Americas, such as Colombia (\$6,056), Peru (\$6,027) and Ecuador (\$6,205), have an income level similar to the top African nations already mentioned. These are also similar to the populous Middle Eastern countries of Iran (\$5,443) and Iraq (\$4,944). On a similar level are the large, middle ranking South East Asian nations, namely Indonesia (\$3,346) and Thailand (\$5,815), that sit above Vietnam, Cambodia and Myanmar yet below Malaysia and China.

The imperialist core is delimited in terms of income levels at its bottom by its poorest member, Spain (\$25,832). Spanish income has paralleled that of the richer European states since 1960, albeit at a slightly lower level than the others (figure 7). Admittedly there has been a divergence since the 2008–9 crisis between Spain (and Italy) and the stronger Northern European states. Such a divergence between stronger and weaker states is hardly unexpected in a period of crisis. Since around 2013, it has begun to reverse as the large Spanish multinational corporations (MNCs) such as Banco Santander, Repsol and Zara continue to benefit from their monopolistic global positions. The large and powerful Spanish state forms a very solid floor of the imperialist core while all the states above it, can be seen to be part of this group.¹¹

¹¹ The exceptions to this are the richest oil producers—the United Arab Emirates (\$40,439), Kuwait (\$29,301), Qatar (\$73,653) and Brunei (\$30,555)—with a combined population of less than 16 million. These small exceptions occupy a qualitatively different position to other high income countries in the world labour division.

Figure 7: Selected states



Source: World Bank, 2017.

Inequality

The data so far demonstrates the existence of the two principal economic groupings and outlines their delimitation as well as showing how barren is the space between them. However, this comparison, which has focused on the highest Third World and lowest First World income, still vastly understates the extent of inequality between the two camps as a whole. To more fully express it, we need to compare various Third World incomes to First World income as a whole (average \$44,428). Compared with this income level, Argentina and Chile earn around 33%, Poland 29%, Russia, Mexico, Brazil and Turkey around 20% and China 18%. That is a comparison of the *top* Third World income to the average income of the imperialist core.

In the *richest region* of the Third World, one hundred and twenty two million Colombians, Peruvians, Ecuadorians, Cubans and Dominicans all average from 1/7th to 1/9th of First World income. Still in the richest region, a further 65 million people from Guatemala, Bolivia, Haiti, Honduras, Paraguay, El Salvador and Nicaragua mostly earn around half that. If we look at Asia and Africa, *where most Third World people live*, the comparisons are more extreme. Indonesia—not an absolutely low income country—earns 8% of the imperialist core average. This compares favourably to India (4%), Pakistan and Bangladesh (3%), and Nigeria (6%).

Those are the really big countries. The Philippines and Ethiopia, each home to 100 million people earn 7% and 1% respectively. Vietnam and Egypt, each home to over 90 million people, earn 5% and 8% respectively, while 79 million Iranians earn 12% of average First World income.

The whole Third World averages just 10% of average First World income and 17% of Spain, the poorest First World country. Thus, while the gap between the richest Third World and poorest First World nations stands at 1:2, the average Third World to average First World income is 1:10 and 1:6 with Spain. Of course inequality between the richest and poorest individuals is greater still.

It has been shown that the world is divided into two economic groups, and that there is a vast gulf in income levels between the two. Income is polarised (as opposed to simply scattered or dispersed with no clear gulf in the middle). This parallels polarisation between monopoly and non-monopoly capital on the capitalist world market (ch.4.3). The two poles represent the winners and losers in this international competition, and the nature of competition on the capitalist market that explains why there is almost no centre. Countries where the bourgeoisie can establish some significant monopoly gravitate towards the core. Those where this has not been possible are repelled, in general, far from the core. The size of the gap reflects the antagonistic, exploitative and dominant relationship between monopoly and non-monopoly capital.

Exceptions: South Korea, Taiwan, Hong Kong and Singapore

An objection may be raised that the cases of South Korea, Taiwan, Hong Kong and Singapore contradict the theory of such a stark global polarisation. However South Korea, Hong Kong and Singapore have all converged with the income of the imperialist core, and as such, form a part of it, confirming not contradicting world polarisation. While data is difficult to obtain for Taiwan due to its political status, in 2011 income (around \$21,000) was already close to Spain's 2015 level. Moreover, the strength and profitability of its MNCs and its apparently rapid GDP growth from an already high base suggests it will soon follow South Korea (\$27,222) and surpass Spain to enter the core income category if it has not done so already.

The exceptional nature of these countries is that they have moved from one pole to the other. As such, if our world income snapshot was taken not in 2015 but in, say, 2000 the picture would not be so neat. At that time, Hong Kong, Taiwan and South Korea (but not Singapore) would still have been well below Spain. It is true these societies represent exceptions to the stability of the North and South poles, as they have moved from the Third to First World income level. However, to believe these four societies represent an example that can be

replicated by any large section of the Third World is arguably incorrect. To focus on them and ignore the overarching reality of a starkly divided world misses the principal problem.

All four are not historical nations but pieces of larger nations broken off by imperialist annexation or anti-Communist war. In the context of the Chinese revolution and the threat of more revolutions in Asia these states were given preferential development assistance and opportunities. As Howard and King (1999) noted, "the East Asian growth miracles" were given "a measure of independence in economic policy *and* relatively free access to the markets of advanced capitalisms as part of deliberate strategies adopted by the core states to help contain the spread of Sovietization."¹² Strong alliances between the US and South Korea, Taiwan and Singapore remain today. Taken together these examples of catch-up come to just over 1% of the current world population. They comprise such a small part of the Third World that during the period of their catch-up, the Third World population grew so rapidly that it now represents a larger portion of total world population than it did in the 1960s and 1970s even counting these countries.

These four nations all have in common that they are fragments of a region that is both the world's most populous and most rapidly growing in terms of capitalist commodity production (GDP). It is the rapid growth in China, the Philippines, Indonesia and elsewhere during the neoliberal period that has provided the basis for the more advanced development in these much smaller fragments of Asian capitalism. Growth of their high income, advanced capitalism has been possible only as a connected part of the overall neoliberal development that presupposes the co-option of the Chinese proletariat into production for the world market. That is to say, their entry into the imperialist camp would not have been possible had they not been able to develop the type of parasitical relationship between themselves and China (and other Third World countries) as the rest of the imperialist core had already developed (ch.4). As Marx succinctly puts it, "Capital is dead labour, that, vampire-like, only lives by sucking living labour, and lives the more, the more labour it sucks".¹³

As such, to view these areas as a model for the development of the Third World more broadly is to misunderstand the actual development type that has taken place. If the ascent of these regions (total pop. 85 million) during the neoliberal period required rapid development of Third World capitalism in China (pop. 1400 million) what would be required to support the ascent of China or Brazil over the next three decades if their development is presumed to follow the same path?

In contrast to the similarities in the historical situation of the four newest imperialist countries,

¹² Howard, Michael and King, John, *A History of Marxian Economics: Vol.1, 1883-1929*, MacMillan, 1999, p34.

¹³ Marx, *Capital*, ch.10.

the characteristics of the present Second World are heterogeneous. We have already seen that a part of this group consists of ex-Socialist Eastern Europe, while another part is Portugal and Malta. Greece is a different case again and has not long been a member. Taiwan is different from all the others, and may have already left. The greatest single sub-group is the oil producing countries. Yet oil production does not appear to be a development category. Oil producing countries can be found in every income level. Their income—besides the core oil producer, Norway—appears to be determined primarily by the ratio of hydrocarbons to population (and the ease of their extraction). Another part of the Second World is tax havens and another is colonies like Puerto Rico. Overall, the impression is not of a coherent group so much as a mere category that takes in that which exists in the orbits of the two principal poles of attraction. Yet, even if all were sucked up into the core, that would only expand its size from 13.5% to 15% of the world's population. In heterodox literature the issue is referred to as the "middle income trap". However, the term partly obscures the profundity of the problem because the "trap" is not in middle income, but low income as demonstrated above.¹⁴

Increasing polarisation

Many First World Marxists accept that imperialism has *historically* divided rich from poor societies, but contend that division is now rapidly changing, especially during the neoliberal period. The perceived rise of China or increasing weight of the 'BRICS' countries¹⁵, or Third World industrialisation more generally are seen as undermining the historical supremacy of the imperialist powers.¹⁶ If this were true, the income gap between the First and Third Worlds should be shrinking. However, the gap is not shrinking but growing, and has done so rapidly and consistently from 1980 through to 2015. As can be seen (table 3), per capita income in the imperialist societies grew, on average, by \$19,428 over this period measured in constant 2010 US dollars. In the thirty-six largest Third World societies, growth averaged just \$2,561 or 13% of the imperialist world. Chinese income grew faster than other Third World countries, but not as fast as the imperialist societies. At \$6,150 it grew less than the imperialist core increase.

14 The Economist, 'Running Out of Steam: Asia's Seemingly Relentless Economic Rise is Still Not Inevitable', *The Economist*, 22-12-2011; The World Bank defines "middle income" for 2015 as GDP per capita between \$1,026 and \$12,475—covering most of the world population. Accordingly, Cambodia is "lower middle income" while Poland, Argentina, Chile and Equatorial Guinea, for example, are considered all "high-income" despite having income around half that of Spain. See World Bank Data Team, 'New Country Classifications By Income Level', *The Data Blog*, 01-07-2016.

15 Brazil, Russia, India, China and South Africa.

16 See chapter sections 2.1 and 4.4 of the present thesis.

Table 3: Growth in GDP per capita, 1980–2015 (Constant 2010 USD)

	1980			2015			
	Pop.	GDP	GDP per capita	Pop.	GDP	GDP per capita	Income growth per capita 1980-2015
24 Largest First World Economies	740,946.92	19,630,327	26,494	979,406	44,976,674	45,922	19,428
36 Largest Third World societies by population	3,158,163	6,521,833	2,065.00	5,385,103	24,911,830	4,626	2,561
China	981,235	341,359	348	1,376,049	8,909,812	6498	6,150 ¹⁷
35 Third World (ex China)	2,176,928	6,180,474	2,839	4,009,054	16,002,018	3,991	1,152

For individual country figures, see appendix 2.

Rapid increase in polarisation can be seen graphically when we plot the income growth of the largest 20 societies in the world since 1960. See figures 8 and 9.

Figure 8: 20 largest societies, 1960–2016

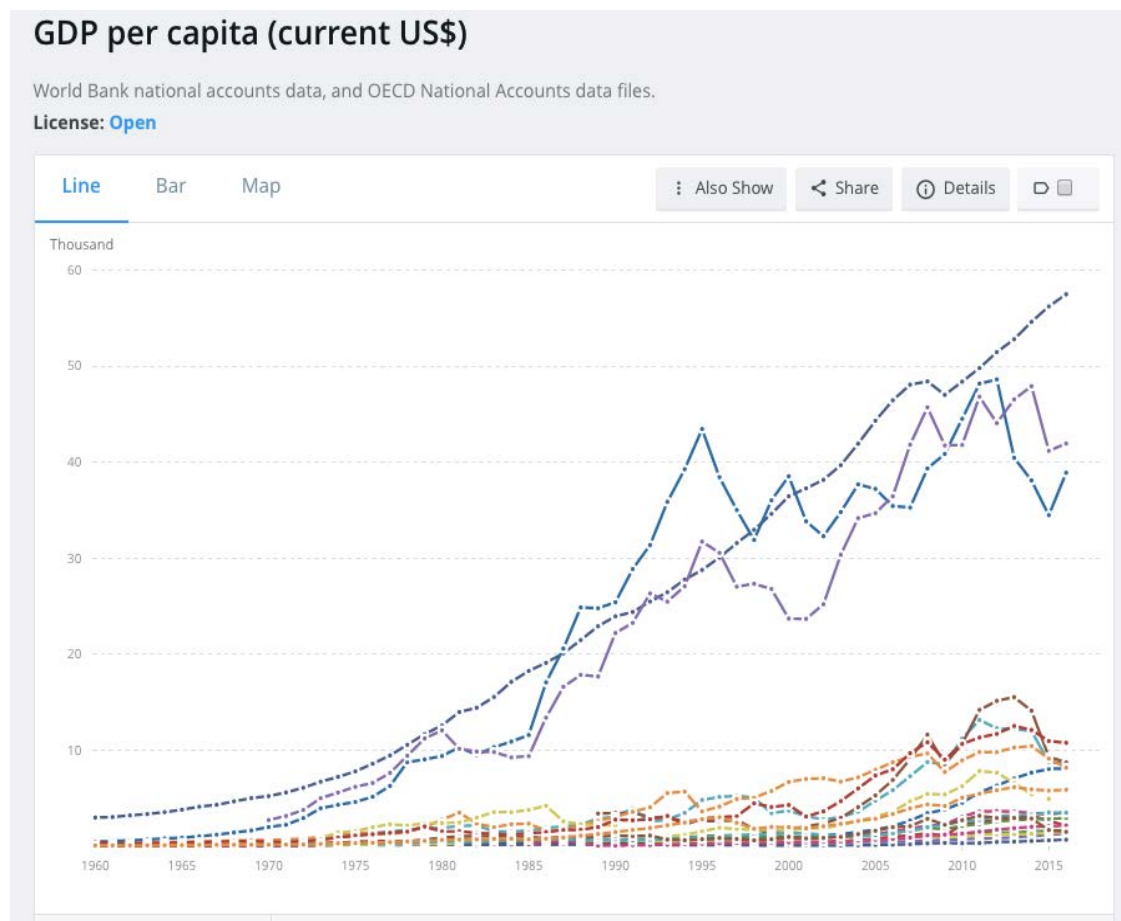


Source: World Bank, 2017. From highest to lowest according to 2016 income: USA, Japan, Germany, Turkey, Russia, Brazil, Mexico, China, Iran (2015), Thailand, Indonesia, the Philippines, Egypt,

¹⁷ Calculating income growth using constant 2010 USD gives a lower figure for Chinese growth than calculating using current USD (\$6,489 compared to \$7,928), see World Bank, 2018, last accessed 13 July 2017.

Nigeria, India, Vietnam, Pakistan, Bangladesh, Ethiopia and Congo (DR).

Figure 9: 20 largest states, 1960–2016



Source: World Bank, 2017. From highest to lowest according to 2016 income: USA, Germany, Japan, Turkey, Russia, Brazil, Mexico, China, Thailand, Iran (2015), Indonesia, Egypt, the Philippines, Vietnam, Nigeria, India, Congo (DR), Pakistan, Bangladesh and Ethiopia.

The following figure represents the seventy-five largest societies in the world or 93% of world population. As can be seen, it still clearly conforms to the pattern of stark polarisation. There are very few societies that do not conform to one or another of the principal bands.

Figure 10: 75 largest societies, 1960–2016

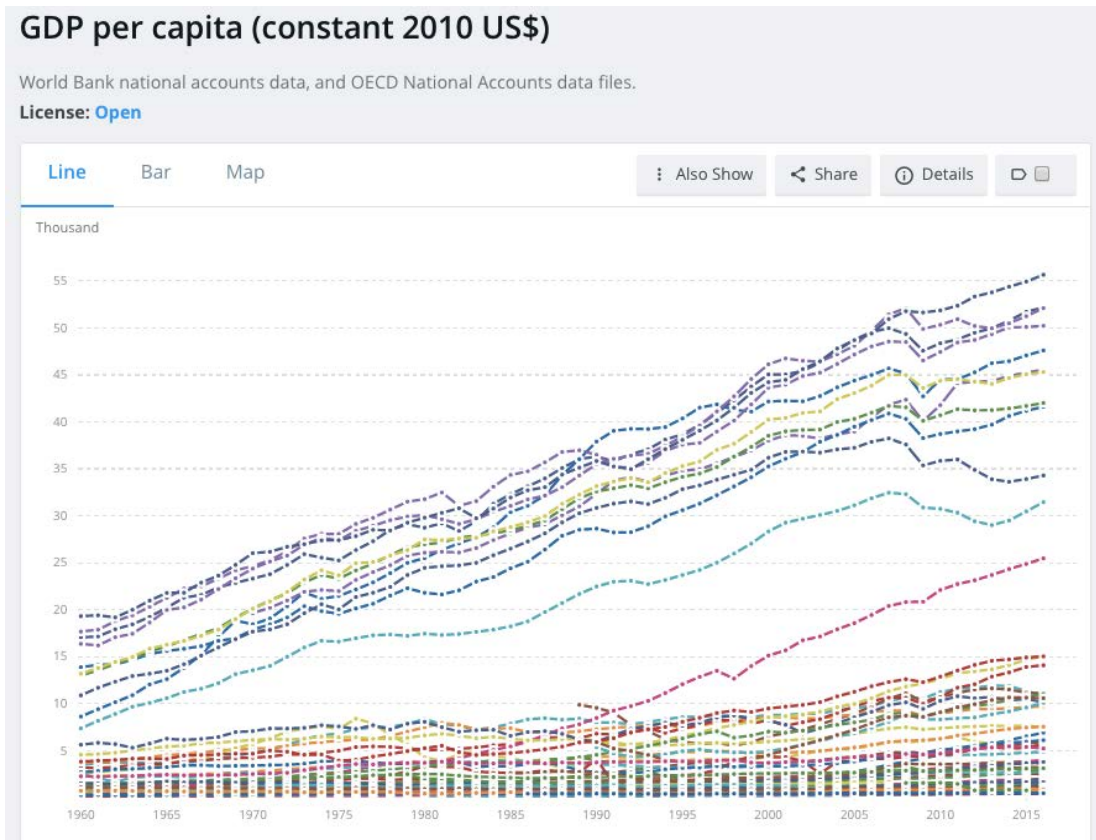


Source: World Bank, 2017.¹⁸

Saudi Arabia is represented by the line that looks like a mountain towering above all other societies in the 1970s, but then falls through the First World band in the 1980s before ending in the middle of the graph. Venezuela is the line that emerges from within the First World band in 1960 and stagnates or falls slightly, converging with the upper echelon of the Third World this century. The position of these two oil exporters in the middle of the chart expresses more about oil price than the general level of capitalist economic development in these societies. That is evidenced by their tendential decline over time. If we exclude them from the chart, we get what is arguably a more essential picture of the general, dominant, world development trajectory over the period.

¹⁸ Excluding Taiwan for which the World Bank does not provide data.

Figure 11: 75 largest societies, 1960–2016 (excluding Saudi Arabia, Venezuela and Taiwan)



Source: World Bank, 2017.

This remarkable chart—representing 92% of world population—shows few deviations from the principal bands. The line that starts just above the Third World in the late 1980s and then dives into it represents Russia's return to capitalism. The line that parallels the rest of the imperialist band, albeit at distance below it, is Spain. The single line to emerge from the Third World band represents South Korea.¹⁹ If the World Bank included Taiwan in its charts, its line would also emerge from the Third World, parallel to South Korea, albeit a little later and lower.

The same picture emerges in the current dollar version of the chart. This time South Korea has overtaken Spain. Each band has several nations that briefly soar above it before returning to the main group. The lines briefly leaving the imperialist band are Japan (until 1995), Netherlands (until 2008) and Australia (until 2013-4). Those leaving the Third World before returning are Argentina (1990-2001), Mexico (1993-4 and 1999-2003) and Poland (peaked in 2008). The line that abruptly juts out of the Third World before disappearing entirely represents the failed Iraqi occupation of Kuwait.

¹⁹ South Korean income is still below Spain if measured in constant 2010 USD.

Figure 12: 75 largest societies, 1960–2016 (excluding Saudi Arabia, Venezuela and Taiwan)



Source: World Bank, 2017.²⁰

These telling graphics provide much needed perspective on the notion that China and the Third World are rapidly catching up to the imperialist core. It is striking that the gap between the rich and poor worlds has grown vastly bigger in the neoliberal period, a general trend that Chinese income growth falls within. Notably, Chinese income nowhere emerges from the Third World band. Chinese per capita income grew \$6,150 (2010 constant) 1980-2015 compared with \$19,428 for the imperialist core. In current dollars it grew \$7,874, compared with \$43,609 in the US, \$29,085 in Germany, \$25,057 in Japan and \$19,492 in Spain. Thus, China's gap with the First World increased, even compared with the lowest income imperialist society.

Growth rate as percentage of prior income

It might be argued that even though the Third World as a whole, and also China taken alone, fell further behind in aggregate terms since 1960, and again since 1980, one or both might still be expected to catch up in the future. The main argument given for this position is the high rate of income growth *measured as a percentage of a given country's own previous income*, as opposed to its real, aggregate growth in income. This particular measure is constantly emphasised in bourgeois financial reportage of stocks, bonds, currencies, or GDP.

²⁰ Excluding Saudi Arabia, Venezuela and Taiwan.

As shown (table 4) the aggregate growth of income for the period 1980–2015 was seven and half times higher in the imperialist core than in the largest thirty-six Third World countries. If we convert the figures for income growth to a percentage of previous income, we find that the imperialist countries' income grew at a rate of 173% over the period, while that of the Third World countries grew faster —224% (table 4).

Table 4: GDP growth rate, 1980–2016 (Constant 2010 USD)

	1980			2015				Growth rate in period
	Pop.	GDP	GDP per capita	Pop.	GDP	GDP per capita	Income growth per capita 1980-2015	
24 largest First World Economies ²¹	740,947	19,630,327	26,494	979,406	44,976,674	45,922	19,428	x1.733
36 largest Third World Economies by pop. ²²	3,158,163	6,521,833	2,065.00	5,385,103	24,911,830	4,626	2,561	x2.240

On this basis we can say that *if* these rates of income growth continue, the Third World will catch up—*eventually*—but it will take a very long time. If the same rate of 'catch-up' occurs over the next 35-year period (2015–2050), the aggregate gap between the Third and First World average income would again not shrink but grow (table 5). Even the aggregate *rate of growth* of the income gap would increase. Between 1980 and 2015, the aggregate gap size increased by \$17,000. It would increase to \$69,000 by 2050, \$115,000 by 2085, \$188,000 by 2120, \$288,000 by 2155, \$457,000 by 2190, \$650,000 by 2225 and \$846,000 by the year 2260. This all assumes the same trajectory as occurred in the neoliberal period. Only after that does it begin to close. Even the gap between the Third World and Spain would continue expanding for the next 200 years!

21 Represents over 99% of the total First World population.

22 Choosing to calculate the thirty-six largest Third World economies by population size—representing 86% of the Third World population—is deliberately generous to the developmentalist views opposed here because it includes Malaysia—a fast developing, high income Third World society. If, for example, the list were expanded to forty economies, Uzbekistan, Nepal, Mozambique and Ghana would be added. To make it fifty we would calculate the figures in addition for Yemen, North Korea, Angola, Madagascar, Cameroon, Côte d'Ivoire, Sri Lanka, Niger, Romania and Burkina Faso. It is not probable these fourteen nations, which would add just 5% of Third World population to our figures—would significantly increase its growth rate. If anything, the sample of largest nations exaggerates Third World growth rates as it is dominated by Asia and excludes a large number of medium-sized African states where growth has been slower.

The absurdity of such 'projections' is obvious. However, they are necessary when the principal argument given by Marxists who argue the Third World is catching up is precisely this 'evidence' (chs.2.1 and ch.4.4)—though they fail to draw it to conclusion.

Table 5: Growth in GDP per capita and 'projected growth' based on growth rates achieved, 1980–2015 (Constant 2010 USD)

	First World (24)	Spain	Third World (36)
<i>1980 GDP per capita</i>	26,494	17,442	2,065
<i>2015 GDP per capita</i>	45,922	30,587	4,626
<i>Growth rate in period</i>	x1.733	x1.754	x2.240
'Projected growth'			
<i>Year 2050</i>	79,583	53,650	10,362
<i>Year 2085</i>	137,917	94,101	23,211
<i>Year 2120</i>	239,010	165,054	51,994
<i>Year 2155</i>	414,205	289,504	116,466
<i>Year 2190</i>	717,817	507,791	260,883
<i>Year 2225</i>	1243,976	890,665	584,378
<i>Year 2260</i>	2,155,811	1,562,227	1,309,006
<i>Year 2295</i>	3,736,021	2,740,145	2,932,174
<i>Year 2330</i>	6,474,524	4,806,215	6,568,070

It might however, be assumed that even if income remains low, there could be some catch up in wealth given that China invests a much higher portion of its income than any imperialist state.²³ The starting point for Chinese *wealth* is even lower than its income. This is because core countries with a long history of high income have accumulated vast assets. According to Credit Suisse, "China accounts for 21.4% of the adult population of the world, yet only 8.1% of global wealth"²⁴—compared with 15% of global income.

According to Credit Suisse "Africa, India, Latin America, and most notably China, all increased their share of world wealth between 2000 and 2007, hinting at the possibility that global wealth inequality was on a long-term downward trend."²⁵ However, this trend reversed with the economic crisis. Since 2007, China has increased its wealth faster than any other part of the Third World, but those of the United States dwarf these gains. As shown (table 6), US wealth gains post-crisis are both faster than China's as a percentage and close to ten times faster in aggregate gains per person. Thus, even if we add together the average gains for all 1 billion Chinese adults, these are less than half that of 246 million adults in the United States.²⁶

²³ Holz, Carsten A., 'Is excessive domestic investment hurting China?' *China Monitor*, 29, 2015.

²⁴ Credit Suisse, *Global Wealth Report 2014*, Research Institute, 2014, p6.

²⁵ Credit Suisse, *Global Wealth Report 2016*, Research Institute, 2016, p136.

Table 6: Wealth per adult (USD)

Year	China	United States
2000	5,672	206,116
2007	16,643	287,096
2016	22,864	344,692

Source: Credit Suisse, 2016.²⁷

China

The principal view, however, is not that the Third World as a whole is catching up, but that only parts of it are, or that only China is. The Chinese economy experienced tempestuous growth in the neoliberal period. The phenomenal growth of capitalist commodity production in China since the early 1980s, and particularly since it joined the world trade organisation in 2001, is enormously significant to any study of contemporary imperialism.

Chinese capitalist growth has been so rapid that income in 2015 was almost nineteen times higher than in 1980. This compares to just 1.4 times higher for the thirty-five other largest Third World societies, excluding China and 1.7 times for the imperialist core. Hence, if such a rate of growth were sustainable, China would easily surpass the average income of the imperialist core (table 7) well within the next thirty-five years. The problem is, expanding the Chinese income by a factor of nineteen between 2015 and 2050 would require an *aggregate* dollar income expansion 1,867% *greater* than the neoliberal growth (table 7). Put another way, aggregate 1980–2015 Chinese income growth was only 32% as fast as the imperialist core (table 7). To repeat its *percentage* expansion in the next period it would need to be around 3.5 times faster than the core.

26 Going back earlier than 2000, Schwartz points out the US maintained its share of global wealth between 1991–2007, while from 1994–2006, the US share of Morgan-Stanley MSCI All Country World (ex. US market) index rose from 10 to 24%. See Schwartz, Herman, *Subprime Nation: American Power, Global Capital, and the Housing Bubble*, Cornell, 2009, p203, 221; Milanovic (using purchasing power parity (PPP) estimates), concludes that "location has the most influence on one's lifetime income" (p131). He also argues this has been somewhat reduced by the growth of the middle class in China, India and other Third World countries in the early years of the current century. Yet Milanovic bases this on household survey data going up to 2011. He thus can not investigate the possible reversal of that trend suggested in Credit Suisse' recent data. See Milanovic, Branko, *Global Inequality: A New Approach for the Age of Globalization*, Belknap Press, 2016.

27 Credit Suisse, 2016.

Table 7 Growth rate of GDP per capita, 1980–2016 and required growth to catch up (Constant 2010 USD)

	24 largest First World economies	36 largest Third World economies by pop.	China	35 Third World excluding China
<i>1980 GDP per capita</i>	26,494	2,065	348	2,839
<i>2015 GDP per capita</i>	45,922	4,626	6,498	3,991
<i>1980-2015 Growth rate of income in period</i>	x1.733	x2.240	x18.672	x1.406
<i>1980-2015 Aggregate income growth</i>	19,428	2,561	6,150	1,152
<i>'Projected' 2050 income according to 1980–2015 percentage growth rate</i>	79,583	10,362	121,331	5,611
<i>Required aggregate income growth 2016-2050 to repeat 1980–2015 percentage growth rate</i>	33,661	5,736	114,833	1,620
<i>Required aggregate income growth per capita 2016–2050 to reach 'projected' imperialist core average</i>	33,661		73,085	

To catch First World income by 2050, not surpass it, China does not need to expand 1,876% but 1,225%. To reach Spain the figure is 826% (2010 USD). Let's take the lowest of these figures and round it down—around 800% expansion is required to reach Spain by 2050. Then consider how large is existing Chinese production of *use values*—i.e. of real useful object such as steel, cement, railways and apartment blocks. Assuming China doesn't suffer the same depreciation in Net Barter Terms of Trade (NBTT) as occurred for Third World manufacturers over the last period (ch.4.1). To reach Spanish income, China would need to increase its production volumes *eight times!*

The world is certainly not big enough for that. Witness the ghost cities and excess productive capacity and massive debt overhang that has already sprung up in China just to achieve its GDP growth so far. Excess capacity is so large it *already* undermines profitability in steel and aluminium (ch.4.3).

According to The Economist (2017), China already "produces nearly as much coal and steel as the rest of the world combined, and even more aluminium and cement".²⁸ Yet this enormous expansion of production has created such a degree of excess capacity that government plans to cut capacity in coal, steel and aluminium by 25%, 20% and 30% respectively by 2020 in big

²⁸ The Economist, 'Great Leap Backward: Capacity Cuts in China Fuel a Commodity Rally and a Debate', *The Economist*, 07-09-2017.

production centres.²⁹ As soon as we put down the calculator, the notion that Chinese production could conceivably be multiplied by *eight* becomes absurd!

Table 7 shows that Third World expansion outside China was significantly slower than the imperialist core, even measured as a percentage. It was thus slower than the world average, implying that part of China's gains were at the expense of other Third World producers (see ch.4.4).

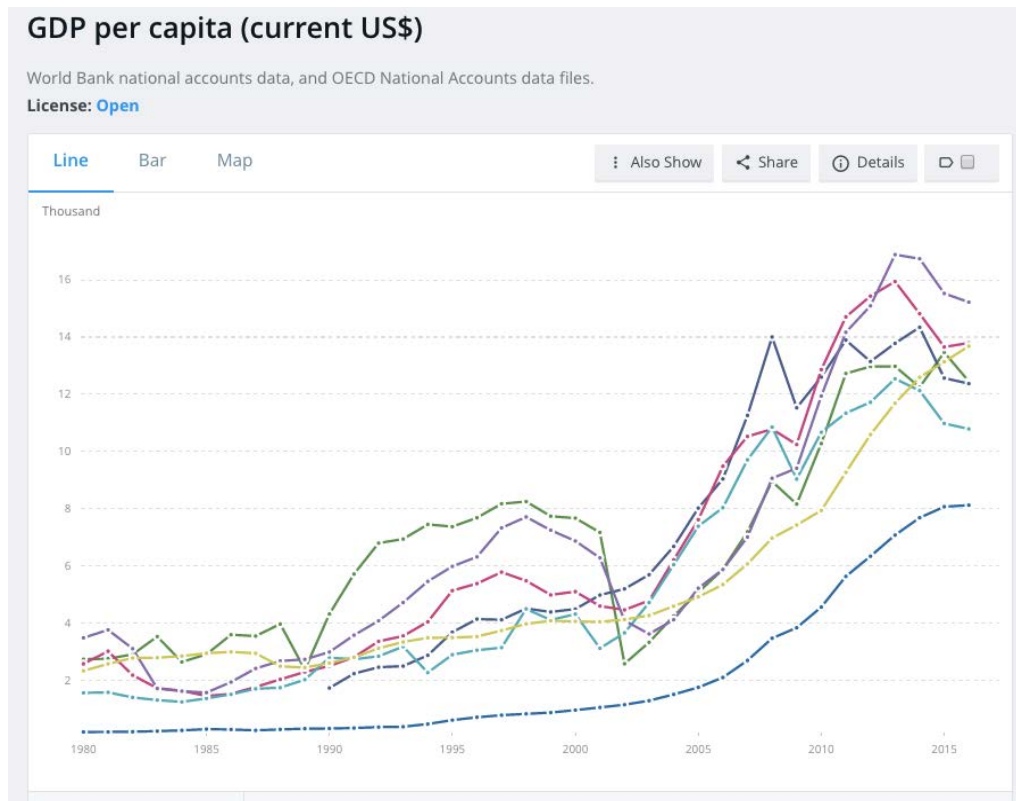
The only way that such a large jump in income could occur would be via a qualitative change in its position vis-a-vis the imperialist core resulting in a radical improvement in Chinese terms of trade—i.e. by breaking key core monopolies.

To raise income much further, China must continue to climb up the 'value chain', that is, increasingly master higher value labour processes. Yet, these are monopolised by the imperialist societies. In short, to break the imperialist monopoly on the world market, China would need to break imperialist monopoly on highest labour productivity and highest labour processes—i.e. technique (chs.4.1–4.3). The popular notion that China will almost inevitably continue to rise up the value chain (ch.4.4), or that its past rise is a precedent for that, misses the two most important factors in political economy today—the polarisation of world economies and the increasing sophistication and hierarchical character of the international division of labour (ch.4.1).

China's still incomplete movement from low towards highest Third World income can be seen below. While it still has not reached the income level of highest income Third World states (figure 13), the current dollar measure shows a convergence with the other largest top Third World states—Russia, Brazil and Mexico.

29 The Economist, 2017.

Figure 13: China Versus Highest Income Third World States 1980–2016



Source: World Bank, 2017. Includes (top to bottom according to position in 2016): Uruguay, Chile, Panama, Argentina, Poland, Turkey and China.

Figure 14: Selected Large Third World Economies 1980-2015



Source: World Bank, 2018. In order of 2016 position (from top to bottom): Russia, Brazil, Mexico, China, Indonesia and India.

If the Chinese bourgeoisie is generally unable to move into higher value labour processes, given existing levels of excess capacity, it is unlikely to raise income significantly faster than world capitalism overall. There is also the added dynamic (already commenced) of loss of low value industries to cheaper labour societies. The combination of these tendencies may mean the more relevant historical precedent for the future of Chinese income is not China of 1980–2015, but Third World countries with the highest income in 1980—Brazil, Mexico, South Africa and Argentina. Assuming China continues relatively rapid growth for a few more years, it will begin to arrive at their position in the world hierarchy. All those societies as well as Turkey and Malaysia, that now have comparable income, are all crowded into a highly competitive space.

The notion that China can be expected to enter a new phase of rapid growth because it has achieved rapid growth historically is an adaptation to the "stages of growth" theory elaborated in Rostow's 1960 book, *Stages of Growth: A Non-Communist Manifesto*, an outlook defended as Marxist by Bill Warren (ch.2).³⁰ The idea of reaching a stage of economic 'take off' was once widely held as applicable to Brazil. Yet over the past thirty-five years, Brazil grew just 35%, Mexico 27%, South Africa, 15% and Argentina 31%. This growth is slower than either the Third World or imperialist core average. This was in keeping with the pattern of world polarisation outlined. Higher growth, as they were starting from a relatively high base, would necessarily have dispersed the Third World into a greater range of income levels. To remain a relatively compact band, Third World income growth must slow as income rises. This is what did happen in the period.

Table 8 divides the thirty-six largest Third World economies into six income brackets according to their income in 1980. It can be seen that in every category, the higher the starting income the lower the growth rate in the neoliberal period. Notably, India, Vietnam, Thailand and Myanmar all achieved growth between 400% and 650% over the period—the highest growth of any major countries besides China and South Korea. Like China, they started from a 1980 GDP per-capita of less than \$500.³¹ Thus, China's growth appears as an extreme example of the generally very rapid growth among very low income countries (at least in Asia) rather than a break with growth patterns. When China is excluded from the figures, the overall pattern remains: higher income = lower growth rate.

30 Rostow, Walt W., *Stages of Growth: A Non-Communist Manifesto*, Cambridge, 1960.

31 See appendix 2.

Table 8: Growth rates of 36 largest Third World states by population grouped according to their 1980 GDP per capita (2010 Constant USD)

1980 GDP per capita \$1–1000 (13 economies)	Growth rate 1980 - 2015: x4.198
1980 GDP per capita \$1–1000) (excluding china, 12 economies)	Growth rate 1980 - 2015: x2.991
1980 GDP per capita \$1001–3000 (5 economies)	Growth rate 1980 - 2015: x2.686
1980 GDP per capita \$3001–5000 (7 economies inc. South Korea)	Growth rate 1980 - 2015: x2.528
1980 GDP per capita \$5001–7500 (3 economies)	Growth rate 1980 - 2015: x1.957
1980 GDP per capita \$7501–10,000 (3 economies)	Growth rate 1980 - 2015: x1.387
Oil Exporters, <i>average</i> 1980 GDP per capita \$10,023 (5 economies)	Growth rate 1980 - 2015: x1.074

Figures for general income brackets excludes oil exporters.³²

'Easy' first stage growth

In part, table 8 simply expresses the mathematical tendency already outlined, that expressing growth as a percentage of previous income will tend to be higher when starting from a lower base.

However, it also reflects something more real. As suggested, competition from imperialist core capital bears down on higher income Third World economies, preventing them from raising income. The counterposed phenomenon, also well known in heterodox economics, is so called 'easy' first stage or early 'industrialisation' where societies in transition to capitalist production relations can generate rapid economic development for a time.³³ This 'stage' is 'easy' if capitalist production is in competition with petty commodity producers. Ruined peasants and artisans formed an expanding army of cheap labour in postwar Asia, Latin America and Africa, just as they had during capitalism's early career in Europe—while their former markets are colonised by a few rapidly expanding capitalist businesses. This is a general phenomenon for societies in transition to capitalist production relations and reflects the superiority of capitalist productive relations over petty commodity production.

Rapid expansion is possible because the capitalist class can capture and convert into capital pre-existing societal social resources—essentially what Marx described as congealed and living labour. Existing bankrupt farms can be bought and made profitable with the investment of less new labour than creating farmland from scratch on virgin soil because the bankrupted farm already contains (congealed) human labour in the form of fences, buildings, clearings, etc. These useful things can be appropriated by the capitalist class and added to its own stock of productive capital. Even if the farm previously used pre-capitalist methods of production, its useful parts will nevertheless be appropriated by the capitalist class and converted into capital. Similarly, a capitalist manufacturing enterprise may be able to rapidly capture a

³² For individual countries see Appendix 2.

³³ Ariff, Mohammed and Hill, Hal, *Export-Oriented Industrialisation: The ASEAN Experience*, Allen and Unwin, Sydney, 1985, p3.

national market if its competition consists of traditional producers using less labour efficient techniques. As these are impoverished by their competition with more advanced labour processes, they are forced to staff the factories of the emergent bourgeoisie, a process associated in modern times with the rapid urbanisation witnessed across the Third World.

Marx called this process the *primitive accumulation of capital*. The key dynamic is the conversion of pre-existing social resources into capital and putting them to work using a higher level of social organisation—higher social relations of production. Much that was previously not monetised becomes monetised or is revalued higher now that it is contributing to capital accumulation. As such, it will show up (using current terms) in the GDP figures. What was already there is only now counted, or counts for more, contributing to a high growth *figure*. However once the transition is over—i.e. once the petty producers have been dispossessed and their wealth already appropriated—rapid 'easy' growth ends. Competition is no longer against petty producers but now between different capitalists—with a far less certain result.

This general phenomenon significantly contributed to the rapid growth in the neoliberal period of not only China, but also Indonesia, Thailand, India and many other poor countries. Additionally, in China, there were significant social-political advantages the emergent bourgeoisie could appropriate as a result of China's history. The Chinese revolution not only expropriated the landlord class (thus removing a fetter on capitalist development) but also broke the political power of imperialism inside the country, replacing it with a relatively strong and centralised state apparatus able to implement national economic policy, at least to a greater degree than other comparable Third World states, namely India and Indonesia.³⁴

While the phenomenon is not identical to Marx's primitive accumulation of capital, arguably similarities exist with the process of re-introduction of capitalism in China by the Chinese Communist Party (CCP). The ascendant capitalist class benefited from its ability to capture and convert into capital pre-existing social resources especially the already educated and disciplined labour power, industrial establishments and means of communication.

While much Chinese industry was backward by modern capitalist standards, it nevertheless represented the pre-existing organisation of labour into work units, established division of labour, systems of communication, plant, distribution, etc. Perhaps most importantly and often overlooked is the relatively advanced development of Chinese labour power. According to Prashad, (2014) "the Maoist fruits—namely, the production of a healthy, literate and able

³⁴ Petras, James, 'Rising and Declining Economic Powers: The Sino-US Conflict Deepens', *Journal of Contemporary Asia*, 41, 1, 2011, p120.

population"—were China's "greatest asset".³⁵

As World Bank China analyst Chenery observed in 1982, "Postwar transformation of production in China was one of the most rapid among large countries" while by the late 1970s, Chinese "industrialization proceeded much further than is typical for countries of its income level".³⁶ Kueh argues that,

by the time of the economic transition from Mao to Deng in the late 1970s, China's heavy industry, after three decades of self-perpetuating reinvestment in the sector, had already built up and matured to such a stage as to be able to facilitate the new leadership's strategic reorientation³⁷ ... the massive forced-draft industrialization drive under 'maximum austerity' during the 30-year reign of Mao has paid off quite handsomely, considering the marked improvement in the country's overall economic strength and in income and consumption standards of both urban and rural residents over the entire post-Mao era.³⁸

It is significant that the only large area of the Third World with exceptionally rapid development—China—is also where imperialism was politically defeated and removed from the country. It is also significant that the other, smaller areas of exceptionally rapid development—Taiwan, South Korea, Hong Kong and Singapore—were all countries in close political alliance with imperialism and given special treatment as part of imperialism's cold war struggle against Communism. These developmental exceptions form a ring around China's Eastern seaboard and were consciously developed with special assistance from the USA and Britain as bulwarks against Communist expansion.³⁹ In this sense, these exceptions might also be considered part of the achievement of the Chinese revolution, even if indirect.

It appears the specific circumstances surrounding all of the exceptions are closely related to the revolutions in China and Russia and the imperialist attempt to contain, roll back and defeat them, suggesting the greatest success in capitalist development comes through overthrowing capitalism (in a previous era) and expelling the imperialists (as in China), partially doing so (Korea) or existing in the immediate vicinity of such struggles.

35 Prashad, Vijay, *The Poorer Nations: A Possible History of the Global South*, Verso, 2014, ebook.

36 Chenery, Holis B., *Industrialization and Growth: The Experience of Large Countries*, World Bank Staff Working Papers, 539, 1982, p13, p16.

37 Kueh, YY., *China's New Industrialisation Strategy*, Edward Elgar, 2008, p153.

38 Kueh, 2008, p153–4.

39 Hung, Ho-fung, 'America's Head Servant? The PRC's Dilemma in the Global Crisis', *New Left Review* 60, 2009, p7; Ahmad, Aijaz, 'Imperialism of Our Time', *Socialist Register*, 2004, p44; Harvey, David, *The New Imperialism*, Oxford, 2003, p53; More recently, according to Schwartz (2000), "The US aggressively created Asian competitors for Japanese firms in low-value-added areas of the market. US firms helped Korean firms to begin production of DRAMs, and US firms allied with a whole range of firms in Taiwan and Singapore. These low cost Asian allies helped US firms squeeze Japanese producers, reducing profits in low end markets while US firms continued to dominate high-end markets and design-intensive sectors. As a result, wherever manufacturing qua manufacturing was important and technology reasonably standard, Japanese firms tended to prevail; wherever technology was in flux and innovation, design and market responsiveness were important, US firms tended to prevail". See Schwartz, Herman, M., *States Versus Markets*, Palgrave, 2000, p296.

While many very poor countries experienced rapid income growth from 1980 to 2015, the exceptional growth in China can be viewed as resulting on the one hand from the social achievements of the Chinese revolution and on the other from the ability of the emergent Chinese capitalist class, under the leadership of the Chinese Communist Party (CCP), both to convert these achievements into capital and at the same time deliver to the world economy the greatest of all source of value—Chinese labour. An exceptional achievement indeed, and one that has paid off handsomely for both Chinese capital and most of all, for imperialism—though much less for Chinese workers.

China's *past* exceptionalism (i.e. its capitalist achievement above and beyond that of other previously lowest income countries) may be explainable by a combination of these factors. However, the principal argument that will be put in part IV of the thesis is that the *character* of that Chinese capital remains non-monopoly. As such, its future development, growth, and relationship to imperialism will be governed by that.

Other countries that won't catch up

It is not suggested here that it is impossible for individual Third World countries to catch up. South Korea shows (at least in the last period) that *is* possible under imperialism. However, China houses 22% of Third World population and 40% of its economy. South Korea and Taiwan combined are just 1% of world population. To argue the latter's catch up proves the possibility for China is not justified.

Besides China, few other fast developing top thirty-six Third World states can be 'projected' to catch up with Spain by 2050, even if repeating their 1980–2015 growth rate. Another ex-Socialist society, Poland would almost catch up *if* it could repeat the growth rate achieved between 1990–2017. Malaysia would catch up sometime after 2070. Other rapidly developing poorest countries can be 'projected' to catch up only by adopting even higher level absurdities, such as if Vietnam or Myanmar can sustain their present rate of expansion until the last decades of the century they could catch ('projected') Spanish income. Such extrapolations have no real social meaning.

More developed Third World countries such as Uruguay, Chile, Panama, Mauritius, or even larger ones such as Malaysia, Argentina or Poland *might* be able to raise their income within the system if they can establish a niche role compatible with and servicing the overall dominance of the largest monopoly capital. The Czech Republic, Slovenia, Slovakia and Estonia, might reasonably be considered possibilities to consolidate a position within the First World based on their current relatively high income. Taiwan, on present trends, will do that.

Greece, Portugal, Malta and Cyprus too might join or re-join the imperialist core.

Yet, even if *all* these societies do join the core, First World population as a share of total world population would likely still shrink due to large projected population increases in the poorest countries in Asia and Africa.⁴⁰ If, on the other hand, China joined the core, that would radically overturn the present distribution. From 13.5% of world population in the core and 85% in the Third World, the new imperialist club(s) would have to become 1 in 3 of the world's people—a greater portion than in Lenin's 1920 estimate—reversing 100 years of concentration and centralisation of capital. Either this scenario, or else the displacement of a section of the present core by China would require Chinese capital to break decisively the imperialist core monopoly—something that, it will be argued, has not begun to occur.

Lenin argued Kautsky's "lifeless abstractions of 'ultra-imperialism'" were "diverting attention from the depth of *existing* antagonisms"—inter-imperialist world war. Similarly, we could argue the "lifeless" notions of China's supposed potential, future catch up serve to distract from today's actual dynamic. As UNCTAD observed in 2016 "the absence of ... a general convergence trend ... has been a striking feature of economic history over the past century".⁴¹

As was suggested as the first postulate of this thesis, the neoliberal period has not brought about a convergence in the income, wealth and social and economic development between the rich and poor countries. Rather, a large gap has been reproduced whereby a small core of imperialist states—largely the same core states as 100 years ago—dominate the international economy and gain the lion's share of income from it.

40 By 2050, according to the United Nations Population Division, "of the additional 2.4 billion people projected to be added to the global population between 2015 and 2050, 1.3 billion will be added in Africa. Asia is projected to be the second largest contributor to future global population growth, adding 0.9 billion people between 2015 and 2050 ...". See United Nations, Department of Economic and Social Affairs, Population Division, *World Population Prospects, the 2015 Revision: Key Findings and Advance Tables*, Working Paper 241, 2015, p3, 24.

41 United Nations Conference on Trade and Development (UNCTAD), *Trade and Development Report, 2016: Structural Transformation for Inclusive and Sustained Growth*, United Nations, p40.

PART II. Marxist response to world income polarisation and the decline of Marxist writing on imperialism

This part of the thesis documents how, in this century, the most influential First World Marxist currents either ignore the global polarisation or acknowledge it only weakly and partially, and how all currents fail to explain how it is reproduced.

I identify two influential academic currents putting forward what they see as Marxist analysis, as well as one current among politically organised Marxists that overlaps with academia. The two academic currents are David Harvey and those influenced by him and the *Monthly Review* (MR) current. Both comprise university academics, while many engage with social movements as they arise. The politically organised current is the International Socialist Tendency (IST), which comprises political parties and groups in a number of countries, particularly the United States, United Kingdom and other countries of the imperialist core.

The principal works by David Harvey reviewed are *The New Imperialism* (2003) and *Seventeen Contradictions and the End of Capitalism* (2014). The MR, while perhaps the principal anti-imperialist Marxist current in the US, has produced no new major work on imperialism in the neoliberal period. MR interventions, at least until recently, consist mostly of Foster's interpretation, defence and republication of positions developed by authorities of that tradition, Baran, Sweezy and Magdoff. Hence I critique the contemporary articles by Foster (and co-authors) focused on imperialism with reference to the founding texts Foster defends. The latter includes, Sweezy, *The Theory of Capitalist Development* (1942), Baran, *The Political Economy of Growth* (1957), Baran and Sweezy, *Monopoly Capital* (1966) and Magdoff, *Imperialism Without Colonies* (essays 1965–1978).

In the second section I take account of a welcome revival of Marxist writing on imperialism since around 2011. Part of this new work sets about challenging the failure of Marxist literature to acknowledge or analyse imperialist exploitation of the Third World. While noting many of the important contributions made, it is argued the writers who attempt to give an overall theoretical explanation of how imperialism functions today—Panitch, Gindin, Smith and Cope—are ultimately unable to explain the crucial questions of how the imperialist core is able to appropriate value to the degree that it does and how the system of exploitation is reproduced over time. These writers' weak explanatory power relates to their adaptation of a key idea from the milieu they seek to critique—the rejection of Lenin's classical Marxist theory of imperialism. The main works reviewed in this section are Cope, *Divided World Divided Class* (2012), Panitch & Gindin, *The Making of Global Capitalism* (2013); Probsting,

The Great Robbery of the South (2013) and J. Smith, *Imperialism in the 21st Century* (2016).

In the final section, I look at the historical background to the decline in the quantity and quality of Marxist work on imperialism since 1980. It is argued this trend relates to both objective and subjective conditions. The key objective factor identified is the decline of mass social movements in the Third World. Subjective factors include the widespread acceptance of the pro-imperialist positions presented as Marxist in Warren's, *Imperialism: Pioneer of Capitalism* (1980) and the related widespread rejection and subsequent ignorance of Lenin's *Imperialism*.

Chapter 2.1 Contemporary Marxist response to polarisation

The net drain of wealth from East to West that had prevailed for over two centuries has been reversed as East Asia in particular has risen to prominence as a powerhouse in the global economy.

David Harvey, 2014.⁴²

Marxist work produced this century has failed to acknowledge adequately or respond to, let alone explain, the dynamic of increasing international polarisation. This weakness can be traced a long way back into the literature, and especially from the collapse of Marxist writing on imperialism that occurred around the commencement of the neoliberal period, at the beginning of the 1980s. However, before tracing back the origin of contemporary weakness and thus commencing a more substantive theoretical critique (ch.2.3), it is first necessary to show just how ambivalent and detached much Marxist writing has become from the reality of international polarisation and Third World exploitation in the current period.

For Ness and Cope,

While post-colonial studies has from the 1970s onward described the perseverance of forms of cultural domination, clearly an important marker of imperialist influence, critical geopolitical and economic analysis is absent in much of the research.⁴³

Patnaik, returning to the USA in 1990 after 15 years abroad, observed "a remarkable transformation that has taken place in the Marxist discourse in America over the last decade or more, namely, hardly anybody talks of imperialism any more".⁴⁴ After the 1991 Gulf War, Cumings argued that to discover the word "imperialism" used to describe the USA would

42 Harvey, David, *Seventeen Contradictions and the End of Capitalism*, Profile Books, London, 2014, p239.

43 Ness, Immanuel and Cope, Zak (eds), *Palgrave Encyclopedia of Imperialism and Anti-Imperialism*, Palgrave Macmillan, 2016, p. vi.

44 Patnaik, Prabhat, 'Whatever Has Happened to Imperialism?', *Social Scientist*, 18, 6/7, 1990, p73.

require an "electron microscope".⁴⁵ For Munck, at the turn of century, "the discourse of imperialism has faded from view".⁴⁶ More recently, Smith observes that "Marxists in imperialist countries have often ignored Lenin's insistence on the economic and political centrality of the division of the world into oppressed and oppressor nations".⁴⁷ Explaining why he had chosen to do his Ph.D on British imperialism, Norfield commented, "nothing had been done on this topic relating to the UK since the 1980s".⁴⁸

Chilcote argued that "during the 1990s the language of development and imperialism began to assimilate the term 'globalization' to express the pervasive and expansive world economy"⁴⁹ and that "debate around the idea of globalization has directed attention away from imperialism and left the general impression that the rapidly advancing capitalist world is emerging unified and harmonious".⁵⁰ For Jessop, imperialism "is something that is all too often neglected in recent work on 'globalization'".⁵¹ This tendency within Marxist writing was reflective also of the broader ideological climate. Referring not only to Marxists, Keily observed that before 2003 "amongst most Western academics, imperialism as a concept began to be viewed with almost antiquarian irony".⁵²

However, Marxist writing on imperialism achieved a revival of sorts around the turn of the century. Before and after the second US-led invasion of Iraq in 2003, there was a small surge of publishing.⁵³ Renewed interest in imperialism came from US conservatives who, after 9/11, in major capitalist publications like the *New York Times* and *Washington Post*, began explicitly to advocate an "imperialist" US global role. In *Foreign Affairs* magazine, for example, one neo-conservative ideologue argued,

The chaos in the world is too threatening to ignore, and existing methods for dealing with that chaos have been tried and found wanting... But a new imperial moment has arrived, and by

45 Cumings, Bruce, 'Global Realm with no Limit, Global Realm with no Name', *Radical History Review*, 57, 1993, p47–8, cited in Arrighi, Giovanni, 'Hegemony Unravelling—1', *New Left Review*, 32, 2005.

46 Munck, Ronaldo, 'Dependency and Imperialism in Latin America: New Horizons', in Chilcote, Ronald, M. (ed), *The Political Economy of Imperialism: Critical Appraisals*, 1999, p147.

47 Smith, John, 'Imperialism in the Twenty-First Century', *Monthly Review*, 67, 3, 2015.

48 Norfield, Tony, 'Interview with Tony Norfield on finance and the imperialist world system today', *Redline*, 29-02-2016.

49 Chilcote, Ronald, M., in Chilcote, (ed), *The Political Economy of Imperialism: Critical Appraisal*, Kluwer, 1999, p2.

50 Chilcote, in Chilcote, (ed), 1999 p13; According to Berberoglu, literature of "globalisation" proliferated over the two decades from 1990. See Berberoglu, Berch, 'The Class Nature of Neoliberal Globalization in the Age of Imperialism', in Veltmeyer, Henry (ed) *Imperialism, Crisis and Class Struggle*, Brill, 2010, p153.

51 Jessop, Bob, *Globalization and the National State*, Lancaster University, 2000, p2.

52 Cox, Michael, Foreword, in Kiely, Ray, *Rethinking Imperialism*, Palgrave Macmillan, 2010, p.viii.

53 See for example Hardt and Negri, *Empire*, Harvard University Press, 2000; Ellen Woods *Empire of Capital*, Verso, 2005; Balakrishnan, Gopal (ed), *Debating Empire*, Verso, 2003; Boron, Atilio, *Empire and Imperialism*, Zed Books, 2005; Panitch Leo and Leys Colin, (eds), 'The New Imperial Challenge', *Socialist Register 2004*, 40, 2003; Panitch Leo and Leys Colin (eds), 'The Empire Reloaded', *Socialist Register 2005*, 41, 2004; Callinicos, Alex, *The New Mandarins of American Power*, Wiley, 2003; Harman, Chris, 'Analysing Imperialism', *International Socialism*, 2, 99, 2003; also from a heterodox perspective, see, Wallerstein, Immanuel, *Decline of American Power: The U.S. in a Chaotic World*, New Press, 2003.

virtue of its power America is bound to play the leading role.⁵⁴

It is as part of this general wave of public thinking generated by conservatives that we must see Marxist work on imperialism of that period.

Harvey, who authored twenty books between 1969 and 2014, published his only major work on imperialism in 2003. Similarly, Wood, who authored or co-authored fifteen books, published her *Empire of Capital* in 2005.⁵⁵ Harman, then a key theoretician in the IST, published his only major work on imperialism in 2003. *MR* did not produce substantial new work, but instead reprinted what Foster described as the seminal works on imperialism for that tendency, written by Magdoff between 1965-78, and republished as *Imperialism Without Colonies* (2003). *Socialist Register*, an annual magazine, devoted consecutive editions to imperialism in 2004 and 2005 while *Historical Materialism* ran a symposium on Harvey in 2006. Commenting on this upturn in output, Chibber thought he "may be seeing the most fertile spurt of thinking about imperialism on the left since the 1970s".⁵⁶

Yet soon, concern about imperialism receded precipitously, in parallel with its decline in popular consciousness. Lacking an adequate theoretical framework (ch.2.3), much of the work tended to view political dynamics surrounding US foreign policy at the time as essential to understanding the motor force of capitalist imperialism in general. Harman, for example, understood the neo-conservative regime as symptomatic of US ruling class desperation at an irrevocably declining rate of profit. For him, the neoconservative rise to power indicated a backslide back towards the type of inter-imperialist military belligerency

There has been little acknowledgement that the revival of writing on imperialism lasted barely a few years. Since then, *Historical Materialism*, *New Left Review*, *Socialist Register*, *International Socialist* (US) and *International Socialist Journal* (UK) have carried very little detailed discussion about imperialism. The small number of contemporary books on imperialism written before 2012 were mostly by non-Marxist authors or are not about

54 Mallaby, Sebastian, 'The Reluctant Imperialist: Terrorism, Failed States, and the Case for American Empire', *Foreign Affairs*, March/April 2002; The New York Times Magazine cover announcing its feature in March 1999 declared "For globalization to work, America can't be afraid to act like the almighty superpower that it is", see Thomas Friedman's 'Manifesto for a Fast World', *NYT Magazine*, 28-03-1999; Ignatieff, Michael, 'The American Empire: The Burden', *NYT Magazine*, 05-01-2003. In 2003, Daalder observed "In the last six months alone, as debate on Iraq peaked, the phrase "American empire" was mentioned nearly 1,000 times in news stories, while bookstores have been quickly filling their shelves with freshly minted tomes on the subject." Daalder, Ivo H., and Lindsay, James M., 'American Empire, Not 'If' but 'What Kind'', *New York Times*, 10-05-2003; for works analysing this trend, see Baker, Kevin, 'American Imperialism Embraced', *New York Times*, 9-12-2001; Bowden, Brett, *The Empire of Civilization: The Evolution of an Imperial Idea*, University of Chicago Press, 2009; Kiely, 2010, p1.

55 Wood, 2005.

56 Chibber, Vivek, 'Capital Outbound', *New Left Review*, 36, 2005, p151.

imperialism in the Marxist sense.⁵⁷ The small number of published books and articles that claim to present a Marxist view on contemporary imperialism, with important exceptions, mostly reject the idea that the Third World is systematically exploited, or that its exploitation is of much consequence, and almost invariably reject Lenin's theory as a useful tool for contemporary analysis (ch.2.3).

T. Smith's *Globalization: A Systematic Marxian Account* (2006) contains not a single reference to either "imperialism" or "Lenin".⁵⁸ Callinicos' *Imperialism and Global Political Economy* (2009) defends the key historical positions of the IST that Third World exploitation is *not* meaningful (below). Amin's (2010) *The Law of Worldwide Value*, is not a new work but recapitulates that author's 1970s theory of "globalized value" (ch.2.2). Parenti's *The Face of Empire* (2011) did not involve any sustained consideration of Marxist theory. Echoing Harvey, it dismisses "some [un-named] confused Marxists" who miss that in "the current struggle" around "globalisation":

[it is not] national sovereignty that is at stake, it is democratic sovereignty [at stake, while] the fight against free trade is a fight for the right to political-economic democracy, public services and a social wage, the right not to be completely at the mercy of big capital.⁵⁹

Imperialism gets barely half a page of consideration in Dumenil and Lévy's *The Crisis of Neoliberalism* (2011). Their book defines imperialism so loosely it could occur in any class society, not only capitalism.⁶⁰ Robinson's *Global Capitalism and the Crisis of Humanity* (2014) argues that Marxism must "go beyond" the theory of imperialism⁶¹ while Harvey's *Seventeen Contradictions* (2014), doesn't even rank imperialism among capital's top *seventeen* contradictions!⁶²

Popular Marxist accounts of contemporary economic changes use some combination of the concepts of 'financialisation', 'globalisation' and First World 'de-industrialisation'—concepts that are neither uniquely Marxist nor accurate.

The starting point for Harvey and others is the Southward movement of aspects of bulk production (offshoring). This is strongly felt because it negatively impacts working class communities in the core societies where well-known Marxists reside. In particular, the

57 Kiely, 2010, p2; see for example Charbonneau, Bruno, *France and the New Imperialism: Security Policy in Sub-Saharan Africa*, Ashgate, 2008.

58 Multiple references appear to Harvey, Wood, Foster and Callinicos. See Smith, Tony, *Globalisation: A Systematic Marxian Account*, Brill, 2006.

59 Parenti, Michael, *The Face of Imperialism*, Paradigm, 2011, ebook.

60 According to Duménil and Lévy, "in any stage of imperialism, the major instruments of these international power relations, beyond straightforward economic violence, are corruption, subversion, and war." Duménil, Gérard and Lévy, Dominique, *The Crisis of Neoliberalism*, Harvard, 2011, p9.

61 Robinson, William I., *Global Capitalism and the Crisis of Humanity*, Cambridge University Press, 2014, p99–112.

62 Harvey's *The Ways of the World*, Oxford University Press, 2016, re-prints his earlier work.

offshoring, or internal movement of many labour processes in certain industries, like auto manufacturing in the US has been effective in undermining the industrial strength of important sections of organised labour in the core which these writers look or looked to as a source of working class strength.

Yet because contemporary Marxism has not arrived at a correct overall characterisation of the international division of labour (part 4), the Southward movement of certain aspects of the labour process is erroneously viewed as US or core country 'de-industrialisation' and decline. The reality of continued, strong capital accumulation in the North, despite this supposed industrial decline, has to be explained. This, and the growth of the financial sector, is the basis of the popularity of 'financialisation' arguments.⁶³ How financial institutions are supposedly able to appropriate value from overseas productive capital without the cooperation of (or coalescence with) dominant productive capital is never explained.

Today, Third World exploitation and value transfer are so far from the lore of First World Marxism that even writers who are sympathetic to the notion, such as Sakellariopoulos, understand economic restructuring during the neoliberal period as principally about increasing surplus value extracted from the domestic working class in the imperialist countries.⁶⁴ He correctly argues that neoliberalism involved "rejection of capitals exhibiting low levels of profitability".⁶⁵ Yet, viewed internationally, this "rejection" appears to refer to their rejection or ejection *from the core*. Monopoly capital's *specialisation* into spheres with higher than average profit rates necessarily meant the outsourcing or offshoring of labour processes with below average and marginal profitability. Yet both types of labour are necessary. Arguably, it makes no sense to look at profit rates of only one category of capital in isolation.

Acknowledge but do not explain polarisation

Many Marxists briefly acknowledge Third World exploitation. Wood commented in passing that debt is "the principal instrument of the new imperialism" but did not elaborate.⁶⁶ Petras,

63 Roberts commented on the "endless" number of papers on financialisation at a recent academic conference, see Roberts, Michael, 'China a Weird Beast', *Michael Roberts Blog*, 17-09-2015; Additionally, we are still sometimes told that nothing binds advanced capitalist firms and major transnational corporations (TNCs) to the Northern states. This current variant of 'globalisation' analysis is perhaps influential among only a small number of Marxist writers, principally Screpanti and the supporters of Robinson. However, despite its limited appeal, much discussion seems for a long time to have had trouble moving beyond the terms of debate introduced by globalisation advocates such as Hardt and Negri at the turn of the century. Countless articles and even books appear stuck in a cycle of endlessly more nuanced reaffirmations of what is arguably an obvious truism—the importance of the capitalist state in capitalist relations of production. See Callinicos, Alex, 'Does Capitalism Need the State System?', *Cambridge Review of International Affairs*, 20, 4, 2007, p542; Anievas, Alexander (ed), *Marxism and World Politics*, Taylor and Francis, 2010; Bieler, Andreas and Adam David Morton, 'Axis of Evil or Access to Diesel? Spaces of New Imperialism and the Iraq War', *Historical Materialism*, 23, 2, 2015; Callinicos, Alex, 'Fighting the Last War', *International Socialism*, 147, 2015.

64 Sakellariopoulos, Spyros, 'The Issue of Globalization through the Theory of Imperialism and the Periodization of Modes of Production', *Critical Sociology*, 35, 1, 2009, p69; see also for example Chou, Nan-Ting, Izyumov, Alexei and Vahaly, John, 'Rates of return on capital across the world: are they converging?', *Cambridge Journal of Economics*, 40, 2016, p1150.

65 Sakellariopoulos, 2009, p68.

66 Wood, 2005, p131.

Veltmeyer and Berbergolu all acknowledge systematic exploitation of the Third World, but it is difficult to find any precise explanation of how this is thought to occur.⁶⁷ Petras and Veltmeyer, for example, oppose attempts to diminish the significance of Third World exploitation by Marxist works (such as Harman, below) which assume that profit from foreign direct investment is the only or principal source of value transfer and then proceed to tally just this source alone before concluding that Third World exploitation is not significant. Yet Petras and Veltmeyer's critique of this false methodology does not reveal the other methods of value transfer these accounts omit, but criticises them for stating the problem "merely in economic terms".⁶⁸

Cooney briefly acknowledges value transfer through trade, while stating there are considerable problems in its empirical measurement.⁶⁹ Freeman, perhaps most pointedly, states that "the impact of liberalisation was to reconstitute the Third World".⁷⁰ He argues that by 1998 "the world had completely divided into two 'halves'" which, "reduced to its economic essence, is a division of the world into zones of low wages and productivity on the one hand, and high wages and high productivity on the other".⁷¹

These welcome exceptions notwithstanding, overall there is little work to demonstrate and elaborate Freeman's point. Panitch and Gindin justifiably decry the lack of "any serious [study of] political economy or pattern of historical determination that would explain the emergence and reproduction of today's American empire and the dimensions of structural oppression and exploitation pertaining to it".⁷² Their own response, one of the most significant works on the recent partial turn around (ch.2.2), while acknowledging exploitation, seeks to explain the reproduction of imperialism by extra-economic means, outside of the labour process.

Bose makes the general statement that,

the relation of unequal interdependence between the metropolitan imperial powers and subordinate peripheral nations in its totality constitute[s] modern imperialism. The relationship has complex dynamics and it continuously influences as well as gets influenced by domestic class struggle within the imperial as well as the subordinate nations.⁷³

67 See for example, Berbergolu, in Veltmeyer, (ed), 2010, p157.

68 Petras, James and Veltmeyer, Henry, 'Imperialism and Capitalism: Rethinking an Intimate Relationship', *Global Research*, 16-10-2015.

69 Cooney, Paul, 'Towards an Empirical Measurement of International Transfers of Value', in Freeman, A., Kliman, A. and Wells, J., *The New Value Controversy and the Foundations of Economics*, Edward Elgar, 2004, p257-9.

70 Freeman, Alan, 'The Poverty of Statistics and the Statistics of Poverty', *Third World Quarterly*, 30, 8, 2009, p1437.

71 Freeman, 2009, p1437; Dussel, Enrique and Yanez, Anibal, 'Marx's Economic Manuscripts of 1861-63 and the "Concept" of Dependency', *Latin American Perspectives*, 17, 62, 1990, p148.

72 Panitch, Leo and Gindin, Sam, 'Global Capitalism and American Empire', *Socialist Register*, 40, 2004, p2.

73 Bose, Prasenjit, 'New' Imperialism? On Globalisation and Nation-States', *Historical Materialism*, 15, 2007, p101.

Similarly Selwyn noted,

A dialectical approach" to understanding imperialism today "implies a theory of a dynamic, transformative system (capitalism), combined with a conception of how the unequal units of the system are internally constituted and externally connected.⁷⁴

Both formulas restate Panitch and Gindin's question rather than answer it. Duménil and Lévy simply state that "economically, the purpose of this domination is the extraction of a 'surplus' through the imposition of low prices of natural resources and investment abroad",⁷⁵ without substantial elaboration.

Harvey: From *The New Imperialism* to No Imperialism

The broadly influential, extensive anti-imperialist, new theoretical work this century is Harvey's 2003 book, *The New Imperialism*.⁷⁶ However, none of his key concepts—"accumulation by dispossession", the discrete "logics" of power attributed to state and private capital respectively, nor capital's "geo-spatial" or "spatial temporal dynamics" and "spatial-fix" crisis theory—explain Third World exploitation or the reproduction of superiority in the core. In 2003, Harvey acknowledged Third World exploitation and attempted to use these theoretical tools—especially "accumulation by dispossession"—to explain it. Yet his *Seventeen Contradictions* (2014) retains the same theoretical tools while dropping any reference to exploitation of poor countries, polarisation or imperialism.

"Accumulation-by-dispossession", as presented in *The New Imperialism*, gives the most detailed argument by a contemporary Marxist of how, besides profits on overseas investment, value is extracted from the Third World in the neoliberal period. The theory essentially takes well-known policies of the neoliberal period, such as privatisation, running down the welfare state and financial deregulation, and posits these as the key mechanisms of capitalist accumulation within the system as a whole. Harvey argues this "dispossession" (essentially privatisation) of what he considers "non-capitalist sectors" (or alternatively "the commons"⁷⁷) such as the capitalist state, began to become the *most* important method of private capitalist

74 Selwyn, Ben, 'Trotsky, Gerschenkron and the Political Economy of Late Capitalist Development', *Economy and Society*, 40, 3, 2011, p425.

75 Duménil and Lévy, 2011, p9.

76 IST work in 2003 and 2009 is most concerned to defend its characterisations first put forward in the 1960s and 1970s. MR in 2003 reprinted Harry Magdoff's work from the 1970s as Magdoff, Harry and Foster, John Bellamy, *Imperialism Without Colonies*, MR 2003, with an introduction and defence by Foster.

77 Harvey conflates capitalist state control with "common control of the associated laborers", see Harvey, David, 'The Future of the Commons', *Radical History Review*, 109, 2011, p105.

accumulation around 1973.⁷⁸

The concept aims to explain a supposedly new phase in the functioning of the capitalist system in general, both within national economies and internationally. In its 2003 version, South to North (S-N) value transfer was still a feature. *The New Imperialism* made one reference to "unequal-exchange relations", but omitted any explanation of what this meant or how it worked.⁷⁹ At that time Harvey was so convinced of the imperialist character of accumulation-by-dispossession that he saw it as responsible for the radically aggressive foreign policies of the neo-conservative Bush junior presidency. This "New Imperialism" seeking "accumulation-by-dispossession" created a "novel situation" driven by imperialism of "a different allure" that Harvey thought caused the Iraq invasion and demanded "a new framework of analysis" which he attempted with his book.⁸⁰

No imperialism

However, Harvey soon abandoned "The New Imperialism" and any other theory of imperialism and ceased to acknowledge that imperialism exists as a world system. In *Seventeen Contradictions*, he devotes a chapter to each of what he considers to be capital's seventeen principal contradictions—but imperialism does not rank.⁸¹ Harvey neither explains this omission nor his own complete turnaround. Imperialism doesn't even make Harvey's list of notable exclusions from capital's top seventeen contradictions.⁸² It is so far from Harvey's framework that his chapter on "Uneven Geographical Developments and the Production of Space" does not once mention "imperialism".⁸³

Harvey's "spatial-fix" framework is *opposed* to any thesis of rich-poor national exploitation. For Harvey, "above all, uneven geographical development serves" not to maintain the position of specific privileged or monopolistic capitalist groups but "to move capital's systemic failings around from place to place."⁸⁴ Harvey says,

78 Harvey, David, *The New Imperialism*, Oxford University Press, 2003, p147, 156.

79 Harvey, 2003, p31–32; see also Harvey, David, *A Brief History of Neoliberalism*, Oxford University Press, 2005, p159.

80 Harvey, 2003, p7; For Harvey's original understanding of imperialism, see Harvey, David, *The Limits to Capital*, Basil Blackwell, 1982, p439–442. Arguably, this is essentially an international extension of Harvey's "spatial fix" crisis theory that constitutes the principal theme of that book.

81 The word "imperialism" appears just five times in 400 pages: "dollar imperialism of the USA" to maintain "financial hegemony" (p83); a cursory mention of each of Lenin's and Baran's past theories (p193); an unfulfilled promise to look later at the "relation between monopoly, centralisation, imperialism and neocolonialism, (p143); before a final brief reference to "extractive imperialism" within a general chapter about capitalist environmental destruction (p357), see Harvey, 2014.

82 Harvey explains why he has not included chapters on gender and racial oppression, arguing that, "an examination of these tells me nothing particular about how the *economic engine* of capital works", see Harvey, 2014, p8. Nor, apparently for Harvey, would an examination of imperialism.

83 Harvey, 2014, p146–163.

84 Harvey, 2014, p228; Arguably the word "spatiotemporal" adds no specific or clear meaning. For example, when Harvey writes "Growing resentments of being locked into a spatiotemporal situation of perpetual subservience to the centre did, however, spark anti-dependency and national liberation movements" (Harvey, 2003, p59–60), the sentence would have an identical meaning if the word "spatiotemporal" were removed. Where Harvey

The net drain of wealth from East to West that had prevailed for over two centuries has been reversed as East Asia in particular has risen to prominence as a powerhouse in the global economy."⁸⁵

As a result, on some measures,

the world is a much more equal place than it once was. Millions of people have escaped from poverty. Much of this has been due to the phenomenal growth of China... Disparities in the global distribution of wealth and income between countries have been much reduced with rising per capita incomes in many developing parts of the world.⁸⁶

According to Harvey, over the past forty years there has been "a general trend towards a levelling up in per capita wealth and incomes across states".⁸⁷ For such monumental and historic claims one would expect some evidence to be presented. But Harvey's evidence is conspicuously absent.

Later in the book we are told, "Anti-capitalist movements must abandon all thoughts of regional equality and convergence", which would amount to "unacceptable and unachievable global monotony!"⁸⁸ Harvey doesn't explain what he means by these comments. However, it is doubtful equality would seem unacceptably monotonous to most of the world's people who, unlike the professor, neither purchase cars nor "eat vegetables from California in Paris and drink imported beers from all over the world in Pittsburgh", as Harvey claims to do.⁸⁹ In his world, "the salient conflicts in the world today are class conflicts within states, including the American ones, rather than conflicts between them."⁹⁰

Harvey did not need to modify his accumulation-by-dispossession in order to move from New Imperialism to "no imperialism"—he simply changes the targets of its parasitism. In 2003, accumulation-by-dispossession was Harvey's explanation for International Monetary Fund (IMF)-led pillage of Asian countries during the 1998 economic crisis. By 2014, it had morphed into the response of US capital to its own supposed long-term productive decline in

defines imperialism as "a certain form of the production of space" (Harvey, 2003, p87) we might ask, what then is the difference between modern capitalist imperialism and that of the Romans? Or that of beavers? Ants?

85 Harvey, 2014, p239.

86 Harvey, 2014, p239.

87 Harvey, 2014, p240.

88 Harvey, 2014, p162.

89 Harvey, 2014, p138.

90 Harvey, 2014, p26. If this sounds familiar, something very similar was written fifty years earlier by Kidron (1965), when he openly rejected imperialism. Kidron concluded "the growing uniformity in the conditions of exploitation, the growing irrelevance of national struggles as such, the growing fusion of national and class struggles and the growing similarity in the immediate aims of the working class the world over", were among the important reasons why "we don't have imperialism but we still have capitalism", see Kidron, Mike, 'International Capitalism', *International Socialism*, 20, 1965.

relation to rising China and "the East". Such a malleable tool can apparently explain anything and everything.

Financialisation

Searching Harvey's work for an explanation of how this formidable tool might exert its power, we are taken to the US dustbowl of the Great Depression years. The eviction of Oklahoma family tenant farmers (immortalised in Steinbeck's *The Grapes of Wrath*) is given as an early example of "accumulation-by-dispossession". Harvey argues, "The prime lever for this transition [eviction] has always been the credit system".⁹¹ But one only has to ask "transition to what?" to see how superficial such analysis is.

The productive transition, as clearly documented by Steinbeck, was from small, labour-intensive family tenant farming to large mechanised monoculture. The new crop was cotton. The actual revolutionising factor was not the banks but the tractor. Without this "revolutionising the instruments of production" as Marx called it,⁹² there would have been no sense in the banks foreclosing. Without the new productive techniques, the banks would be unable to gain a greater income from the land than the mortgage payments from the impoverished tenant families.

Harvey (above) refers only to "the prime lever", which might be understood to mean the superficial, not essential, cause of the evictions. Yet, even at a superficial level, the causes—as depicted by Steinbeck—contradict the elevated position Harvey gives to the credit system. In *The Grapes of Wrath*, police guns, quiescent, relatively privileged workers and the tractor itself, which physically destroys the Joad family's land and house, are more important.⁹³ Harvey gives no explanation for how or in what sense he thinks "the credit system" works as an independent mechanism standing above productive capital.

In later iterations Harvey's list of parasitical capital has to be expanded to make any sense. We are now told "rentiers, the merchants, the media and communications moguls" and "corporate monopolies like Apple, Monsanto, the big energy companies, pharmaceuticals" join the financiers to "ruthlessly squeeze the lifeblood out of productive industrial capital".⁹⁴ The category of parasites is so eclectic and nebulous that Harvey can neither settle on a name for it

⁹¹ Harvey, 2003, p156.

⁹² Marx, Karl and Engels, Frederick, *Manifesto of the Communist Party*, Progress Publishers 1969 [1848], ch.1.

⁹³ Steinbeck says "the tractors which throw men out of work, the belt lines which carry loads, the machines which produce, all were increased; and more and more families scampered on the highways..." (p249) "the machines pushed them out" (p295); see Steinbeck, *The Grapes of Wrath*, Penguin, 1992; Steinbeck was emphatic about this. He noted in 1938, while writing the book, that "the overtone of the tractors, the men who run them, the men they displace, the sound of them, the smell of them. I've got to get this over [to the reader]. Got to because this one's tone is very important—this is the eviction sound and the tonal reason for movement. Must do it well", cited in Demott, Robert, 'Introduction' in Steinbeck, 1992, p. xiv.

⁹⁴ Harvey, 2014, p251–2.

nor designate its boundaries or criteria.⁹⁵ It is never explained, for example, why Monsanto, the big energy companies and pharmaceuticals are considered non-productive or non-industrial. All produce use values in the Marxist sense using advanced industrial facilities.

Apple produces product designs. Its enormous cash reserves result from its enormous sales and price mark-ups on products it has designed. Apple, like *all* large corporations, participates in financial markets.⁹⁶ However, a characterisation of Apple as principally a parasitical *non-productive* company is sustainable only if the labour Apple workers perform is superfluous to production. But if that were the case, what then is the basis of that company's ability to price set and thereby extract value produced by its Chinese-based contractors? Why, for example, can't Foxconn oust Apple as the pre-eminent consumer electronics monopoly? This is the real question that Harvey's credit-system-squeeze explanation serves to obscure. Contra Harvey, it is not only financiers and merchants and (bad) producers like Monsanto that squeeze (good) direct producers. Direct producers populate the lists of the largest and most profitable companies in the world: for example, Toyota, Volkswagen and General Motors and Samsung (ch.4.3)

In Harvey's scenario, the financiers and this crew of certain others appear to have access to more or less infinite liquidity, while productive capital is for some reason neither able to generate its own finance nor to forge alliances with others to provide it. We are told, "when the credit system operates a squeeze, when liquidity dries up and enterprises are forced into bankruptcy", there "is no way for owners to hang on to assets and they have to relinquish them at a very low price to capitalists who have the liquidity to take over".⁹⁷ Yet, plainly, banks cannot take assets at will. The debtor must first default, which depends on their profitability.

Harvey says,

by exerting immense pressure on the capitalist producers, the merchant capitalists and the financiers, for example, can reduce the return to the direct producers to the smallest of margins while racking up major profits for themselves. This is how Walmart and Apple operate in China, for example.⁹⁸

"Accumulation-by-dispossession" (2014 version) is supposed to explain US decline. Yet the actual example Harvey gives of its operation is of US monopolistic exploitation of *Chinese* labour! No examples of Harvey's West to East "wealth flow" are given. Similarly his 2003

95 Alternatively, "The bankers, the hollywood producers and the high-tech community" is a slightly different presentation of the 'bad' capitalist; this time the list comes from Steve Bannon's 2010 right-wing conspiracy documentary *Generation Zero*.

96 Norfield, Tony, *The City: London and the Global Power of Finance*, Verso, 2016, p74.

97 Harvey, 2003, p155; for Harvey's similar treatment of the Indonesian crisis see Harvey 2003, p164.

98 Harvey, 2014, p84.

version was supposed to explain the 'new imperialism'. But Harvey openly contradicts this too.

He argued, "the primary vehicle for accumulation-by-dispossession, therefore, has been the forcing open of markets throughout the world by institutional pressures exercised through the IMF and the WTO..."⁹⁹ Here Harvey is not referring only to capital markets but to product markets where capitalists sell commodities. Thus it is in complete contradiction to the supposed dominance of finance over production. Which capitalist firms does Harvey suppose will be able to sell their products in these open markets?

Elsewhere, Harvey tends to attribute almost free will to private capital: "The capitalist seeks individual advantage and (though usually constrained by law) is responsible to no one other than his or her immediate social circle".¹⁰⁰ Harvey continues, "the capitalist holding money capital will wish to put it wherever profits can be had, and typically seeks to accumulate more capital".¹⁰¹ Yet Harvey makes no examination of the how or why each capitalist may or may not be *able* to get what they "seek" or what determines differing profits levels. Yet, for Marxists, the private capitalist is constrained by social-economic laws that determine how much private advantage, private capital can accrue and how it must go about obtaining it.

Harvey's analysis of the neoliberal period (at least recently) flows from two positions: US relative decline vis-a-vis China and the South, and secondly, that decline is caused by parasitical capital's ascendancy over productive capital. However, if both of these were true, and if, as Harvey says, "the East and the global South became centres for industrial *value production*" while the imperialist countries "focused on rent extraction" (i.e. *value extraction*) then the movement of value cannot be possibly be from West to East as Harvey asserts but is necessarily the other way round.

It seems apt to recall Norfield's comment that "financialisation" represents "a very superficial description of capitalist reality rather than a concept that helps to explain it";¹⁰² or Zigedy's view of financialisation as "one of those trendy neologisms unrelated to any other aspect of Marxist theory".¹⁰³

99 Harvey, 2003, p181; Elsewhere, the "major cards" that Harvey attributes to US capital are a large consumer market, overwhelming financial power and military might. See Harvey, 2003, p68.

100 Harvey, 2003, p27.

101 Harvey, 2003, p27.

102 Norfield, 2016, p232; see also Christophers, Brett, 'The Limits to Financialisation', *Dialogues in Human Geography*, 5, 2, 2015.

103 Zigedy, Zoltan, 'Review: Samir Amin's The Law of Worldwide Value,' *ZZ's Blog*, 2012.

International Socialist Tendency (IST)

Harvey's open denial of Third World exploitation may be new. Yet the largest tendency of politically active and organised Marxists in the imperialist core—the IST—has long held that position. In an influential work within the tendency, Harman declares,

Most of the Third World, including nearly all of Africa and much of Latin America outside Brazil and Mexico, is of diminishing economic importance for the dynamic of the system as a whole. Profits and interest payments from such regions are the lettering on the icing on the cake for world capital, not even a slice of the cake itself.

While “the major sources of surplus value in the world are in the advanced countries”.¹⁰⁴

According to Harman,

flows of investment are an indication of where capitalists think profits are to be made, and they suggest that it is overwhelmingly within the advanced countries, and a handful of ‘newly industrialising’ countries and regions (of which coastal China is now the most important). This means that, whatever may have been the case a century ago, it makes no sense to see the advanced countries as ‘parasitic’, living off the former colonial world. Nor does it make sense to see workers in the West gaining from ‘super-exploitation’ in the Third World. Those who run the system do not miss any opportunity to exploit workers anywhere, however poor they are. But the centres of exploitation, as indicated by the FDI figures, are where industry already exists.¹⁰⁵

This was Harman's 2003 assessment. It is essentially unchanged from his 1973 assessment of the post-war economy. Then Harman argued,

the Third World is no longer central in understanding the dynamics of the system. The western capitalist powers are no longer fighting one another for control over Bangladesh, or Uganda or Chad. The boom of the last 25 years left these countries more or less stagnating, while the real wealth developed [sic - accumulated] elsewhere – by and large in the old established metropolitan countries.¹⁰⁶

However, by 2003 it was becoming difficult to argue the "diminishing importance" of the Third World. Harman was forced into absurd formulations, such as "much of Latin America outside Brazil and Mexico" is not important. Yet Brazil and Mexico make up the majority of Latin America's population. Perhaps aware that his claim that the Third World was unimportant couldn't be maintained if its most important country—China—is listed as an exception, Harman uses the formulation "coastal China". But half a billion people live on China's coast. Even if we accepted Harman's argument that the less developed Third World regions are not important (counting only China's coast), these exceptions alone have a

¹⁰⁴ Harman, 2003; see also Harman, *Explaining the Crisis: A Marxist Re-appraisal*, Bookmarks, 1984, p87.

¹⁰⁵ Harman, 2003.

¹⁰⁶ See Harman, Chris, ‘Marxist Economics and the World Today’, *International Socialism*, 1, 76, 1973; Kidron, Mike, ‘Imperialism, Highest Stage But One’, *International Socialism*, 1, 9, 1962; Kidron, 1965.

population comparable to the entire imperialist core.

In 2009, Callinicos still sought to defend Harman's claim that the Third World "is of diminishing economic importance". He spends six pages defending Kidron and Harman's characterisation that the Third World *was* of diminishing economic importance until 1983.¹⁰⁷ For the period after 1983, we get the brief statement, citing Foreign Direct Investment (FDI) figures, that "the patterns of economic exclusion that developed after 1945 have persisted since the end of the Cold War".¹⁰⁸ This is followed by, "China is of course the most important exception to this pattern".¹⁰⁹ Callinicos seems far more emphatic when stating, "One has only to utter the word 'China' to indicate what's wrong with the Third Worldist understanding of imperialism"¹¹⁰ and "the revival of Chinese economic and military power threatens to destabilize US hegemony".¹¹¹

The obvious absurdity is seeking to characterise the Third World yet excluding China, Brazil, Mexico and so on.¹¹² But there is a more fundamental absurdity: claiming that the poor countries are "excluded" from *participating* in the system or are not important to imperialist core capital. This is as if neoliberal globalisation of production processes never occurred. Callinicos only weakly acknowledges the new international labour division and does so more than one hundred pages earlier.¹¹³ He promises to "return to the implications of these arguments for the contemporary global political economy" in his final chapter, but never does. In the meantime he manages a detailed defence of the "diminishing importance" of the *pre-neoliberal era* Third World, quoting Harris from 1974 to argue,

What had been seen by the imperialists as the division of labour between the manufacturing advanced and the raw material exporting backward countries was overtaken by a division between the relatively self-sufficient advanced enclave and a mass of poor dependents.¹¹⁴

The explanation is left at that, manifesting Callinicos' incapacity even to formulate an explanation of the present era.

What is consistent in each of these scenarios is denial and downplaying of Third World exploitation. In the first scenario, the Third World is excluded not exploited. In the second

107 Callinicos, Alex, *Imperialism and Global Political Economy*, Polity, 2009, p178–83.

108 Callinicos, 2009, p199.

109 Callinicos, 2009, p201.

110 Callinicos, 2009, p5.

111 Callinicos, 2009, p219; Harman, Chris, *Zombie Capitalism: Global Crisis and the Relevance of Marx*, Bookmarks, 2009, p243.

112 Presumably he must include all the other top income Third World countries such as Turkey, Argentina, Poland, Malaysia, Chile, but no precise characterisation is given.

113 Callinicos quotes Robert Wade, who says "manufacturing value-chains have become spatially disarticulated, and value-added has 'migrated' to the two ends of the value chain—to R&D, design, distribution and advertising. Activities within the value chain that are more subject to diminishing returns have been shifting to low wage zones while those more subject to increasing returns tend to stay at home", see Callinicos, 2009, p90.

114 Callinicos, 2009, p181.

scenario, a part of the Third World is excluded while another part is itself becoming imperialist and thereby again not exploited by the imperialist core. IST writers expound one position and then the other without an explanation of how the current scenario developed out of the earlier scenario.

This occurs because the IST's purpose is not to explain Third World development, but to deny or downplay systematic Third World exploitation by the imperialist core as the basis of the imperialist system. Their reason for downplaying Third World exploitation is the tendency's desire to deny that First World workers get any sort of privilege from their position within the core countries of the imperialist system. In other words the IST's starting point is to disprove Engels and Lenin's theory of the labour aristocracy.¹¹⁵

The only sustained attempt, since the 1970s, to substantiate the IST denial of systematic Third World exploitation is made by Harman in 2003. In doing so, arguably, he openly contradicts the Marxist theory of value. As above, Harman argues,

flows of investment are an indication of where capitalists think profits are to be made, and they suggest that it is overwhelmingly within the advanced countries... This means that, whatever may have been the case a century ago, it makes no sense to see the advanced countries as 'parasitic', living off the former colonial world.¹¹⁶

To substantiate this point Harman provides figures for Foreign Direct Investment (FDI) flows and profits, which show that the majority of FDI went to imperialist core countries at that time.

While it may be true that investment figures indicate where "*capitalists think*" profits are "made", it does not follow that Marxists must agree. To the capitalist profits are "made" or created *by them*. This is a direct expression of the mystical view that capital can itself create wealth. Marx showed it is labour that creates social wealth. Profits constitute surplus value that is first created by workers and then appropriated by the capitalist. Harman simply confuses the location where capitalists *realise* profit with the location where value is actually created. That is, Harman explicitly replaces the Marxist with the bourgeois value category. In doing so he also abolishes the Third World worker.¹¹⁷ Callinicos makes no argument of his own, defending the position that value cannot be transferred between capitals in trade (instead briefly quoting Harris from 1986 and 1974). That Callinicos appears unable to apply Harris' old formulation to the period after 1983, and that Harman demonstrably fails to do this, shows its weak explanatory power.

115 Bramble, Tom, 'Is there a Labour Aristocracy in Australia', *Marxist Left Review*, no. 4, 2012.

116 Harman, 2003; also Callinicos, 2009, p201;

117 Harman made the same basic mistake in 1973 when he argued "the real wealth *developed*" not in Third World countries but "by and large in the old established metropolitan countries", Harman, 1973.

Monthly Review (MR)

So far we have looked at two Marxist tendencies that deny Third World exploitation. The MR tendency, by contrast, emphasises Third World oppression and the question of national liberation struggles.¹¹⁸ Yet MR writers too reject value transfer in trade and hence fall back on inadequate economic and extra-economic explanations of how Third World exploitation is carried out. For the same reason, MR writers are unable to explain how the core reproduces its supremacy. These weaknesses will be shown first in relation to contemporary MR writing—principally Foster. Second, these weaknesses are shown to have originated in the theoretical positions of the founders of the MR tendency—Baran and Sweezy—and also from Magdoff. Sweezy and Baran's theoretical understanding of monopoly will be discussed separately (ch.3.4).

Foster puts imperialist exploitation of the Third World front and centre in his work. For example, he states,

the inner logic of imperialism" is "most evident in the rising gap in income and wealth between rich and poor countries, and in net transfers of economic surplus from periphery to center that make this possible. The growing polarization of wealth and poverty between nations... is the system's crowning achievement on the world stage.¹¹⁹

However, adopting Baran and Sweezy's rejection of unequal exchange of value in trade, he can't explain how the imperialist core achieves this. Foster says

Third World countries have long experienced an enormous net outflow of surplus in the form of net payments to foreign investors and lenders located in the center of the world system. These and other payments for services (for example freight charges owed to capital in the rich countries) have a negative effect on the current account balances of underdeveloped countries and tend to pull them into the red irrespective of the trade balance, which is also normally stacked against them.¹²⁰

As noted above, Harman argues against Third World exploitation using FDI data. Harman, falsely asserting there were no *other* significant sources of value transfer, could show that

118 Baran and Sweezy, *Monopoly Capital*, Monthly Review Press, 1966, p12, 206.

119 Foster, John Bellamy in Magdoff Harry and Foster, J.B., *Imperialism Without Colonies*, Monthly Review Press, 2003, p18; see also Foster, J.B., McChesney, R.W. and Jamil J.R., 'The Global Reserve Army of Labor and the New Imperialism', *Monthly Review*, 63, 6, 2011.

120 Foster, John Bellamy, 'Review of the Month: Monopoly Finance Capital,' *Monthly Review*, 58, 7, 2006; Chossudovsky makes a similar argument, that 'value added' is artificially created within the services economy of the rich countries without any material production taking place', Chossudovsky, Michel, *The Globalization of Poverty and the New World Order*, Global Research, 2003, p80.

profits on FDI alone were inadequate to explain North to South (N-S) polarisation. For this reason, Foster has to add to foreign investment other categories of transfer, "payments for services" and debt repayments. While terms of finance are certainly an important source of value transfer, Foster does not explain why he thinks high priced services as opposed to goods is important nor what determines their prices. Ignoring balance of payments (which is in any case wrong in relation to China), the formulation merely poses the essential question: by what precise mechanism are poor countries continuously forced to pay high prices (for freight or any other use value)?

Separately, Foster, following Sweezy, proposed "financialization" as the mechanism of N-S exploitation, arguing that what he called "Monopoly-Finance Capital" represented a "new hybrid phase of the system".¹²¹ Despite using Lenin's exact formulation, Foster never evaluates where his view converges or differs with Lenin's. In the most recent iteration of Foster's financialisation, we are told "center economies no longer constitut[e] to the same extent as before the global centers of industrial production and capital accumulation". Rather, they rely "more and more on their role as the centers of financial control and asset accumulation".¹²²

However, we are not told why centre economy "asset accumulation" is a mechanism and not a *result* of value transfer, nor what Foster considers to be different between traditional "capital accumulation" and new financialised "asset accumulation". While accumulation of financial "assets" (i.e. financial paper) certainly constitutes an important aspect of imperialist monopolistic advantage today, that has long been the case. How exactly finance *conceived as a separate section of capital* can exert control over non-financial capital (which such a formulation must assume) remains just as mysterious in Foster's work as in Harvey's. It will be argued (ch.3.3) that contra Foster and Harvey, and following Lenin, a financial monopoly can ultimately exist long-term, only on the basis of (or allegiance with) monopoly in the labour process.

Foster has not made a new explanation of imperialism (nor does he claim this). Rather, he argues the work of Magdoff provides an "an unparalleled guide" to modern imperialism that is still relevant today";¹²³ further, "the concept of the imperialist world system in today's predominant sense", had "its genesis in the 1950s, especially with the publication fifty years ago of Paul Baran's *The Political Economy of Growth*".¹²⁴ According to Foster, Baran

121 Foster, 2006; Patnaik too declares his specific conception "International Finance Capital" to constitute a new stage of the system, Patnaik, Prabhat, 'Notes on Contemporary Imperialism', *MRonline*, 20-12-2010.

122 Foster, John Bellamy, 'The New Imperialism of Globalized Monopoly-Finance Capital', *Monthly Review*, 67, 3, 2015.

123 Foster, in Magdoff and Foster, 2003, p18.

124 Foster, John Bellamy, 'The Imperialist World System Paul Baran's Political Economy of Growth After Fifty

developed "a systematic Marxian critique" of underdevelopment through his concept of "economic surplus".¹²⁵

Foster is right to posit his own work as consistent with Baran and Sweezy (and Magdoff is also consistent in the same essential senses I will outline). Sweezy, consistent with the IST, wrongly asserted,

it should be particularly noted that trade between two countries can affect the distribution of the value produced within either one or both of them... but that it can not transfer value from one to the other. A more advanced country, for example, cannot extract value from a less advanced country by trade alone; it can do so only through the ownership of capital in the latter.¹²⁶

Baran also rejected unequal exchange.¹²⁷

Sweezy also argued that conditions of monopoly negate Marx's law of value. He thought "it appears obvious, as Hilferding said, that 'the realization of Marx's theory of concentration, of monopolistic merger, seems to result in the invalidation of Marx's value theory'",¹²⁸(ch.3.4). Baran's concept of "economic surplus" also abandons Marx's theory of value and hence confuses the question of value transfer. As Baran himself puts it,

[economic surplus] transcends the horizon of existing social order, relating as it does not merely to the easily observable performance of the given socioeconomic organization, but also to the less readily visualized image of a more rationally ordered society.¹²⁹

Years', *Monthly Review*, 59, 1, 2007.

125 Foster, 2007; Foster's Ph.D dissertation and first published book was an extended defence of Baran and Sweezy's *Monopoly Capital*.

126 Sweezy, Paul, M., *The Theory of Capitalist Development*, MR, 1970 [1942], p290; Sweezy also argues that Marx's law of value is negated under monopoly conditions (see section 3.4)

127 Baran, Paul A., *The Political Economy of Growth*, Penguin, 1973 [1957], p232; Baran instead argues that "a mechanism of impeccably 'correct' contractual obligations" determined prices, Baran, 1973 [1957], p339; According to Brolin, Baran, owing to his early association with the Frankfurt School brought "with him into the postwar dependency" tradition the Frankfurt School's hostility to non-equivalent exchange as expressed by the economic historian Werner Sombart. Brolin argues that Baran "did not concern himself with the possible 'transfers' due to price differentials and the terms of trade, and this tradition was brought into the 'development of underdevelopment' argument of Andre Gunder Frank (1965, 1967), who was also an open critic of Emmanuelian unequal exchange (1975)" Brolin, John, *The Bias of the World: Theories of Unequal Exchange in History*, Ph.D, Lund University, 2007, p71; see also Brolin, 2007, p8.

128 Sweezy, 1970 [1942], p55, 270.

129 Cited in Barone, *Marxist Thought On Imperialism*, M.E. Sharpe, 1985, p61; "Economic surplus" refers to the difference between total potential production (given the level of development of the social productive forces of society) and what is actually produced and re-invested in expansion of the economic output. It is derived from Baran's observation of the development of the Socialist states and what this tells us about the general social potential for development *under conditions of social ownership of the means of production* as a counter-position to capitalism. For this reason, the concept, when applied to analysis of capitalism, tends to limit his work to a general critique of waste, of the gulf between general social potential and the reality under capitalism. As Preobrazhensky pointed out, "The antithesis of commodity production, which succeeds it in history, is the planned socialist economy. And as, in the sphere of economic reality, the commodity of the C[apitalist]M[ode]P[roduction] is replaced in the planned economy by the product, value by the measurement of labour time, the market (in its capacity as the sphere in which the law of value manifests itself) by the book keeping of the planned economy, surplus *value by surplus product* ...", Preobrazhensky, E, *The New Economics*, Oxford University Press, 1965 [Russian 1926], p48; According to Kliman, Baran and Sweezy's

That is, it transcends capitalism, whereas Marx's theory of value is designed to explain capitalism.¹³⁰

In relation to Third World exploitation, Baran therefore makes the *general* argument that "the rationality of smoothly functioning commerce [has] grown into the modern, still more advanced, still more "rational system of imperialist exploitation"; "plunder has been rationalized and routinized by a mechanism of impeccably 'correct' contractual relations".¹³¹ Yet this is not accompanied by any detailed explanation of the actual *economic* mechanism of this exploitation. "Contractual obligations" is a legal mechanism. Baran argues

subservient governments, stifling economic and social development and suppressing all popular movements for social and national liberation [is what] makes possible at the present time the continued foreign exploitation of underdeveloped countries.¹³²

The repression of social movements is surely what prevents revolutionary change, i.e. overthrow of the capitalist social relations of production, but it doesn't tell us, *within existing social relations* exactly how imperialist economic exploitation works.

Additionally, Baran says it is not imperialist exploitation, but *oppression*, that characterises imperialist interests in the Third World: "The main task of imperialism in our time [is] to prevent, or, if that is impossible to slow down and to control the economic development of the underdeveloped countries."¹³³ However, the argument that imperialism has no interest in any sort of development in the Third World is powerfully refuted by the spread of Third World capitalist manufacturing in the neoliberal period.

Baran's concept of "economic surplus" and the problem of its utilisation or disposal is further developed in Baran and Sweezy's *Monopoly Capital* (1966).¹³⁴ As such, the book homes in on the internal contradictions of advanced capitalist nations and especially the United States. US capital's efforts to resolve its contradictions are not depicted as occurring principally through exploitation of less developed countries, but rather as a problem of disposal of the ever growing "economic surplus".¹³⁵ This principal focus is reflected even in the book's section ostensibly about imperialism: "The absorption of surplus: militarism and imperialism" which at the outset conflates imperialism with

economic theory deprives Marx's value theory of any real world significance", Kliman, Andrew, 'Marx versus the '20th Century Marxists': a reply to Laibman', in Freeman et al, 2004, p28.

130Barone, 1985, p61; see also p192.

131Baran, 1973 [1957], p339.

132Baran, 1973 [1957], p339.

133Baran, 1973 [1957], p340.

134Baran and Sweezy, 1966, p8 and chapters 3–7.

135Baran and Sweezy, 1966, p219.

militarism and deals with both as a function of surplus absorption. "The problem which concerns us" the authors state, is "the absorption of surplus by the military machine in the United States today".¹³⁶

Monopoly Capital does acknowledge that "the hierarchy of nations which make up the capitalist system is characterized by a complex set of exploitative relations". It also makes a brief attempt to explain how value is transferred: the chapter strongly argues that *foreign investment* (and emphatically *not* trade) largely accounts for international exploitation.¹³⁷ In contradiction to this focus, the chapter then treats monopolistic price setting as an element of exploitation of poor countries. However, this monopoly is understood to rest, not on social-productive superiority, but historical, legal and political advantages.

The authors write,

what really interests the giant multinational corporations which dominate American policy [is] monopolistic control over foreign sources of supply and foreign markets, enabling them to buy and sell on specially privileged terms.¹³⁸

Without denying the powerful attraction of "*specially* privileged terms"¹³⁹ this emphasis ignores the *principal* monopoly enjoyed by US capital. By choosing as their example a natural resource monopoly controlled by a cartel, the authors miss that US capital's principal monopoly is its social-productive superiority.

If "*special*", i.e. non-market prices were really the *principal* interest of big US capital we might expect to see a tendency towards recolonisation or other forms of more direct political control. Yet the general policy of US capital coming out of WW2 was not colonialism but political independence for most (though not all) former colonial countries,¹⁴⁰ a policy that has continued until today.

Foster says it is not Baran and Sweezy, but Magdoff's work that represents the most advanced MR formulation on imperialism. But, arguably, Magdoff's work is limited to describing outcomes, not causes, of core domination. Magdoff claims,

the composition of prices, income distribution, and the allocation of resources evolved, with the aid of military power as well as the blind forces of the market, in such ways as to reproduce dependency continuously.¹⁴¹

136 Baran and Sweezy, 1966, p179.

137 Baran and Sweezy, 1966, pgs193–200.

138 Baran and Sweezy, 1966, p201.

139 Which here refers to cartel-type price fixing such as Standard Oil's operations in Cuba before the revolution—the example given in the book.

140 Sweezy, 1970 [1942], p301.

141 Magdoff in Magdoff and Foster 2003, p110; see also p109.

Further, "in due course, wages, prices, and trade relations become efficient tools for the reproduction of attained allocation of economic resources".¹⁴² But he too doesn't explain what *determines* prices or the direction of their movement, nor what exactly he thinks has been the specific importance of military power in price movements.

Following Baran, Magdoff thought capitalist development in the Third World was contrary to the interests of imperialist domination. He argued,

significant economic developments, whether under socialist economic planning or as a breakthrough in a capitalist framework, are inimical to the interests of the dominant classes in the advanced capitalist nations. The task of imperialism in our time is therefore to slow down and control economic development.¹⁴³

However, in the neoliberal period, imperialist capital was investing in Third World growth and benefiting from it.¹⁴⁴

The old MR position appears to represent the kind of stagnationist view of imperialism that Warren would later oppose (ch.2.3). Notably, however, it also converges with Warren in viewing capitalist growth in the Third World (if it could occur) as undermining the dominance of the imperialist core. Thus, when, as did occur in the neoliberal period, massive capitalist growth in the Third World cannot be denied, the formerly opposing views have converged. Thus it is arguably Foster's assimilation of the Baran-Magdoff theoretical framework that explains both the limited contemporary explanatory power of his work as well as his convergence with Harvey and the IST on China as a rising peer competitor to the United States.¹⁴⁵

The MR's convergence with opposing views on China—the most important concrete question in analysis of imperialist domination of the Third World today—tends to confirm Freeman's 1996 comment that,

Though systematic attention to the phenomenon of 'underdevelopment' became the hallmark of the Marxist currents emerging from [the MR tradition], the explanations offered did not rise to

142 Magdoff, in Magdoff and Foster, 2003, p111; The same limited explanation is quoted in Foster, 'Imperial America and War', *Monthly Review*, 55,1, 2003; For Baran's earlier version, see Baran, 1973 [1957], p371.

143 Magdoff in Magdoff and Foster, 2003, p33.

144 The 2015 panic in the global financial press, equities and foreign exchange markets about the threat of an economic crisis in China expressed not relief but anxiety. See for example, Financial Times, 'Questions Over Li Keqiang's future amid China market turmoil', *Financial Times*, 26-08-2015.

145 Foster, John Bellamy and McChesney, Robert, W., *The Endless Crisis: How Monopoly-Finance Capital Produces Stagnation and Upheaval from the USA to China*, Monthly Review Press, 2012, p16.

the nature of the phenomenon.¹⁴⁶

Arguably their unlikely convergence is due to a common short-coming on what must be the most important general question in global economic analysis—a concrete and correct appraisal of the world labour division.

Overall, the chapter has identified three influential currents of writers who claim their own work is consistent with Karl Marx, which either do not acknowledge or only weakly acknowledge the international polarisation outlined in chapter one. Where polarisation is acknowledged, principally within the MR current, writers are unable to provide a concrete and plausible explanation for how the rich countries' dominance is being reproduced.

Chapter 2.2 2011: Partial turn-around in analysis

From around 2011, a modest upturn in the output of articles and books on imperialism brought a change in emphasis to contemporary Marxist writing. The July-August 2015, edition of MR, titled *The New Imperialism of Globalized Monopoly-Finance Capital*, reflected and contributed to this renewed interest. The upturn saw some authors develop work that reflected the research of heterodox Global Value Chain (GVC¹⁴⁷) literature and its emphasis on global production networks. Foster, McChesney and Jonna, for example, argued, "imperialist rent" was "extracted from the South through the integration of low-wage, highly exploited workers into capitalist production".¹⁴⁸ Lauesen and Cope noted "The change in the international division of labor" and an "enormous growth in the number of proletarians integrated into the capitalist world system".¹⁴⁹

A number of books have been published since 2012 on imperialism or the international labour division. These are Cope, *Divided World, Divided Class* (2012), Panitch and Gindin, *The Making of Global Capitalism* (2013), Probsting, *The Great Robbery of the South* (2013), Prashad, *Poorer Nations: A Possible History of the Global South* (2014), Fuschs, *Digital Labour and Karl Marx* (2014), Screpanti, *Global Imperialism and the Great Crisis* (2014), Ness, *Southern Insurgency: The Coming of the Global Working Class* (2016), Norfield, *The City* (2016), Smith, *Imperialism in the Twenty-First Century* (2016), Patnaik and Patnaik, *A Theory of Imperialism* (2017) and Cope and Ness (eds) *Palgrave Encyclopedia of Imperialism*

146 Freeman, Alan, 'Ernest Mandel's Contribution to Economic Dynamics', *Ernest Mandel Internet Archive*, 30. November 1996, see www.ernestmandel.org/en/aboutlife/txt/freeman.htm

147 For a critique, see chapter 4.1.

148 Foster et al, *Reserve Army of Labor*, 2011.

149 Lauesen, Torkil and Cope, Zak, 'Imperialism and the Transformation of Values into Prices', *Monthly Review*, 67, 3, 2015; Cope, Zak, 'Global Wage Scaling and Left Ideology: A Critique of Charles Post on the 'Labour Aristocracy'', in Zarembka, Paul, (ed), *Contradictions: Finance, Greed, and Labor Unequally Paid (Research in Political Economy, Volume 28)*, Emerald, 2013, p100.

and *Anti-Imperialism* (2016).¹⁵⁰ These and other newly published works reflect a concern to critique, in different ways, imperialist exploitation of the Third World and the system that makes that possible. Below I review works that attempt to characterise theoretically imperialism as a whole or contribute theoretically to that.

There have also been important works published on both Lenin and classical writing on imperialism before Lenin, though no new work applies Lenin's theory of imperialism to the current period. Marxist researchers Lih, Harding (and earlier Leblanc) have all published valuable studies of Lenin, but none focus on his theory of imperialism.¹⁵¹ Day and Gaido's, *Discovering Imperialism: Social Democracy to World War I*, (2011) stands as an important history of the development of the Marxist theory of imperialism, although not its more developed form as formulated by Lenin.¹⁵² This comes on the back of Ridell's earlier compilation of Comintern documents, published over an extended period, that covers the Bolshevik party's application of anti-imperialist principles after the Russian revolution.¹⁵³

Many of these writers are not new, nor is their concern about imperialism. However, they constitute the most important Marxist critiques of imperialism since the upturn that accompanied the second US invasion of Iraq. Unlike that earlier episode, provoked by United States conservatives, the current wave is specifically motivated by opposition to imperialist economic exploitation of its periphery. Norfield, for example, argues, not only the US but a "small group of countries" with enormous advantages possess the "ability to siphon off value created elsewhere".¹⁵⁴ He says, "there is no accounting for how the low cost imported cheap labour products boosted the recorded profits of US corporations".¹⁵⁵

A large part of the new work emphasises globalised production processes and seeks to give an overall explanation of how imperialist exploitation works in that context. However, none of

150 Cope, Zak, *Divided World Divided Class, Global Political Economy and the Stratification of Labour Under Capitalism*, Kersplebedeb, 2015 [2012]; Panitch, Leo and Gindin, Sam, *The Making of Global Capitalism: The Political Economy of the American Empire*, Verso, 2013; Probsting, Michael, *The Great Robbery of the South: Continuity and Changes in the Super-Exploitation of the Semi-Colonial World by Monopoly Capital*, RCIT, 2013; Prashad, Vijay, *The Poorer Nations: A Possible History of the Global South*, Verso, 2014; Fuschs, Christian, *Digital Labour and Karl Marx*, Routledge, 2014; Screpanti, Ernesto, *Global Imperialism and the Great Crisis*, Monthly Review Press, 2014; Ness, Immanuel, *Southern Insurgency: The Coming of the Global Working Class*, Pluto, 2016; Norfield, Tony, *The City: London and the Global Power of Finance*, Verso, 2016; Smith, John, *Imperialism in the 21st Century: Globalization, Super-Exploitation and Capitalism's Final Crisis*, Monthly Review Press, 2016; Patnaik, Utsa and Patnaik, Prabhat, *A Theory of Imperialism*, Columbia, 2017; Ness, Immanuel and Cope, Zak, (eds), *Palgrave Encyclopedia of Imperialism and anti-Imperialism*, Palgrave Macmillan, 2016.

151 Lih, Lars, *Lenin Rediscovered: What Is to Be Done? in Context*, Brill, 2005; Lih, Lars, 'The Ironic Triumph of Old Bolshevism: The Debates of April 1917 in Context', *Russian History*, 38, 2011; Harding, Neil, *Lenin's Political Thought: Theory and Practice in the Democratic and Socialist Revolutions*, Haymarket, 2009; Le Blanc, Paul, *Lenin and the Revolutionary Party*, Humanity Press, 1990.

152 Day, Richard and Gaido, Daniel, *Discovering Imperialism: Social Democracy to World War I*, Brill, 2011.

153 Ridell, John, *Toward the United Front: Proceedings of the Fourth Congress of the Communist International, 1922*, Haymarket, 2012; Ridell, John, *To the Masses: Proceedings of the Third Congress of the Communist International, 1921*, Haymarket, 2016.

154 Norfield, 2016, p183-4.

155 Norfield, 2016, p155.

these writers successfully address the most important issue—exactly how technology is applied in the labour process to reproduce monopoly advantage in commodity production. Technology is not a discrete category encompassing only "high technology" systems such as computers and robots, but refers to *labour technique in general*. All productive techniques are more or less advanced or sophisticated forms of technology.

The absence of a focus on explaining this means many writers describe, as do, for example, Suwandi and Foster, "global labor arbitrage" as the "key element of the contemporary imperialist system,"¹⁵⁶ but they are unable to explain why the imperialist core benefits from labour arbitrage while peripheral capital does not. Suwandi and Foster ask,

how the system has been able to shift production to those parts of the globe with the lowest unit labor costs, while maintaining, and in some ways even increasing, the overall centre-periphery division within the capitalist world economy.¹⁵⁷

They answer, following Baran, by citing a non-economic contractual factor, "new international trade agreements designed to perpetuate the power of the present imperial core".¹⁵⁸ Foster also cites financial parasitism.¹⁵⁹ Finally, according to Suwandi and Foster,

what multinational corporations must maintain above all to keep this exploitative system of global appropriation going is monopoly control over finance and technology, backed by the imperial power of the states at the center of the system. Indeed, as Amin has explained, the control exercised at the center of the world economy is maintained by the five monopolies of finance, technology, the planet's resources, communications, and military power.¹⁶⁰

It is true that the imperialist core rules through its monopolies on "finance, technology, the planet's resources, communications, and military", but this is tautology. We might say the monopolists rule by their monopoly on everything. No attempt is made to explain how these monopolies are reproduced over time. Without a clear answer, Suwandi and Foster, like Smith, Norfield and others, logically believe it possible that the extra surplus value created in the South might begin to be usurped not predominantly by the imperialist bourgeoisie but by the Southern bourgeoisie. According to Suwandi and Foster, "growth of emerging economies [threatens] to destabilize the domination of the global North over the world economy".¹⁶¹

156Suwandi, Intan and Foster, John Bellamy, 'Multinational Corporations and the Globalization of Monopoly Capital: From the 1960s to the Present', *Monthly Review*, 68, 3, 2016; Foster, 2015.

157Suwandi and Foster, 2016.

158This follows Baran's "impeccably 'correct' contractual obligations" (ch.2.1), see Suwandi and Foster, 2016.

159Foster, 2015; Prashad, though principally focused on the history of N-S *political* struggle, especially the struggles around the "Third World Project" and for a "New International Economic Order" (for which he receives a hostile rebuke in US Socialist magazine, *Jacobin* - see, Sunkara, Bhaskar in Chibber, Vivek, 'Development From Below', *Jacobin* 19, 2015) also endorses the twin thesis of core financialisation and de-industrialisation, see Prashad, 2014.

160Suwandi and Foster, 2016.

161Suwandi and Foster, 2016.

They ask,

what if emerging economies and their states become strong enough to assert some control over production, over the information systems governing production, over legal and trade conditions, and so on? ... How can the multinational retain control of technology under these circumstances?¹⁶²

The perception of a rising South, as always, stems from the authors' one-sided view of globalisation of production processes, as a one way movement of production N-S (omitting Northern monopolisation of highest labour processes). Suwandi and Foster make the unsubstantiated claim that "much of the most advanced production—is now being carried out in the global South".¹⁶³ Clarke and Annis give a more accurate general description:

Complexes of investment and production that once were unified are now broken up across national borders. The most specialised and profitable functions – research and development, financing, design, marketing, and the most demanding aspects of production - are still monopolised by the firms of the centre. Low-profit functions are outsourced to the periphery, where local enterprises are forced to compete with one another for contracts to produce components and carry out assembly.¹⁶⁴

Panitch and Gindin

Panitch and Gindin's 2013, *The making of Global Capitalism*, investigates how the US created and maintains its hegemony. They argue "the crucial question" in which capitalist state will be dominant in the future is state "capacity to take on extensive responsibilities for managing global capitalism".¹⁶⁵ The book also contains the fullest brief summary statement of the global labour division in the neoliberal period within any Marxist work. However, owing to the institutional, legal focus of the book's main argument, this brief statement, is neither elaborated nor incorporated.

Panitch and Gindin observe that,

¹⁶²Suwandi and Foster, 2016; Foster had earlier viewed the Southward shift of productive activities not as strengthening Southern states but as "the result primarily of the internationalization of monopoly capital", Foster et al, *Reserve Army of Labor*, 2011; Foster, 2015; Foster, *Imperial America and War*, 2003.

¹⁶³Suwandi and Foster, 2016.

¹⁶⁴Clarke, Renfrey and Annis, Roger, 'The Myth of "Russian Imperialism": in defence of Lenin's analyses', *Links: International Journal of Socialist Renewal*, 29-02-2016; Fuchs also argues that "given a world market and unequal productivity, less productive countries are forced to sell commodities at prices below their value in order to compete, which results in a system of unequal exchange", see Fuchs, Christian, 'Digital Labour and Imperialism', *Monthly Review*, 67, 8, 2016.

¹⁶⁵Panitch and Gindin, 2013, p336.

the new division of labor corresponded to something equally crucial to a globalized capitalism: the development of new networks of integrated production. Far from the shift of productive activity from the developed core leading to a fragmentation of production, it was part and parcel of a much greater global coordination of production through a broad range of subsidiaries, suppliers and distributors. The growing tendency on the part of the multinational corporations to centralise their key strategic and administrative functions in their home country, while decentralising labor-intensive production abroad, already discerned by Stephen Hymer in the early 1970s, had become pronounced by the mid 1980s. It especially accelerated through the 1990s in response to the pressures and opportunities brought on by the liberalization of trade and capital flows, the application of new information technologies, the development of infrastructures, and, above all, the growth of new proletarians in the developing world.¹⁶⁶

Indeed! We should add also that this is the specific manner in which the imperialist core as a whole (not just its MNCs) monopolises the overall production process in our period. On this basis, the MNCs have been able to raise the prices of the commodities they produce within that labour-division and hence increase their profit by transferring surplus value to themselves from non-monopolistic firms that have no such 'key strategic' monopoly. However, Panitch and Gindin, like Foster (following Baran and Sweezy), make no mention of value transfer.¹⁶⁷

The argument they elaborate of how the US state maintains its hegemony is separated from and counterposed to the above explanation. As mentioned, the argument developed is about state "capacity to take on extensive responsibilities for managing global capitalism".¹⁶⁸ What is not covered is state capacity to assist private monopoly capital to create and maintain monopoly on the "key strategic" functions the authors mention. We might more accurately say highest labour functions.

Panitch and Gindin correctly identify the centrality of the imperialist state in reproducing the supremacy of US imperialism but narrowly define its key role as specifically pertaining to its non-economic functions, its institutional, legal role. Thus the authors contradict their own summary. We are told, for example, that postwar N-S inequalities are reproduced by the "legacy of old imperialism" and the small size of Third World aid compared to the Marshall plan.¹⁶⁹ They also argue that since the 1970s, "capitalist globalization produces tendencies towards a narrowing of the differences in wages and conditions between developed and developing countries".¹⁷⁰

166Panitch and Gindin, 2013, p287.

167Panitch and Gindin, 2013, p8.

168Panitch and Gindin, 2013, p336.

169Panitch and Gindin, 2013, p12.

170Panitch and Gindin, 2013, p337.

Screpanti

Screpanti, unlike the authors so far mentioned, does not exclude value transfer in trade. He says "although various economies of the south have a high rate of exploitation of their workforce, they fail to hold onto all the surplus value" due to the "commercial discipline" to which they are subjected on the world market. Under the heading "commercial discipline", Screpanti too, describes the hierarchical, specialised international division of labour, including what he calls the "social economies" of "highly developed social and cultural environments", presumably of the imperialist core, that involve "specialized labor and technical and scientific staff with high skill levels".¹⁷¹ However, in Screpanti's work too this description is separated both from the principal theoretical argument of the book and even from his account of international income polarisation, which is conversely presented as a result of FDI.¹⁷²

Following Robinson, the principal purpose of Screpanti's book is to demonstrate that globalised capital has supposedly completely broken away from its national and state origins. Thus, in complete contradiction to his above statement of N-S exploitation, Screpanti thinks any remaining conflicts between states are not intrinsic to imperialism but result from "the lust for political power of the national ruling classes".¹⁷³

Naturally, the de-nationalisation of capital leads Screpanti to perceive a flattening of world polarisation—hence he had no need to develop the implications of the "commercial discipline", "social economies" etc., mentioned above as the basis of imperialism's present dominance. As with most other First World Marxists, he sees this dominance as declining.¹⁷⁴ For Screpanti "at least one trend seems clear: in the near future China and the other big emerging countries [India?! Indonesia?! Brazil?] will have joined the imperial center",¹⁷⁵ while "reduced productivity and wage differentials" between the core and the periphery will cause an "international levelling at the bottom".¹⁷⁶

Patnaik and Patnaik

Patnaik and Patnaik's theory of imperialism is arguably the most ambitious and fantastical critique. Imperialism, they argue, is necessary because the core countries rely on commodities they cannot produce and must obtain from the global South (which the authors call the "tropical landmass"), where these commodities are supposedly produced by pre-capitalist

171Screpanti, 2014, p77.

172Screpanti, 2014, p57.

173Screpanti, 2014, p50.

174Screpanti, 2014, p77.

175Screpanti, 2014, p206.

176Screpanti, 2014, p75.

producers under conditions that typically entail an "increasing supply price".¹⁷⁷ As the authors put it, "the basic structural contradiction" is "how the requirements of an expanding capital are met on the basis of supplies from a fixed tropical landmass, without jeopardizing the value of money in the metropolis".¹⁷⁸

However, the work is based on highly questionable assumptions. For example, the notion that Third World export production is largely carried on with pre-capitalist social productive forms contradicts the advance of capitalist productive techniques across much of the Third World. When the latter are accounted for, the notion that labour productivity should be stagnant (and prices rising) appears to fall down. Who would disagree, for example, that Chinese income has been rising over the past two decades?

It is also asserted that the imperialist core needs an ever-increasing quantity of "tropical" goods, the production of which is "inelastic". In a plainly absurd statement of this, it is argued "currently known energy sources are inelastic".¹⁷⁹ Even if we ignore that imperialist powers, including the USA, are key energy exporters, the notion, for example, that power supply from solar is inelastic is plainly wrong. It is also absurd to say "currently known" when what is currently known is itself highly "elastic".¹⁸⁰

Probsting

Following Mandel's 1972 work, Probsting gives the following pithy general summary of the imperialist world economy:

Because of the uneven and combined development, the huge gaps in labour productivity and the rule of the monopolies (and the Great Powers), the world market is a unity of opposites and

¹⁷⁷Patnaik and Patnaik, 2017, p144.

¹⁷⁸Patnaik and Patnaik, 2017, p140; Increasing labour productivity in the South, and thereby reducing "supply price" is not possible because "land-augmenting investment" is "typically frowned upon" due to an imperial preference for "sound finance" (p144). As such the "tropical landmass" can produce only a relatively fixed quantity of such commodities. Hence the only way imperialism can obtain increasing quantities is through "income deflation" (in other words immiseration) whereby the working populations of the South are forced to consume less themselves and give up to export an ever greater portion of their produce (p33). Patnaik and Patnaik tie this to their version of financialisation theory whereby money is seen as the principal store of capitalist value, inflation is unacceptable to imperialism and hence imperialism's interest in "income deflation", see Patnaik and Patnaik, 2017, p118.

¹⁷⁹Patnaik and Patnaik, 2017, p. xxvi.

¹⁸⁰Patnaik and Patnaik justify use of the categories "tropical landmass" and tropical products because, they argue that the imperialist core, existing as it mostly does in temperate climates, not only cannot grow tropical plants, but can grow temperate summer plants for only half the year. This ignores facts. The largest imperialist power is partly subtropical. While many temperate locations, such as Southern Victoria grow crops outdoors all year round, many fruits and vegetables (not to mention, manufactured goods) are increasingly grown in artificial climates. While South Australia's desert-based, solar-powered, desalinated water-fed, industrial scale tomato greenhouse, supplying a large part of the continental tomato market, may be new, (see Staight, Kerry, 'Sundrop Farms pioneering solar-powered greenhouse to grow food without fresh water', *Australian Broadcasting Corporation*, 02-10-2016), greenhouses are not. Nor is refrigeration, grain storage, etc. Moreover, a large part of the Third World is not situated in the tropics at all.

not a homogenous unity. It is this contradictory unity of opposites which forms the basis for imperialism." ... "imperialist dominance over the semi-colonies on one hand is the expression of the different levels of labour productivity – i.e. different level of development of the productive forces – and hence the different states of capitalist development. On the other hand these differences in national labour productivity are reinforced, increased and this gap widened by the rule of the monopolies and the great powers which super-exploit the semi-colonies.¹⁸¹

Probsting applies directly to the world economy Marx's description of how surplus profits accrue to more productive capital inside a unified economy:

when the commodities of the more developed (imperialist) countries and the commodities of the less developed (semi-colonial) countries are exchanged in the world market the law of value enables imperialist capital to gain extra profit from an unequal exchange... the stronger (imperialist) capital can sell its commodities above their production price and still remain cheaper on the world market than the commodities of the less competitive (semi-colonial) capital. The latter is forced to sell its commodities below its production price and often still remains more expensive on the world market than its imperialist rivals.¹⁸²

Unlike the IST, Probsting does not falsely counterpose higher productivity in the imperialist core to Third World exploitation and value transfer.¹⁸³

Probsting also makes a useful general statement of the distribution of value via market price arguing, "the way the values are distributed via the market price is related to the mass of invested capital, the productivity and the monopoly position of the different groups of capital."¹⁸⁴

The above are essentially restatements of the general principles of Mandel's rich, but old, 1972 formulation of the international operation of Marx's law of value, which Probsting defends. Indeed they could all have been written in the 1970s instead of 2013-4. The problem is Probsting's work does not connect this general theory with the contemporary reality he seeks to understand.

Missing from Probsting's account is a concrete, characterisation of the world division of labour in the neoliberal period. For example, Probsting asks, what type of capital is invested in the Third World? He answers only that it is both productive investment and loan capital. There is no discussion of what types of productive investment occur North and South (or what types of

181 Probsting, 2013, p108.

182 Probsting, Michael, 'Russia as an Imperialist Great Power', *Revolutionary Communism*, 21, 2014, p6.

183 Probsting expresses agreement with Smith and Higginbottom's thesis (below) that Southern labour is paid below its value and (Smith's) that GDP figures exaggerate the North's real contribution to value (Probsting, 2013, p68, 86), however his acknowledgement of higher productivity in the core (Probsting, 2013, p103-4) is in contradiction to those authors.

184 Probsting, 2013, p104.

investment these loans are ultimately transformed into). There is no assessment of the extent to which this investment advances the qualitative spread within a country of the more highly advanced general productive techniques used in the imperial countries. Again, there is no deeper assessment of the world division of labour upon which imperialist productive supremacy must necessarily be based.

Probsting is thus, like other writers, unable to arrive at a definition of monopoly that is based in the labour process itself. Hence even though Probsting, as above, convincingly summarises the different aspects of S-N value transfer that occur via market price—i.e. mass of invested capital (and hence production-price), higher labour productivity and monopoly price setting—he hasn't formulated the relationship between these. He is unable to see that monopoly price setting occurs most typically and importantly on the basis of monopoly over highest labour processes.

Once this is understood, all three forms of value-transfer can be theoretically unified (which is what happens in the capitalist economy in practice, at least at a general level). Namely expansion of monopolistic investment in the highest labour processes will (overall) expand the mass of invested capital, increase labour productivity of that capital and increase its monopolistic position, thus allowing monopoly firms to derive extra surplus value from *all three sources*—even if they possess no patent or other non-labour process monopoly.

Probsting, who does not clearly perceive this connection, tends to separate monopoly and high labour productivity as discrete categories, leading him to give an eclectic (though empirically rich) account that consists principally in attempting to tally the various sources of value transfer the author perceives: namely profit remittance, interest payment, unequal exchange,¹⁸⁵ migration, monopolistic control of commerce, patents,¹⁸⁶ tariffs and other regulations. It is on this same basis that Probsting agrees with most other Marxists that imperialist monopoly is already being broken. He says, "One of the most important issues in world politics today is China's rise as a great imperialist power."¹⁸⁷

Cope

Cope defines imperialism as "essentially involving the *transfer of surplus value from one country to another* and an imperialist country as a net importer of surplus value",¹⁸⁸ while for Lauesen and Cope "the relocation of industry to the global South in the past three decades has

185 Understood as "terms of trade". Probsting is unable to explain why terms of trade move in favour of imperialism, see Probsting, 2013, p176.

186 Probsting, 2013, p111.

187 Probsting, 'China's Emergence as an Imperialist Power', *New Politics*, Summer 2014, p95.

188 Cope, Zak, 'Understanding and Changing: A discussion with Zak Cope', *Anti-imperialism.org*, 18-09-2012.

resulted in a massive increase of transferred value to the North."¹⁸⁹ Both points are valid. However, Lauesen and Cope also argue:

Neoliberalism has brought about a new global division of labor in which the global South has become 'the workshop of the world.' Global capitalism increasingly polarizes the world into Southern 'production economies' and Northern 'consumption economies.'¹⁹⁰

Accordingly, "virtually all types of industrial inputs and outputs are produced in the global South."¹⁹¹ Such a scenario, if it were true, would starkly pose the question of how "consumption economies" can extract surplus value if they are not even involved in the productive division of labour.

To substantiate his view that global productivity is converging, Cope compares productivity in like for like commodities in agriculture and manufacturing, concluding that productivity is similar.¹⁹² It is true that in certain types of labour processes labour productivity is equal or close enough to equal—such as sewing garments. This is the reason capitalists do move these labour processes to cheap labour locations.

However, this represents only one of the two key trends in the international labour division. It ignores the increasing concentration in the imperialist core of other types of labour tasks where productivity is not equal.¹⁹³ Thus, even if we accept Cope's calculations that Third World agricultural labour is equally productive to First World labour in agriculture or selected other areas, this would in no way demonstrate that labour is equally productive in general. Cope makes passing mention of core "technological advantage"¹⁹⁴ but this is separated from his main theoretical argument, from which it is excluded in favour of the contradictory postulate of converging productivity.

How then is value transferred? For Lauesen and Cope,

The principal mechanisms for this transfer are the repatriation of surplus value by means of foreign direct investment, the unequal exchange of products embodying different quantities of value, and extortion through debt servicing.¹⁹⁵

In explaining unequal exchange of value embodied in commodities, Cope says,

189Lauesen and Cope, 2015.

190Lauesen and Cope, 2015.

191Lauesen and Cope, 2015.

192Cope, 2015 [2012], p241.

193Cope, 2015 [2012], p300–301.

194Cope, 2015 [2012], p238.

195Lauesen and Cope, 2015.

the neocolonial workforce is proletarianised and forced to deliver its surplus value to foreign investors and traders in the form of underpriced commodities produced within fully capitalist enterprises... through monopolistic price fixing and transfer pricing¹⁹⁶

This "extra surplus value is imported to the imperialist economy..."¹⁹⁷

The formulation suggests the need for a theory of monopoly, but instead Cope follows Amin and Emmanuel in arguing that a value transfer occurs through profit equalisation akin to something like Marx's prices of production, but unlike Marx's theory, based on global wage differentials.

In Marx's production price analysis, value is transferred to capitals with higher organic composition (that is, the ratio of constant to variable capital) because capital converges at an average rate of profit. Lauesen and Cope's "global prices of production",¹⁹⁸ following Amin and Emmanuel, adds another step. The authors maintain that a similar phenomenon occurs due to the differential cost of labour power across the world. In this conception, the low price of Southern labour does not produce a higher rate of profit because capital flows to where profits are highest (in this case where wages are lowest), flooding that branch of production and thus pushing down prices for those goods until the profit rates have equalised. As Cope says,

since the incredibly low wages of Third World nations do not result in a concomitantly high rate of profit [for the capital employing this labour power - principally Southern firms - SK], international differences in wages are principally observed in prices.¹⁹⁹

The first problem is that Southern-produced cheap labour goods have both high and low prices. Compare the iPhone to the \$10 pair of jeans. If both these are assumed to contain mostly cheap labour, what explains their radical price divergence? Secondly, profit rates are not equal. What Lauesen and Cope seek to explain is not equal profits but core surplus-profits. If, as Cope says, productivity is now equal, and it is Southern capital that has best access to cheap labour, why can't it be the principal beneficiary? Thirdly, as Mandel (1972) pointed out in relation to the theory as originally articulated by Emmanuel and Amin, for their theory to work, capital would have to be constantly flowing into the South. Such capital outflow from the core would be a massive capital flight. Yet capital continues to concentrate in the core, not *decamp en masse*.²⁰⁰

196Cope, 2015 [2012], p8–9.

197Cope, 2015 [2012], p159.

198Lauesen and Cope, 2015.

199Cope, 2015 [2012], p191.

200 As Mandel pointed out, in relation to Emmanuel and Amin's earlier formulation of the thesis, "far from explaining structural underdevelopment, this hypothesis implies—in the classical Ricardian sense—the impossibility of underdevelopment; it is incapable of showing why countries with high wages undergo

Lastly, why should it be the case, assuming equal productivity and massive capital flight, that Third World wages would remain lower than the core—permanently? To this contention, Cope relies again on Amin's response "the market price of labor capacity [i.e. labour power—SK] varies because of class struggle"²⁰¹ and the "indelibly political nature of economics".²⁰²

As seen, Lauesen and Cope's "global prices of production" explanation of value transfer relies on the assumption of equalisation of profit rates. Yet profit rates are not equal. In order to explain imperialist super-profits, the authors revert in practice to the concept of monopoly. As they believe the core has lost its dominance in the labour process they naturally conceive of monopoly as also outside the labour process. We are told:

Through its domination of world trade..., finance, investment, military goods, energy sources and exchange rates, [i.e. everything except production] the monopoly capital of the imperialist countries ensures that it need not compete with the producers of the Global South and is, therefore, under no compulsion to lower domestic input costs accordingly.²⁰³

Like other "financialisation" explanations, Cope does not explain how "finance", "investment" or "exchange rates" can bring about core monopoly domination in the absence of its productive domination. "Domination of world trade" on the other hand, clearly relies, in the long run, on what one has to trade.²⁰⁴ According to Cope, technology transfer is blocked not by any organic economic mechanism within the imperialist economy but only outside of the economy due to political intervention—"protectionism".²⁰⁵ Elsewhere, we are told the core monopolises "intellectual property"²⁰⁶—i.e. a legal title—as opposed to the ability to produce new technology and apply it to the production process, is what guards imperialist profit. In this context, we get a non-economic definition of imperialism, which becomes "the military and political effort on the part of the wealthy capitalist countries to siphon and extort surplus value".²⁰⁷

Higginbottom

Higginbottom also defends Amin's work, with a particular emphasis on his concept of

industrialization while underdeveloped nations possess relatively little industry" nor why "for a hundred years capital has not decamped on a massive scale from countries with high wages to countries with low wages"
Mandel, Ernest, *Late Capitalism*, 1978 [1972], p352–3.

201 Lauesen and Cope, 2015.

202 Cope, 2015 [2012], p6.

203 Cope, 2015 [2012], p11, 245.

204 While it is true that commerce is its own specialised economic sector that—like most others—is dominated by imperialist capital, Cope doesn't say why the specialised skills involved in its domination should be essentially different from those of productive sectors.

205 Cope, 2015 [2012], p247.

206 Cope, 2015 [2012], p10.

207 Cope, 2015 [2012], p7.

"imperialist rent".²⁰⁸ He draws similar practical conclusions to Cope, in particular emphasising raw materials extraction, military intervention and finance²⁰⁹ as mechanisms for international value transfer and rejecting what he calls Mandel's "productivity-led approach", which posits higher labour productivity in the core as the essential social basis of all forms of value transfer.²¹⁰

Higginbottom also adds a third form of rent, which he describes as "Marini's crucial contribution". Marini argued,

the international market price of raw materials and foodstuff commodities was [in the period of the British Empire] below their value, and that to compensate for this squeeze on their profits Latin American landowner-turned-capitalist producers suppressed the wage levels of their workers²¹¹ [generating the development of a different type of capitalism than existed in the core, based on the super exploitation of labour].

Marini's conception is in contradiction to Higginbottom's rejection of productivity differentials as either a source of value transfer or the basis for value transferred in other ways. As Marini argues, in the core "accumulation depended more on the increase in productivity of the worker rather than simply their exploitation".²¹² Marini's argument is that "the full development of capitalism in England was based on cheap food imports allowing *full specialisation on industry*"²¹³—i.e. specialisation on the highest labour productivity activities of that period. But Higginbottom denies that a similar process is occurring today, albeit at a higher technical level, where the new international division of labour brings cheap imports to the core and again allows the core capital to specialise in advanced processes.

If we accept Higginbottom's argument that Third World labour power is paid below its value and its low price is the principal source of surplus profits, we again need to explain how—if not due to core monopolistic supremacy in the labour process—this surplus profit gets systematically delivered, all or in part, to the core economies. According to Higginbottom, "multinationals capture surplus profits in much the same way as landlords used to capture rent", but his explanation of how they do this appears eclectic and unconvincing. We are told "the management practices governing access to natural resources",²¹⁴ differing social

208 Higginbottom, Andy, 'Imperialist Rent' in Practice and Theory, *Globalizations*, 11, 1, 2014, p23, 30.

209 In Higginbottom's work, finance is counterposed to production. He mentions, for example, "financial domination over industry" (p28) and tends to portray Amin's "imperialist rent" as a continuation of Lenin's conception of imperialist 'rentier states' (p26). However, there is no attempt to show that Lenin's term has the same or similar meaning, see Higginbottom, 2014.

210 Higginbottom incorrectly claims the "productivity led" approach "is still the default position that Northern Marxism has settled on". The phrase conflates those—such as the IST—who argue that productivity differences means there is no important systematic value transfer, with Mandel, for whom productive superiority is the *basis* of such transfers. See Higginbottom, 2014, p27.

211 Higginbottom, 2014, p30.

212 Marini, Ruy M. *Dialectica de la dependencia*, Ediciones Era. 1974 [1973], p23, cited Higginbottom, 2014, p31.

213 Marini, 1974 [1973], cited in Higginbottom, 2014, p30.

214 The awkward formulation of "management practices governing access to natural resources" tries to explain the

formations and financial parasitism are all mechanisms of value transfer. Yet if we think of the principal single source of surplus profits—Chinese labour power—it is hard to see how any of these mechanisms have much explanatory power at all.

J. Smith

Smith critiques the bourgeois economic argument (and its Marxist exponents) that First World productivity accounts for all the difference in global wealth and income between countries. He shows that what mainstream economics calls 'value added' is better described as "value captured": that is, value realised by one firm or economy yet created, at least in part, by workers elsewhere.

By way of example, Smith asks,

what contribution do the 1.23 million workers employed by Foxconn International in Shenzhen, China, who assemble Dell's laptops and Apples iPhones - and the tens of millions of other workers in low-wage countries around the world who produce cheap intermediate inputs and consumer goods for Western markets - make to the profits of Dell, Apple and other leading Western firms? Or to the income and profits of the service companies that provide their premises, retail their goods etc.? According to GDP, trade and financial flow statistics, and to mainstream economic theory, *none whatsoever*.²¹⁵

However, Smith points out, for Marxists subscribing to the labour theory of value, this answer cannot be true as their gigantic labour contribution must be accounted for.

Regarding GDP, Smith says,

since a country's GDP is nothing else than the sum of its firms' value-added, GDP statistics systematically diminish the real contribution of southern nations to global wealth and exaggerate that of the 'developed' countries, thereby veiling the increasingly parasitic, exploitative, and imperialist relationship between them.²¹⁶

Smith argues, it is common for what he calls "Euro-Marxists" to uncritically adopt this aspect of bourgeois accounting, especially when arguing against the notion of systematic Third World exploitation (as shown earlier with Harman).²¹⁷ However, Smith rightly points out, "the transformations of the neoliberal era have fatally undermined" the

contradiction where, in Higginbottom (and Amin) resource rents are important, yet most natural resources are in the Third World, suggesting the Third World bourgeoisie should benefit.

215 Smith, J., 2016, p21.

216 Smith, John, 'The GDP Illusion', *Monthly Review* 64, 3, 2012; Smith, John, 2016, p172–4, 170, 241–7, 220–1; Smith, J., 2015; For similar earlier arguments see Freeman, 1996, p26; Jedlicki, Claudio, *Unequal Exchange*, TJSQA/TLWNSI Brief, September 2007, p2.

217 Smith, J., 2016, p220; Howard and King conflate "output" with value capture, see Howard M.C. and King, J.E., 'Whatever Happened to Imperialism?' in Chilcote, 1999, p35.

credibility of Marxist arguments that deny or ignore Third World exploitation.²¹⁸

Smith's 'value theory of imperialism'

Smith responds to some Marxists' adoption of bourgeois economic analysis by proposing what he calls a "value theory of imperialism"²¹⁹ that he says attempts to combine Marx's law of value with Lenin's theory of imperialism.²²⁰

His principal arguments are that (assuming equal intensity) any one hour of labour creates an equal magnitude of value as any other hour's labour. Further, Southern labour is paid below its value (or else is valued lower than Northern labour). Southern labour, by definition, therefore creates more surplus-value per hour than Northern labour and its rate of exploitation is higher.²²¹ Smith thinks the above average exploitation (super-exploitation) of Southern labour explains super-profits in the North: super-exploitation is "the starting point from which, and only from which, it is possible to proceed toward a value theory of imperialism".²²²

However, Smith's "value theory of imperialism" confuses rather than clarifies how imperialist capital is actually able to *appropriate* or transfer this value. Smith's empirical work, which incorporates and contributes to GVC research, arguably *does* help show this, but does so in contradiction to his attempt to account for value transfer theoretically. Smith asks, how exactly do First World companies extract value from workers in Bangladesh, China and other Third World countries? He responds by saying that "can only be resolved by redefining value-added as value captured"²²³ because:

a firm's 'value-added' does not represent the value it has produced, but the portion of total, economy-wide value it succeeds in capturing through exchange, including value extracted from living labor in far-flung countries.²²⁴

Yet more accurately naming value-added as value captured does not show *how* it is captured. Smith's theoretical answer to the question does not involve the concept of value-capture at all. Instead, following Amin, he attempts to explain value transfer via the equalisation of the rates of profit. Smith says capitals with labour costs that are not proportionate to that individual capital's contribution to value (i.e. its proportional contribution of total labour) are not, for this reason, punished on the market (i.e. left with a low profitability) but are instead driven towards

218 Smith, J., 2015.

219 Smith, J., 2016, p188.

220 Smith, J., 2016, p233.

221 Labour exploitation is defined in Marx's sense as the ratio of surplus value to variable capital, see Smith, J. 2016, p205, 238, 240.

222 Smith, J., 2016, p240.

223 Smith, J., 2015.

224 Smith, J., 2015.

an equal rate of profit with other capitals through the process of capitalist competition in a similar manner to the equalisation of profits rates outlined in Marx's *prices-of-production*. The difference is that, in this case, the variation of cost from value occurs not as a result of unequal organic composition—as in prices-of-production—but unequal payment for equal labour power, as in Cope's book.

Smith seeks to substantiate this position with reference to *Capital*, but he is unable to provide a direct quotation to do so. Instead Smith draws his conclusion from his own paraphrase of *Capital*:

value transfers to innovating capitals from less advanced capitals *within a branch of production* are the result [in *Capital*] of differences in the individual productivities within that branch and result in a *divergence* in the rate of profit enjoyed by individual capitals. On the other hand, value transfers between different branches are effected by the different value compositions [i.e. organic composition] of the total capital employed in different branches, and in a unitary economy in which capital and commodities freely flow, this results in convergence of the rate of profit.²²⁵

From this, Smith somehow draws the conclusion:

Thus we obtain this important result: in N-N trade [because this according to Smith occurs in the same branches of production - SK] differences in productivity are a prime cause of value-transfers and a prime determinant of above or below average profits, but in N-S trade they are not; and, for this reason, [productivity difference] does not explain anything about the interaction between imperialist and low-wage economies²²⁶

and that "an alternative explanation is required, one that rests on... super-exploitation."²²⁷

If you missed Smith's logic, he is arguing that because *Capital Volume.1* outlines both value transfer within a given branch of production due to productivity difference and value transfer between different branches of production due to differing organic compositions of capital, that it *necessarily follows*, simply because Marx did not outline it, that value transfer cannot occur between branches on the basis of productivity differences. But this is absurd.

Marx, quoted below, would not agree with Smith. Far more plausible than Smith's conspiracy-of-silence explanation for Marx's supposed omission in this particular chapter of *Capital1* is simply that Marx merely wanted to introduce the subject of that chapter—the implications of

225Smith, J., 2016, p243.

226Smith, J., 2016, p243.

227Smith, J., 2016, p243–4. The omitted words from this quotation are "one that rests on the central role played by a third form of surplus-value extraction, that is...".

the effect of labour saving technology—in the most simple manner first. This is Marx's procedure throughout *Capital*, which introduces greater levels of complexity progressively over three volumes.

Second, the history of capitalist development shows this assertion is wrong. A monopolistic tractor maker, for example, will obtain a favourable price in relation to atomised small farmers as a function of the more developed form of labour their product represents. Isn't that endemic to the whole history of capitalist development? Isn't the same true today in a yet more advanced form?

Smith argues the productivity of the two branches can't be compared because they produce different commodities, so no comparison of labour time is possible. His rejection of competition and value transfer between branches follows Emmanuel and Amin. Emmanuel's "Unequal Exchange", held that

In general... the two groups, that of the developed countries and that of the underdeveloped ones, do not export the same products, and the problem of competition between the groups on the commodity market does not arise. What does arise is competition within a group I.e. within the North and within the South.²²⁸

In Smith's version, "Northern firms do not compete with Southern firms, they compete with other Northern firms".²²⁹ He quotes Amin to argue the same point: "it is not possible to compare the productivity of different branches".²³⁰

But this betrays an incorrect and formalistic understanding of how competition works in monopoly conditions, one that is in contradiction to Lenin's conception of monopoly (ch.3.4).

The value of the tractor (before any monopolistic price mark-ups, which are also systematic) is equal to the quantity of labour necessary to produce it. That is all the labour required to produce it, including investment in production facilities, necessary research and development, training and so on. If Third World non-monopoly capital would require 1000 work hours per tractor, then that is its value in the Third World. If Japanese tractor producers can make a tractor in 200 hours, then they can exchange it for (the money equivalent of) 1000 hours' worth of, for example, rice, palm oil or garments—clearly a value transfer.

As Marx clearly says,

²²⁸Emmanuel, Arghiri, *Unequal Exchange: A study of the Imperialism of Trade*, Monthly Review Press, 1972, p135.

²²⁹Smith, J., 2016, p84; see also Smith, J., p241–2.

²³⁰Smith, J., 2016, p347.

On the world-market the more productive national labour reckons also as the more intense, so long as the more productive nation is not compelled by competition to lower the selling price of its commodities to the level of their value. In proportion as capitalist production is developed in a country, in the same proportion do the national intensity and productivity of labour there rise above the international level. The different quantities of commodities of the same kind, produced in different countries in the same working-time, have, therefore, unequal international values, which are expressed in different prices, i.e., in sums of money varying according to international values.²³¹

Marx also says,

capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods *above their value* even though cheaper than the competing countries.²³²

So unless Marx thought that European capitalism produced largely the same commodities as its global periphery, he clearly thought it was possible to transfer value from one branch to another via the exchange of goods produced with differing labour productivities. Above, Marx also clearly states "there is *competition* with commodities produced in other countries". So again, unless it is imagined Marx thought the capitalist periphery produced the same goods as the core, then he—contra Emmanuel, Amin and Smith, but is consistent with Lenin (ch.3.4)—thought there was "competition" between branches.

For Marx, international trade in fact appears to be *more* able to transfer value as a result of productivity differences, than productivity differences within a unified economy because, within a unified economy, labour productivity over time converges at a normal national level and thus wipes out these differences. In one instance Marx says, "Simple average labour, it is true, varies in character in different countries and at different times, but in a particular society it is given".²³³

As suggested above (against Cope), it is only in *some* spheres that labour productivity is significantly different. In manually operated machine sewing of garments, for example, Indonesian labour may have the same or similar productivity to Japanese hand sewers. This fact is the basis of polarised specialisation in the global economy. Therefore the 200 hours of Japanese technically higher labour can exchange for products that would have cost Japanese

231 Marx, Karl, *Capital: A critique of Political Economy, Vol.1*, Moscow, Progress Publishers, n.d.[1867], ch.22, see www.marxists.org/archive/marx/works/1894-c1/ch22.htm

232 Marx, Karl, *Capital Vol.3: The Process of Capitalist Production as a Whole*, International Publishers, n.d. [1894], ch.14, see www.marxists.org/archive/marx/works/1894-c3/ch14.htm

233 Marx, *Capital*, ch.1.

capital 1000 hours of its own labour time to produce—a substantial material benefit indeed.

Smith's view contradicts today's concrete realities. If "Northern firms do not compete with Southern firms, they compete with other Northern firms",²³⁴ the overall trend of a hierarchical and polarised international specialisation (ch.4.2) would undermine the ability of Northern firms to extract value from the South.

Something like price-of-production

Smith says that value *does* travel S-N (and therefore between branches). But rather than viewing it in simple, plausible and empirically verifiable terms—that those with a monopolistic position within the labour division can demand high prices—he instead pursues an unverifiable, obscure and circuitous theoretical argument that follows Emmanuel, Amin and Cope. Amin, much earlier than Smith, developed a labour price version of Marx's *prices-of-production*, where an unequal exchange of value between the imperialist core and the periphery is caused by the "hierarchical structuring—itsself globalized—of the prices of labor-power".²³⁵

Amin's proposition is nowhere clearly explained. Instead we get general assertions like "the world system" is "the only regulator of distribution throughout the system";²³⁶ "This fact has but one explanation: that the structure of prices is deformed (as an effect of combined class struggles on the world scale) in a way that favours aggravated exploitation of the periphery".²³⁷ Amin says, "historical reasons" cause "inequality in wages".²³⁸ Smith makes a sustained effort to substantiate this position with reference to Marx. As noted, he fails to find a single reference to help him. What he does achieve is a sustained theoretical argument that rivals even Callinicos in obscurity and incoherence.²³⁹

Yet when returning to the empirical realities he seeks to explain, he comes up against the same problems as Cope and Amin, namely Marx's prices-of-production assumed profit equalisation but imperialism creates divergence. Smith is unable to say why variations in the cost of labour-power should result in imperialist super-profits. Secondly, this explanation has no

234 Smith J., 2016, p84; Smith J., 2016, p241–2.

235 Amin, Samir, *The Law of Worldwide Value*, Monthly Review Press, 2010, p11; Amin, 'The Surplus in Monopoly Capitalism and the Imperialist Rent', *Monthly Review*, 64, 3, 2012; Amin, Samir, *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism*, Harvester Press, 1976, p142; Emmanuel makes a similar argument, see Jedlicki, 2007, p2; see also discussion in Cooney, Paul, 'Towards an Empirical Measurement of International Transfers of Value', in Freeman et al, 2004, p243.

236 Amin, 2010, p88.

237 Amin, 2010, p90; Amin, 2010, p120;

238 Amin, 1976, p151; For Emmanuel, simply, "Underpinning unequal exchange there is a monopoly ... not however a monopoly of goods ... but a monopoly position held by the workers in the advanced countries", Emmanuel, 1972, p169.

239 Amin claims his own work achieves a historically important contribution to Marxism, see Amin 2010, p12–13, 118–19, 131, 134–35; Emmanuel by contrast said "I was not particularly concerned about orthodoxy and aimed at addressing myself to economists of all tendencies in a common language" Emmanuel, 1972, p323.

explanatory power. Most tellingly Smith is unable to say why variations in the cost of labour-power—the notion around which his entire theoretical excursion revolves—should result in imperialist super-profits. Thus, despite his attempt at a "value theory of imperialism", in order to actually explain imperialist super-profits he is, like the other Marxists we have examined, forced to leave the field of value theory entirely.

Monopoly

If we put to Smith the same question asked of other writers examined, that is, "how does imperialism sustain its monopoly?" he says,

the source of monopoly power derives not from the technology itself but the legal protection power given to the innovator²⁴⁰ [and] Apple's fat profits arise [not from its designs and product development but] from *patented* technology as well as branding and retailing.²⁴¹

While Smith can't say why this should be the case, such a legalistic understanding arguably represents another version of Amin's "class struggle", Foster's "rents" and Harvey, Foster and others' financialisation. In common, they avoid or reject the explanation of monopolistic supremacy in the labour process itself. The monopoly of labour productivity is the essential element of Lenin's "monopoly finance capital" (ch.3.4). Smith's attempt at a "value theory of imperialism" applies neither Marx's law of value nor Lenin's classical theory of imperialism—monopoly finance capital.

Smith is all but forced to admit the presence of monopoly, but minimises it, saying "lead firms' relationship with their suppliers" is "highly unequal".²⁴² But in conceding this, Smith posed the question, unequal in what? The answer in value terms, I argue, is the ability to retain the value their own workers produce or to capture extra surplus value produced by workers in other firms via some kind of monopolistic advantage expressed in market power (ch.3.4).

Competition and Marx's general analysis of capitalism

The principal theoretical mistake in Smith's work is following Emmanuel and Amin in assuming imperialism should not be analysed as a form of capitalist competition. As above, Smith thinks "Northern firms do not compete with Southern firms, they compete with other Northern firms".²⁴³ Earlier in the book he says, "The lead firms' relationship with their suppliers is therefore complementary not competitive".²⁴⁴

240Smith, J., 2016, p230; this follows, among others, Amin who says technology is "firmly protected" by the WTO, see Amin, 2010, p110.

241Smith, J., 2016, p34; For a mainstream version of the same argument see Nowell, Gregory P., 'Hilferding's Finance Capital versus Wal-Mart World: Disaggregating the Dollar's Hegemony', *PGDT* 8, 2009, p315.

242Smith, J., 2016, p84.

243Smith, J., 2016, p84, 241–2.

244Smith, J., 2016, p84.

This beggars belief. What should we call it, other than competition between capitalist commodity producers, when a lead firm drives down the price of its suppliers? When a Third World supplier is able to reduce its production cost and slightly increase its margins? Are these capitalist businesses not each struggling for the greatest share of the social surplus value via their production and sale of commodities on the capitalist market? How else should Marxists define capitalist competition but this?

To be sure, the competition is not equal. Perhaps this is not 'competition' as described in bourgeois economic theory. On the contrary, it is precisely the type of competition described in Lenin's concept of monopoly finance capital, which not only concerns competition between monopolies, but also between monopoly and non-monopoly capital.

In other words, Smith treats differential profits as (*somehow*) part of the sphere of production and not distribution. This error is what explains his misunderstanding of Marx. Specifically, he tries to use *Capital1* to substantiate his position that value can't transfer between branches owing to differential productivity. But *Capital1* is Marx's most abstract section of *Capital*—a general analysis of capitalism, not an elaboration of differential profit or distribution. Even *Volume 3* is more abstract than Smith treats volume one. Commenting, for example, on the depression of wages below the value of labour-power, Marx says,

like many other things which might be enumerated, it has nothing to do with the general analysis of capital, but belongs in an analysis of competition, which is not presented in this work.²⁴⁵

Marx had planned works on capitalist competition and international trade but was never able to complete them.

Smith's "value theory of imperialism" is an attempt to conflate Marx's theory of value in its inner essential (abstract) form and the modified form this essence takes under monopoly capitalism today. As Smith says, the "value theory of imperialism" aims "to explain modern capitalist imperialism not as a *departure* from the law of value but *as a stage in its*

²⁴⁵Marx, *Capital3*, ch.14; On the rate of exploitation, Marx says, "while important to any special work on wages" these "may be dispensed with as incidental and irrelevant in a general analysis of capitalist production. In a general analysis of this kind it is usually always assumed that the actual conditions correspond to their conception..." Marx, *Capital3*, ch.8; In talking of the effect on surplus value of paying the worker less than the value of his labour power, Marx says, "we are excluded from considering it in this place, by our assumption, that all commodities, including labour-power, are bought and sold at their full value" Marx, *Capital1*, ch.12; "The difference in the rates of surplus-value in different countries, and consequently the national differences in the degree of exploitation of labor, are immaterial for our present analysis." Marx, *Capital3*, ch.8; Smith's claim that a theory of imperialism must be tied to Marx's theory of the tendency of the rate of profit to decline suffer from the same confusion, see Smith, J., 2016, p239. Marx theory of tendentially declining rates of profit is arguably correct, though it is a different theory from any Marxist theory of imperialism, which must be a theory of inter-capitalist competition.

evolution.²⁴⁶ Following Higginbottom, Smith argues that "imperialist division of the world" has "become a property of the capital relation itself";²⁴⁷ the development of the international division of labour in the neoliberal period "manifests an evolution of the capital-labor relation, which increasingly takes the form of a relation between northern capital and Southern labor."²⁴⁸ According to Smith, "global labor arbitrage—super-exploitation—that is, forcing down the value of labor-power, ... is now the increasingly predominant form of the capital-labor relation."²⁴⁹

Notably, in the above formulations, the Southern capitalist is abolished, something that has no basis in reality. The nature of outsourcing is not to abolish the Southern capitalist but to contract them. Only where Southern labour is directly employed by a TNC—the opposite of outsourcing—is the Southern capitalist abolished (or historically prevented from coming into existence). Imperialism's increasing use of outsourcing and "arm's length" arrangements in the neoliberal period means that in the actual concrete functioning of the capitalist market, value produced by Southern workers must first be appropriated by their employer—the Southern capitalist—via appropriation and ownership of the products produced in Southern factories. Only after the capitalist has appropriated the value product as commodities they own can that same value then be forfeited (in part) on the market by selling those commodities below their value to TNCs that enjoy a superior market power. Plainly, the value must be *redistributed* via a process of inter-capitalist competition (which involves the changing hands of the products of labour at variance to their value)—precisely the opposite of how Smith attempts to theoretically account for the transfers.

The above paragraph, by simply outlining the sale of commodities below their value already achieves a higher level of concreteness and simple, plausible explanatory power than Smith's elaborate theoretical explanation of how labour is transferred S-N.

Rather than seeking to develop a theory of imperialism as an aspect of capitalist competition, Smith tries partially to maintain the assumptions of *Capital Volumes 1–3* that commodities are sold at their value (except for deviation according to *prices-of-production*). Thus Smith's level of abstraction in examining world trade is higher than Marx had intended for his own planned examination of world trade and capitalist competition. Smith misses this, arguing instead that his own theory "relaxes" Marx's assumptions. In fact it only *partially* relaxes the level of abstraction Marx used for his "general analysis of capital". That is why it doesn't make sense.

246 Smith, J., 2016, p205.

247 Smith, J., 2016, p225, 235.

248 Smith, J., 2016, p50.

249 Smith, J., 2016, p250.

Smith theoretically proceeds from the false premise that, besides the commodity labour power, all other commodities *are* sold at their values (but for the modification by *prices-of-production*).²⁵⁰ According to Smith, buying labour power below its value is "a new fact not contained in Marx's theory of value".²⁵¹ But there are many other *concrete* facts besides variations in the price and value of labour power that are necessarily excluded by Marx from his "general analysis of capital".

Notably, the major modification to commodity values that Marx introduces in *Capital3*—prices-of-production—already results in a redistribution of value from one capital to another *as a result of capitalist competition*. Thus Marx's method in descending from his most abstract level was to incorporate the concrete details of capitalist competition that modify the pure expression of the value form. Smith, on the contrary, attempts to incorporate (one) concrete detail into the otherwise pure abstract expression of labour value and claim the eclectic synthesis applies to and explains the world economy today.

Rather than positing his own work on variations in the price of labour power as *further modification* of the pure essence of the value form stemming from other instances of capitalist competition, Smith seeks somehow to combine this particular variation with the pure form of the law. As we've seen, Smith considers variations in labour price "not as a *departure* from the law of value but *as a stage in its evolution*"²⁵² or *a* property of the capital relation itself".²⁵³ However, this is a contradictory and ultimately impossible procedure because he is trying to theoretically synthesise pure value with its modification and present the synthesis as a modified pure essence!

Concretely, this amounts to arguing that the giant TNCs, backed by powerful imperialist states, that control some 80% of world trade (ch.1) would engage in buying or selling only one single commodity—labour power—above or below its value and would refrain from price fixing, to the extent their market power permits, on all other commodities. This position is neither logically nor empirically supportable. The MNCs, as Mandel argued,

try to profit from the price differentials in the purchase of raw materials, equipment, land and buildings as well as labour power, and of the differences in market prices for the commodities which are produced in their factories...²⁵⁴

These are all tactics in their competitive struggle to secure extra surplus value.

250 Smith, J., 2016, p236.

251 Smith, J., 2016, p239.

252 Smith, J., 2016, p205.

253 Smith, J., 2016, p225, 235.

254 Mandel, 1978 [1972], p319.

In the neoliberal period, there is more than a grain of truth to Smith's thesis of increasingly productive Southern labour, creating more and more value for an increasingly parasitic Northern economy. That is evident in the increasing quantity of modern, sometimes relatively advanced, labour processes occurring in the Third World as compared with relatively flat Third World income (ch.1). However, the key to understanding *how* this developing Third World labour power remains subordinate to First World capitalist development is consideration not only of the development of Third World labour, but also First World labour and the overall division of labour in its *concrete* unity.

To do this successfully, it is necessary to abandon the notion that labour productivity is *either* far higher in the First World (as the IST says) *or* that Third World labour is of a similar level to the imperialist core, or catching up (as Cope, Smith and Warren say). These phenomena are true only of specific types of labour process but neither is true of the whole.

Arguably, the key limitation of Smith's work is the same as that of Marxist writing within the new upturn as a whole. It attempts to explain imperialist exploitation without reference to, and in opposition to, the key Marxist theorist of imperialism—Lenin. He therefore lacks an adequate theoretical understanding of monopoly and so is unable to understand the forces shaping the developing world division of labour. Nor can he explain the relationship of the division of labour to imperialist appropriation of extra surplus value. Smith's rejection of Lenin meant he could only make a partial break from the Marxist writing that denies or cannot explain Third World exploitation.

Overall, this chapter has shown that the welcome growth, since around 2011, in Marxist work on imperialism, has so far been unable to produce a convincing Marxist explanation of the phenomena it seeks to analyse—imperialist exploitation of the Third World. Notably, none of these writers, just like the contemporary Marxists they seek to reject, attempt to explain contemporary imperialism using Lenin's theory. It will be seen in the next chapter, that some of them adopt certain caricatures of Lenin's work prevalent among contemporary academic writing on imperialism.

Chapter 2.3. Historical decline of Marxist anti-imperialism

This chapter surveys the decline of Marxist analysis of imperialism during the neoliberal period. This has sometimes taken the form of arguments that imperialism is not a system that sustains ongoing polarisation but rather prepares the way for the advancement of the former colonial world. This is initially and primarily argued by Warren in 1980. His argument explicitly rejects what he asserts are the arguments of Lenin's *Imperialism*. As Warren's (1980) *Imperialism the Pioneer of Capitalism* pioneers the rejection of Lenin's analysis, and attempts this in the most detail, this Chapter will critique Warren in some detail. That is followed by a more general survey of works that explicitly repudiate Lenin. It is argued most works since 1980 either reject or caricature Lenin's analysis while many of them adopt aspects of Warren's outlook.

Decline of anti-imperialist struggle and imperialism theory

Amsden's (1990) comment that "In modern times, just to use the word [imperialism] is to label what is said as Marxist"²⁵⁵ may have been a little late. Arguably there had been little new Marxist work on imperialism since Mandel and Amin's work in the 1970s. Warren arguably spearheaded a widespread and successful backlash against imperialism theory and Lenin's *Imperialism* in particular.

The spread of the Marxist theory of imperialism and its later decline, arguably, parallel the rise and decline of anti-imperialist mass struggle (and the class struggle more broadly). Anti-imperialist mass struggle in the 20th Century occurred principally in two waves, albeit with many national and regional differences, triggered by the first and second world wars respectively. The first of these waves is that of which Lenin's *Imperialism* is a product. During the second wave, which occurred in response to WW2, the success of large national liberation movements in China, India, Indonesia and elsewhere in gaining formal political independence meant newly formed governments in many former colonial countries came to focus on the question of 'development' and, as Lane points out, the class struggle in these countries turned to the question of what type of development, or what type of society the newly independent nations should become.²⁵⁶

The difficulties of economic and social development in the former colonial world in this period were later reflected in the 1966 General Declaration of the Tri-Continental:

²⁵⁵Amsden, Alice, 'Imperialism', in Eatwell, J., Milgate, M. & Newman, P., (eds), *Marxian Economics*, Palgrave, 1990, p205.

²⁵⁶Lane, Max, *Unfinished Nation: Indonesia Before and After Suharto*, Verso, 2008, p22–28.

the nations of Asia, Africa and Latin America which have won their political independence are realizing that formal sovereignty is not enough to ensure full liberation; to obtain this it is vital to eliminate all the causes of imperialist oppression and exploitation and to carry out profound changes in the social and economic structure ... economic liberation must be added to political liberation.²⁵⁷

Economically, the post-war capitalist world was marked by rapid capitalist expansion in the imperialist core countries, alongside relative stagnation in the periphery, or peripheral economic growth that was inadequate to support rapid resolution of the most pressing social problems. Nor could it enable catch up with the core countries. Mandel thought this was because "endemic movements of rebellion and liberation among the peoples of the so-called Third World ... together with the rise of new branches of industry in the metropolitan countries" reduced the rate of capital export to the periphery in this period.²⁵⁸ This crisis of capitalist expansion in turn further fuelled the social rebellion in what Mandel characterised as a "permanent pre-revolutionary crisis in the dependent countries".²⁵⁹

The development problems and class conflict between the weak or embryonic capitalist classes, different classes of working people and imperialist bourgeoisie found a general expression in the contradictions of what Prashad describes as the "Third World project".²⁶⁰ This was manifested in the conferences, declarations and policies of such gatherings as the Bandung Conference (1955), the Non-aligned Movement (founded 1961) and the Tri-Continental Conference in Havana, 1966. The Tri-Continental Conference represented both Socialist and non-Socialist forces. As the Moroccan President of the Conference Preparatory Council, Medhi Ben Barka put it, the conference represented "two currents of the world revolution" the "current born with the October Revolution and the national liberation revolutions' currents".²⁶¹

The threat to imperialist domination represented by these formations and the mass movements behind them influenced the perspectives of John F. Kennedy's Alliance for Progress in Latin America. In what appears a very radical stance by today's standards, Kennedy aimed to concede certain basic reforms in order to develop a broader basis of support for capitalist development. In Kennedy's view,

²⁵⁷ *General Declaration of the Tri-Continental Conference*, Havana, 1966, cited in Horowitz, David, *Imperialism and Revolution*, Allen Lane, 1969, p250.

²⁵⁸ Mandel, 1978 [1972], p64.

²⁵⁹ Mandel, 1978 [1972], p61; see also Mandel, Ernest, *The Meaning of the Second World War*, Verso, 1986.

²⁶⁰ Prashad, 2014.

²⁶¹ Perdue, John B, *The War of All the People: The Nexus of Latin American Radicalism and Middle Eastern Terrorism*, Potomac Books, 2012, p31.

those who possess wealth and power in poor nations [must] accept their own responsibilities. They must lead the fight for those basic reforms *which alone can preserve the fabric of their societies*."262

The Alliance for Progress did not last into the 1970s; however, the later formation within the United Nations (UN) of the Brandt Commission, the South Commission, the formation of United Nations Conference on Trade and Development (UNCTAD) and the diplomatic-political campaign for a New International Economic Order (NIEO) may be viewed as later liberal reformist attempts to respond to the ongoing anti-imperialist mass movements.

In retrospect, the Declaration of Havana may have been close to the crest of this wave. Later, Nixon's 1972 normalisation of relations with China, the winding down of the Vietnam War (and aerial destruction of much of Indochina), the consolidation of reactionary pro-Western military dictatorships in Indonesia, Chile, Brazil, Argentina and the Congo, the rise of Sadat in Egypt, Israel's second defeat of Arab armies in the October War of 1973 and the subjugation of the Palestinians all contributed to demobilisation and defeat of the post-WW2 wave of mass struggle—though this was never uniform. These defeats were crucial in opening the way in the Third World for capitalist development policies latter dubbed 'neoliberalism' and 'globalisation'.

The sharp rise in US Federal Reserve interest rates in 1980-81—the 'Volker Shock'—made much Third World debt unpayable²⁶³ and accelerated the final collapse of the remaining examples of import substitution industrialisation (ISI) capitalist development, most dramatically in Mexico, and the campaign for a NIEO. Besides US interest rates as a trigger for this new period, Prashad also emphasises "enthusiastic commitment" to the ideology of neoliberalism from "emergent elites in the 'global cities' of Africa, Asia, and Latin America"²⁶⁴ as equally crucial in opening the way.

The economic and political success of the neoliberal period in capitalist terms, in contrast to post-war "permanent pre-revolutionary crisis" in the Third World, can be summarised as its greater capacity to integrate Third World labour into production for the world market. This provided the impetus (and *value*) for a new period of world capitalist expansion and gave Third World labour (and therefore also Third World capitalists) a more prominent and central role than they had hitherto enjoyed. In this sense, the neoliberal expansion occurred in a more balanced way than the post-war boom. Both First and Third World capitalist economies experienced a prolonged period of relatively stable growth for around twenty-five years from

262Horowitz, 1969, p251.

263Prashad argues this was, in part, an imperialist attack on Third World debtors, see Prashad, 2014.

264Prashad, 2014.

the early 1980s until 2008-09 (as well as tempestuous growth in China). In this way, neoliberalism—like classical imperialism and in contrast to the post-war boom—may be characterised as having successfully developed a greater degree of Third World exploitation, as opposed to mere economic and political oppression.

Intensified exploitation of the rapidly growing Third World labour force began to provide a far more solid social basis for an economic and political alliance of First and Third World capitalist classes. By bringing an enlarged Third World bourgeoisie to the table of profitability (albeit as junior partners), and expanding the Third World middle-class, neoliberal globalisation resolved, for a time, the question of the national liberation and capitalist development of Major Third World nations—at least from the perspective of their capitalist rulers. The "permanent pre-revolutionary crisis" was over (in most countries) and the wave of national liberation struggles that characterised the post-war period was not matched by any similar strength wave of anti-imperialist popular struggle in the neoliberal period.²⁶⁵

Added to this, the stagnation and collapse of the Soviet economy in the 1970s and 1980s were major factors that not only shifted politics to the right, but also removed a factor making alternative development options feasible for many regimes. As Howard and King summarised,

waves of capitalist restructuring within the Third World after 1960, the stagnation of the Soviet economy in the 1970s, and its collapse in the 1980s ... weakened the structures containing global capitalist expansion.²⁶⁶

Decline of Marxist anti-imperialism *theory* as a function of objective retreat of class forces

The overall effect of these changes for anti-imperialism and imperialism theory in the First World countries was straightforward—i.e. there was far less of it produced or discussed. Owen has already pointed out that

just as the first wave of interest [in imperialism theory] took place during the early decades of this century when the world was finally being divided up among the empires of the European powers, so too the second wave, beginning in the 1950s, was in large measure a reflection of the new situation produced by the dismantling of these same imperial structures.²⁶⁷

265 Latin America represents an important partial exception; Freeman emphasises the social pressure on academic writers: "The immense and incessant material pressure of capitalism and imperialism was bound to take its toll on any body of people paid by capital to produce ideas on its behalf", Freeman, 1996; Barone observed "The current [Marxist] literature is fragmented and lacks integration" Barone, 1985, p186; While for Foster-Carter, "Marxist analysis is like a tide going out [creating] little rock pools increasingly unconnected to one another", Foster-Carter, Aiden, 'The Modes of Production Controversy', *New Left Review*, 107, 1978.

266 Howard M.C. and King, J.E., 'Whatever Happened to Imperialism?' in Chilcote, Ronald M., (ed), *The Political Economy of Imperialism: Critical Appraisals*, Kluwer 1999, p20.

267 Owen, Roger, Introduction to Owen, Roger and Sutcliffe, Bob, (eds), *Studies in the Theory of Imperialism*, Longman, 1972, p1.

Freeman later observed,

the desperate plight of the peoples of North Africa, of Central and Southern America, of South East Asia, led to assault after assault on the established 'peaceful' order both colonial and post-colonial which provided the backdrop to the formation of the Marxist generation of the 1960s. Our generation was formed as much by the Battle of Algiers and the Tet Offensive as by the 1968 student revolts.²⁶⁸

In this environment of radical ideological ferment, English language Marxism adopted, in general, a far more anti-imperialist stance and focus than is the case in the present period. Under the pressure of anti-imperialist mass movements, including those in then post-capitalist societies such as in Vietnam, Cuba and China, key aspects of imperialism theory, such as monopoly, value transfer and industrialisation, appear to have enjoyed a far richer discussion in the 1970s than today. The radicalisation and upsurge were arguably the source of the major modern works on imperialism such as Mandel and Amin. Marxian writers like Hymer appear far more familiar with and influenced by Lenin and those parts of Marx relating to imperialism than contemporary writers.²⁶⁹ The heterodox anti-imperialist 'dependency' school, which began as an intellectual current in Latin America, also had an important impact on Marxist writing inside the US and the imperialist core more generally—particularly with the Marxist or 'Marxian' current based around the MR magazine.

In the realm of intellectual struggle, the path from the previous status quo, where imperialism was central to much Marxist thinking in the 1960s and 1970s, to the present situation, where it is all but absent, had to pass two principal obstacles. The first was dependency 'theory': a large heterodox body of ideas that arose out of the post-war national liberation struggles and imperialist oppression of Third World societies. Second was Lenin's Marxist theory of imperialism and the political orientation adopted by Lenin and the early Comintern, which emphasised the crucial importance of the distinction between oppressor and oppressed nations. The most influential self-identified Marxist in both of these struggles was the First World, pro-imperialist writer Bill Warren.

Warren's rejection of Lenin and dependency

Remarkably, Warren remains the only recent, well-known Marxist opponent of Lenin's *Imperialism* to make a detailed critique. He rejects Lenin's thesis that a qualitative change occurred within capitalism around the turn of the last century, creating a new stage—

²⁶⁸Freeman, 1996.

²⁶⁹The same argument about contemporary lack of familiarity with the classics has been made in relation to Marxist thinking in *general*, see Freeman, A., Kliman, A. & Wells, J., 'Introduction', in Freeman et al, 2004, p. xiv; Howard and King, 1999, p.20.

monopoly capitalism. Warren views capitalism as continuing to spread advanced productive forces and relations, much as it did in its youth. For this reason, he argues imperialism is a historically progressive form of capitalist development.

For Warren,

There are now more powerful forces at work than ever before which are spurring capitalist industrialization [in the Third World- SK] and the various elements of imperialist control which exercised a retarding influence have largely disappeared.²⁷⁰

Warren complains that, in his view,

the bulk of current Marxist analyses and propaganda about imperialism actually reverse the views of the founders of Marxism, who held that the expansion of capitalism into the pre-capitalist areas of the world was desirable and progressive.²⁷¹

In 1985, Barone noted that Warren's work "has become the dominant trend in Marxist thought on imperialism."²⁷² For example, Willoughby, the following year, argued, "capitalism, now fully international, is still quite progressive and free trade is diffusing its fruits to the Third World" and it was "not true that global capital accumulation must coerce the Third World into a position of permanent economic backwardness".²⁷³ The development of South Korea, Taiwan, Hong Kong and Singapore was thought to portend what was to come for the rest or many of the poor countries.²⁷⁴

Howard and King's highly regarded *History of Marxian Economics* (1989) viewed Warren's thesis as "re-asserting the coherence of the original Marxian position", "a return to Marx", and "basically sound".²⁷⁵ Following Warren, they thought that "as genuinely capitalist extensions to new territories is taking place, a duplication of European achievement [sic] will occur, including sustainable economic growth."²⁷⁶ Echoing Warren, they argued,

270 Warren, Bill, 'Imperialism and Capitalist Industrialization', *New Left Review* 1, 81, 1973, p42.

271 Warren, 1980, p3.

272 Barone, 1985, p145.

273 Willoughby, John, 'Evaluating the Leninist Theory of Imperialism', *Science & Society*, 59, 3, 1995, p329;

Willoughby argues both the split in the Second International and the Russian Revolution were responsible for a paralysing "theoretical stagnation" in Marxist imperialism theory. See Willoughby, J, *Capitalist Imperialism, Crisis and the State*, Routledge, 1986, p2; for other works influenced by Warren see for example, Blomstrom, Magnus, and Hettne, Bjorn, *Development Theory in Transition: The Dependency Debate and Beyond*, Zed Books, 1984, p85; Munck, Ronaldo, *Politics and Dependency in the Third World: The Case of Latin America*, Zed Books, 1984, p20-1.

274 Harris, Nigel, *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology*, Penguin, 1987, p116.

275 Howard, Michael C., and King, John. E, *A History of Marxian Economics: Volume 2, 1929-1990*, Macmillan, 1992, p216-17, 218.

276 Howard and King, 1999, p24; Howard and King, 1989, p79.

it is now increasingly apparent that the principal barrier to global development is not the incorporation of the periphery into the world economy, but whether advanced capitalist countries will continue to ... allow this incorporation to continue ...²⁷⁷

Warren's influence continues to the contemporary period. Harvey, for example, confusingly equates Warren with Marx when writing that Marx

took the view that there was something progressive about capitalist development and that this was true even for British imperialism in India (a position that did not command much respect in the anti-imperialist movements of the post-Second World War period, as the icy reception of Bill Warren's work on imperialism as the pioneer of capitalism showed).²⁷⁸

Callinicos criticises Warren's reactionary political positions while giving detailed, sympathetic consideration to his economic view of imperialism. He follows Harvey, Howard and King in presenting Warren as responsible for some sort of return to Marx, going so far as to quote Warren in refutation of what he calls "the larger Lenin-Bukharin synthesis".²⁷⁹ He accepts Warren's caricature of Lenin's monopoly (as eliminating competition) and follows Warren in viewing capitalist development in the Third World as refuting dependency theory.²⁸⁰

While Callinicos presents these views as Marxist, non-Marxist writers present the same acceptance of Warren's work as a return to Marx. Milanovic, for example, agrees with Callinicos in viewing Warren as a return to Marx. He also sees Marx's view of imperialism as "unbendingly positive", and Warren's book as "extremely stimulating" albeit, again following Callinicos, with "many infuriating sections". He finds Warren "directly relevant for the understanding of the rise of new capitalist economies in Asia" due to his own view in which "Asian success directly disproves the dependency theories and is in full agreement with the classical Marxist position about the revolutionary impact of capitalism"²⁸¹

²⁷⁷Howard and King, 1989, p219.

²⁷⁸Harvey, 2003, p163. This follows Amsden's earlier suggestion that "The intellectual antecedents of Warren's view are traceable directly to Marx, so to suggest that Warren missed the point about economic development is also to suggest that Marx himself missed the point" Amsden, in Eatwell et al. (eds), 1990, p215; Brewer says, "in most of his argument, Warren followed Marx", Brewer, Anthony, *Marxist Theories of Imperialism: A Critical Survey*, Routledge, 1990 [1980], p279–280.

²⁷⁹Callinicos, 2009, p58; Callinicos says "A related problem with the larger Lenin-Bukharin synthesis is its association of imperialism with 'monopoly capitalism', since, strictly speaking, monopoly implies the absence of competition, but competition is an essential mechanism in both disproportionality theories of crisis and Marx's own theory of the tendency of the rate of profit to fall. Bill Warren observes, the "rise of oligopolistic market structures - or monopolistic firms, as they are popularly called - has not reduced competition but on the contrary has intensified it. The development of oligopoly and various forms of association and combination (in individual economies) has been associated with the disappearance of monopoly on a world scale and its replacement by competition - the disappearance, that is, of the British world monopoly of manufactures with the rise of various competitors towards the end of the nineteenth century", Callinicos, 2009, p58.

²⁸⁰Callinicos, 2009, p58, 5.

²⁸¹Milanovic, Branko, 'Is "neo-imperialism" the only path to development?', *Globalinequality*, 18-05-2017.

In Callinicos' words,

One has only to utter the word 'China' to indicate what's wrong with the Third Worldist understanding of imperialism - though twenty years ago, 'South Korea' would have done just as well.²⁸²

Warren as a return to Marx?

According to Warren,

Marx's notes on the effects of British rule in India ... leave no room for doubt that [Marx and Engels] held that the overall effect of imperialism ... would be to accelerate the creation of a world market and thereby not only to unite humanity but also to bring the backward societies the material and cultural benefits of Western civilisation.²⁸³

But Warren's formulation of "the overall effect" expresses such a level of abstraction as to be meaningless. Marx and Engels could be argued to have held that "the overall effect" of capitalism creates the *basis* for socialism—but that doesn't mean they necessarily supported capitalism. Moreover, Marx and Engel's view of imperialism, as they never theorised it, can only pertain to the imperialism of their time. Yet Warren argued imperialism was progressive in the 1970s, not the 1870s.

As famously expressed in Marx's *Preface to a Contribution to Critique of Political Economy*, it is a fundamental tenet of Marxism that every new historical system of social productive relations must play a historically progressive role in its earlier stages, while at a certain point, it must turn into a "fetter" that stunts or retards further development of the social-productive relations before it is replaced by a new system.

As Marx wrote,

at a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or – this merely expresses the same thing in legal terms – with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure.²⁸⁴

282 Callinicos, 2009, p5.

283 Warren, 1980, p84; Kitching following Warren highlights Marx's early writings in the manifesto to argue the progressive role of capitalism, Kitching, 1981, p41, see also Kay, Cristobal, 'Latin American Theories of Development and Underdevelopment', Routledge, 1989, p143.

284 Marx, *Karl, Contribution to a Critique of Political Economy*, Progress Publishers 1977 [1859], preface, see www.marxists.org/archive/marx/works/1859/critique-pol-economy/preface.htm

For Warren's view that modern capitalist imperialism remains historically progressive today, he would need to show "material productive forces of society" had not *yet* "come into conflict with the existing relations of production", that is, capitalist property relations had not come to constitute a "fetter". A fetter is a factor that slows down or tends to inhibit progress. That is to say, that the material productive forces could not be *more* rapidly developed under more advanced social relations —i.e. under Socialism. However, completely against Marx's concept of social relations as "fetters", the entire framework of Warren's book is premised on the assertion that *any* human social progress under capitalism shows the social system continues to possess a progressive historical character.

Warren makes no attempt to show this framework is based in Marx's theory of historical materialism. Much Third World human social progress in the 20th Century could be argued to have taken place *in opposition to* imperialist fetters. Warren assumes but does not prove that social progress occurs, to the extent it has, only *as a result of* and in no way *in spite of* the given social relations of production. Warren saw those who perceived the possibility of a *more rapid* social progress than achieved by imperialist capitalism as "normative-utopian" and "ahistorical"—effectively arguing for the legitimacy and continuation of bourgeois rule and the impossibility of social revolution.²⁸⁵

For Warren's arguments to have scientific validity, he would first have to make an argument that social-productive development in backward societies:

- 1) was not, as Baran argues, already beginning to accelerate in parallel with accelerating social progress in Europe as part of a general increasing intensity of human cultural interaction and advance occurring (albeit unevenly) around the era of early capitalism, that was then distorted and retarded in the periphery with the advent of colonialism and capitalist imperialism;²⁸⁶ or
- 2) would and could not have accelerated more than it has done if it was subjected to the pressure from embryonic capitalist imperialism (of the threat of it) *without succumbing to outside imperialist control*—as many Marxists have argued to be the case in Japan, Russia and even Germany;²⁸⁷ and,
- 3) has not matured to the point where it has now become possible for a more advanced form of social relations of production (i.e. Socialism, or steps towards it by workers and farmers' states) to be adopted and bring about a more rapid advance of the forces of production than is

285 Warren, 1980, p166.

286 Baran argued, "There is ample evidence in the history of all countries in question to indicate the nature of its general trend. Regardless of their national peculiarities, the pre-capitalist orders in Western Europe and in Japan, in Russia and in Asia were reaching at different times and in different ways their common historical destiny" Baran, 1973 [1957], p298; see also Mandel, 1972 [1978], p54; Weaver, Frederick S., 'Review: The Limits of Inerrant Marxism', *Latin American Perspectives*, 13, 4, 1986, p103.

287 Baran, for example, says, "the rapidity of Japan's transformation into a capitalist, industrialized country was due to a large extent to the military and economic threat from the West", see Baran, 1973 [1957], p298.

presently occurring.

Unless some or all of these conditions are shown to be true, then Warren's 'evidence' in comparing one epoch to another does not prove what he claims. Warren does not attempt to show this, and hence, the major part of his book is devoted to 'proving' what is, for Marxists, an obvious truism: that capitalism—which represents a higher form of social development than *pre*-capitalist social systems—can and does achieve higher levels of human social and cultural development than was possible in pre-capitalist societies. In addition, Lenin, over fifty years before Warren, already explicitly stated that imperialism—which he defines as capitalism's highest stage—achieves more rapid development of the means of production than freely competitive capitalism, its preceding and *lower* stage.

Warren selectively quotes Marx on British India.²⁸⁸ Given Warren's argument is that capitalist imperialism was *still* progressive not in the 1870s, but the 1970s, quoting Marx on British India is hardly conclusive.²⁸⁹ It is unconvincing to quote, as Warren does, from just two (paid) journalistic articles on India from 1853, but omit his later much changed views on the same subject.²⁹⁰ Ahmad points out, these two "most anthologised" articles²⁹¹ are used by opponents of Marxism to buttress "the proposition that Marxism is not much more than a 'modes-of-production narrative' and that its opposition to colonialism is submerged in a positivistic 'myth of progress'".²⁹² If Marx's views on India really "leave no room for doubt", Warren would do better to quote Marx's later works. Besides being a little closer to Warren's period, such material would demonstrate that Marx was not already starting to observe a change in the role of imperialism, or at least starting to take a different view from his earlier one—something now well documented.²⁹³

By 1881, Marx's perspective on the role of the British in India was strongly negative, arguing they "pushed the indigenous people not forward but backward".²⁹⁴ Writing in *Capital*, well after the short articles Warren quotes, Marx says,

by ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material. In this way East India was compelled to produce

288 A similar view to Warren's on Marx on India can be found in Brown, Michael B., 'A Critique of Marxist Theories of Imperialism', in Owen and Sutcliffe, 1972, p47.

289 Kitching also highlights Marx's early writings in the manifesto to argue the progressive role of capitalism, see Kitching, Gavin, 'The Theory of Imperialism and its Consequences', *Middle East Research and Information Project*, 100/101, 1981, p41.

290 Warren, 1980, p44, 46; A similar argument is in Brewer, 1990 [1980] p49.

291 Marx, Karl, 'The British Rule in India', *New York Daily Tribune*, 25-06-1853.

292 Ahmad, Aijaz, *In Theory: Classes, Nations, Literatures*, Verso, 1992, p222; Ahmad argues Marx had little prior familiarity with India and was forced into a position, against his will, of writing for money.

293 Ahmad, 1992, p222; Pradella, Lucia, *Globalisation and the Critique of Political Economy: New insights from Marx's writings*, Routledge, 2015, p4.

294 Marx, Drafts of letters to Vera Zasulich [1881], see www.marxists.org/archive/marx/works/1881/zasulich/index.htm

cotton, wool, hemp, jute, and indigo for Great Britain ... A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.²⁹⁵

Marx actively and enthusiastically supported Indian and Chinese struggles against Britain—a position counterposed to Warren's hostility to Third World national liberation struggles. Marx adopted similar views on Ireland. According to Lewis,

A renewal of the Irish national struggle in the 1860s led Marx and Engels to modify their views. In fact they began to approach the national question less from the angle of the struggle between capitalism and feudalism and more from the angle of the struggle between the imperialist powers and the colonized nations.²⁹⁶

Warren, by contrast, spends a considerable part of his book arguing, "the colonial record, considering the immense numbers of people involved, was remarkably free of widespread brutality".²⁹⁷

Marx concluded that, "Every time Ireland was about to develop industrially, she was crushed and reconverted into a purely agricultural land".²⁹⁸ Marx and Engel's mature view of English colonialism and imperialism as a reactionary force was the reason the pair strongly supported national liberation struggles from Ireland and China to the Sepoy uprising of 1857 that began in Meerut, India.

As Renton has argued,

almost alone among his contemporaries in Britain, Marx sided with the victims of Empire against its instigators. At each stage he blamed the British for violence which accompanied resistance to their rule.²⁹⁹

In relation to Ireland, the oppressed country he was most familiar with and for which his views were the most developed, Marx raised a three-point program against British domination "(1) self determination and independence, (2) an agrarian revolution by the Irish themselves, and (3) protective tariffs against England ...".³⁰⁰ These views are completely inexplicable within Warren's framework (below).

²⁹⁵Marx, *Capital*, ch.15.

²⁹⁶Lewis, Tom, 'Marxism and Nationalism', *International Socialist Review* 13, August-September 2000.

²⁹⁷Warren, 1980, p128.

²⁹⁸Marx, *Outline of a Report on the Irish Question to the Communist Educational Association of German Workers in London*, 1867, see www.marxists.org/archive/marx/works/1867/12/16.htm

²⁹⁹Renton, 2001, p79–80; see also Pradella, Lucia, 'Imperialism and Capitalist Development in Marx's Capital', *Historical Materialism*, 21, 2, 2013.

³⁰⁰Mohri, Kenzo, 'Progressive and Negative Perspectives on Capitalism and Imperialism' in Chilcote, Ronald M.,

Warren against Lenin

Viewing capitalism as having a historical character that remains essentially unchanged since before the sepoy, Chinese and Irish uprisings, Warren views Lenin's *imperialism* not as responding to real changes in the objective conditions but as an ideological reversal and overthrow of the timeless early Marx. In Warren's thesis, Lenin, responding not to new realities, but to the immediate demands of political organisation (things Warren counterposes), develops a non-scientific (opposite-to-true) theory. Lenin's *Imperialism* becomes dominant among Marxists through to the 1970s owing not to its ongoing validity but to Lenin's stature, and to the position of Soviet Russia in the world Socialist movement.³⁰¹ Not recognising the importance of national oppression under the conditions of modern imperialism, Warren argues that Lenin's theory erroneously gives "nationalism greater scope to influence Marxism" than it deserves.³⁰² For this reason, Warren thought "Marxism's involvement in and theoretical [mis]characterization of the anti-imperialist movement has disarmed the working class movement in much of Asia, Africa and Latin America".³⁰³ It was the need to overthrow this supposed erroneous theoretical orthodoxy that drove Warren's attacks on Lenin and Dependency Theory.

Warren uses a similar technique in dealing with Lenin's work as used with Marx, in that he attempts to adopt early positions that are counterposed to later work. In Marx's case he simply ignored the later work, though for Lenin this is the object of his contention. Thus, for Warren, Lenin's early book, *The Development of Capitalism in Russia* is counterposed to his later *Imperialism*.³⁰⁴ Whereas Lenin held that the onset of capitalism's imperialist epoch *modifies* the development of backward nations and thus represents an objective change, for Warren, no such objective change occurred. As such, *The Development of Capitalism in Russia* represented part of the canon of healthy original Marxism, subsequently overturned by Lenin's erroneous *Imperialism*.

Yet Warren does not attempt to argue why *The Development of Capitalism in Russia* negates *Imperialism*. He merely takes quotations from the former that emphasise capitalism's development of the productive forces and—as with his early Marx quotes—assumes these particular statements to be timeless, and, therefore, to prove 1) that the later Lenin had

(ed), *Imperialism: Theoretical Directions*, Humanity Books, 2000, p139.

301 Warren, 1980, p85.

302 Warren, 1980, p108; According to Warren, this made "Marxist or Neo-Marxist" imperialism theory barely distinguishable from "liberal populism", Warren, 1980, p189.

303 Warren, 1980, p5–6.

304 Lenin, V.I., *The Development of Capitalism in Russia: The Process of the Formation of a Home Market for Large-Scale Industry*, Progress Publishers, 1960, [1899], see www.marxists.org/archive/lenin/works/1899/devel/

abandoned his earlier Marxist position and 2) Warren's own assertion that capitalism was progressive in the 1970s is substantiated by Lenin's work from the 1890s.³⁰⁵ Warren's attack on *Imperialism* is also undermined by the blatant caricatures that can be shown to dominate all his key arguments.

In line with his view that *any* social progress demonstrates the historically progressive character of capitalist social relations of production, Warren caricatures Lenin as having seen imperialism as stagnant. We are told Lenin argued that under imperialism "the vigorous competitive incentive to innovate had vanished ... the monopolists would eventually find all profitable spheres of domestic investment exhausted",³⁰⁶ while "The general thrust of [Lenin's] argument [was] that monopoly capitalism was ... stagnant compared to competitive capitalism".³⁰⁷ In "the Leninist assessment" imperialism was "unable to modernize backward societies".³⁰⁸ In his only attempt to substantiate these positions, Warren includes part of the following passage from *Imperialism* in his footnotes. The words quoted by Warren appear in bold.

the deepest economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e., monopoly which has grown out of capitalism and exists in the general environment of capitalism, commodity production and competition, *in permanent and insoluble contradiction to this general environment*. Nevertheless, **like all monopoly, it inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all progress, disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress.** For instance, in America, a certain Owens invented a machine which revolutionised the manufacture of bottles. The German bottle-manufacturing cartel purchased Owens' patent, but pigeonholed it, refrained from utilising it. **Certainly, monopoly under capitalism can never completely, and for a very long period of time, eliminate competition in the world market ... Certainly, the possibility of reducing cost of production and increasing profits by introducing technical improvements operates in the direction of change. But the tendency to stagnation and decay, which is characteristic of monopoly, continues to operate, and in certain branches of industry, in certain countries, for certain periods of time, it gains the upper hand.**³⁰⁹

305 Warren, 1980, p48.

306 Warren, 1980, p51.

307 Warren, 1980, p82; the word "stagnant" appears only once. That is in Lenin's paraphrase of Lysis' assessment of France as "the usurers of Europe", not Lenin's treatment of monopoly capitalism in general. Lenin also twice uses the word "stagnation", but on both occasions it appears in the phrase "*tendency to stagnation and decay*"—original italics.

308 Warren, 1980, p110; Kiernan also sees Lenin as viewing imperialism as counterposed to the development of the productive forces, Kiernan, Victor G., *Marxism and Imperialism*, Edward Arnold, 1974, p47; For Willoughby, "Lenin's original argument appeared to link exploitation to stagnation - the implication being that a country could only develop by breaking out completely of capital accumulation circuits", Willoughby, 1995, p331; According to Callinicos, Lenin held "the tendencies towards parasitism, stagnation and decay" to "be characteristic of imperialism", Callinicos, 2009, p42; Milios and Sotiropoulos claim Lenin's view is contradictory with its assertion of both "decay" and "rapid" expansion, see Milios, John & Sotiropoulos, Dimitris P., *Rethinking Imperialism A Study of Capitalist Rule*, Palgrave Macmillan, 2009, p23.

It is difficult to see how this passage supports Warren's categorical statement that "incentive to innovate had *vanished*". Perhaps aware of the weakness in his evidence, Warren admits the quotation *doesn't* support his argument. According to Warren, "Here and elsewhere in the pamphlet, statements about technological stagnation are so heavily qualified that they are almost meaningless logically". In fact, Lenin notes in the first chapter "the extremely rapid rate of technical progress, under monopoly conditions".³¹⁰ Lenin says, "Competition becomes transformed into monopoly. The result is immense progress in the socialisation of production. In particular, the process of technical invention and improvement becomes socialised."³¹¹ Yet, absurdly, Warren still finds the passage meaningful enough to conclude "The intent, however, seems clear enough: to suggest a change for the worse in this respect *in comparison with the era of competitive capitalism*".³¹²

Yet the passage makes no such historical comparison. Elsewhere Lenin does make the comparison to the era of competitive capitalism. In doing so he directly contradicts Warren's "change for the worse" claim. Lenin says,

It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the whole, capitalism is growing *far more rapidly than before* [the commencement of the imperialist epoch].³¹³

In fact Lenin gives detailed and specific evidence of the *stimulus* that he saw monopolisation had given to technical progress (ch.3.4).

Ignoring Lenin's actual work, Warren counterposes his view to his caricature of Lenin, arguing "the new reactionary stage of capitalism [i.e. Lenin's imperialism] turned out to have immeasurably greater economic vigour and capacity for technical innovation than its nineteenth-century predecessor".³¹⁴ But Lenin never characterised imperialism as "reactionary". The term appears throughout the document but is, in every instance, used in relation to Kautsky's theory of ultra-imperialism, not to characterise the imperialist system. Lenin considers imperialism not to be "reactionary" but capitalism's "Highest Stage" - the opposite (ch.3.2).

309 Warren, 1980, p71; see Lenin, V.I., *Imperialism the Highest Stage of Capitalism* 1963 [1917], ch.8, www.marxists.org/archive/lenin/works/1916/imp-hsc/

310 Lenin, *Imperialism*, ch.1.

311 Lenin, *Imperialism*, ch.1.

312 Warren, 1980, p71; Willoughby, 1986, p6.

313 Lenin, *Imperialism*, ch.10.

314 Warren, 1980, p4, 185.

An additional unreferenced assertion is that Lenin's general thrust[!] ... was bound to give the impression that the relationship between the imperialist countries and the semi-colonies was one of simple robbery ('booty') rather than a dynamic process of two sided capitalist development".³¹⁵

Warren apparently thinks—without explaining why—that Lenin's use of the word "booty" supports this contention. Yet, as soon as we examine Lenin's actual use of the term, the assertion falls over. "Booty" appears just once and refers not to "simple robbery". Lenin says, *Capitalism is growing with the greatest rapidity* in the colonies and in overseas countries. Among the latter, *new* imperialist powers are emerging (e.g., Japan). The struggle among the world imperialisms is becoming more acute. The tribute levied by finance capital on the most profitable colonial and overseas enterprises is increasing. In the division of this "booty," an exceptionally large part goes to countries which do not always stand at the top of the list as far as rapidity of development of productive forces is concerned.³¹⁶

This passage and others also clearly show Lenin's sense in using the term "parasitism". Not "simple robbery" at all but a siphoning of *extra*-profit, monopoly profit, "super-profit", often in the process of productive economic development that is organised to the advantage of the imperialist power but also results in rapid capitalist development in the periphery.

Similarly, Warren's depiction of Lenin's political views on national liberation struggles appear quite unreal as soon as one reads any of Lenin's speeches or articles on the topic. According to Warren, "Lenin's thesis stress[ed] the importance of bourgeois leadership" of the bourgeois revolution.³¹⁷ He simply conflates bourgeois democratic revolution with bourgeois leadership, saying Lenin,

held that the social base of the Eastern national liberation movements was bourgeois or proto-bourgeois (peasant)... There was, he held, no practical alternative to temporary bourgeois leadership of the liberation movements, which was in any case appropriate since the tasks of the bourgeois-democratic revolution had not yet been accomplished in these countries.³¹⁸

"In practice Lenin's emphasis on bourgeois hegemony [of the bourgeois revolution] was to prevail" after the second Comintern congress in 1920.³¹⁹ According to Warren, "The Chinese

315 Warren, 1980, p82.

316 Lenin, *Imperialism*, ch.7.

317 Warren, 1980, p101.

318 Warren, 1980, p99.

319 Warren, 1980, p100–104.

disaster of 1927, [was] itself the logical outcome of the whole Leninist approach to bourgeois hegemony over the anti-imperialist movements".³²⁰ Warren does not provide a single quotation or substantiation for these assertions.

Anyone who reads Lenin's speeches to the second Comintern congress will find Lenin's perspective to be the opposite of Warren's presentation. He said,

in its first stages the revolution in the colonies must be carried out with a program that will include many petty-bourgeois reform clauses, such as division of the land, and so on. But this in no way implies that the leadership of the revolution will have to be surrendered to the bourgeois democrats. On the contrary, the proletarian parties must carry on vigorous and systematic propaganda for the soviet idea and *organise peasants and workers soviets as soon as possible*.³²¹

This was Lenin's consistent position for both Russia and foreign national liberation struggles that came after WW1.

Warren against dependency

Similarly to his view of Lenin's *Imperialism*, Warren viewed dependency 'theory', not as response to real world objective phenomena, but a misguided set of ideas that he calls "the postwar version of Lenin's Imperialism".³²² He argues that dependency theory, *taken as a whole*, opposed what it saw as the "inability of this [imperialist] system to *match the material achievements of early, non-imperialist capitalism in the West*".³²³ Again, there is no attempt to substantiate that this specific historical comparison is actually made by any writer in the dependency tradition, let alone stands as a received position.

Warren proceeds:

³²⁰Warren, 1980, p107; more generally, see Warren, 1980, p94–109. Notably, Warren's two sub-sections "The Evolution of Comintern Policy" and "The Comintern's Conclusion" where Warren presents this argument, contain not one primary source reference. Besides minor references to E.H Carr and Cohen for general historical background (p97), Warren relies exclusively on just two secondary sources—Claudin, Fernando, *The Communist Movement from Comintern to Cominform, Vols 1 and 2*, Monthly Review, 1975 / 1976; Schram, S., & Carrere d'Encausse H, *Marxism and Asia*, Allen Lane, 1969. Claudin was a member of the Communist Party of Spain for most of his life. Neither Schram nor Carrere d'Encausse—the celebrated French Historian and now famed open anti-African racist—were Marxists of any description. So it is difficult to see any of these writers as credible sources for Warren's 'Marxist' argument on the Comintern.

³²¹Lenin, V.I., 'Report on National and Colonial Questions to the Second Comintern Conference July, 26, 1920', in Riddell, John, (ed), *The Communist International in Lenin's Time: Workers of the World and Oppressed Peoples, Unite! Proceedings and Documents of the Second Congress, 1920, vol.1*, Pathfinder, 1991, p221–2; Similarly, the Theses on the National and Colonial Questions, adopted by the conference and drafted by Lenin, make the position clear: "The Communist International should arrive at temporary agreements and, yes, even an alliance with the [national democratic] revolutionary movement in the colonies and backward countries. But it cannot merge with this movement. Instead it absolutely must maintain the independent character of the proletarian movement, even in its embryonic stage", Riddell, 1991, p288–9.

³²²Warren, 1980, p112.

³²³Warren, 1980, p189.

The underdevelopment fiction [of "dependency theory"] maintains that the peoples of the Third World have been getting steadily worse off since the industrial revolution in the West. They have become gradually worse fed, worse housed, more disease ridden; increasingly forced into malodorous slums; unable to find worthwhile (or any) employment; and subject to inhuman conditions and rising inequality of wealth and income.³²⁴

Starting from this general caricature, Warren's method is then simply to provide evidence of *any* improvement in human living conditions or cultural development in the capitalist era compared with pre-capitalist societies—something very few Marxists would deny. He then claims this as evidence that dependency theory was wrong³²⁵ and further evidence that capitalism is "progressive".

However, the dependency tradition in no way conforms to Warren's caricature. It is not a single theory but a range of ideas critical of imperialist oppression and exploitation of the former colonial countries.³²⁶ The various social classes within Third World society gave different explanations in accordance with their respective interests. Third World capitalist classes (or their embryos) and ideologues sought to establish better conditions for national capitalist development.³²⁷ On the other hand, writers reflecting the interests of working people in the periphery could not but criticise the role played by their own bourgeoisie in conciliating with core business interests and limiting national development to that compatible with (weak) capitalist class rule. Reformist and Marxist dependency writers constitute distinct schools.³²⁸ It is thus absurd to polemicise against 'dependency theory' as a coherent ideology

324 Warren, 1980, p112; While there may be truth to Warren's criticism of certain dependency or Marxist writers, it is impossible to know who Warren claims said what. For a highly regarded book, Warren (or his literary executors) provides almost no referencing or direct quotations to substantiate his arguments. In his earlier widely read article, Warren engages his dependency opponents more directly. However, this article too is littered with vague general references to things like "current Marxist views" (p3), "current Left analyses", (p4), "much current Marxist thinking" (p42) or simply, "It has also been argued" (p40), see Warren, 1973.

325 Warren, 1980, p80; for a more nuanced and modern view of Third World living conditions see the masterful work: Davis, Mike, *Planet of Slums*, Verso, 2006.

326 Palma, 1978, p881; Dussel, Enrique and Yanez, Anibal, 'Marx's Economic Manuscripts of 1861-63 and the "Concept" of Dependency', *Latin American Perspectives*, 17, 2, 1990; Vernengo, Matias, 'Technology, Finance and Dependency: Latin American Radical Political Economy in Retrospect', *Working Paper Series*, University of Utah 2004; Schwartz, Herman, 'Dependency or Institutions? Economic Geography, Causal Mechanisms, and Logic in the Understanding of Development', *Studies in Comparative International Development* 42, 1, 2007; Kay, 1989, p126, 190; Smith, J., 2010, p49; Smith, 2016, p207. For conflicting definitions compare, for example, Dos Santos, Theotonio, "'The Structure of Dependence', *American Economic Review*, 60, 2, 1970, p231, with Cabral, Amilcar, *The Weapon of Theory*, Address delivered to the first Tricontinental Conference of the Peoples of Asia, Africa and Latin America, Havana, 1966, see www.marxists.org/subject/africa/cabral/1966/weapon-theory.htm. Years later, Dussel gave a general definition of 'dependence', broadly aligning with Marxist theory: "an international social relation and a transfer of surplus-value between total national capitals of different organic composition, in the framework of competition in the world order", See Dussel, 1990, p63, 73.

327 For example, Raul Prebisch, an influential early theorist at the UN Economic Commission for Latin America (ECLA) came from the Argentinian bourgeoisie. He was appointed Director General of the Argentinian central bank until 1943 before being dismissed for his unorthodox views, see Love, Joseph L., 'Raul Prebisch and the Origins of the Doctrine of Unequal Exchange', *Latin American Research Review*, 15, 3, 1980, p47; Cardoso, from a bourgeois reformist perspective, coined the term "associated dependent-development" cited in Kay, 1989, p137.

328 Kay, 1989, p126; The Marxist or broadly Marxian camp included Ruy Maurini, Theotonio Dos Santos, Andre Gunder Frank, Oscar Braun, Vania Bambirra, Anibal Quijano, Edelberto Torres-Rivas, Tomas Amadeo Vasconi,

and conclude, based on a small number of translated articles, that it is counterposed to Marxism in general, and has little of use to say about capitalist development.³²⁹

What radical dependency writers such as Frank and Dos Santos, Marxists such as Guevara³³⁰ and reformists from a dependency tradition such as Cardoso and Prebisch did have in common, was that they all stood in open conflict with bourgeois economics' modernisation theory: the expectation that different countries will pass through the same "stages of growth" as the early capitalist industrialisers did historically and can emulate their success.³³¹

Modes of production

The other major Marxist polemical attack on dependency writing was via the so-called 'modes of production' debate. According to the 'modes of production' thesis of the late 1970s and early 1980s, differences in the internal *social relations of production* (or 'mode of production') of imperialist and peripheral societies were key to explaining economic backwardness in the periphery. Accordingly, poor countries' internal class structure rather than imperialist intervention was principally to blame for underdevelopment.³³²

This thesis had become so popular by 1980 that Brewer commented

it is almost an axiom of [academic] Marxism that international relations (political or economic) can only be understood in terms of the internal structure of the states concerned, conceptualised by Marxists in terms of modes of production.³³³

Alonso Aguilar and Antonio Garcia. See Kay, 1989, p128.

329 Kay, 1989, p246; Smith, 2010, p49.

330 Guevara said, "A dwarf with an enormous head and a swollen chest is 'underdeveloped,' inasmuch as his weak legs or short arms do not match the rest of his anatomy. He is the product of an abnormal formation that distorted his development. That is really what we are, we, who are politely referred to as 'underdeveloped,' but in truth are colonial, semi-colonial or dependent countries. We are countries whose economies have been twisted by imperialism, which has abnormally developed in us those branches of industry or agriculture needed to complement its complex economy..." Guevara, Ernesto ('Che'), *Cuba: Historical exception or vanguard in the anticolonial struggle?* 2005 [1961], www.marxists.org/archive/guevara/1961/04/09.htm

331 Rostow, *Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge University Press, 1960. Rostow was a top tier cold war propagandist, a speech writer for Eisenhower later appointed by the Kennedy administration; It was also counterposed to Communist groups still influenced by later Comintern policies which had characterised parts of the periphery as 'feudal'—a form of backwardness rooted in pre-capitalist society, not modern capitalist development.

332 The most influential work is Brenner's 'The Origins Of Capitalist Development: A Critique Of Neo-Smithian Marxism', *New Left Review* I, 104, 1977.

333 Brewer, 1980, p261; Leys, for example, argued "what produces underdevelopment is not the 'transfer of surplus' ... Rather, such a transfer should be seen as an effect of structures at the periphery which militate against the productive investment of the surplus of the periphery. Speaking generally these are class structures which permit absolute surplus labour to be appropriated, but prevent the realisation of relative surplus value", Leys, C, 'Capitalism, Class Formation and Dependency - the Significance of the Kenyan Case', in Miliband, R, Saville, J, *The Socialist Register*, London, 1978, p245, cited in Kay, 1989, p180; see also Weeks, John, 'The Differences between Materialist Theory and Dependency Theory and Why They Matter', *Latin America Perspectives*, 8, 3-4, 1981, p10; Laclau, Ernest, 'Feudalism and Capitalism in Latin America', *New Left Review*, 67, 1971; Bettelheim, Charles 'Appendix I: Theoretical Comments' in Emmanuel, Arghiri, *Unequal Exchange: A Study of Imperialism in Trade*, MR Press, 1972, p290; McMichael, P., Petras, J. and Rhodes, R., 'Imperialism and the Contradictions of Development', *New Left Review*, 1974, p86; Toussaint, Eric, 'Towards an explanation of the deadlock in Third World development: The primitive accumulation of capital at an international level', *Committee for the Abolition of Illegitimate Debt* (CADTM), 05-01-2016; Even Heterodox authors such as Clive

Yet Brenner, the most influential proponent of this view, makes a universal claim based on his analysis of 18th Century Europe. From there we are told that *in all circumstances* "class structures, once established, will in fact determine the course of economic development or underdevelopment over an entire epoch".³³⁴

Marx seems to have anticipated this error or some form of it. Referring to his chapter on primitive accumulation, Marx warns against N.K. Mikailovsky

metamorphos[ing] my historical sketch of the genesis of capitalism in Western Europe into a historico-philosophical theory of general development, imposed by fate on all peoples, whatever the historical circumstances in which they are placed.³³⁵

Mandel wrote that "in its first period - the manufacturing period - the modern mode of production developed only where the conditions for it had taken shape within the Middle Ages", but did not generalise this into a general development theory.³³⁶

It may have been true in the 1970s and earlier that the predominant social relations in some Third World societies were the principal factor holding back their development of productive forces, even if some of the discussion around this omitted the role of imperialism in enforcing the position of pre-capitalist ruling classes. However, the notion that the existence of pre- and semi-capitalist modes of production in poor societies somehow invalidates the dependency perspective can be asserted based only on a partial and selective reading. Dependency writers such as Marini and Palma themselves take account of social relations of production. Palma, for example, argues that

in Lenin's analysis especially we find the essential road to follow; this is the study of the concrete forms of articulation between the capitalist sectors of the backward nations and the advanced nations in the system, and of the concrete forms taken by the subordination of pre-capitalist forms of production to the former and to the rest of the system.³³⁷

Hamilton adopted this Marxian explanation arguing "the most stubborn obstacles to capitalist industrialisation are not usually technological limits but 'precapitalist' social relations", Hamilton, Clive, 'Price Formation and Class Relations in the Development Process', *Journal of Contemporary Asia*, 17, 1, 1987, p8.

334 Brenner, 1977, p27; One can agree with Brenner's opposition to Frank's attempt to lay out "The roots of capitalist evolution" as "a commercial network [that] spread out from Italian cities such as Venice and later Iberian and Northwestern European towns ..." see Frank, Andre Gunder, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil*, MR Press, 2009 [1967], p14; More generally, there appear to be no crucial problems from a Marxist theoretical perspective with Brenner and Laclau's critique of Frank's schema of the historical origin of capitalist national inequality and exploitation. See Laclau, Ernesto, 1971, p67.

335 Marx, Karl, *Letter from Marx to the Editor of Otecestvenniye Zapisky*, International Publishers, 1968 [1877], see www.marxists.org/archive/marx/works/1877/11/russia.htm

336 Mandel, 1978 [1972], p44; Mandel, Ernest, *Marxist Economic Theory*, Merlin, 1968, p119-125.

337 Palma, Gabriel, 'Dependency: a Formal Theory of Underdevelopment of a methodology for the analysis of concrete situations of Underdevelopment?' *World Development*, 6, 1978.

Yet, from the 1980s onwards, as the Third World proletariat increasingly grew to constitute the overwhelming majority of the global proletariat, it could no longer be held that pre-capitalism was principally what explained the new waves of polarised development. Arguably, it would be more accurate to say, as, Rey, another dependency writer, astutely observed as early as 1973, "Development is largely determined by the level of the forces of production - the capital and technology, labour skill, and efficiency attained by society".³³⁸ While social relations could be a factor in determining this, they could not be said to always be decisive. In contrast, maintaining that the essential contradiction of Third World societies was lack of capitalist development (and not the wrong type of capitalist development) arguably tends to converge not only with Warren but also with bourgeois modernisation theory and neo-classical economics.

Growth equals development (Warren's apparent innovation)

In *The Development of Capitalism in Russia*, Lenin explained how the capitalist mode of production progressively, in stages and unevenly, came to dominate the Russian economy. He argued that capitalist commodity production had already come to dominate, or was demonstrably becoming dominant, even in spheres of production that, in the late 19th Century, had not yet adopted advanced productive techniques, or had not yet or fully, formed capitalist social productive relations. Lenin proposed that even these more backward spheres of production, which still encompassed the overwhelming majority of the Russian population, were already or increasingly being organised into production of commodities for a capitalist dominated market, which was rapidly engulfing more of the productive life of the country and progressively transforming it. The highest echelons of Russia's internal market were increasingly dominated by the rapidly expanding large capitalist firms. On this basis, Lenin argued the country had demonstrably already entered a phase of capitalist development.

Warren was a close and approving reader of this early work of Lenin's, which he considered to reflect the better, early Lenin and the classical Marxist document most relevant to Third World countries in the 1970s.

He argued,

although the capitalist system was introduced [in the Third World] largely externally and often by force ... What was initially an external force quickly struck deep indigenous roots and manifested a vigorous internal momentum... [evidenced by] rising commercialization and the

³³⁸Rey, P.P., *Les Alliances de Classes*, Paris, Francois Maspero, 1973, cited in Chilcote, 'Introduction', in Chilcote (ed), 2000, p22; see also Patnaik, Prabhat, 'What Has Happened to Imperialism?', *Social Scientist*, Vol. 18, 6/7, 1990, p75; Freeman, 1996, p16; Ahmad, 2004, p45.

resulting social differentiation ... [and] expansion of wage labour³³⁹

This closely follows the argument Lenin put forward eighty years prior about Russia. However, Warren replaces Lenin's conclusion that capitalism was developing in 1890s Russia with his own conclusion that 1970s Third World societies were developing a form of capitalism *that would break free from imperialist domination*—rather a large jump.

Warren's work, in effect, argues that all types of capitalist growth are the same or will become so in time.

He tells us,

Successful capitalist development is here understood as that development which provides the appropriate economic, social and political conditions for the continuing reproduction of capital, as a social system representing the highest form of commodity production³⁴⁰

That is, "successful capitalist development" is that which reproduces capitalism—a position held in common with the "modes of production" writers.³⁴¹

For Warren, the new productive forces in the Third World were "becoming remarkably like that of the developed economies".³⁴² Predating contemporary 'rising China' arguments, Warren stated,

the kernel of truth is rapidly dissolving [in the] conceptual division of the world into developed and underdeveloped countries [because] international economic change has been so rapid and sweeping ... The present situation could more appropriately be conceptualized as a spectrum of varying levels, rates, and structures of national development, one in which the positions of individual countries are constantly shifting.³⁴³

On this basis, Warren held wildly inaccurate development expectations. He argued, "the prospects for successful capitalist economic development (implying industrialization) of a

339 Warren, 1980, p252–3.

340 Warren, 1973, p2.

341 As early as 1974, McMichael et al had already pointed out, in response to Warren, that the presence of "industrial growth in the Third World is clearly not at issue—rather the problem is the character of this industrial growth, and what it expresses about international capitalist development, and the structural contradictions inherent in the process of (worldwide) capital accumulation", McMichael et al, 1974, p84; As is suggested Frank's seminal concept of "The Development of Underdevelopment", the position of dependency theorists such as Frank was not about whether Third World societies were capitalist but the specific *character* of post-war Third World capitalist development.

342 Warren, 1980, p151.

343 Warren, 1980, p190; see also p170; This conclusion concurs with Harris, Nigel, *The End of the Third World: Newly Industrializing Countries and the Decline of an Ideology*, London, 1987, p202; Willoughby, 1986, p54. For a critique, see McMichael et al, 1974, p85, however McMichael et al, do not perceive the need for analysis of the labour process, only of differentiated accumulation.

significant number of major underdeveloped countries are quite good".³⁴⁴ Brazil, Zaire, Colombia, South Korea, Taiwan and Peru were all named in this context. Now, The Democratic Republic of the Congo (formerly Zaire), Peru, Brazil and Colombia—can hardly be said to have escaped underdevelopment. Nor have most of the other nations in the world. Yet equating growth of capitalist commodity production with social progress is not a theoretical innovation. That capitalism *equals* progress is a bourgeois outlook almost by definition. Warren's innovation was only to provide a 'Marxist' justification for such a position. This was the reason Frank dismissed Warren's 1974 article as "part and parcel of a reactionary counter-offensive, not only from the right, but unfortunately also on the part of much of the left".³⁴⁵ Warren's 'Marxism' thus appears as a version of modernisation theory, not even necessarily a social democratic version, hardly distinguishable, at least in broad outline, from the basic path espoused by Rostrow.³⁴⁶

The Warren consensus and Brewer

Against Marx, but following Marx's opponent Malthus, Warren thought "mass unemployment, chronic underemployment, shanty towns, gross overcrowding, pressure on the land and so on" in the Third World are not a result of capitalism but "stem from population growth".³⁴⁷ Lenin, we are told, had "underestimate[d] the genuineness of Western bourgeois democracy"³⁴⁸ because "Capitalism and democracy are ... linked virtually as Siamese twins."³⁴⁹ Rather surprisingly for a 'Marxist', we are told, "in the last analysis the material welfare of the population [not profits as Marx argued] is the aim of [capitalist] economic growth".³⁵⁰ Logically therefore, according to Warren, we should seek "a more efficient and humane capitalist development instead of the inappropriate imposition of a welfare approach and a Soviet-style model on countries lacking both the requisite advanced economic basis for the welfare state and the communist leadership required for the soviet model".³⁵¹

For contemporary Marxists self-identifying as revolutionaries—such as Callinicos—or those seeking to influence progressives and Third World readers, associating oneself too closely with Warren was obviously fraught. As Foster-Carter observed, Warren's "quite brutal and arrogant

344 Warren, 1973, p3.

345 Frank, Andre Gunder, 'Dependence is Dead, Long Live Dependence and the Class Struggle: An Answer to Critics', *World Development*, 5, 4, 1974, p102, cited in Kay, 1989, p180.

346 Rostow, 1960; Warren adopts the stages view of modernisation theory explicitly throughout his work, e.g. Warren, 1980, p134. A likeness can also be made to Bernstein, who argued "we will condemn and oppose certain methods of subjugating savages but we will not condemn the idea that savages must be subjugated and made the conform to the rules of higher civilisation", Bernstein, 'Edward, German Social Democracy and Turkish Troubles', *Die Neue Zeit*, 15, 1, 14 October, 1896, cited in Day and Gaido, 2012, p11; Barone also notes that Warren does not move beyond the sphere of circulation into the sphere of production Barone, 1985, p144, something consistent with most modern writing.

347 Warren, 1980, p113.

348 Warren, 1980, p100.

349 Warren, 1980, p28.

350 Warren, 1980, p129.

351 Warren, 1980, p254–5.

Eurocentrism" represented a "sort of extreme right wing Marxism ... presenting a virtually unqualified paean of praise to capitalism and imperialism as engines of historical progress, both material and cultural."³⁵² Thus it has been an ongoing dilemma that he is the pioneer of contemporary Marxist thinking on imperialism.

The dilemma has been addressed by giving disproportionate praise and reference not to Warren's book itself but to Brewer's like-minded but more tactful book published the same year. Brewer advances similar essential positions but excludes, refines or rephrases some of Warren's most outrageous political conclusions. As Brewer himself says, while "Warren's tone is at times irritatingly Panglossian ... his main conclusions cannot be denied, capitalist growth in the Third World in the post-war period has been a striking success".³⁵³ Brewer thought, "perhaps it is the centre, not the periphery, which now has most to lose from participation in the capitalist world system".³⁵⁴ The entire last part of the second edition of his book (1990) reads as an extended defence of Warren's thesis.³⁵⁵

However, the question of attacking the leader of the Russian revolution is handled with great sensitivity. Brewer's work rejects Lenin's theory, not—as Warren does—via direct confrontation with the theory itself but rather by criticising what he presented as misunderstanding and sycophancy surrounding it. According to Brewer, Lenin was "not claiming to be doing more than gather[ing] together" the ideas of Hilferding and Hobson. Accordingly, "to argue the work contains no important theoretical innovations is not, therefore, a criticism of Lenin, but of the orthodox Marxist tradition that has turned the work into a sacred text".³⁵⁶ No reference to any of Lenin's work is given for this convenient interpretation. Brewer's approach has the added safety of discouraging anyone from reading Lenin. This unreferenced, respectful, evasive side-step method of rejecting Lenin appears to be Brewer's chief contribution—one adopted time and again in contemporary work.

Brewer's book was applauded, reprinted, and remains widely available today. In one of many glowing academic reviews of its original publication, Blaug exclaimed "what a pleasure it is to read!"³⁵⁷ Today, Callinicos goes further,

[the study of] the classical theory of imperialism in particular is greatly facilitated by the

352 Foster-Carter, Aidan, 'Book Review', *Marxism Today*, November 1981, p37; See Callinicos' awkward attempt at acknowledging Warren's theoretical positions while rejecting his political conclusions based in these same positions, Callinicos, 2009, p4–5.

353 Brewer, 1990 [1980], p282.

354 Brewer, 1990 [1980], p283–4.

355 Brewer, 1990 [1980], p276–284.

356 Brewer, 1980, p108–9; Horowitz makes the same points, see Horowitz, *Imperialism and Revolution*, Allen Lane, 1969, p51.

357 Blaug, Mark, Brewer, Anthony, 'Marxist Theories of Imperialism: A Critical Survey' [Book review]', *Economic Journal*, 91, 362, 1981, p598; for another positive review see Foster-Carter, 1981, p36.

existence of two outstanding works: A. Brewer, *Marxist Theories of Imperialism ...* and M.C. Howard and E. King, *A History of Marxian Economics*.³⁵⁸

Willoughby remarked on the "growing consensus among Marxian theorists that Lenin's definition must be abandoned" while deferring to Brewer's "clear criticism" to explain why.³⁵⁹ Praise and reference for Brewer implies he authored important criticisms of *Imperialism*. In reality his treatment of Lenin is brief and unoriginal. Warren's is the original, detailed and more honest work. Reluctance to acknowledge it arguably obscures the origins and nature of contemporary Marxist theory and, arguably, its adaption—via Warren—to bourgeois economics.³⁶⁰

Contemporary Marxist writing as neo Warrenite

Widespread first world Marxist agreement with Warren arguably stems, not from the bold flamboyance of his argument, still less from his theoretical seriousness, but arguably from the near universal failure of contemporary writers themselves to decisively break from the bourgeois economic view that capitalist commodity production leads to the development of advanced capitalism. Even Marxist authors who accept Third World exploitation as real are thus vulnerable to adopting the same general definitions as bourgeois writers.

Something similar to what Rostrow once called economic "take-off" is now a widely held expectation among contemporary Marxists—at least in regard to China. Harman, for example, approvingly quotes Warren's view that the countries in the Third World "could catch up with the West without breaking with capitalism".³⁶¹ One First World blogger even argued that, "from a Marxist perspective" we "cannot rule out a future Indian imperialism, or even a future imperialism centered in sub-Saharan Africa!"³⁶²

As Kiely points out, such "views concerning the equalization of accumulation sound suspiciously like neo-liberal interpretations of the global economy, in which convergence takes place through liberalization policies".³⁶³ Rapid GDP growth in the world's largest country—China—is seen from this perspective as irrefutable evidence that world power *must* be shifting. That GDP growth rates (and not type) are also the holy grail of bourgeois economic theory means such Marxist analysis has a never-ending stream of 'evidence' to confirm its thesis.

358 Callinicos, 2009, p232, 26, 39–40, 50, 52, 60, 104–5.

359 Willoughby, 1986, p7.

360 For example, Brewer's work is widely considered thorough, though the 300-page book begins its Lenin chapter on page 116 and ends it on page 123. Besides that, only scattered references to Lenin appear, mostly single sentence repeats of long established criticisms.

361 Harman, 2009, p189; see also Callinicos, 2009, p5.

362 Unknown, 'Is Russia Imperialist?', A Critique of Crisis Theory, [N.D.] critiqueofcrisistheory.wordpress.com/is-russia-imperialist/; full discussion on Marx's views on China are in chapter 4.4.

363 Kiely, 2010, p172.

Marxist rejection of Lenin

If Lenin's *Imperialism* were a new release, you probably wouldn't buy it based on academic reviews:

"Defective"³⁶⁴... "disturbing"³⁶⁵... "bickering".³⁶⁶

"not original at all and borrows practically everything from Bukharin".³⁶⁷

Written from "a dogmatic and rigidly deterministic standpoint",³⁶⁸ Lenin's work is "crude" and "buttressed by superficial observations by the bourgeois liberal propagandist Hobson". It became "obsolete... as soon as it appeared" and has been "clouding the issues in ambiguity", "distorting history" and "rejecting some fundamental precepts of Marxist economics" in a "logically and analytically lamentable" manner!³⁶⁹

In what is a "minor"³⁷⁰ and "marginal work which never had any scientific pretensions",³⁷¹ *Imperialism* exemplifies the "subordination of scientific exigencies to those of political activity".³⁷² The pamphlet was a "political polemic not a theoretical analysis" that "adds nothing new to the discussion of the concept".³⁷³

Lenin "makes little or no contribution to the development of a theory of imperialism".³⁷⁴ *Imperialism* "could hardly be termed a real theoretical advance",³⁷⁵ but may be a "theoretical failure".³⁷⁶ Not "a theoretical piece, even though it attempts a rather grand statement".³⁷⁷

364 Panitch and Gindin, 2004, p5.

365 Brewer, 1980, p110–11.

366 Harvey, 2007, p59.

367 Cliff, Tony, *Lenin 2: All Power to the Soviets*, Haymarket, 2004 [1976], ch.4; Gasper, Phil, 'Imperialism: The Highest Stage of Capitalism', *Socialist Worker* [US], 686, 04-12-2008; Brewer also falsely claims Lenin wrote a "laudatory" preface to Bukharin's book, see Brewer, 1990 [1980], p101.

368 Arrighi, Giovanni, *The Geometry of Imperialism: The Limits of Hobson's Paradigm*, New Left Books, 1978, p20, cited in Callinicos, 2009, p44.

369 Warren, 1980, p4, 67, 48–49; Callinicos, 'The multiple Crises of Imperialism', *International Socialism*, 144, 2014.

370 Brewer, 1990 [1980], p116.

371 Emmanuel, 'White-Settler Colonialism and the Myth of Investment Imperialism', *New Left Review*, 73, 1972, p36.

372 Arrighi, Giovanni, *The Geometry of Imperialism: The Limits of Hobson's Paradigm*, Verso, 1978, cited in Warren, 1980, p91.

373 Tomlinson, J, 'Finance Capital', in Eatwell et al, (eds), 1990, p190.

374 Brewer, 1990 [1980], p116.

375 Howe, Gary N., 'Dependency Theory, Imperialism, and The Production of Surplus Value on a World Scale', *Latin American Perspectives*, 8, 3–4, 1981, p99.

376 Harvey, 2007, p59.

377 Zarembka, Paul, 'Lenin as Economist of Production: A Ricardian Step Backwards', *Science and Society*, 67, 3,

Founded on a "fundamental mistake that has, ever since, continued to plague proper understanding",³⁷⁸ Lenin's "pamphleteering"³⁷⁹ is essentially a "popularisation of earlier writing",³⁸⁰ yet somehow "monumentally confusing".³⁸¹

"Underconsumptionist",³⁸² "following the reductionist logic of the early 20th century theorists",³⁸³ Lenin elaborates a "linear analysis"³⁸⁴ that reflects a "confusion of the rules of scientific work with those of political activity".³⁸⁵ Without "much to say about what was then considered the undeveloped world",³⁸⁶ *Imperialism* cannot "adequately describe contemporary capitalist developments".³⁸⁷

Lenin's "imprimatur"³⁸⁸ was "completely at odds with the economic patterns that developed after 1945"³⁸⁹

"his very loose writing... has sown much confusion... This was especially unfortunate."³⁹⁰

The historical career of important works of art and science suggest bitter hostility—such as that against Lenin's *Imperialism*—might be understood as testament not to weakness but strength. The severity of hostility reflects its potency in hitting on the raw nerves of accepted wisdom, and especially of those ideas most important to the ruling ideology. Galileo received some poor reviews too.

However, despite its apparent inadequacies—in no small part because contemporary Marxism has found nothing to replace it with—*Imperialism* refuses to die, and must still be dealt with. Gasper, being an active Socialist, is far more polite. He finds that Bukharin and Lenin "did a remarkably good job" at explaining the *first half* of the 20th Century.³⁹¹ While, for Harman the "enduring power" of Lenin and Bukharin's writings "lies in the way in which they still

2003, p279.

378 Panitch and Gindin, 2004, p5.

379 Harvey, 2007, p59.

380 Chilcote, Ronald, 'Imperialism: The Highest Stage of Capitalism—VI Lenin', in Chilcote, 2000, p85.

381 Willoughby, 1995, p332.

382 Brewer, 1980, p118–119; see also Callinicos 2009 p47, 52; Brown, Michael Barratt, 'A Critique of Marxist Theories of Imperialism', in Owen and Sutcliffe, (eds), 1972, p53.

383 Willoughby, John, 'Assessing Lenin's Theory', in Chilcote, 2000, p173.

384 Avineri, Shlomo, 'The Roots of Imperialist Theory in Marx', in Chilcote, 2000, p129.

385 Arrighi, Giovanni, *The Geometry of Imperialism*, New Left Books, 1978, cited in Semmel, Bernard, 'Arrighi's Imperialism', *New Left Review*, 118, 1979, p73.

386 Munck, Ronaldo, 'Dependency and Imperialism in Latin America: New Horizons', in Chilcote, (ed), 1999, p142.

387 Willoughby, John, 'Early Marxist Critiques of Capitalist Development', in Chilcote, (ed), 1999, p126.

388 Shaikh, Anwar, *Capitalism: Competition, Conflict, Crises*, Oxford University Press, 2016, p353.

389 Callinicos, 2009, p179.

390 Mohandesi, Salar, 'The Specificity of Imperialism', *Viewpoint*, February 1, 2018.

391 Gasper, Phil, 'Imperialism: Lenin and Bukharin', (Speech), *Socialism 2008*, Chicago; Harman, 2003; Callinicos, 2009, p50–52.

provide an explanation, like no other, of the whole of what has been called the '30 years war' of the twentieth century ...[1914-1945]".³⁹² The "enduring power" in other words, has not endured.³⁹³ *Imperialism*, Callinicos reassures us, is more than an outdated pamphlet" and Marxists must "continu[e] to engage with [Lenin's] arguments, even if we may choose to criticize or even reject many of his assumptions and conclusions".³⁹⁴ Following Brewer and Harvey, Callinicos reasons, "*Imperialism* was not intended to be a definitive scientific study but rather, as its subtitle declares, a 'popular outline'".³⁹⁵

Parallel to the decline of anti-imperialist mass struggle, working class struggle and the left, in academic writing Lenin had already become marginal by the early 1980s. Not long prior, the opposite appeared true. In 1972, Owen and Sutcliffe thought, "it is Marxist writing, and in particular that of Lenin, which dominates the question of imperialism".³⁹⁶ The previous year, Emmanuel attacked what he saw as a far reaching "quasi-religious" devotion to Lenin's *Imperialism* among Marxists,³⁹⁷ while Kiernan's 1974 *Marxism and Imperialism* claimed that Lenin's *Imperialism* had been "Elevated... to the level of a canonical text containing all needful or admissible truth on the subject ...".³⁹⁸ However, by the end of that decade, any suggestion that Lenin's theory was the prescribed wisdom among academic Marxists had ended.³⁹⁹

Arrighi's 1978 *The Geometry of Imperialism* described the Marxist theory of imperialism as a "Tower of Babel" around which nobody knew their way.⁴⁰⁰ Warren and Brewer's books both appeared in 1980 on the cusp of the neoliberal offensive. These received an immediate widespread warm reception—suggesting no large "quasi-religious" adherence to Lenin's views then remained.⁴⁰¹ Marshall describes how, by the early 1980s, a "new consensus" had developed, according to which, Lenin's work was seen as previously having been treated with a "reverence it does not deserve".⁴⁰² Barone, who in the early 1980s still defended Lenin, was

392 Harman, 2003.

393 Gasper, Phil, 'Obama, Imperialism and Capitalism', *International Socialist Review*, 78, 2011.

394 Callinicos, 2009, p66.

395 Callinicos, 2009, p43. This is a restatement of Brewer who wrote three decades earlier that Lenin was "not claiming to be doing more than gather together" the ideas of Hilferding and Hobson, see Brewer, 1980, p108.

396 Owen and Sutcliffe, in Owen and Sutcliffe, (eds), 1972, p13.

397 Emmanuel, *White Settle Colonialism*, p36.

398 Kiernan, 1974, p63.

399 Foster-Carter, 1981, p37.

400 Arrighi, Giovanni, 1978, cited in Semmel, 1979, p73.

401 Barone's 1985, *Marxist Thought on Imperialism: Survey and Critique*, in contrast to Brewer, is sympathetic to Lenin's perspective. However, as a general survey of all Marxist thought on imperialism, it is restricted to relatively brief comments on Lenin and has received nothing like the warm reception and lasting influence afforded Brewer.

402 Marshall, Alexander, 'Lenin's Imperialism Nearly 100 Years on: An Outdated Paradigm?', *Critique: Journal of Socialist Theory*, 42, 3, 2014, p317–18.

a rare exception, yet he subsequently shifted the focus of his work towards domestic class structure inside the imperialist world.⁴⁰³

The new consensus against Lenin appears to coincide with an almost total collapse of new academic Marxist work on imperialism of any variety. Between Warren's *Imperialism* (1980) and Harvey's *New Imperialism* (2003), there has been no important new work. Chilcote observed in the late 1990s that, "few contemporary writers explicitly search for earlier ideas and build [imperialism] theory on past debates".⁴⁰⁴ Marxist rejection of Lenin's *Imperialism* agrees, often even in terminology and style, with its rejection by heterodox writers, though the latter often have their own champions. Nowell, for example, argued that Hilferding's work is "more intellectually integrated and rigorous than other classic contributions" including Lenin's.⁴⁰⁵

There is no widely known influential elaboration, sustained defence or application of Lenin's imperialism in academic or non-academic literature. Nor is there any popular explanation of contemporary imperialism that incorporates Lenin's framework. No well-known journal, magazine or book defends Lenin's theory. It is mostly left to *MR* and a small number of individuals to defend Lenin's central proposition of imperialist exploitation. As argued, none do so in a manner consistent with Lenin's theory.

The upturn in writing that occurred around the 2003 Iraq invasion, including Harvey's *New Imperialism*, saw no need to rethink Lenin's *Imperialism*. As Chibber noted in 2005,

[compared with the 1970s, which he says] was the occasion for a rediscovery of Lenin, Luxemburg, Bukharin and other thinkers of the Third International, much of the current body of work is moving toward a rejection, or at any rate drastic modification, of leading elements of their legacy.⁴⁰⁶

For Harvey, contemporary developments go beyond the scope of Lenin's theory.⁴⁰⁷ Thus *New Imperialism* draws theoretically from the non-Marxists Arendt and Arrighi as well as fellow geographers Smith and Luxemburg—but not Lenin.⁴⁰⁸ Lenin is even excluded from

403 Charles A. Barone, *Curriculum Vita*, 2008, see users.dickinson.edu/~barone/documents/Baronecv2008.pdf

404 Chilcote, 'Introduction', in Chilcote, 1999, p6.

405 Nowell, Gregory P., 'Hilferding's Finance Capital versus Wal-Mart World: Disaggregating the Dollar's Hegemony', *Perspectives on Global Development and Technology*, 8, 2–3, 2009, p315.

406 Chibber, 2005, p151.

407 Harvey, 2003, p46.

408 Marx gets more mentions in Harvey's 2003 work, but often it is to highlight Harvey's own "reformulation" of Marx's theory of the tendency of the rate of profit to fall (p87), relax Marx's assumptions used to outline the process of capital accumulation in capital (p144) in order to justify Harvey's theory of "accumulation-by-dispossession" and to highlight the perils of Marx's "lacunae" when formulating his theory of primitive accumulation (p179), see Harvey, 2003; Harvey's 2014 book *Seventeen Contradictions* refers to Marx throughout, though he rarely quotes Marx, except for 3–5 word phrases. In this way Harvey sets himself up as

Harvey's brief historical sketch dealing with opportunism in the second international, against which he was the principal political opponent.⁴⁰⁹

In a symposium discussing Harvey's work, Ashman pointed out,

[there is now] general agreement that the classical theorists of Imperialism, whose accounts are now nearly 100 years old, may be important reference points but they are not an adequate guide to the contemporary world.⁴¹⁰

This seems to miss the point, as no post-war Marxist could conceivably ever have held the classics as "an adequate guide to the contemporary world". Arguably, such an absurd counter-position serves to obscure the *disconnect* between contemporary and classical theory and the absence of any contemporary critique of Lenin.

In 2004, Panitch and Gindin counterposed their own "extension of the theory of the capitalist state" to Lenin's *Imperialism*.⁴¹¹ Their later book gives an unreferenced one-page critique spanning familiar academic criticisms of *Imperialism*—such as a supposed over-emphasis on capital export, "Finance capital" and having "extrapolated far too generally" from Germany of that time.⁴¹² But this is not presented as a critique of Lenin, rather as a critique of "theorists of imperialism writing at the beginning of the twentieth century".⁴¹³

Foster

In his 2007 discussion on imperialism theory, Foster argued

the concept of the imperialist world system in today's predominant sense of the extreme economic exploitation of periphery by center, creating a widening gap between rich and poor countries, was largely absent from the classical Marxist critique of capitalism.⁴¹⁴

This statement is ambiguous because "the imperialist world system in today's predominant sense" did not exist in Marx's time. Perhaps aware that Lenin, Bukharin and Luxemburg's classical Marxist critiques of imperialism can easily be shown to have emphasised "extreme economic exploitation of periphery by center", Foster concedes that Lenin in fact did

an interpreter of a Marx whom the reader is not directly introduced to.

409 Harvey, 2003, p44-5; Harvey's 2014 book mentions Lenin just twice, both times in passing, and only once in any way related to imperialism. That was simply to say, "Lenin famously saw capital moving into a new phase of monopoly power". Harvey then conflates Lenin's monopoly with Baran and Sweezy's concept, see Harvey, 2014, p193.

410 Ashman, Sam, 'Symposium on David Harvey's The New Imperialism: Editorial Introduction', *Historical Materialism*, 14, 4, 2006, p3.

411 Panitch and Gindin, 2004, p7.

412 Panitch and Gindin, 2013, p6.

413 Panitch and Gindin, 2013, p5.

414 Foster, 2007.

acknowledge "aspects of dependency and non-linear development",⁴¹⁵ but only in "traces".⁴¹⁶

Yet a reader of *Imperialism* will discover that Lenin specifically discussed,

the diverse forms of dependent countries which, officially, are politically independent, but in fact, are enmeshed in the net of financial and diplomatic dependence. We have already referred to one form of dependence--the semicolony. An example of another is provided by Argentina.

He goes on to differentiate the specific forms of "dependence" then present in Latin America, as distinct from that of Portugal. Obviously, Lenin's discovery of "dependence" (well before Baran) necessarily also implies forms of "non-linear development", for example "colony" or "semi-colony", even if he did not use Foster's favoured terminology. Despite this, Foster concludes that "the concept of the imperialist world system in today's predominant sense" had "its genesis in the 1950s, especially with the publication fifty years ago of Paul Baran's *Political Economy of Growth*";⁴¹⁷ it was Baran who developed "a systematic Marxian critique" of underdevelopment.⁴¹⁸

Consistent with the friendliness to Lenin characterising the latest upturn in anti-imperialist writing, Foster appeared to have changed his mind by 2015. He wrote, "the broad dependency tradition ... emerged soon after the First World War out of the broad framework provided by Lenin's theory of imperialism" and especially the second conference of the Comintern in 1920.⁴¹⁹ The article also promised to analyse contemporary "Imperialism of Monopoly-Finance Capital"—which raised the hope of at least a basic statement of how Foster sees MR's "Imperialism of Monopoly-Finance Capital" as fitting (or not) with Lenin's *Imperialism* and "monopoly finance capital". But no such critique is made. Instead we get a restatement of Foster's view, following Harvey, of an empirical trend towards "the shift of manufacturing industry in recent decades from the global North to the global South".⁴²⁰

In a long 2016 article, commemorating fifty years since the publication of Baran and Sweezy's *Monopoly Capital*, Foster makes no reference to Lenin except to portray Baran and Sweezy's work as seeking "to give a sharper meaning to what thinkers like Rudolf Hilferding and V. I. Lenin had referred to as 'finance capitalism' and 'the monopoly stage of capitalism'".⁴²¹

415 Foster, 2007.

416 Foster, 2007; this view follows Brewer who states Lenin "does not stress the obstacles which this development meets, nor does he stress its one sided and limited effects ...", Brewer, 1980, p113.

417 Foster, 2007.

418 Foster, 2007.

419 Foster, 2015.

420 This is followed by reiteration of Foster's financialisation thesis and brief quotation of Amin's five monopolies already discussed (ch.2.2).

421 Foster, John Bellamy, 'Monopoly Capital at the Half-Century Mark', *MR*, 68, 3, 2016.

Notably, neither Foster's year 2000 commemoration of Baran and Sweezy's *Monopoly Capital* nor his 2006 (fortieth year) version mention Lenin at all.⁴²² Evidently, for Foster, Baran and Sweezy's work is itself the modern articulation and/or successor of Lenin's *Imperialism*.

Yet their book itself mentions Lenin only twice, and there is no engagement at all with his theory of imperialism. The first mention, in the introduction, asserts that "neither Lenin nor any of his followers attempted to explore the consequences of the predominance of monopoly for the working principles and 'laws of motion' of the underlying capitalist economy", arguing it is therefore left to Baran and Sweezy to do so. The only mention of Lenin in the body text is simply to reject the term "state monopoly capitalism"; a term he used in a different work—*State and Revolution*.⁴²³ If there is an *implicit* agreement of Baran and Sweezy with Lenin that Foster understands, he has not explained it.

Other writers, besides Foster, involved in the recent upturn, who do make explicit theoretical formulations—i.e. Patnaik and Patnaik, Cope, Screpanti, Higginbottom and Smith—all propose theoretical alternatives to Lenin (ch.2.2). The sole exception—Probsting—as mentioned, is a little-known and non-academic writer. As noted, Smith's "value theory of imperialism" rejects monopoly, which, he says, "negate[s] the law of value",⁴²⁴ and stands as its "antithesis",⁴²⁵ though he chooses to do so not via a critique of Lenin's conception of monopoly but simply quoting Shaikh and leaving it at that.

The few other academic Marxists who endorse Lenin's *Imperialism* appear to have done little general work in the area. Sakellariopoulos and Sotiris, for example, simply recommend "a re-reading of Lenin's interventions" in order to develop "a theory of the specificity of capitalist non-territorial imperialism".⁴²⁶ Fuchs' also endorses a Leninist framework in exploring "whether contemporary society can be characterized as demonstrating a new form of the Marxist notion of imperialism and as informational/ media imperialism"⁴²⁷ (concluding that it can't).⁴²⁸ This may be useful in arguing the relevance of Lenin to the academic sub-field of media and communication studies but hardly solves the problem of imperialism more generally.

422 Foster, John Bellamy, 'Monopoly Capital at the Turn of the Millennium', *Monthly Review*, 51,11, 2000; Foster, 2006.

423 Baran and Sweezy, 1966, p66–67; Lenin, V.I., *The State and Revolution: The Marxist Theory of the State & the Tasks of the Proletariat in the Revolution*, [1918], Progress Publishers, 1964, ch.4, see www.marxists.org/archive/lenin/works/1917/staterev/

424 Smith, J., 2016, p217.

425 Smith, J., 2016, p222.

426 Spyros Sakellariopoulos and Panagiotis Sotiris, 'From Territorial to Nonterritorial Capitalist Imperialism: Lenin and the Possibility of a Marxist Theory of Imperialism', *Rethinking Marxism*, 27, 1, 2015, p104.

427 Fuchs, Christian, 'New imperialism: Information and media imperialism?' *Global Media and Communication*, 6,1, 2010, p33.

428 Because the information sector is "subsumed under finance capital and the continued importance of fossil fuel", see Fuchs, Christian, 'Information and media imperialism?', 2010, p56.

Another recent example of ‘agreement’ with Lenin is Screpanti's *Global Imperialism and the Great Crisis*. The author's critique proceeds from the absurd premise that Lenin accepted Kautsky's thesis of ultra-imperialism.⁴²⁹ Lenin is thereby enlisted as a supporter of Screpanti's own version of ultra-imperialism. Blaut might be considered a modern academic defender of Lenin (if in very general terms). Yet his most recent defence was published some twenty years ago.⁴³⁰ More recently, Marshal advocates a fresh look at Lenin's *Imperialism*, but does not do this.⁴³¹ Thus, individual exceptions notwithstanding, it appears the academic consensus against Lenin that Brewer identified in 1980 has largely held over the subsequent thirty-seven years of the neoliberal period.

Ignorance of Lenin's work

It is held that Lenin's *Imperialism* must be rejected owing to its theoretical weakness or limitations. Yet it is difficult to find substantive criticism of his work. We have seen above that none of Lenin's ostensible supporters who advocate a different or modified theory have offered a critique. Among Lenin's opponents, by far the most detailed critique is Warren, who (above) based his criticisms on mostly unsubstantiated caricature. Given the controversy surrounding Lenin's work, it is surprising to observe the paucity of actual discussion of, or even familiarity with *Imperialism* (let alone with Lenin's other relevant works, especially during the early Comintern period) beyond a few often quoted passages.

For example, a recent issue of *Viewpoint Magazine* was devoted to the question of imperialism. In attempting to give a contemporary definition, Mohandesi, though he provides no direct quotations, rejects Lenin's theory as economically determinist, before advancing his own view that "in the 21st century, we see a whole host of developed capitalist countries outside the conventional metropolitan core: India, China, Turkey, or Thailand, to name only a few."⁴³² No explanation is given as to what the writer means in describing these countries as "developed".

Lenin's central theoretical concept—Monopoly finance capital—for example, is erroneously presented by Brewer as representing the "dominance of bank capital over industrial capital".⁴³³ This is contrary to Lenin's explicit statements (ch.3.4). Proceeding from this error,

429 However, Lenin said, "development is proceeding towards monopolies, hence, towards a single world monopoly, towards a single world trust. This is indisputable, but it is also as completely meaningless as is the statement that 'development is proceeding' towards the manufacture of foodstuffs in laboratories. In this sense the "theory" of ultra-imperialism is no less absurd than a 'theory of ultra-agriculture' would be", Lenin, *Imperialism*, ch7; Screpanti, 2014, p47.

430 Blaut, J.M., 'Evaluating Imperialism I', *Science and Society*, 61, 3, 1997.

431 Marshal argues that to do so requires that Lenin's work must be "removed from a 1960s–1970s era 'north–south' debate over underdevelopment to which it never belonged", see Marshal, Alexander, 'Lenin's Imperialism Nearly 100 Years on: An Outdated Paradigm?', *Critique: Journal of Socialist Theory*, 42, 3, 2014, p328.

432 Mohandesi, 2018.

433 Brewer, 1990 [1980], p118; See ch3.3 of this thesis.

Brewer confuses Lenin's references to imperialism's "parasitism" with the parasitism of the finance sector, bank or money capital (i.e. finance capital as Brewer, not Lenin, understands it).⁴³⁴ The same writer also repeats the near universal exaggeration of Lenin's concern with capital export (ch.3.1).⁴³⁵

Modern opponents of Lenin generally reference other modern opponents of Lenin to substantiate their claims, when purportedly dealing with Lenin's work itself. This common procedure can lead to caricature heaped upon caricature. For example, in a single sentence Ahmad assumes as his point of departure two caricatures of Lenin. We are told "finance capital [today] is dominant over productive capital to an extent never visualized even in Lenin's 'export of capital' thesis".⁴³⁶ Yet both the separation of finance from industrial capital today and the formulation "'export of capital' thesis" represent common caricatures more than Lenin's actual work (chs.3.4 and 3.1).

Some writers attempt to deal with all or many of the classical theories of imperialism as if they are one. Wood, for example, gives a full page unreferenced outline of "the basic Leninist idea" of imperialism before concluding "the point is made most explicitly by Rosa Luxemburg", as if the two authors were in agreement.⁴³⁷ Alongside this treatment of Lenin, Wood repeats the common warnings against "uncritical application of Leninist principles".⁴³⁸ Another extreme conflation of "classical theories" comes from Panitch and Gindin, who, following Brewer, argue simultaneously against what they believe to constitute both Hobson's and Lenin's theories, asserting them to be fundamentally similar.⁴³⁹ Willoughby critiques Bukharin while referring to "the Leninists" and their "economic reductionist methodology".⁴⁴⁰

Article after book tends to succinctly repeat the same common points of rejection familiar to many academic works—Lenin's supposed over-emphasis on capital export, rejection of a caricature of Lenin's "finance capital", rejection of a caricature of monopoly, caricature of Lenin's meaning in presenting Marx's concept of capitalism's "highest stage" or claiming that, because there has been no World War Three, or alternatively because the Third World is now supposedly catching up, Lenin was either wrong, or has since become irrelevant (chs.3.1–3.4).

434 Brewer, 1990 [1980], p118.

435 Brewer, 1990 [1980], p117–122.

436 Ahmad, Aijaz, 'Imperialism of Our Time', *Socialist Register*, 2004, p44.

437 Wood, 2005, p126; However, commenting on Luxemburg's theory, Lenin said, "I have read Rosa's new book *Die Akkumulation des Kapitals*. She has got into a shocking muddle", see Lenin, 'Letter to L.B. Kamenev' [1913], Progress Publishers, 1968, www.marxists.org/archive/lenin/works/1913/mar/001bk.htm

438 Patriquin, Larry, (ed), *The Ellen Meiksins Wood Reader*, Brill, 2012, p290.

439 Panitch and Gindin, argue "The classical theories of imperialism developed at the time, from Hobson's to Lenin's, were founded on a theorization of capitalist economic stages and crises. This was a fundamental mistake that has, ever since, continued to plague proper understanding. The classical theories were defective in their historical reading of imperialism ...", see Panitch and Gindin, 2004, p5.

440 Willoughby, 1986, p17, 19; Milios and Sotiropoulos reject Lenin's theory though suggest Lenin's work did prefigure an obscure concept they call "Lenin's notion of the imperialist chain", see Milios and Sotiropoulos, 2009, p32.

The common justification for rejection without argument is asserting that Lenin's *Imperialism* represents an accepted dogma, even today. This assertion appears so widely accepted that repeating it can absolve the author from any pretence of rigour. For example, McNally in 2005 argues,

probably the greatest strength of the Panitch-Gindin position has been its critique of sterile repetitions of the Lenin-Bukharin theory of imperialism, as if it constitutes an adequate guide to the world in which we live today.⁴⁴¹

Yet McNally gives no examples of the "sterile repetitions" he perceives. The effect is to obscure the real level of ignorance now surrounding Lenin's work and to imply any attempt to challenge that is a stale dogmatic approach. Arguably, such an outlook reinforces Brewer's and others' reluctance to study Lenin, something which appears almost as an orthodoxy in itself.

McNally's work is significant because it is used as curricular text by the Trotskyist Fourth International's annual cadre training school.⁴⁴² Despite what you might expect from the article title, *Understanding Imperialism: Old and New Dominion*, it contains no references to Lenin or other classical writers. Only Wood, Harvey and Panitch-Gindin are referenced, all of whom reject Lenin's contemporary relevance. Thus Trotskyist students are presented with a consensus view that Lenin's theory is not usable for the modern era.⁴⁴³ McNally makes the unreferenced claim that "the biggest flaw in these [classical] theories of imperialism is that they saw territorial occupation by the major powers as a necessary feature of global capitalism".⁴⁴⁴ Yet, as will be shown, Lenin explicitly argued the opposite (ch.3.1). Overall, in a surprising number of cases, particularly among contemporary scholars, there is an apparent reluctance even to read, let alone contemplate or critically engage with the work of the leader of the Russian revolution.

441 McNally, David, 'Understanding Imperialism: Old and New Dominion', *Against the Current*, 117, 2005; McNally, David, *Monsters of the Market: Zombies, Vampires and Global Capitalism*, Brill, 2011. The latter contains no chapter on imperialism, nor a single mention of Lenin.

442 De Jong, Alex, 'Imperialism today' [Curricular document for Ecosocialist School], *International Institute for Research and Education*, Amsterdam, 23 November–14 December, 2013, see www.4edu.info/index.php/Imperialism_today_-_Alex_de_Jong; Smith finds an "almost universal desire to distance [contemporary] theories of 'new imperialism' from Lenin." Smith, John, 'What's new about "New Imperialism"' [unpublished?], 2007, p3, see ibrian.net/navon/paper/What_s_new_about__New_Imperialism_.pdf?paperid=15446486

443 Additional reading materials for the cadre training school include: Löwy, Michael, 'The Relevance of Permanent Revolution', *International Viewpoint*, 2000; Achcar, Gilbert, 'Balance-sheet of U.S. imperialism', *International Socialist Review*, 61, 2008 and Panitch, Leo and Gindin, Sam, 'Superintending Global Capital', *New Left Review*, 35, 2005. There are no classical texts used, despite the class purporting to cover Hilferding, Luxembourg, Lenin and Bukharin; Another active Marxist grouping presenting a similar rejection of Lenin is Workers Liberty: See Foster, Colin, 'The politics of globalisation and imperialism today', *Workers Liberty*, 212, [n.d.].

444 McNally, 2005.

Another popular argument is to say that Lenin's work is polemical *as opposed* to scientific.⁴⁴⁵ However, to make their own argument scientific, these writers would have to show which specific aspects of Lenin's *Imperialism* disregard scientific study for the purpose of political expediency. Otherwise the claim becomes a general notion that all polemical work is necessarily counterposed to science—arguably an outlook completely counterposed not only to Bolshevism but to Marx in his own time. If Marxism is a method that is both scientific and informs action, these must not be necessarily counterposed. Yet often it is considered enough merely to point out the fact that Lenin's work was polemical and *imply* that necessarily undermines its scientific character.

Harvey, this century, has made only the briefest reference to Lenin (though he did give a positive word for Warren) as outlined. Harvey's 1982 book, *The Limits to Capital*, makes multiple references to Lenin, but from the outset these are marred by terrible caricature. For example the first reference to Lenin is an unattributed apparent misquotations that Lenin supposedly wrote of "the highest stage of monopoly capitalism" and "shortly thereafter coined the expression 'state-monopoly capitalism'"⁴⁴⁶

Harman and Callinicos, being members of an organisation that describes itself as in the "Bolshevik tradition", devote more words to Lenin's theory. Yet, as seen, this was carried out largely by recycling negative caricatures of Lenin's work and rejecting it on this basis. Foster does not openly take issue with Lenin's theory. However, that he can get away with, I argue, adopting Lenin's terminology and *ostensibly* approving aspects of Lenin's theory, while in fact contradicting Lenin's essential content, and do so without any apparent protest coming from any quarter, speaks volumes for how far out of favour, and even out of view, Lenin's theory has become today.

In short, no well-known contemporary writer uses Lenin's work *as a theoretical starting point*, even critically.⁴⁴⁷ None of the key writers associated with the three tendencies identified is expert on Lenin. None demonstrate intimate knowledge of Lenin's work, yet many exhibit a striking habit of unsubstantiated paraphrase, caricature and reference, not to the original but to other contemporary or modern academics they agree with. Today there can be no serious talk of "reverence" for Lenin in academia, nor can fear that the latter is blocking the development of the Marxist theory of imperialism be justified.

445 Harvey, 2007, p5; and (hypocritically) Warren, as shown above.

446 Harvey, 1982, p138, p283, 289.

447 These views stand in stark contrast to previous generations of Marxists. Trotsky, for example argued, "it was Lenin who gave a scientific characterisation of monopoly capitalism in his *Imperialism*", see Trotsky, Leon, *Ninety Years of the Communist Manifesto, Fourth International*, 1948 [1938], available at www.marxists.org/archive/trotsky/1937/10/90manifesto.htm; Kemp notes, "while other Marxists of his generation made important contributions to the theory, it is undoubtedly to Lenin's work that supporters and critics alike turn if they wish to understand the nature of the Marxist theory." Kemp, Tom, 'The Marxist Theory of Imperialism', in Owen and Sutcliffe, 1972, p26.

If Lenin's *Imperialism* had been replaced with another Marxist theory, a more rigorous debate could have been expected. Yet no Marxist theory has even been suggested as a replacement, let alone debated or widely adopted.⁴⁴⁸ Harvey's New Imperialism is seen as the most detailed attempt to formulate a modern Marxist theory. But Harvey rejects imperialism as an analytical category and denies that he ever attempted to formulate its law as part of the laws of motion of capitalist society. In retrospect, Howe's (1981) view that "in the wake of the collapse" of what he called "the classical dependency paradigm" there remained "almost no theory" of imperialism in the Marxist sense, has, like Brewer's consensus against Lenin, remained intact to this day.⁴⁴⁹

The absence of any accepted Marxist theory, it has been shown, coincides with both a long down-turn in writing on imperialism and the widespread neo-Warrenite adoption of the bourgeois economic perspective that capitalist commodity production = advancement. Arguably, that these trends coincide with the marginalisation of Lenin's *Imperialism* is not mere coincidence but testament to the importance of that theory. In this view, it is the weakness of First World Marxism that underlies its divorce from imperialism theory, not, as Noonan says, the other way around.⁴⁵⁰ Rejection of Lenin was theoretically necessary in order to adopt the outlook consistent with Warren and bourgeois economic theory.

The Third postulate of this thesis—that Lenin's *Imperialism* has been overwhelmingly rejected not through detailed debate or consideration, but largely on the basis of caricature—has been shown. It was further suggested in the introduction that the Marxist currents identified have not replaced Lenin's *Imperialism* with any other Marxist theory of imperialism but instead tend to continuously lapse into non-Marxist definitions of imperialism and bourgeois expectations of capitalist development. It has been shown that is also the case, and that their lapses, so to speak, can be understood as part of the broader collapse of anti-imperialist movements and of social struggle.

448 Wood, for example, defines modern imperialism as a "unique mode of economic domination managed by system of multiple states", yet that could have applied to the Ottoman, Roman or Portuguese empires.

449 Howe, 1981, p88.

450 Noonan, following Arrighi, thinks that the decline of Marxist writing on imperialism was a result of its theoretical weaknesses in the 1970s ... a weakness that was to be redressed by the likes of Harvey, Panitch and Gindin, see Noonan, Murray, *Marxist Theories of Imperialism: Evolution of a Concept*, Ph.D Thesis, Victoria Univeristy, 2010, p221.

PART III. Lenin's monopoly finance capital

How did it come to pass that Lenin, writing during WW1, predicted both WW2 as well as, in general terms, the 'peace' that followed it? Either this was a remarkably lucky guess or Lenin had a firm understanding of some of the fundamental characteristics of the new epoch of monopoly capitalism.

The word 'imperialism' came into popular usage in Europe to describe the so-called 'carving up' of Africa and Asia by the European powers. This scramble for colonies and increasing inter-state rivalry was the main development in international politics from the mid-1880s, culminating in the outbreak of WW1.⁴⁵¹

Lenin aimed to give a Marxist definition to the cause of this change that could stand against competing bourgeois or reformist explanations which tended to view imperialism as a policy of military aggression, colonialism or war counterposed to another possible policy—a return to free competition or some form of it, or of a more peaceful "ultra-imperialism". As Lenin said in his debate with Kautsky, "Kautsky detaches the politics of imperialism from its economics".⁴⁵² Against this, Lenin argued imperialist aggression was an inherent tendency of the capitalist system in its new form. "Monopoly finance capital" (variously abbreviated as "monopoly capital", "finance capital" or simply "imperialism") was the key concept Lenin advanced.⁴⁵³

With the outbreak of WW1, the Social Democratic movement lurched to the right and suffered a split. An overwhelming majority of Socialist leaders and workers in Europe supported their own governments' war efforts. This completely divided workers along nationalist lines, isolating Lenin and his co-thinkers as a tiny minority. That every major Social Democratic party split along similar lines indicated to Lenin that the phenomenon must have a powerful material basis within the social structure of capitalism in the period.

Contra Harvey's depiction, Lenin was aware that no amount of "pamphleteering", i.e. agitation, against the political leadership of this great class collaborationist wave could have any hope of success unless it was grounded in a correct appraisal of the underlying material-

451 Lorimer, Doug, 'Introduction' in Lenin, *Imperialism: The Highest Stage of Capitalism*, Resistance Books 1999, p8; Hobsbawm, Eric, *The Age of Empire*, Vintage, 1989, p60.

452 Lenin, *Imperialism*, ch.7.

453 Lenin evidently did not place great importance on which words were used to designate the new period, so long as their meaning was clear. He argued, "The argument about words which Kautsky raises as to whether the latest stage of capitalism should be called imperialism or the stage of finance capital is not worth serious attention. Call it what you will, it makes no difference", Lenin, *Imperialism*, ch.7.

social basis of the phenomenon and was able to counterpose a course of action for the working class that was equally based in material-social realities. Such an accurate assessment is precisely what Lenin set about achieving. To this end, in 1915-16 Lenin undertook a systematic study of bourgeois and Marxist sources related to imperialism, concurrently with extensive study of Marxist philosophy and political economy.

In doing so, Lenin had three political objectives. They were to prove 1) that WW1 was "an annexationist, predatory war of plunder on the part of both sides";⁴⁵⁴ 2) that Kautsky's theoretical arguments on the nature of imperialism were "obscuring the profundity of the contradictions of imperialism and the inevitable revolutionary crisis to which it gives rise"⁴⁵⁵; and 3) a "causal connection" between the new imperialist stage of capitalism and the emergence of a "relatively stable opportunist, pro-imperialist, trend within the working-class movement of the 'advanced' capitalist countries"—which Lenin, following Engels, called the "aristocracy of labour".⁴⁵⁶ Lenin sought to achieve the first two objectives by proving the scientific validity of the concept of "monopoly finance capital" that represented capitalism's highest and last possible stage.⁴⁵⁷

Lenin's manner of expressing theoretical conclusions in *Imperialism* is very cautious. Only the most abstract, essential characteristics of the imperialist system—such as monopoly, parasitism, decay, exploitation, continuing commodity production, political reaction and increasingly acute social contradiction and conflict—were stated as essential features. His method involves considering in detail the concrete totality of the multiple and sometimes contradictory tendencies of his own time to arrive at a "composite picture" of the imperialist system. The contemporary reader wishing to utilise Lenin's work as a tool to help understand their own period in any detail is therefore ultimately required to draw their own composite picture based on concrete study. *Imperialism* provides only a general guide to do so. As Kemp noted, Lenin's "claims are modest and carefully qualified".⁴⁵⁸

This cautious manner perhaps disappoints many modern readers. Brewer and others mistake it as "untheoretical" or "almost meaningless logically" etc., as outlined.⁴⁵⁹ But had Lenin attempted to draw more *specific* conclusions about the *general* nature of imperialism beyond what he considered incontrovertibly or scientifically proven—i.e. had he made guesses—the work would likely have suffered from the kind of wrong generalisations of then contemporary

454 Lenin, V.I., Preface to the French and German editions of *Imperialism: The Highest Stage of Capitalism* [1920], Progress Publishers, 1963, see www.marxists.org/archive/lenin/works/1916/imp-hsc/

455 Lenin, *Imperialism*, Preface [1920].

456 Lorimer, in Lenin, 1999, p8–9.

457 The third claim—that of the labour aristocracy—is also derived from the monopoly super-profits made possible on this basis.

458 Kemp, in Owen and Sutcliffe, 1972, p27.

459 Warren, 1980, p71; see also Brewer, 1980, p116; Cliff, 1976, ch.4; Gasper, *Highest Stage*, 2008; Callinicos, 2009, p43; see also ch.2.3.

conditions that afflicts Bukharin, Hilferding and subsequent writers from the MR and IST whose definitions of monopoly—made more recently than Lenin's—have had to be either updated or forgotten (ch.3.4).

Given the substantial posse of Marxist writers and academic specialists who have for fifty years declared Lenin's *Imperialism* to be wrong and antiquated, it could be expected that countless errors and wrong expectations would have been uncovered from the text. No such list exists. Arguably, Lenin's opponents have discovered no categorical, wrong prediction or perspective. In place of that, various caricatures, arguably based on little evidence, are popularised and repeated. Most commonly it is argued that Lenin viewed colonialism as a necessary form of imperialist domination; secondly that *Imperialism* is "all about" capital export.

Lenin's "monopoly finance capital" is also routinely caricatured. Critiques ostensibly aimed at Lenin are in fact made using contemporary writers' own understandings of the words (as has already been suggested of Brewer). None of the three tendencies of contemporary Marxism outline their critique of Lenin with a sustained explanation of how exactly they understand Lenin's monopoly finance capital, nor does Amin, Smith or anyone else. The partial exception is Warren. Typically the word monopoly is dropped so "finance capital" can be presented in various ways inconsistent with Lenin's view, but reflecting contemporary views influenced by 'financialisation' (ch3.3). Where monopoly is mentioned, this often involves the assumption that it is counterposed to competition, or, as for Sweezy, Baran, Amin, Shaikh and Smith, counterposed to Marx's law of value (ch.3.4).

The same is true for the widespread rejection of Lenin's highest stage. Most writers miss that Lenin's concept of a "highest stage" of capitalism is taken directly from *Capital3*, viewing it instead as simple agitation or as a prediction of imminent capitalist collapse (ch3.2). It will be shown that Lenin's "monopoly finance capital" in fact sticks closely to the framework established by Marx in *Capital*. Thus, while theoretically formulating the arrival of a new capitalist epoch, Lenin's work arguably remains one of orthodox Marxism. This integration of earlier scientific achievements of Marx is arguably key to Lenin's ability to expand and deepen Marxist theory and take account of capitalism's ongoing development. It is also why his work has retained its relevance. In other words, like Marx's *Capital*, it is a scientific work that is basically correct.

Lenin's monopoly finance capital

Lenin's central concept —monopoly finance capital—and Lenin's detailed concrete elaboration of this concept, especially in chapter one of *Imperialism*, shows that, for Lenin,

monopoly of the *labour process* is the most essential basis of monopoly in general. Admittedly, Lenin did not directly state *how* monopoly over the labour process constitutes the basis for the monopolistic position of finance capital in general. However, in 1917, the idea that domination must be based in the labour process was still axiomatic among Marxists.

Within this framework, *Imperialism* elaborates four essential insights into the general character of capitalist imperialism that have been borne out by subsequent historical development: 1) monopoly is most essentially over highest labour productivity and highest labour processes (and through this domination of the labour process as a whole); 2) integration of all spheres of social life into this monopolistic competition; 3) monopolistic domination of non-monopoly capital; and 4) exploitation of the poor countries on this basis. For a fuller exploration of Lenin's understanding of monopoly see chapter 3.4.1.

Beyond this, *Imperialism* also articulates or strongly anticipates a range of general phenomena many of which are often taken for granted, such as the increasing domination of monopolies, the rise of TNCs, increasing importance of finance capital, confluence between state and capital, increasing state role, transition of the bourgeoisie to a *wholly* parasitic class and arguably (though not argued here) the consolidation of a labour aristocracy in the imperialist countries. It was these profound material changes in capitalism and the profound crises that this transition provoked which provided the social conditions that made Lenin's scientific study possible and necessary.

Chapter 3.1. Prevalent caricatures of Lenin's monopoly finance capital

By elaborating the caricatures presented by Marxist writers and then refuting these via direct quotation of Lenin's writings, this section aims to undermine powerful ideas preventing even sympathetic contemporary Marxist writers from engaging with Lenin's *Imperialism*.

Capital export

Among the most pervasive caricatures of Lenin's work is the view that it is *predominantly* about the export of capital. The overwhelming majority of writers from the 1970s onwards, especially those opposed to Lenin's theory, subscribe to this view.⁴⁶⁰ Where evidence is given, it is usually a single isolated quotation without discussion about how this fit into the

⁴⁶⁰Even writers sympathetic to Lenin appear to take for granted the received view that Lenin saw capital export as the most fundamental aspect of his theory, see Smith, 2016, p232; Warren (1980) seems to be the latest Marxist to treat this subject in any sort of detail.

broader theory. I cannot find any writer who *shows* how exactly "capital export" forms the centrepiece of Lenin's theory or even how it fits within his theory.

Kidron popularised attacks on Lenin on this basis in the 1960s, using the unsubstantiated claim that Lenin thought "capital exports were the prime index of modern capitalism".⁴⁶¹ He argued, "In broadest outline, Lenin's thesis was that capitalism's maturity compels it to export capital on a large scale".⁴⁶² Kiernan too saw capital export as the "entire thesis" advanced by Lenin.⁴⁶³ Barrat-Brown tells us Lenin had argued, "it is the export of capital that is typical of monopoly capitalism and that requires the division and redivision of the world"⁴⁶⁴. For Shaikh, "The export of capital is the lynchpin of [the Marxist] theory of imperialism".⁴⁶⁵ Warren makes the unattributed claim, that "Lenin held that imperialism was essentially an economic relationship governed by the necessity for capital export",⁴⁶⁶ defining Lenin's theory as "the over-ripe, capital-export theory of imperialism".⁴⁶⁷ Howard and King argue "the entire Leninist conception of Imperialism as a stage of capitalism [was] dominated by export of capital"⁴⁶⁸ which was "among the weakest aspects of accepted theory".⁴⁶⁹

Closer to our own time, Callinicos, without reference, claims "the picture that Lenin had painted [was] of an imperialist system based on the export of capital to the colonies ..."⁴⁷⁰ Harman thought Lenin's book "*seemed* to make the whole theory of imperialism rest upon the key role of the banks in exporting financial capital".⁴⁷¹ Panitch and Gindin claim "early 20th century theories of imperialism" saw export of capital as itself imperialist.⁴⁷² Contemporary defenders of Lenin's theory, Clarke and Annis, have adopted the position that capital export represents "the quintessential imperialist activity".⁴⁷³

Rich to poor countries

A second misrepresentation is the claim that Lenin thought capital export occurred overwhelmingly between rich and poor countries. Brown, for example states, "for [Lenin] the

461 Kidron, 1962.

462 Kidron, 1962; for a bourgeois version of the same attack on Lenin written the previous year in very similar terms, see Fieldhouse, D.K., "Imperialism", An Historiographical Revision', *Economic History Review*, 14, 2, 1961, p195.

463 Kiernan, 1974, p42, 46.

464 Brown, 1972, p53.

465 Shaikh, Anwar 'The Laws of International Exchange', in Nell, Edward J.(ed.), *Growth, Profits and Property*, Cambridge University Press, 1980, p211; Chilcote also overstated Lenin's emphasis on capital export, see Chilcote, in Chilcote, (ed), 2000, p85.

466 Warren, 1980, p125.

467 Warren, 1980, p55; see also Emmanuel, *White-Settler Colonialism*, p48.

468 Howard and King, 1992, p191.

469 Howard and King, 1992, p121; Kay, 1989, p142.

470 Callinicos, 2009, p179, p153.

471 Harman, 2003.

472 Panitch and Gindin, 2013, 5–6; Panitch, Leo, 'Rethinking Marxism and Imperialism for the Twenty-first Century', *New Labour Forum*, 23, 2, 2014, p23; Marshal, 2014, p322; Amsden, in Eatwell et al, (eds), 1990, p208; Smith, J., 2016, p232.

473 Clarke, Renfrey and Annis, Roger, 'The Myth of "Russian Imperialism": in defence of Lenin's analyses', *Links*, 29–02–2016.

export of capital is from rich countries to poor".⁴⁷⁴ Kidron (and later Harman and Callinicos) claimed "Lenin's thesis" saw capital flows as "overwhelmingly from mature to developing capitalist countries". Kidron even claims "the truth of Lenin's reasoning [on imperialism] stands or falls by his picture of capital flows".⁴⁷⁵

Having presented Lenin's theory in this way, Kidron is then able to dismiss it as incorrect, arguing

current figures simply do not bear out Lenin's thesis. Capital does not flow overwhelmingly from mature to developing capitalist countries. On the contrary, foreign investments are increasingly made as between developed countries themselves.⁴⁷⁶

However, attributing to Lenin the position that capital export flows "overwhelmingly" from advanced to backward countries is completely false. Anyone who reads Lenin's chapter, "The Export of Capital" will find direct refutation of this caricature. Lenin's chapter provides a table that divides capital export from the main imperialist powers by destination region.⁴⁷⁷ On this basis he concludes, "French capitals are invested *mainly in Europe*", while German is "is divided most *evenly between Europe and America*" i.e. the US. Only in the case of Britain, Lenin tells us, the "principal spheres of investment ... are in British colonies" (which also includes Canada, Australia and other relatively advanced colonies).⁴⁷⁸ While it could be argued "Europe" at that time included backward capitalist economies, Lenin clearly does not see most capital flowing to Africa, China, the Middle East, etc.

Export of capital (including to the poor countries) was and remains *one* indispensable and characteristic feature of imperialism. However it is not "the lynchpin" of Lenin's theory, as Shaikh claims. In outlining his "conditional and relative" list of five "basic features" of imperialism, monopoly appears at the core of all five. As McDonough observes, "Lenin gives the emergence of monopoly a causative significance in the development of the rest of the basic features of imperialism".⁴⁷⁹ Export of capital is not first, but third on the list, which is

474 Brown in Owen and Sutcliffe, (eds), 1972, p63, p39.

475 Kidron, 1962; Harman, 2003; O'Brien, Patrick Karl, 'Global Economic History as the Accumulation of Capital Through a Process of Combined and Uneven Development: An Appreciation and Critique of Ernest Mandel', *Historical Materialism*, 2007, p95; Patsoura, Louis, *Marx in Context*, iUniverse, 2005, p256; Brown in Owen and Sutcliffe, (eds), 1972, p39–40, 63; Non-Marxist opponents of Lenin have picked up the same argument, see Knud, Erik Jørgensen, *International Relations Theory: A New Introduction*, Palgrave, 2010, p144; Amsden in Eatwell et al, (eds), 1990, p209.

476 Kidron, 1962.

477 The table gives totals for "distribution (approximate) of foreign capital in different parts of the globe". It thus expresses (in billions of marks) where combined capital exports from Great Britain, France and Germany ended up as follows: Europe—45, "America"—51 and "Asia, Africa and Australia"—44, see Lenin, *Imperialism*, ch.4.

478 Lenin, 1917, ch.4.

479 McDonough, Terrence, 'Lenin, Imperialism, and the Stages of Capitalist Development', *Science and Society*, 59, 3, 1995, p354; The five features are: "(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank

ordered causally. Each of the five features is the subject of one of the ten chapters in Lenin's book. The chapter, "Export of Capital" is the shortest of all, containing less than 1500 words (compared with 15,000 words devoted to explaining the concentration of capital and formation of finance capital).⁴⁸⁰

Elsewhere, Lenin gives the "briefest possible definition of imperialism" not as "capital export". Rather, Lenin argues "imperialism is the monopoly stage of capitalism. Such a definition would include what is most important ..."⁴⁸¹ For this reason, monopoly appears as both first of the five "principal features", and the single feature running through all the others, dominating Lenin's overall view.

In the chapter "The Parasitism and Decay of Capitalism", Lenin says "the export of capital, [is] *one of* the most essential economic bases of imperialism ...". In "The Place of Imperialism in History", Lenin's only reference to capital export comes in this sentence:

To the numerous 'old' motives of colonial policy, finance capital has added the struggle for the sources of raw materials, for the export of capital, for 'spheres of influence,' i.e., for spheres for profitable deals, concessions, monopolist profits and so on, and finally, for economic territory in general.⁴⁸²

Capital export had greatly accelerated in Lenin's time. For this reason it was a point of emphasis not only for Lenin but for most Marxists writing about imperialism before WW1, as can be seen in multiple instances published by Day and Gaido's compilation. Karski, for example, argued "Capital exports have become *the most important* economic means for the conquest of the world by capital".⁴⁸³

capital with industrial capital, and the creation, on the basis of this "finance capital", of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed", see Lenin, *Imperialism*, ch.7.

480 In the document as a whole, Lenin makes around twenty-five references to "capital export", "exporting capital" etc. These are mostly contained in the short chapter on that topic. There are 208 mentions of "monopoly", "monopolies" etc.

481 Lenin, *Imperialism*, ch.7.

482 Lenin, *Imperialism*, ch.10.

483 Marchlewski, Julia B. (Karski), 'Imperialism or Socialism? Imperialismus oder Sozialismus?': *Arbeiten über die Entwicklung des Imperialismus und den antimonopolistischen Kampf der Arbeiterklasse* [1919], in Day and Gaido, 2012, p506; Radek, Karl, 'German Imperialism and the Working Class', in Wolff, Kurt, In den Reihen der Deutschen Revolution 1909–1919: Gesammelte Aufsätze und Abhandlungen von Karl Radek, in Day and Gaido, 2012, p532; Lench, Paul, 'Militia and Disarmament', *Die Neue Zeit*, 30, 2, 1912, in Day and Gaido, 2012, p573; Bauer, Otto, *The Question of Nationalities and Social Democracy*, [2007], University of Minnesota, 2000, p385; Cunow, Heinrich, 'Trade Agreements and Imperialist Expansion Policy', *Die Neue Zeit*, 18, 2, 1900, in Day and Gaido, 2012, p190–1; Cunow, Heinrich, 'American Expansion Policy in East Asia', *Die Neue Zeit*, 20, 2, 1902, in Day and Gaido, 2012, p209; Parvus (Helphand, Alexander) 'Before the 'Hottentot Elections' in Parvus', *Die Kolonialpolitik und der Zusammenbruch*, Leipzig, Leipziger Buchdruckerei Aktiengesellschaft 1907, in Day and Gaido, 2012, p329. Parvus (Helphand, Alexander), 'Colonies and Capitalism in the 20th Century', in Parvus, *Die Kolonialpolitik und der Zusammenbruch*, in Day and Gaido, 2012, p345; Bukharin, *Imperialism and World Economy*, [written 1915 and 1917], Lawrence Martin, London, [n.d.], p102–3.

For Lenin, by contrast, capital export appears as just one aspect of imperialist expansion, one that is theoretically subordinate to "profits" and "economic territory in general". As Bose notes,

Lenin's theory of imperialism, which focused on the concentration of capital under monopoly capitalism, underlined the need for capital to look for an ever larger theatre of operation arising out of its growing concentration.⁴⁸⁴

This involved export of capital along with other activities, such as increased trade in raw materials, which, as Barone notes, often required capital investment in infrastructure like ports and rail in order to be brought to market.⁴⁸⁵ As Lenin says, "The export of capital thus becomes a means of encouraging the export of commodities".⁴⁸⁶

Lenin emphatically *rejected* the idea that export of capital is *the* central question in understanding imperialism. In debating revisions to the Bolsheviks' program in 1917, Lenin argued against a revision proposed by Sokolnikov that would have defined imperialism principally as "export of capital". In Lenin's view, if the program were to begin with a characterisation of imperialism, "we must begin with the characterisation of imperialism as a whole—and in that case we must not single out only the 'export of capital' ", complaining that "Comrade Sokolnikov inserted *a bit* of the definition of imperialism (the export of capital)".⁴⁸⁷

Howard and King claimed that "the classical Marxists (besides Luxemburg) identified the export of capital as the fundamental mechanism by which metropolitan capitalism exploits the periphery."⁴⁸⁸ Lenin nowhere states that export of capital is "*the* fundamental mechanism". It is true that capital export is the principal *example* given in *Imperialism*. However, this may have been simply that it was convenient as an example, because one can find figures in bourgeois sources stating the magnitude of imperialist profits on this basis. As a route to proving the exploitative character of the imperialist economies, this was probably the clearest at that time.

If profits on capital exports and "coupon clipping" (bonds) represented the principal or most transparent form of imperialist exploitation *in Lenin's era*, then he was more than justified in emphasising it. Lenin's work (and Bukharin's) also rightly emphasise the particular role of

484Bose, "New' Imperialism? On Globalisation and Nation-States', *Historical Materialism*, 15, 2007, p112.

485Barone, 1985, p49; Kemp, Tom, *Theories of Imperialism*, Dennis Dobson, 1967, p159.

486Lenin, *Imperialism*, ch.4.

487Lenin, V.I., *Revision of the Party Programme*, Progress Publishers, 1964 [1917].

488Howard and King, 1992, p182.

capital export in the initial establishment and early development of capitalist relations of production abroad—a highly important point.⁴⁸⁹ What Lenin didn't do is claim that capital export was the essential form or would remain the primary example for all time. It is the responsibility of later Marxists to explain subsequent forms of exploitation or changes in emphasis; something I argue is quite possible using Lenin's actual essential theoretical framework—monopoly finance capital.

Colonialism

Falsely presenting Lenin as having thought that imperialism was synonymous with colonialism, Kidron argued,

Taking Lenin's 'last stage' literally, colonial independence and the continuation of capitalism are incompatible. And yet we have both – in increasing quantities. Moreover, opposition to colonial independence, has had in most cases little of the spirit of the 'last ditch stand' one would expect from a society fighting for its existence.⁴⁹⁰

In his influential 1979 survey, *Theories of Underdevelopment*, Roxborough, too, incorrectly claims that Lenin saw a "necessary connection between colonies and monopoly capital".⁴⁹¹ The following year, Warren claimed "the theory of imperialism as elaborated by Lenin in 1916 had stressed that the entire system of exploitation on which modern (i.e. monopoly) capitalism was based rested on colonial exploitation".⁴⁹² A decade later, in their seminal work, *A History of Marxian Economic Thought*, Howard and King repeated the claim that Lenin saw colonialism as vital for imperialism.⁴⁹³

In the current century, Harman said "there was a real problem" with Lenin's theory because the very strength of Lenin's approach rested on its insistence that the great Western powers were driven to divide and redivide the world between them, leading to war on the one hand and direct colonial rule on the other. This hardly fitted a situation in which the possibility of war between Western states seemed increasingly remote and colonies had gained independence.⁴⁹⁴

489 Lenin argued "It is particularly important to examine the part which the export of capital plays in creating the international network of dependence and connections of finance capital." Lenin, *Imperialism*, ch3.

490 Kidron, 1962; Kidron, 1965.

491 Roxborough, Ian, *Theories of Underdevelopment*, Macmillan, 1979, p56.

492 Warren, 1980, p108.

493 Howard and King, 1992, p77.

494 Harman, 2003, p32.

For Callinicos, "the picture that Lenin had painted [was] of an imperialist system based on the export of capital to the colonies".⁴⁹⁵ Panitch and Gindin think "early 20th century theories of imperialism" did not understand the importance of informal empire.⁴⁹⁶ Ghosh argues Lenin took colonialism as a given.⁴⁹⁷ Foster, in a rare exception, following Magdoff, acknowledges Lenin did *not* see formal political control as necessary for imperialism.⁴⁹⁸

Lenin's response

It is true that Lenin emphasised colonialism as one important aspect of imperialism, and in his era this was arguably well justified.⁴⁹⁹ However, if he had viewed colonies as necessary to imperialism he probably would have said so. Yet in his famous five features that would be included in a definition of imperialism, "colonialism" is not mentioned. The fifth feature, which does not only refer to colonialism is this: "(5) the territorial division of the whole world among the biggest capitalist powers is completed".

In the corresponding chapter, Lenin wrote,

Finance capital is such a great, it may be said, such a decisive force in all economic and in all international relations, that it is capable of subjecting, and actually does subject to itself even states enjoying the fullest political independence.⁵⁰⁰

Lenin uses the term, 'division of the world', which is evidently interpreted by contemporary readers as denoting colonialism. However, as Lenin himself notes, the term was in fact the prevailing term in bourgeois economic literature of his time.⁵⁰¹ Lenin says,

Since we are speaking of colonial policy in the epoch of capitalist imperialism, it must be observed that finance capital and its foreign policy, which is the struggle of the great powers for the economic and political division of the world, give rise to a number of *transitional* forms of state dependence. Not only are there two main groups of countries, those owning colonies,

495 Callinicos, 2009, p179.

496 Panitch and Gindin, 2013, p5–6.

497 Ghosh, Jayati, 'The Creation of the Next Imperialism: The Institutional Architecture', *Monthly Review*, 67, 3, 2015.

498 Foster, 2003; Magdoff said, "The oversimplification which identifies imperialism with colonialism pure and simple neither resembles Lenin's theory nor the facts of the case", Magdoff, 2003, p45.

499 Similarly, Roy in 1920 argued "The economic interrelation between Europe and the colonies is *at the present time* the foundation of the entire system of capitalism. Surplus value, which was in the past produced in England, is at the present time produced in the colonies", Roy, Manabendra N., 'Supplementary Report on National and Colonial Questions to the Second Comintern Conference July, 26, 1920', in Riddell, John (ed), *The Communist International in Lenin's Time: Workers of the World and Oppressed Peoples, Unite! Proceedings and Documents of the Second Congress, 1920*, Vol.1, Pathfinder, 1991, p222; This general view can be seen as broadly in line with Marx's view which argued, "As long as capital is weak, it still itself relies on the crutches of past modes of production, or of those which will pass with its rise. As soon as it feels strong, it throws away the crutches, and moves in accordance with its own laws." Marx, Karl, *Grundrisse: Foundations of the Critique of Political Economy* (Rough Draft), [written 1953-61], Penguin / New Left Review, 1973, p582, see www.marxists.org/archive/marx/works/1857/grundrisse/

500 Lenin, *Imperialism*, ch.6.

501 Lenin, *Imperialism*, ch.5.

and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence, typical of this epoch. We have already referred to one form of dependence — the semi-colony. An example of another is provided by Argentina ... A somewhat different form of financial and diplomatic dependence, accompanied by political independence, is presented by Portugal ... Portugal is an independent sovereign state, but actually, for more than two hundred years ... has been a British protectorate.

Lenin opposes the view of Bukharin and others that national self-determination is impossible under imperialism. He says,

[it would be] a mistake to remove one of the points of the democratic programme, for example, the point on the self-determination of nations, on the grounds of it being 'impracticable' or 'illusory under imperialism'.

Arguing instead, “The contention that the right of nations to self-determination is impracticable within the bounds of capitalism ... is radically incorrect from the standpoint of theory”.

For Lenin,

it would be absurd to deny that some slight change in the political and strategic relations of, say, Germany and Britain, might today or tomorrow make the formation of a new Polish, Indian and other similar states fully 'practicable'.⁵⁰²

Elsewhere he argued,

The imperialist tendency towards big empires is fully achievable, and in practice is often achieved, in the form of an imperialist alliance of sovereign and independent—politically independent—states.⁵⁰³

Lenin emphasised,

Norway 'achieved' the supposedly unachievable right to self-determination in 1905, in the era of the most rampant imperialism. It is therefore not only absurd, but ludicrous, from the theoretical standpoint, to speak of 'unachievability' ... British finance capital was 'at work' in Norway before and after secession. German finance capital was 'at work' in Poland prior to her

502 Lenin, V.I., *Theses: The Socialist Revolution and the Right of Nations to Self Determination* [1916], Progress Publishers, 1966, see www.marxists.org/archive/lenin/works/1916/jan/x01.htm

503 Lenin, V.I., *A Caricature of Marxism and Imperialist Economism*, Progress Publishers 1964 [1916], ch.4, see www.marxists.org/archive/lenin/works/1916/carimarx

secession from Russia and will continue to 'work' there no matter what political status Poland enjoys. That is so elementary that it is embarrassing to have to repeat it. But what can one do if the ABC is forgotten?⁵⁰⁴ National struggle, national insurrection, national secession are fully 'achievable' and are met with in practice under imperialism. They are even more pronounced, for imperialism does not halt the development of capitalism and the growth of democratic tendencies among the mass of the population. On the contrary, it accentuates the antagonism between their democratic aspirations and the anti-democratic tendency of the trusts.⁵⁰⁵ [Yet] The domination of finance capital, as of capital in general, cannot be abolished by any kind of reforms in the realm of political democracy, and self-determination belongs wholly and exclusively to this realm.⁵⁰⁶ The imperialist era does not destroy either the striving for national political independence or its 'achievability' within the bounds of world imperialist relationships. Outside these bounds, however, a republican Russia, or in general any major democratic transformations anywhere else in the world are 'unachievable' without a series of revolutions and are unstable without socialism.⁵⁰⁷

Supporting such a revolutionary (bourgeois-democratic) course, Lenin wrote,

Socialists must [demand] the unconditional and immediate liberation of the colonies without compensation -- and this demand in its political expression signifies nothing else than the recognition of the right to self-determination.

Far from being refuted by achievement of national independence, Lenin's perspective clearly anticipated and strongly supported the anti-colonial revolutions that occurred in India, China, Indonesia and elsewhere after the second inter-imperialist world war.

Chapter 3.2 Imperialism as the highest stage of capitalism

One capitalist always kills many. Hand in hand with this centralisation, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the co-operative form of the labor-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labor into instruments of labor only usable in common, the economizing of all means of production by their use as means of production of combined, socialized labor, the entanglement of all peoples in the net of the world-market, and with this, the international character of the capitalistic regime.

Marx, 1867⁵⁰⁸

⁵⁰⁴Lenin, *Imperialist Economism*, ch.4.

⁵⁰⁵Lenin, *Imperialist Economism*, ch.4.

⁵⁰⁶Lenin, *The Right of Nations to Self-Determination*.

⁵⁰⁷Lenin, *Imperialist Economism*, ch.4.

⁵⁰⁸Marx, *Capital*, ch.32.

...it is highly possible that the forthcoming generation may witness an international of the capital so powerful that it will turn wars between western countries all but impossible.

Lenin, 1916⁵⁰⁹

It is generally thought that in describing imperialism as "the highest stage of capitalism", Lenin assumed that the system would imminently collapse. Alternatively he is thought to have assumed that one or another of the forms of imperialist rule present in his own period—such as colonialism—were essential characteristics of imperialism that could not be superseded under capitalism. Starting from these caricatures, the dramatic changes that have taken place since Lenin's time are assumed to so thoroughly rebuke his "highest stage" that no further evidence is needed.

However, these perceptions misunderstand Lenin's "highest stage". As mentioned, Kidron's *Imperialism – Highest Stage But One* wrongly understood Lenin's "last stage" as pertaining to colonialism.⁵¹⁰ A decade later, Sutcliffe argued Lenin's stages are

not so useful when the problem is not to explain the genesis of imperialist war (the First World War) but to observe the status of the underdeveloped countries [or the] laws of motion of modern imperialism as they affect the Third World.⁵¹¹

Assuming Lenin's highest stage to mean imminent revolution or collapse, Howe argues,

the imperialist structure of the late nineteenth and early twentieth century was, sadly, not the highest stage of capitalism, and Lenin gives us little indication of the essential dynamics of a [future] stage that [for Lenin] could not exist.⁵¹²

According to Brewer, Lenin "led Marxists astray for a long time. Since they thought capitalism was in the last throes of decay and dissolution".⁵¹³ Fuchs says, "when Lenin spoke of imperialism as 'parasitic decaying capitalism' or of imperialism as 'already dying capitalism', he meant that the end of capitalism is near".⁵¹⁴

Wood thought the "final stage" of capitalism "meant that capitalism would end before the non capitalist victims of imperialism were finally and completely swallowed up by capitalism" and

509 Lenin, *Notebooks on Imperialism*, p444.

510 Kidron, 1962.

511 Sutcliffe, Bob, 'Imperialism and Industrialisation in the Third World', in Owen and Sutcliffe, (eds), 1972 p172; Warren, 1980, p4; Horowitz also rejects Lenin's stages, see Horowitz, 1969, p50.

512 Howe, 1981, p88.

513 Brewer, 1990 [1980], p122.

514 Fuchs, Christian, 'Critical Globalization Studies and the New Imperialism', *Critical Sociology*, 36, 6, 2010, p864.

"where the main axis of international conflict and military confrontation would run between imperialist states".⁵¹⁵ Amin also understands Lenin's "Highest Stage" to mean the capitalist crisis he witnessed would be the last crisis.⁵¹⁶ Panitch and Gindin portray Lenin as having contended that "the process of globalization" is "impossible to sustain".⁵¹⁷

From a heterodox perspective, Kiernan makes the same argument: Lenin thought capitalism "ready in short to give up the ghost", something that made him unable to grasp the prospect of "welfare or prosperity capitalism" after WW2.⁵¹⁸ Callinicos, cautious to not create too much distance with Lenin, argues the original Russian title of Lenin's pamphlet was the "latest" not "highest" stage of capitalism and that it was changed only after his death.⁵¹⁹ However, the reference Callinicos gives for this claim is to a highly self-contradictory article by Foster which nevertheless admits that Lenin's handwritten manuscript of 1916 *was* entitled *Imperialism, the Highest Stage of Capitalism* after all!⁵²⁰ In fact Hilferding's not Lenin's thesis was "the latest phase of capitalism".⁵²¹

Besides the above direct caricatures of Lenin's formulation "highest stage", there is, as already shown (ch.2.3), a larger group of Marxists who view Lenin's *Imperialism* as dated. Screpanti, to give another recent example, says Lenin's *Imperialism* analyses what was "only a transitory phase".⁵²²

Multiplying new 'stages'

Certainly a lot has changed since Lenin's time, and it has become common for writers to attempt to 'periodise' the various stages after, before and during Lenin's era according to their own criteria. Arguably, this is often done with emphasis or over-emphasis given to particular phenomena or forms prevalent or novel at the time of writing.

Harvey, for example, eschews Lenin's "last stage" in favour of Arendt's periodisation.⁵²³ Harman argued "monopoly capitalism" was replaced in 1929 by "state capitalism".⁵²⁴ After

515 Wood, 2005, p126.

516 Amin, 2010, p116; Amin, Samir, 'Contemporary Imperialism', *Monthly Review*, 67, 3, 2015.

517 Panitch and Gindin, 2004, p5–6.

518 Kiernan, 1974, p41.

519 Callinicos, 2009, p44; Harman, 2009, p93.

520 Foster, 2004.

521 Hilferding, Rudolph, *Finance Capital: A Study of the Latest Phase of Capitalist Development* [1911], London, Routledge, 1981, see www.marxists.org/archive/hilferding/1910/finkap

522 Screpanti, 2014, p50, 55.

523 Arendt's periodisation corresponds better to Harvey's own view that the 1970s saw a transition to "accumulation-by-dispossession" as the principal mechanism of capitalist accumulation. According to Arendt and Harvey (defining their stages explicitly in opposition to Lenin's formulation), the period 1870–1945 was "the first stage in the political rule of the bourgeoisie rather than the last stage of capitalism", 1945–1970 was the second stage of "the political rule of the bourgeoisie" now operating under global US dominance and hegemony, with the era of "New Imperialism" occurring from the 1970s and throughout the neo-liberal era, see Harvey, 2003, p42–49.

524 Harman, 1984, p55, 62, 74.

1991, Harman briefly offered the term “trans-state capitalism” before abandoning it.⁵²⁵ For Callinicos, “classical imperialism” (1870-1945) was replaced by “superpower imperialism” (1945-1991) before being superseded by the rather non-descript “imperialism after the Cold War” (1991 onwards).⁵²⁶ Prashad subtitled his recent book, *The Enron Stage of Capitalism*, but, as if to underline the problem, then began it with a preface called “Why Not the Worldcom Stage of Capitalism” as that bankruptcy surfaced just prior to printing.⁵²⁷

There are also writers who view the ‘financialisation’ or neoliberal ‘globalisation’ as constituting a new stage. In 2006, Foster, following Sweezy, wrote “I will provisionally call this new hybrid phase of the system “Monopoly-Finance Capital”.”⁵²⁸ Patnaik's new stage is called “International Finance Capital”⁵²⁹. Screpanti argues that a new form, “Global Imperialism” (the last of five stages) has transpired where MNCs break free of the nation-state framework.⁵³⁰ Amin thinks capitalism's current form is called “generalized-monopoly capitalism” which started between 1975 and 2000.⁵³¹ For Petras and Veltmeyer, neoliberalism was replaced by “extractive capitalism”.⁵³² Smith says that “Neoliberal globalization must therefore be recognized as a new, imperialist stage of capitalist development”.⁵³³ It seems Foster was justified in claiming “it is now a universal belief on the left that the world has entered a new imperialist phase”,⁵³⁴ though it seems less clear what that phase is called, when it started or what it entails.

A multiplying collection of stages arguably implies many are arbitrary, descriptive and less analytical—like the proverbial two sociology professors debating whether there are five or seven distinct social classes in capitalist society. Any good student could make a case for each. There will always be important *changes* between any one point in time and another.⁵³⁵ Under capitalist imperialism these occur very rapidly as Lenin pointed out: “the forms of the struggle may and do constantly change in accordance with varying, relatively particular and temporary causes”.⁵³⁶ However, when Lenin wrote of the “highest stage” of capitalism, he was talking about a quite specific concept developed in Marx's *Capital*3.

525 Harman, 1991.

526 Callinicos, 2009, p. vi.

527 Prashad, Vijay, *Fat Cats and Running Dogs: The Enron Stage of Capitalism*, Zed Books, 2002.

528 Foster, 2006; Sweezy refers to “The Triumph of Financial Capital”, Sweezy, Paul, ‘The Triumph of Financial Capital’, *Monthly Review*, 46, 2, 1994; By 2010, Foster found it “doubly clear today that we are in a new phase of capitalism”, Foster, John Bellamy, ‘The Age of Monopoly-Finance Capital’, *Monthly Review*, 61, 9, 2010; Foster also describes a “new phase of financial imperialism”, Foster, John Bellamy, ‘The Financialization of Accumulation’, 62, 5, 2010.

529 Patnaik, 2010.

530 Screpanti, 2014, p9, 44.

531 Amin, 2015; Amin, 2010, p118.

532 Petras and Veltmeyer, 2015.

533 Smith, J., 2015.

534 Foster, 2015.

535 Carr, E.H., *What is History?*, Cambridge University Press, 1961.

536 Lenin, *Imperialism*, ch.5.

Lenin's time

The dizzying array of choice offered by contemporary Marxism contrasts with what appears to have been a Social Democratic consensus in Lenin's time that, as Karski put it, "a new period characterised by the deepest changes in the internal structure of capitalist production and in property relations"⁵³⁷ had come into being or was coming into being from around the turn of the century or the last quarter of the previous century. For Karski,

the organisational forms of industry have also changed completely. The independent capitalist, owning his own enterprise, is steadily disappearing. His place is taken by the corporation, in which employees are paid by capital to manage production.⁵³⁸

This observation was not unique to Social Democrats. As Schulze-Gaevernitz observed, Thirty years ago, businessmen, freely competing against one another, performed nine-tenths of the work connected with their business other than manual labor. At the present time, nine-tenths of this "brain work" is performed by officials.⁵³⁹

Earlier, Rothstein had argued (from a Marxist perspective) that the change to imperialism signalled a fundamental change in the political sphere, saying the South African war "represents a dividing line in English History";⁵⁴⁰ "Liberalism was doomed as a political principle the moment the first rivals entered the world-industrial arena."⁵⁴¹ The transition to the new area was also seen reflected in the reversal of the positions of the two major US parties. Bauer agreed:

the whole ideology of the capitalist class changes. The liberal bourgeoisie, which struggled against absolutist oppression, against feudal exploitation, against mercantilist constraint, loved liberty ... The modern bourgeoisie is different. It fears the working class of its own country and is determined to defend its property and its power, with force if necessary.⁵⁴²

Hilferding prefigured Lenin's later formulation (below) in 1903 when he argued that modern commercial policy had "ushered in the last phase of capitalism", which had become "the immediate precursor of socialist society because it is the complete negation of that [capitalist]

537 Marchlewski, 1919, in Day and Gaido, (eds), 2012, p499; Rothstein, Theodor, 'The South African War and the Decadence of English Liberalism', *Die Neue Zeit*, 19, 2, 1901, in Day and Gaido, (eds), 2012, p234.

538 Marchlewski, 1919 in Day and Gaido (eds), 2012, p500.

539 Schulze-Gaevernit, 'Die deutsche Kreditbank' in Grundriss der Socialekonomik, Tübingen, 1915, p151, cited in Lenin, *Imperialism*, ch2.

540 Rothstein, 1901, in Day and Gaido, (eds), 2012, p236.

541 Rothstein, 1901, in Day and Gaido, (eds), 2012, p235.

542 Bauer, 1907, p380; see also Bauer, Otto, 'National and International Viewpoints on Foreign Policy', 1909, in Day and Gaido, (eds), 2012, p50.

society; a conscious socialisation of all economic potentialities of modern society ..."⁵⁴³ It was also a general practice of both Social Democratic and bourgeois writers to refer to the new period as "imperialism".⁵⁴⁴ Debate at the time revolved around the characterisation of this new stage.

‘Capitalist production in its highest development’

As Lorimer pointed out,

Lenin did not have to invent a new theory to arrive at the conclusion that monopoly finance capitalism was the highest stage of development of capitalism. He merely had to show that the features that Marx had described as characteristic of this stage ... had become the dominant and typical form of capitalist business activity at the beginning of the twentieth century.⁵⁴⁵

This was not at all marginal in Marx's theory of social revolution. As Marx said in *Capital I*,

The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. Thus integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.⁵⁴⁶

While, Marx too may be accused by contemporary writers of wrongly assuming revolution was imminent, in fact he was simply applying a general theoretical point on the transition from one regime of social relations of production to another—i.e. of social revolution.⁵⁴⁷ It is clear from this quotation that Marx viewed capitalist monopoly as central to the transition from capitalist social relations to Socialism. Marx's "capitalist production in its highest development" provides his fullest formulation. With the formation of joint stock companies, Marx wrote,

Capital, which is inherently based on a social mode of production and presupposes a social

543 Hilferding, R, 'Der Funktionswechsel des Schutzzolles', *Die Neue Zeit*, 21, 2, 1903, in Day and Gaido, (eds), 2012, p349.

544 See, for example, Kautsky, Germany, England and World Policy, 1900, in Day and Gaido, (eds), 2012, p175.

545 Lorimer, 1999, p17; Marx, *Capital 3*, ch.27; Dobbs, Steve, 'Centenary of Lenin's Theory Of Imperialism: A Reply To Pete Glover', *Marxist World*, 2017.

546 Marx, *Capital I*, ch.32.

547 In his most complete general formulation of the revolutionary transformation from one regime of social productive relations to another, Marx famously wrote, "At a certain stage of development, the material productive forces of society come into conflict with the existing relations of production or—this merely expresses the same thing in legal terms—with the property relations within the framework of which they have operated hitherto. From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure", Marx, *Contribution to Critique of Political Economy*, [1859], preface, see www.marxists.org/archive/marx/works/1859/critique-pol-economy

concentration of means of production and labour-power, now receives the form of social capital (capital of directly associated individuals) in contrast to private capital, its enterprises appear as social enterprises as opposed to private ones. This is the abolition of capital as private property within the confines of the capitalist mode of production itself.

This involved,

Transformation of the actual functioning capitalist [active in production] into a mere manager, in charge of other people's money, and of the capital owner into a mere owner, a mere money capitalist.⁵⁴⁸ "Capital ownership" is now "completely separated from its function in the actual production process ... Profit thus appears as simply the appropriation of other people's surplus labour ..."⁵⁴⁹

This now purely parasitical capitalist, the "mere money capitalist" who has replaced his former function in the production process with professional management is the "finance capitalist" that Lenin later refers to. Notably neither here, nor in Lenin's work (next section) does the concept, in its essential form, have anything to do with the power of the banks or finance sector, as it has come to be commonly misunderstood.

Marx says,

In joint-stock companies, the function [of production] is separated from capital ownership, so labour is also completely separated from ownership of the means of production and of surplus labour. The result of capitalist production in its highest development is a necessary point of transition towards the transformation of capital back into the property of the producers, though no longer as the private property of individual producers, but rather as their property as associated producers, as directly social property. It is furthermore a point of transition towards the transformation of all functions formerly bound up with capital ownership in the reproduction process into simple functions of the associated producers, into social functions.⁵⁵⁰

This is the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction, which presents itself *prima facie* as a mere point of transition to a new form of production. It presents itself as such a contradiction even in appearance. It gives rise to monopoly in certain spheres and hence provokes state intervention. It reproduces a new financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system of swindling and cheating with respect to the promotion of companies, issues of shares and share dealings. It is private production unchecked by private ownership.⁵⁵¹

548 Marx, *Capital3*, ch.27.

549 Marx, *Capital3*, ch.27.

550 Marx, *Capital3*, ch.27.

The reader familiar with Lenin will recognise the closeness of Lenin's arguments (both of "highest stage" and the "financial aristocracy") to these passages.

Lenin's application

Lenin sought to demonstrate that the degree of socialisation that capitalist production had reached, already provided the social basis for social ownership and control. As Lenin put it,

[w]hen a big enterprise assumes gigantic proportions, and, on the basis of an exact computation of mass data, organises according to plan the supply of primary raw materials to the extent of two-thirds, or three-fourths, of all that is necessary for tens of millions of people; when the raw materials are transported in a systematic and organised manner to the most suitable places of production, sometimes situated hundreds or thousands of miles from each other; when a single centre directs all the consecutive stages of processing the material right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers... then it becomes evident that we have socialisation of production... that private economic and private property relations constitute a shell which no longer fits its contents.⁵⁵²

Lenin makes a similar point about monopoly:

we have seen that in its economic essence imperialism is monopoly capitalism. This in itself determines its place in history, for monopoly that grows out of the soil of free competition, and precisely out of free competition, is the transition from the capitalist system to a higher social-economic order.⁵⁵³

Taking over Marx's conception of the financial aristocracy, Lenin says

it is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of [monopoly] finance capital, is that highest stage of capitalism in which this separation reaches vast proportions.⁵⁵⁴

⁵⁵¹ Marx, *Capital*3, ch.27.

⁵⁵² Lenin, *Imperialism*, ch.10; Schumpeter argued, "Since capitalist enterprise, by its very achievements, tends to automatize progress, we conclude that it tends to make itself superfluous—to break to pieces under the pressure of its own success. The perfectly bureaucratized giant industrial unit not only ousts the small or medium-sized firm and "expropriates" its owners, but in the end it also ousts the entrepreneur and expropriates the bourgeoisie as a class which in the process stands to lose not only its income but also what is infinitely more important, its function." Schumpeter, Joseph, *Capitalism, Socialism and Democracy* [1942], Taylor and Francis 2003, p134.

⁵⁵³ Lenin, *Imperialism*, ch.10.

The large capitalists are completely removed from productive activity and replaced, as Lenin explains, by boards of directors, professional managers and technical staff. This is the very concrete historical sense in which such unflattering descriptors as "rentier", "financial oligarchy", "parasite" and "coupon clipper", when used by Lenin, are not only terms of abuse but attempts at accurate, scientific characterisation of a social class who has already fulfilled its historical social function and since become historically redundant. The idea that any of this indicates Lenin thought capitalism would necessarily be overthrown in the short-term is contradicted both in *Imperialism* and Lenin's other works. The "shell" of capitalist social relations referred to above, Lenin says, "may remain in a state of decay for a fairly long period (if, at the worst, the cure of the opportunist abscess is protracted)".⁵⁵⁵

Explaining why this contradictory social formation necessarily constitutes the last possible stage in the development of the capitalist social relations of production, Lorimer says

alienation of producers from ownership of the means of production is the inner relation which constitutes the essence of the capitalist form of commodity production. When, therefore, from being the inner relation connecting individual workers and individual capitalists in the production process, it becomes outwardly expressed as a fully-developed social antagonism—as a social conflict between the actual producers, associated by the production process into a collective individuality on one side, and the exploiting non-producers, equally associated by their ownership into a collective individuality opposite to theirs—it is obvious that (a) no further development of capitalist relations of production is possible; (b) that the social antagonism has become the starting point for a transition to a new social form of the productive process; and (c) that this starting point has its material basis and its general form in the positive and negative poles of the social antagonism itself, i.e., in associated production by associated owners for the satisfaction of their individual and common needs⁵⁵⁶

The origin of Lenin's "highest stage of capitalism" in Marx's "capitalist production in its highest development", and their closeness, has been almost completely lost in contemporary Marxist writing.⁵⁵⁷ Thus Marshal observes that "there are generally taken to be three classical

554 Lenin, *Imperialism*, ch.3.

555 Lenin, *Imperialism*, ch.10; Lenin, *The Position and Tasks of the Socialist International* [1914], Progress Publishers, 1974, see www.marxists.org/archive/lenin/works/1914/oct/x01.htm

556 Lorimer, 1999, p17–18.

557 Panitch commented "we cannot know what Marx would have made of the way Lenin identified imperialism with "the highest stage of capitalism", see Panitch, Leo 'Rethinking Marxism and Imperialism for the Twenty-first Century', *New Labour Forum*, 23, 2, 2014, p23; Pradella comments that "Marx affirms that centralisation leads to the growth of a financial aristocracy less and less involved in the direct process of production" but doesn't acknowledge Lenin's attempt to apply this concept. See Pradella, Lucia, 'Imperialism and Capitalist Development in Marx's Capital', *Historical Materialism* 21, 2, 2013, p127; Smith notices similarities between Lenin's highest stage with a comment Marx made in *Grundrisse*, but not with Marx's systematic outline of this concept in *Capital*3. See Smith, 2016, p249–50; For a very general positive view of Lenin's stages see

direct influences on Lenin's own work of 1916—J.A. Hobson's 1902 text *Imperialism*, Rudolf Hilferding's 1910 work *Finance Capital* and Bukharin's 1915 text *Imperialism and World Economy*"⁵⁵⁸—while Marx is overlooked.

Misunderstanding of Lenin's "highest stage" is important not only because it provides a reason to disregard Lenin's work. The significance of the discovery of capitalism having entered its highest stage and last possible stage of development is enormous. Much of the content of this, such as permanent militarism, political reaction, the high degree of socialisation of the production process, parasitism of the bourgeoisie and objective ripeness for social ownership, is taken for granted. However, only by understanding the origin of these phenomena so characteristic of contemporary capitalism, is it possible to understand their inner connections and essential character.

Chapter 3.3. Finance capital: Its treatment by Lenin and contemporary Marxists

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry--such is the history of the rise of finance capital and such is the content of this term.

Lenin, 1917 ⁵⁵⁹

Rather than being like a cancer that surgery might remove to restore the capitalist body to health, it is more like a central nervous system: without finance, modern capitalism is dead.

Norfield, 2016 ⁵⁶⁰

Caricatures of Lenin's "finance capital"

It would be simple to caricature Marx as having over-emphasised the importance of finance by selecting just a few quotations. He wrote, for example, in what was obviously an exaggerated manner, "The whole State machinery of France transformed into one immense swindling and stockjobbing concern".⁵⁶¹ We might retort that the French state's intimate involvement with

McDonough, 1995, p352.

⁵⁵⁸ Marshal, 2014, p318.

⁵⁵⁹ Lenin, *Imperialism*, ch.3.

⁵⁶⁰ Norfield, 2016, p4.

⁵⁶¹ Marx, Karl, 'Revolution in China and Europe', *New York Daily Tribune*, June 14, 1853, see www.marxists.org/archive/marx/works/1853/06/14.htm

industries such as Aerospace and nuclear power shows Marx to have been wrong. Such partial and simplistic misreadings of Lenin appear to permeate modern literature.

The terms "finance capital", "monopoly capital" and "monopoly finance capital" are used interchangeably in *Imperialism*. Lenin's Marxist opponents almost invariably select the term "finance capital" for criticism. However, "finance capital", is merely an abbreviation for the fullest formulation—"monopoly finance capital". This predilection for the incomplete form relates to a common misunderstanding and caricature: Lenin's "finance capital" is replaced with and thereby misrepresented as "finance" in the common ways that term is understood today such as the banks, the Finance Insurance and Real Estate (FIRE) sector, or merely money and financial paper ('securities').

As suggested in the previous section, if Lenin's readers do not grasp the changes in the social relations of production, and specifically the development of the collective, parasitical "mere money capitalist" that Marx and Lenin viewed as the transition to capitalism's highest stage, they tend also not to grasp Lenin's characterisation of the *whole big bourgeoisie* as "parasitic", "rentiers", etc. Lenin's words are then misread as pertaining to only a section of the bourgeois—e.g. owners of FIRE sector firms. To attribute this position to Lenin contradicts what Lenin actually wrote. He unambiguously endorses Hilferding's observation of the increasing closeness of banking and industry. He defines finance capital as their "coalescence" (below).

In 1942, Sweezy already sensed "it is doubtful whether the term 'finance capital' can be divested of the connotation of banker dominance".⁵⁶² While prescient, Sweezy doesn't say what causes the confusion. However, His own career seems to provide the clue. *Monopoly Capital* tended to view productive corporations as dominant over, or at least independent of the banks, while in the 1990s, Sweezy concluded finance had, by then, become dominant over industry.⁵⁶³ Theoretically the premise of each position must be that these two class sections are distinct and antagonistic. That is the opposite to "finance capital" defined as the *coalescence* of *previously* separate sections. Separation of the two *a la* Sweezy appears to be the common view, and as such it has affected contemporary Marxism's reading of Lenin. Specifically, many writers can be seen to read their own view into Lenin.

Brewer attributes to Lenin his own conflation of rentiers with banks. According to Brewer, Lenin "even more noticeably than Hilferding, stressed the dominance of the banks, and hence of rentiers",⁵⁶⁴ and this "foreshadows [Lenin's] discussion of 'parasitism'".⁵⁶⁵ Therefore,

⁵⁶²Sweezy, 1970 [1942], p269.

⁵⁶³Baran and Sweezy, 1966, p18; Sweezy, Paul, 'The Triumph of Finance Capital', *Monthly Review*, 46, 2, 1994.

⁵⁶⁴Brewer, 1980, p118.

when Brewer reads Lenin's discussion on parasitism, he reads it as an account of parasitism of the banks. Brewer thus concludes, contrary to what Lenin actually says, that Lenin "described the development of monopoly in banking, and the dominance of bank capital over industrial capital".⁵⁶⁶ "Coalescence" is transformed into "dominance".

Similarly, the reason Brewer found Lenin's treatment of "financial swindles" to be "disturbing"⁵⁶⁷ is because, once Brewer superimposed onto Lenin the view that parasitic capital is only one section of the class, it became difficult to distinguish Lenin from Kautsky, for whom "the financier is rash, extravagant and violent the industrial manager is frugal, timid and peace-loving".⁵⁶⁸

In formulating the IST's rejection of Lenin, Kidron defines the "typical finance capital institutions" as "commercial and merchant banks". He argued that in the 1960s, "large concentrations of capital are no longer in the hands of banks and the other finance capital institutions as they were in the days of classic imperialism".⁵⁶⁹ Harman makes a similar caricature. Lenin is said to have viewed "the dominance in the advanced countries of 'finance capital' (the banks and the stock exchange) over industrial capital ..." as the "key to understanding modern capitalism".⁵⁷⁰ Later he presented Lenin as thinking that "finance capital (the banks) ... very much subordinated industrial capital to their needs".⁵⁷¹ Based on this caricature, Harman concludes "Bukharin went on to develop a more general theory than that of Lenin" as "He focussed not just on finance capital, but on the way that industrial capital too was driven to military adventures."⁵⁷² In saying so Harman reveals that his own view (and presumably his misreading of Lenin) is based in the same separation that Lenin (and Bukharin) opposed.

Sutcliffe too counterposes industrial capital to finance capital when attempting to present Lenin's view.⁵⁷³ Chesnais attributes to Lenin and Hilferding the view that the "global oligopoly" meant "the banks"⁵⁷⁴ while, for Patsoura, Lenin's "finance capital" was, again "the

565 Brewer, 1980, p118.

566 Brewer, 1980, p118.

567 Brewer, 1980, p110–11.

568 Karl Kautsky, *The Social Revolution Vol. 1*, Charles Kerr, 1903, part 2, section 5, see

www.marxists.org/archive/kautsky/1902/socrev/; Kautsky, Germany, England and World Policy, 1900, in Day and Gaido, (eds), 2012, p174.

569 Kidron, 1965.

570 Harman, 1975; Harris, makes the same caricature: "What Lenin and Hilferding called 'finance capital' was "the growing centralisation of international economic power in the hands of the Western banks", Harris, Nigel, 'World Crisis and the System', *International Socialism*, 100, 1977; Sutcliffe also mischaracterises Lenin's definition of finance capital by claiming Lenin counterposes finance to industrial capital, see Sutcliffe, in Owen and Sutcliffe, (eds), 1972, p171.

571 Harman, 1980.

572 Harman, 1980; see also Harman, 2003; Callinicos, 2009, p44, 47–8.

573 Sutcliffe, in Owen and Sutcliffe, (eds), 1972, p171; Howe, 1981, p88.

574 Chesnais, Francois, 'The Economic Foundations of Contemporary Imperialism', *Historical Materialism*, 15, 3, 2007, p126.

banks".⁵⁷⁵ Sutton argues Lenin understands "the financiers of capital" as "sectional interests" despite Lenin explicitly arguing the opposite.⁵⁷⁶ Harvey's sole direct reference to Lenin in *Seventeen Contradictions* tends to confuse his position, arguing, "Lenin famously saw capital moving into a new phase of monopoly power associated with imperialism at the turn of the twentieth century when the big industrial cartels combined with finance capital",⁵⁷⁷ not as Lenin had actually argued, the merger of industrial and bank capital formed "finance capital" as a new entity.

McNally, on the contrary, argues for Lenin's view but credits it only to Hilferding:

The merger of bank and industrial capital, observed in still relatively undeveloped form by Hilferding, has been further strengthened by the post war rise of giant corporations which combine financial and industrial or other productive wings under a single management or ownership structure.⁵⁷⁸

Even defenders of Lenin's theory Clarke and Annis, conflate "finance capital" in Lenin's definition with the "financial industry", "sector" or simply "banks".⁵⁷⁹ Probsting does the same when he equates the "financial sector" with "finance capital".⁵⁸⁰

Lenin's "finance capital"

Many of Lenin's formulations about the character of finance capital, arguably (with minor changes) could easily pass as modern work. The following description might just as easily have been written about the turn of last century, not the previous one. Lenin said,

the typical ruler of the world became finance capital, a power that is peculiarly mobile and flexible, peculiarly intertwined at home and internationally, peculiarly devoid of individuality and divorced from the immediate processes of production, peculiarly easy to concentrate, a power that has already made peculiarly large strides on the road to concentration, so that literally several hundred billionaires and millionaires hold in their hands the fate of the whole world.⁵⁸¹

To give another example, the following statement too would arguably need only a few words changed to make it accurate 100 years later:

⁵⁷⁵Patsoura 2005, p255; For a heterodox version, see Amsden, in Eatwell et al, (eds), 1990, p208.

⁵⁷⁶Sutton, Alex, 'Towards an Open Marxist Theory of Imperialism', *Capital and Class*, 37, 2, 2013, p221.

⁵⁷⁷Harvey, 2014, p135

⁵⁷⁸McNally, 2009, p56.

⁵⁷⁹Clarke and Annis, 2016.

⁵⁸⁰Probsting, 2013.

⁵⁸¹Lenin, 'Introduction to Bukharin', *Imperialism*, see www.marxists.org/archive/bukharin/works/1917/imperial/

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issue of stock, state loans, etc., strengthens the domination of the financial oligarchy and levies tribute upon the whole of society for the benefit of monopolists.⁵⁸²

In another example, Lenin says, "speculation in land situated in the suburbs of rapidly growing big towns is a particularly profitable operation for finance capital". If we change the words 'big towns' to 'cities' we again get an apparently modern comment. Who would disagree today with the observation that "the bulk of the profits go to the 'geniuses' of financial manipulation"?⁵⁸³

Moreover, who would argue there is no truth in Lenin's contention (quoting Schulze-Gaevernitz) that Great Britain

is gradually becoming transformed from an industrial into a creditor state. Notwithstanding the absolute increase in industrial output and the export of manufactured goods, there is an increase in the relative importance of income from interest and dividends, issues of securities, commissions and speculation in the whole of the national economy.⁵⁸⁴

I will argue in the next chapter that this financial side of the picture is not the entire picture, even in Britain—but then Lenin doesn't say it is, as is evident from this quotation which mentions increasing industrial output. Lenin was clearly alert to aspects of the growing power of finance capital that capture the attention of modern writers concerned with 'financialisation'. However, he had a fundamentally different understanding of these phenomena.

In defining finance capital, Lenin starts by quoting Hilferding:

"A steadily increasing proportion of capital in industry," writes Hilferding, "ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an increasing share of its funds in industry. Thus, to an ever-increasing degree the banker is being transformed into an industrial capitalist. This bank capital, i.e., capital in money form, which is thus actually transformed into industrial capital, I call 'finance capital'." "Finance capital is capital controlled by banks and employed by industrialists."⁵⁸⁵

⁵⁸² Lenin, *Imperialism*, ch.3.

⁵⁸³ Lenin, *Imperialism*, ch.1; The same modern feel is present in Marx's work where he argued capitalist production in its highest development "reproduces a new financial aristocracy, a new kind of parasite in the guise of company promoters, speculators and merely nominal directors; an entire system of swindling and cheating with respect to the promotion of companies, issues of shares and share dealings. It is private production unchecked by private ownership", Marx, *Capital*3, ch.27.

⁵⁸⁴ Schulze-Gaevernitz, 1915, quoted in Lenin, *Imperialism*, ch.8.

Lenin says,

This definition is incomplete in so far as it is silent on one extremely important fact: the increase of concentration of production and of capital to such an extent that concentration leads, and has led, to monopoly.⁵⁸⁶

He continues,

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry--such is the history of the rise of finance capital and such is the content of this term.⁵⁸⁷

For Lenin,

At the same time a personal link-up, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice versa.⁵⁸⁸

It is true Lenin repeatedly refers to the powerful monopolistic position of the big banks, even "increasing the dependence of big industry upon a small number of banking groups."⁵⁸⁹ However these are qualified by other references to the dependence of banks on industry for its profits, as is inevitable if, as Lenin argues, the two are increasingly fused, interlocked, i.e. mutually dependent.

Lenin says,

The result is, on the one hand, the ever-growing merger, or, as N. I. Bukharin aptly calls it, coalescence, of bank and industrial capital and, on the other hand, the growth of the banks into institutions of a truly "universal character".⁵⁹⁰

However, Lenin describes the view which perceives the "omnipotence of the banks, [and of] the financial oligarchy" separate from industry as a "petty-bourgeois point of view in the critique of imperialism", one that is adopted by "authors who make no claim to be Marxists".⁵⁹¹

585 Lenin, *Imperialism*, ch.3.

586 Lenin, *Imperialism*, ch.3.

587 Lenin, *Imperialism*, ch.3.

588 Lenin, *Imperialism*, ch.2.

589 Lenin, *Imperialism*, ch.2.

590 Lenin, *Imperialism*, ch.2.

Lenin says,

It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions.⁵⁹²

Anyone still unsure what is meant by the coalescence of banking with industry could check the names Lenin gives for the finance capitalist firms. They include Siemens, General Electric, the Sugar Trust, US Steel Corporation, Egyptian Sugar Refineries, Union Mining Company of Dortmund and the Steel Syndicate of Germany, none of which were purely banks or finance sector firms.⁵⁹³ Arguably, Lenin's definition of "finance capital" as encompassing all large monopolist groupings and their coalescence proved to be an accurate general formulation into the future.

In defending Lenin's concept, Lorimer is able to take as his example the largest capitalist families in the US. He writes,

The Morgan banking family, which made its initial fortune in early 19th Century out of the slave trade, provided the financing in 1901 for the merger of a number of steel companies into the US Steel Corporation. The Morgan's banking company JP Morgan & Co also took a controlling interest in US Steel, which immediately became and remains the biggest US steel maker...⁵⁹⁴

By the end of the 1890s the Standard Oil Trust, a conglomeration of state-based oil companies controlled by the Rockefeller's Standard Oil Company of New Jersey, controlled 88% of US oil refining... In 1891 the Rockefellers took a controlling interest in the National City Bank of NY ... [which by 1894] was the largest bank in the US. In 1955, National City Bank, then headed by James Stillman Rockefeller, merged with the Morgan-dominated First National Bank of New York ... which in 1976 renamed itself Citibank then Citigroup ...⁵⁹⁵

591 Lenin, *Imperialism*, ch.9.

592 Lenin, *Imperialism*, ch.3.

593 In another instance, Lenin measured "finance capital" by kilometres of railway line. See Lenin, *Imperialism*, ch.7.

594 Lorimer, *Capitalist Economic Crisis and Finance Capital*, RSP Marxist Education Conference, 2010.

595 Lorimer, 2010.

There is more to Lenin's "monopoly finance capital" than simply the coalescence of banking and industry. As stated in the last section, Lenin saw it as the highest form of capitalist development, transforming the big capitalists into a purely parasitic stratum and as transitional to socialism. Thus for Lenin, the finance capitalist is not a banker or securities trader but "a social stratum ... who live by 'clipping coupons', who *take no part in any enterprise whatever*, whose profession is idleness". This description of the modern ruling class arguably now represents the dominant view among contemporary Marxists. No Marxist today sees the capitalist as fulfilling a necessary, active role in production as was the case in the pre-monopoly period, when many capitalist owner managers would do the accounting or overseeing in their own factory, mine, etc. So dominant is this aspect of Lenin's view today, that readers appear to not notice the significance of its original formulation.

Contemporary 'financialisation' literature

Arguably, widespread contemporary Marxist interest in finance and the so-called 'financialisation' of the capitalist economy, unless this is totally misplaced, indicates Lenin was broadly correct about the rise of finance capital. Yet not even a general acknowledgement of Lenin's prescience in this respect is forthcoming.⁵⁹⁶

Insufficiently understanding the fusion or "coalescence" of banking with industry in the sense Marx and Lenin outlined leads many writers to separate banking and the finance sector, or just 'finance' itself (i.e. credit money) from industrial or other capitalist firms. Once the two sectors are separated in the mind of the observer, the increasing prevalence of the financial or fictitious form of capital (such as a rise in the market value of stocks and bonds) tends to be interpreted as increasing importance of 'finance capital' understood in the non-Leninist sense, i.e. the increasing dominance of finance over industry.

The problem arises because capital *does* take on the form of money and therefore of finance (in the general sense of the term) as one of its necessary forms. This is confusing when finance capital's more essential form remains insufficiently defined. The words used to describe it—"finance capital"—also have long-established, well-known non-Marxist meanings, and these coincide with one real form of finance capital that is empirically observable—i.e. money, securities, etc. In this context, it seems inevitable that some writers might slide into non-Marxist definitions, or into inconsistency and confusion. The slide seems especially likely when not only is Lenin's Marxist definition widely rejected, but it is not replaced with any

⁵⁹⁶As shown, Lenin was wrongly criticised in the 1970s for his supposed separation of finance from industrial capital by authors who opposed such a view. Now that such a separation has become the dominant view, no re-examination of Lenin has occurred.

widely known Marxist definition at all, leaving only non-Marxist definitions. Arguably, such a slide is precisely what has occurred.

Annis takes "the role of finance capital" to be "the benchmark of any [Marxist] measure of the core nature of a capitalist country", but then omits a definition of finance capital before later in the article (contra Lenin) counter posing it to the state.⁵⁹⁷ Owen gives a brief definition of "finance capital" that is broadly in line with Hilferding and Lenin's merger of bank and industrial capital, but proceeds in his analysis to forget the definition just given and returns in practice to treat "finance capital" as banks and money separate from productive capital.⁵⁹⁸ Harman (as above), slides into defining finance capital as "the banks", while Warren thought "finance capital" meant "bond holders".⁵⁹⁹

However, when finance capital is confused with finance, or capital in the money form (i.e. with money), this confuses a social relation with a thing and thereby ascribes social power to that thing, as is the case with Sweezy below. This parallels a process whereby bourgeois economics attributes to money the power to create wealth. That outlook is obviously highly compatible with bourgeois ideology insofar as it attributes wealth creation to capital and not workers. Of course a money owner *can* increase their money without first transforming it into the commodity form. However, in this case Marx argues the increase obtained by interest-bearing capital represents not value creation but *appropriation* of a portion of new value created by capital employed in production.

The principal example of reification of money in Marxist writing on imperialism is the way writers understand, in abstract terms, the enormous Chinese state foreign currency reserves.⁶⁰⁰ Viewing the size of the sum of money alone ignores the competitive conditions between the Chinese capitalist class and imperialist monopoly capital within which this money has to be deployed. A holistic analysis would need to explain, for example, why much of this money is 'invested' at zero effective return, largely in the US securities offered by New York-based banks, thus effectively financing at zero interest rates the operations of US finance capital (ch4.4.2).

597 Annis, Roger, 'The Russia as "Imperialist" Thesis Is Wrong and a Barrier to Solidarity With the Ukrainian and Russian People', *Truth-Out.org*, 18-06-2014.

598 Owen, Rob, 'The changing face of imperialism', *rs21*, 08-09-2014.

599 Harman, 1980; Warren, 1980, p70; Other examples of Marxist conflation of "finance capital" with the FIRE sector, or simply with financial paper, include Brown, in Owen and Sutcliffe, (eds), 1972, p48; Harris, Donald, J., 'Nikolai Ivanovitch Bukharin', in Eatwell et al (eds), 1990, p69; Fuchs, *Media imperialism?* 2010, p33-58.

600 Chesnais mistakenly includes China as a world financial Centre, Chesnais, 2007, p125; see also Smith, A., 2012; Harman, 2003; Callinicos, 2009, p8.

As Norfield says, "it is common for otherwise perceptive writers to maintain that there is a fundamental conflict between finance and industry".⁶⁰¹ Of course the growth of finance and fictitious capital in our period has enormous significance. We might agree with Foster's claim that,

the growth of the financial superstructure relative to [capitalism's] productive base [has] the result that the system [i]s increasingly prone to asset bubbles that periodically burst, threatening the stability of global capitalism as a whole ..."⁶⁰²

However, much contemporary writing, based on the premise of separate and conflicting finance and industrial sections of capital or the capitalist class, tends to view such developments as the motor of capitalist development, or signifying a qualitative change in the social system.

We have already seen Harvey's version of financialisation. There are many others. Foster, as shown, following Sweezy, identified a new phase of capitalist development called "Monopoly-Finance Capital".⁶⁰³ Patnaik argues that the capitalist state is now subservient to "international finance capital".⁶⁰⁴ Ahmad argued "finance capital is dominant over productive capital"⁶⁰⁵ while Higginbottom wrote of "financial domination over industry".⁶⁰⁶ For Chesnais, "pension, mutual and hedge funds..." form the "global oligopoly".⁶⁰⁷ Smith and Tomlinson too, both separate financial from industrial capital.⁶⁰⁸ But not all contemporary Marxists agree.⁶⁰⁹

601 Norfield, 2016, p44.

602 Foster, 2015.

603 Foster, 2006; Foster, *Monopoly-Finance Capital*, 2010; Foster and McChesney, 2012, p19; Foster, 2009; Foster, 2014; Notably Foster's new capitalist "phase" adopts Lenin's exact wording for capitalism's final stage, yet gives no explanation of the different meaning nor any mention of Lenin at all. Yet the meaning is counterposed to Lenin. For Foster and McChesney, "the economic base of political hegemony [has been] shifting from the real economy of production to the financial world, and increasingly serving the interests of the latter" Foster and McChesney, 2012, p20-1; In an earlier version, Foster's financialisation attempted to account for Third World exploitation without reference to production: "Neoliberal financialization" through the Third World debt crisis, Foster said, "attempts to create a new 'financial architecture' in underdeveloped countries, leading to new financial dependencies". Foster, 2010; Chesnais also makes the divide into debtor and creditor nations fundamental to his analysis, Chesnais, 2007, p134.

604 Patnaik, 2010; See also Patnaik, Utsa and Patnaik, Prabhat, 'Imperialism in the Era of Globalization', *Monthly Review*, 67, 3, 2015; For a heterodox account of 'financialisation', see for example; Hudson, Michael, 'How Finance Capital Leads to Debt Servitude', *Naked Capitalism*, 2012; Hudson, Michael, 'The Road to Debt Deflation, Debt Peonage, and Neofeudalism', Working Paper 708, Levy Economics Institute, 2012.

605 Ahmad, 2004, p44 .

606 Higginbottom, 2014, p28.

607 Chesnais, 2007 p126.

608 Smith, J., 2016, p75; According to Smith "increased profits delivered by outsourcing are not invested in production ... and can be entirely devoted to leveraging asset values ... to reap speculative profits thereby feeding the financialization of the imperialist economies", Smith, J., 2016, p82; Cope had earlier made the same point when he said "through exploiting inexpensive labour, especially by outsourcing production to low wage nations" the "largest MNCs accumulated surplus capital that was to be used for non-productive speculative investment, mergers and acquisitions. The outsourcing of production to super-exploited wage labour was therefor, a major factor in the financialisation of the global economy", Cope, 2015 [2012] p217-8; Tomlinson, J., 'Finance Capital', in Eatwell et al, (eds), 1990, p191; Mandel, Ernest, 'After Imperialism?', *New Left Review*, 25, 1964; see also Mandel, 1968, p511; In 1972 Mandel argued "the self financing of companies" today "is one of the most important characteristics distinguishing late capitalism from the classical imperialism described by Lenin", Mandel, 1978 [1972], p225.

609 Roberts, emphasises that "The collapse of the US housing market from 2006 exposed the imaginary nature of

We have already examined Harvey's version of financialisation as it is the most detailed and influential. It is beyond the scope of the current work to critique each separate version. However, all versions that separate industry from finance become absurd. As Norfield states, "the owners of industrial companies are the owners of its equity capital, usually in the form of quoted financial securities that are fictitious capital."⁶¹⁰ Moreover,

a 'productive' company, especially a large one aiming to boost its market position, will also get heavily involved in financial dealing. Typically this means merging with or taking over its rivals in stock-market deals, or using the equity and bond markets to increase its financial strength.⁶¹¹

That is to say, financial power becomes the *expression* of the strength of *all* capitalists and firms.⁶¹²

Panitch and Gindin point out,

It is a mistake to see the dominance of finance in terms of speculation displacing industrial activity ... the broadening and deepening of US financial markets, including their ability to attract so much capital from abroad, expanded the availability of relatively cheap credit for US firms" including "what has been called the 'financialization' of non-financial corporations. Without this usually becoming the foundation for their central activities or even their profits, large corporations increasingly engaged in financial arbitrage themselves.⁶¹³

Politically, if an industrial bourgeoisie existed separately to the financial bourgeoisie, it might be expected to have made some noise about the largesse accruing to its putative competitors as a result of core state bailouts of financial institutions since the Great Recession. Yet we can see no campaign by 'productive capitalists' against this gravy train for finance or any other issue. For example, the 2013 decision of the Basel Committee on Banking Supervision, tasked with responding to the global 'financial' crisis, recommended no punitive new regulation of the large banks. This was greeted with only muted discussion in the financial press and certainly none of the heat that could be expected from capitalists having their "lifblood" squeezed.⁶¹⁴

financial profits and triggered the eventual collapse of the banking sector that relied on them", Roberts, Michael, 'A World Rate of Profit: Globalisation and the World Economy', *Michael Roberts Blog*, 2012, p7; McNally also points out that the so-called 'Asian financial crisis' of the late 1990s, not coincidentally, was concentrated where excess capacity "in labour-intensive manufacturing and assembly" was also concentrated, McNally, 2009, p62; Amin advances a useful rebuttal to the separation of finance from industry before, arguably, contradicting this by outlining his own financialisation theory: "generalized, financialized, and globalized oligopolies", Amin, 2010, p61–66, 14, 118.

⁶¹⁰Norfield, 2016, p93.

⁶¹¹Norfield, 2016, pgs xiii, 74; Panitch and Gindin, 2013, p290, 188. However Panitch and Gindin elsewhere in the same work separate, "industrial as well as finance capital" (p90).

⁶¹²Norfield, 2016, p90; Schwartz, 2009, p115, 126.

⁶¹³Panitch and Gindin, 2013, p188.

Chapter 3.4. Lenin's theory of monopoly little understood

The purpose of this introductory literature review section is specifically to show how contemporary writers misunderstand Lenin's view of monopoly. It has already been argued that "finance capital", for Lenin, means the monopolistic merger of banking and industry, while the "highest stage of capitalism" refers to the highest possible development of the social relations of production. However, Lenin's fullest expression for dominant capital at this stage—"monopoly finance capital"—is hardly ever critiqued. Insofar as Lenin's opponents directly critique his theory of monopoly, these are usually levelled against the abbreviated expression "finance capital" and its caricature—even though Lenin spells out that "monopoly" is the key to his theory. In fact there is no recent critique of Lenin's views on "monopoly" that I can find.

This is a glaring oversight, especially because many of Lenin's opponents agree on the analytical centrality of monopoly to contemporary capitalism.⁶¹⁵ Both the IST and MR currents agree in different ways that imperialism is in fact synonymous with monopoly capitalism. The IST's key concept historically has been "state capitalism"—a form of state monopoly.⁶¹⁶ For MR it is "Monopoly Capital" (the monopoly of corporations) and later "Monopoly Finance Capitalism" (the monopoly of finance over industry). Monopoly of some type is also implicit in "financialisation" writing. The perceived financial wing of capital could not "squeeze" productive capital unless it held some type of monopolistic position. Where Lenin's monopoly is mentioned, this is often to suggest falsely that Lenin counterposed monopoly to competition as mutually exclusive.

⁶¹⁴Roberts, Michael, 'Banking: Business as Usual', *Michael Roberts Blog*, 07–01–2013.

⁶¹⁵Only Shaikh outlines a detailed argument that monopoly is not central to Third World exploitation.

⁶¹⁶The contemporary relevance of this concept is undermined by the fact that Callinicos does not use or even mention the word "monopoly", in his chapter attempting to explain "imperialism and global political economy today", Callinicos, 2009, p195–227; Callinicos also makes the bourgeois economic claim that, "strictly speaking monopoly implies the absence of competition", Callinicos, 2009, p58.

It has already been argued that Warren's presentation of Lenin's monopoly, that "the vigorous competitive incentive to innovate had vanished..."⁶¹⁷ (ch.2.3) was a caricature. Yet, Warren continues the caricature further, saying

the reasons why Lenin's thesis that monopoly capitalism was parasitic and decadent is invalid are not difficult to enumerate. The rise of oligopolistic market structure - or monopolistic firms, as they are popularly called - has not reduced competition but on the contrary has intensified it.⁶¹⁸

It will be shown, far from being a reason Lenin's thesis is invalid, intensified competition is what Lenin argued monopoly entailed. Howard and King also counterpose what they present as a Leninist view of monopoly with competition.⁶¹⁹ Foster too associates Lenin with the idea that monopoly lessens competition.⁶²⁰

Other writers do not caricature Lenin's monopoly but put forward their own counterposed view without any critique of Lenin. Panitch and Gindin frame their *Making of Global Capitalism* as having been written not about the "unyielding economic laws and the development of a so-called monopoly capitalism", but rather about "continuing competition and class conflict, and the contradictions to which they gave rise..."⁶²¹

Smith's core thesis is also premised on rejecting Lenin's monopoly as the analytical tool that can explain imperialism, though he says so in a very roundabout way. He says, "insistence on the economic and political centrality of the division of the world into oppressed and oppressor nations" (the part Smith agrees with) is "antithetical" to "Lenin's argument that in its economic essence imperialism is monopoly capitalism".⁶²² He then asks "how, then, can we achieve a theoretical concept of monopoly that *is* firmly based on the categories of Capital?" (ch.2.2)⁶²³ Smith also falsely associates Lenin's monopoly with that of the MR school.⁶²⁴

617Warren, 1980, p51.

618Warren, 1980, p79; Warren says, "the development of oligarchy and various forms of association and combination (in individual economies) has been associated with the disappearance of monopoly on a world scale and its replacement by competition - the disappearance that is, of the British world monopoly of manufacturing with the rise of vigorous competitors towards the end of the nineteenth century", Warren, 1980, p79. But Lenin had already made the same point: "in the last quarter of the nineteenth century, *this* [British] monopoly was already undermined ... we see the formation of a new type of monopoly: firstly, monopolist capitalist combines in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries". Note in Warren's formulation British monopoly is replaced by competition. While Lenin sees it as replaced by new forms of monopoly. Lenin's formulation can only be misread as reducing competition if the reader, like Callinicos, views monopoly and competition as counterposed.

619Howard and King, 1992, p121.

620Foster and McChesney, 2012, p109.

621Panitch and Gindin, 2013, p. ix; Screpanti, 2014, p48.

622Smith, J., 2016, p228.

623Smith, J., 2016, p229.

624Smith, J., 2016, p231; Brolin, 2007, p71.

Shaikh's *Capitalism: Competition Conflict Crisis* is easily the most detailed Marxian critique of contemporary competition (which he calls "real competition"). In certain respects, Shaikh's "real competition" is similar to or consistent with Lenin's monopoly competition, yet Shaikh appears unaware of this.⁶²⁵ The book proceeds as an extended critique of neoclassical "perfect competition". Shaikh claims that this critique is also valid for all Marxist writing on monopoly. We are told,

all branches of the Marxian monopoly capitalism school share the central premise that competition declines as firms become larger, more varied, and fewer in number. This is the foundation of their argument.⁶²⁶

According to Shaikh, 'Marxian' writers in this category think that,

monopoly supersedes competition and ushers in a new stage of capitalism ... Marx's argument about the concentration and centralisation of capital is said to ultimately negate his own analysis [of] the competitive laws of value. Hilferding was the first to advance this view but it was Lenin's imprimatur that made it central to Marxist discourse.⁶²⁷

Shaikh thus conflates Lenin's view with those of Hilferding, Baran, Sweezy and Amin, some of whom he references to substantiate his claim. But Shaikh provides no reference to Lenin's work.⁶²⁸ Instead of a critique of Lenin's key concept, monopoly, Shaikh's simply repeats the popular notion that Lenin "based his own theory of imperialism on the enhanced need for capital exports in the monopoly stage".⁶²⁹ Thus in writing a 979 page Marxian book on competition, Shaikh still avoided a critique of Lenin's monopoly!

A reader of *Imperialism* can find direct refutation of these caricatures of Lenin's work (see below). As Barone pointed out thirty years ago, an "important difference between Lenin's analysis of monopoly and finance capital and both Hilferding's and Bukharin's analysis" is that for Lenin "Monopoly and the rise of finance capital do not negate competition or the contradictions of capitalism, but rather heighten competition and intensify contradictions."⁶³⁰

625 For example, Shaikh argues that "Competition pits seller against seller, seller against buyer, buyer against buyer, capital against capital, capital against labor and labor against labor", (p260) "the relevant profit must be defensible in the medium term", (p15), "Monopolistic industries ... must have regulating rates of profit that are persistently higher than the average regulating rate", Shaikh, 2016, p272.

626 Shaikh, 2016, p355.

627 Shaikh, 2016, p353; Shaikh, 1980, p227.

628 Shaikh, 2016, p354-5.

629 Shaikh, 2016, p354.

630 Barone, 1985, p48; Dussel, 1990, p64.

Monthly Review's monopoly negates competition (and is not the same as Lenin's)

As seen in Shaikh's and Smith's work (above) MR's Monopoly Capitalism theory is commonly associated with Lenin. This starts with the writers themselves. In his 1942 work on monopoly, Sweezy claimed that, "with minor qualifications, this is the definition of imperialism proposed by Lenin".⁶³¹ Foster argues the Monopoly Capital school is a continuation of the monopoly of "Hilferding and Lenin".⁶³²

However, Sweezy's book, while sympathetic to Lenin and granting him a few short mentions and quotations, takes very little from Lenin in either its monopoly or imperialism sections. By contrast, Hilferding is repeatedly quoted. Sweezy follows Hilferding in viewing tariffs as a necessary and characteristic policy of monopolies and imperialism: "monopoly capital demands tariffs".⁶³³ Yet tariffs are not at all central for Lenin who points out, for example, "it is extremely important to note that in free-trade England, concentration also leads to monopoly".⁶³⁴

Baran and Sweezy's 1966 premise in writing *Monopoly Capital* was that "neither Lenin nor any of his followers attempted to explore the consequences of the predominance of monopoly for the working principles and 'laws of motion' of the underlying capitalist economy".⁶³⁵ Yet their book doesn't critique Lenin's monopoly to show this, merely asserting it in their introduction. Sweezy's 1990 account of the historical development of Baran and his concept of *Monopoly Capital* confirms their difference with Lenin, describing *Monopoly Capital* as descending from a "direct line from Marx through Kalecki and Steindl" and then to Baran.⁶³⁶

In contrast to Lenin, Baran and Sweezy's *Monopoly Capital* begins by saying, we must recognise that competition, which was the predominant form of market relations in 19th century Britain, has ceased to occupy that position, not only in Britain but everywhere else in the capitalist world.⁶³⁷

This is very different from Lenin, who doesn't refer to a decline in competition but of "free competition" and its transformation— see below.

Marx, they argue,

631 Sweezy, Paul, M., 'The Theory of Capitalist Development', *Monthly Review*, 1970 [1942], p307.

632 Foster et al, *Monopoly and Competition*, 2011.

633 Sweezy, 1970 [1942], p299.

634 Lenin also comments, "differences between capitalist countries, e.g., in the matter of protection or free trade, only give rise to insignificant variations in the form of monopolies or in the moment of their appearance; and that the rise of monopolies, as the result of the concentration of production, is a general and fundamental law of the present stage of development of capitalism", see Lenin, *Imperialism*, ch.1.

635 Baran and Sweezy, 1966, p4.

636 Sweezy, *Monopoly Capitalism*, in Eatwell et al, (eds), 1990, p299–301.

637 Baran and Sweezy, 1966, p6; According to Sweezy, capitalism's "decline in competition, which began in the late 19th century proceeded at an accelerated pace" in the 20th Century, Sweezy in, Eatwell et al, (eds), 1990, p300.

treated monopolies not as essential elements of capitalism but rather as elements of the feudal and mercantilist past which had to be abstracted from in order to attain the clearest possible view of the basic structure and tendencies of capitalism.⁶³⁸

However this too is arguably a misrepresentation of Marx, who was well aware, as we have seen, that the *outcome* of competition was increasing concentration and centralisation of capital resulting in monopoly and ultimately in "Capitalism in its Highest Stage of Development".⁶³⁹

As Magdoff later pointed out,

in Marxist literature, the terms competition and monopoly are used to designate different phases of capitalist society. In neither of these phases is there either pure competition or pure monopoly. Indeed, it is the essence of the theory of imperialism to recognize that competition exists within the monopoly phase.⁶⁴⁰

Foster too acknowledges competition and monopoly coexist:

the two main forms of competition that remain in a mature market or industry are: (1) competition for low cost position, entailing reductions in prime production (labor and raw material) costs, and (2) what is known as "monopolistic competition," that is, oligopolistic rivalry directed at marketing or the sales effort.⁶⁴¹

While admitting that monopoly and competition co-exist, Foster's tends to describe a "spectrum" where the economic form appears as sometimes closer to competition and sometimes "closer to the monopoly side of the spectrum".⁶⁴² That is to say, for Foster the two are still counterposed and they partially displace one another, even if monopoly does not completely eradicate competition.

Harvey's oscillation between monopoly and competition and failure to arrive at a synthesis

Harvey's critique of monopoly, like that of Shaikh, proceeds from a critique of heterodox work and does not engage Lenin. He proceeds to caricature Marx: "the founding myth of liberal economic theory", a "pure and perfect competitive market", "surprisingly... is accepted as

638 Baran and Sweezy, 1966, p4.

639 Marx, *Capital3*, ch.27; Barone, 1985, p193.

640 Magdoff, in Magdoff and Foster, 2003, p135.

641 Foster et al, *Monopoly and Competition*, 2011.

642 Foster et al, *Monopoly and Competition*, 2011.

gospel in Marx's *Capital*..."⁶⁴³. Against Marx's "gospel", Harvey sensibly points out that "monopoly power is foundational rather than aberrational to the functioning of capital and that it exists in a contradictory unity with competition". He presents this as "a rather unusual stance to take", going further, he says, than *even* Stiglitz,⁶⁴⁴ but appears unaware that an understanding of the connection between monopoly and competition— is neither new nor "aberrational" to Marxism (nor heterodox economics⁶⁴⁵).

What Harvey appears to have discovered quite recently, Marx had already formulated more deeply in 1847. He wrote,

In practical life we find not only competition, monopoly and the antagonism between them, but also the synthesis of the two, which is not a formula, but a movement. Monopoly produces competition, competition produces monopoly. Monopolists are made from competition; competitors become monopolists. If the monopolists restrict their mutual competition by means of partial associations, competition increases among the workers; and the more the mass of the proletarians grows as against the monopolists of one nation, the more desperate competition becomes between the monopolists of different nations. The synthesis is of such a character that monopoly can only maintain itself by continually entering into the struggle of competition.⁶⁴⁶

Lenin noted

Half a century ago, when Marx was writing *Capital*, free competition appeared to the overwhelming majority of economists to be a 'natural law'. Official science tried, by a conspiracy of silence, to kill the works of Marx, who by a theoretical and historical analysis of capitalism had proved that free competition gives rise to the concentration of production, which, in turn, at a certain stage of development, leads to monopoly. Today, monopoly has become a fact.⁶⁴⁷

Arguably, Lenin's concept of "monopoly finance capital" gives a concrete form to Marx's "synthesis".

Harvey still fails to arrive at a "synthesis", however. Instead he argues "*Capital oscillates*, as Giovanni Arrighi pointed out, between the two extremes of the supposedly ruinous effects of unregulated competition and the excessive centralising powers of monopolies and

⁶⁴³Harvey, 2014, p132; Harvey himself contradicts this claim when he notes that "Marx thought that the end point of competition was bound to be monopoly power, Harvey, 2014, p135.

⁶⁴⁴Harvey, 2014, p134.

⁶⁴⁵Schumpeter, [1942] 2003, p89, 99, 101; Nell, Edward J, 'Competition and Price Taking Behaviour' in Nell, (ed), 1980, p103.

⁶⁴⁶Marx, *Karl, The Poverty of Philosophy* [1847], Progress Publishers 1955, ch.2,

www.marxists.org/archive/marx/works/1847/poverty-philosophy/; Kemp, in Owen and Sutcliffe, (eds), 1972, p19.

⁶⁴⁷Lenin, *Imperialism*, ch.1.

oligopolies".⁶⁴⁸ This is a similar concept to Foster et al's "spectrum". For Harvey too, the two are still not unified but mutually exclusive (in the sense that the growth of one displaces a part of the other) albeit co-existing. Therefore, Harvey argues, "the state of the contradictory unity between monopoly and competition at any one historical phase has to be established, not presumed".⁶⁴⁹ Yet Harvey cannot formulate their unity, only their "oscillation", i.e. their substitution one for another. The 1930s are taken as more competitive and the 1960-70s more monopolistic. In the neoliberal period however, Harvey only identifies the *need* for Marxist writing to establish "the state of the contradictory unity" today, arguably because *both* competition and monopoly are so clearly prevalent today that Harvey's "oscillate" formula doesn't allow him to arrive at any specific conclusion.

Monopoly seen to be outside of production

It is shown below that *Imperialism* treats monopoly, overall, as a *stimulation* to technological-productive advance (and this advance as the basis of monopoly in the labour process). Lenin sees monopoly as existing within production and tied to it (and not *only* existing outside of and in contradiction to production). The view is not shared by contemporary writers and tends to be overlooked in their readings of Lenin's work.⁶⁵⁰

We saw that Warren caricatured Lenin's *Imperialism* as predicated on stagnation (while holding that the poor countries were fast catching up). In making this claim, Warren arguably adopts a definition of monopoly outside of production. Warren argued "The peculiar character of 'know-how'", by which he means productive technology, is "that its *allegedly* heavy costs to the purchaser [sic, Warren means 'producer']. The Third World purchaser of technology indisputably pays a high price - SK] reflect various forms of monopoly power rather than *real* costs". Consequently "such costs are liable to decline considerably as the bargaining power of many Third World countries grows."⁶⁵¹ Here, clearly, Warren counterposes monopoly to "real" costs.

We've seen also (ch.2.2) that Baran and Sweezy's *Monopoly Capital* tended to portray monopoly capital's interest in the Third World as being to obtain non-market especially "privileged terms".⁶⁵² This is counterposed to a view that emphasises a firm's monopolistic control of technology, because the latter can achieve surplus-profit *on* the market. Against "Schumpeter's perennial gale of creative destruction" which was based, for Schumpeter, in

648Harvey, 2014, p136.

649Harvey, 2014, p136.

650Barone, 1985, p53; Kitching, even claims modern writers neglect of production is a legacy of *Lenin's* supposed over emphasis of exchange over production, see Kitching, Gary, 'The Theory of Imperialism and its Consequences', MERIP Reports 100/101, 1981.

651Warren, 1973, p32.

652Baran and Sweezy, 1966, p201.

technological development born of competition, Foster, following Baran and Sweezy, emphasises that "the giant corporations often held back on the development and release of new technologies".⁶⁵³ Something that, *if it were the typical feature*, must undermine long-term technical superiority.

Smith, as we've seen, is more direct, saying "the source of monopoly power derives not from the technology itself but the legal protection power given to the innovator".⁶⁵⁴ "Apple's fat profits arise", for example, not from its designs and product development but "from *patented* technology as well as branding and retailing"⁶⁵⁵— i.e. legal monopoly and (following Baran and Sweezy) that of the sales effort. As shown, Harvey's, *The New Imperialism*, largely ignored productivity, production technology and division of labour.

His 2013 book *does* consider productive division of labour, but it disavows imperialism and does not consider competition. Its purpose in considering the division of labour is to critique the capital-labour relation from the point of view of capital *in general*, without considering the competition between different capitals and national economies. Hence he can develop no insight into productive monopoly because competition and monopoly are not investigated as part of the labour-division.

Harvey thus argues that capital (in general) assumes an agenda of deskilling of labour:

What is on capital's agenda is not the eradication of skills per se but the abolition of monopolisable skills. When new skills become important, such as computer programming, then the issue for capital is not necessarily the abolition of those skills (which it may ultimately achieve through artificial intelligence) but the undermining of their potential monopoly character by opening up abundant avenues for training in them⁶⁵⁶ and thus bringing down the cost of that labour. While this may be true (at least from the abstract perspective of capital in general), individual and national *monopoly* capitalist groups seek to monopolise highly skilled labour for themselves in order to defeat their competitors on the market by creating something better, faster or newer. Contra Harvey, such supremacy is possible through the use of specially skilled labour, or new technologies requiring it or developed by it.

The one-sidedness of Harvey's formulation is evident because technology which replaces labour (including skilled labour) in the production process, can only come into existence as a result of still more highly skilled labour (some by salaried professionals) in design, research,

⁶⁵³Foster et al, *Monopoly and Competition*, 2011.

⁶⁵⁴Smith, J., 2016, p230; this follows, among others, Amin who says technology is "firmly protected" by the WTO, see Amin, 2010, p110.

⁶⁵⁵Smith, J., 2016, p34.

⁶⁵⁶Harvey, 2014, p119–120.

development, engineering and so on. Hence de-skilling and automation (and the resultant loss of monopolist and competitive position of certain capitals and labour) can proceed only via the actual process of capitalist competition, which results also in the *creation* of yet higher level monopolistic positions for other capital and labour; hence the reproduction of a new, increasingly hierarchical, division of labour.⁶⁵⁷

As suggested,

every step in the labor process is divorced, so far as possible, from special knowledge and training and reduced to simple labor. Meanwhile, the relatively few persons for whom special knowledge and training are reserved are freed so far as possible from the obligations of simple labor. In this way, a structure is given to all labor processes that at its extremes polarizes those whose time is infinitely valuable and those whose time is worth almost nothing. This might even be called the general law of the capitalist division of labor⁶⁵⁸

Precisely! Braverman erred only when arguing, "over the long run it creates that mass of simple labor which is the primary feature of populations in *developed capitalist countries*".⁶⁵⁹ He should have said "underdeveloped countries" but evidently did not anticipate the international division of labour that would develop in the neoliberal period after he wrote this.

Paradoxically, Harvey draws a brief yet brilliant outline of monopoly as an impetus for capitalist commodification of culture, nature, the biosphere and even just the incidentally peculiar, all in pursuit of above average profits through "product differentiation", exclusivity and the like. This lucid exposition lays bare a whole series of key mechanisms of monopoly advantage and price setting. Yet, excruciatingly, he somehow omits the most important of all categories from this examination—the labour process.⁶⁶⁰ Productive technology enters the discussion only in another context: as a trigger for Harvey's "spatial fix" to the over accumulation problem. Yet, the "spatial fix" itself is presented as part of power moving to "the East".⁶⁶¹ Thus technological innovation, for Harvey, tends to appear, not as a crucial mechanism for the reproduction of core states' monopolistic supremacy, but the opposite—the catalyst for imperial decline.

657 Harvey too senses the contradiction when he admits, "new technologies have often called for redefinitions of skill" (though it would be accurate to say creation of *new* skills) and "technological change was and is not uniquely directed to labour control", which had been his main argument. Yet Harvey doesn't outline to what other ends it is directed, Harvey, 2014, p112–129.

658 Braverman, 1988 [1974], p57–8.

659 Braverman, 1998 [1974], p57–8.

660 Harvey, 2014, p138–141.

661 Arguably this is derived in part from Harvey's "dual logic" that separates state "territorial" from private "capitalist" power. For critiques of "dual logic" from the perspective of the Marxist theory of the state see Castree, Noel, 'David Harvey's Symptomatic Silence', *Historical Materialism*, 14, 4, 2006; Milios and Sotiropoulos, 2009, p71; Wood, like Harvey, assumes the capitalist state to be external to capitalism. See Wood, 2005, p143.

Chapter 3.4.1 Lenin's theory of monopoly finance capital as a whole

The long cherished freedom of competition has reached the end of its tether and is compelled to announce its own palpable bankruptcy.

Marx, *Capital*3, ch. 27.⁶⁶²

Competition becomes transformed into monopoly. The result is immense progress in the socialization of production. In particular, the process of technical invention and improvement becomes socialized.

Lenin, *Imperialism*, ch.I

Lenin argued that competition is not diminished by monopoly but changes in form. Owing to the higher level of organisation and greater resources of competing monopolist groups compared to smaller isolated producers, competition tends to increase in intensity and reach into ever higher and more destructive social spheres.⁶⁶³ This results in the enlisting of the highest social organism in capitalist society—state power—in aid of monopolist groups. Yet the character of competition for Lenin—and this is another of his most important and accurate, yet little understood contributions—ultimately remains capitalist in character and therefore involves the capitalist production of commodities for the market. In this context, the enlisting of, for example state power, is principally in direct or indirect aid of this ultimate capitalist end. Moreover, the presence of *capitalist* monopolies, Lenin correctly argued, necessarily implies the existence also of capitalist non-monopoly producers and therefore a relation of dominance and exploitation between the two classes of capital.

Lenin, it is commonly acknowledged, also outlined another aspect of capitalism's monopoly stage—monopoly of the few rich nations over the rest—as in fact has transpired. While Lenin's theory is ignored or assumed to be incoherent, it can be shown that in fact the

⁶⁶²Marx, *Capital*3, ch.27.

⁶⁶³Dussel, 1990, p64; Day and Gaido, introduction, in Day and Gaido, (eds), 2012, p87.

monopoly of the imperialist core nations is tied directly to the domination of monopoly over non-monopoly capital on the market, as Lenin outlined, and can thus be seen as an organic part of Lenin's monopoly finance capital as a whole.

Monopoly as form of *capitalist* competition

Recall in the previous section that Foster and Harvey both acknowledged the coexistence of competition and monopoly and sought to explain this by depicting the two as opposing tendencies that tended to displace each other. In Harvey's view, society oscillated from one tendency to the other. The limitation of this theoretical outlook was illustrated by his inability to say which of his two opposing tendencies tended to predominate in the neoliberal period.

Lenin's theory solves this apparent problem by understanding monopoly as a new form of competition. While there may be at different times an increase or decrease in the intensity of competition, these tendencies occur as part of monopoly competition. Because the economy as a whole is dominated by monopolies, any increase in competition is not the displacement of monopoly but occurs as the result of intensification of the struggle between monopolist groups (or their struggle against non-monopoly capital and vice versa). In short, monopoly is competition—albeit in a new form.

In this way, Lenin better concretises Marx's initial synthesis of monopoly and competition. He does this by broadening the concept of competition beyond the "free" market. In doing so, Lenin's theory rejects the neoclassical idea of competition as "perfect competition" or free market competition, and establishes a concept of competition that better fits its modern monopoly form.

To illustrate the variety of forms of monopoly competition in his own time, Lenin quotes Kestner, who mentions stopping supplies of raw materials to rival concerns; agreements between capitalists and the trade unions where unions allow members to work only for a cartel; stopping deliveries; closing trade outlets; agreements with buyers to trade only with the cartels; systematic price cutting; stopping credits; and boycott.⁶⁶⁴

⁶⁶⁴ Kestner, Fritz, *Der Organisationszwang. Eine Untersuchung über die Kämpfe zwischen Kartellen und Aussenseitern*, Berlin, 1912, quoted in Lenin, *Imperialism*, ch.1.

Lenin's own depiction of struggles and agreements between electricity, oil, shipping and rail monopolies, provides an even richer and more nuanced picture of monopoly competition (as it then existed). Lenin brings together not only modern market warfare but also the use of state legal provisions and even patriotic political campaigns as part of competition between different national capitalist groups and industries tied to the big banks.⁶⁶⁵

Arguably, the most important transformation, and that which Lenin gives greatest emphasis to, is monopolistic domination of the labour process and highest labour productivity in the production of commodities through the systematic application of scientific research and development. That Lenin emphasised *this aspect* of scientific research and development—i.e. that in the production of commodities for the market as opposed to, for example, contemporary technology in 1916 during the war—is testament to the sturdy manner in which Lenin's overall conception of imperialism is bound by his view that so long as it remains capitalist in character (and it could take no other form) imperialism must also (ultimately) remain capitalist in its forms too.

This reads like a tautology. Capitalism must remain capitalist, of course! Yet it needs to be pointed out because that is precisely what has been forgotten. It was understandable that during WW1, Bukharin could assume that the state capitalist forms then taken up by all belligerent states during the war, had become new essential forms, not temporary war measures, and would remain in force thereafter. Lenin, however, by a historical and theoretical investigation, correctly concluded that, despite the ever-increasing role of the state, its forms of involvement and the forms of competition between monopolist groups would ultimately have to be subordinate to the need to produce commodities and sell them on the market for a profit.

While war can destroy commodities, the winners must ultimately turn the conditions of their victory into the conditions for the production of commodities if they are to make profit. If monopoly competition ultimately remains about capitalist production of commodities, it must, for Marxists, also conform to the laws that govern capitalist commodity production, as outlined in *Capital*.

It was this refusal to forget or throw away the basic theoretical tenets established by Marx that explains the lasting relevance of Lenin's work. In particular, it explains its rather uncanny ability to anticipate the specific forms of monopolistic competition that came to predominate in the neoliberal period. Because the neoliberal period represents the highest form of development of capitalist imperialism so far achieved, it expresses more fully and directly

⁶⁶⁵Lenin, *Imperialism*, ch.5.

aspects of Lenin's theory than did the capitalism of his own time (ch.4.1). For the same reasons it remains a useful tool of contemporary analysis deserving of serious attention and study.

It was suggested above that Lenin tends to view monopoly as not only changing the forms of competition but intensifying it by raising it to ever higher levels, commensurate with the higher degree of development of monopoly capital. As Lenin says, "A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into *every* sphere of public life".⁶⁶⁶ It therefore must take competition with it into all public spheres; in other words it enlists the various spheres—including the state—in its struggle against competing monopolist groups.

Of course the most important sphere must be the highest organisation in capitalist society—the state. Lenin viewed the domination of monopoly finance capital as bringing the state into far more intimate interconnection with private capital. He wrote,

private and state monopolies are interwoven in the epoch of finance capital... both are but separate links in the imperialist struggle between the big monopolists for the division of the world;⁶⁶⁷ State monopoly in capitalist society is merely a means of increasing and guaranteeing the income of millionaires in one branch of industry or another who are on the verge of bankruptcy.⁶⁶⁸

For Lenin, "The 'personal union' between the banks and industry is supplemented by the 'personal union' between both and the government". Quoting Jeidels, Lenin said, seats on company boards "are freely offered to persons of title, also to ex-civil servants, who are able to do a great deal to facilitate [!! - VL] relations with the authorities."⁶⁶⁹

Imperialism's descent into world war was, for Lenin, clear evidence of this change.⁶⁷⁰

As suggested, Lenin's view of monopoly competition continuously returns to commodity production and hence the labour process, yet adding new monopolistic forms to it. For Lenin, the deepest economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e., monopoly which has grown out of capitalism and which exists in the general environment of capitalism, commodity production and competition, in *permanent and insoluble contradiction*

⁶⁶⁶Lenin, *Imperialism*, ch.3.

⁶⁶⁷Lenin, *Imperialism*, ch.5.

⁶⁶⁸Lenin, *Imperialism*, ch.2.

⁶⁶⁹Lenin, *Imperialism*, ch.2.

⁶⁷⁰Lenin, *Imperialism*, 1920 Preface.

to this general environment.⁶⁷¹; Monopoly under capitalism can never completely, and for a very long period of time, eliminate competition in the world market.⁶⁷²; It is highly important to have in mind that this change [to imperialism - SK] was caused by nothing but the direct development, growth, continuation of the deep-seated and fundamental tendencies of capitalism and production of commodities in general.⁶⁷³

At first glance, some of Lenin's formulations may appear contradictory. He says for example, Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres.⁶⁷⁴

It might be argued that by "change into their opposites" Lenin in fact concedes a lessening of capitalist competition. However, that would be a misreading. This tendency is arrested (or can only express itself partially and in a contradictory manner) because the system is not permitted to develop into "a higher social and economic system"—i.e. into Socialism. Short of revolution, which would resolve these contradictions, Lenin viewed imperialism as remaining a form of "capitalist monopoly".⁶⁷⁵

While monopoly outside of the labour process is certainly important in Lenin's work (and Marx's). Political connections, war and the "squeezing" of concessions through treaties or trade agreements are all named as forms of monopoly, however, these are not a view as a substitute for capitalist commodity production. Lenin rejected Hilferding's emphasis on tariffs as a necessary form of monopoly. Instead he outlined a monopolistic intensification of what was the most essential element of capitalist competition for Marx: the revolutionising of the means of production (see below).

For a work written during WW1, the degree of emphasis Lenin gives to apparently obscure developments in productive technology is striking. For example, detailing the US Tobacco Trust's "inventions concerning the manufacture of cigarettes, cheroots, snuff, tinfoil for packing, boxes, etc." might have been ridiculed had *Imperialism* been published prior to the Russian Revolution. However, from a post-war perspective, particularly in the neoliberal period, it seems Lenin was right to do so.

671 Lenin, *Imperialism*, ch.8.

672 Lenin, *Imperialism*, ch.8.

673 Lenin, in Bukharin, *Imperialism*, p10.

674 Lenin, *Imperialism*, ch.7.

675 Lenin, *Imperialism*, ch.8.

France, and to a lesser extent Britain were depicted as "rentier state[s]" where industrial development was relatively stagnant *vis a vis* Germany and the US. However, these two older and economically weaker powers were not presented as typical or most indicative of imperialism's trajectory. The growth of "younger, stronger and better organized"⁶⁷⁶ imperialism of Germany and the US, that was defeating British competition, most shapes Lenin's view. Even in France, socialisation of research and development is highlighted (below), while "in Great Britain it is the size of the enterprise and its high technical level which harbor a monopolist tendency". From Germany, he quotes Jeidels to argue, *durable* monopoly exists to a high degree in the gigantic enterprises in the modern iron and steel and electrical industries owing to their *very complicated technique, far-reaching organization and magnitude of capital* .⁶⁷⁷

In another example, Lenin quotes the American Government Commission on Trusts to argue, "The [trust's] superiority over competitors is due to the magnitude of its enterprises and their excellent technical equipment."⁶⁷⁸

Thus citing examples from every major imperialist power at the time, clearly for Lenin, monopoly power emanated principally from the labour process itself, just as monopoly itself had been formed out of the development of the labour process itself. This was nothing new. The notion that the superiority of the dominant countries emanated principally from their economic superiority (even if it was ultimately expressed in a range of ways) had always been a tenet of Marxist analysis of capitalism and all forms of pre-capitalist imperialism. Before capitalism's monopoly stage, the world market monopoly achieved by Britain was also due to the superiority of its productive forces.

Lenin's foresight about the continuation of capitalist commodity production derives from his awareness of the basic contradiction of the imperialist period: increasingly socialised production in the context of continued capitalist private ownership of the means of production. The outright merger of state and private property, by contrast, would mean abolition of the private property and class rule in its capitalist form. As Lenin says, in bourgeois society, "private property is sacred, and no one can be prohibited from buying, selling, exchanging or mortgaging shares, etc."⁶⁷⁹

⁶⁷⁶Lenin, *Imperialism*, ch.9.

⁶⁷⁷Jeidels, O., *Das Verhältnis der deutschen Grossbanken zur Industrie mit besonderer Berücksichtigung der Eisenindustrie*, Leipzig, 1905, p108, quoted in Lenin *Imperialism*, ch.1.

⁶⁷⁸Report of the Commissioner of Corporations on the Tobacco Industry, Washington, 1909, quoted in Lenin *Imperialism*, ch.1.

⁶⁷⁹Lenin, *Imperialism*, ch.3.

Arguably, it was Lenin's grasp on the specifically capitalist nature of imperialism and monopoly that accounts for the superior predictive ability of *Imperialism* compared with both Hilferding and Bukharin. Lenin's "general framework [where] formally recognized *free* competition remains"⁶⁸⁰ is clearly different to Hilferding's "general cartel" where "the entire capitalist production is consciously controlled from one center which determines the amount of production in all its spheres"⁶⁸¹ and Bukharin's "state-capitalist trust" where vertical integration tends to turn the entire national economy into a "single combined enterprise".⁶⁸²

Bukharin, by contrast, viewed imperialism as moving beyond the bounds of a system governed by Marx's law of value:

state power absorbs virtually every branch of production. Not only does it preserve the general conditions of the exploitative process but, in addition, the state increasingly becomes a direct exploiter, organizing and directing production as a collective, joint capitalist"⁶⁸³

Both Hilferding and Bukharin's formulations made the mistake of over-generalising then prevailing tendencies in the form of capitalist monopoly, which, during the war (and again during WW2), tended towards centralised command economies under direct state control.

Today, "state capitalist trusts" have mostly been supplanted by privately owned MNCs—i.e. state-supported private monopoly capital, arguably a higher form of monopoly than the trusts and cartels of 100 years ago. The *indirect* form of state assistance does necessarily mean a less dependence on state support. Yet, national imperialist economies today can be described as a "single combined enterprise" only in the most abstract sense—i.e. abstracting from prevailing competition between different capitalist groups. Lenin's expectations were more accurate. Even the most social-democratic, post-war, imperialist economies such as 'Socialist' Sweden never abolished private property. Nor did European fascist regimes.⁶⁸⁴ Capitalist commodity production was abolished only where the capitalist class rule was defeated, as in Russia and China.

680 Lenin, *Imperialism*, ch.1.

681 Hilferding: "if we now pose the question as to the real limits of cartelization, the answer must be that there are no absolute limits. On the contrary there is a constant tendency for cartelization to be extended. As we have seen, the independent industries become increasingly dependent upon the cartelized industries until they are finally annexed by them. The ultimate outcome of this process would be the formation of a general cartel. The whole of capitalist production would then be consciously regulated by a single body which would determine the volume of production in all branches of industry. Price determination would become a purely nominal matter" Hilferding, 1981 [1910], ch.15; Lenin, considered "the statement that cartels can abolish crises is a fable spread by bourgeois economists", Lenin, *Imperialism*, ch1.

682 Bukharin, 1916, p70; According to Barone, of the early Marxist writers, "only Lenin argued that competition was not negated at a national level", Barone, 1985, p194; Bukharin's term "state capitalist trusts" is sometimes wrongly attributed to Lenin. Lenin does not use it in *Imperialism* or anywhere I can find. Lenin does refer to "state-monopoly capitalism" three times in Lenin, *The State and Revolution* [1917], Progress Publishers, 1964, in the preface, ch.2.2 and ch.4.2, see www.marxists.org/archive/lenin/works/1917/staterev

683 Bukharin, *Nikolai, Toward a Theory of the Imperialist State*, [written 1915], M. E. Sharpe, 1982, see www.marxists.org/archive/bukharin/works/1915/state.htm

684 Guerin, Daniel, *Fascism and Big Business*, Pathfinder, 1973 [1939], p383.

Lenin's view of the continuing competitive nature of capitalist monopoly derives from the broader social contradiction of monopoly capitalism as a whole. That is, socialised production alongside continuing private ownership. While that has always been the elementary contradiction of capitalism in all its stages, imperialism takes this contradiction to its highest and final point (before resolving itself through social revolution). Lenin's view of competition simply reflects this general view of the social character and place in history of the imperialist system.

Thus to understand how this contradiction gave rise to a new phase of capitalist development, Lenin had to show how these contradictory forces concretely expressed themselves given the degree of concentration and centralisation that capitalism had then already attained. This was described as "monopoly finance capital".

Monopolisation of highest labour productivity

It has been argued that Lenin's view of monopoly competition—most fully expressed as "monopoly finance capital"—conceptually unites the principal, contradictory historical tendencies inherent within capitalist social relations of production in the imperialist epoch, i.e. development towards socialisation of the production process constrained by private ownership of the means of production. In doing so, it develops Marx's synthesis of competition and monopoly and thereby provides the general foundation for an explanation of imperialist competition today.

In Marx's theory, capitalism's chief advantage over pre-capitalist commodity production was superior labour productivity. This was intensified over time because capitalist competition occurred via the constant "revolutionising of the instruments of production" and thus constant improvement in labour productivity.⁶⁸⁵ *Imperialism* does not overturn this fundamental premise but shows that the process of "revolutionising", of production processes had taken on a monopolistic, higher and more powerful form due to the more social manner in which big monopoly capital could carry it forward.

This aspect of *Imperialism* provides the kernel to understanding what contemporary theory fails to explain—namely how the historical imperialist core countries are able continuously to reproduce their monopolistic supremacy even in the context of rapid spread of commodity production across many of the largest Third World societies. Under monopoly conditions, the position of productive supremacy is monopolised.

685 Marx and Engels, *Communist Manifesto*, ch.1

Successful monopolisation of research and development of the labour process guarantees, by definition, a renewal of monopoly over advanced productive techniques and (it will be argued) over the labour process as a whole. As Lenin said,

it stands to reason that the big banks' enterprises, worth billions, can accelerate technical progress with means that cannot possibly be compared with those of the past. The banks, for example, set up special technical research societies, and, of course, only 'friendly' industrial enterprises benefit from their work.⁶⁸⁶

Lenin quoted the US Government Commission on Trusts to explain this:

Since its inception, the Tobacco Trust has devoted all its efforts to the substitution of mechanical for manual labor on an extensive scale ... With the same object in view, the trust built its own foundries, machine shops and repair shops. One of these establishments, that in Brooklyn, employs on the average 300 workers; here experiments are carried out on inventions concerning the manufacture of cigarettes, cheroots, snuff, tinfoil for packing, boxes, etc. Here, also, inventions are perfected.⁶⁸⁷ Other trusts also employ so-called developing engineers whose business it is to devise new methods of production and to test technical improvements. The United States Steel Corporation grants big bonuses to its workers and engineers for all inventions suitable for raising technical efficiency, or for reducing cost of production.⁶⁸⁸ In German large-scale industry, e.g., in the chemical industry, which has developed so enormously during these last few decades, the promotion of technical improvement is organized in the same way.⁶⁸⁹

That Lenin, during WW1 would emphasise the socialised, monopoly research and development for the production of commodities for the capitalist market, and that precisely that type of research and development has come to dominate the economic developments in the neoliberal period (ch.4.2) is more than a lucky guess. Lenin's outline does not constitute a full explanation of the monopolistic domination of highest labour productivity as it has unfolded in the neoliberal period, since it doesn't show the role of the state and of imperialist society more broadly in the reproduction of highest labour productivity within the imperialist core states (ch.4.2). However, it is highly prescient of contemporary competition and shows the embryonic form of what later developed.

686 Lenin, *Imperialism*, ch.2.

687 Report on the Tobacco Industry, quoted in Lenin, *Imperialism*, ch.1.

688 Report on the Tobacco Industry, quoted in Lenin, *Imperialism*, ch.1.

689 Lenin, *Imperialism*, ch.1.

Monopolistic domination of non-monopoly capital

Notably, Lenin argues that not even "*free* competition" is abolished, let alone competition in general:

monopolies, which have grown out of free competition, do not eliminate the latter, but exist over it and alongside of it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts.⁶⁹⁰

Lenin observed that

not in every branch of industry are there large-scale enterprises [and that] monopoly which is created in certain branches of industry, increases and intensifies the anarchy inherent in capitalist production as a whole.⁶⁹¹

By understanding the simultaneous and permanent presence on the world market of both monopolies and non-monopoly capital, we can discern that there must be at least three distinct forms of monopoly competition: that among monopolies, that between monopolies and non-monopoly capitals, and that among non-monopoly capitals.

On the competition between monopoly and non-monopoly capital, Lenin says,

The general framework of formally recognized *free* competition remains, but the yoke of a few monopolists on the rest of the population becomes a hundred times heavier;⁶⁹² the old struggle between small and big capital is being resumed at a new and immeasurably higher stage.⁶⁹³

I will argue this formulation too remains a basically accurate description of the dynamics of market competition between monopoly and non-monopoly capitalism today (ch.4.1).

Monopolistic "revolutionising" of the means of production could not lead to an *overall* increase in profits for the monopolies unless the monopoly sector co-exists with non-monopoly capital from which extra surplus value can be usurped. The higher average rate of profit for monopolies could not occur without the simultaneous lower rate of profit for non-monopolies. As pointed out, for Marx, the source of monopoly profits must always be the redistribution of a portion of total surplus-value from other capital to the monopoly.

"The prolonged raising of prices" Lenin quotes Kestner to say,

⁶⁹⁰ Lenin, *Imperialism*, ch.7.

⁶⁹¹ Lenin, *Imperialism*, ch.1.

⁶⁹² Lenin, *Imperialism*, ch.1.

⁶⁹³ Lenin, *Imperialism*, ch.2.

has hitherto been observed only in relation to the most important means of production, particularly coal, iron and potassium ... the industries which process raw materials (and not semi-manufactures) not only secure advantages from the cartel formation in the shape of high profits, *to the detriment of the finished goods industry*, but secured also a dominating position over the latter, which did not exist under free competition.⁶⁹⁴

Thus while the specific forms have changed—i.e. it is no longer principally raw materials and processing industries which exert monopolistic dominance—Lenin's imperialism had already observed that high monopoly profits cause lower profits in the non-monopolised sectors. Thus in Lenin's explicit emphasis on the inevitable continuation of non-monopoly capital, he anticipated the development of the binary or counterposition of monopoly alongside and in relation to non-monopoly capital.

It will be shown in chapter 4.3 that this polarisation—the development of both monopoly and non-monopoly capital indeed—in necessary and intimate relation to one another is precisely what can explain the polarisation between imperialist and Third World states in the neoliberal period.

Exploitation of the poor countries

Howard and King have argued that Lenin did not “come close” to understanding Imperialism as “the domination and exploitation of undeveloped countries by advanced countries.”⁶⁹⁵ Foster (as shown) thought “the concept of the imperialist world system in today’s predominant sense ... was largely absent from the classical Marxist critique of capitalism”,⁶⁹⁶ in which he includes Lenin. IST depictions of Lenin emphasise inter-imperialist rivalry but not exploitation of the poor countries.

Yet, Lenin's strong emphasis on exploitation of the poor countries was integral to his overall theory. It is integrated into his definition of monopoly capitalism when he says,

on the threshold of the twentieth century we see the formation of a new type of monopoly: firstly, monopolist capitalist combines in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries.⁶⁹⁷

In *Imperialism* Lenin argued

694 Kestner, 1912, quoted in Lenin, *Imperialism*, ch.1.

695 Howard and King, 1992, p168.

696 Foster, 2007.

697 Lenin, *Imperialism*, ch.4.

capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced' countries.⁶⁹⁸

Between 1915 and 1917 Lenin made exposing imperialist exploitation of the poor countries central to his fight against Kautsky and opportunism. He argued

the programme of Social-Democracy must point out that under imperialism the division of nations into oppressing and oppressed ones is a fundamental, most important and inevitable fact,⁶⁹⁹ [something] *deceitfully* evaded by the social-chauvinists and Kautsky.⁷⁰⁰ [For Lenin] it would be expedient, perhaps, to emphasise more strongly and to express more vividly in our program the prominence of the handful of the richest imperialist countries which prosper parasitically by robbing colonies and weaker nations. This is an extremely important feature of imperialism.⁷⁰¹

We can see above that, for Lenin, monopoly capital was located "in all capitalistically developed countries", while the other countries must therefore possess a less developed form of capital—i.e. pre-capitalist production or non-monopoly capital (at least non-monopoly in relation to the imperialist core). For this reason, in Lenin's theory imperialist exploitation of the poor countries is presented as form of the domination and exploitation of producers with less developed productive methods.

Lenin investigates the question of the future of the poor countries under imperialism through his examination of the prospect of the "partition" of China. It is striking just how close Lenin, and also Hobson from a liberal perspective, come to describing many of the realities for contemporary China and the rich countries. The example demonstrates perhaps most powerfully of all the contemporary relevance as well as the limitations of Lenin's work.

With typical caution, Lenin again introduces his idea by quoting other writers, yet makes clear his own thinking. He quotes Schulze-Gaevernitz, who argues,

the 'danger' of imperialism lies in that 'Europe will shift the burden of physical toil—first agricultural and mining, then the rougher work in industry—on to the coloured races, and itself be content with the role of rentier, and in this way, perhaps, pave the way for the economic, and later, the political emancipation of the coloured races'.⁷⁰²

698 Lenin, *Imperialism*, Preface, [1920].

699 Lenin, *These: Right of Self-Determination*, [1916].

700 Lenin, *Right to Self-Determination*, [1915].

701 Lenin, *Revision of the Party Programme*, [1917]; Lenin, The Question of Nationalities or "Autonomisation" [1923], www.marxists.org/archive/lenin/works/1922/dec/testamnt/autonomy.htm

702 Schulze-Gaevernitz, 1915, quoted in Lenin, *Imperialism*, ch.8.

Lenin also approvingly compiles the following quotation from Hobson on the prospect of the "partitioning" China,

The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the South of England, in the Riviera and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a larger body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods; all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa. We have foreshadowed the possibility of even a larger alliance of Western states, a European federation of great powers which, so far from forwarding the cause of world civilisation, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they supported great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory... reflect upon the vast extension of such a system which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. The situation is far too complex, the play of world forces far too incalculable, to render this or any other single interpretation of the future very probable; but the influences which govern the imperialism of Western Europe today are moving in this direction, and, unless counteracted or diverted, make towards some such consummation.⁷⁰³

Lenin clearly sought to highlight this parasitic aspect of imperialism in his fight against the opportunism of the Second International. That Lenin, during WW1, and in the context of his polemic against Kautsky's "ultra imperialism", would introduce into his own work the possibility of an "alliance of Western states, a European federation of great powers" and "the gigantic peril of a Western parasitism" shows the degree to which he considered this a real prospect and danger.

The subsequent neoliberal period arguably did, in many respects, progress along lines generally indicated by Schulze-Gaevernitz and Hobson above. Certainly the "rougher work" in industry (as well as the most dangerous, toxic, mind numbing and soul destroying work) as far as possible, has been passed on to "coloured races" (though, including to migrants in the core countries).

703 Hobson, John, *Imperialism*, 1902, quoted in Lenin, *Imperialism*, ch.8.

It would also be difficult to deny the imperialist centres are now characterised by a proportionately increased number of "workers in the transport [and logistics - SK], trade and in the final stages of production of the more perishable goods". We could add marketing, finance, leisure, entertainment and other modern parasitical spheres. It is also arguably true of the neoliberal period that manufacturers are flowing into the core countries "as tribute from Asia and Africa", or at least partially "as tribute", though we should add Eastern Europe, Mexico and other Third World regions.

Yet Schulze-Gaevernitz's fear and, perhaps, Lenin's hope of *economic* emancipation—has not eventuated and is not eventuating today. Such emancipation from imperialist domination could have been expected if the First World proletariat were in fact reduced to "performance of personal or minor industrial services", etc. If that were the case, the Chinese bourgeoisie, for example, would no longer be obliged by any market compulsion to exchange its products with the imperialists at unfavourable prices. Imperialist compulsion would have to principally take extra-economic forms.

It is only when imperialist parasitism (i.e. appropriation of surplus value produced by Third World workers) is combined conceptually with another aspect of Lenin's theory—monopolisation of highest labour productivity—that a highly contradictory characteristic of contemporary imperialism—its sustainable parasitism lasting decade after decade—can be understood. The vitality (so far) of this system lies in this combination. A pure and gigantic parasite must die or kill its host. Monopoly Finance Capital by contrast remains productive (including of value) but only in certain technically advanced aspects of the labour process. To the extent it can monopolise these spheres, it can parasitically appropriate value from other parts of the labour process. Its monopoly of the highest spheres is secured, as Lenin saw by its monopolisation of scientific research and development.

Thus, while the parasitism observed by Hobson is certainly an important and increasing feature, it appears alongside increasing imperialist productivity. While the latter may, in a given period, be responsible for a diminishing magnitude of overall value *production*, it proportionally increases its overall importance to imperialist *realisation* of value because increasing imperialist specialisation in the monopolistic dominance of the most sophisticated processes allows a greater usurpation of value produced by non-monopoly producers.

Certainly the burden of physical toil (and undesirable work in general) is offloaded as far as practical (or alternatively mechanised, see ch.4), yet what has been retained is not only the "performance of personal or minor industrial services" but also the highest skilled work. This tends to be most important and interesting brain-work, the most sophisticated and capital

intensive production processes as well as high end research and development. In fact high-end labour, research and development and scientific work are increasingly *concentrated* in the imperialist core to the extent that 'bulk production' and menial work have been abandoned or lost to Third World capitalist competitors (ch.4).

Monopoly and Marx's law of value

It is not true, as Smith claims,⁷⁰⁴ that Lenin's theory of imperialism is disconnected from the Marxist theory of value, though it is true the link is not made explicit, causing many contemporary writers to miss it. The claim would be true if it were the case, as presented in IST work, that monopoly had no connection to value transfer—a proposition contradicted by Marx. It would also be the case, as Sweezy, Amin, Shaikh and Smith variously argue (either in relation to the concept of monopoly—Shaikh and Smith, or in capitalist reality—Sweezy and Amin), if monopoly abolishes Marx's law of value.

In contradiction to the IST view that imperialist monopoly profits can come about simply by virtue of higher labour productivity in isolation, Marx has already pointed out,

if equalisation of surplus-value into average profit meets with obstacles in the various spheres of production in the form of artificial or natural monopolies, and particularly monopoly in landed property, so that a monopoly price becomes possible, which rises above the price of production and above the value of the commodities affected by such a monopoly, then the limits imposed by the value of the commodities would not thereby be removed. The monopoly price of certain commodities would merely transfer a portion of the profit of the other commodity-producers to the commodities having the monopoly price.⁷⁰⁵

Marx's comments here are limited to the general effect of monopoly and not its specific determination because his level of abstraction in *Capital3* doesn't deal with market competition. As Dobbs notes, "the analysis of market-prices belongs in a subsequent book [Marx had planned] on the 'theory of competition' which was never written."⁷⁰⁶

The argument of the *MR* tendency is, by contrast, that while a monopoly profit implies a transfer of value from non-monopoly producers, the actual size of this profit (and transfer) cannot be reckoned or explained using Marx's law of value. This, they argue, has brought about its redundancy.

Sweezy argued,

⁷⁰⁴Smith J., 2011, p6; Smith, J., 2016, p226.

⁷⁰⁵Marx, *Capital3*, ch.50.

⁷⁰⁶Dobbs, Steve, 'Centenary of Lenin's Theory Of Imperialism: A Reply To Pete Glover', *Marxist World*, 2017.

Under conditions of monopoly, exchange ratios do not conform to labor-time ratios, nor do they stand in a theoretically demonstrable relation to labor-time ratios ... it appears to be obvious, as Hilferding said, that 'the realization of Marx's theory of concentration, of monopolistic merger, seems to result in the invalidation of Marx's value theory.'⁷⁰⁷

According to Sweezy,

in so far as the allocation of productive activity is brought under conscious control, the law of value loses its relevance and importance; its place is taken by the principle of planning.⁷⁰⁸

Amin followed,

monopoly is above all a hindrance to the equalisation of profit. Prices therefore cease to be determined by a general law based on values. The field of operation of the law of value contracts. There is no longer any rationality, even apparent, in the price system. Prices are determined by social relations of strength within the dominant class, between the financial groups that dominate the various sectors of economic activity.⁷⁰⁹

J. Smith and Shaikh reject MR's view of monopoly. Yet, falsely assuming it to be the only possible Marxist view of monopoly (both writers conflate the MR's monopoly with Lenin's) reject monopoly altogether. Smith, proceeding from Amin's theory, says monopoly "implies a violation of the law of value ... a departure from the law".⁷¹⁰ It "negate[s] the law of value",⁷¹¹ stands as its "antithesis".⁷¹² Smith argues that

[a] value theory of imperialism" therefore "must ... recognize that the source of imperialist profits is not to be found in any form of monopoly—however big a role monopolistic corporations may play in helping to generate these conditions."⁷¹³

For Shaikh,

in the case of monopoly, it is widely accepted by Marxists and non-Marxists alike that laws of price formation must be abandoned ... Of course, once the laws of price formation in general are thrown out, the laws of international price formation necessarily follow. The focus shifts instead to the domestic and international rivalries of giant monopolies, to their political

707 Sweezy, 1970 [1942], p270, 55.

708 Sweezy, 1970 [1942], p53.

709 Amin, 1976, p68.

710 Smith, J., 2016, p205.

711 Smith, J., 2016, p217.

712 Smith, J., 2016, p222.

713 Smith, 2015; Smith, J., 2016, p230.

interaction with various capitalist states, and to the antagonisms and conflicts between these states themselves - in other words, to imperialism as an aspect of monopoly capitalism. The law of value, like competitive capitalism itself, fades into history.⁷¹⁴

All of the above proceeds from a theoretical understanding of monopoly as the negation of competition. This is an incorrect view that comes from misunderstanding Lenin's classical Marxist definition of *capitalist* monopoly as a new form of *capitalist* competition. Understood as capitalist competition, monopoly must be a new form of struggle by each capitalist group to increase the portion of the total value *through sale of commodities on the market*. Struggle for the capitalist production of commodities for sale on the capitalist market to increase profits can hardly amount to the "antithesis" of Marx's theory of value. In fact its parameters are determined by Marx's theory—albeit with certain modification owing to imperialism's monopolist form.

Determination of profits

The expression of the law of value is conditioned by monopoly within definite limits. These are both the total value available to capital as a whole, determined by the magnitude of total labour, as Marx set out, and the *degree* of monopoly possessed by an individual capital. Once it is seen that monopoly, in its most essential form, is monopoly in the labour process, it follows that the degree of monopoly is determined by the degree of superiority in the labour process.

The degree of superiority is measured in capitalist practice by the cost to other capitals for the production of a given monopoly commodity—i.e. how much money would be required to invest to achieve the production of that commodity.⁷¹⁵ If other capitals would require a huge investment to achieve the production of a commodity that a monopoly has achieved with a relatively small investment, then its capacity for monopolistic price mark-up is high. That is to say, the capacity for mark-up—just as when Marx outlines how more productive capital in the same branch of industry gains above average profit in pre-monopoly conditions—is determined by the degree that labour productivity is higher.

Thus, far from contradicting Marx's law of value, Lenin's monopoly finance capital extends its application from the degree of abstraction that Marx adopted in the first of his planned volumes of *Capital*, which restricted the realm of its operation to capital as a whole, to the lesser degree of abstraction necessary to undertake any examination of capitalist competition.

714 Shaikh, 1980, p208–9.

715 Mandel, 1978 [1972], p70.

The extension of the operation of the law of value across branches of production, across the production of different use values, is consistent with the actual operation of capitalist competition in monopoly conditions. Monopoly capital does not necessarily operate in just one sphere. It has the resources to jump quickly from one to another if the opportunity or compulsion arises. In this way, the greater social scope of modern capitalist productive forces extends Marx's law to more thoroughly regulate and compare all labour processes.⁷¹⁶

This does not mean the degree of price mark-up is directly proportionate to the degree of monopolistic superiority. On the contrary, it is in the nature of monopoly in general that an extra premium can be added on top of that which is 'deserved' as a result of labour productivity. However, even this added premium—the reward for a monopolistic position—will also be generally proportionate to the degree of labour superiority.⁷¹⁷ A weak and insecure monopoly can hardly command the same premium as a firm such as Apple. Yet, the size of the premium too is, in the medium term, determined by labour productivity and sophistication.

Insofar as it is developed in Lenin's work, the quest to dominate commodity production becomes the quest to dominate the highest echelons of the labour process—a point underscored by *Imperialism's* depiction of monopolistic control and financing of research and development. The monopoly form of capital ownership and structure is employed to this end. What is not developed, and needs to be, in order to apply Lenin's general framework (i.e. his application of Marx' law of value) to the contemporary context, is the specific manner in which this dominance is manifested on the market today.

It has been shown that Lenin's *Imperialism*, and in particular its key concept—monopoly finance capital—is consistent with Marx's theory of value. It has also been shown that the essential elements of that concept are monopolistic capitalist competition, which is carried out principally via the struggle for monopolistic domination of the highest labour processes and thereby of the labour process as a whole. This interpretation of Lenin's *Imperialism*, which is completely at odds with the prevalent view of his work, has been shown to be consistent with what Lenin actually wrote. It will be shown in the final part of the thesis that this interpretation of Lenin has far greater explanatory power than contemporary Marxist thinking on

716 According to Itoh, the latter half of the items planned in Marx's lifework—state, foreign trade, and world market—are all introduced in the concrete analysis in Lenin's imperialism, see Itoh, Makoto, 'Unequal Exchange Reconsidered in our Age of Globalization', Paper, Political Economy Research Institute, 2007, p5.

717 Shaik—in expounding his theory of "real competition"—is correct to say, "the relevant profit must be defensible in the medium term" (p15) and that "Monopolistic industries ... must have regulating rates of profit that are persistently higher than the average regulating rate", see Shaikh, 2016, p272; Chamberlin had earlier observed that "both monopolistic and competitive forces combine in the determination of most prices", see Chamberlin, Edward H., *The Theory of Monopolistic Competition: A Reorientation of the Theory of Value*, Harvard, 1969 [1933], p. xi.

imperialism. From a theoretical perspective, it is a necessary tool in concretely applying Marx's theory of value to modern monopoly capitalism.

Part IV. Monopoly finance capital in the neoliberal period

So far, it has been argued that contemporary Marxist writing on imperialism has been unable to explain the essential features of imperialism in the neoliberal period, namely the international social and economic polarisation between nations and the reproduction of imperialist supremacy. Secondly, it has been shown that the frail explanatory power of contemporary works coincides with writers' rejection of Lenin's theory, while his theory itself strongly anticipates important aspects of the neoliberal period.

This last section outlines the specific forms of the most essential economic mechanism of imperialism in the neoliberal period: monopoly over the labour process. It will be argued there are several characteristic features of monopoly finance capital in the neoliberal period that occur in connection with that central feature. These are 1) increasing technical specialisation resulting in a hierarchical and polarised world division of labour; 2) impetus to continuous research and development (R&D); 3) a tendential shift in competition from the sphere of production towards the sphere of reproduction; 4) an increasingly central role for the capitalist state; and finally 5) the division of the world into monopoly and non-monopoly capitalist states.

Chapter 4. Monopoly finance capital in the neoliberal period

It has been argued in the previous sections that modern Marxism has largely abstained from investigating the causes of contemporary N-S wealth polarisation, and insofar as it does attempt to explain this, writers often seek an answer outside the labour process. There are, however, some exceptions to this trend. Norfield, for example, emphasises, that "a small group of powerful countries has a privileged position in production, commerce, investment and financial relationships compared to all the others".⁷¹⁸ In highlighting the need for an explanation that takes account of the labour process, he says that "force, extortion or robbery may bring a high return, and they are important features of imperialism. But they are not the modus operandi of an economic system any more than piracy can be seen as a mode of production."⁷¹⁹

⁷¹⁸Norfield, 2016, p4, p117.

⁷¹⁹Norfield, 2016, p117; Lorimer and Norfield, as shown (ch.3.3) develop a more detailed critique of the popular contemporary view that separates finance from industry.

Chesnais usefully describes an imperialist state as one which possesses both “a number of corporations part of whose firm-specific advantages are rooted in their domestic technological and industrial base” and “large institutional financial investors, not to mention a domestic financial market”.⁷²⁰ For Panitch and Gindin, “the ‘commanding heights’ of global accumulation” have moved to “high-tech sectors, and to a range of business services (management, legal, accounting, engineering, consultancy, and financial)”.⁷²¹ According to Freeman:

consumer goods are cheaper in the third world than in the first, and capital and intermediate goods are more expensive in the third world than in the first ... It is therefore simply more costly to produce in the third world, than in the first world, except insofar as labour is cheaper and is used instead of capital, that is, except insofar as production is more backward...". [Earlier he noted] "The ‘achievements’ of globalisation arise, therefore, not from any new processes of development induced by liberalisation but from the consequences of arresting them."⁷²²

However, none of these writers fully develop a detailed analysis of imperialist domination of the labour process that can account for imperialism's overall domination of neoliberal globalisation and the resulting polarisation of wealth. In Freeman's work, and outside of the academic world, it is possible to find restatements of Mandel's essential theses. Probsting's work has already been discussed (ch2.2). Another example is the former Australian-based party, the Democratic Socialist Party (DSP) which noted in its program that "the essential feature of imperialism is manipulation of the uneven development of labour productivity in different sectors of the world capitalist economy in order to extort monopoly superprofits."⁷²³

Open door and internationalisation of the production process

Far from representing ‘free trade’ or removal of all international barriers, the neoliberal period has been characterised by *relative* trade freedom and open capital markets compared with other periods of monopoly capitalism. Arguably, this policy reflects, among other things, the high degree of economic supremacy enjoyed by the imperialist states collectively and the domination of US imperialism in particular. Economic domination replaced the need for imperialist economies to erect as many or as rigid protections. Imperialist exploitation of *independent* underdeveloped states represents a more advanced form of imperialism than its

⁷²⁰Chesnais, 2007, p132.

⁷²¹Panitch and Gindin, 2013, p289.

⁷²²Freeman, Allan, ‘The Poverty of Statistics’, *Third World Quarterly*, 30, 8, 2009, p1437; Freeman, Allan, *The Poverty of Statistics*, Munich Personal RePEc Archive, 08-12-2008, p25.

⁷²³Democratic Socialist Party, *Program of the DSP*, New Course, 1994, p12; Probsting, 2013, p108; Freeman, 2009.

predecessor, colonialism, just as wage labour represents a more advanced form of labour exploitation than capitalist slavery.

As Lorimer points out, US imperialism "eschewed" formal empire:

This policy was first articulated by secretary of state John Hay in his 'Open Door Notes', circulated in 1898, which sought to prevent European colonial expansion in China and preserve open access for all the imperialist powers to the Chinese market. This open door, as Woodrow Wilson aptly described it, was 'not the open door to the rights of China, but the open door to the goods of America'. As a political strategy, the open door policy represented the natural policy of a new great economic power, which recognised that open competition, in foreign as well as domestic markets, was the most efficient way of ensuring domination for the strongest.⁷²⁴

The US was not able to impose an open door policy internationally in 1898. Even after its victory in WW2 and emergence as the leading world super-power, this preferred policy was still held back by the concurrent victory of the Soviet Red Army, the Chinese revolution and a series of Third World anti-imperialist rebellions following WW2.⁷²⁵ However, the neoliberal period—especially the years between the collapse of the Soviet Union in 1991 and the great recession in 2007—appears as a culmination of the US open door policy.

As *The Economist* editorialised, "years of trade liberalisation culminated in the establishment of the World Trade Organisation in 1995, with China acceding to it in 2001."⁷²⁶ It was in this period that Schwartz observed that the US:

shows a strong preference for letting markets dictate the distribution of production, since the natural working of the market will distribute most new high-value-added production to existing areas of high-value-added production.⁷²⁷

The overall tendency in the neoliberal period has been to protect only economically or politically sensitive labour processes while many other non-core processes were offshored or abandoned. The trend towards greater outsourcing of routine labour processes to independent contractors also implies a further expansion of the reach of the market as a regulating mechanism for distribution of value, to transactions that take place within production processes.

724Lorimer, Doug, *Imperialism in the 21st Century: War, Neo-liberalism and Globalisation*, Resistance Books, 2002, p9; Starrs, Sean, China's Rise is Designed in America, Assembled in China, *China's World*, 2, 2, 2015, p19.

725Lorimer, 2002, p5–6.

726The Economist [Editorial], 'The Headwinds Return', *The Economist*, 13-09-2014.

727Schwartz, Herman, *States Versus Markets: The Emergence of a Global Economy*, Palgrave Macmillan, 2000, p314; Schwartz, Herman, *Subprime Nation: American Power, Global Capital, and the Housing Bubble*, Cornell University Press, 2009, p214.

The neoliberal monopoly-dominated 'free trade' represented a more advanced form of domination and surplus value extraction than direct ownership of undifferentiated assets protected by high tariff walls. Yet much Marxist literature, as we have seen, understands the boom in Third World commodity production, which inevitably flows from this policy as signalling, imperial decline not strength.

Besides much hyperbole, serious heterodox work has also been written on internationalisation of production in the neoliberal period. Steinfeld, for example, correctly identified that contemporary advances in information technology, digitisation, and its capacity for massive data storage and retrieval meant "codified" production "processes can be split into discrete steps—modules, in effect—and standards to ensure their connectivity can be established".⁷²⁸

He argues,

modularization, in turn, has permitted activities that once had to be co-located geographically and managed organizationally within the confines of a single firm to be spread out across great geographic and organizational expanses.⁷²⁹

Indisputably, contemporary technology, and not just Information and Communication Technology (ICT), does permit geographical separation of ever more sophisticated labour processes. As *The Economist* argues,

technological improvements made possible longer and more complex supply chains. By the 1990s container shipping had made transporting goods around the world easier and cheaper than ever before, and the new ports needed to add trade capacity could be built quickly and easily ... the development of computer-based design technologies ... allowed precise details of components to be easily sent from place to place, and to be changed on the fly.⁷³⁰

These advances allowed MNCs to take advantage of and profit handsomely from the abundant cheap labour that came into the world labour supply during the 1980s, 1990s and 2000s, resulting, as we saw in chapter one, in increased income in core societies since 1980.

Internationalisation is a typical feature of capitalism in general. Internationalisation of production processes (as opposed to internationalisation of trade or finance, which occurred earlier) has been acknowledged at least since the 1970s. As Mandel said, the post-war period had brought, "for the first time in man's history, a genuine world-wide division of labour, a real

⁷²⁸Steinfeld, Edward, China's Shallow Integration: Networked Production and the New Challenges for Late Industrialization, *World Development*, 32, 11, 2004, p1972.

⁷²⁹Steinfeld, 2004, p1972.

⁷³⁰The Economist, 2014.

universal world market, which intimately bound together all the countries in the world".⁷³¹ Even earlier, at least for certain commodities such as oil, internationalisation was acknowledged by Lenin and other classical writers.⁷³² What seems unique in the neoliberal period is the *degree* of separation and international distribution of relatively specific aspects of the overall labour processes even within a single industry or single commodity—the "fine slicing" of production as it is sometimes called in heterodox literature.

The incentive for this particularly "fine" division of production was, as said, to take advantage of the particularly large differences in the cost of labour power and increase in supply of cheap Third World labour in the period. The technical basis to do so was (and is), as *The Economist* and others have pointed out, advances in computing, communication, logistics and other technologies. It proved so profitable due to the continuing scientific, technological and productive superiority of the imperialist core societies, which gave them the ability to maintain a monopolistic specialisation in the highest labour processes and engage in price setting that affected the distribution of surplus value derived by the production process as a whole.

The basic argument below is that the increase in cheap Third World labour tended to increase the profitability of firms able to incorporate that in a monopolistic manner. This could be achieved when a firm itself specialised in high labour processes complementary to or integrated with simple labour tasks. This could range from simply the marketing of a cheap labour product, say a toy, to the production of a sophisticated product that involves both sophisticated and simple labour in the one commodity, such as a phone.

Monopolistic dominance of the high-labour tasks permitted monopoly dominance of the labour process as a whole, and thereby the ability to usurp a disproportionate part of the value produced by all the labour processes involved, resulting in higher than average profits. Higher than average profits for monopoly capital meant also lower than average profits for non-monopolies, hence the trend towards increased international polarisation of labour processes and profits and the development of two average rates of profit. The division between monopoly and non-monopoly capital generally corresponds to the international division between North and South; thus, this division can be seen as the material, social and economic basis that explains the reproduction of international polarisation of income and wealth.

731 Mandel, *Marxist Economic Theory*, Merlin, 1968, p463; Palloix says, "... the laws of the international division of labor, of specialization, were modified ..." Today, internationalization ... "has reached its final stage, the inter-nationalization of productive capital", Palloix, Christian, 'Self Expansion of Capital of a World Scale', *Review of Radical Political Economics*, 9, 2, 1977, p11; for an overview of the 1970s' internationalisation of capital discussion see Barone, 1985, p182.

732 Lenin, *Imperialism*, ch.10.

Polarisation and hierarchical specialisation among capitals

'Globalisation' of production processes is hardly new. Lenin, for example, details aspects of it in *Imperialism*. Referring to Standard Oil, he wrote

raw materials are transported in a systematic and organised manner to the most suitable places of production, sometimes situated hundreds or thousands of miles from each other; when a single centre directs all the consecutive stages of processing the material right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the marketing of oil in America and Germany by the American oil trust)—then it becomes evident that we have socialisation of production, and not mere 'interlocking'⁷³³

Yet in Lenin's time, individual firms or trusts often possessed a vertical monopoly where they owned and themselves carried out different stages of the labour process in a single industry. Modern writers show that in the neoliberal period, many of the most profitable firms specialised in particular labour processes within an overall division of labour where independent firms carry out separate stages of working up a raw material to its final form.⁷³⁴

The principal method of analysis developed by heterodox writers to study this new form of the international division of labour is the "Global Commodity Chain" (GCC), or later "Global Value Chain" (GVC) concepts originally developed by writers associated with World Systems theory. Work in this framework aims to study how commodities are produced in complex global production networks. Thus, the literature documents the trend towards outsourcing and offshoring by many large MNCs in the neoliberal period, and the effects on income distribution.

As Clelland notes, the "basic argument of the original world-systems conceptualization" is "that commodity chains are surplus extraction chains based on unequal exchange".⁷³⁵ From the mid-1980s, Hopkins and Wallerstein sought to explain "the real division, and thus integration, of labour in complex production processes" internationally and understand exploitation in that context.⁷³⁶ As Gereffi and Korzeniewicz observed, the "World System", as originally conceived in World Systems analysis, consisted of an "unequal distribution of rewards among the various economic activities in the single overarching division of labour".⁷³⁷

⁷³³Lenin, *Imperialism*, ch.10.

⁷³⁴Smith, 2015; Starosta, Guido, 'Global Commodity Chains and the Marxian Law of Value', *Antipode*, 42, 2, 2010, p439.

⁷³⁵Clelland, Donald, 'The Core of the Apple: Dark Value and Degrees of Monopoly in Global Commodity Chains', *American Sociological Association*, 20, 1, 2014, p83.

⁷³⁶Hopkins, Terence and Wallerstein, Immanuel, 'Commodity Chains in the World-Economy Prior to 1800', *Review*, 10, 1, 1986, p160.

The literature shows that production processes have been vigorously divided into two opposite labour types—simple and complex labour. The two poles of the labour specialisation stand in contrast to each other technically and, flowing from this, in terms of the income they can generate. Simple labour processes are more easily replicable, while complex labour, by definition, is far less so.

As Steinfeld puts it, some firms carry out

activities for which knowledge is embedded and sustainable competitive advantage [i.e. monopoly - SK] is possible, while other firms will not, instead relegated to standardized activities for which competition is intense, churning significant, and returns decidedly low. Therefore, across a range of enterprises, we may witness extensive participation in supply chains, but some types of participation can be characterized as deep and integral, while others may be quite commodified and shallow.⁷³⁸

Sturgeon observed that by the 1990s, branded manufacturing firms increased shareholder value by shifting fixed assets and risk to suppliers,⁷³⁹ while Milberg argued the increase in “arms length outsourcing” reflected suppliers' weak position.⁷⁴⁰ The process of specialisation had reached such a high stage by 2013, according to UNCTAD, that MNCs were able to “fine-slice their international production networks, locating each value adding activity in its lowest-cost location on a regional or global basis”.⁷⁴¹

For Milberg and Winkler, outsourcing certain formerly in-house processes “enable[s] firms to raise profits by reducing costs, raising flexibility and offloading risks while retaining rents from design, marketing and finance”.⁷⁴² Ventura-Dias observed “multinational corporations are prepared to externalize any activity that is not fundamental to competitive advantage in their market or industry”.⁷⁴³ Schwartz says “labour and firm specific non transferable skills”

737 Gereffi, Garry and Korzeniewicz, ‘Commodity Chains and Footwear Exports in the Semiperiphery’, in Martin, William, (ed), *Semiperipheral States in the World-Economy*, Greenwood Press, 1990, p47; see also Rabach, Eileen and Kim, Eun Mee, ‘Where is the Chain in Commodity Chains? The Service Sector Nexus’, in Gereffi, Garry & Korzeniewicz, Miguel, (eds), *Commodity Chains and Global Capitalism*, Praeger, 1994, p127.

738 Steinfeld, 2004, p1972. The term “commodified” here refers to its general (non-Marxist) sense—i.e. to *undifferentiated* (non-monopoly) commodities.

739 Sturgeon, Timothy, ‘From Commodity Chains to Value Chains: Interdisciplinary Theory Building in an Age of Globalization’, *Industry Studies Association Working Paper Series*, 2008, p8.

740 Milberg, William, ‘Shifting sources and uses of profits: Sustaining US Financialization with Global Value Chains’, *Economy and Society*, 37, 3, 2008, p434.

741 UNCTAD, *World Investment Report 2013: Global Value Chains: Investment and Trade for Development*, United Nations, 2013, p156, p141.

742 Milberg, William and Winkler, Deborah, *Outsourcing Economics: Global Value Chains in Capitalist Development*, Cambridge University Press, 2013, p12; Milberg and Winkler also highlight R&D in this connection (p33).

743 Vivianne Ventura-Dias, ‘Service Offshoring: Notes on Patterns, Determinants and Policy Implications for Latin America’, Conference Paper, CEPAL, Santiago, October 19-10-2012, cited in Suwandi & Foster, 2016.

have become the specialisation of leading firms.⁷⁴⁴ For Porter “higher order” advantages are “proprietary technology, product differentiation, brand reputation, consumer relationships and constant industrial upgrading”.⁷⁴⁵ Gereffi, too, notes that MNCs are

redefining their core competencies to focus on innovation and product strategy, marketing, and the highest value-added segments of manufacturing and services, while reducing their direct ownership over 'non-core' functions such as generic services and volume production.⁷⁴⁶

An example of globalised hierarchical specialisation examined by GVC writers embodying many of these attributes is the relationship between Apple and its contractors. Apple, based in California, is a non-manufacturing company often ranked as the most profitable MNC in the world. It outsources direct production for the most part to Foxconn, a giant Taiwan-based contract manufacturer.⁷⁴⁷ To quote just one example of research on an Apple product, Milberg and Winkler show that in 2010, Apple imported completed iPhones for \$179 each from Foxconn in China and sold them for \$600 on the US retail market.⁷⁴⁸ Total iPhone exports from China to the USA in 2009 were \$2 billion, while income received by Chinese labour and capital from that total was just \$73.3 million or 3.6%.⁷⁴⁹

Looking at the respective profitability of the two companies, by 2014 Foxconn earned \$3.6 billion profit on assets of \$78 billion (4.6% return on assets - RoA). Apple's \$37 billion profit that year was made from \$207 billion in assets—an 18% RoA—four times higher than Foxconn.⁷⁵⁰ Foxconn employed some 1.3 million workers in 2014, giving it \$2,768 profit per worker employed. Apple's 80,000 workers earned the company \$463,000 in profit per worker, or around 167 times more.⁷⁵¹ In each case we are talking about company profit per worker. The very different income of Foxconn and Apple's workers themselves represents yet another huge discrepancy.⁷⁵²

744 Schwartz, 2009, p155.

745 Porter, Michael, *Competitive Advantage of Nations*, John Wiley and Sons, 1990, 49–51, cited Gereffi and Korzeniewicz, ‘Introduction’ in Gereffi and Korzeniewicz, (eds), 1994, p6.

746 Gereffi, G., Humphrey, J., and Sturgeon, T. J., ‘The governance of global value chains’, *Review of International Political Economy* 12, 2005, p79.

747 Principally to Hon Hai Precision Industries (Foxconn), a Taiwan-based contract manufacturer that runs factories in China and other countries for Apple, Dell and other leading international brands.

748 Milberg and Winkler, 2013, p36.

749 Milberg and Winkler, 2013, p41.

750 Fortune Global 500, 2014, fortune.com/global500/2014/ accessed, 10-10-2015.

751 Fortune Global 500, 2014, fortune.com/global500/2014/ accessed, 10-10-2015.

752 It can also be seen that Apple has far greater assets. Its \$207 billion assets represent around \$2.6 million dollars in assets per worker. Foxconn by contrast owns just \$60,000 in assets per worker it employs, or 43 times less. Admittedly this very rough overview uses the market *price* of assets, not their value in the Marxist sense, and thus overstates the value of Apple's assets (owing to its monopolistic profitability and also counts its cash horde). However, even if we discounted the value of Apple's assets by a half or even two thirds, the figures still show that—in this case at least—outsourcing of the production process proper is in no way the same thing as a reduction of direct ownership of *capital*.

Hierarchical specialisation

For Steinfeld, "whether for aerospace or apparel, we can conceive of some activities within their respective industry supply chains that are standardized and commodified, and other activities that are highly proprietary."⁷⁵³ Industrial sectors that previously existed as a more or less single whole organised by one or more monopoly firms through vertical integration have subsequently been broken up and reorganised—at least in ownership terms—along lines determined by the degree of complexity of each production process.⁷⁵⁴

This 'fine slicing' of industrial sectors was reflected in rapid growth in trade of intermediate goods and services, which had reached around 60% of global trade in 2012.⁷⁵⁵ As such, it has become increasingly problematic to categorise certain industries or products as high, medium or low technology.⁷⁵⁶ Virtually all industries and products require both highly sophisticated and simple labour processes. That computers, say, are labelled "made in the People's Republic of China", hardly signifies China's achievement of high technology production if the machine's most complex components were imported.⁷⁵⁷

The extreme case of this labour division occurs where companies—such as Gap, Nike, Calvin Klein, Mattel, Apple, Dell, Toshiba, Cisco Systems and Xilinx—do not manufacture at all but outsource their production. This is a striking illustration of that competition occurs not only in the sphere of actual production. In other cases, the specialisation is only partial. Technologically advanced companies will not necessarily outsource less advanced aspects of their production. These may be kept in house to defend intellectual property or for practical reasons like simplification of logistics and management, speed to market or control of overall operations.⁷⁵⁸

Even within low-end industries like clothing and textiles, the same technical polarisation of labour processes occurs. MNC-controlled clothing production today is usually outsourced to independent producers. However, MNCs monopolise development and production of new synthetics, dyes, production equipment together with fashion design. Cutting, sewing and other processes intense in low-end or ordinary labour are outsourced, before finished items are returned to the MNCs, which handle logistics, marketing and sales.⁷⁵⁹

⁷⁵³Steinfeld, 2004, p1972.

⁷⁵⁴Steinfeld, 2004, p1983; Gereffi and Korzeniewicz in Gereffi and Korzeniewicz, (eds), 1994, p12.

⁷⁵⁵UNCTAD, *World Investment Report*, 2013, p122.

⁷⁵⁶Gereffi and Korzeniewicz, in Gereffi and Korzeniewicz, (eds), 1994, p12; This is one of the factors undermining much of what is presented as evidence by Marxists of China's supposed catch-up (ch.4.4).

⁷⁵⁷Gowan refers to this as "production-for-sales activity", see Gowan, Peter, 'Industrial Development and International Political Conflict in Contemporary Capitalism' in Anievas, Alexander, (ed), *Marxism and World Politics*, Taylor and Francis, 2012, p139–40.

⁷⁵⁸Potter, Ben, 'Skilled Manufacturing Labour has Edge over US', *Australian Financial Review*, 14-11-2016, p5.

⁷⁵⁹Steinfeld, 2004, p1972.

The important example of the automotive industry demonstrates how this polarisation works. Most aspects of the production of automobiles today represent increasingly commonplace technology, at least in the production phase, while high sales prices for vehicles are possible where firms add advanced electronic equipment, software and marketing. The process of car production itself is also divided along technical lines. The leading global automakers are all core MNCs. As Sturgeon explains,

the heavy engineering work of vehicle development, where conceptual designs are translated into the parts and sub-systems that can be assembled into a drivable vehicle, remain centralised in or near the design clusters that have arisen near the headquarters of lead firms.

All the important automotive design centres in the world are located in imperialist states. Detroit boasts General Motors (GM), Ford, Chrysler, Toyota and Nissan. Cologne, Germany is home to Ford Europe. Also in Germany, Wolfsburg hosts Volkswagen, and Stuttgart, Daimler-Benz. GM's European division is in Russelsheim. Renault designs in Paris, while Nissan and Honda maintain design centres in Tokyo, and Toyota is in Nagoya, Japan.⁷⁶⁰

While these major firms are fairly well spread across the imperialist core countries, there is also an increasing convergence on Detroit. European and Japanese auto giants are all establishing a larger presence there. Sturgeon points out,

The Detroit, Michigan area has been a centre of vehicle design and engineering for nearly 100 years, the cluster boasts specialized labor markets and a host of institutions to support the field of automotive engineering. As a result, the regional headquarters of foreign automakers and global suppliers—typically the site of regional sales, program management, design and engineering—have gravitated to the Detroit area.⁷⁶¹

“Monopolist parts suppliers” like Yazaki (Japan), Bosch (Germany), Autoliv (Sweden) are following suit. Thirty four of the 50 largest suppliers were in Detroit by 2005.⁷⁶²

Ford, Schwartz writes,

launches models in the US, then once all the bugs have been ironed out (the completion of which becomes solidified in improved / standardised machines and production techniques) then the same model (by this time no longer representing an advanced technology) can be shifted to Mexico.⁷⁶³

760Sturgeon, T., Biesebroeck, J.V. and Gereffi, G., ‘Value Chains, Networks and Clusters: Reframing the Global Automotive Industry’, *Economic Geography*, 8, 2008, p303.

761Sturgeon et al, 2008, p315.

762Sturgeon et al, 2008, p316; Marx, had earlier argued, "The inventions of Vaucanson, Arkwright, Watt, and others, were, however, practicable, only because those inventors found, ready to hand, a considerable number of skilled mechanical workmen, placed at their disposal by the manufacturing period", Marx, *Capital*, ch.15.

In core countries like Australia, where domestic auto manufacture has ceased due to the small size of the market, vehicle design work continues, and more advanced suppliers from the now defunct vehicle assembly industry seek an international market for their high-end products.⁷⁶⁴

What is most striking is not just the degree of specialisation but the polarised nature of it: high versus low, the separation of simple from complex. What this reflects is the necessarily polarised character of a labour division between monopoly and non-monopoly capital, where the labour division itself has become the principal social basis of monopoly control.

There is also labour specialisation that is not derived from the hierarchical division of high from low labour tasks. Examples include the City of London's specialisation in banking services, which differs from Toulouse (home to Airbus) or Wolfsburg (Volkswagen), Galicia (Zara) and so on. Obviously individual firms also have a division of labour between them. Yet non-hierarchical labour division between firms also typically occurs among the various monopoly capitals or, separately, among non-monopoly capitals. While the labour division between monopoly and non-monopoly capital is also cooperative and complementary (that is a fact of any labour division by definition) it is also hierarchical in that the power relations involved are highly uneven.

Two rates of profit among corporations

If that is in fact the case, it should follow that the largest monopoly firms—those obtaining surplus profits—would be the same firms that sit at the top of this labour division. That is the case. Apple and Foxconn are far from unique in this respect. According to Gereffi, "command over surplus value is anchored in command over the core niches of GCCs".⁷⁶⁵

Milberg and Winkler observed,

... there continues to be a high degree of markup pricing power and concentration of industry for global lead firms. On the other side, there is evidence of persistently high levels of dispersion as more developing countries entered lower- and medium-tech industries in manufacturing and services throughout the 1990s and continued ... through mid 2000s. The result is an asymmetry of market structures within GVCs, with oligopolistic lead firms at the

763 Schwartz, 2000, p276; Vernon, Raymond, International Investment and Trade in the Product Cycle", *Quarterly Journal of Economics*, 80, 1966, p190–207.

764 Dowling, Joshua, 'Ford GT Supercar Gets Hi-Tech Wheels Made by Geelong Company Carbon Revolution', *news.com.au*, 16-05-2016; Park, Barry, 'Australia Takes Lead on Lightweight Car Technology', *Wheels Magazine*, 21-11-2017; Potter, 2016, p5.

765 Gereffi, Garry & Korzeniewicz, in Martin, William, (ed), 1990, p47.

top, and competitive markets among the lower tier suppliers.⁷⁶⁶

For UNCTAD,

in general, the economic gains from GVCs are not distributed equally along the chain. The ability of local firms and workers to capture value depends to a significant extent on power relationships in the chain. TNCs with a multitude of potential supply sources will be in a strong position to dictate contractual terms with suppliers.⁷⁶⁷ [TNCs] tend to control higher value added activities (from innovation and technological activities to branding and new product development), while other firms (often operating under contractual arrangements in developing countries) engaged in routine assembly tasks or services ... may earn less, have fewer opportunities to grow and be more vulnerable to business cycles.⁷⁶⁸

Milberg and Winkler found that even “very large” contract manufacturers in China have “surprisingly” little power.⁷⁶⁹ Comparing the largest corporations in the world in 2014, as listed by *Fortune* magazine, King noted that “according to *Fortune*, imperialist giant MNCs’ average return on assets is *12 times* higher than that of Chinese monopolies”.⁷⁷⁰ A more detailed look at the polarisation of corporate profit rates is undertaken in chapter 3.3.

It seems to be the case, as Mandel suggested, that “two average rates of profit come into existence side by side, one on the monopolized and the other on the non-monopolised sector”.⁷⁷¹ However, while Mandel tended to expect both to occur inside the imperialist core, the spread of capitalist commodity production in the neoliberal period has increasingly meant the two sectors are divided between the North and South.

Polarisation and hierarchical specialisation among *nations*

This polarisation of labour processes and profit rates between monopoly and non-monopoly firms is also reflected in the division between First and Third World societies. Schwartz notes, a clear qualitative difference divides the industrial activity occurring in the former agricultural periphery from that occurring in the mature industrial economies. Most manufacturing in the old agricultural periphery involves the production of commodity like [i.e. simple, standardised—SK] manufactures, ranging from undifferentiated garments to almost undifferentiated cars...⁷⁷²

⁷⁶⁶Milberg & Winkler, 2013, p123.

⁷⁶⁷UNCTAD, *WIR 2013*, p184.

⁷⁶⁸UNCTAD, *WIR 2013*, p148.

⁷⁶⁹Milberg & Winkler, 2013, p281; also Heintz, James, Low-wage Manufacturing and Global Commodity Chains: a Model in the Unequal Exchange Tradition, *Cambridge Journal of Economics*, 2006, 30, 2005, p516.

⁷⁷⁰King, Sam, Lenin's theory of imperialism: a defence of its relevance in the 21st century, *Marxist Left Review*, 8, 2014.

⁷⁷¹Mandel, 1978 [1972], p95.

In general, the simplest, labour intensive, least capital intensive and least sophisticated tasks—such as clothing production—are distributed to the least sophisticated (and therefore least powerful) national capitals, while the imperialist core reserves the most complex and lucrative production processes.

Steinfeld observes,

Chinese specialization in manufacturing *assembly* has facilitated not only US but also Western European and Japanese specialization in something much more difficult to replicate: knowledge creation and invention.⁷⁷³ The incumbents—global lead firms—are hardly stationary, and in many cases have completely transformed themselves. Chinese firms such as Legend, Haier, Huawei, and Bird may be rising on the basis of their low-cost manufacturing expertise. At the same time, most lead firms—whether IBM, Electrolux, Cisco, Motorola, Dell, or many others—are moving away from manufacturing entirely”, instead focusing on “overall product definition, design, marketing, and supply chain management.”⁷⁷⁴

Upward specialisation occurred in the US. As Schwartz points out: “large investments in production of durable goods” in the US from 1991 to 2005 outweighed loss of investment in non-durables:

leathergoods, textiles and clothing, and foods and beverages that combined account for just ten percent of manufacturing gross fixed capital formation, saw absolute declines. On the other hand machinery and equipment, transportation equipment, and electrical and optical equipment, combining to make up 40 percent, saw relative increases.⁷⁷⁵

US “longterm extrusion of obsolete means of production” from the 1980s, Brenner argues, kick-started manufacturing productivity growth.⁷⁷⁶

The same occurred in Japan. Brenner shows that from 1975 to 1979, the Yen rose 7.6% per annum (p.a.) against the dollar, making Japanese exports more expensive. Japanese manufacturers responded with enormous investment in technology-intensive production: general machinery, electrical machinery, transport equipment and precision instruments, while

⁷⁷²Schwartz, 2000, p258.

⁷⁷³Steinfeld, Edward, *Playing Our Game: Why China's Rise Doesn't Threaten the West*, Oxford University Press, 2010, p18, 75.

⁷⁷⁴Steinfeld, 2004, p1983.

⁷⁷⁵Schwartz, 2009, p123.

⁷⁷⁶Brenner, Robert, *The Boom and the Bubble*, Verso, 2002, p77; Brenner says between 1982 and 1990, despite slow annual growth of capital stock (1.3% compared with 3.8% in 1973–79) manufacturing productivity increases (3.1% p.a.) were comparable to increases during the long boom. With the increase in investment from 1993, it accelerated to 4.4% in 1993–1997 and 5.1% through to 2000.

leaving behind heavy chemical, petroleum and metal industries as well as labour intensive textiles and food.⁷⁷⁷ From the time of the Plaza Accord, Japanese capital sought

to focus domestic production in Japan ever more exclusively on the highest tech lines by relying on the country's highly skilled but expensive labour force, while sloughing off less advanced production to East Asia ...⁷⁷⁸

In arguing why, in their view, the conditions of IMF emergency loans in the East Asian region from 1998 were "not really about securing special privileges for US capital" but keeping the region's door open to "capital in general", Panitch and Gindin observe:

US corporations which had shifted their interest to more science-based and knowledge-intensive production were not particularly interested in taking over low-tech Asian firms, even at bargain basement prices. US corporations that needed low-cost inputs for their high-tech production could obtain these by farming the work out to Asian firms without having to make the investment and take the risks involved in formally taking them over.⁷⁷⁹

On the other hand, Third World "firms become tied into relationships that prevent functional upgrading".⁷⁸⁰ UNCTAD found in 2002 that

participating in international production chains often leaves the host country 'locked into its current structure of comparative advantage ... thereby delaying the exploitation of potential comparative advantage in higher-tech stages of production.'⁷⁸¹ This occurs especially when firms depend on powerful buyers for large orders.⁷⁸²

To take the extreme example, in the wake of Rana Plaza collapse in Dhaka, Bangladesh, a UK parliamentary enquiry found that "Bangladesh's comparative advantage, its sole asset value, is cheap labour and its correspondingly low unit costs".⁷⁸³ On the other hand, "core countries now accumulate wealth by concentrating on the service sector and on the most productive, high value added segments of manufacturing".⁷⁸⁴

⁷⁷⁷Brenner, 2002, p104.

⁷⁷⁸Brenner, 2002, p116.

⁷⁷⁹Panitch and Gindin, 2013, p280.

⁷⁸⁰UNCTAD, *WIR 2013*, p169.

⁷⁸¹UNCTAD, Trade and Development Report 2002, United Nations, cited in Hart-Landsberg, Martin & Burkett, Paul, China and the Dynamics of Transnational Accumulation: Causes and Consequences of Global Restructuring, *Historical Materialism*, 14, 3, 2006, p18.

⁷⁸²UNCTAD, *World Investment Report 2013*, p169; Tokatli, Nebahat, Toward a Better Understanding of the Apparel Industry: A Critique of the Upgrading Literature, *Journal of Economic Geography*, 2012, p2.

⁷⁸³All Party Parliamentary Group on Bangladesh [UK], *After Rana Plaza: A Report into the Readymade Garment Industry in Bangladesh 2013*, Parliamentary Liaison Office, cited in Smith, J., 2016, p14.

⁷⁸⁴Gereffi and Korzeniewicz, in Martin, William, (ed) 1990, p46.

Citing a survey by the World Bank covering 1,500 enterprises in five cities, Steinfeld observed, "Chinese firms are integrating extensively with the global economy, but they remain concentrated in primarily low-end commodity manufacturing."⁷⁸⁵ The resultant weak market power meant, Steinfeld argued, "much of Chinese industry today consists of small-scale firms competing intensely on the basis of discounting".⁷⁸⁶

For Gereffi, "the global economy is increasingly concentrated at the top and fragmented at the bottom, both in terms of countries and firms".⁷⁸⁷ For Milberg and Winkler,

... there continues to be a high degree of markup pricing power and concentration of industry for global lead firms. On the other side, there is evidence of persistently high levels of dispersion as more developing countries entered lower- and medium-tech industries in manufacturing and services.⁷⁸⁸

Nolan and Zhang also observe that large core-based firms "with superior technologies and powerful brands have emerged as 'systems integrators', at the apex of extended value chains".⁷⁸⁹

China, for example, is the world's largest producer of electronic products. As such, the country accounts for nearly a third of global demand for integrated circuits (semiconductors), the key, often high-end, component of these products. However, as Dieter points out,

[Chinese capital's] ability to design and produce this critical input remains seriously constrained. Despite decades and many billions of dollars of state-led investment, China's domestic production of semiconductors covers less than 13% of the country's [domestic] demand.⁷⁹⁰

Richard Herd, the head of the China division of the Organisation for Economic Co-operation and Development (OECD) argues, "China is not a threat to Japan's core industries". Chinese and Japanese exports "are not competing, they are complementary".⁷⁹¹ The statement is true

785 Steinfeld, 2004, p1971.

786 Steinfeld, 2004, p1974; Steinfeld, Edward, 'Chinese Enterprise Development and the Challenge of Global Integration', MIT Special Working Paper Series, Industrial Performance Centre, 2002, p3.

787 Gereffi, Gary, *The New Offshoring of Jobs and Global Development*, ILO Social Policy Lectures, 2005, p40, Cited in Smith, 2016, p75.

788 Milberg & Winkler, 2013, p123; Cattaneo, O., Gereffi G. and Staritz, C., 'Global Value Chains in a Post-Crisis World: Resilience, Consolidation and Shifting End Markets', in Cattaneo, O., Gereffi G. and Staritz, C., (eds), *Global Value Chains in a Post-Crisis World: A Development Perspective*, The World Bank, 2010, p18.

789 Nolan, Peter & Zhang, Jin, 'Global Competition After the Financial Crisis', *New Left Review*, 2010, p98; on the impact of lead firm power over suppliers see Gereffi, Garry, 'Global Value Chains in a Post-Washington Consensus World', *Review of International Political Economy*, 21, 1, 2014, p6; Schwartz, 2000, p286.

790 Dieter, Ernst, 'China's bold strategy for semiconductors – Zero-Sum Game or Catalyst for Cooperation?', *East-West Center Working Papers*, Innovation and Economic Growth Series No. 9, September 2016, p1.

791 Quoted in Nakamoto, Michiyo, 'Asia: Displacement activity', *Financial Times*, 23-08-2010, cited in Smith, J., 2016, p84.

with regard to Japan's "core" industries—i.e. technology-intensive production. Competition from Chinese or other Third World capital is certainly felt by sections of core capital. But as Schwartz says, this is "along the lines of comparative advantage";⁷⁹² peripheral countries "are selling raw materials, intermediate goods" that are partial inputs in leading sectors or else selling "finished goods from other, non leading sectors".⁷⁹³

Firms continuing to use expensive First World labour for labour processes that could be done effectively by cheap Third World labour are, in effect, paying too much for labour and, to the extent this occurs, tend to become less profitable or 'go bust'. Continued justifiable use (from the perspective of profitability) of expensive First World labour can occur only to the extent this labour is performing tasks above that of "general labour" (or else it is necessary to labour that is, whether or not that occurs in the same firm).

At the same time, core specialisation in high-tech production has been assisted by cheap inputs from expanding capitalist production in Third World economies. This has helped cheapen the value of labour power in the core and provide all sorts of cheap components and services that have made the push to core technological upgrading more affordable.⁷⁹⁴ Hence the tendency in all imperialist societies—not only the US and Japan—in the neoliberal period to specialise in advanced labour processes is a result not only of lead firm initiative, but also the competitive pressure of non-monopoly capital.

Thus, when IBM sold its personal computer business to the Chinese company Lenovo in 2005, it was not a case of them retreating in the face of indefatigable Chinese competition—except perhaps in the lowest value aspects of the computing industry. Worldwide PC shipments have been in decline since 2011. Lenovo, while holding its leading market-share, successfully defended a turf that was both shrinking and becoming lower value. IBM made US\$12 billion in profit in Financial Year (FY) 2016-17 (10% RoA), compared to Lenovo's half billion profit (2% RoA).⁷⁹⁵

An alternative example is Huawei, which is one of the few, or perhaps the only, Chinese company able to transform itself into a true multinational with (at least in 2016-17) a high rate of profitability. The company's return on assets for FY 2016-17—8.7%—was the highest of all large Chinese companies and higher than the average for large core companies (appendix 4). The company's achievement was due to spending a high proportion of revenue on R&D).

⁷⁹²Schwartz, 2000, p101.

⁷⁹³Schwartz, 2000, p74; Zavareei, Hassan, A., 'Industry and Trade in Some Developing Countries: A Comparative Study' [book review], *Science and Society*, 39, 4, 1975, p496.

⁷⁹⁴Panitch and Gindin, 2013, p192.

⁷⁹⁵Fortune Global 500, 2018, fortune.com/global500 last accessed 17-01-2018; these figures are consistent with previous years comparisons of the two companies, though Lenovo's RoA has fallen since 2015; see also Cattaneo et al., 2010, p18.

According to company material, "In 2015, approximately 79,000 employees were engaged in R&D, comprising 45% of our total workforce."⁷⁹⁶ However, its strategy has not been to develop world-beating R&D in China. Rather, it has funded research and development centres in China, United States, Germany, Japan, United Kingdom, Russia, Israel, Turkey, Canada, India, Belgium, Finland, France, Brazil and other states.⁷⁹⁷ This is consistent with a strategy, (ch.4.4), whereby companies maintain a global network of R&D facilities and a hierarchical division of labour between them, much as is production.

The polarisation of profits between monopoly and non-monopoly capital and the fact that monopoly capital is principally located in the imperialist core economies is what explains the stark geographical polarisation in worldwide incomes shown in chapter one. The *increase* in international polarisation that was also shown (ch.1) pertains to the *increasing* technical polarisation that underlies the hierarchical international division of labour described above. If that is the case, it should show up in statistics on international terms of trade, as these measure the prices that different countries (i.e. the capitalist classes of different nations) can get on the world market for the commodities they produce.

Terms of trade losses

Before the turn of the century, UNCTAD had already observed that "Terms-of-trade losses are no longer confined to commodity exporters" (i.e. raw materials exporters) and that many developing country manufactured exports were now suffering terms of trade losses also.⁷⁹⁸ "...the prices of manufactured goods exported by developing countries fell relative to those exported by the European Union by 2.2 per cent per annum from 1979 to 1994."⁷⁹⁹ In the period 2000-2011, UNCTAD says, Net Barter Terms of Trade (NBTT) for countries it classifies as "exporters of manufactures"⁸⁰⁰ were the worst performing of any countries. Agricultural exporters improved their NBTT marginally. Mining, minerals and oil exporting countries improved 60-100%, while manufacturing exporters' NBTT declined 25%.⁸⁰¹

In 2016, UNCTAD showed that "developing countries" as a whole experienced a decline in NBTT of 0.6% *annually* between 1980-2014. Developing countries classified as "exporters of manufactures" suffered annual declines of some 1.1%. Asian developing countries' (excluding West Asian commodity exporters) NBTT declined annually by 1.3%. Asian "exporters of manufactures" suffered an eye-popping 1.5% *annual* decline in NBTT over thirty-four years of export-led economic expansion!⁸⁰²

⁷⁹⁶Research & Development [corporate publicity material], see www.huawei.com, accessed 15-01-2018.

⁷⁹⁷Sekiguchi, Waichi, 'Huawei to Set up R&D Base in Tokyo', *Nikkei Asian Review*, 26-11-2016.

⁷⁹⁸UNCTAD, Trade and Investment Report 1999, United Nations, cited in Smith, J., 2016, p93.

⁷⁹⁹UNCTAD, 1999, p. vi, cited in Smith, 2010, p228.

⁸⁰⁰Countries where 50% or more of exports are manufactured.

⁸⁰¹UNCTAD, Trade and Development Report, 2016, p130; Smith, J., 2016, p97.

According to World Bank data, China's NBTT with the USA fell from an index of 117 to 94 between 1980 and 2016. Between 2000 and 2016 (the years data is available for more countries) it fell against the US, Japan and Germany.⁸⁰³ The 2016 UNCTAD report finds its results

somewhat surprising, as the performance of the Asian region in exports of manufactures might be expected to stand out in terms of NBTT growth, if indeed exporting manufactures is supposed to be associated with export values converging towards those of developed countries.⁸⁰⁴

Arguably, we have in these figures the most general expression of the meaning of the neoliberal expansion. What the data shows is that in the neoliberal period, only *monopolistic* control of production enables a given capital to demand a higher price for its labour product and thus earn a high rate of profit. Non-monopolistic production is fully possible, but has to be understood as a distinct phenomenon. As Schwartz observes, in relation to Chinese firms, they "are perhaps profitable, but U.S. Firms that control their domestic and foreign commodity chains are even more profitable ..."⁸⁰⁵

Interestingly, Marx saw the possibility of this general dynamic. In the *Grundrisse*, he wrote from the possibility that profit may be less than surplus value, hence that capital [may] exchange profitably without realizing itself in the strict sense, it follows that not only individual capitalists, but also nations may continually exchange with one another, may even continually repeat the exchange on an ever-expanding scale, without for that reason necessarily gaining in equal degrees. One of the nations may continually appropriate for itself a part of the surplus labour of the other, giving back nothing for it in the exchange, except that the measure here [is] not as in the exchange between capitalist and worker.⁸⁰⁶

802 UNCTAD, Trade and Development Report, 2016, p130.

803 Data Bank, World Bank, 2018, last accessed 25-07-17; Milberg calculates that manufacturers within "highly developed value chains", e.g. "clothing, textiles, footwear, furniture and toys" suffered a price decline between 1986 and 2006 of 40% relative to their retail price, see Milberg, 2008, p433.

804 UNCTAD, 2016, p130; Milberg and Winkler, 2013, p240; Gereffi, 2014, p12; Cattaneo et al., 2010, p18; Heintz, 2005, p516.

805 Schwartz, 2009, p10.

806 Marx, Karl, *Grundrisse*, ch.17; In *Capital3* Marx makes a similar point: "Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries", Marx, *Capital3*, ch.14.

Modularisation and parcelisation of labour as a general feature of capitalist development

The above outline of monopoly and trade relations in the neoliberal period was developed almost entirely by heterodox writers, especially those influenced by World Systems theory.⁸⁰⁷ Much of the heterodox literature tends to be largely empirical, or individual writers may cover a limited scope. Hence much evidence has to be extracted from partial statements. Yet when all of these partial observations are combined (as above), it provides a far more concrete, composite picture of the labour process in the neoliberal period than could be obtained from the Marxist currents examined in this thesis. Some GVC writers also make broadly correct observations of the character of Third World exploitation as a whole. Milberg, for example, observes that “cost savings gained through outsourcing represent value transferred to the TNC centre in the same sense as profit repatriations”.⁸⁰⁸

The real problem, again, is to develop an adequate conception of the type of the monopoly that core societies possess and its reproduction. Here much of the literature falls short. A recent tendency in GVC work towards descriptive typography of the different forms of participation in GVCs has arguably become an increasing limitation.⁸⁰⁹ Earlier GCC research, the direct descendant of World Systems theory, seemed to focus more on the developing international labour division as a new form of domination over the Third World. However, some later works assume it is possible for Third World societies to move incrementally up the chain to higher and higher value processes.⁸¹⁰ The latter essentially fuse the empirical work of GCC writers with the official optimism of international agencies such as the World Bank, UN and associated ideas. Within this framework, it has proven impossible to develop an adequate theoretical explanation of monopoly, even if much of the necessary empirical work has been done.

Perhaps generalising from this, Starosta argues that GVC writers “simply offer, through an essentially inductive-empiricist methodology, a typological description”.⁸¹¹ This is not quite true, though he may be on firmer ground saying that Gereffi et. al. are ultimately unable “to

807Marxists quoted above briefly summarise existing GVC research; For a summary of GVC contribution from a heterodox perspective, see, for example Cattaneo et al, 2010, p25.

808Milberg, William, The changing structure of trade linked to global production systems: What are the policy implications? *International Labour Review*, 143, 1–2, 2004, p71, cited Smith J., 2010, p237.

809This point is made by Taylor, Marcus, ‘Rethinking the Global Production of Uneven Development’, *Globalizations*, 4, 4, 2007, p534; Some GVC work even adopts aspects of the ‘new economic sociology’ with its hope that relationships of ‘trust’ can dampen opportunistic behaviour. For a critique, see Taylor, Marcus, ‘Frontiers of Commodity Chain Research – Edited by Jennifer Bair’ [book review], *Agrarian Change*, 10, 4, 2010, p611.

810For a critique, see Selwyn, Ben, ‘Commodity Chains, Creative Destruction and Global Inequality: A Class Analysis’, *Journal of Economic Geography*, 2014.

811Starosta, Guido, ‘Global Commodity Chains and the Marxian Law of Value’, *Antipode*, 42, 2, 2010, p435; Starosta himself suggests only “magnitude of capital” as a barrier to entry into the monopoly sphere, see Starosta, 2010, p440.

provide a sound explanation of [GVC's] very object of inquiry" i.e. of what gives monopoly firms their price-setting power.⁸¹² Schwartz says some GVC work "point[s] to facts without being able to explain their causal significance", and that GVC writers "echo Emmanuel's critique of Warren by arguing the presence of manufacturing does not guarantee the presence of wealth", but can't explain why.⁸¹³

In highlighting "modularisation" as the basis for the new labour division, Steinfeld was not referring to a new phenomenon. A "module", according to the Oxford dictionary, is a standardised part or independent unit. While that particular word may be new, the phenomenon of "modularisation" of labour existed long before the neoliberal period that Steinfeld analyses.

Isolation, simplification and standardisation of aspects of labour processes appeared as an inherent trend of capitalist development identified by Marx 150 years ago in *Capital*. Modularisation"—if we are to use the modern word—was necessary to overthrow pre-capitalist artisan producers and replace them with a proletariat.⁸¹⁴ Such a dynamic was established even before machine production, during capitalism's early manufacturing stage.⁸¹⁵ As Braverman put it, "in the first form of the [capitalist] division of labour", i.e. in the manufacturing stage, "the capitalist disassembles the craft and returns it to the workers piecemeal ..."⁸¹⁶

In the subsequent stage—early industrial capitalism—the primitive machines could replace certain simple, repetitive human labour. The same separation, isolation and simplification of specific processes that paved the way for manufacture was also a prerequisite for machine production. Obviously it would be impossible to design and build a machine to replace human labour in the production process had the particular processes not already been classified, defined or "codified" (even if the actual definition and recording of this codification remained rudimentary and informal by today's standards).

Both historically and technically, for workers to be replaced by a machine they must first be transformed, for a time, into a machine in the sense of performing machine-like tasks until such time as these have become so routine and standard, or machine technology has advanced

812 Starosta, 2010, p440.

813 Schwartz 2007, p120; For Schwartz, many GVC writers use product cycle and Schumpeterian leading sector arguments to explain inequality—though only with limited success, see Schwartz 2007, p121; Selwyn, 2014; Dussel Peters, Enrique, 'GCCs and Development: A Conceptual and Empirical Review', *Competition & Change*, 12, 1, 2008, p23.

814 Marx, *Capital I*, ch.14.

815 Marx *Capital I*, chs.14–15.

816 Braverman, 1998 [1974], p170.

to such a point, that an actual machine can displace them. This we will see has a particular importance in understanding the specific dynamics of imperialism today.

In his study of China at the beginning of the present century, Steinfeld usefully highlights not only codified, modular processes (which he says characterise Chinese firms) but also their opposite—"other activities that are highly proprietary, as yet utterly uncodifiable, and highly lucrative", where "knowledge is embedded and sustainable competitive advantage is possible".⁸¹⁷ The latter, he points out, is characteristic of global 'lead firms'. While not presented as such in Steinfeld's work, this opposite pole too represents an inherent trend in the development of the human division of labour.

In capitalist society—whether we are talking about pre-industrial manufacture, machine production or contemporary polarised global division of labour, the creation at one pole of simple modular tasks (whether carried out by humans or machines) requires, at the other pole, the design, development, control, maintenance and management of these processes. Hence, the parallel development of highly skilled labour and sophisticated production processes inevitably accompanies simple labour and bulk production. This Braverman called "the general law of the capitalist division of labor".⁸¹⁸

The international character of labour polarisation was correctly observed by Hymer in 1972, when he said international trade is between "higher and lower functions: one party does the thinking, planning, organizing: the other does the work".⁸¹⁹ Or as Marx pointed out 100 years before that,

A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field.⁸²⁰

Obviously the technical composition of this labour division has changed since Marx wrote, though the basic social relationship he describes appears little different.

Cheap labour is human, not robotic, and therefore has the advantage to the capitalist of being able to carry out a whole range of production tasks that can't yet be mechanised, or for which the scale of investment required for mechanisation is too expensive, impractical or risky. This cost advantage of cheap labour over machines is accentuated by the general context of widespread excess productive capacity that has tended to exist in a range of industries since

⁸¹⁷Steinfeld, 2004, p1972–3.

⁸¹⁸Braverman, 1998 [1974], p57–8.

⁸¹⁹Hymer, Stephen, 'Robinson Crusoe and the Secret of Primitive Accumulation' in Nell, (ed), 1980, p30.

⁸²⁰Marx, *Capital*, ch.15.

the mid-1970s. This results in often low prices for undifferentiated 'bulk' commodities—i.e. the sort that mass machine production inevitably produces.

Large-scale mechanisation is by definition a large investment in bulk production and hence tends to proceed slowly compared with the technical possibilities available. Labour, by contrast, is highly flexible (especially when employed casually, contractually, etc.) and capable of responding more rapidly and easily to changes in market demand or to the types of boutique production employed by contemporary MNCs such as Zara and other "fast fashion" firms, or by automotive companies that superficially change major car models each year.

Overall, therefore, we can identify two poles in the production process that are continuously reproduced by its advances. On the one side, we have simple bulk processes (mechanical, digital or menial) and on the other is complex labour. One pole may be human or machine (and humans are constantly threatened with redundancy for this reason), while the other consists only of human labour.

Neoliberal period in historical context

Within that general context, the key to understanding the particularities of neoliberal globalisation and the worldwide division of labour that it brought about is not advances in productive technique or communications, but the context in which these occurred, or the way their development was influenced by the context of the period and especially that monumental event, the abolition of social property in the former Socialist societies.

The collapse of Soviet Communism, capitalist restoration in China and particularly the resulting massive supply of cheap labour underlie the particular rapidity of globalisation in the period and the particularly extreme form of it—i.e. the tendency towards "fine slicing" labour tasks. The degree of differences in the cost of labour power was its motive force, and the sheer size of this gap and abundance of cheap labour were the source of the bonanza of core profitability in the period.

In the neoliberal period the development and adoption of those productive technologies which are complementary to the employment of this human army (as opposed to its replacement)—i.e. information technology, communications and other technical prerequisites to its incorporation into the global division of labour—had to be prioritised compared with the development and adoption of other technologies which displace or directly compete with such a gigantic and cheap human resource—namely automation. Marx had already observed the

possibility for low wages to retard mechanisation and *vice versa*.⁸²¹ It seems this what actually occurred on a wide scale in the neoliberal period.

The overall trajectory of imperialism

Imperialism's second "belle epoch"⁸²² may have been its reward for the defeat of Eastern Bloc Socialism (even if that appears now to have come to an end as an expanding source of differential profit). It is incorrect to conclude from this, as Smith has done, that an ever-increasing pursuit of cheap labour has become the *principal* characteristic, of modern imperialism. It is true, as argued, that exploitation of differential labour costs was the characteristic feature of imperialism's neoliberal period. The same is also *one* inherent general characteristic of modern imperialism. However, individual capitals, as said, can reduce their labour cost not only by finding cheaper humans, but by replacing them with machines.

In the case of full mechanisation of a given labour task, one of the poles in the labour process—simple labour—is abolished, leaving only advanced labour and robots. In this case, the advantage of geographical separation of production processes in order to take advantage of cheap Third World labour is also abolished.

Historically, capitalism has attempted to do both. The hunt for cheap labour always ultimately comes up against definite limitations beyond which the rate of exploitation cannot easily be pushed. As Marx said,

so soon as this point is at last reached — and it takes many years — the hour has struck for the introduction of machinery, and for the thenceforth rapid conversion of the scattered domestic industries and also of manufactures into factory industries.⁸²³

With further advances in technology (or preferential development of different technologies to those that characterise the neoliberal period) many simple labour processes could be more thoroughly automated or semi-automated—creating a tendency for production processes to return to the imperialist core.

Looking at actual developments over the past few years, there is some evidence that trend is already under way. Certainly important sections of the US ruling class are campaigning for

821 For example, observing the impact of relative abundance of labour power on industrial development, Marx said, "this industrial revolution which takes place spontaneously, is artificially helped on by the extension of the Factory Acts to all industries in which women, young persons and children are employed", Marx, *Capital*, ch.15.

822 Amin, Samir, 'Globalization and Capitalism's Second Belle Epoque', *Radical Philosophy Review*, 5, 1–2, 2002.

823 Marx, *Capital*, ch.15.

"reshoring" US industries. According to the CEO of General Electric, "The days of outsourcing are declining"; "Chasing the lowest labour costs is yesterday's model."⁸²⁴

The US-based Reshoring Initiative claims that,

in 2014 and 2015 parity was reached between offshoring and returning jobs, indicating that the net bleeding of manufacturing jobs to offshore had stopped. As of 2016, for the first time, probably since the 1970s, there was a net positive gain in U.S. jobs. The U.S. has gone from losing about 220,000 manufacturing jobs per year at the beginning of the last decade, to adding 30,000 jobs in 2016.⁸²⁵

According to the same source, 2017 has seen greater acceleration of reshored jobs. The Reshoring Initiative, or indeed Trump, for political reasons emphasise manufacturing jobs. However, the number of jobs created is hardly the relevant figure if we wish to measure the movement of production processes that are increasingly automated or mechanised.⁸²⁶ Thus, assuming the figures are correct, even the 2014-2015 parity between offshored job losses and reshored job gains indicates a substantial production shift to the US economy.

Besides "reshoring" of formerly offshored production, perhaps a more important trend is simply the location of productive investment in general. According to the Boston Consulting Group's 2015 survey of "manufacturing executives at companies with at least \$1 billion in annual revenues", 31% indicated they "are most likely to add production capacity in the U.S. within five years for goods sold in the U.S., while 20% said they are most likely to add capacity in China."⁸²⁷ The US economy now commands an increasing share of inbound FDI.⁸²⁸

UNCTAD argues the days of what it now calls "hyperglobalisation" may be numbered:

There are already signs that industrial robots are increasing the tendency towards concentration of manufacturing activities in a small group of countries" while "developing countries' employment and income opportunities in these sectors may be adversely affected by the reshoring of manufacturing activities and jobs back to developed countries.⁸²⁹

824 Quoted in Tett, Gillian, 'Executives Take a Quiet Turn Away From Globalisation', *Financial Times*, 02-06-2017.

825 Reshoring Initiative 2016 Data Report: The Tide Has Turned, *reshorennow.org*, 09-05-2017.

826 UNCTAD, *Trade and Development Report 2017*, United Nations, 2017, p50; UNCTAD, *World Investment Report, 2013*, p26-29.

827 Boston Consulting Group, 'Reshoring of Manufacturing to the US Gains Momentum', *bcg.com*, 10-12-2015; see also Sirkin, H.L., Zinser, M., Hohner, D., and Rose, J., 'U.S. Manufacturing Nears the Tipping Point: Which Industries, Why, and How Much?', *bcg.com*, 22-03-2012.

828 From 2011-2016, World FDI flows increased less than 10 %, while US inbound FDI increased 70%, taking the US share of global inbound FDI from 14 to 22%. See UNCTAD, *World Investment Report 2017*, United Nations, 2017, p222.

The recent trends tend to verify, as Mandel argued, that the differential price of labour power appears as just one—albeit highly important—factor that MNCs attempt to exploit to raise their profits. Others include differential labour productivity, differential cost of materials and capital as well as distance from suppliers, developers and markets. As Mandel expressly emphasised, no single factor can explain the trajectory of capitalist development, but only a historically specific analysis of their combination at different times can explain historically specific capitalist periods.⁸³⁰

The extent, speed and precise nature of any future production shift to the imperialist core are far from clear. However, from a purely technical perspective, it is possible to imagine a return to a situation more similar to the post-war period (until the mid-1970s), characterised by relatively rapid expansion of the imperialist core economies. Differential profit (and hence most rapid growth) in that period was based on the widespread introduction of semi-automated technology (the "third industrial revolution"⁸³¹). The technical component of any renewal of this dynamic would be automation of wider sections of energy (renewables), transport and industry and increased core labour productivity on that basis.

Technical progress *also* continues, and will also continue in the direction of further simplification and standardisation of yet new *labour* processes, which may also make possible new waves, mini-waves, or currents of 'offshoring' in hitherto little affected areas, thus counter-balancing any tendency to concentrate increasingly mechanised production in the core.

Hence—at least from a technical perspective—no long-term determination of the general path of development in this sense is possible. What does seem possible to anticipate is that, just as in the neoliberal period, the price and availability of labour power (North and South) as well as levels of political consciousness and organisation among workers are likely to be important to the decisions made by the capitalist owners.

There is one sense though in which neoliberalism may come to look like imperialism's apogee. As Marx showed, human labour creates exchange value while machines don't. Thus, while it is possible to foresee a scenario in which imperialism maintains its domination of the labour process on a new technical basis via monopolistic supremacy over an increasingly mechanised production process, it is less easy to see how, if this is achieved by widespread displacement of

829 UNCTAD, *Trade and Development Report, 2017*, p. ix–xi, 50.

830 Mandel, 1978 [1972], p78–80.

831 Mandel, 1968, p605–8. Mandel, 1978 [1972], p184–222.

labour, it will result in such a profitable and politically stable system, or with such widespread cooperation from Third World capital and acquiescence of labour, as was enjoyed in the neoliberal period.

To view the form of division of labour developed in the neoliberal period as the highest and typical form of imperialism in general arguably repeats the error of Bukharin, Kidron and others who viewed the typical feature of one's own period as essential in general. We now have post-war examples, occurring back-to-back, of *relative* neglect of the Third World development, followed by its hyper-development of underdevelopment. This suggests neither extreme is typical or necessary. What I argue represents the continuity between these and all different periods of capitalist imperialism—its true typical feature—is supremacy in the labour process and monopoly on that basis, whatever the particular technical form that takes.

Chapter 4.2. Monopoly of highest labour productivity

It has been argued in the preceding chapters, that Marxist accounts of the neoliberal period, if they do attempt to explain reproduction of national inequality, don't take systematic account of the labour process. The *MR* tradition emphasises the sales effort. IST work tends to focus on political and particularly military aspects, as well as oil. Smith develops a version of Emmanuel and Amin's labour *price* argument. Harvey's *New Imperialism* and other recent works, as argued, elevate the finance sector or finance itself, while removing that from its necessary context—supremacy in the labour process. Each of these foci are worthy in their own right, but when erroneously extrapolated as a general theoretical explanation, they have proven unable adequately to explain imperialist dominance.

Against the thesis that monopoly resides in the labour process, it may be countered that a valuable brand can bring above average profits to a capital that does not possess the technical sophistication to deserve them. This is clearly true. Yet even in this case, an undeserved brand reputation may be a legacy of past labour quality associated with that brand. If an undeserved reputation is the only source of a firm's above average profits, it is unlikely to be able to sustain them in the longer term, at least for important commodities, unless it is able to invest these surplus profits in a way that generates some other form of monopolistic advantage.

Alternatively, an undeserving company branding their products "made in the USA", "made in Germany" etc. may sell them above their value due to the reputation of US or German labour. In this case, the price mark-up still relates to labour quality. If not that of the branding firm

itself, it comes from that of other core capital, either contemporaneously or historically. In this case the individual firm benefits parasitically simply by virtue of being a member of the imperialist club—a benefit not conferred to Third World producers. In other cases, sales monopolies may result from a yet more sophisticated form of human labour—psychological manipulation of other human beings or appropriation of culture through marketing, or else complex logistics and procurement operations, as well as scale, as in the case of Walmart. Alternatively, they may be undeserved.

Yet the degree of attention given to non-labour monopoly, such as that of oil or natural resources, perhaps because these are conceptually easier to understand and the object of political and military struggle, has arguably obscured the principal form of capitalist monopoly in our period, which can be found in the labour process.

In practice, different types of monopoly are combined within given economies, industries and firms. For example, Walmart's sales monopoly cannot be explained just by reference to the magnitude of its capital and monopoly on land for its stores. Neither of these things could have been achieved without its sophisticated logistical, procurement and financial operations; that is, its use of advanced labour and technology to take advantage of cheap labour power abroad and realise a surplus profit on that basis. Walmart's actual operations, i.e. its labour process, explain why this and not another firm was able to secure this monopolistic position—even if its chain of stores, i.e. monopolistic ownership of land, is also a large part of its overall monopolistic position. Other 'sales' monopolies result even more directly from labour superiority—such as that of Apple, which is (at least according to the market) able to produce, albeit through outsourcing, better products than some competitors.

In between and inseparably combined with the natural origin and final sale of commodities lie production and the labour process itself. In general, Marxists might be expected to emphasise this sphere as the most durable source of monopolistic advantage owing to the centrality of the labour process in Marxist theory. The neoliberal period perfects and demonstrates the importance of this form of monopoly more than any other and hence the importance of Marx's insight. However, so far little work on this area has been done.

Monopoly of highest labour productivity

At a general level, there are two types of technical supremacy in the labour process. One is the cheaper production of the same commodities as competitors (i.e. ultimately with less labour). The other is production of commodities that few others can produce, or few can do so easily or

well.⁸³² Both result in surplus-profits because in either case, it is possible to sell products for prices higher than their 'production price' in Marx's sense. Each of these is a different form of monopolistic superiority on the market based on the labour process. Both forms necessitate superiority in the most complex, sophisticated—and therefore highest—labour processes within an overall division of labour.

The ability to produce standard, undifferentiated commodities more cheaply than competitors (abstracting from advantageous access to natural resources, cheaper labour power or other commodities) results from higher labour productivity, i.e. from the use of less labour for a given magnitude of production, which comes about by the development of better technique (in other words, development of a higher or more sophisticated technique).

Without better technique the only way to cheapen production is by pushing down the cost of labour power or increasing the intensity of labour, both of which soon come up against definite natural limitations, as Marx identified. Owing to these natural limitations and the relative abundance of the commodity of ordinary labour power in the Third World, the use of cheaper labour power to carry out common or standardised production processes cannot generally result in a monopoly due to the ease with which non-monopoly Third World capitals can replicate such labour processes. Hence it is not generally possible to raise the price of such commodities above the average *price-of-production* of *non-monopoly* capital, and thus to gain profits above the average for *non-monopoly* capital.

Production of unique commodities that few other producers can make, or few can make easily or well, on the other hand, is by definition, the use of unique labour processes. If such a labour process can achieve the production of a commodity that can fetch a high price, the technique can remain unique for an extended period of time only if it is difficult to replicate. Otherwise other producers will replicate it. Therefore, this too can result in a sustainable monopoly only when the labour process is of the highest type.

The widespread use of cheap labour by the MNCs to increase profits of individual firms in the neoliberal period represents not simply the use of that labour in and of itself but also the MNCs' ability to *incorporate* cheap labour into an overall labour process for which they possess monopolistic control. Incorporation of cheap labour can achieve a sustainable surplus-profit only when the process in which it is incorporated has not yet become generalised. For example, the use of cheap labour to produce a standard commodity, say t-shirts, as the Bangladeshi contract manufacturers know, does not result in a monopoly profit for those employers.

⁸³²Gereffi et al, 2005, p81.

For these reasons, both the more efficient production of standard commodities and the production of 'differentiated' commodities are expressions of the ability of a given capital to master highest labour processes. For the same reason, highest labour productivity, taken in its concrete contemporary meaning, is a synonym for supremacy in the highest labour processes.

Both forms of monopolistic supremacy in the labour process count on the market as equivalent because the price a capitalist can get for the sale of either commodity is governed by the medium-term cost to other capitals of breaking its monopoly, as outlined in the previous chapter.

The cost ultimately refers to the quantity of labour that would have to be expended to do so. Hence the unique product sells on the market with a mark-up proportionate to the degree of its technical superiority, just as would be the case for uniquely productive labour producing undifferentiated commodities more quickly. The difference is that in the case of like commodities, the degree of labour superiority can be measured by counting, weighing etc., the produce directly. In the case of unique commodities, the degree of superiority can be calculated only approximately by an estimation of the cost of investing in the production of that commodity—an estimation that monopoly capital, in practice, makes on a routine basis.

As suggested, none of this is arguing that monopolistic price mark-ups are directly proportionate to the degree of labour supremacy that they rest upon. It is the nature of monopoly in general that they exceed this. The monopoly gained on the basis of labour supremacy therefore comprises two portions of surplus-profit. The first is that which *is* proportionate to the degree of labour superiority and the second is an extra helping on top, which is the 'right' of all monopoly, and especially of those monopolies involved in the production of differentiated commodities.

The first helping is most directly observable within a single branch of production, and Marx has already shown this. For example, the firm which, owing to its labour productivity, has an overall cost of production per kilo of rice that is 50% of world market price, while the social average cost of production is 90% of the market price, will gain an above-average profit on that basis because it can sell its produce well above its individual cost of production.

The second helping is possible for reasons familiar not only to Marxist writing. Namely, the monopolistic position of established firms controlling a large portion of a given market, possessing a large magnitude of capital and therefore substantial resources with which it can

destroy new entrants, constitutes a formidable barrier to the entry of new capitals in any line of business.

This second helping therefore is purely parasitic, as it is the appropriation of value produced by labour in other capitals. Yet supremacy of highest labour remains the material basis that determines which individual capitals and national capitals are able to secure this monopolistic position and thus secure both forms of surplus-profit. As suggested, the degree of labour superiority also tends to determine the degree of the second helping that is the degree of parasitism.

For this reason we can say that the imperialist core is parasitic. It may or may not be the case that *most* of its surplus profit is usurped parasitically. The present thesis makes no pretence at measurement. Yet the core would be unable to achieve that parasitism if it did not also possess supremacy in the labour process. This is the key to imperialism's longevity. In monopoly capitalism, productivity begets parasitism.

Reproduction of highest labour power

However, the rapid pace of technical change means that technical supremacy in any *one* labour process or series of labour processes is an inadequate basis for ongoing domination because any given labour process will usually, over time, become more commonplace and thereby lose its monopolistic character. Reproduction of supremacy by any given section of capital therefore requires it to be involved with constant innovation of new technology. In monopoly conditions, as Lenin highlighted, this occurs through the systematic organisation of research and development, i.e., the systematic or organised application of science to discovery and refinement of new labour technique.

Surveying the effects of the post war shift to semi-automated production (the "third technological revolution"), Mandel observed an increasing "compulsion to accelerate technological innovation" coupled with "a steep increase in the cost of 'research and development' ... [and] a shorter life-span of fixed capital, especially machines".⁸³³ Following Lenin, Mandel's work highlights the growing number and importance of industrial research laboratories.⁸³⁴ He says, overall, "the continuous and systematic hunt for technological

⁸³³Mandel, 1978 [1972], p197.

⁸³⁴The number of research laboratories was "less than 100 at the beginning of the First World War, but by 1920 it had risen to 220". By 1960 the figure had risen to 5400 and by 1961: 387,000. Mandel, 1978 [1972], p252.

innovations and the corresponding surplus profits becomes the standard hallmark of late capitalist enterprises and especially the late capitalist large corporations."⁸³⁵

There is a large body of contemporary mainstream opinion in broad agreement on the importance of R&D and the need to improve labour productivity. As Krugman once commented, "Productivity isn't everything, but in the long run it is almost everything".⁸³⁶ Block and Keller also draw the conclusion that "innovation capacity is centrally important as nations seek to gain advantage in the world economy."⁸³⁷ Woo tells us that sustainable growth must be "science led".⁸³⁸ Every imperialist government and almost all large firms in the current period view 'innovation' as of paramount importance. To the extent that there is any debate, this tends to revolve around the *degree* to which the state should directly fund research and the education system or what aspects of these should be prioritised. However, in contemporary Marxist accounts of imperialism, the question is little discussed.⁸³⁹

Where Mandel's work is able to go further than Lenin's and arguably his most important insight, is the observation that competition for supremacy in the labour process has tended to shift from being exclusive concern with the development of labour technique in production, to also include the reproduction of the necessary conditions for R&D and also the highest labour processes themselves.

Mandel says:

the real consequences of the reduced turnover-time of fixed capital, of the accelerated obsolescence of machinery and of the corresponding increase in the importance of intellectual labour in the capitalist mode of production is a shift in the emphasis of the activity of the major owners of capital. In the age of freely competitive capitalism, this emphasis lay principally in the immediate sphere of production, and in the age of classical imperialism in the sphere of accumulation (the dominance of financial capital); today, in the age of late capitalism, it lies in the sphere of *reproduction*.⁸⁴⁰

Thus, for Mandel, effective reproduction of labour power increasingly becomes the principle competitive arena determining corporations' and national economies' ongoing ability to

835Mandel, 1978 [1972], p223–4; Frank made the more general argument: "technology has always been the basis of the metropolitan monopoly" and that "the underdeveloped areas have been unable to establish a complete industrial structure because they have been unable to establish industries possessing at the time the most complex and advanced technology", Frank, 2009 [1967], p190.

836Krugman, Paul, *The Age of Diminishing Expectations*, MIT Press, 1997 [1994], p11.

837Block, Fred & Keller, Mathew, R., 'Where do innovations come from? Transformations in the US economy, 1970 – 2006', *Socio-Economic Review*, 7, 2009, p462; for Marxist work see Nolan & Zhang, 2010, p100; Starrs, 2013, p818–19.

838Woo, Wing Thye & Hong, Chang, 'Indonesia's Economic Performance in Comparative Perspective: A New Policy Framework for 2049', *Bulletin of Indonesian Economic Studies*, 46, 1, 2010, p58.

839An exception is Gowan, Peter, 'Industrial Development and International Political Conflict in Contemporary Capitalism', Anievas, Alexander (ed), *Marxism and World Politics*, Taylor and Francis, 2012, p129–130.

840Mandel, 1978 [1972], p245.

achieve surplus-profits. Reproduction here refers to social reproduction, that is, the reproduction, through society's established means of production and corresponding division of labour, of the next generation of that society's labour force.

Continuous development of more advanced means of production is inconceivable without the continuous development of more advanced skilled, scientific and technical labour. Firstly, a sufficiently deep and varied supply of this skilled labour is needed to carry out complex production tasks themselves. Second, new production processes are themselves developed by such intellectual labour. *Reproduction* of monopoly therefore, if it is taken to mean development of new forms of technical supremacy in the labour process, cannot be achieved without reproduction of the highest types of labour power (including professional labour).

There is certainly a general acknowledgement in heterodox literature of the need for increased education funding in order to raise the level of labour productivity in Third World societies. However, the question is usually understood in this limited sense of formal education alone.⁸⁴¹ But, the highest level labour power is determined by human social capacity more generally, as Mandel puts it, the "the total accumulated result of the scientific and technical development of the whole society and humanity".⁸⁴²

The competition between states (and total national capitals) becomes competition for the general cultural, scientific and technological development of the societies concerned (insofar as this is possible and useful within the bounds of capitalist commodity production). Monopolisation becomes the monopolisation of culture and science—i.e. of the total accumulated achievements of humanity, or its highest aspects.

It is the whole of active society, not just teachers and professors, which pass to each subsequent generation, via the entire culture of that society, its already achieved level of social development. Hence it is the general level of social development of society as a whole that stands as the basic prerequisite for reproduction of the social capacity for advanced labour and innovation. At the same time, already existing technically high-level labour processes are the backbone of the existing social-cultural level and the necessary mechanism for its transmission. In this context, the greater funding of schools or universities, for example, in

841 Woo, Wing Thye, 'Indonesia's Economic Performance in Comparative Perspective: A New Policy Framework for 2049', *Bulletin of Indonesian Economic Studies*, 46, 1, 2010; See also Dhanani, Shafiq, *Indonesia: Strategy for Manufacturing Competitiveness Vol. II. Main Report*, United Nations Industrial Development Organization, UNDP/UNIDO, Jakarta, 2000.

842Mandel, 1978 [1972], p267–8; Mandel here does not talk of this literally, something which he argues would only be literally the case with automation. Perhaps it would be more accurate in the current period, or a more holistic statement, to say that competition increasingly occurs between labour processes which rely on the "the total accumulated result of the *cultural*, scientific and technical development of the whole society ...". Culture, here, is understood not as the specific distinguishing features between different national social formations, but as the *level* of human social development. In any case the statements are similar, as the highest human culture—for Marxists—is that developed in the process of social production.

societies like India, cannot solve the problem of imperialism's overarching monopoly over the development of advanced labour power—even if it does have a positive social impact.

Both the development of advanced productive technology and the creation of the capacity for such development becomes transformed into the broadest question: that of *general* social development (albeit confined, in our present discussion, within capitalist forms). This is what Mandel referred to when he described the extension of the sphere of capitalist competition to the reproduction of labour power as the "apex" of this struggle (below).

A competitive struggle for the most effective reproduction of advanced labour-power therefore consists of the competitive struggle for the most effective self-development of the imperialist societies. On the other hand, Third World societies that have experienced colonial subjugation and modern imperialist exploitation have been excluded historically from benefiting from the common human cultural development (even if the cultural achievements of these societies have been usurped or incorporated into world culture).⁸⁴³

The most fundamental aspect of imperialist monopolisation of human culture, at least from a Marxist point of view, is monopolisation of advanced means of production because social reproduction is, for Marx, the highest form of cultural achievement. Yet it is precisely the productive forces that are most subject to monopolisation because it is production that is directly the subject of competition and hence most subject also to the result of competition—monopoly.

Imperialist monopolisation, usurpation of common human cultural achievement on a world scale and its concentration and centralisation of this culture in the imperialist core societies, therefore parallels the same process of its concentration of the physical means of production or, more recently, of the highest aspects of that. Third World societies subject to historical exclusion in this way cannot quickly or easily raise their national cultural level. Nor therefore is it easy for these societies to produce highest labour power, at least not on a sufficient scale that their firms, or a large number of them, can conceivably win in market competition with the established global MNCs, which draw on the highly developed labour power of the core.

Monopolistic competition for reproduction of highest labour power

It follows that, where a given society's general level of social development is *not* commensurate with that of the imperialist core countries, such a society is forced into a process of social production (and reproduction) on a qualitatively lower level.

⁸⁴³Such as, for example, the incorporation of plants cultivated by indigenous American societies as staples of the world diet.

It is not only that the imperialist core has an incumbent advantage in reproduction. The extension of monopoly competition to this sphere means it exhibits the same patterns of technical hierarchy and polarisation as occurs in the sphere of production proper. Thus, if we are to talk of Third World societies moving up the 'value-chain' to a position alongside that of the core, as opposed to merely switching positions with other poor societies, their reproduction of labour power must do more than make incremental improvements. It must break imperialist "dominance over the global production of techno-scientific as well as social-scientific intelligentsias", as Ahmad aptly describes it.⁸⁴⁴ Otherwise the incremental improvements can result only in the same types of outcome as incremental and non-monopolistic improvements in the production process proper. The best that can result from such non-monopolistic improvements is to move up the rankings within the Third World.

National level of social-cultural development, and particularly of advanced scientific culture can never be adequately built upon a productive foundation that specialises in the simplest labour processes. The idea that national labour can be developed to a qualitatively higher sphere when the actual daily experience of workers is the most mind-numbing, back-breaking and life-shortening work is a fundamentally un-materialist argument. Thus, the notion put forward in some Marxist writing—that Third World catch-up can take place in an evolutionary manner, through a world division of labour that is complementary to the imperialist core and hierarchically polarised—arguably represents serious loss of perspective.

In reality, the fundamentally revolutionary task of raising the cultural level of Third World societies is not even being attempted (outside of revolutionary societies such as Cuba and Venezuela) and hasn't been attempted on any large scale since the upsurges of the national liberation movements coming out of the WW2. It is unlikely to be attempted and arguably can't succeed in the future under the leadership of the Third World bourgeoisie. With the defeat, wind-back, containment and diversion into a capitalist development of the national liberation struggles—i.e. since the onset of the neoliberal epoch—the dominant view of development of labour-power in the Third World has been limited by the parameters allocated to 'developing' countries within the broader imperialist division of labour—basically that of increasingly organised, efficient and disciplined "coolies".⁸⁴⁵ Collective social struggle, on the other hand, represents a most powerful impetus and mechanism of social-cultural development⁸⁴⁶ and perhaps the only one available to underdeveloped societies given the relative backwardness of their productive forces.

⁸⁴⁴Ahmad, 2004, p46.

⁸⁴⁵To use Sukarno's apt term, see Sukarno, *Indonesia Accuses! Sukarno's Defence Oration in the Political Trial of 1930*, edited by Paget, Roger K., Oxford University Press, 1975, p40.

⁸⁴⁶Lane, *Unfinished Nation*, Verso, 2008, p291.

In usual periods—i.e. outside of periods of extraordinary social struggle—the more advanced society tends to reproduce organically a more advanced cultural level because the more advanced means of production call upon a greater number of people to think and communicate as part of a more complex overall social organism. In this sense, the more advanced physical means of production acts as the physical embodiment and store of the plundered and monopolised common human social and cultural achievements.

Besides organic reproduction, higher level social development in the imperialist core is consciously reproduced via state policies aimed at reinforcing social productivity in ways advantageous to capitalist profit—such as better-funded mass university systems, schooling and technical training, scientific research institutions and industry-specific technical assistance organisations.

Particular sections of the ruling class may attempt to channel funding disproportionately towards the development of specific capabilities that will be useful to their own segment of capital (i.e. skills and technologies they have the capacity to bring to market and utilise). That is, debates occur over how much state funding is necessary overall and to which organisations. Yet owing to constant changes in the labour process, the uncertainties of future development, the need to guard against competitors and the particularly nebulous nature of future ‘innovation’ itself, broad-based state assistance for education and research is a feature of all the imperialist countries.

The importance of labour power (and the imperialist monopoly over it) is perhaps epitomised by education itself becoming a major commodity sold by imperialist capital to better off Third World families. The service is ‘exported’ to families of foreign students—the latter becoming the value added commodity, but often once value is added at foreign expense, the commodity is often not exported after all but retained in the imperialist core through skilled and other migration programs.⁸⁴⁷

None of this assumes that the level of social-cultural development in the imperialist societies is very high. On the whole it is not, and it is held back by the imperialist system, even if competition does push capitalist scientific and technical institutions towards technical prowess in marketable commodities and weapons. The point made here is about imperialism's development *relative to Third World societies and to other imperialist competitors*.

It is also not the case, as Smith and Cope suggest, that the above argument implies Third World workers are less *capable* than core workers of achieving highest level human

⁸⁴⁷So dominant is the imperialist core's labour market that even educated professionals are still not guaranteed entry, but must compete for limited visas.

functioning. On the contrary, it is pointing out that imperialism prevents this from happening. Cope conflates labour productivity with the capacity of the workers involved when he says

of course the social-imperialists consider that workers in the plantations, export processing zones and outsourced factories of the Global South are so hopelessly inefficient that their labour only entitles them to consume a much smaller quantity of the commodities that they produce ...⁸⁴⁸

Directly contradicting Marx, Cope suggests "labour efficiency" should *result in decreased* capital investment rather than itself *result from* increased investment.⁸⁴⁹ Marx said

The specific development of the social productivity of labour in each particular sphere of production varies in degree, higher or lower, depending on how large a quantity of means of production are set in motion by a definite quantity of labour.⁸⁵⁰

Of course labour to set in motion larger means of production assumes large-scale investment. It is the case that Third World labour in certain spheres may be *more* skilled than its core equivalents. Where the lesser development of the productive forces means that the division between manual and intellectual labour has not occurred, or is less developed, the small trades, etc. must take greater responsibility for the entire labour process. However, this cannot lead to greater overall productivity unless these existing skills can be co-opted into an overall more advanced development of labour as a whole.

The examples of revolutionary Cuba, Russia, Venezuela and elsewhere illustrate that a high level of development of labour power cannot be created simply by political will. Unlike an individual factory, social capacity cannot be expropriated by a Third World state or popular movement. It can only be created by sustained dedication to human development—something that has historically proven extremely difficult to achieve if undertaken outside of and in opposition to the existing centres of scientific knowledge.

By contrast, the historical examples of the post-war reconstruction of Germany and Japan as advanced imperialist powers tends to support the contention that human cultural development is key to the development of the productive forces and of imperialist monopoly. Those societies possessed highly developed social and physical means of production prior to WW2. The war destroyed much of that physical wealth. The highly successful post-war development

⁸⁴⁸Cope, 2015 [2012], p25.

⁸⁴⁹Cope, 2015 [2012], p306; Cope falsely equates 'white collar' workers with unproductive labour (p306). Marx by contrast, in this case speaking of merchants, argues, "If by a division of labour a function, unproductive in itself although a necessary element of reproduction, is transformed from an incidental occupation of many into an exclusive occupation of a few, into their special business, the nature of this function itself is not changed."

Marx, *Capital2*, ch.6.
⁸⁵⁰Marx, *Capital3*, ch.9; Marx, *Capital1*, ch.15.

of both societies, can arguably be explained in part by the already high cultural level of labour in these societies (as well as crucial US cooperation and finance).⁸⁵¹

Bukharin correctly anticipated this outcome when he observed that in "the international division of labour, the difference in the social conditions, are an economic prius which cannot be destroyed, even by the world War."⁸⁵² As Andersson also noted, "Marxists make a distinction between physical and human productive forces. Of these human productive forces are the most important."⁸⁵³

Industrialisation of all aspects of social life

This change in emphasis of the principal sphere of competition and the spread of monopoly competition to all spheres of social life necessarily changes our understanding of industrialisation—an issue that has confused contemporary Marxist writers' understanding of the Third World. Arguably, proceeding from failure to attempt a qualitative analysis of the contemporary labour process, new factories set up in Asia and elsewhere are declared to represent 'industrialisation' in an undefined sense. Historically, industrialisation has been seen as a virtual definition of development in both bourgeois and Marxist literature. Marx, for example, once commented that, "The country that is more developed industrially only shows, to the less developed, the image of its own future."⁸⁵⁴ Thus such declarations in relation to the Third World are synonymous with acceptance of the idea of catch-up.

During the neoliberal period, China and other Third World states rapidly expanded the local presence of certain industries and aspects of industries that had historically been central to imperialist core monopoly—such as coal, steel and auto. Of course Third World industry was nothing new. However China's emergence as the largest producer of each of those industries and many others represented a much larger scale of the phenomenon than previously. China's quantitative superiority in many industries was itself seen to represent its qualitative or overall industrial superiority, or rapid development towards that.

Harvey thought that in the core, "the 1980s, after all, gave us deindustrialisation through automation"⁸⁵⁵—a contradiction in terms. He even saw Indonesia as having undergone "rapid capitalist industrialisation" in the 1980s and 1990s and Bangladesh as industrialising

851 Their proximity to the Soviet Union and China contributed to the strategic and political importance during the Cold War for their development, as was the case with Taiwan and South Korea.

852 Bukharin, *Imperialism*, p148.

853 Andersson, Jan Otto, *Studies in the Theory of Unequal Exchange Between Nations*, Abo Akademi, 1976, p28.

854 Marx, *Capital*, preface to the first German edition 1867.

855 Harvey 2014, p. xii.

today.⁸⁵⁶ Prashad contrasts supposed "deindustrialization of America" to China, which he believes "turned to a form of labor-intensive industrialization"⁸⁵⁷—also a contradiction in terms. Similarly, Foster perceives "industrialization in the low wage periphery".⁸⁵⁸ Brenner argues "the huge expansion of the non manufacturing sector" in the US, which he asserts has stagnant labour productivity, "can usefully be called "de-industrialization, with all its negative conditions."⁸⁵⁹ Smith and Selwyn, contra Marx, simply conflate manufacturing with "industrial" production,⁸⁶⁰ while Harman, following Warren, equates GDP growth—i.e. growth of capitalist commodity production in general—with *industrial* production.⁸⁶¹ World Systems writers make very similar formulations, with the one advantage that they at least point out the contradiction. Arrighi, Silver and Brewer claim there has been "widespread convergence in the degree of industrialization between former First and Third World countries over the past four decades".⁸⁶² Aware there has been no such convergence in income, these authors refute what they call the "false identification of 'industrialization' with 'development' and 'industrialized' with 'wealthy'".⁸⁶³ Gereffi finds that "export oriented industrialization ... has opened up a radical new development path. Today, nations seek to industrialize by simply joining a supply chain to *assemble* final goods."⁸⁶⁴ Yet he also noticed that, "it may also be less meaningful. If countries are only engaged in the simplest forms of EOI, such as assembling imported parts for overseas markets in export-processing zones".⁸⁶⁵

The supposed de-industrialisation of the US during the neoliberal period is an indefensible assertion. As Panitch and Gindin show,

The number of workers employed in durable manufacturing industries like auto and steel actually increased by 8.7% in the Great Lakes region 1983-99, but this paled in comparison to

856Harvey, 2003, p164; Harvey, 2014, p123.

857Prashad, 2014; this occurs according to Prashad because "leaders would collude to allow deindustrialization, and the consonant increased power for finance over industry", Prashad 2014.

858Foster, 2010, p11.

859Brenner, 2002, p79.

860Smith, J., 2016, p102; see also Selwyn, Ben, 2011, p434.

861Harman, 'China's economy and Europe's crisis', *International Socialist*, 109, 2006; Harman argued Lenin's position was that "export of capital to the colonies would lead to their industrial development". To illustrate the point he quotes Lenin thus, "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world." Harman continues, "One of Lenin's earliest works, *The Development of Capitalism in Russia*, had been directed against those who denied the possibility of capitalist development. He continued to stand by this position when he wrote *Imperialism*. It was this belief that industrial development was increasingly in the colonies that led him to describe the colonising countries as 'parasitic'", see Harman, 2003. Notably the quotations from Lenin do not mention "industrial development" but "development of capitalism", revealing that for Harman the two terms are interchangeable: Harman's capitalism equals industrialisation.

862Arrighi, G., Silver, B.J., and Brewer, B.D., 'Industrial Convergence, Globalization, and the Persistence of the North-South Divide', *Studies in Comparative International Development*, 38, 1, 2003, p3; Schwartz tends to conflate Taiwanese and South Korean with 'industrialization' in China or other Third World states, see Schwartz 2000, p238, 241, 207.

863Arrighi et al, 2003, p3.

864Gereffi, 2014, p18.

865Gereffi, 2014, p18.

the 27% increase in the south-east.⁸⁶⁶ Shored up by high tech sectors, during 1983-99 US manufacturing output grew faster ... than overall GDP.⁸⁶⁷

Manufacturing productivity grew faster in these years (3.3% p.a.) than it had in the 1950s and '60s (average 2.4% p.a.).⁸⁶⁸ Overall, manufacturing volume grew 90% in this period, while employment in the sector was almost stagnant.⁸⁶⁹

What these figures show is that, while relatively labour-intensive *manufacturing* employment shrank, employment actually grew in higher productivity sectors where much of the labour is mechanised. This is why output almost doubled on a stagnant employment base. So, unless we define industrialisation as the production of goods using abundant manual labour and not, as Marx does (below), as the replacement of manual labour with machines, then clearly the US had not de-industrialised by 2000.

It is also necessary to have some historical perspective about manufacturing growth in the South. Christian argued in 2004 "today's third world countries accounted for almost 75 percent of global industrial production" in 1750. "By the late twentieth century, they counted for less than 15 percent."⁸⁷⁰ On these figures, therefore, in 1750 these countries were responsible for a part of world "industrial"⁸⁷¹ production that roughly equated to their proportion of world population. In 2004, the same countries, now making up around 85% of world population, produced only 15% of world industrial output, a decline to less than 20% of their former contribution. If it were to become the case in the future that this figure rebounded substantially—say doubled to 40%—that would hardly signify a 'catch-up' with the imperialist core.

Marx's clear distinction between manufacturing and industrialisation

This conflation of manufacturing with industry arguably follows not Marx but bourgeois literature. The latter typically makes no distinction between machine production and assembly, referring to both simply as 'manufacture'. Chenery defines ""The rise of industry" as increase in "manufacturing plus social overhead facilities".⁸⁷² Harvey's "deindustrialisation through automation" and Prashad's similar formulation represent an *opposite* definition of industrialisation to Marx's.

For Marx, the distinction between manufacture and industry forms a crucial part of *Capital*1.

866Panitch and Gindin, 2013, p187.

867Panitch and Gindin, 2013, p191.

868Panitch and Gindin, 2013, p191.

869Panitch and Gindin, 2013, p191.

870David Christian, *Maps of Time*, University of California Press, 2004, p435, cited in Foster, 2007.

871In which Christian includes manufacture and petty commodity production, see below.

872Chenery, Holis B., 'Growth and Transformation', in Chenery, H., Robinson, S. & Syrquin, M., *Industrialization and Growth: A Comparative Study*, World Bank / Oxford University Press, 1986, p36; Gereffi, Garry, 'Development Models and Industrial Upgrading in China and Mexico', *European Sociological Review*, 25, 1, 2009, p48.

He views manufacturing as the technically lower, more backward historical precursor to industrial production.⁸⁷³ Critical of the mainstream conflation of the two that was occurring in his time, Marx observed, "mathematicians and mechanics, and in this they are followed by a few English economists, call a tool a simple machine, and a machine a complex tool." However, "From the economic standpoint this explanation is worth nothing, because the historical element is wanting."⁸⁷⁴

Labour-intensive Third World assembly operations (as distinct from Third World industry, which also exists but must be treated separately) have an almost opposite technical character to that of machine industry, as Marx defined it, and are far more similar to the pre-industrial manufacture and domestic industry that Marx describes as existing alongside the factory system (and still exists today).

Marx distinguishes "a real machinery system" from a system of "independent machines" such as "a sewing factory of a number of sewing-machines all in the same building".⁸⁷⁵ "The machine, which is the starting-point of the industrial revolution, supersedes the workman, who handles a single tool, by a mechanism operating with a number of similar tools".⁸⁷⁶

The key feature of the revolutionary character of the machine is that "the number of tools that a machine can bring into play simultaneously is from the outset independent of the organic limitations that confine the tools of the handicraftsmen", i.e. the organic limitations of the human body.⁸⁷⁷ Hence the productivity of labour is also liberated from the limitations of human strength, size, endurance, number of limbs, etc. This of course is inseparably tied with the liberation of the human from such work and together form the really revolutionary aspect of the industrial revolution.

The most advanced form of industry for Marx was an integrated system of machines.

Marx says,

as soon as tools had been converted from being manual implements of man into implements of a mechanical apparatus, of a machine, the motive mechanism also acquired an independent form, entirely emancipated from the restraints of human strength. Thereupon the individual machine, that we have hitherto been considering, sinks into a mere factor in production by machinery.⁸⁷⁸

873Marx, *Capital*, chs.14–15.

874Marx, *Capital*, ch.15.

875Marx, *Capital*, ch.15.

876Marx, *Capital*, ch.15.

877Marx, *Capital*, ch.15.

878Marx, *Capital*, ch.15.

This is industrialisation proper. For Marx,

an organised system of machines, to which motion is communicated by the transmitting mechanism from a central automaton, is the most developed form of production by machinery. Here we have, in the place of the isolated machine, a mechanical monster whose body fills whole factories, and whose demon power, at first veiled under the slow and measured motions of his giant limbs, at length breaks out into the fast and furious whirl of his countless working organs.⁸⁷⁹

Contrast this to the labour-intensive factory production that has been exported to the Third World. Obviously the tendency to export *labour-intensive* operations already presupposes the opposite to the production processes Marx considered most advanced. The typical Chinese factory will consist of thousands of desks or work stations, where individual humans sit or stand and mobilise an individual tool, sewing machine, screwdriver and so on. They do so with all the organic limitations to increases in productivity that characterise all such human labour. In the most basic Marxist sense, cheap labour factories in the Third World are not industry but manufacture. In the cases where the needle, screwdriver, etc. can be taken from a human hand and fitted into a machine, the seats and desks will also be taken away, along with their human occupants, and the factory will cease to be the type that is found predominantly outside of the imperialist core. The reason for its location in a cheap labour country will have been abolished.

As suggested, Marx viewed manufacture as the historical precursor to industrialisation. However, to imagine the same historical sequence—i.e. a generalised phenomenon of manufacture growing into industry—repeating today under conditions of modern monopoly would be absurd. Let's leave aside the problems of competition with incumbent monopoly producers in higher labour processes and foreign ownership of many Third World factories, the necessary degree of capital accumulation and so on. Today's globalised hierarchical specialisation means that the social characteristics of Third World manufacturing are not identical to classical manufacture even in the most general sense.

Describing the pre-industrial manufacturing system, Marx commented,

the collective labourer, formed by the combination of a number of detail labourers, is the machinery specially characteristic of the manufacturing period.⁸⁸⁰ [This] is made up of numerous individual specialized workers ... the combination of various kinds of labour.⁸⁸¹ [That is, a labour division among] handicraft skill is the foundation of manufacture.⁸⁸²

879 Marx, *Capital I*, ch.15.

880 Marx, *Capital I*, ch.14.

881 Marx, *Capital I*, ch.14.

Yet modern labour-intensive factories might specialise in only one type of labour and are not founded on handicraft skill (i.e. the historical precursor to machines). A sewing factory, as Marx points out, is not characterised by a specialised division of labour but a large number of workers carrying out similar or the same labour in the one location. Other assembly operations, typically in consumer electronics, may involve a detailed labour division. However, as has been pointed out, these typically consist of only part of the entire labour process, —that part most intensive in low-skill labour—while higher labour types are part of a separate capital which confronts it as master and usurper of value.

There are several senses in which modern cheap labour factories might be considered most similar, not to pre-industrial manufacture, but what Marx calls,

Modern Domestic Industry... in which capital conducts its exploitation in the background of modern mechanical industry ...[where labour processes - SK] are not yet carried on by the aid of machinery, and that as yet do not compete with branches carried on in factories or in manufactories.⁸⁸³

Taking the example of the lace finishing, Marx says,

The workroom is in a private house. The mistresses take orders from manufacturers, or from warehousemen, and employ as many women, girls, and young children as the size of their rooms and the fluctuating demand of the business will allow. The raw material is supplied by mechanical industry, the mass of cheap human material (taillable à merci et miséricorde) is composed of the individuals “liberated” by mechanical industry and improved agriculture. The manufactures of this class owed their origin chiefly to the capitalist’s need of having at hand an army ready equipped to meet any increase of demand.⁸⁸⁴

The modern manufacturers of Marx's time, he continues,

nevertheless, allowed the scattered handicrafts and domestic industries to continue to exist as a broad foundation. The great production of surplus-value in these branches of labour, and the progressive cheapening of their articles, were and are chiefly due to the minimum wages paid, no more than requisite for a miserable vegetation, and to the extension of working-time up to the maximum endurable by the human organism. It was in fact by the cheapness of the human sweat and the human blood, which were converted into commodities, that the markets were constantly being extended, and continue daily to be extended.⁸⁸⁵

882Marx, *Capital*, ch.14.

883Marx, *Capital*, ch.15.

884Marx, *Capital*, ch.15.

In Marx's definition, industrialisation principally referred to the scientific harnessing of physical processes (chemical reactions) to propel instruments of production wielded by an integrated system of machinery—machine production. This perhaps remains the basic definition of industrialisation, as the elementary needs of human consumption will always remain physical and hence mechanisation must also be physical at its base.

However, as the processes of production, distribution and reproduction become more complex and automated, the element of social organisation, social control, social science assumes an ever more important role as a collective *mechanism* of control over production processes. Hence social formations, social mechanisms and social science assume an ever larger portion of necessary labour time and an ever growing importance.

It can be seen from *Capital I* that Marx viewed the application of science to production, not its exclusive application to physical production processes, as the essential definition of industrialisation, even if machine industry, which had then still colonised only certain branches of production proper, furnished the most advanced example of his time. Marx said, The principle, carried out in the factory system, of analysing the process of production into its constituent phases, and of solving the problems thus proposed by the application of mechanics, of chemistry, and of the whole range of the natural sciences, becomes the determining principle everywhere.⁸⁸⁶

One example is Marx's prediction of the coming industrialisation of agriculture. Marx also said, "division of labour seizes upon, not only the economic, but every other sphere of society".⁸⁸⁷ As quoted above, when referring to the manufacturing period, for example, Marx said, "the collective labourer, formed by the combination of a number of detail labourers, is the *machinery* specially characteristic of the manufacturing period".⁸⁸⁸ Thus, in this case the 'machine' is a mechanism whose parts are human beings.

Mandel argued that in 'late capitalism' this application of science had already begun to spread beyond the production process proper. He argued,

far from representing a 'post-industrial society', late capitalism thus constitutes generalized universal industrialization for the first time in history. Mechanization, standardization, over-specialization and parcellization of labour, which in the past determined only the realm of

⁸⁸⁵Marx, *Capital I*, ch.15.

⁸⁸⁶Marx, *Capital I*, ch.15.

⁸⁸⁷Marx, *Capital I*, ch.14.

⁸⁸⁸Marx, *Capital I*, ch.14.

commodity production in actual industry, now penetrate into all sectors of social life. It is a characteristic of late capitalism that agriculture is step by step becoming just as industrialized as industry, the sphere of circulation just as much as the sphere of production, and recreation just as much as the organization of work. The industrialization of the sphere of reproduction constitutes the apex of this development.⁸⁸⁹

In this sense we can say the whole of advanced countries like Japan or the United Kingdom are 'industrialised', not just the areas where large-scale factory production is or was carried out.

Conscious Scientific Management of production (Taylorism) dates back to the dawn of the imperialist epoch. Its application was initially in the production process itself and at the level of the individual firm. Lenin described this as "A 'Scientific' System of Sweating".⁸⁹⁰ Today Taylorism (under new names) is still applied to physical processes within firms.⁸⁹¹ In addition, we can see the growing trend towards standardisation, rationalisation and control of intellectual labour. This amounts to the proletarianisation of professional labour and represents at least one pole of the contemporary development of intellectual labour. Examples of 'services' that are actually industrialised in the modern sense are airline load management, retail point of sale information and multi-modal transport.

The efficient overall organisation, management and control of a supply chain consisting of hundreds of companies, located in different countries and dealing in multiple products, of course requires the application of scientific principles by skilled labour. The conceptualisation, design, R&D and overall management of the process of bringing new products to market represent another such application. As Lenin already pointed out, systematic organisation of financial research constituted a special branch of skilled labour in aid of monopoly capital even before WW1. None of these complex, skilled labour processes involve the immediate process of production. That the 'components' being engineered in this case are humans, not materials, makes their management hardly less difficult or demanding of scientific methodology than that of production proper.⁸⁹²

889Mandel, 1978 [1972], p387; from a heterodox perspective, O'Brien argues "The locus of economic activity in 'post-industrial' societies is shifting from manufacturing objects to handling information and symbols", O'Brien, Rita Cruise, 'Specialised information and Global Interdependence: Probes of Concentration and Access', in Seers, Dudley, (ed), *Dependency Theory: A critical Reassessment*, Pinter, 1981, p168.

890Lenin, V.I., A "Scientific" System of Sweating, Progress Publishers, 1975 [1913], see www.marxists.org/archive/lenin/works/1913/mar/13.htm

891Though now it is usually computerised. Specialised companies offer computerised logistics operations systems that both design individual tasks in the most labour efficient manner (least distance travelled) and record worker performance against engineered standards for each job. See for example www.voccollectvoice.com

892According to Rabach and Kim, apparently generalising, "the technical, financial, marketing and economic know-how that comprise high-end services have replaced embodied technology (the industrial means of production) as a firm's primary competitive advantage", see Rabach and Kim in Gereffi and Korzeniewicz, (eds), 1994, p137-8.

The appearance of the lowest types of physical means of production in the Third World can hardly be taken to signify a form of industrialisation that challenges or surpasses the industrialisation of core societies. Even before the disaggregation of the neoliberal period, Baumol had already grouped

economic activities ... into two types: technologically progressive activities in which innovations, capital accumulation, and economies of large scale all make for a cumulative rise in output per man hour and activities which, by their very nature, permit only sporadic increases in productivity.⁸⁹³ ... the place of any particular activity in this classification is ... a manifestation of the activity's technological structure, which determines quite definitely whether the productivity of its labor inputs will grow slowly or rapidly.⁸⁹⁴ ... The basic source of differentiation resides in the role played by labor in the activity. In some cases labor is primarily an instrument an incidental requisite for the attainment of the final product [i.e. by way of machine production], while in other fields of endeavour, for all practical purposes the labor is itself the end product.⁸⁹⁵

For Harvey,

to the degree that intelligence is increasingly incorporated into machines, so the unity between mental and manual aspects of labouring is broken. Workers are deprived of mental challenges or creative possibilities. They become mere machine operators, appendages of the machines rather than masters of their fates and fortunes.⁸⁹⁶

This appears to be based on Marx's comment,

The separation of the intellectual powers of production from the manual labour, and the conversion of those powers into the might of capital over labour, is, as we have already shown, finally completed by modern industry erected on the foundation of machinery. The special skill of each individual insignificant factory operative vanishes as an infinitesimal quantity before the science, the gigantic physical forces, and the mass of labour that are embodied in the factory mechanism and, together with that mechanism, constitute the power of the 'master'.⁸⁹⁷

However, notably for Marx, the "intellectual powers of production" are separated not from workers in general but only from "manual labour". Marx said,

Alongside of the hierarchic gradation there steps the simple separation of the labourers into

893 Baumol, William J., 'Macroeconomics of Unbalanced Growth: The Anatomy of Urban Crisis', *American Economic Review*, 1967, p415–16.

894 Baumol, 1967, p416.

895 Baumol, 1967, p416.

896 Harvey 2014, p180.

897 Marx, *Capital*, ch.15.

skilled and unskilled. For the latter, the cost of apprenticeship vanishes; for the former, it diminishes, compared with that of artificers, in consequence of the functions being simplified. In both cases the value of labour-power falls. An exception to this law holds good whenever the decomposition of the labour-process begets new and comprehensive functions, that either had no place at all, or only a very modest one, in handicrafts.⁸⁹⁸

The modern mass of this latter type of labour, which is both the creation and creator of comprehensively new processes, appears both in the form of skilled proletarians and professional labour. This is the advanced labour power that is constantly reproduced in the core both as an organic product of the advance of the labour process itself and by the conscious intervention of the imperialist state. This grouping of skilled labour, that which is the special product of the revolutionising of the means of production, and which is also the conscious agent revolutionising the means of production, is of special value to the core bourgeoisie as a monopolisable commodity of the utmost importance and is treated accordingly.

Increasing state role

Many Marxist (and other) works highlight the importance of state support for big capital. Boron for example argues that "virtually all of the world's largest corporations have experienced decisive support from government policies and trade barriers to make them viable".⁸⁹⁹ However, much of this work tends to overlook support given in the production process itself, instead emphasising fiscal and financial support,⁹⁰⁰ repression and military roles, or legal and regulatory functions. Gowan, for example, points out that the huge scale of modern advanced plant requires such a scale of cheap credit that modern states must be "deeply implicated in creating the conditions for the supply of such credit".⁹⁰¹

Where Marxist writers do mention state involvement in the creation of conditions of production, this often refers to the most elementary conditions such as construction of public roads and other infrastructure, as well as state organisation of the reproduction of labour power in general.⁹⁰² Literature that does not emphasise imperialist domination of the Third World tends to emphasise state functions that are necessary to the reproduction of the capitalist system in general (i.e. subsidy in general, laws in general and class repression) but not state functions necessary for monopolistic domination of the global labour process or for

⁸⁹⁸Marx, *Capital*, ch.14.

⁸⁹⁹Boron, 2005, p46.

⁹⁰⁰Bose, 2007, p100.

⁹⁰¹Gowan, in Anievas, (ed), 2012, p130.

⁹⁰²Barrigos, Rebecca, 'The neoliberal transformation of higher education', *Marxist Left Review*, 6, 2013, p80.

reproduction of imperialism in this sense. The principal argument in Panitch and Gindin's 2013 book emphasises the legal and regulatory role of state over its technical role and class discipline over productive supremacy.⁹⁰³ In his 2003 treatment of ties between imperialist nation states and MNCs, Harman omits R&D from his picture, presenting the problem in geo-political terms: MNCs "need a state to protect their web of international interests".⁹⁰⁴

Norfield says, "What in economic terms distinguishes an imperialist state is its ability to exert power in the world economy on behalf of its 'national' capitalist companies."⁹⁰⁵ Such a definition tends to omit the role of imperialist states in providing a particularly high level of support to its companies' production or labour processes—which often occurs domestically—so that the companies themselves, in general, do not require their state to exert power in the world economy on their behalf beyond establishment of the basic legal, regulatory, financial and political framework associated with imperialism's preferred open door arrangement.

Separation of the state from labour in the literature, or lack of a developed explanation of its role in developing highest labour processes, is symptomatic of the broader neglect of the labour process as outlined. It is a major factor underpinning many Marxists' belief that advanced production is migrating South. The counterposed perspective was given by Mandel:

an inherent trend under late capitalism ... [is] for the state to incorporate an ever greater number of productive and reproductive sectors into the 'general conditions of production' which it finances ... without [state] socialization of costs, [many] sectors would no longer be even remotely capable on answering the needs of the capitalist labour process.⁹⁰⁶ Direct examples of this tendency are the increasing use of state budgets to cover research and development costs, and of state expenditure to finance or subsidize nuclear power stations, jet aircraft and large industrial projects of every sort. Indirect examples are the provision of cheap raw materials by the nationalisation of the particular industries producing them, which thereby make a concealed subvention to the private sector.⁹⁰⁷

A barely concealed contemporary example of this kind of financial assistance is given in the case of the so-called 'public-private partnership'. However, state assistance to private monopoly capital is not only financial. Its plays an indispensable leadership role in both the

903Panitch & Gindin, 2013, p4, 14.

904Harman, 2003.

905Norfield, 2016, p126.

906Mandel, 1978 [1972], p484; echoing Mandel's arguments, Chomsky says "the dynamism of the modern economy comes mostly out of the state sector, not the private sector ... In fact, it's very hard to find anything in the economy that doesn't rely critically on the state sector." Chomsky, Noam, 'State and Corp' [interview], *Znet*, Germany, 18-05-2005, see www.chomsky.info/interviews/20050518.htm; The Democratic Socialist Party argued, "to the classical state functions of repression and ideological integration, the capitalist state adds the function of guaranteeing those general conditions for the development of capitalist production that do not spontaneously arise from private production and capitalist competition", Democratic Socialist Party, 1994, p14.

907Mandel, 1978 [1972], p484.

reproduction of labour-power and the revolutionising of the means of production. That is, it is the principal organisation in developing both of the key factors that determine the MNCs' monopoly of highest labour productivity.

Research and development

Imperialist states, and especially the US, are the driving force of technological change in the imperialist epoch. The US Department of Defense (DoD) and Department of Energy (DoE) in particular have been responsible for revolutionising of the production process. Lorimer argues it was massive government deficit spending on technical improvements on war goods, on armaments, during World War II and during the Cold War, that created practically all of the technological innovations of the second half of the 20th century. From radar (microwave transmitters and receivers) and electronic computing machines in the early 1940s to carbon fibre in the 1960s -- all of the major technological innovations of the last 50 years were created and developed initially for waging war or preparing to wage war by researchers working for the military departments of imperialist states.⁹⁰⁸

In the case of the development of semi-conductors—crucial, for example, in the explosive growth of the consumer electronics market—Gowan points out that US state funding of R&D was 40–45% in 1958–1970. One in four semi-conductors produced in the US was for defence agencies.⁹⁰⁹ Taking the example of digital signal processing (DSP) chips—a type of semi-conductor—Schwartz argues that the DoD program in 1979–1987 generated several generations of chips, along with manufacturing technologies for progressively denser integrated circuits. Originally developed for ‘Star Wars’, these became the key motor for wireless communication technologies.⁹¹⁰

Chomsky says,

The dynamism of the modern economy comes mostly out of the state sector, not the private sector ... In fact, it's very hard to find anything in the economy that doesn't rely critically on the state sector ... almost every aspect of what's called the 'New Economy' is developed and designed at public cost and public risk: computers, electronics generally, telecommunications, the internet, lasers ... Radio was designed by the US Navy. Modern mass production was developed in armouries ... a century ago, the major problems of electrical and mechanical engineering had to do with how to place a huge gun on a moving platform, namely a ship, designing it to be able to hit a moving object, another ship - so naval gunnery. That was the most advanced problem [at the time].⁹¹¹

⁹⁰⁸Lorimer, Doug, *Imperialism at the Beginning of the 21st Century in The Politics of Imperialism and Counterstrategies*, Aakar, 2004, p64; Lorimer, 2002, p32.

⁹⁰⁹Gowan, in Anievas, (ed), 2012, p135.

⁹¹⁰Schwartz 2000, p296.

It was addressed, Chomsky says, by massive research efforts funded by the German and British states. He argues, "Out of associated innovations comes the automotive industry ..."⁹¹²

According to Block et al, federally-funded research and development in the US may be becoming *increasingly* dominant today compared with private industry. They found "university-based science efforts are now linked to industry" while "government agencies are playing an increasingly central role in managing and facilitating the process of technological development".⁹¹³ The writers found that "the majority of [research] awards are now won by either federal laboratories, universities" or their "supported spin-offs". Block observes, "most of the winning innovations originate in the Department of Energy laboratories that were initially created to develop atomic weapons in the early years of the Cold War".⁹¹⁴

At the same time, these incursions of the state sector into production or its prerequisites clash with the need for continuous accumulation of private capital by "crowding it out". Thus a further (and contradictory) state role is to create "additional opportunities on an unprecedented scale for profitable investment" of excess capital "where 'profitable' means made profitable by the state guarantee or subsidy". In this way the unprofitable (and expanding) state sphere involved in creating the "general conditions of production" is simultaneously opened up as a new frontier of subsidised 'private' business.⁹¹⁵ Lucrative state contracts proliferate on everything from military equipment to garbage collection, where the state funds and organises for the needs of capital in general but then hands this back to private capital as contractor or regulated private owner.

The Third World state

Third World state support is also crucial for the largest capitalist firms, and this is particularly so in the most developed Third World states, which possess a larger magnitude and complexity of capital relative to less advanced Third World states. However, the role demanded of Southern states, in order to assist its capitalist groups to function even as non-monopolistic firms, has been changed profoundly by the conditions of the imperialist era.

As Chibber points out, the state role in pre-imperialist late development was relatively simple, but by the 20th Century, states needed to control private investment and [to] make direct state

911Chomsky, 2005.

912Chomsky, 2005.

913Block et al, 2009, p470.

914Block et al, 2009, p472.

915Mandel, 1978 [1972], p484-5.

investment.⁹¹⁶ According to Schwartz,

even Ricardian comparative advantage development strategy requires state mobilisation of capital for social overhead capital (such as the provision of the transportation networks needed to get products to the market) ...⁹¹⁷

Such state capacity in the Third World (or lack thereof) may partly explain differences in the relative developmental success among Third World nations.

However, the competitive requirements for the reproduction of monopoly capital are qualitatively different. These can hardly be met by a weak, under-resourced state, as predominantly exists in the Third World. The capacity of imperialist states in relation to Third World states stands as monopoly private capital does in relation to non-monopolies. Not only are imperialist states blessed with the substantial resource advantages owing to their own incumbency as the most advanced states and hence the beneficiaries of the colonial period, etc. (i.e. prior accumulation), they are also continuously energised by fresh flows of large revenues owing to their association with the largest and most profitable companies in the world.

The ideal Southern state, from the point of view of core monopolists, aims not to organise and subsidise the development of new endogenous monopolies—i.e. new competitors—but both to actively facilitate the penetration of FDI and to promote complimentary forms of economic development within its territory, i.e. that which take advantage of so-called "comparative advantage", principally cheap labour. This is what is meant by the aid agencies' and imperialist ideologues' promotion of institutional 'capacity building' for Third World development.

However, owing to its meagre financial resources, its limited established infrastructure and the relative underdevelopment of the bulk of its own personnel, for the most part, it is only able to provide relatively meagre financial subsidies and relatively basic business services, support only relatively minor, undifferentiated R&D and assist in the reproduction of only ordinary labour power—both skilled and unskilled. That is to say, even the most developed Third World state is only able to support the reproduction of non-monopoly capital. The gulf is manifested in countless concrete ways. Perhaps among the most important is the technical inability to collect tax in many Third World states, in all but the most rudimentary methods, such as import and export duties.

Norfield makes the same general point when he describes,

⁹¹⁶Chibber, Vivek, 'Capital Outbound', *New Left Review*, 36, 2005; However Chibber also tended to contradict this position, arguing the end of direct colonial rule meant the imperialist state "ceases to be the instrument ensuring the extraction of profits from the dominated regions." Chibber, 2005, p153.

⁹¹⁷Schwartz, 2000, p60.

... a two way process: the more resources are available to the national state, the more powerful it becomes, to the potential benefit of all 'national' capitalists and also often the national population at large. There is an important symbiotic relationship between the nation state and corporate power, one that can back up, or undermine, the power of some countries at the expense of others in the world market.⁹¹⁸

Looking at the concrete relationship between the imperialist state and individual monopoly capital, it is possible to see the response to Howard and King's question, "why, once extracted, surplus was not used to finance accumulation in the periphery".⁹¹⁹ In other words, why MNCs don't decamp to the South. The question betrays an insufficient understanding of the centrality of the state to private capital in the ways outlined. As Mandel says,

the growing economic role of the late capitalist state in centralising and redistributing portions of the social surplus makes it an increasingly immediate object of concern to all groups of capitalists, and even individual capitals to influence its decisions;⁹²⁰ the concrete process by which the 'ideal total capitalist' establishes determinate priorities among its range of diverse functions becomes of more fateful importance to many (in the long run to all) groups of capitalists, than in any previous phase of the capitalist mode of production.⁹²¹

This explains both why it is rare for capitals to decamp even to another imperialist state as their home base, while the inadequacy of Third World states in supporting the reproduction of global monopolistic labour power explains why it has not been the case that core-based monopolies simply move South, even in the cases when Southern nations have become the largest markets or production sites. As Schwartz points out,

Despite this dispersion of production activities and sales globally, most TNCs remained firmly rooted in their home economies, whose particular institutional structures, including finance and labour markets, had constituted the initial competitive advantages that allowed the firm to become a transnational in the first place.⁹²²

Authors such as Screpanti, who argue that the nation state is beholden to MNCs or is redundant, are essentially confusing the relationship of MNCs to Third World states with their relationship to core states. The analysis is hardly new. In 1974, Goldstein suggested that large corporations "can threaten, if they so choose, the sovereignty and the viability of the nation state".⁹²³ Half a century later, there are no cases of this in relation to imperialist states.

918Norfield, 2016, p115.

919Howard and King, in Chilcote, (ed), 1999, p35.

920Mandel, 1978 [1972], p489

921Mandel, 1978 [1972], p489

922Schwartz, 2000, p237; Schwartz, 2007, p129; D'Amato, Paul, 'Imperialism and the State: Why Mc'Donalds Needs McDonnell Douglas', *International Socialist Review*, 17, 2001.

923Goldstein, Walter, 'The Multi-National Corporation: A Challenge to Contemporary Socialism', *Socialist*

On the contrary, as Lorimer points out,

The qualitatively greater role that the capitalist state plays in the economic life of the imperialist countries [compared with previous epochs - SK] is a reflection of the inability of imperialist capitalism to spontaneously reproduce itself by simply relying on the laws of the capitalist market—a reflection of the fact that, as Lenin pointed out, imperialist capitalism is the epoch of decaying capitalism, capitalism which has reached the stage where it has to be propped up by the use of mechanisms that run counter to its own spontaneous laws of motion.⁹²⁴

This increasing centrality of the capitalist state tends to confirm Lenin's characterisation of imperialism as "moribund capitalism"—that is, of capitalism that cannot spontaneously reproduce itself but relies instead on the state. However, the state's role is curtailed as it remains that of assistant to private *capitalist* production—i.e. to production of commodities owned by private monopoly capital. That is, as Lenin anticipated, the increasingly social character of the production process is both bound by and comes increasingly into conflict with the private character of capitalist property. That is what Lenin meant when he described imperialism as the transition to Socialism. Not that the transition would consummate in more or less time—but that imperialism cannot be anything other than this transition.

Chapter 4.3. Non-monopoly Third World capital

Amin notes that, "all through the nineteenth century, technical progress was translated into reductions in prices".⁹²⁵ Then, technical advance could deliver a temporary extra-profit to a firm that introduced it. However, due to the still small size and low level of development of capitalist firms, their ability either to prolong the period of above average profit or to produce a stream of such technical advances and hence a stream of surplus-profits was not yet generalised.

Amin argues this changed at the dawn of the imperialist epoch:

about 1880 ... the appearance of monopolies ... caused the economic system to resist the downward movement of prices ... after 1880-90 we find a steady rise in prices, and a faster rise

Register, 11, 1974, p279.

⁹²⁴Lorimer, 2002, p15.

⁹²⁵Amin, 1976, p170.

in incomes [in the core capitalist countries].⁹²⁶

However, it was not "the economic system" that resisted downward movement of prices but the new monopolies themselves that resisted downward pressure on the prices of the commodities they produced.

However for *non*-monopoly capital, downward pressure on the prices of *their* produce remained and still remains. This tendency is intensified by their subjugation to monopoly capital, which systematically seeks not only to raise prices of commodities it owns but also reduce those of the commodities it buys. For this reason, technical progress among non-monopoly Third World capital today still results in downward pressure on their sale prices. This is what underlies the fall in terms of trade for Third World manufacturers already shown. As UNCTAD puts it, Southern "productivity gains are transferred abroad via lower prices".⁹²⁷ That is, the increased surplus value and therefore *financial* gain derived from increased productivity is transferred to the core via monopolistic price setting. This is the case even if individual innovating Third World firms can sometimes obtain a temporary, and typically thin, surplus profit.

Undifferentiated production

As already outlined, where a given industry or process is less conducive to technical upgrading or is intensive in ordinary labour (skilled or unskilled), it is more likely to be either abandoned by core monopolies or lost in competition to Third World producers, owing to the latter's greater access to cheap labour and willingness to invest in low-profit production processes. Third World capital can win in competition with imperialist capital for the production of such commodities because, to the extent any given labour processes can be achieved by cheap and abundant Third World labour, the cheap price of that Third World labour power tends to determine the world market price of the commodities thus produced. In other words, the market price of the expended labour contained in the physical properties of the commodity oscillates with the average cost of the reproduction of that labour power.

The point can be elaborated with a simple example. Assume that standard car mirrors can be produced at an average level of efficiency by many reasonably competent firms across all the most developed Third World states. In that case, a mirror maker raising prices above that

⁹²⁶Amin, 1976, p170; see also Singer, Hans, 'The Distribution of Gains Between Investing and Borrowing Countries', 1950, cited in Love, Joseph L., 'Raul Prebisch and the Origins of the Doctrine of Unequal Exchange', *Latin American Research Review*, 15, 3, 1980.

⁹²⁷UNCTAD, *Trade and Development Report 2016*, p. xi.

needed for average non-monopoly profit, all else being equal will lose market share to its competitors. This scenario applies to low-end undifferentiated producers in general. If, by contrast, a car's transmission system requires specialist skills and equipment to produce, then firms involved in the latter can command a greater share of the total surplus value obtained with the car's final sale than their labour hours contributed to the car's production.

For this reason it is the case that, no matter which technologies non-monopoly capitals are able to reverse engineer or otherwise imitate, these cannot be the basis for a sustained surplus-profit if the new production process developed on that basis, and this is what must happen, is adapted to non-monopoly production conditions. When a process is simplified in a manner that makes it possible for one non-monopoly to achieve it, by definition it becomes relatively simple for other capitals with a similar level of development to also adopt it.

If any innovation replaces undifferentiated low-cost Third World labour and displaces lowest-level capital, the extra surplus-profit that can be obtained on that basis will also be correspondingly low because the new technology must compete on the basis of price against a vast supply of cheap and desperate capital and labour. Hence to obtain a large surplus-profit on this basis usually requires the *radical* replacement of such labour, i.e. the revolutionising of productive technique, generally involving its greater mechanisation or robotisation. That type of innovation is the almost exclusive domain of the imperialist states.

This is why, under conditions of monopoly capitalist competition, in Schrank's words, "a general theory of industrial upgrading is a contradiction in terms, for readily replicable development strategies are likely to undermine the oligopolistic underpinnings of developmentally nutritious sectors".⁹²⁸ Lenin quoted Hermann Levy to make similar point much earlier;

every new enterprise that wants to keep pace with the gigantic enterprises that have been formed by concentration would here produce such an enormous quantity of surplus goods that it could dispose of them only by being able to sell them profitably as a result of an enormous increase in demand; otherwise, this surplus would force prices down to a level that would be unprofitable both for the new enterprise and for the monopoly combines.⁹²⁹

In the modern period, we might add, this would at least ruin *the monopolistic character* of any production undertaken in such a scenario and of the capitals that rely on it.

⁹²⁸See Schrank, Andrew, 'Ready-to-Wear Development? Foreign Investment, Technology Transfer and Learning by Watching in the Apparel Trade', *Social Forces*, 83, 1, 2004, p125, cited in Tokatli, Nebahat, 'Toward a Better Understanding of the Apparel Industry: A Critique of the Upgrading Literature', *Journal of Economic Geography*, 13, 1, 2012, p5.

⁹²⁹Hermann Levy, *Monopole, Kartelle und Trusts*, Jena, 1909, cited in Lenin, *Imperialism*, ch.1.

Technical advantage is of increased importance in the context of the international market saturation (excess capacity) haunting the international economy since the mid-1970s⁹³⁰ and especially since the great recession 2007–9 and its aftermath. This is part of the proximal cause of the decline in Third World NBTT as outlined. In this context investing surplus capital in a still greater quantity of fixed capital becomes more risky and low value. Again this can be the basis of a much higher rate of profit only when the new investment represents a technical advance allowing its owner to sell above its own production price.

For the same reasons, even relatively complex processes cannot be the basis for monopoly once they have become generalised, i.e. mastered by sufficiently large sections of Third World capital. Advanced development under conditions of monopoly requires that one be the monopolist. Where that is not the case, any other capital will be subject to the monopolies and robbed by them. This is precisely what did occur in the case of the massive Third World manufacturing expansion that characterises the neoliberal period, as we have seen.

Large non-monopolistic Third World corporations

It has been emphasised that the dominance of monopoly capital in no way lessens competition but raises it to higher levels. This is the case between monopoly capitals and also between monopoly and non-monopoly capital. Another effect of overall monopoly dominance is increased competition between non-monopoly capitals themselves. Steinfeld refers to this as "small-scale firms competing intensely on the basis of discounting". Arguably this remains the predominant business model for Third World capital. Usurpation by core monopolies of the bulk of surplus value—and hence deprivation of non-monopoly Third World business of funds for investment—works to maintain this situation. So does the integrated hierarchical global labour division.

At the same time, as might be expected, the intense competition between Third World capitals also works in the opposite direction, resulting not in an undifferentiated mass of small producers but in sectoral and national level winners and losers and hence the concentration of even this type of capital. This phenomenon is caused by the same general tendencies inherent to capitalist competition that brought about the concentration and centralisation of capital in the pre-imperialist period and continues to bring further concentration of the core monopolies today. It impacts non-monopoly capitalist producers in a similar way, resulting ultimately in the formation of what we might describe as non-monopolistic monopolies—a highly contradictory and therefore unstable phenomenon.

⁹³⁰Brenner, 2002.

Large Third World corporations, some of which rival the scale of core MNCs, derive from different social formations and competitive positions than core-based MNCs and for that reason, possess different essential characteristics, even while sharing certain features. There are two basic forms: companies that monopolise one or another aspect of the non-monopolistic sphere of world labour and those that simply possess a monopolistic position nationally—such as a national electricity or oil company.

These national monopolies can be both monopolistic and non-monopolistic at the same time simply because they are monopolistic domestically (in the latter case) or *vis-a-vis* other non-monopolistic Third World labour globally (in the former case) while simultaneously being usurped themselves by core capital in either case. The domestic monopoly is the most stable form because neither core monopoly (which holds it down) nor the Third World nation state and national economy (which holds it up) can be abolished.

Some Third World monopolies, if their position is particularly preponderant in relation to domestic competitors, such as Chinese online retailers Alibaba and Tencent, or at different times telecommunications companies, resource companies, etc., are able, at least for a time, to secure profit rates comparable to large core-based MNCs (though usually well below the *most* profitable MNCs).

Low profit rates for low-tech aspects of The World labour division

In the case of Third World corporations that monopolise an aspect of the world labour division, albeit a low technology aspect, their position is far less stable. There are very few corporations among the Forbes ‘Global 2000’ that exhibit this characteristic. These corporations are subject both to the constant revolutionising of the labour process and catching up by other non-monopoly capital (owing to the low or relatively low-tech nature of the labour processes they carry out). They also have to contend with the constant pressure of this vice with relatively few financial resources because of their low profitability.

Meanwhile, the financial resources demanded of them are often enormous because their meagre or absent technical advantages mean their monopolistic position will often rely simply on low cost and therefore often on scale. This is especially so in China where important examples include Lenovo and Haier. Moreover, even their success, to the extent that it occurs against plausible Third World rivals, must be in the production of low price commodities as price-cutting becomes a necessary part of warding off other non-monopoly competitors.

That is, their success in low-tech lowers their own value, while their success at developing higher technique, if this is ever possible, will bring the attention of a still more formidable competitor, which specialises in this type of production and has far greater resources to do so—core monopoly capital. Hence it is justified to also characterise this second type of Third World corporation as non-monopolistic monopolies.

Third World global monopolists of low value processes—such as Haier and Lenovo—compete principally against other Third World capital or lower value declining segments of core capital. For this reason the overall portion of the world surplus value that is allocated to their entire sector will be low, as the sector is technically subordinate to higher tech labour processes. This is the same as saying, to the extent that the monopolistic position of a Third World firm exists only in relation to non-monopolistic capital (or among it); it can appropriate extra surplus value from only that capital. For this reason, the average rate of profit that a Third World monopoly seeks to soar above starts very low.

Due to the lower margins of the other companies it must usurp, it also offers less opportunity to move far above that low starting point. For example, it may be feasible for Third World producers to achieve world's *best* productivity for specific low-end labour processes. Yet if that process is relatively easy to achieve by other Third World producers (albeit at a slightly lower level of productivity than world's best), the top firm cannot set prices far above that of the average Third World capital. Its ability to set prices that achieve a higher profit rate can only mean higher than the average non-monopoly profit.

Secondly, unlike monopoly, this kind of non-monopolistic price setting can mostly only be proportionate to the technical superiority; there is no large ability for a monopolistic second helping on top when the degree of its technical advantage is not large. Reinforcing this same phenomenon is the fact that the older and more well-known is any given technology, the more difficult it is (short of its complete revolutionising) to increase labour productivity radically, as opposed to marginally. Nor are marginal innovative improvements usually difficult to replicate.

Low profit rates for Third World domestic monopolies due to the lower national rate of profit

The same is true for domestic monopolies even though in this case the competition is not felt directly. In their case, the principal reason profit is lower is the non-monopolistic world market position (and therefore profit rates) of Third World capital in general. As the overall magnitude of surplus value accruing to Third World economies like Nigeria or Colombia is smaller than that of France or Spain, the total magnitude of profit will typically be lower. Hence the domestic monopolies have a smaller total pool from which they can appropriate.

As with true monopoly capital, large Third World corporations never express their essential characteristic—the technical level of their labour power—in a pure form. All capital, in practice, attempts to leverage any and every type of monopolistic advantage it can. Large Third World corporations' control of land and natural resources, local political or cultural connections and access to finance, markets and contracts are combined with cheap or cheap plus skilled labour, and leveraged to extend individual firms' overall position.

Marini observed a similar phenomenon to what is described above in 1977, which he called "sub-imperialism" and described as "the form that dependent capitalism takes when it reaches the monopoly and finance capitalism stage".⁹³¹ For Marini, in a still "dependent and subordinate manner", Brazil "would enter the capital-exporting stage as well as in the pillage of external energy sources such as petroleum, iron and natural gas".⁹³² Today Brazil, Bolivia and other bottom Third World states export capital because all large capital must assume modern financial forms.

However, today Marini's term "sub-imperialism" is commonly understood not as Marini used it but according to the prevalent contemporary view. It is assumed to indicate that leading Third World states are beginning to achieve a form of imperialism of the same type as the core imperialist powers, at least embryonically. However, three decades after Marini made the above observations, even the largest Third World companies remain non-monopolistic in relation to imperialist core capital, and their low rates of profit reflect this.

Non-monopolistic monopolies sit at the top of the Third World. These capitals, where possible, adopt the efficiencies of modern production and business techniques. The trend was noted by Gereffi, who observed an increasing predominance of top manufacturing suppliers, particularly those located in the larger Third World states like China, India, Brazil, Turkey and Mexico, as opposed to smaller suppliers, within global production networks.⁹³³ According to Nolan and Zhang, "in the process of consolidating their lead", core-based MNCs "exert intense pressure upon their suppliers, further increasing concentration as components' firms struggle to meet their requirements."⁹³⁴

The increasing tendency towards concentration of even non-monopoly capital expresses the increasing tendency for modern means of production to reach such a scale that their necessary field of operation is global, and hence competition also becomes increasingly global in

931 Marini, Ruy Mauro, 'La Acumulacion Capitalista Mundial y el Sub-Imperialismo', Ediciones Era, 12, 1977, cited in Luce, Mathias, 'Sub-imperialism, The Highest Stage of Dependent Capitalism', in Bond, Patrick & Garcia, Ana (eds), *BRICS: An Anti-Capitalist Critique*, Auckland Park, 2015, p31.

932 Marini, 1977, cited in Luce, in Bond, & Garcia, Ana (eds), 2015, p31.

933 Gereffi, 2014, p7.

934 Nolan Zhang, 2010, p98; On the impact of lead firm power over suppliers, see also Gereffi, 2013, p6; Schwartz, 2000, p286.

character, regardless of which aspect of the global labour division is undertaken. The global character of production is in contradiction to the national level formation of states and hence of national organisation of economies. It is this contradiction, inherent in the imperialist system, and that gives rise to the imperialist system itself,⁹³⁵ which also gives rise to the contradictory formation of Third World non-monopolistic monopolies.

Yet the fact that the nation state and national economies are a partial contradiction to the increasingly global character of the social labour process gives rise to two basic types of not-fully-global and still nationally-rooted forms. As well as Third World "non-monopolistic monopolies" as I have described them, there are also MNCs which are overwhelming based in the imperialist states. Non-monopolistic Third World monopolies and MNCs therefore appear as the two most advanced forms of the two sides of the global labour polarisation. In this way, Third World corporations, even Third World MNCs where they exist, cannot be understood as the same thing as core MNCs.

Their superficial similarities arise from the generalised advance of capitalist forces and relations of production and hence the generalised adoption of modern processes. Yet, arising from completely different and polarised social formations (First and Third World nations), these corporations are characterised by an opposite essential economic character.

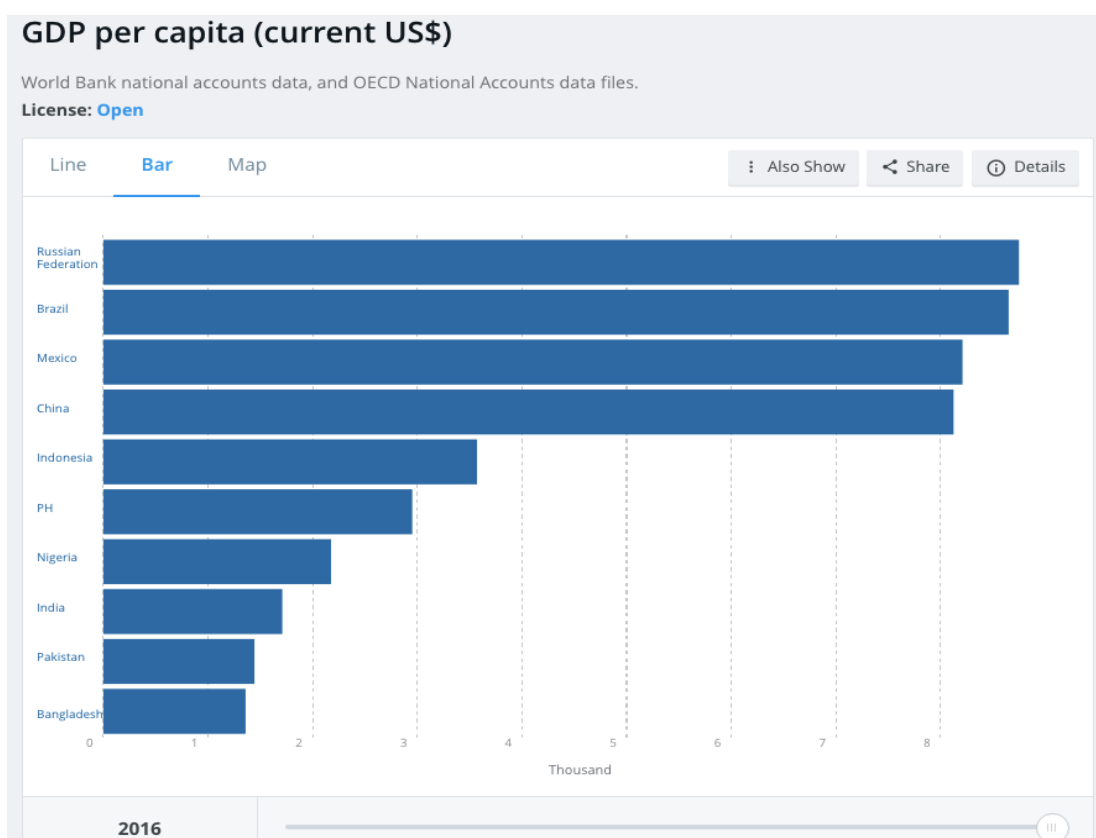
Polarisation within the Third World

In chapter one it was observed that the major, more developed Third World States, consisting principally of China, Mexico and Brazil (as well as Russia, however we classify that state), which are home to more than a quarter of world population, are tending to converge around a similar per capita income level between US\$8,000 and \$8,750 (to 2016). They form the centre of an upper band of Third World countries. It was also noted that the Third World as a whole is tending to polarise between these states on the one hand and the bulk of the Third World—43% of world population - on the other. This tendency towards polarisation within the Third World can be seen below (table 4.3.1). The table represents the ten largest Third World countries, or 54% of world population.⁹³⁶ This is consistent with a pattern of winners and losers within non-monopoly capital as described.

⁹³⁵Bukharin, *Imperialism*, p17.

⁹³⁶Beyond the ten countries above, the same visible stark polarisation is true for most major Third World countries. The main statistical exceptions to it, besides oil exporters, are the lowest income Latin American countries. These are 'middle' ranking within the global Third World (see appendix 1).

Figure 15: 10 largest Third World countries (including Russia)⁹³⁷



Source: World Bank, 2018.

Low profitability of Third World corporations

The most powerful polarisation, however, is between the two principal poles, the First and Third Worlds. The polarisation of national income and its reproduction in the neoliberal period has already been shown (ch.1). It has also been shown that this polarisation corresponds to the technical polarisation of world labour and capital at both a firm and national level. This overall picture can be further reinforced by showing there is a parallel polarisation between the North and South profitability of large corporations. In doing so, we can also gain a clearer view of the phenomenon of non-monopolistic Third World corporations.

We can examine the largest Third World corporations according to their published financial figures, and compare these with core-based MNCs, by examining the lists of the globally largest corporations produced by US business publications *Forbes* and *Fortune*. The Third World corporations included in their respective lists—the Forbes ‘Global 2000’ and Fortune

⁹³⁷ World Bank, 2018, last accessed 09-01-2018.

'Global 500' represent the largest winners from the process of inter-Third World competition: the non-monopolistic monopolies.⁹³⁸

The polarisation in profitability will be shown in two ways. The first is simply by comparing the RoA of the largest non-financial companies. The second is by looking at each of the eight-two sectors into which *Forbes* divides its 'Global 2000' list. By doing this, it is possible to see clearly the differences in profitability between comparable corporations and understand the character of the technical dominance of the core monopolies.

Comparison of largest corporations

In comparing the profit rates of the largest non-financial corporations, I simply select all of the Third World corporations listed within the top 100 positions of the *Fortune* 'Global 500' list. The list is used in this case because it includes both publicly traded companies (i.e. those listed on stock markets) and "private" companies that are not. *Fortune* ranks companies according to total revenues. For this reason, the list tends to include and rank higher corporations with a large turnover—even if their profit margins are low.

There are fifteen Third World non-financial corporations ranked within the top 100 positions on *Fortune's* list based on this criterion. To this I compare the fifteen largest core-based MNCs from the same list and calculate RoA for each group. Financial corporations are excluded because they cannot be meaningfully measured using RoA. We find that the core corporations have an average return on assets of 4.8% compared to just 2.7% for the non-core corporations (appendix 4).

If we compare RoA for the most important core and peripheral firms, e.g. those ranked within the top twenty by revenues, the core firms are *four times* as profitable (3.7 vs 0.9%). There are only four Third World non-financial companies ranked in the global top forty, all Chinese, and these too have an average RoA of less than 1%. In the top 100, there are only four non-core companies that achieve a RoA equal to or above the First World average: SAIC Motor (5.7%), Gazprom (5.1%), Huawei (8.7%) and Pacific Construction Group (6.6%). Gazprom is Russian, while the rest are Chinese. All are *relatively* small, ranked at numbers 41, 63, 83 and 89 respectively.

Based on these initial figures, it seems that no generalised 'catch-up' is occurring. A company winning in capitalist competition will have a higher rate of profit. Here we see that non-core

⁹³⁸*Fortune* magazine selects and ranks companies by their aggregate revenue. In this measure, sales are everything while profits or rate of return are nothing. *Forbes'* method ranks firms according to a "composite score from equally-weighted measures of revenue, [aggregate] profits, [aggregate] assets and market value". Thus *Forbes* takes profit into account—at least in aggregate and indirectly through market value. This may be one reason Chinese companies make up only 10% of the 'Global 2000' list but 22% of the 'Global 500'.

capital has a rate of RoA (and no Marxist measure of profitability is possible from this data) just over one half as great and actually much lower for the biggest firms.

Breakdown of the eighty-two sectors

The *Forbes* 'Global 2000' list, covering the largest public companies in the world, gives us an indication of the degree of participation of different national capitals in the eight-two economic sectors *Forbes* uses to categorise the list. *Forbes* includes only "public companies", i.e. those traded on stock exchanges, and hence misses some important "private" and state corporations. These include Cargil and Dell from the US, Huawei from China and state oil companies such as Venezuela's state oil company, PDVSA, and Saudi Aramco. The Chinese oil companies, similar to many Chinese state-owned or controlled corporations, are public companies and *are* counted by *Forbes*.

The countries classified in chapter one as Second and Third World, combined make up 86.6% of the world population and 41.1% of world GDP. They account for just 473 companies (24%) of the 'Global 2000' list. The Third World alone, with 85% of world population has 414 listed companies, or 21%. The figure is even lower than Third World GDP because still a large majority of Third World capital has not reached even the non-monopolistic concentration described above. As Nolan and Zhang observe, many Third World firms "employ a large number of people, yet produce a relatively small share of global output, for sale mainly to poor and lower-middle income consumers".⁹³⁹

The overwhelming majority of non-core firms listed are domestically-oriented financial companies, or primarily nationally-oriented oil or utilities companies.⁹⁴⁰ These companies' size, and hence inclusion on the list, principally reflects the size of their domestic markets and the degree of their domestic monopoly within that market. Beyond this, in the larger Third World countries we find some construction, chemicals or manufacturing companies, again predominantly for the local market, such as India's Tata Motor (which gains over 90% of sales domestically⁹⁴¹) or China's Dongfeng Motor.

In addition, there are a small number of cases of genuinely internationally competitive companies, reflecting the various competitive attributes of each of the largest Third World states. From Mexico there are two beverage companies and an international telecom, from

⁹³⁹Nolan and Zhang, 2010, p97.

⁹⁴⁰For example we can find listed the oil and electricity monopolies and a bank from Argentina. From Colombia we see an oil company, an electricity company and four banks or financial service providers. From Egypt and Pakistan one bank each. Peru: two banks. From the Philippines there are banks, holding companies and an electricity company. From Poland two oil companies, a bank, an insurance company and the electric utility.

⁹⁴¹Unknown, 'Tata Motors domestic sales up 58% in Nov', *India Infoline*, 01-12-2017.

India software and IT services, from Brazil mining and meat packing, from Russia gas, metals and defence, and from China manufacturing companies in home appliances and consumer electronics.

In almost all cases of individual non-core firms that profitably compete internationally, the sector as whole remains dominated by many other core firms that are equally or more profitable than the one, or sometimes more than one non-core firms. For example in "heavy equipment" production, the largest firm, CRRC, is Chinese and six of the total twenty-two firms are from outside the core. Yet eight of the top nine makers are from the core. The combined \$2.3 billion profit for all six non-core companies (including CRRC) was one third of the \$7 billion profits for the top six core companies.

The only large sector statistically dominated by non-core companies was "regional banks". Yet, again, this appears to indicate domestic monopoly, not international competition. The only sector dominated by non-core capital that *is* the site of international competition is "home appliances", yet the sector had tiny profits. To paint an overview of the degree of core domination and in what sectors it is strongest and weakest, I have divided the eighty-two sectors into five categories according to the actual state of competition (table 9). These are 1) no non-core firms; 2) overwhelming imperialist dominance with negligible non-core firms present; 3) decisive imperialist dominance but with significant non-core presence; 4) no dominance; and 5) non-core dominance.

Table 9: 82 economic sectors and core and non-core dominance

<i>Complete imperialist dominance: No non-core corporations present at all</i>	24 sectors	Advertising, aircourier, business products and supplies, computer and electronics retail, computer storage devices, containers and packaging, diversified media, discount stores, environmental and waste, forest products, furniture and fixtures, healthcare services, home improvement retail, insurance brokers, managed healthcare, medical equipment supplies, paper and paper products, precision healthcare equipment, printing and publishing, restaurants, security systems, semiconductors, thrifts and mortgage finance and trucking.
<i>Overwhelming imperialist dominance with minor non-core presence</i>	40 sectors	Aerospace or defence, airlines, apparel and footwear, auto and truck manufacturers, auto and truck parts, beverages, biotech, broadcasting and cable, casinos and gambling, communications equipment, computer hardware, computer services, conglomerates, construction materials, business and personal services, consumer electronics, department stores, diversified chemicals, drug retail, electrical equipment, electronics, food processing, food retail, hotels and motels, household / personal care, internet and catalogue retail, natural gas utilities, other industrial equipment, pharmaceuticals, railroads, recreational products, rental and leasing, software and programing, speciality stores, tobacco, trading, companies, consumer financial services, investment services, property and casualty insurance, life and health insurance.
<i>Imperialist dominance with significant non-core presence</i>	10 sectors	Electric utilities, telecommunications services, real estate, diversified mining and metals, specialised chemicals, heavy equipment, oil and gas operations, oil services and equipment, other transportation, diversified insurance
<i>No-dominance</i>	5 Sectors	Construction services, diversified utilities, iron and steel, aluminium, major banks
<i>Non-core dominance</i>	3 sectors	Educational and training services, household appliances, regional banks

Twenty-four sectors with no non-core corporations

Some of these sectors are small, yet others are highly important. In semiconductors, for example, there are twenty-seven companies, many of which are highly profitable. The top three companies alone made a combined profit of \$40 billion in 2017. In medical equipment supplies, there are eighteen companies and the top three made \$22.2 billion. In discount stores, the top three made a further \$18.7 billion.

Forty sectors with overwhelming core dominance

By "overwhelming" it is meant that there is some non-core presence but of only of minor importance. For example, in "airlines" there are twenty-four companies, and eighteen are from the core, including the top six. Each of the top six made close to the same profit as all six of the non-core airlines combined. The top company, Delta Air, from the US, alone made close to twice the profit of the six non-core companies.

In 'apparel and footwear' there are thirteen companies, only one not from the core, Shenzhou International from China. Shenzhou's profit was around one ninth of Nike's. Considering China is by far the world's largest exporter of footwear and clothing, this result is significant.

In 'auto and truck manufacturers', there are thirty-one companies, eleven of them not from the core. However, the top nine companies and fifteen of the top seventeen are all from the core. China's eight companies had a combined profit less than Toyota's. The above examples of 'airlines', 'apparel and footwear' and 'auto and truck manufacturers' are hardly trivial examples. Yet this is only a selection of those starting with the letter "a". There are forty such examples in appendix 3.

Ten sectors of imperialist dominance with significant non-core presence

If we look at the ten sectors of imperialist dominance that have a significant non-core presence, most of the non-core presence is companies that are primarily domestic in their operations. These are largely: 'electric utilities', 'telecommunications services', 'real estate', 'diversified insurance' and 'other transportation'—which is mostly airports and seaports (see appendix 3).

One example is 'electric utilities'. The top five companies and nine of the top ten are all from the core, though almost one third of the eighty-eight companies in total are non-core, including ten from China. In 'telecommunications services', nine of the top ten companies are from the core; however, the biggest company is Chinese state-owned China Mobile, listed in Hong Kong. The top five non-core companies' profit was \$25.2 billion, while that of the top five core companies was \$46.9 billion.

Perhaps the most important trend is that 'diversified mining and metals', 'specialised chemicals', 'oil and gas operations' and 'oil services and equipment' all have significant non-core presence and relatively similar levels of profitability between core and non-core firms. In 'diversified mining and metals' for example, fifteen of thirty-eight firms are non-core. While the twenty-four core firms were more profitable, the difference was only marginal. Similarly in 'specialized chemicals', there were twenty-four core companies to ten non-core. The profits of the top five core companies were \$8.5 billion compared to \$5.4 billion for the top five non-core companies. There is a similar statistical trend in both 'oil and gas operations' and 'oil

services and equipment'. However in both cases, the figures for 'non-core' refer almost exclusively to profitable Russian companies (see appendix 3). As such, it is difficult to view this as a rise of 'Third World' profitability in a similar sense to the ex-colonial countries.⁹⁴²

Five sectors of no dominance

In the smaller undiversified metals sector, non-core presence goes even further. In 'iron and steel', there is almost the same number of core and non-core firms, yet non-core companies make up six of the top ten companies, including the top two. The top five non-core firms made \$13.6 billion in profits, while the top five core firms made \$6.8 billion. In 'aluminium', five of the nine companies are non-core. The only firm to make a profit over \$1 billion was the Russian firm, Rusal, indicating just how low-profit this sector is.

The more profitable sectors of "no dominance", by contrast to the raw materials sectors above, are more characterised by domestic monopoly. In 'major banks', for example, giant Chinese banks that have the highest declared profits—though also possibly much bad debt, are all domestic. None of these are international banks that compete with the US and European banks in global operations. Similarly, 'construction services' and 'diversified utilities' are characterised, principally, by domestic monopoly. 'Diversified utilities' is in fact a small sub-branch of 'utilities'. With only twelve companies it is tiny compared to the imperialist dominated 'electrical utilities' which has 116 companies listed. 'Construction services' is certainly a big sector, especially in China, however what the large number of Chinese corporations in this sector reflects is largely the domestic construction activity in that country—even if the Chinese state is attempting to leverage their large scale and financial resources to transform some of these companies into more internationally-focused corporations.

Three sectors of non-core dominance

Easily the most profitable sector of non-core dominance is 'regional banks', which we discover are bigger and more numerous (133 versus 123) in the Third World than in the core. No doubt this is partly because the Third World has more regions. This is certainly a big and lucrative sector. The top five banks (Chinese, Brazilian and Russian) made a combined profit of \$56.3 billion. Yet, again, this does not indicate a competitive victory against core capital but a domestic monopolistic position. The figure for the Chinese banks is also arguably massively inflated where banks are still receiving interest payments on assets that will ultimately end up as bad debts.⁹⁴³

⁹⁴² It is also the case that all these raw materials are subject to cyclical volatility, meaning such figures should not be over-emphasised.

⁹⁴³ Manning, John, 'China's Banks and the Problem of Bad Debt', *International Banker*, 14-03-2017; Klein, Matthew C., 'China's Household Debt Problem', *Financial Times*, 07-03-2018.

Another of the sectors—'educational and training services'—is not really a sector at all. The sole company listed is Kroton Educacional from Brazil, with a profit of only half a billion dollars. While Kroton's lone 'success' may represent a high degree of domestic monopoly, it seems clear this is really a statistical anomaly owing to the fact that the large US and other core universities are not publicly traded companies and hence excluded from the list.

This leaves just one competitive category of Third World dominance—'household appliances'. There are just six firms in the sector. The three non-core firms (all Chinese) made double the profit of the three core firms. However, the total profit for the entire sector was just \$7.3 billion—that is, less than half the profits of, for example, Johnson and Johnson or Gilead Sciences (see appendix 3)

Summary

Capitalist expansion in the neoliberal period has resulted in very few Third World companies at the apex of the global economy. If we exclude the Second World firms counted above as non-core, or more importantly, if it were justified to count Russia separately, owing to its exceptional history and development, the numbers would be even starker. The small number of exceptional sectors where Third World competition has either displaced core dominance or threatened to do so are either small, relatively unprofitable sectors or are made so by the presence of Third World capital. That is, by breaking imperialist monopoly in these sectors, Third World capital also breaks monopoly status for itself. This pattern conforms entirely to the thesis presented in this chapter that what has developed in the Third World is non-monopolistic capitalism.

There is nothing new in this (except perhaps to state it). Just as clothing manufacture long ceased to be the domain of the imperialist core, we should not be surprised if low-end steel and aluminium production, or the production of washing machines, refrigerators and air-conditioners or certain other types of commodities are in the future transferred more fully to the Third World. It is hardly conceivable that this not be the case, at least for certain lines of production. If low-end steel and aluminium is further mechanised, preventing Third World dominance of that sector, then Third World dominance could be expected in a different sector.

The Third World's "dominance" of clothing manufacture has evidently not led to the rise of Third World clothing monopolies. As noted, the sector 'footwear and apparel' is most thoroughly dominated by core capital.⁹⁴⁴ Similarly, to the extent 'household appliances', 'aluminium' or other sectors (with the exception of natural resource monopolies) are taken over by non-core capital, these too will cease to generate large profits. It appears such a trend

944 This has been related in terms of Chinese clothing exports, see Starrs, 2015, p17.

may have already started in 'household appliances' and 'aluminium', and perhaps low-end steel. This is distinct from high-end steel production, which remains concentrated in Japan.⁹⁴⁵

The highest Third World capital, non-monopolistic monopoly, plays a double role. On the one hand, due to its domestic monopolistic position, it is a usurper of surplus value from all manner of petty producers that exist underneath it. Also, due to its large workforce and through its own prowess at skilled and unskilled ordinary labour processes, it directly generates a large magnitude of surplus value. In these ways, it is a most effective compiler of value. Being also the subject of plunder by core monopoly capital, it becomes a convenient and lucrative source of large-scale value transfer to bolster the profits of core MNCs.

Chapter 4.4. Marxist literature on China

Historical and social basis for the rising China idea

The importance of China for world development has long been recognised. Marx, example, commented in the New York Daily Tribune in 1853,

the next uprising of the people of Europe, and their next movement for republican freedom and economy of Government, may depend more probably on what is now passing in the Celestial Empire—the very opposite of Europe—than on any other political cause that now exists⁹⁴⁶

As shown, both Lenin and Hobson paid particular attention to China in their analysis of what the future of imperialism might hold. Hobson correctly identified China as "the greatest potential reservoir of profit the world has ever known".⁹⁴⁷ Moreover, the imperialist epoch itself was heralded in 1900, among other military campaigns, by a united imperialist invasion of China by The Eight Nation Alliance of Austria-Hungary, France, Germany, Italy, Japan, Russia, the UK and US to put down the boxer rebellion.

Losses for weaker capital

It is an undeniable fact that China is 'rising', or at least has grown, in many highly important

⁹⁴⁵Japan News/Yomiuri, 'Japanese Steelmakers Prioritize High-Grade Production in Glut', *Guam Post Daily*, 31-01-2017.

⁹⁴⁶Marx, Karl, 'Revolution in China and In Europe', *New York Daily Tribune*, 14-06-1853, see www.marxists.org/archive/marx/works/1853/06/14.htm

⁹⁴⁷Hobson, John A, *Imperialism: A Study*, James Pott, 1902, p386.

senses—its weight in world trade and the income of most social strata in China are obvious examples. It is also a fact that the emergence of Chinese competition has bankrupted certain individual capitals in the core and made certain lines of production unviable in the core or parts of it, as seen in the previous chapter. The weakest capitalists who could neither exploit the dynamic of offshoring and labour specialisation to their own advantage nor transition to other production spheres went under. It is this dying or redundant core capital, and the destruction of sections of the working class tied to it—in some cases whole communities or regions—that arguably form a solid social basis for the rising China discourse inside the imperialist countries. Added to this, there are sections of capital and labour that are dying or redundant for reasons that have nothing or little to do with China, but can be portrayed as caused by China's rise.

Suffocating capital perhaps has a natural affinity for hyperbolic discourse against competitors. For weakest core capital locked out of globalisation and bankrupted by it, the changes appear simply as a loss of production to overseas, especially to China. The history of racist nationalism in the core working classes has made many core workers receptive to such ideas. The rising China idea enjoys a broad following among social-democratic, euro-Communist, ex-Stalinist and other traditionally nationalist sections of the labour movement and more broadly among unionists, working people and students in general. According to data from the German Marshall Fund's 2007 Trade and Poverty Reduction Survey, 64% of French, 57% of Germans, 34% of UK respondents and 51% of US respondents agreed that “the Chinese economy represents a threat”.⁹⁴⁸ Arguably, it is this sentiment that Harvey in particular has adapted to and which is reflected in his call for a return to the days of the New Deal.⁹⁴⁹

While certain individual core capitals certainly lose in competition with Chinese capital, this is really the result of weakest capital's inability to keep up with the progress in high-end labour processes. This leaves them in a situation of competing in the same labour processes as non-core capital but with higher labour and other costs. For every US capital that has lost to China, there is another, better positioned and more powerful US capital that has benefited from the development of the hierarchical division of labour with Chinese capital. The latter also benefits from cheaper Chinese production of basic goods because this cheapens core reproduction of labour-power and industrial inputs and hence makes possible a rise in the rate of profit for strongest capitals.

Coincides with austerity

The spread of capitalist commodity production in China and across much of the Third World roughly coincides in time with the period of neoliberalism internationally. Thus the period of

⁹⁴⁸Cited in Milberg and Winkler, 2013, p3.

⁹⁴⁹Harvey, 2003, p210.

'offshoring' or loss of certain industries or labour processes to Asia and elsewhere, and its associated job losses for workers in the imperialist core economies, coincides historically with all the other deprivations inflicted on core working classes in the neoliberal period. For this reason, some of the attacks on the living standards of First World working people carried out by their capitalist rulers in this period are falsely presented as a necessary part of imperial decline.

The 'rising China' idea has thus been useful for the core capitalist rulers to justify or threaten workers with plunging living conditions. There is no end to the number of sensationalist articles, books and TV programs that peddle this line.⁹⁵⁰ High profile prestige projects in China, like massive luxurious buildings and airports, are hyped up to reinforce the view. However, wasteful, ostentatious projects, such as China's mini-replica Manhattan and its fake mini-Eiffel Tower real estate developments, manifest inability to expand production competitively in higher value spheres.

Rising China discourse helps undermine labour confidence and organisation inside imperialist states. Capital's political representatives can plausibly deny responsibility for declining living conditions of affected communities. These are presented as necessary to ward off the competitive threat to national competitiveness. This is hardly a new phenomenon, as Marchlewski argued in 1904;

the 'decline of British industry' has become a slogan for the imperialist agitators to bait the masses. For England's working class, the decline of English industry would undoubtedly be a fearful danger, and that is why the slogan is very dangerous.⁹⁵¹

The same is arguably true today. Except that the core is not declining. Yet the political danger is clear. The response of many workers to capitalist austerity in the neoliberal period has been, not to seek to replace capitalism, but to rally around the flag under protectionist or xenophobic programs such as that of Trump, Sanders, LePen, Johnson and Farage. The Rising China discourse and the confidence it projects in the prospects of Third World capitalist development give implicit ideological support to Third World capitalist ruling classes and their political representatives such as Jinping, Modi, Duterte and Widodo, who falsely present themselves as leaders of national revival against imperialist domination and national shame, the architects of social progress.

950 Ignatius, David, 'China Has a Plan to Rule the World', *Washington Post*, 28-11-2017; Four Corners, 'Power and Influence', *Australian Broadcasting Corporation*, 05-06-2017.

951 Marchlewski, Julian B., 'English Imperialism', *Leipziger Volkszeitung*, 240, 1904, cited in Day and Gaido, 2012, p305.

Rising China literature

As Starrs points out, "it has become a staple of conventional wisdom that global economic power is shifting inexorably towards the East and the South".⁹⁵² *The New York Times*, for example, casually refers to "the industrial might of an emerging superpower".⁹⁵³ First World Marxism has overwhelmingly fallen in behind this discourse or failed to oppose it.

As is usual, Harvey gives the most detailed, thoughtful, articulate, honest and right wing expression of this position. He believes there has been a "long history" of "deindustrialization" in the US,⁹⁵⁴ where

wave after wave of deindustrialization hit industry after industry and region after region within the US, beginning with the low-value-added goods (such as textiles), but step by step ratcheting up the value-added scale through sectors such as steel and shipbuilding to high-tech imports, particularly from East and South-East Asia.⁹⁵⁵

The "1980s, after all, gave us deindustrialization through automation"⁹⁵⁶ (a contradiction in terms), which, Harvey says,

[left the US] moving towards becoming a rentier economy in relation to the rest of the world⁹⁵⁷; threatened in the realm of production, the US had countered by asserting its hegemony through finance.⁹⁵⁸

This proved "traumatic if not catastrophic" for the US "industrial structure";⁹⁵⁹ "Productive capital began to move offshore" as "The West became broadly de-industrialized, while the East and the global South became centers for industrial value production";⁹⁶⁰ "The US for one lost its dominance in production, with the exception of sectors such as defence, energy, and agribusiness."⁹⁶¹

IST writers also view China as a rapidly rising *imperialist* power. For Harman, China is one of the world's "rival imperialism[s]" with "industrial growth rates much higher than anywhere

952 Starrs, Sean, 'The Chimera of Global Convergence', *New Left Review*, 87, 2014.

953 Bradsher, Keith, 'China's New Jetliner, the Comac C919, Takes Flight for First Time', *New York Times*, 05-05-2017.

954 Harvey, 2003, p41.

955 Harvey, 2003, p64–5.

956 Harvey, 2014, p13, 123.

957 Harvey, 2003, p65–6.

958 Harvey, 2003, p62; So insignificant did Harvey consider the productive differences between the imperialist centre and the Third World that in 2003 he wrongly thought the "US economy extraordinarily vulnerable to capital flight", see Harvey 2003, p75, 206.

959 Harvey, 2003, p64, 65; Harvey, 2013, p251–2.

960 Harvey, 2014, p123; Giovanni Arrighi concurs with "Harvey's concepts of spatial fix and accumulation-by-dispossession" and relatedly describes a "terminal crisis" of US imperialism and especially its decline vis-à-vis China. See Arrighi, 2005.

961 Harvey, 2003, p185; Adkins, Daniel Casey, 'The Future China-U.S. Competition and Democratic Socialism', *The Washington Socialist*, February 2018.

else in the world".⁹⁶² According to Kim, China "has emerged as a potential challenger for US hegemony".⁹⁶³ A. Smith claims China is a "rapidly growing economic superpower" that as an economic hub "now rivals the United States and the European Union".⁹⁶⁴ Bramble believes China's "economic and military power is reshaping the world".⁹⁶⁵ For Jones and Callinicos, Lenin is given "fresh relevance" by China's rise.⁹⁶⁶

Writers from the US International Socialist Organisation (ISO) represent a particularly striking expression. We are told "Africa is being (re)divided in a repeat of an imperial land grab (although this time it is China and the United States that have replaced the Europeans)".⁹⁶⁷ For Gasper,

in the wake of the Bush administration's disastrous invasion and occupation of Iraq, intelligence analysts are now concerned that U.S. hegemony is in decline [while] U.S. faces growing economic competition from rising powers such as China, India and Brazil...⁹⁶⁸

According to A. Smith, China "has integrated most of the Asian economies"⁹⁶⁹ and "is building a blue-water navy, an advanced missile system, and an air force without rival in Asia."⁹⁷⁰ The following year he argued, China "has transformed the People's Liberation Army" into an "increasingly modern army, air force, and navy capable of policing Asia"!⁹⁷¹ US state documents that claim China is a threat are uncritically proffered as "evidence" in support of these positions.⁹⁷² Yet US state claims that China or other Third World nations are rising can easily act as cover for its own aggression, high military budgets, etc., as these need a defensive justification.

Callinicos has so little confidence in US productive capacity that he thinks it possible "a sudden and chaotic flip in the international monetary system from one state to another" or a "prolonged currency instability comparable to that accompanying the replacement of the pound by the dollar" could be on the cards.⁹⁷³ Yet even the less dramatic of these two scenarios—a "prolonged currency instability"—only occurred historically *after* US capital had already long established its productive hegemony and emerged as the principal beneficiary of an imperialist world war.

962 Harman, 2003; Harman, 2009, p243.

963 Ha-young, 2013.

964 Smith A., 2012.

965 Bramble, 2011.

966 Jones, Brian, 2005; Callinicos, 2009, p207; Ha-young, 2013.

967 Bailey, Geoff, 'Accumulation by Dispossession: A Critical Assessment', *International Socialist Review*, 95, 2014/15.

968 Gasper, *Imperialism, Lenin and Bukharin*, 2008; Smith, A., 2012.

969 Smith, Ashley, 'The Asymmetric World Order: Inter Imperial Rivalry in the Twenty-First Century', *International Socialist Review*, 100, 2016.

970 Smith A., 2012.

971 Smith A., 2013.

972 D'Amato, 2001; Gasper, *Highest Stage*, 2008.

973 Callinicos, 2009, p213.

Almost all current First World Marxist writing sees China as either already imperialist or developing in that direction.⁹⁷⁴ It is also the overwhelming view, among mainstream commentators, that China is rising in a way that is somehow imperialist or ultimately will challenge the imperialist core's monopoly on wealth and power.⁹⁷⁵ As Panitch and Gindin point out,

Given the severity and duration of the latest crisis in a global capitalist economy that the American state had been so central in constructing, it was hardly surprising to see a resurgence of pronouncements that US hegemony was coming to an end", because "pundits of every persuasion once again blur the lines between a capitalist crisis and a decline of US empire⁹⁷⁶

The consensus even brings together mutually hostile opponents. For Callinicos and Probsting, China today parallels late 19th—early 20th Century Germany.⁹⁷⁷ Petras et al, echoing Harvey, perceive a "shift in economic power from North America and Western Europe towards Asia—China and India".⁹⁷⁸ McChesney and Foster too detect a "declining hegemony" of US power *vis-a-vis* China.⁹⁷⁹ "Deindustrialization" in the global North, according to Foster, echoing, for example, an IMF working paper by Rowthorn and Ramaswamy is now too clear a tendency to be altogether denied."⁹⁸⁰

For Day and Gaido, the US is declining while China and India are rising.⁹⁸¹ Achcar argues, "China definitely has the potential to become a peer competitor of the US".⁹⁸² For Wood, China is a threat to US hegemony.⁹⁸³ Norfield argues "China presents a far more important challenge to the US domination of the world economy and world finance than do European

974 Delizo, Rasti, 'US Imperialist Aggression in the Early 21st Century', *Links*, 27-11-2010; McNally, 2005; Fine, Ben, 'Debating the New Imperialism', *Historical Materialism*, 14, 4, 2006; Harris, Jerry, 'Emerging Third World Powers: China, India and Brazil', *Race and Class*, 46, 3, 2005, p8.

975 See for example, Fisher, Max and Carlsen, Audrey, 'How China is Challenging American Dominance in Asia', *New York Times*, 09-03-2018; Ayers, Alison J., 'Beyond Myths, Lies and Stereotypes: The Political Economy of a 'New Scramble for Africa'', *New Political Economy*, 18, 2, 2013, p236; Mahbubani, Kishore, 'While America Slept: How the United States botched China's rise', *Foreign Policy*, 27-02-2013; In 2009 Fortune Magazine ran a cover story entitled 'China Buys the World', with the subheading 'The Chinese have \$2 Trillion and Are Going Shopping. Is your Company—and your Country—on their List?', *Fortune Magazine*, 160, 8, 2009; The Murdoch press in Australia reports "Chinese espionage and cyber warfare" is "a direct threat to American technological supremacy in an industrial and military context" because its "scale, complexity and nature ... imply state-sponsored activity", carried out by the Chinese hacking community, with "clear links" to Government. See Barlow, Thomas, 'Friendly' China Ups the Ante in Cyber Warfare', *The Australian*, May 31, p10.

976 Panitch and Gindin, 2013, p331.

977 Probsting, China, 2014, p102; Callinicos, 2009, p220.

978 Petras, James and Veltmeyer, Henry, *Imperialism and Capitalism in the Twenty-First Century: A System in Crisis*, Routledge, 2016 [2013], p212; Petras, 2010, p118; Harman, 2003; Smith, A., 2012; Fuchs, 2010, p864.

979 Foster and McChesney 2012, p16.

980 Foster et al, 2011; Itoh, Makoto, 2007, p11–12; Rowthorn, Robert and Ramaswamy, Ramana, 'Deindustrialization: Causes and Implications', *IMF Working Paper* 97/42, 1997; Narayan, John and Sealey-Huggins, Leon, 'Whatever Happened to the Idea of Imperialism?', *Third World Quarterly*, 38, 11, 2017, p2390.

981 Day and Gaido, in Day and Gaido, (eds), 2012, p93.

982 Achcar, 2010.

983 Wood, 2005, p156–7.

Countries.⁹⁸⁴ For Amin, "The crisis of the late imperialist countries of generalized, financialized, and globalized oligopolies is patent"⁹⁸⁵ while "the ruling classes of the Southern states—or at least of those of them termed 'emerging'—have regained the initiative and entered into accelerated industrialization and agricultural 'modernization'."⁹⁸⁶

Wood and Callinicos present their own view as consistent with Lenin's by pointing to his emphasis on inter-imperialist competition.⁹⁸⁷ Yet nowhere does Lenin predict the rise of a former colonial country to the ranks of imperialist powers. He does say that in the *pre-monopoly* era, Germany and the US were able to surpass Britain. But to equate the 19th Century with China in the 21st is to equate pre-monopoly conditions with monopoly—hardly Lenin's argument.

Gowan presents the most nuanced statement but tends to fall in with the general contemporary Marxist view:

of course, the enormous challenge for the 21st century will be that of China's economic and political development. Insofar as China retains a state organized for development it possesses unique potentials to exploit extraordinary scale economies and learning economies and to acquire great state resources for upgrading its production to rise up the international division of labour.⁹⁸⁸

Roberts too argues the Chinese economy possesses "good long term catch-up potential".⁹⁸⁹ In his case, China's perceived catch-up potential is not an admission of a broad progressive developmental potential of capitalist economies because, despite the establishment and growth of a capitalist class in China over the period, he says that the Chinese economy is not capitalist owing to the high degree of state economic control and state ownership.⁹⁹⁰

These views are hardly new. Brewer for example, in 1990 thought "US hegemony in the capitalist world is clearly over".⁹⁹¹ Ferrer, argued in 1979 that the bargaining position of underdeveloped countries had improved while power among the core had become more dispersed.⁹⁹² She was predated by Warren's 1973 article, among many others, that made similar arguments.⁹⁹³

984 Norfield, 2016, p17.

985 Amin, 2010, p125.

986 Amin, 2010, p108.

987 Wood, 2005, p126; Callinicos, 2009, p207–8.

988 Gowan, 2012, p142.

989 Roberts, Michael, *The Long Depression: Marxism and the Global Crisis of Capitalism*, Haymarket, 2016, p215.

990 Roberts, Michael, 'Xi takes full control of China's future', *Michael Roberts Blog*, 25-10-2017; Ross, John, China's Socialist Development Strategy Far Outperformed Western Alternatives, learningfromchina.net, no date.

991 Brewer, 1990 [1980], p282.

992 Ferrer, A, 'Notas de una Teoría de la Dependencia', *Comercio Exterior*, 29, 8, 1979, cited in Kay, 1989, p183.

993 Warren, 1973.

While these arguments were often presented as Marxist, even then, they reflected prevailing mainstream views. By the 1980s, it was already a mainstream idea that the US was in decline.⁹⁹⁴ At the same time US decline "became the prevalent view" among Marxists too.⁹⁹⁵ By the mid-1980s it had become "commonplace" to assume "the erosion of American economic, political, and military power [was] unmistakable".⁹⁹⁶ Tabb surmises that "Most of the US labor movement has embraced the strong version of globalisation, placing almost exclusive emphasis on runaway shops and the threat of low wage production venues in the Third World to American workers."⁹⁹⁷

At that time, of course the argument was not made in relation to China but, as was then the common view, Japan. This at least had some logic as Japan is an imperialist country. However, this idea too reflected a trend in bourgeois thinking. As Renton has pointed out, "at the start of the 1990s, every management consultant praised 'Japanisation'".⁹⁹⁸

The issue was already significant enough that Grossman felt the need to comment in 1929 that "far from signifying the impending doom of European capitalism, as Hildebrand and others forecast, the industrialisation of the more backward countries signifies an expansion of world exports."⁹⁹⁹ Even earlier, Captain Alfred Thayer Mahan in 1890 perceived a forthcoming contest between the US and a rising China.¹⁰⁰⁰ Hung draws a parallel between contemporary China boosters and 18th Century enlightenment intellectuals whose infatuation with China "reflected cursory, exotic, and sometimes deliberately distorted information about China" while "the latest celebration of the Chinese miracle been informed by superficial understanding of China's political economy".¹⁰⁰¹ Inside China itself, he says, "the prospect of endless economic growth has long been offset by anxiety about a looming economic crisis".¹⁰⁰²

Detailed argumentation lacking

China's rise as an imperialist power would be historically unprecedented in the imperialist epoch. It would demand detailed and clear analysis of its causes, precise character and significance. However, there is no well-known Marxist attempt to justify this position. Typically, China's supposed rise is simply noted in passing or a single justification is asserted,

994 See for example Kennedy, Paul, *The Rise and Fall of the Great Powers*, Vintage, 1989.

995 Panitch and Gindin, 2004, p3.

996 Panitch and Gindin, 2004, p3.

997 Tabb, William K., 'Globalisation is an Issue: The Power of Capital is the Issue', *Monthly Review*, 49, 1997, cited in Chilcote, 2000, p316.

998 Renton, 2001, p67.

999 Grossman, Henryk, *Law of the Accumulation and Breakdown*, 1929, ch.3, see www.marxists.org/archive/grossman/1929/breakdown/

1000 Mahan, Alfred T., *The Influence of Sea Power Upon History, 1660–1783*, Little Brown, 1890; See also Hobson, 1902, p331.

1001 Hung, Ho-fung, 'Sinomania: Global Crisis, China's Crisis?', *Socialist Register*, 48, 2012, p217.

1002 Hung, 2012, p217.

itself without substantiation, such as Suwandi and Foster's assertion that "much of the most advanced production—is now being carried out in the global South".¹⁰⁰³ There is no developed Marxist argument that I can find about exactly what China's supposed new imperialist status means, how it got there or even what exactly is seen to be the evidence of its supposed rise.

Bramble's 2011 article avoids an explicit presentation of the IST position that China can be characterised as an emerging "imperialist" power, instead using ambiguous phrases such as "emerging great power". Bramble takes the key economic sectors studied by Lenin in *Imperialism*—electricity, iron, steel and railways—and shows that China has become the largest aggregate producer in each category.¹⁰⁰⁴

Yet this repeats the key problem—lack of analysis of the labour process. By taking the economic categories that *were* leading sectors *100 years ago*, even if Bramble had successfully shown China's domination of these sectors, this would only prove domination of *formerly* leading sectors.

Even this much is not proven because Bramble takes no account of the profit rates in any of these sectors, nor does he attempt to demonstrate what global division of labour lies behind 'Chinese' production of, say steel or electricity. In the electricity sector for example, China is highly dependent on foreign expertise for the expansion of its generating capacity, something that undermines the profits that can be secured even from the largest aggregate production.

Probsting gives three "main reasons for China's successful development into an imperialist power": a strong central state capable of ensuring super-exploitation of the working class, defeat of the working class in 1989 and the decline of the US. He provides no evidence of the final point besides decline in the US profit rate. But the latter is not even compared with China's profit rate, let alone shown to result from Chinese development.¹⁰⁰⁵ The reasons he mentions that relates to China itself, i.e. a high level of exploitation and a state capable of enforcing that, are hardly unique to China. The same could be said of Egypt under Sadat and Mubarak or Suharto's Indonesia. Probsting's three conditions for developing imperialism seem to apply to these nations also, and many others.

Unlike most writers, Probsting at least defines an imperialist state:

a capitalist state whose monopolies and state apparatus have a position in the world order where they first and foremost dominate other states and nations. As a result they gain extra-profits and other economic, political and/or military advantages.¹⁰⁰⁶

1003 Suwandi and Foster, 2016; Smith, J., 2016, p49, 85.

1004 Bramble, 2011.

1005 Probsting, 2013, p248, 255–263, 289.

Yet there is no attempt to explain how, for example, China's domination over North Korea, Vietnam or the Philippines, if that is what Probsting means, is "first and foremost", while its domination by core monopolies is not.

Norfield argues that China is the world's third imperialist power, behind the US and the UK. This is based on aggregate statistics and not detailed analysis of China or its role in the international labour division.¹⁰⁰⁷ The criteria from which he derives this view emphasise aggregate economic size and financial assets. Norfield's ranking system does not make any qualitative assessment of production, military *effectiveness* or even the relative strength of financial assets held—though he does the latter elsewhere in his book.¹⁰⁰⁸

The above are the most detailed arguments made. More broadly, there are three basic arguments, albeit mostly formulated far more briefly. The principal one is the neo-Warrenite position that GDP growth itself represents convergence. Secondly, and this is a version of the same argument, that the mere presence of outward FDI in any quantity itself indicates imperialism. Thirdly, that China's continuous accumulation of foreign exchange reserves (which has reversed since 2013-14) is sufficient proof of the country's mounting dominance.

Before addressing these, however, it has to be noted that, outside of the general consensus there are, in addition, a small number of Marxists who do not accept that China is a rising imperialist power, or at least, like Hung above, seek to counter some of the false perceptions. The work of these writers has been used throughout this thesis. They include Panitch, Gindin and Ahmad,¹⁰⁰⁹ who make brief general comments on the topic. Additionally, it seems, the small number of Marxist writers who are either experts on China or have some degree of specialist knowledge of China, namely Zhang, Hung, Starrs and Noland, have counterposed views to the general consensus.¹⁰¹⁰ As noted above, there is no real detailed outline of the Rising China position. We can add here there is no Marxist expert on Rising China.

1006 Probsting, 2013, p243. This position is arguably contradicted by Probsting's own evidence where he shows that "while the US's and China's manufacturing output is nearly the same, the US capitalists produced this output in 2010 with 11.5 million workers while their Chinese rivals needed 100 million [...] China's level of capital stock per worker which is less than a tenth of the U.S. (converted at market exchange rates)", Probsting, 2013, p247. Probsting's evidence of China's supposed state strength simply cites spending figures without any qualitative analysis of capability. Ultimately the argument boils down to "China possesses a most decisive advantage to its rivals: the super-exploitation of the majority of its working class". This is argued in comparison to Russian capital but not Indonesia, India or any other country where exploitation levels (in the sense Probsting is talking about—low wages) might be comparable.

1007 Norfield's "world hierarchy" of imperialist nations views China as the world number three behind only the US and Great Britain, see Norfield, 2016, p111.

1008 The five criteria used in Norfield's "world hierarchy" are "the size of a country's economy, its ownership of foreign assets, the international prominence of its banking sector, the status of its currency in foreign exchange trading, and its level of military spending", Norfield, 2016, p105.

1009 Panitch and Gindin, 2013, p. xi; Ahmad, 2004, p51; Brenner considered only other rich countries as competitors to the US, see Brenner, 2002, p61.

1010 Hung makes the Keynesian argument that "If China were to re-orient its development model and achieve greater balance between domestic consumption and exports", it could "free itself from dependence on the

GDP growth equals convergence: the Neo-Warrenite position

Callinicos' 2009 book proceeds by asserting China's rise as a given: "One has only to utter the word 'China' to indicate what's wrong with the Third Worldist understanding of Imperialism...".¹⁰¹¹ His justification, given 200 pages later, boils down to aggregate GDP size and annual rate of GDP growth. We are told "five out of the fifteen biggest economies in the world in 2007 were in the global South".¹⁰¹² However, given that 13 of the 15 biggest states by population are in the south, this is hardly surprising. Callinicos also notes "an average annual growth rate of 8-10 per cent for thirty years".¹⁰¹³ Similarly, for Harman, Chinese "coastal provinces have been by far the most successful section of the global system over the last decade and a half, growing somewhere close to 10 percent a year".¹⁰¹⁴

Conflation of the spread of capitalist commodity production with imperialism represents the principal concrete manifestation of "Marxist" capitulation to Warrenite bourgeois modernisation ideas from the 1980s onwards as outlined (ch.2.3). Aggregate GDP, annual growth of GDP and the aggregate size of China's economy are examples of quantitative growth of capitalist commodity production. To present this as a qualitative analysis of the type of capitalist growth that is occurring is an abdication of analysis. It abdicates from any analysis of the predominant function of Chinese labour within the international labour-division.

Similarly to contemporary views on China, Warren too expected capitalist development in the Third World to overcome imperialist core dominance. He argued, for example,

The empirical evidence is now quite clear that industries that start off as assembly industries or simply component manufactures tend, before long, to develop further stages in the manufacture of the final article, as well as developing strong backward linkages in other industries.¹⁰¹⁵

collapsing US consumer market", Hung, 2009, p25.

1011 Callinicos, 2009, p5.

1012 Callinicos, 2009, p210; Achar, 2010.

1013 Callinicos, 2009, p210.

1014 Harman, 2003; Harman makes a similar argument when saying that by 2005 China was "the leading producer in terms of output in more than 100 kinds of manufactured goods [...] including 50 percent of cameras, 30 percent of air conditioners and televisions, 25 percent of washing machines and 20 percent of refrigerators", [though he doesn't mention iphones], Harman, 2009, p242; see also Kim, 2013; Smith, A., 2013.

1015 Warren, 1980, p179; Warren refers to the World Bank's World tables of 1976 to show that by 1974 the difference between "L[ess]D[eveloped]C[ountrie]'s percentage share of manufacturing in GDP to that of developed capitalist countries" was "becoming rather small" , p244.

Warren wrongly thought "the problems of monopoly rent encountered with resource based enterprises in the past are largely absent with regard to manufacturing".¹⁰¹⁶ Crucially, in forming his conclusions, Warren dissolves the distinction between different types of productive forces, placing all in the general category of "modern productive forces".¹⁰¹⁷ For example, we are told,

The most relevant single indicator of the degree to which a large or medium sized country is building modern productive forces, however, is the percentage of the active population employed in manufacturing.¹⁰¹⁸

Yet the number of workers employed in manufacturing is reduced by machine production—i.e. by advanced productive methods. By contrast, as McMichael et. al. pointed out in 1974, Much of what Warren has euphemistically referred to as 'industrialization' has been in large part the development of 'assembly plant' operations. Hence to assume equivalence of capitalist industrialization within imperial centres and the Third World is to overlook essential differences in the structure of industry and levels of development of productive forces.¹⁰¹⁹

Contemporary Marxists are arguably repeating the same methodological mistake in their assessment of China. Harman, for example, argues "There can be no argument about the massive industrial growth of China. Since 1978 China's growth rate has been 9.5 percent."¹⁰²⁰ Notice, Harman here conflates GDP growth—i.e. growth of capitalist commodity production in general—with *industrial* production. Likewise, when Harman tells us "... the vast industrial developments around Shanghai have few comparisons in Western Europe ..."¹⁰²¹ we are left to imagine in what specific ways these are incomparable, or indeed comparable. For Harman, apparently, their greater size is itself enough to demonstrate their superiority.¹⁰²²

Chinese foreign direct investment

Probsting says in relation to China, "one of the most important characteristics of an imperialist bourgeoisie is its formation of monopolies which export capital. Indeed such a development happened in China during the last decade."¹⁰²³ As noted above, Bailey claims that "Africa is being (re)divided" between China and the US.¹⁰²⁴ This argument in particular adapts to the most vulgar and racist, Eurocentric paternalistic or cynical hype, popular in many bourgeois

1016 Warren, 1980, p181.

1017 Warren uses this term repeatedly, see Warren, 1980, p116, 117, 246, 253 etc.

1018 Warren, 1980, p245–6.

1019 McMichael et al, 1974, p86.

1020 Harman, 2006.

1021 Harman, 2006; Harman, 2009, p243.

1022 Saull, by contrast, at least poses the question of the "material basis of American hegemony", Saull, Richard, 'Rethinking Hegemony: Uneven Development, Historical Blocs, and the World Economic Crisis', *International Studies Quarterly*, 56, 2012, p324.

1023 Probsting, 2013, p264; Chesnais misleadingly characterises China as a world financial centre, see Chesnais, 2007, p125.

1024 Bailey, Geoff, 'Accumulation by Dispossession: A Critical Assessment', *International Socialist Review*, 95, 2014-15.

publications, whereby irresponsible or ill-intended Chinese investment in Africa is overtaking and displacing supposedly benevolent and responsible development efforts by the imperialist core.

As noted, FDI is a common trait not just of China but of even the poorest Third World economies such as Papua New Guinea, Guatemala and Timor Leste.¹⁰²⁵ Moreover, the notion that China's investment in Africa is displacing the imperialist core is a myth. As Chen et. al. point out,

The European Union countries, led by France and the United Kingdom, are the overwhelmingly largest investors in Africa. The U.S. is also significant, and even South Africa invests more on the continent than China does.¹⁰²⁶

The authors quote various sources that put the Chinese proportion of new investment in Africa as between 3 and 4.4% of the total. Chinese FDI in Australia, which is reputedly very high, in 2016 did not register as one of the top six source countries, according to the Australian Bureau of Statistics.¹⁰²⁷

Imperialist financial monopoly and China as a poor creditor state

Another feature of Chinese capitalist development said to demonstrate China's rise *vis-a-vis* the imperialist core is its accumulation of large foreign exchange reserves—currently around \$3.1 trillion USD. It is popular, not only among Marxists, to cite China's large reserves alongside large US sovereign debt. Often mere mention of this counter position is presented as strong evidence of China's rise, without any investigation or explanation of its actual meaning or context. Probsting, for example, cites China's foreign exchange reserves as evidence for its rise, while Callinicos presents US debtor status as evidence of its declining power.¹⁰²⁸ Smith bombastically declares that China has become the banker of the US government without any investigation of the relative power in their financial relationships.¹⁰²⁹

In *Imperialism*, Lenin argued, "The world has become divided into a handful of usurer states and a vast majority of debtor states".¹⁰³⁰ Taking this statement alone, we might assume China, with the largest foreign exchange reserves in the world and which lends this money, should,

1025 UNCTAD, 'World Investment Report 2017', p226–28.

1026 Chen, W., Dollar, D., and Tang, H., 'China's Direct Investment in Africa: Reality Versus Myth', *Brookings*, 03-09-2015.

1027 Australian Bureau of Statistics, *International Investment Position, Australia: Supplementary Statistics, 2016*, 10-05-2017.

1028 Probsting, 2013, p265; Callinicos, 2009, p8.

1029 Smith, A., 2013.

1030 Lenin, *Imperialism*, ch.8.

according to that criterion, be considered a "usurer state"—i.e. imperialist. However, one doesn't have to read much further in *Imperialism* to see the differences then and now. Lenin wrote,

Consent to grant a loan ... nearly always manages to secure some extra benefit [to the creditor]: a favourable clause in a commercial treaty, a coaling station, a contract to construct a harbour, a fat concession, or an order for guns.¹⁰³¹

While Chinese credit money may *seek* these types of benefits, there is overwhelming evidence to show that the vast bulk of it is demonstrably unable to achieve that. In practice it has the opposite character - that of a pool of cheap finance which better positioned core capital draws upon and reinvests at better rates of return than the Chinese state is generally able to achieve.

This is not a characteristic of the Chinese foreign reserves only. Since the widespread adoption of floating exchange rates in the neoliberal period, and particularly since the financial crisis of the late 1990s, which brought devastating declines in the exchange rates of South-East Asian nations, Russia and Argentina (and has regularly affected Mexico), all Third World countries are forced to maintain large hoards of cash and liquid financial securities as insurance against possible currency depreciation or speculative attack. Reserves of underdeveloped countries have risen from around 6-8% of GDP in the 1970s to around 30% in 2004, according to Kiely.¹⁰³²

The large Chinese foreign reserves should be seen as part of this general trend. China's \$3.1 trillion represents around 27.6% of its \$11 trillion aggregate GDP in 2016. In Indonesia, the ratio was around 12.5%, the Philippines 26.5% and Malaysia 31.9%.¹⁰³³ While core states like Japan and South Korea with large foreign reserves may be in a position to invest their surpluses more profitably, Third World states like China are far less able to do so.

Tribute to the US and other core states with hard currencies

Reserves held in order to defend a state's currency against depreciation must typically be held in liquid assets where they can be quickly drawn upon. Norfield notes that "in practice this meant that the revenues they earned from their trade surpluses were spent on buying US government securities".¹⁰³⁴ Lawrence Summers estimates the "striking" cost to developing countries of holding foreign currency reserves is that they are "earning what is likely to be a zero real return" on this money.¹⁰³⁵ This is almost certainly the case for an overwhelming

1031 Lenin, *Imperialism*, ch.4.

1032 Kiely, 2010, p181.

1033 World Bank, 2018.

1034 Norfield, 2016, p11.

1035 Smith J., 2010, p199.

portion of China's reserves 'invested' in US treasury bonds or other similar low-yield dollar-denominated financial securities in the US financial markets. Additionally, Somel argues, amassing foreign "hard currency" reserves exerts downward pressure on Third World currencies' exchange rates, thus reducing their terms of trade.¹⁰³⁶

Once Chinese surplus dollars are parked in US banks, they don't just sit there. They form a foundation of cheap finance that US monopoly capital can draw upon and invest. While China may have little choice but zero or low-return investments, the monopolistic US banks have far better choices available to them through their ties to other US MNCs and vast international operations. Norfield argues that this scenario, among other privileges derived from the primacy of the US dollar, amounts to a "significant subsidy" to the US.¹⁰³⁷ As Germain suggests, whereas China and other surplus countries have to "earn their liquidity ... America can create its own".¹⁰³⁸

Another core financial privilege is that of seigniorage¹⁰³⁹ which falls not only to the US but to all the leading imperialist nations. The benefit to imperialism comes from the fact that US dollars, Euros and Yens are small pieces of paper (or electronic equivalents) that take almost no labour to produce. When these can be exchanged for real goods composed of real raw materials worked up by real labour that increases the profitability of the capitals they represent. By holding (as opposed to effectively investing) trillions of these papers as foreign currency reserves, or low-yield financial securities on the US capital market, China (and other Third World states) exchange workers' labour for no direct benefit; merely for insurance against currency volatility, payable to imperialist states that print 'hard currencies'.

It is difficult to see any overall benefit that Chinese capital is able to squeeze from its net creditor position in the sense Lenin outlined. This might be contrasted, to take a convenient example, with the IMF. The US is the largest lender to the IMF and on that basis gains the greatest share of votes in determining its policy. As the US state is itself partly financed by Chinese, Mexican, Indonesian and other holders of US treasury bonds, these countries (besides any direct contributions) are assisting to finance the IMF in a way that forfeits votes on the composition of its Executive Board. As above, the Third World creditors fail to gain special concessions in return for their loans, yet the IMF can and does impose the most ruthless terms for the distribution of its funds.¹⁰⁴⁰

1036 Somel, 2005, p13.

1037 Norfield, 2016, p15; Rosenberg, Tina, 'Reverse Foreign Aid', *New York Times*, 25-03-2007.

1038 Germain, Randall, 'Financial Order and World Politics: Crisis, Change and Continuity', *International Affairs*, 85, 4, 2009, cited in Saull, 2012, p326.

1039 Norfield, 2016, p163.

1040 Klein, Naomi, *The Shock Doctrine*, 2008, p159–168.

The question remains why the Chinese state does not invest its dollar hoard more profitably. The typical heterodox explanation is that a shift from US dollar-denominated assets to investments in China would raise the price of the Chinese Renminbi, making its exports to the US more expensive.¹⁰⁴¹ However, in recent years the Chinese state has followed the opposite policy, using up roughly 1/4 of its reserves (which peaked at almost \$4 trillion in mid-2014) in order to minimise Renminbi depreciation.

In any case, purchase of foreign advanced productive equipment or other necessities in upgrading the Chinese economy would have the same effect on the exchange rate as purchase of foreign securities. If China really were a rising imperialist power on the basis of its rapidly advancing labour productivity and a peer competitor to the imperialist core states, given the enormous size of its domestic market and its large financial resources, it could use its dollar surplus to rapidly buy up the best and most advanced productive equipment, technologies and personnel in sector after sector.

That the Chinese state exchanges the country's hard sweated trade surplus for “zero real return” and adopts the absurd position of benevolent banker to the US is arguably clear evidence of the *weak* position of Chinese capital. Its weak financial position is arguably an extension of its overall weakly developed means of production reflected in its overall second-rate profitability, as shown (ch.4.3). Chinese money is, on the whole, locked out of the most profitable activities within the international labour division by the incumbent monopolist MNCs. Chinese capital cannot use its dollar surplus to establish its own high-end MNCs because the lower level of development of Chinese labour productivity makes that impossible. Even zero-gain investments make more business sense than embarking on loss making direct battles with Volkswagen, Google or Roche, which is why in general, this type of high-end competition has not been attempted.

Net International Investment Position (NIIP)

Despite the US borrowing more from overseas than it invests overseas, the rate of return on US investments is relatively high. For this reason, Norfield emphasises, "the interest costs on US foreign borrowing have been far less than the returns on US foreign investments".¹⁰⁴² For example, the US net international investment position (i.e. the net of all outgoing and incoming foreign investment in any form - NIIP) for financial year 2015/16 averaged negative \$7.5 trillion, while net investment income (NII) was positive \$167 billion—a position basically unchanged for the past decade. China, by contrast, had a NIIP of positive \$1.6 trillion

1041 McKinnon, Ronald, *Exchange Rates under the East Asian Dollar Standard: Living with Conflicted Virtue*, MIT Press, 2005, p148.

1042 Norfield, 2016, p169; Likewise for Britain between 2000 and 2011, see Norfield, 2016, p200, 202.

and NII of negative \$80 billion in the same year.¹⁰⁴³

We've already seen (ch.4.2) that the neoliberal period has delivered Third World producers declining terms of trade for their increasing share of world labour. We can now see that where a Third World state is able, despite this, to earn a trade surplus and accumulate money, it will receive mostly lower returns on its investments.

Another striking example of the financial plunder practised against the Third World states is the highly uneven cost of borrowing on the money markets. Most Southern states, even when they are holding large unproductive currency reserves, are generally forced to pay much higher interest rates on their debt. The benchmark US ten-year bond yield was 2.55% in January 2018. In the UK it was 1.29% and Germany 0.54%. In India it was 7.26%, Indonesia 6.2%, Nigeria 12.9% (November 2017), Brazil 10%, Mexico 7.6% and so on. In China it is 4%, meaning that despite holding \$3 trillion in reserves, China still pays far more for loans than the imperialist core.¹⁰⁴⁴

Sovereign wealth funds

According to Huang and Wang, 67% of China's total international assets during the period 2004–2010 were held as international reserves, while 6% was invested as FDI and 10% portfolio investment.¹⁰⁴⁵ The high proportion held in cash is the proximal cause of the low rate of return, or zero return on this money. The Chinese state's response was the establishment of its sovereign wealth fund, the China Investment Corporation (CIC) in 2007. Notably, the sovereign fund strategy is distinct from investment in development of the domestic economy, as the former seeks to convert the foreign exchange surplus into a portfolio of overseas financial assets that can deliver income to the state. This economically conservative strategy (at least compared with expectations of Marxist China boosters) amounts to using the existing profitability of Chinese labour to gain ownership of foreign production—rather than investing that surplus in the development of Chinese labour to compete with or displace the latter. It is the insertion of the Chinese state as a respectable member of the existing status quo, not a strategy to disrupt it.

Yet this strategy appears to have had little success. CIC started with purchase of stakes in financial companies Morgan Stanley and Blackstone at the peak of the market prior to the financial crisis of 2008 and then settled on big bets in the Canadian energy sector just prior to

1043 Benn Steil and Emma Smith, 'China's Exorbitant Detriment, Mirror Image of America's Exorbitant Privilege, Is Costing It Dearly', *Council on Foreign Relations*, 10-01-2017; Bureau of Economic Analysis, *U.S. Net International Investment Position First Quarter 2017, Year 2016, and Annual Update*, 28-06-2017.

1044 Data sources: www.bloomberg.com; asianbondsonline.adb.org; Reuters Staff, 'Nigeria's 10-Year Bonds Yield Fall to 11-Month Low on Liquidity', *Reuters*, 17-10-2015; Song Loong, Melissa, 'Greece Takes Rain Check after Savage Equity Sell-Off', *Reuters*, 06-02-2018.

1045 Huang and Wang, *The Australian Economy in the 2000s*, Reserve Bank of Australia, 2011, p15.

the downturn in commodity prices. In response to these write-downs, the fund shifted its focus to direct investment in 2015. In the ten years since its launch, the CIC's annualised return of 4.76% is only marginally above the 4.3% the Ministry of Finance paid for its ten-year bond issue used to raise the initial US\$200 billion to launch the fund.¹⁰⁴⁶

While the CIC might appear unlucky, in fact its problems appear as part of a more general phenomenon of Chinese purchase of unprofitable or barely profitable overseas assets. Hung commented in 2009, “China's overseas acquisitions have mostly been declining businesses desperately in search of buyers”.¹⁰⁴⁷ Since then the record seems hardly to have improved. The *Financial Times* reports,

about one quarter of all Chinese outbound deals, worth \$270bn once construction contracts between 2005 and 2015 are included, have hit 'trouble'—defined as deals that have hit lengthy delays, big cost overruns or outright failure.¹⁰⁴⁸

Viewing large sums of Chinese credit money or US debt as *necessarily* indicating Chinese strength or US weakness arguably represents another version of the ‘financialisation’ outlook that derives from an inadequate analysis of the concrete dynamics of the labour process. As Norfield says,

Being able to lend funds puts a country in an important creditor position, but being able to borrow on a large scale usually also reflects a country's world status and the degree to which it is accepted by other lenders. It does not necessarily mean that the country is vulnerable as a debtor to foreign banks.¹⁰⁴⁹

The idea that China's dollars taken alone represents the basis for development of advanced productive forces might be viewed as a variation of the claim that capital shortage was the key bottleneck to development in the periphery. Yet if that claim were true, the large loans made to Third World states in the 1970s, a Marshall Plan for the Third World, should have resulted in a qualitative transformation in these economies and not, as in fact occurred in the 1980s, a widespread sovereign debt crisis. The latter reflected the failure of Third World non-monopoly capitalism to profitably invest loan money. In monopoly capitalism, advanced forms of modern production requires more than just money.

1046 Tang, Frank, ‘Ten Years on, Where to Now for China’s Sovereign Wealth Fund?’, *South China Morning Post*, 27-08-2017; the results, so far, confound Schwartz’s expectation that “by taking large minority stakes in leading financial firms, SWFs may be able to “buy up and transfer wholesale a variety of industries”, Schwartz 2009, p215.

1047 Hung, 2009, p18.

1048 James Kyngé, Tom Mitchell and Arash Massoudi, ‘M&A: China’s World of Debt’, *Financial Times*, 12-02-2016; Webb, Quentin, ‘Broken Record’, *Reuters*, 17-02-2016.

1049 Norfield, 2016, p108.

Conclusion

The laws of dialectical materialism (Marxism) view qualitative transformation as necessitating a revolutionary culmination, as opposed to being possible through gradual, peaceful, evolutionary development alone. A practical application of this principal is that, for Marxist theory it is axiomatic that no ruling class will give up its power voluntarily but must be overthrown. That is the reason Marx argued revolutions must be armed. Ruling class power is violently defended not only against social revolution but also against rival sections of the same class. In the monopoly capitalist era, the two inter-imperialist world wars of the 20th Century are testament to the correctness of this outlook.

Evidently the transition from British hegemony to US hegemony was neither smooth, uncontested, nor quick, despite Britain being far outstripped economically by its larger and more advanced rivals well before the politico-military crises began. From a consistent dialectical materialist perspective, it is inconceivable that the same imperialist ruling classes would fight two world wars to divide the spoils of British decline, but have now, for the past two or three decades, sat on their hands (and missiles) watching their collective hegemony eroded by China without waging any sort of coherent struggle.

If replacement of British hegemony with American led to two world wars, what would the erosion of American hegemony by China mean? Marxist China boosters seem to have forgotten the most elementary laws of historical materialism, or else imagine that we are headed for WW3.

Really they have forgotten to apply dialectical materialism to the economy and analysis of the labour process. China boosters appear to think the transition from US to Chinese *economic* hegemony could occur in an *economically* relatively peaceful manner—i.e. without a complete disruption of the existing economic scenario being brought about in China. This contrasts entirely from the actual economic history of the rise of Germany and US *vis-a-vis* Britain at the close of the 19th Century.

Gasper has suggested there are strong parallels between the supposed rise of China with the much earlier rise of Germany and US *vis-a-vis* Britain. The example is instructive, but not in the way Gasper imagines. Overcoming British hegemony required Germany and the US to *independently revolutionise the means of production in profound and far reaching ways*. This involved the electrification of industry, the development of new chemical industries that could replace natural production of raw materials and the development of mass automotive assembly, the combustion engine and the production line.

It also took place as a part of the transition of capitalism from free competition to monopoly. British early industrial monopoly had been achieved in capitalism's pre-monopoly stage. Therefore its capital embodied earlier and lower forms of organisation.¹⁰⁵⁰ German and US ascent, by contrast, initiated capitalism's monopoly stage. The scale of investment required for these new industries was beyond the reach of individual capitalists. It required their combination in trusts, cartels and joint stock companies, the merger of banks with each other and giant banks with giant industry in order to achieve the required scale of finance.¹⁰⁵¹

The slower, more haphazard and partial uptake of new productive techniques in Britain—owing to its still pre-monopoly structure—gave US and German capitalists *an extended period of far higher labour productivity than Britain*. On that basis they could also secure *consistent super-profits which could be reinvested in further productive improvements or other expansion*.¹⁰⁵² None of these conditions or advantage are today present in China which, by contrast has a *lower labour productivity and lower profitability* than the US and the imperialist core.

Electrification was not only a new “leading sector” in the later 19th Century—i.e. new, rapidly expanding and highly profitable—it revolutionised the industrial production process as a whole. As electricity came on board, factories were forced to replace antiquated steam engines and their associated cumbersome and inflexible propulsion assembly, with electrical cabling fitted to electrical machinery. Commercial scale production of chemicals and recycling of industrial waste played a similarly disruptive role as it revolutionised raw material production. Mass auto production completely transformed economic geography allowing whole new territories to be brought under intensified exploitation. The scale and technical sophistication of the new apparatus demanded the adoption scientific management—‘Taylorism’.

As Schumpeter observed, “In capitalist reality” decisive competition is that which comes “from the new commodity, the new technology, the new source of supply, the new type of organisation ... competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outposts of existing firms but at their foundations and their very lives”.¹⁰⁵³ Yet we need not rely on Schumpeter's observations. It is precisely these new revolutionary developments in capitalist production and organisation of production that form the very core of Lenin's *Imperialism*.

1050 Wood, 2005, p124.

1051 Lenin, *Imperialism*, ch.1; Schwartz, 2000, p153.

1052 British capital was eventually forced, particularly in preparation for war against Germany and afterwards, to also adopt monopoly forms of organisation, see Schwartz, 2000, p120–1, 153.

1053 Schumpeter, 2003 [1942], p84; By contrast, Japanese innovations in the 1970's, such as lean production or just-in-time inventory, achieved a more advanced organisation of existing technologies. As such, they were fairly easily replicated by Japan's rivals and failed to decisively defeat European and US auto companies; Schwartz, 2000, p282.

As has been argued, highest labour productivity comes about on the basis of revolutionising of the productive forces, something, demonstrably, not occurring in China today. China's supposed rise has occurred not on the basis of breaking up, or remaking the world division of labour but integration into an existing core-dominated labour division, under the auspices of the World Trade Organisation.

Contemporary Marxism simply asserted that Chinese capital's ability to carry out existing, established production processes would itself challenge the status quo. To believe it, we would need to believe that historical materialism does not apply to the sphere of economic development. Nor, therefore, could it be said to apply to social development in its most important sense. In short, to accept that China is rising through an evolutionary, not a revolutionary and dialectical process, we need to put Marx's method to one side, as appears to have happened, and embrace instead Warren's "Marxist" version of Rostow.

The final part of the thesis has shown how reproduction of domination by the rich, imperialist countries, which has occurred alongside the growth of capitalist commodity production in the Third World, can be explained by their monopolistic dominance over the labour process—as Lenin's theory anticipates—and creation of a world division of labour on this basis. Imperialist monopoly is achieved through domination of science and technology in the broadest sense, giving core societies the ability to constantly reproduce a monopolistic position in the highest and most complex labour processes.

In this way, the core countries have been able to assert control over the labour process as a whole, and hence over the capitalist market and prices. This—the fifth and final postulate of the thesis—has been demonstrated firstly by analysis of the abundant secondary literature describing various aspects of the global labour division, and secondly, with reference to the polarisation of profit-rates between core monopoly and Third World non-monopoly capitalist corporations that make up the international labour division.

Chapter 4.4.1. China: Third World capitalism par excellence

The growth of Chinese capitalism has unprecedented economic importance and social implications. Its success or failure in bringing social progress to the mass of the population will be highly important in assessing the prospects for capitalist development across the Third World. If development in the neoliberal period has, as is widely thought, provided the platform from which Third World countries can, in the next period, establish living conditions comparable to those of working people in the imperialist core states, that possibility should exist in China, the most powerful of all Third World states. The success or failure of Chinese capitalist development during the neoliberal period can be seen as indicating the possibilities for capitalist development of the Third World more broadly.

From Structural Adjustment Packages to the establishment of the World Trade Organisation (WTO), the largest corporations and imperialist governments got many of the international policy and developmental outcomes they wanted during the neoliberal period. China did not develop outside of this global framework but in many respects exemplifies the so-called export-oriented industrialisation model touted as the path to Third World development. As the centre of export processing in East Asia, China was more integrated into world trade than any other large nation. The Asian Development Bank, for example, described a

cluster of highly interdependent, open, and vibrant economies in East Asia and Southeast Asia ... with the PRC at the center of the assembly process and with exports going mainly to the US and Europe.¹⁰⁵⁴

China's economic history in this period is characterised by convergence with the operations of the MNCs. China formally joined the WTO in 2001, according to Steinfeld "binding itself to an accession protocol more expansive, in terms of both market access and permissible trade practices, than that faced by any other developing country in history".¹⁰⁵⁵ A surge of foreign FDI into China followed the accession.¹⁰⁵⁶

By the late 1990s, the Chinese government was already trying to "revive key state-owned enterprises (SOEs) by exposing them to foreign competition and oversight". Eventually the

1054 Asian Development Bank, *Asian Development Outlook, 2010 Update: The Future of Growth in Asia*, Asian Development Bank, 2010.

1055 Steinfeld, 2004, p1979; Panitch and Gindin, 2013, p293; Branstetter, Lee and Lardy, Nicholas, 'China's Embrace of Globalisation' in Brandt, Loren and Rawsky, Thomas, G., (eds), *China's Great Economic Transformation*, Cambridge, CUP, 2008.

1056 Panitch and Gindin, 2013, p293.

same goal was pursued through publicly listing Chinese ‘national champion’ companies on the New York and Hong Kong stock exchanges, and in London, implying adherence to “the regulatory strictures of the stock market on which it is listed”.¹⁰⁵⁷ This meant state firms were often, in practice, more accountable to the US Securities and Exchange Commission than the Chinese state bureaucracy, which in any case lacked sufficient technical personnel to direct firms in the increasingly sophisticated financial, organisational and legal arrangements of international business.¹⁰⁵⁸

Foreign direct investment, foreign joint ventures, foreign contracts and foreign technology have been the drivers of China’s expanded commodity production, even if the state has played a large role in orchestrating this. In 2010, three-quarters of China’s top 200 exporting companies were foreign-owned.¹⁰⁵⁹ By 2012, UNCTAD reports, “foreign affiliates [of MNCs] accounted for some 50 per cent of exports and 48 per cent of imports”.¹⁰⁶⁰ The degree of foreign penetration of Chinese markets is also enormous. Norfield notes one example: the US corporation, Johnson Controls, supplied 44% of car seats to Chinese makers in 2012.¹⁰⁶¹ The degree of financial integration has already been outlined. China’s development was an integral part of the neoliberal project and was fundamentally characterised by that integration.

If this same period has paved the way for ascent of the Third World, it was presided over by the imperialist states themselves. If the period has brought the “rise of the rest”, as Amsden dubbed it,¹⁰⁶² it has done so along lines that Schwartz described as typically Ricardian. Ricardo argued it is quite as important to the happiness of mankind that our enjoyment should be increased by the better distribution of labour, by each country producing those commodities for which by its situation, its climate, and its other natural or artificial advantages, it is adapted, and by thus exchanging them for the commodities of other countries, as that they should be augmented by a rise in the rate of profits.¹⁰⁶³

It might be true that neoliberal globalisation brought a rise in the overall rate of profit (or supported the profit rate), yet the monopolies were able to capture the majority of that. The effect on Third World economies has been widely criticised. Reinert, for example, argues that specialisation according to existing “factor endowments” ignores that some sectors are

1057 Steinfeld, 2010, p32–3.

1058 Steinfeld, 2010, p33.

1059 Stars, Sean, 2014, p92.

1060 UNCTAD, *World Investment Report*, 2013, p136; Saull, 2012, p325.

1061 Norfield, 2016, p121.

1062 Amsden, Alice, H., *The Rise of "The Rest": Challenges to the West from Late-Industrializing Economies*, Oxford, 2001.

1063 Ricardo, David, *On The Principles of Political Economy and Taxation*, John Murray, 1821 [1817], cited in Schwartz, 2000, p123.

dynamic while others are not, arguing that doing so leads to “competitive advantage in being poor and ignorant”.¹⁰⁶⁴ UNCTAD said, “liberalization without technological learning will result, in the end, in increased marginalization”.¹⁰⁶⁵ It is remarkable, therefore, that so many Marxists appear to believe the same policies lead, or are leading, not to marginalisation or domination by established monopoly, but to its overthrow.

Limited upgrading and statistics

Reflecting on rapid GDP growth, Harvey comments that China has "moved far ahead in the global stakes for competitive pre-eminence in certain lines of production" and "is quickly moving up to the higher-value-added commodities".¹⁰⁶⁶ He gives no evidence or qualification. Leadership in "certain lines of production" tells us little about China's relationship to imperialism. Guatemala too might be described as having pre-eminence "in *certain lines* of production"—bananas—but this hardly constitutes the basis for catch-up with core states. Panitch and Gindin cite dubious statistics to make the plainly absurd statement that "high-tech manufacturing already represented 27 percent of China's manufactured exports, compared to an OECD average of 18 percent"!¹⁰⁶⁷

China's strongest export growth in the neoliberal period was in electronics, computers and telecommunications equipment, which increasingly supplanted lower value apparel, textiles, footwear and toys. By 2006, electrical machinery and mechanical appliances (e.g. televisions and DVD players) already accounted for half of exports.¹⁰⁶⁸ In this basic sense, it is true that Chinese production, at least at its top-end, has moved away from lowest labour processes, such as sewing garments, towards those of a higher ranking Third World state.

One problem of actual measurement of the technological level of this production is that in conventional statistics, production of TVs, keyboards and all manner of cheap standard items are erroneously counted as ‘high-tech’ products. UNCTAD, for example, divides products into technological categories based on a study of manufacturing exports between the years 1985 and 1998.¹⁰⁶⁹ Clearly production processes have progressed over the past two decades. Something that may have represented an advanced technology in the 1980s, say a computer monitor or DVD player, is no longer advanced but standard or obsolete.

¹⁰⁶⁴ Reinert, Erik, *How the Rich Countries Got Rich and Why the Poor Countries Stay Poor*, Constable, 2007, p26.

¹⁰⁶⁵ UNCTAD, *Least Developed Countries Report 2007: Knowledge, Technological Learning and Innovation for Development*, UNCTAD, 2007, p. i, cited in Prashad, 2014.

¹⁰⁶⁶ Harvey, 2014, p150; Harvey, David, ‘The ‘New’ Imperialism: Accumulation By Dispossession’, *Socialist Register*, 2004, p68.

¹⁰⁶⁷ Panitch and Gindin, 2013, p297.

¹⁰⁶⁸ Steinfeld 2012, p86.

¹⁰⁶⁹ UNCTAD's methodology is based on Lall, Sanjaya, ‘The Technological Structure and Performance of Developing Country Manufactured Exports, 1985-1998’, *QEH Working Paper Series 44*, Oxford University, 2000.

Secondly, standard statistical categories take no account of which diverse labour processes needed to produce commodities are performed where. Tallying goods like “computers and peripheral equipment” or iPhones based on the location of their *final assembly* is a manifestly inadequate way of measuring different national capitals' relative position.¹⁰⁷⁰ As argued (ch.4.2), China's apparent ‘monopoly’ on the export of iPhones tells us little about the technical level of its producers.

This is due to the global nature of the production of that complex product. As Hart-Landsberg notes,

China's unique position is highlighted by the fact that it is the only country in the region that runs a deficit in components trade, and whose exports are overwhelmingly final products ... Of course, these are not truly Chinese exports, but rather exports assembled/produced in China. Foreign corporations are responsible for approximately 60% of all Chinese exports; their share is 88% for high-tech goods.¹⁰⁷¹

Starrs points out that in the decade after 2005, foreign-owned enterprises and foreign joint ventures combined accounted for over 80% of all Chinese processing and assembly exports.¹⁰⁷²

If such statistics actually indicated technological advance relative to the imperialist core, it would not only be China but all the *least* developed Third World states that are catching up. UNIDO reported in 2013 that the “share of medium and high-technology activities in manufactured exports” for the world's “least developed countries”—i.e. the bottom ranking states *within* the Third World such as Chad and Eritrea—was 17% of their total manufacturing exports 2007-2011, only 1% shy, apparently, of the figure Panitch and Gindin cite for the OECD!¹⁰⁷³

Cao explains the case of the “so-called ‘high-tech’” Wanda wireless mouse manufactured by Logitech International, a Swiss-American company. Despite being designated “high-tech”, the mouse epitomises “labour rather than technology intensive gadgets” that “have a profit margin

1070 See, United Nations Statistical Division, 2018, unstats.un.org, accessed, 11-10-2017.

1071 Hart-Landsberg, Martin, ‘Globalisation and its Consequences’, *The Bullet*, 22-06-2011; Smith, J., 2016, p43.

1072 Starrs, 2015, p15.

1073 United Nations Industrial Development Organization, *Industrial Development Report 2013: Sustaining Employment Growth: The Role of Manufacturing and Structural Change*, UNIDO, 2013, p213; The countries defined as “least developed” are Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Rep., Chad, Comoros, Dem. Rep. of The Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Dem. Rep., Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome-Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, South Sudan, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Rep. of Tanzania, Vanuatu, Yemen and Zambia.

of sometimes as low as 2-3%”. For example, Wanda sells in the US for around \$40, “of which China takes a meagre \$3 for wages, power, transport, and other overhead costs”.¹⁰⁷⁴ Commenting on his research on Chinese profit share of top export products and sectors, Starrs wrote, “it is foreign corporations — especially American — that ultimately own and profit by far the most from the bulk of the internationally oriented sectors in China”.¹⁰⁷⁵

Starrs notes,

China has been the world’s biggest exporter of electronics since 2004, including computer hardware. Yet its profit share in the electronics sector is just 3 per cent—no match for Taiwan’s 25 per cent, let alone the 33 per cent accruing to US companies.¹⁰⁷⁶

Cattaneo et. al. observe that in electronics, “even the world’s major contract manufacturers have been trapped in low value-added segments of the value chain”.¹⁰⁷⁷ According to Steinfeld, some 70% of Chinese so called ‘high-tech’ exports are in fact largely foreign-owned “export processing operations”.¹⁰⁷⁸ It is this type of export processing operation, which exists not only in China but across several cheap labour countries, that explains the unlikely ‘high-tech’ statistics.

Research and Development

The second argument put is that the growth of R&D in China indicates a move into high-tech production. However, the argument has similar flaws to those already outlined, which insist that growth of production equates to upgrading. The emphasis is on the quantitative growth of R&D in China and other Third World states rather than on qualitative assessment of the *type* of R&D that is being developed in the Third World. Cattaneo et. al., for example, point out that

Fortune 500 companies now have 98 R&D centers in China and 63 in India; IBM employs more people in the developing world than in America; and in 2008, the Chinese telecom giant Huawei applied for more international patents than any other firm in the world.¹⁰⁷⁹

Certainly a rise in the quantity of R&D carried out in the major Third World states is a reality, even if relatively small-scale compared to the imperialist core. However, these statistics indicate two things, neither of which is Third World catch-up with the core. First, the

1074 Cao, Cong, 2004, cited in Lorimer, Doug, ‘China’s Road to Capitalist Restoration a Rocky One for Workers’, *Direct Action*, 35, 2011.

1075 Starrs, 2015, p10.

1076 Starrs, 2014, p91.

1077 Cattaneo et al, 2010, p18.

1078 Steinfeld 2010, p86; Panitch and Gindin cite a 2006 work to state that “foreign firms and joint ventures account[ed] for almost 80 percent of China’s exports of industrial machinery; 90 percent of computers, components and peripherals; and 71 percent of electronics and telecommunications equipment”, Panitch and Gindin, 2013, p297.

1079 Cattaneo et al, 2010, p18.

development of almost any modern production process necessitates some sort of investment in R&D. Hence even low-end Third World commodities, if they are in anyway new or updated, will require some degree of R&D. Second, many global TNCs increasingly run an international R&D operation. What the statistics don't pick up is that the global organisation of R&D tends to parallel the organisation of the labour process more generally—i.e. it is hierarchical and polarised.

R&D, just like production, is dominated by the globally monopolistic capitalist groupings. Unlike production, the most important work—basic research—is carried out not by private companies but by the imperialist states. However, big private capital also funds and carries out a large amount of applied research as well as development—to bring existing technologies to market.¹⁰⁸⁰ The latter forms a central part of their competitive position *vis-a-vis* other corporations. Increasingly, the largest global companies with a presence in many countries are applying the same principles to the organisation of R&D as to organisation of production. The organisation of a global R&D operation allocates basic research to cheap labour locations, while concentrating top-tier R&D in the imperialist core—typically in their home state. Hence, we can see the development of a technically polarised global division of labour in R&D that mimics the technical polarisation in production.

The difference, according to Steinfeld, is that R&D's globalisation is characterised by geographic spread (just as in production), but with far less dispersal among firms. Rather than *outsourcing* low-end, labour intensive tasks to cheap labour markets, Steinfeld observes,

[large] technology focused corporations, who had once operated concentrated, highly centralized R&D operations [in the imperialist core], now appear to be managing highly diversified highly internationalised research networks they themselves own.¹⁰⁸¹

By doing this, MNCs are able to dominate the R&D scene in China. Steinfeld reports graduates from China's top three or four technical universities are “cherry-picked” by foreign multinationals. In 2006, 37% of all high-tech workers and 41% of engineers worked for foreign firms. Top-level graduates worked for foreign R&D centres by choice.¹⁰⁸²

While Steinfeld considers it less pronounced than in production, there is, in addition, the development of independent R&D by Chinese and other Third World private capital. However, just as in production, this typically involves the development of low-end technologies, usually

1080 For the US, see Congressional Research Service, *Federal Research and Development Funding: FY2017*, Congressional Research Service, 27-01-2017, p5.

1081 Steinfeld, 2010, p148; Dieter, Ernst, D., 2009, 'A New Geography of Knowledge in the Electronics Industry? Asia's Role in Global Innovation Networks', *Policy Studies*, no. 54, East-West Center, 2009, p1, p21–22.

1082 Steinfeld, 2010, p161.

the simple modification or synthesis of existing technology to suite nationally-specific production or market conditions.

The term R&D, Steinfeld reminds us, conflates two things: “research” and “development”. “Research” refers to the discovery or invention of new things, while the commercialisation, that is modification of existing technology for the purpose of viable commercial production, falls under the category of “development”. In establishing monopoly control, the higher “R” side takes precedence, especially production of “new to the world” inventions. Steinfeld says,

in general, research on fundamental new-to-the-world technologies – at least on the commercial front – still remains the domain of companies from the world's richest economies. Moreover this kind of research is often conducted close to corporate headquarters.¹⁰⁸³

Steinfeld argues that China practices some 'D' but little 'R' and gives the example of “a major global cosmetics company”. Speaking with researchers from the Massachusetts Institute of Technology, the company claimed they had 100 million potential customers in China. Accordingly, China based R&D has to accompany sales growth because one-third of all its products sold in China are specifically tailored to that market. “Development” in this case, refers to testing and development slightly different cosmetic varieties suited to Chinese aesthetics using existing technology and technique.¹⁰⁸⁴

In another example, an international tollgate supplier needed to modify its product to suit local regulations, vehicle types and so on, to win Chinese contracts. This involved a degree of low-end local R&D spending that could be most cheaply and effectively carried out in China. A major European auto parts-maker told the same researchers that because Chinese auto-makers like Chery and Geely use worse quality metal than those in Europe, and use hand rather than machine welding, the parts supplier moved some R&D to China to re-engineer its products for worse production conditions. This auto supplier's Chinese R&D therefore was set up specifically to move technology not forwards or sideways, but backwards.

R&D led by Chinese capital typically involves reverse engineering of existing products developed overseas. Motorbike producers in Chongqing city famously took Japanese bikes, pulled them apart, copied their basic designs and components and independently modified the original, for simpler and cheaper manufacture.¹⁰⁸⁵ This allowed technologically-backward producers to make worse-performing bikes at a competitive price and dominate the domestic low-end market. Their R&D couldn't develop products to compete with Japanese MNCs in the

1083 Steinfeld, 2010, p164.

1084 Steinfeld, 2010, p153; Dieter, 2009, p21–22.

1085 See Ge and Fujimoto, 2004.

higher end of the market (or the European brands plus Harley Davidson, which dominate the luxury market).¹⁰⁸⁶

For GE and Fujimoto, the motorcycle industry in China is “a typical field for examining this problem” of innovation and R&D. They conclude

although since 1993 China has become the largest production site of motorcycles in the world, almost all the models are developed by foreign companies mainly from Japan.¹⁰⁸⁷ Will [Japanese] history repeat in China? The answer appears to be 'no'. It is paradoxical to observe that after a long span of about two decades of development [since 1993 - SK], even though the top companies have the capacity of one million units and the collective production volume has overtaken Japan to become the No.1 in the world, the Chinese enterprises still keep on imitating the models from foreign companies.¹⁰⁸⁸

The R&D in Chongqing might be considered the classically neoliberal example—successful and independent Chinese development of cheap non-monopolistic products helping to create a rapidly expanding market while nevertheless failing to challenge the dominant position of the core-based producers (in this case from Japan).

"China included nanotechnology as one of four science mega-programs in its Medium and Long-Term Plan for the Development of Science and Technology (2006–2020)."¹⁰⁸⁹ However Cao et. al. observe that "the commercialization side of nanotechnology has not been as impressive as its tangible success in publishing, patenting, and the creation of nanotechnology-oriented science parks".¹⁰⁹⁰ According to the authors, the issue isn't new: "reform of China's [science and technology] system launched in the mid-1980s aimed to tackle this problem, but the outcome thus far has been mixed at best".¹⁰⁹¹

Steinfeld sees energy production as at least a partial exception to the general pattern outlined above. In energy, foreign MNC-led R&D conducted in China is “at least in some cases” carrying out fundamental new research. “In this industry China is a key market defining innovation globally”, and the Chinese government insists on the most advanced technologies for all new plants. In practice, this means reliance on French, Russian, Canadian and US

1086 The current hype in the motorbike industry now proposes that India, not China, will soon displace Japanese, European and US brands as the global market leaders.

1087 Ge and Fujimoto, 2004, p15.

1088 Ge and Fujimoto, 2004, p16.

1089 Cao, C., Appelbaum, R., and Parker, R., 'Research is High and the Market is Far away: Commercialization of Nanotechnology in China', *Technology in Society*, 35 2013, p55.

1090 Cao et al, 2013, p56.

1091 Cao et al, 2013, p56; Brandt, Loren and Thun, Rerik, 'The Fight for the Middle: Upgrading, Competition, and Industrial Development in China', *World Development*, 38, 11, 2010; Ernst, D., and Naughton, B., 'Global Technology Sourcing and China's Integrated Circuit Design Industry: A Conceptual Framework and Preliminary Research Findings', *W/P 131*, East-West Center, 2012.

corporations. Foreign MNC-led R&D may not be likely to lead to advanced R&D controlled by Chinese capital in the future. According to Steinfeld, “there is an openly stated ambition” in China “to in future learn to develop [energy production] plant more cheaply using Chinese technology”.¹⁰⁹² Steinfeld thinks that Chinese innovation occupies the “intersection between upstream R&D and manufacturing”—a unique role based on and tailored to suit the particular strengths (and weaknesses) of the Chinese productive forces more broadly, and that position gives it the opportunity to upgrade further.¹⁰⁹³

However, this characterisation, if accurate, seems to better fit an overall characterisation of Chinese R&D, and Chinese capitalism as the most dynamic non-monopoly nation owing to its skilful and efficient management of this “intersection” between high and low labour tasks. This most perceptive of heterodox China specialists comes far closer to an accurate concrete characterisation of Chinese capitalism than any of the First World Marxist China boosters.

To see the objective limitations of even China's most ambitious plans—develop energy production plants more cheaply using Chinese technology—we need only examine the context of this “openly stated ambition”. If successful, Chinese capital will come up against the same problems already outlined (ch.4.1). By cheapening production processes, not in a monopolistic manner, but by their simplification, Chinese engineers will be paving the way for other Third World producers to imitate the same techniques. Thus they are investing resources to the cheapening of production, but not to their own advantage—at least not in the monopolistic sense required to catch up with core-based capital.

This type of Chinese R&D may provide a service in cheapening electricity prices in China and elsewhere. As such, it may increase capitalist profitability *in general*. But even the most ingenious, large-scale or breathtaking innovation of this type, so long as it fails to achieve a monopolistic position, must always fail to overcome its own domination by outside monopolies, and hence lose much of the value created to the monopolistic producers who do retain their price-setting ability.¹⁰⁹⁴

Explaining China's GDP growth

The question that remains is, not how imperialism maintains its supremacy over China, but how, in spite of this, Chinese capitalism has expanded rapidly. As suggested, China—under

1092 Steinfeld, 2010, p163–7.

1093 Nahm, Johnas and Steinfeld, Edward, ‘Scale-up Nation: China’s Specialization in Innovative Manufacturing’, *World Development*, 54, 2014, p290.

1094 Putting a positive spin on this, Cattaneo et al write, “developing countries have taken the lead in products tailored to the need of their home markets and other markets in the South. So-called ‘frugal innovation’ (for example, the \$300 notebook computer or the \$3,000 car) for low-income consumers has become a real factor in new market creation.” Cattaneo et al, 2010, p18.

the social hegemony of the Chinese capitalist class and its political leadership, the CCP—has not developed an advanced form of capitalism that aims to or is capable of overcoming the monopolistic position of the core capitalist states. Rather, the easiest, simplest route of accumulation for Chinese capitalists appears to be as brokers whose core trade is to offer up Chinese labour to international capital (either directly or indirectly). Chinese capital can hardly be expected to choose a path of confrontation with the core bourgeoisie in a situation in which it can rapidly, and in many cases, massively enrich itself by way of a division of labour with core capital. The labour division may be cooperative, taking on different aspects of the same production process. At other times, it may be an uncooperative division, the parts secured by each party reflecting their relative strengths.

The sheer size and rapid growth of China's labour force is undoubtedly an underlying factor in its success. Non-monopoly production being essentially the organisation of ordinary labour power, China might be expected to be the most successful non-monopoly state, as its labour is most abundant and, until recently, was among the cheapest. Between 1991 and 2006 China's urban workforce increased by 260 million, reflecting a rapid urbanisation in that period.¹⁰⁹⁵

However, labour power, in modern production, must also be well organised. In India, the population is almost as large as China's. It is younger, growing quickly and will soon surpass China in absolute size. Yet there is no possibility—in the near term—of India surpassing China's position as the top, large Third World state, or of even approaching that position. India is manifestly far less developed, something reflected in per capita income around one fifth of China's. On the other hand, China has all but caught up to the major top-tier Third World economies. Those that stood out as the highest income earners of the large Third World countries in 1980—Brazil and Mexico—now have incomes similar to China's.

It is necessary therefore to explain not only China's inability to compete with the core in highest labour processes, but also its ability to move to the top of the periphery. Gowan sensed China's unique attributes when he argued that

insofar as China retains a state organized for development it possesses unique potentials to exploit extraordinary scale economies and learning economies and to acquire great state resources for upgrading its production to rise up the international division of labour.¹⁰⁹⁶

Not perceiving the polarisation in the world labour division, Gowan tends to view China's "rise up the international division of labour" as potentially uninterrupted. In 2003, he viewed it as constituting "the enormous challenge for the 21st century". Yet even if we don't accept

¹⁰⁹⁵ Panitch and Gindin, 2013, p298.

¹⁰⁹⁶ Gowan, in Anievas, Alexander, (ed), 2012, p142.

Gowan's expectation of potential Chinese catch-up, we can still agree that the unique capacities of the Chinese state and the scale of its productive forces have been critical in its "rise up the international division of labour" *within the Southern pole* of the overall labour division.¹⁰⁹⁷

Legacy of the Chinese Revolution

The ascendant capitalist class benefited not only from the size of the labour force it could bring to the international market but also from its ability to capture and convert to capital pre-existing social resources, especially the already educated and disciplined labour power, industrial establishments and means of communication established during the period of socialised property relations. While much Chinese industry developed in this period was backward compared with core-based industries, it nevertheless represented the pre-existing organisation of labour into modern work units and established division of labour, systems of communication, plant, distribution of goods and so on, most of which could be converted by the embryonic capitalist class into just as many aspects of the capitalist organisation of the economy.

Perhaps the most important and often overlooked of these gifts to capital was the mass of pre-existing, relatively advanced development of Chinese labour power. According to Prashad, "the Maoist fruits—namely, the production of a healthy, literate and able population" were China's "greatest asset".¹⁰⁹⁸ Prashad also refers to papers by Salam on the importance of scientific and technological training of the workforce. According to Salam, among all the nations in the global South, China had easily the greatest growth in the scientific workforce—rising from just 500 researchers in 1949 to more than 300,000 by 1988.¹⁰⁹⁹

As World Bank China analyst Chenery observed in 1982, "Postwar transformation of production in China was one of the most rapid among large countries", while by the late 1970s, Chinese "industrialization proceeded much further than is typical for countries of its income level".¹¹⁰⁰ Kuey argues that

by the time of the economic transition from Mao to Deng in the late 1970s, China's heavy industry, after three decades of self-perpetuating reinvestment in the sector, had already built up and matured to such a stage as to be able to facilitate the new leadership's strategic reorientation¹¹⁰¹ ... the massive forced-draft industrialization drive under 'maximum austerity' during the 30-year reign of Mao has paid off quite handsomely, considering the

1097 Gereffi, for example, refers to 'full package' supply and 'integrated manufacturing', Gereffi, 2013, p10.

1098 Prashad, 2014.

1099 Prashad, 2014.

1100 Chenery, Holis B, *Industrialization and Growth: The Experience of Large Countries*, W/P 539, 1982, p16, 13.

1101 Kueh, YY., *China's New Industrialisation Strategy*, Edward Elgar, 2008, p153.

marked improvement in the country's overall economic strength and in income and consumption standards of both urban and rural residents over the entire post-Mao era.¹¹⁰²

Overall, we can identify several factors that contributed to China's growth of commodity production. Firstly, the rapid growth of the Chinese and other Third World bourgeoisies in the neoliberal period results from the general expansion of the sphere of capitalist commodity production associated with advancing specialisation and made possible by the entry of hundreds of millions of new Chinese and other cheap Third World workers into the production of value for the world market. This general expansion of value production caused an expansion in both the monopoly and non-monopoly wings of the international bourgeoisie. As was pointed out (ch.1), it was not principally Chinese income that expanded in the neoliberal period. Core income, measured in aggregate per capita terms, actually expanded many times faster.

Secondly, compared with the overall pace of expansion, a more rapid growth of the least developed capital is a generalised phenomenon both in the neoliberal period (see chapter 1) and previous periods, as is widely noted in both heterodox and classic Marxist literature. As was also noted, it was not only China, but also Vietnam, Myanmar and a range of the least developed capitalist states, especially in East Asia, that achieved above average rates of per capita GDP growth when measured as a percentage of previous income (see chapter 1; appendix 2).

Thirdly, Chinese capitalist expansion also benefited from its special history as a capitalistically undeveloped yet socially relatively advanced state in many respects, at least compared to other Third World states, owing to the social gains of the Chinese revolution. The Chinese ruling elite could not cash in such gains, prior to China's re-conversion to capitalist property. China's peculiarly rapid capitalist development in the period, which stands out even among formerly lowest income states, resulted in part from the conversion of non-capitalist development to capitalist values—the latter show up far better in World Bank statistics.

A fourth factor is that China's sheer size gives it a scale of productive forces and markets that make it both a magnet for international investment, and owing to the advantages of scale production, give it weight disproportionate even to its size. Moreover, the dynamic synergy of these different factors made it a profitable place to do many types of business in the neoliberal period, while the rapid growth created on that basis undoubtedly created a certain momentum of its own (even if a part of that is now being exposed as speculative excess). As Starrs puts it, By the first decade of the twenty-first century, China consolidated its position at the center of

¹¹⁰² Kueh, 2008, p153–4.

many of these transnational production networks as final assembler, becoming 'workshop of the world'. But being workshop of the world in the era of globalization is quite different to being a global centre of production when Japan was rising in the 1960s and 1970s, let alone when Britain was "workshop of the world" in the mid-nineteenth century (the original use of this term).¹¹⁰³

Lastly, the Chinese bourgeoisie, and especially its political representatives in the CCP, as is the case for all capitalist states, attempts to use state policy to leverage its advantages to achieve a greater global weight (and income). Chinese policies include compulsory joint ventures, foreign investment restrictions, trade policy, targeted financing and so on. In China, due to state ownership of banks, its political command structure and other factors, the state is also able to orchestrate a relatively high degree of economic coordination towards national goals identified by the CCP. An illustrative example that combines many of these factors is the Chinese state's attempt to market a commercial passenger aircraft (below). However, the outcome of such attempts, and more broadly the outcome of the coming period, not the neoliberal expansion, will give a more credible evidence regarding China's ability, or otherwise, to rise up the value chain in the way so many anticipate.

Competition

Consistent with Lenin's framework, the above argument does not mean there is no competition between Chinese or other peripheral and core capital. On the contrary, such competition can take the form of a life and death battle for the individual businesses involved. However, that is not the predominant character of Chinese competition with the core. Examined from a distance, these same battles can be seen as being for the precise demarcation between the higher and lower labour tasks and therefore on the line of demarcation between the core and periphery. This means core capitals directly affected by such competition tend to be the lowest or marginal producers. Where Chinese capital is successful in winning control of such production process, rather than indicating its entry into the domain of high-priced production, this more typically means (and itself causes) a shift in the line of demarcation between the two poles.

In general, the more determined and deeper any Chinese foray into the domain of core capital, the more the attempt can proceed only by way of cooperative agreements. Where Chinese capital appears to be attempting a direct confrontation with core monopolies, for example in aerospace (see below), this is tempered in practice by the importation of advanced components—that is, by the establishment of a labour division typical of core-peripheral

¹¹⁰³ Starrs, 2015, p13.

relations. In such a case, it can be the terms of such a labour division more than the market share of core or peripheral producers of final products that is the most important determinant of the relative profitability of each section of capital involved. Alternatively, such attempts are often ultimately unsuccessful.

The characterisation of Chinese growth as a particularly successful variety of Third-World capitalism, and the implication that its growth has not been generally to the detriment of core monopolies, also implies that it has, to some extent, been to the detriment of other Third World capitals, or at least to their potential growth. Again, this is borne out by the statistics of growth performance. As documented (ch.1, table 7; appendix 2), expansion of the largest Third World countries outside China was significantly slower, even measured as a percentage increase, than the imperialist core, while China's was faster.

This suggests that China's growth reflects concentration in China of a disproportionate share of the non-monopoly labour process allocated to the Third World as a whole. For example, Schwartz argues the 1997–8 emerging market crisis was triggered in Asia by China's entry into so called textiles, toys and trash exports, which had been previously more concentrated in South-East Asian economies. China's entry threw the solvency of other producers into doubt and triggering the crisis.¹¹⁰⁴ According to UNCTAD, in Africa and Latin America "globalization has been associated with the movement of labour from high-productivity to low-productivity production, but also to the informal economy".¹¹⁰⁵

It might be argued the Chinese bourgeoisie will seek to leverage China's unique history and resulting social capacity, location and size to further improve the country's global standing in the next period. Undoubtedly that is what sections, or the majority, of the Chinese bourgeoisie *seek* to do, as reflected in various Chinese state initiatives such as Made in China 2025, the Asia Infrastructure Investment Bank (AIIB) and the so-called Belt and Road Initiative (BRI).¹¹⁰⁶ From there, the argument could be formulated that China is likely to be successful at this. However, for such an argument to be convincing, it would first need to be made. This is something that, so far, has not happened among the Marxist writers.

The Chinese, like any other capitalist class, attempt to leverage any advantages to increase profits. The BRI, among other economic goals, attempts to export Chinese engineering standards, reduce excess capacity and bolster development in the country's undeveloped

1104 Schwartz, 2000, p258.

1105 UNCTAD, *Trade and Development Report 2016*, p. xi.

1106 Argued to be a Chinese rebranding of an existing international communications and infrastructural effort underway since the 1990s, originally dubbed 'the new silk road', see Shepard, Wade, 'The New Silk Road Is Not Chinese, It's International', *Forbes*, 14-10-2016.

Western regions, some of this with funding from the AIIB.¹¹⁰⁷ It is Made in China 2025 that attempts to upgrade the country's domestic production processes. But these attempts are limited by the same problems that affect its economy more generally.

Euromonitor International Industry analyst, Lašinskas, compares Made in China 2025 to Industry 4.0 developed by Germany and other European states. Lasinskas believes China cannot adopt Industry 4.0 technology (i.e. cyber-physical systems) because most industry remains at the level of "Industry 2.0"—with manual assembly lines. Industry 3.0 involves the adoption of robots and automation.¹¹⁰⁸

Not only is the Chinese plan aiming to upgrade two stages ahead of its current level, but it specifies no less than ten priority industries where this goal will be pursued. These are information technology, numerical control tools and robotics, aerospace equipment, ocean engineering equipment and high-tech ships, railway equipment, energy-saving and new energy vehicles, power equipment, new materials, medicine and medical devices and agricultural machinery. According to Shanker, a research analyst in electronics and semiconductors, "it will be difficult for China to innovate in the technological space within such a short span of time and make Chinese industries independent".¹¹⁰⁹

Shanker says

Midea was trying, like many other Chinese companies, to develop their own industrial robotics products. This went on for a number of years, but the quality of [Chinese-developed] systems was not comparable to what was being produced in Europe and Japan.

The policy response therefore has been instead to purchase overseas firms where greater technological capacity does exist—the prime example being the purchase of German robotics maker, Kuka, in an attempt to import the German technology.

Another current example is China's push at commercial aerospace production through the Commercial Aircraft Corporation of China (COMAC). Headquartered in Shanghai, COMAC is directly controlled by China's Cabinet. The SOE has so far invested around \$10 billion to develop the C919, a mid-sized passenger jet that COMAC aims to establish as a competitor to the global duopoly of Boeing and Airbus in that line of production. COMAC's enormous investment includes facilities and personnel spread over more than 110 buildings.

¹¹⁰⁷ Cai, Peter, 'Understanding China's Belt and Road Initiative', *Lowy Institute*, March, 2017, p5–6.

¹¹⁰⁸ Ward-Foxton, Sally, Made in China 2025: Make or Break for Europe?, *Electronic Engineering Times*, 25-07-2017.

¹¹⁰⁹ Ward-Foxton, 2017.

The test flight of the first prototype C919 passenger plane took place three years behind schedule in May 2017, while the second prototype was tested a further three months behind schedule in December 2017.¹¹¹⁰ This compares to a monthly production of twenty commercial planes at Airbus' Chinese assembly plant alone and Boeing's 2016 sales to China of 116 aircraft. The C919, which uses long-established technologies, is considered unlikely to match the performance of Boeing and Airbus' mid-sized commercial planes already in operation, let alone of their next generation planes already under development.

COMAC may not go bankrupt anytime soon, due to guaranteed orders by Chinese state-linked domestic airlines and state financial backing. However, so far, orders for the plane have come almost exclusively from Chinese state-owned companies and General Electric (GE)—which stands to gain from its involvement in the project, and has ordered twenty. If such a trend were to continue, the company would begin to look like an aerospace version of the numerous other large, hardly profitable domestic monopolies identified.

The C919 relies on collaboration with US industrial giants GE and Honeywell for many of its high technology components. The *New York Times* reports, "in addition to the avionics, G.E. has also collaborated on the engines, while Honeywell is providing auxiliary power systems, wheels, brakes, fly-by-wire controls and navigation equipment". The paper reported "Honeywell expects \$15 billion in sales to the C919 program during its 20 or more years of production."¹¹¹¹ Thus even if the Chinese Cabinet and COMAC are successful in establishing their own mid-sized aircraft as an international competitor to Boeing and Airbus, this will not guarantee that most of the profits from the aircraft's sales will stay in China.

The C919, with a maximum seating configuration of 190, does not attempt to compete with Boeing and Airbus' larger and more profitable wide-bodied planes, but the more common narrow-bodied Boeing 737 and Airbus A320. COMAC have a plan to enter that market too. Lien, the head of Honeywell's aerospace division in Asia was quoted as saying that "Russia and China were in the final stages of negotiating a plan to jointly design and produce" a wide-bodied aircraft. Again, if such a joint venture were to go ahead, and was successful, to the extent it relied on Russian or other foreign technology, we could expect Russian and foreign capital to benefit disproportionately.

Conclusion

The success of Chinese capitalist expansion comes from the combination of low wages, huge numbers of reliable, educated workers, efficient organisation and sometimes mechanisation of relatively simple bulk production processes, investment in basic capital equipment and infrastructure, development of cheaper methods to produce already low-cost goods and a large

¹¹¹⁰ Reuters Staff, 'Second Prototype of China's C919 Jet Conducts Test Flight: State TV', *Reuters*, 17-12-2017.

¹¹¹¹ Bradsher, 2017.

(though mostly poor) domestic market. This is why China has been the most successful of the poor capitalist economies in the neoliberal period.

Because China's growth is characterised by the development of non-monopoly production, it has grown quickly, while still being dominated by more advanced capital. China was the most successful practitioner and developer of those labour processes allocated to the periphery within the imperialist-dominated international division of labour. In other words, China's success is as the Third World state, par excellence. It moved from one of the poorest Third World states to one of the least poor.

This explanation of China's economic growth has the virtue that it does not seek to deny or downplay the gravity of economic changes taking place. On the contrary, it emphasises and highlights these changes by seeking to uncover their precise character. The Third World society par excellence can attract to itself a disproportionate share of global investment, contribute a disproportionate share of global labour, suffer a disproportionate non-equivalent exchange of value and maintain or grow a capitalist class that is disproportionately prosperous and powerful in relation to other Third World capitalist classes on that basis.

However as non-monopoly capital, its position is always highly curtailed and vulnerable. This can be seen historically from the years of stagnation that afflicted Brazil following its supposed 'take off' during the 1960s (ch.1). It can also be seen from the present tendency towards deceleration of growth and crisis in China alongside GDP growth acceleration in still lower ranking Third World states, especially India. If such a trend continues, we can expect an increase in mainstream hype over the next decade or so about the apparent rise of India. In fact, such a trend is already discernible in both mainstream and Marxist work.¹¹¹²

¹¹¹² Schake, Kori and Manuel, Anja, 'How to Manage a Rising Power—or Two: What America can Learn from 19th-Century Britain', *The Atlantic*, 24-05-2016; Heath, Michael, 'Superpower India to Replace China as Growth Engine', *Bloomberg*, 18-09-2017; Day and Gaido, 2012, p93.

Conclusion

The thesis has demonstrated five closely-related postulates: The neoliberal period has reconfirmed the global polarisation inherent in the imperialist system; influential Marxist writers largely ignore this or cannot explain it; these writers rejected Lenin's *Imperialism* on the basis of caricature, yet have been unable to replace it with another Marxist theory; Lenin's monopoly finance capital applies Marx's theory of value, and in doing so it was able to anticipate how the rich countries—100 years on—reproduce their dominance today through monopolistic dominance of the labour process.

The global polarisation in income documented in chapter one has been shown to exist as a manifestation of the essential polarisation that exists as the very basis of the world division of labour—the division of world capital into those capitals with a globally monopolistic position in the labour process and those without that: into monopoly and non-monopoly capital—with almost all the monopoly capital emanating from the imperialist core states.

The concept of non-monopoly capital and elaboration of its role and relationship to monopoly capital—the principal concern of the empirical sections of this thesis—may appear original in a contemporary context. However the concept flows logically from Lenin's concept of monopoly finance capital. As a form of *capitalist property*, monopoly finance capital must ultimately rely on commodity production and hence can never create a world were all production is monopolised. As shown, Lenin made explicit his own view of the inevitable continuance of non-monopoly capital—and he was correct.

In the neoliberal period especially, non-monopolistic capitalist production has been greatly expanded and more closely integrated into a global division of labour that systematically brings non-monopoly capital into production for the world market by integrating it into global production networks dominated by the monopolist groups.

As shown, during WW1 Lenin not only correctly anticipated a second World War, but also the period of inter-imperialist 'peace' that would follow it—the period we have now been in for the past seventy years. He also anticipated the basic character of the global economy in that period: imperialist exploitation of the poor countries. While Lenin could hardly have anticipated the precise form this exploitation might take, his theory of monopoly finance capital left us with the theoretical framework with which it is possible to do so.

Lenin's theory emphasises the labour process as the primary domain in which capitalist monopoly is fought for and obtained—that is the primary arena of monopoly competition.

Once this is recognised, it becomes apparent that competition must proceed—at least to some extent—along lines parallel to the old forms of competition based in the labour process outlined by Marx (albeit with important modifications and intensifications). For this reason, Marx's law of value, i.e. his theory of capitalist development, which proceeds via capitalist competition, is not nullified but only conditioned by capitalist monopoly. Competition becomes monopoly competition. Value, which in Marx's theory is distributed via competition on the market is then distributed through competition that is carried on in a monopolistic manner on the market.

It is this conditioning of Marx's law—in accordance with the principles detailed in Lenin's monopoly finance capital—that has made possible the concrete application of the law of value to the international economy in the neoliberal period. If that has been done in an inadequate manner in the present thesis, arguably the work at least clearly demonstrates how that is possible in future research.

It has long been contended by contemporary Marxists that satisfactory application of Marx's law of value to the *international* economy has not been achieved. At the same time, it is commonly held among Marxists today that there is no satisfactory, contemporary Marxist theory of imperialism. Few imagined what the neoliberal period has proven in practice: the resolution to both issues lies with the fusion of Marx's law of value with Lenin's *Imperialism* and its concept of monopoly. In other words, Lenin's theory stands as a basically correct, scientific application of Marx's law of value to capitalism's monopoly stage.

What the fusion produces, as shown, is something that closely describes contemporary conditions: the conception of monopoly and non-monopoly capital. Monopoly finance capital in the imperial core countries can be described as 'monopoly' due to its monopolistic dominance of the whole labour process. Non-monopoly capital is deprived of access to the higher levels of the labour process and can dominate only its lower sphere, which, because it is easily reproduced, cannot be monopolised.

Differentiating between monopoly and non-monopoly is theoretically superior to other available theoretical concepts aimed at explaining the global polarisation, because it is able to simultaneously explain the general forms of development of capitalist commodity production in the South, the different dynamic of capitalist commodity production in the North and the relationship between the two poles. That is, it characterises the economies of the South with reference to *the life of their own economies* while *at the same time* explains the conditioning of those economies by their situation in imperialist capitalism as whole, and in relation to the core economies. Likewise it explains the conditioning of the Northern economies by their

different (opposite) situation in imperialist capitalism as whole, and in their relation to the Third World.

To put it another way, it gives a concrete characterisation of the internal economic life of both the North and Southern poles of the system *and* concretely characterises the relationship between the poles *on that basis*. The other 'binary' explanations of the N-S divide—semi-colonial versus imperial, core versus periphery, metropolis and satellite, core and periphery—only relate to the relationship with the imperial core can not give integrated and adequate characterisation of the internal dynamic of the exploited countries.

The monopoly versus non-monopoly concept also allows for recognition that non-monopoly economies can expand their commodity production, but this expansion occurs as the growth of non-monopoly production on an expanded scale. In this way the concept is able to explain two principal characteristics of the neoliberal period—rapid expansion in parts of the South, combined with its continuing subjugation to the imperialist core.

For this reason the concept of monopoly and non-monopoly capital—or we can alternatively call it Lenin's "monopoly finance capital" because the "monopoly-non-monopoly" formulation is a subordinate part of Lenin's whole theory—paints a fundamentally bleaker picture of the prospects for economic and social development of the majority of the world's people (i.e. the Third World poor) within the imperialist system than is painted by Rostow, Warren or the contemporary China boosters who can only see the capitalist expansion in the South—but can't understand how this capital is at the same time subject to monopoly domination.

Questions for future research and analysis that flow from recognising this finding

The thesis clearly demonstrates the rejection and/or caricature of Lenin by the Marxists criticised. It also shows that this phenomenon coincides with the decline of anti-imperialist social struggle, decline in social struggle in general and decline in Marxist writing on imperialism. A theoretical question for future analysis therefore arises: Are these Marxist works on imperialism actually Marxist? Or could they be more accurately understood as a manifestation of the retreat of class struggle and of Marxism in the period studied?

The thesis has identified four components essential to a Marxist analysis of the contemporary period that are absent in the contemporary works but present in Lenin:

- 1) Lenin applies the *most concrete* aspects of Marx's study of capitalism (found in *Capital3*), namely Marx's concept of capitalism's highest stage.
- 2) Lenin's application of Marx's 'highest stage' involves detailed analysis of the relationship

between the new forms of capitalist property characteristic of this new stage and the *social labour process*.

3) Lenin's concrete development of this conceptual framework, explicitly, takes place within the bounds of capitalist commodity production.

4) By applying Marx's *Capital* in these two ways, Lenin's theory of 'monopoly finance capital' is successful in actualising Marx's labour theory of value in the modern, monopoly capitalist epoch.

The principal Marxist currents identified do not *attempt* to apply Marx's law of value to explain imperialism. Harvey's 2003 effort was aborted—as shown—and the theory he developed could just as easily show value transfer 'West' to 'East' as 'South' to 'North'. Callinicos avoids a characterisation of the contemporary period, after Harman openly contradicted Marx's law of value. As was also shown, the MR current—like all explanations lacking a characterisation of the relationship between the monopoly form and the labour process—starts from the premise that monopoly supersedes the law of value.

The question then arises, in what precise sense are these contemporary "Marxist" explanations of imperialism actually Marxist? Marx wrote in 1868 that "Science consists precisely in demonstrating *how* the law of value asserts itself."¹¹¹³ J. Smith's work has the merit that it at least *attempts* to apply Marx's law of value, even if it is ultimately unable to explain the global polarisation. However, if the contemporary Marxist explanations identified are not Marxist, this poses the question, what program of future research can be developed within a Marxist framework?

One starting point might be a more adequate documentation of the empirical evidence compiled in the present thesis on the technical polarisation in the labour process. A possible approach to this would be work that focuses on the question of industrialisation, specifically examining the character of manufacturing in Third World countries against the types of labour processes that imperialist firms and states are increasingly specialising in.

¹¹¹³ Marx, Karl, Letter to Kugelmann, [written 1868], marxists.org, 2000, marxists.org/archive/marx/works/1868/letters/68_07_11-abs.htm

Appendix 1. World states and territories 2015

First, Second and Third World by Income and Ranked by Population (largest to smallest)

First world (USD 2015) Source: Worldbank, 2017.¹

State or Territory	Pop. (thousands)	GDP (millions)	GDP per capita	GDP per capita 2010 constant USD	% of world GDP	% of world pop.	GDP per capita % of First World average
USA	321,774	18,036,648	56,053.80	51,638	24.32	4.39	126.13
Japan	126,574	4,383,076	34,628.60	47,150	5.91	1.73	77.60
Germany	80,689	3,363,447	41,684.10	45,408	4.54	1.10	92.86
UK	64,716	2,858,003	44,162.20	40,620	3.85	0.88	98.62
France	64,395	2,418,836	37,562.50	41,534	3.26	0.88	81.38
Italy	59,798	1,821,497	29,957.80	33,849	2.46	0.82	67.37
South Korea	50 293	1,377,873	27,221.50	25,023	1.86	0.69	61.19
Spain	46,122	1,199,057	25,831.60	30,587	1.62	0.63	58.06
Canada	35,940	1,550,537	43,248.50	50,001	2.09	0.49	97.21
Australia	23,969	1,339,141	56,311.00	54,708	1.81	0.33	126.57
Netherlands	16,925	750,284	44,299.80	51,268	1.01	0.23	99.57
Belgium	11,299	455,086	40,324.00	45,036	0.61	0.15	90.64
Sweden	9,779	481,066	50,579.70	55,186	0.65	0.13	113.69
Austria	8,545	376,950	43,775.00	47,755	0.51	0.12	98.39
Switzerland	8,299	670,790	80,945.10	75,531	0.9	0.11	181.94
Israel	8,064	299,416	35,728.10	33,117	0.4	0.11	80.31
(Hong Kong)	7,288	309,235	42,327.80	36,173	0.42	0.10	95.14
Denmark	5,669	295,091	51,989.30	58,098	0.4	0.08	116.86
Singapore	5,604	292,739	52,888.70	51,855	0.39	0.08	118.88
Finland	5,503	231,950	42,311.00	45,133	0.31	0.08	95.10
Norway	5,211	386,578	74,400.40	89,493	0.52	0.07	167.23
Ireland	4,688	283,703	61,133.70	65,292	0.39	0.06	137.41
New Zealand	4,529	173,754	37,808.00	36,801	0.23	0.06	84.98
Puerto Rico	3,683	103,135	28,704 (2013)	25,968 (2013)	0.14	0.05	64.52
(Macau)	588	46,178	78,585.9	55,860	0.06	0.01	176.64
Luxembourg	567	57,794	101,450	106,409	0.08	0.01	228.03
Iceland	329	16,598	50,173.3	44,141	0.02	0	112.78
Andorra	70	3,249	42,804.2 (2013)	41,208 (2013)	0	0	96.21
TOTAL (28)	980,960	43,581,702	44,427.6	NA	58.91%	13.37	100

Second world (USD 2015) Source: Worldbank, 2017

State or Territory	Pop. (thousands)	GDP (millions)	GDP per capita	GDP per capita 2010 constant USD	% of world GDP	% of world pop.	GDP per capita % of First World average
NON OIL EXPORTERS							
Taiwan	23,452 ¹¹¹⁴	528,000 ¹¹¹⁵	21,044 (2011) ¹¹¹⁶	---	0.71	0.32	47.30
Greece	10,955	194,851	18,002.2	22,573	0.26	0.15	40.46
Czech Republic	10,543	185,156	17,548.3	21,214	0.25	0.14	39.44
Portugal	10,350	198,923	19,222.2	21,961	0.27	0.14	43.21
Slovakia	5,426	87,264	16,088.3	18,643	0.12	0.07	36.16
Slovenia	2,068	42,775	20,726.5	23,778	0.06	0.03	46.59
Trinidad and Tobago	1,360	23,559	17,321.9	16,696	0.03	0.02	38.93
Estonia	1,313	22,459	17,118.5	17,639	0.03	0.02	38.48
Cyprus	1,165	19,560	23,242.8	27,788	0.03	0.02	52.24
Malta	419	9,746	22,596.2	24,351	0.01	0.01	50.79
The Bahamas	388	8,854	22,817.2	20,684	0.01	0.01	51.29
St Kitts and Nevis	56	876	15,771.9	15,081	0.00	0	35.45
<i>(subtotal)</i>	<i>(67,495)</i>	<i>(1,322,023)</i>	<i>(19,291.7)</i>	---	<i>(1.79)</i>	<i>(0.92)</i>	<i>(44.09)</i>
OIL EXPORTERS							
High income oil exporters—i.e. United Arab Emirates, Kuwait, Qatar, Brunei—listed a Second World							
Saudi Arabia	31,540	646,002	20,481.7	21,313	0.83	0.43	46.04
United Arab Emirates	9,157	370,296	40,438.8	39,313	0.50	0.12	90.90
Kuwait	3,892	114,041	29,300.6	35,889	0.15	0.05	65.86
Qatar	2,235	164,641	73,653.4	7,5687	0.22	0.03	165.55
Bahrain	1,377	31,126	22,600.2	22,348	0.04	0.02	50.80
Brunei	423	12,930	30,554.7	32,226	0.02	0.01	68.68
<i>(subtotal)</i>	<i>(48,624)</i>	<i>(1,339,036)</i>	<i>(36,172)</i>	---	<i>(1.81)</i>	<i>(0.66)</i>	<i>(61.90)</i>
TOTAL (23)	116,119	2,661,059	24,918	NA	3.60%	1.58%	51.58%

1114 National Statistics, Republic of Taiwan, 2015, eng.stat.gov.tw, accessed 07-07-2017.

1115 Focus Economics, 2017, www.focus-economics.com, last accessed 07-07-2017.

1116 Focus Economics, 2017.

Third world (USD 2015 per capita)

State or Territory	Pop. (thousands)	GDP (millions)	GDP per capita	GDP per capita 2010 constant USD	% of world GDP	% of world pop.	GDP per capita % First World average	GDP per capita % of Spain
China	1,376,049	11,007,721	8,000	6,498	14.88	18.76	18.04	31.08
India	1,311,051	2,095,398	1,598	1,751	2.83	17.87	3.59	6.19
Indonesia	257,564	861,934	3,346	3,834	1.17	3.51	7.52	12.96
Brazil	207,848	1,774,725	8,539	11,159	2.40	2.83	19.19	33.06
Pakistan	188,925	271,050	1,435	1,143	0.37	2.58	3.23	5.56
Nigeria	182,202	481,066	2,640	1,298	0.65	2.48	5.93	10.22
Bangladesh	160,996	195,079	1,212	973	0.26	2.19	2.72	4.69
Russia	143,457	1,331,208	9,093	11,039	1.80	1.96	20.44	35.20
Mexico	127,017	1,143,793	9,005	9,511	1.55	1.73	20.24	34.86
Philippines	100,699	292,451	2,904	2,640	0.40	1.37	6.53	11.24
Ethiopia	99,391	61,540	619	486	0.08	1.35	1.39	2.40
Vietnam	93,448	193,599	2,111	1,685	0.26	1.27	4.74	8.17
Egypt	91,508	330,779	3,615	2,707	0.48	1.25	8.13	13.99
Iran	79,109	425,326	5,443 (2014)	5,937 (2014)	0.57	1.08	12.23	21.07
Turkey	78,666	717,880	9,126	11,523	0.97	1.07	20.51	35.33
Congo (DR)	77,267	35,238	456	385	0.05	1.05	1.02	1.76
Thailand	67,959	395,168	5,815	5,775	0.53	0.93	13.07	22.51
South Africa	54,490	314,572	5,724	7,593	0.43	0.74	12.87	22.16
Myanmar	53,897	62,601	1,162	1,309	0.08	0.73	2.61	4.50
Tanzania	53,470	45,628	879	842	0.06	0.73	1.98	3.40
Colombia	48,229	292,080	6056	7,448	0.39	0.64	13.61	23.44
Kenya	46,050	63,398	1,377	1,134	0.09	0.63	3.10	5.33
Ukraine	44,824	90,615	2,115	2,826	0.12	0.61	4.75	8.19
Argentina	43,417	583,169	13,432	10,515	0.79	0.59	30.19	52.00
Sudan	40,235	97,156	2,415	1,808	0.13	0.54	5.23	9.35
Algeria	39,667	166,839	4,206	4,794	0.23	0.54	9.45	16.28

Uganda	39,032	27,529	705	673	0.04	0.54	1.58	2.72
Poland	38,612	477,066	12,555	14,650	0.64	0.53	28.22	46.60
Iraq	36,423	180,069	4,944	5,119	0.24	0.50	11.11	19.14
Morocco	34,378	100,593 ⁱⁱ	2,878	3,240	0.14	0.47	6.47	11.14
Afghanistan	32,527	19,331	594	620	0.03	0.44	1.34	2.30
Peru	31,377	189,111	6,027	5,935	0.26	0.43	13.55	23.33
Venezuela	31,108	548,100 ⁱⁱⁱ	12,625 (2014)	13,750 (2014)	0.74	0.42	28.38	48.87
Malaysia	30,331	296,283	9,768	10,878	0.40	0.41	21.96	37.81
Uzbekistan	29,893	66,733	2,132	1,857	0.09	0.41	4.79	8.25
Nepal	28,514	21,195	743	690	0.03	0.39	1.67	2.88
Mozambique	27,978	14,807	529	512	0.02	0.38	1.19	2.05
Ghana	27,410	37,543	1,370	1,697	0.05	0.38	3.08	5.30
Yemen	26,832	37,734	1,406	775	0.05	0.37	3.16	5.45
North Korea	25,155	25,482 ^{iv}	1,013 ^v	1,013 ^{vi}	0.03	0.34	2.28	3.92
Angola	25,022	102,627	4,102	4,153	0.14	0.34	9.22	15.88
Madagascar	24,235	9,739	402	410	0.01	0.33	0.90	1.56
Cameroon	23,344	28,416	1,217	1,304	0.04	0.32	2.74	4.71
Côte d'Ivoire	22,702	31,759	1,399	1,496	0.04	0.31	3.14	5.42
Sri Lanka	20,715	82,316	3,926	3638	0.11	0.28	8.82	15.20
Niger	19,899	7,143	359	384	0.01	0.27	0.81	1.39
Romania	19,511	177,954	8,973	9531	0.24	0.27	20.17	34.74
Burkina Faso	18,106	10,678	590	645	0.01	0.25	1.33	2.28
Syria	18,502	49,424 ^{vii}	2671 ^{viii}	2,671 ^{ix}	0.07	0.25	6.00	10.34
Chile	17,948	240,796	13,416	14661	0.33	0.24	30.16	51.94
Kazakstan	17,625	184,388	10,510	10617	0.25	0.24	23.62	40.69
Mali	17,600	12,747	724	721	0.02	0.24	1.63	2.80
Malawi	17,215	6,404	372	494	0.01	0.23	0.84	1.44
Guatamala	16,343	63,794	3,904	3,052	0.09	0.22	8.78	15.11
Zambia	16,212	21,154	1,305	1,607	0.03	0.22	2.93	5.05
Ecuador	16,144	100,177	6,205	5,367	0.34	0.22	13.95	24.02
Zimbabwe	15,603	14,419	924	815	0.02	0.21	2.08	3.58

Cambodia	15,578	18,050	1,159	1,021	0.02	0.21	4.68	4.49
Senegal	15,129	13,610	900	1,043	0.02	0.21	2.02	3.48
Chad	14,037	10,889	776	952	0.01	0.19	1.74	3.01
Guinea	12,609	6,699	531	417	0.01	0.17	1.19	2.06
South Sudan	12,340	9,015	731	718	0.01	0.17	1.64	2.83
Rwanda	11,610	8,096	697	690	0.01	0.16	1.57	2.70
Cuba	11,390	77,150	6,790	6,157 (2013)	0.10	0.16	15.26	26.59
Tunisia	11,254	43,015	3,873	4329	0.06	0.15	8.71	14.99
Burundi	11,179	3,097	277	207	0	0.15	0.62	1.07
Benin	10,880	8,291	762	805	0.01	0.15	1.71	2.95
Bolivia	10,725	32,998	3,077	2393	0.04	0.15	6.92	11.91
Somalia	10,787	5,925	549	---	0.01	0.15	1.23	2.13
Haiti	10,711	8,765	818	728	0.01	0.15	1.84	3.17
Dominican Republic	10,528	68,103	6,469	6,553	0.09	0.14	14.54	25.04
Hungary	9,855	124,343	12,617	14518	0.17	0.13	28.4	48.84
Azerbaijan	9,754	53,047	5,496	6,116	0.07	0.13	12.35	21.28
Belarus	9,496	54,609	5,741	6,159	0.07	0.13	12.90	22.22
Serbia	8,851	37,160	5,235	5,661	0.05	0.12	11.77	20.27
Tajikistan	8,482	7,853	926	933	0.01	0.12	2.08	3.58
Honduras	8,075	20,421	2,529	2,313	0.03	0.11	5.68	9.79
Papua New Guinea	7,619	16,929 (2014)	2,268	1,784	0.02	0.10	5.10	8.78
Jordan	7,595	37,517	4,940	3,976	0.05	0.10	11.10	19.12
Togo	7,305	4,088	560	554	0.01	0.10	1.26	2.17
Bulgaria	7,150	50,199	6,994	7,612	0.68	0.10	15.72	27.08
Lao	6,802	12,369	1,819	1,531	0.02	0.09	4.09	7.04
Paraguay	6,639	27,094	4,081	1,026	0.04	0.09	9.17	15.80
Sierra Leone	6,453	4,215	653	491	0.01	0.09	1.47	2.53
Libya	6,278	40,606 ^x	6467 ^{xi}	6,467 ^{xii}	0.05	0.09	14.54	25.04
El Salvador	6,127	25,850	4,219	3,853	0.03	0.08	9.48	16.33
Nicaragua	6,082	12,693	2,087	1,849	0.02	0.08	4.69	8.08

Kyrgyz Republic	5,940	6,572	1,103	1017	0.01	0.08	2.48	4.27
Lebanon	5,851	47,085	8,048	7,046	0.06	0.08	18.09	31.16
Turkmenistan	5,374	35,855	6,672	6,933	0.05	0.07	15.00	25.83
Eritrea	5,228	3 465 ^{xiii}	663 ^{xiv}	663 ^{xv}	0	0.07	1.49	2.57
Central African Republic	4,900	1,584	323	292	0	0.07	0.73	1.25
Costa Rica	4,808	54,137	11,260	9,238	0.07	0.07	25.31	43.59
Palestine (State of)	4,668	12,766 (2014) ^{xvi}	2811 (2014) ^{xvii}	--	0.02	0.06	6.32	10.88
Congo (Republic)	4,620	8,553	1,851	3,163	0.01	0.06	4.16	7.17
Liberia	4,503	2,053	456	367	0	0.06	1.02	1.77
Oman	4 491	69,831	15551	15,966	0.09	0.06	34.2	60.20
Croatia	4,240	48,732	11,536	13,807	0.07	0.06	25.93	44.66
Mauritania	4,068	5,442	1371	1,338 (2014)	0.01	0.06	3.08	5.31
Moldova	4,069	6,568	1,848	1,978	0.01	0.06	4.15	7.15
Georgia	4,000	13,965	3,796	4,010	0.02	0.05	8.53	14.70
Panama	3,929	52,132	13,268	10,751	0.07	0.05	29.82	51.36
Bosnia and Herzegovina	3,810	16,192	4,249	4,802	0.02	0.05	9.55	16.45
Uruguay	3,432	53,443	15,574	13,944	0.07	0.05	35.01	60.29
Armenia	3,018	10,529	3,489	3,797	0.01	0.04	7.84	13.51
Mongolia	2,959	11,741	3,968	3,946	0.02	0.04	8.92	15.36
Albania	2,897	11,398	3,945	4,543	0.02	0.04	8.87	15.27
Lithuania	2 878	41,171	14147	15,231	0.06	0.04	31.1	57.77
Jamaica	2,793	14,262	5,232	5,001	0.02	0.04	11.76	20.25
Namibia	2,459	11,492	4,674	6,000	0.02	0.03	10.51	18.09
Botswana	2,262	14,390	6,360	7,080	0.02	0.03	14.30	24.62
Lesotho	2,135	2,278	1,067	1,370	0	0.03	2.40	4.13
Macedonia	2,078	10,086	4,853	5,094	0.01	0.03	10.91	18.79
Latvia	1,971	27,003	13,649	14,321	0.04	0.03	30.68	52.84
Gambia	1,991	939	472	536	0	0.03	1.06	1.82
Kosovo	1,836 ^{xviii}	6,401	3,562	3,796	0.01	0.03	8.01	13.79

Guinea Bissau	1,844	1,057	573	534	0	0.03	1.29	2.22
Gabon	1,725	14,262	8,266	10,752	0.02	0.02	18.58	32.00
Swaziland	1,287	4,118	3,200	4,057	0.01	0.02	7.19	12.39
Mauritius	1,273	11,682	9,252	9,469	0.02	0.02	20.80	35.82
East Timor	1,185	1,442	1,158	984	0	0.02	2.60	4.48
Fiji	892	4,426	4,961	4,350	0.01	0.01	11.15	19.21
Djibouti	888	1,727	1,945	1,650	0	0.01	4.37	7.53
Equatorial Guinea	845	12,202	14,440	19,433	0.02	0.01	32.46	55.90
Comoros	788	566	717	759	0	0.01	1.61	2.78
Guyana	767	3,166	4,127	3,663	0	0.01	9.28	15.98
Montenegro	626	3,987	6,406	7,260	0.01	0.01	14.40	24.80
Solomon Islands	584	1,129	1,935	1,475	0	0.01	4.35	7.49
Western Sahara	573	na ^{xix}	300 (2004) ^{xx}	300 (2004) ^{xxi}	0	0.01	0.67	1.16
Suriname	543	5,150	5,862	9,115	0.01	0.01	13.18	22.69
Cabo Verde	521	1,603	3,145	3,500	0	0.01	7.09	12.18
Maldives	364	3,435	5,003	7,221	0	0	11.25	19.37
Belize	359	1,753	4,325	4,393	0	0	9.72	16.74
Barbados	284	4,385	15,429	15,971	0.01	0	34.68	59.73
Vanuatu	265	742	2,393	2,823	0	0	5.38	9.26
Samoa	193	761	3,130	3,641	0	0	7.04	12.12
Sao Tome and Principe	190	318	911	1,293	0	0	2.05	3.53
Saint Lucia	185	1,431	6,762	6,823	0	0	15.20	26.18
Kiribati	112	160	1,358	1,616	0	0	3.05	5.26
Saint Vincent and the Grenadines	109	738	6,220	6,575	0	0	13.98	24.08
Grenada	107	984	7,323	8,391	0	0	16.46	24.35
Tonga	106	435	2,938	3,700	0	0	6.60	11.37
Micronesia	104	315	2,435	2,793	0	0	5.47	9.43
Seychelles	96	1,438	15,476	13,618	0	0	34.79	59.91
<u>Dominica</u>	<u>73</u>	<u>517</u>	<u>5,952</u>	<u>6,544.8</u>	<u>0</u>	<u>0</u>	<u>13.38</u>	<u>23.04</u>

Marshal Islands	53	179	2,893	3,070.8	0	0	6.50	11.20
Palau	21	287	9,743	10,304.2	0	0	21.90	37.72
Tuvalu	10	33	2,768	3,246.9	0	0	6.22	10.72
Nauru	10	100	9,828	11,159.0	0	0	22.09	38.05
TOTAL (148)	6,239,386	27,741,670	4,446.2	---	37.50%	85.05%	9.99%	17.21%

Source: Worldbank, 2017; UNCTAD 2017; UNdata 2017.

First, Second and Third World totals (USD 2015 per capita) Source: Worldbank, 2017.

State or Territory	Pop. (thousands)	GDP (millions)	GDP per capita	% of world GDP	% of world pop.	GDP per capita as % of First World average	GDP per capita as % of Spain
First-World	980,960	\$43,581,702	44,427.6	58.91%	13.37%	100%	172.0%
Second-World	116,119	\$2,661,059	\$22,916.7	3.60%	1.58%	51.58%	88.7%
Third-World	6,239,386	\$27,741,670	\$4,446.2	37.50%	85.05%	9.99%	17.2%
WORLD	7,336,465	\$73,984,431	\$10,084.40	100%	100%	22.67%	39.0%

NOTES

United Nations' *World Population Prospects: Key Findings and Advanced Tables, 2015 Revision* gives the world population total as 7,349,000,000. See United Nations, 2015, p. 13-17. Forty-three of the 48 regions classified in that document as 'dependent territories' are tiny and often excluded from World Bank statistics.

These 43 territories and an additional four tiny "states" (altogether home to approx. 0.05% of the world population) are excluded from the above tables. Five regions classified as dependent territories that do have more significant populations—Hong Kong, Puerto Rico, Kosovo, Western Sahara, and Macau—are included in the table.

The world population figure given above is the sum of individual country totals as per the UN document (or other sources where a region is not covered, as indicated). For this reason and rounding errors, the variation in the total figure is 0.17%. See United Nations, 2015, p. 13-17

World Bank's databank gives the world current dollar figure for 2015 as \$10,093.3, on 17-07-2017.

i World Bank, Databank, 2017, databank.worldbank.org/data/home.aspx, last accessed 17-07-2017.

- ii Includes Western Sahara as per World Bank, 2017.
- iii World Economic Outlook, IMF, 2015, cited on www.google.com/publicdata/directory
- iv Yonhap [news], N. Korea's per-capita GDP tops US\$1,000 in 2015: Report, Yonhap, 29-09-2016.
- v Yonhap, 2016.
- vi Yonhap, 2016.
- vii United Nations Conference on Trade and Development (UNCTAD), 2017, unctadstat.unctad.org/ lasted accessed 02-09-2017
- viii UNCTAD, 2017.
- ix UNCTAD, 2017.
- x UNCTAD, 2017.
- xi UNCTAD, 2017.
- xii UNCTAD, 2017.
- xiii UNCTAD, 2017.
- xiv UNCTAD, 2017.
- xv UNCTAD, 2017.
- xvi United Nations, UNdata, 2017, <http://data.un.org/> accessed 02-09-2017.
- xvii United Nations, 2017.
- xviii Official estimate, Jan, 2016.
- xix Included in figure given for Morocco as per Worldbank., 2017.
- xx Lahmeyer, Jan, Population Statistics, 2004, www.populstat.info/Africa/wsaharag.htm/ accessed 02-09-2017.
- xxi Lahmeyer, 2004.

Appendix 2. Movement in GDP per capita, 1980-2015

24 First World economies (Constant 2010 USD) Source: World Bank, 2017.¹¹¹⁷

Country or region	1980			2015			Growth rate in period
	Population (thousands)	GDP (millions)	GDP per capita	Population (thousands)	GDP (millions)	GDP per capita	
USA	227,225	6,529,174	28,734	321,774	16,597,446	51,638	x1.797
Japan	116,782	2,976,675	25,489	126,574	5,986,138	47,150	x1.849
Germany	78,289	2,040,665	26,066	80,689	3,696,836	45,408	x1.742
UK	56,314	1,227,354	21,795	64,716	2,682,177	40,620	x1.864
France	55,341	1,492,201	26,964	64,395	2,774,811	41,534	x1.540
Italy	56,434	1,379,899	24,452	59,798	2,058,114	33,849	x1.384
South Korea ¹¹¹⁸	---	0	3,911	50 293	1,266,580	25,023	(x6.398)
Spain	37,491	653,908	17,442	46,122	1,414,944	30,587	x1.753
Canada	24,593	781,286	31,769	35,940	1,796,304	50,001	x1.574
Australia	14,692	437,626	29,787	23,969	1,301,025	54,708	x1.837
Netherlands	14,150	425,593	30,078	16,925	868,309	51,268	x1.705
Belgium	9,859	270,909	27,478	11,299	508,265	45,036	x1.639
Sweden	8,311	258,410	31,094	9,779	540,559	55,186	x1.775
Austria	7,549	207,717	27,514	8,545	411,219	47,755	x1.736
Switzerland	6,319	344,392	54,497	8,299	625,927	75,531	x1.386
Israel	3,878	66,779	17,220	8,064	277,532	33,117	x1.923
(Hong Kong) ¹¹¹⁹	---	0	10,727	7,288	264,271	36,173	(x3.372)
Denmark	5,123	186,366	36,378	5,669	341,012	58,098	x1.597
Singapore	---	0	13,309	5,604	287,018	51,855	(x3.896)
Finland	4,780	122,653	25,662	5,503	247,754	45,133	x1.759
Norway	4,086	198,364	48,552	5,211	464,998	89,493	x1.843
Ireland	3,413	57,886	16,961	4,688	303,003	65,292	x3.850
New Zealand	3,113	70,174	22,543	4,529	169,128	36,801	x1.632
(Puerto Rico)	3,206	51,388	16,029	3,683	93,304 (2013)	25,968	x1.620
AVERAGE / TOTAL	740,947	19,630,327	26,494	979,406	44,976,674	45,922	x1.733

¹¹¹⁷ World Bank, 2017, databank.worldbank.org/data/home.aspx, last accessed 17-07-2017

¹¹¹⁸ South Korea appears in this table of First World states and the below table of Second and Third World states to reflect its positions in 2015 and 1980 respectively. However, its population and GDP are included only in the First World aggregate of 2015 and the Second and Third-World aggregate for 1980.

¹¹¹⁹ Hong Kong and Singapore appear on this chart as First World economies in 2015 and their respective population and GDP are included in the total for that year, while being excluded from the 1980 totals given their income then was at Second World levels.

NOTES

No country in the top 5 moves more than 0.2 off the average. None of the 1980 top 13 besides Italy diverge more than 0.2 percent from the average. While Switzerland and Israel's growth rates diverge above and below the average, this difference serves in both cases to bring the countries closer to the average GDP per capita. Ireland is certainly the outlier in terms of growth rates. However, this is exaggerated by its status as a tax haven and also by the measure used of constant 2010 dollars. When converted to current dollars, Ireland's income per capita is closer to the First World average.

36 largest Third World economies by population¹¹²⁰ (Constant 2010 USD) Source: World Bank, 2017.

Country or region	1980			2015			
	Population (thousands)	GDP (millions)	GDP per capita	Population (thousands)	GDP (millions)	GDP per capita	Growth rate in period
China	981,235	341,359	348	1,376,049	8,909,812	6,498	x18.672
India	697,300	274,670	394	1,311,051	2,296,627	1,751	x4.444
Indonesia	147,491	181,537	1,231	257,564	987,514	3,834	x3.115
Brazil	122,200	1,010,384	8,268	207,848	2,330,364	11,159	x1.350
Pakistan	78,072	43,430	556	188,925	215,894	1,143	x2.056
Nigeria (oil)	73,698	143,016	1,941	182,202	461,849	1,298	x0.669
Bangladesh	81,364	28,627	352	160,996	156,630	973	x2.764
Russia	139,010	1,457,618 (1989)	9867 (1989)	143,457	1,631,635	11,039	x1.506
Mexico	69,331	517,955	7,471	127,017	1,208,010	9,511	x1.273
Philippines	47,397	79,972	1,687	100,699	265,833	2,640	x1.565
Ethiopia	35,240	8,228 (1981)	228 (1981)	99,391	48,331	486	x2.195
Vietnam	53,700	22,467 (1984)	389(1984)	93,448	154,509	1,685	x4.891
Egypt	43,370	52,600	1,213	91,508	247,720	2,707	x2.232
Iran (oil)	38,668	165,117	4,270	79,109	463,903	5,937 (2014)	x1.390

¹¹²⁰ Economies with a population above 30 million people. Represents 86% of total Third World population.

Turkey	43,906	210,233	4,788	78,666	906,443	11,523	x2.407
Congo (DR)	26,357	21,190	804	77,267	29,710	385	x0.479
Thailand	47,385	66,515	1,404	67,959	392,475	5,775	x4.113
South Africa	29,077	191,998	6,603	54,490	417,308	7,593	x1.150
Myanmar	34,471	7,053	205	53,897	70,538	1,309	x6.385
Tanzania	18,685	11,014	474 (1988)	53,470	43,728	842	x2.302
South Korea	38,124	149,093	3,910.8	---	---	25,023	x6.398
Colombia	27,738	104,112	3,753	48229	359,201	7,448	x1.985
Kenya	16,268	14,611	898	46,050	52,196	1,134	x1.263
Ukraine	49,969	206,228 (1987)	4021 (1987)	44,824	121,073	2,826	x0.629
Argentina	28,106	226,328	8,053	43,417	455,948	10515	x1.306
Sudan and South Sudan	19,119	15,505	811	52,575	81,587	1,552	x1.914
Algeria	19,338	70,016	3,621	39667	189,772	4,794	x1.324
Uganda	12,548	4,041	303(1982)	39,032	26,261	673	x2.356
Poland	35,574	226,662	5948 (1990)	38,612	556,697	14,650	x3.448
Iraq (oil)	13,653	45,684	3,346	36423	186,461	5,119	x1.530
Morocco	20,072	27,215	1,346	34,378	113,223	3,240	x2.407
Afghanistan	13,211	8,013	373 (2002)	32,527	20,158	620	x4.848
Saudi Arabia (oil)	9,913	261,891	26,419	31,540	672,214	21,313	x0.807
Peru	17,359	64,696	3,727	31,377	86,206	5,935	x1.592
Venezuela (oil)	15,344	216,982	14,141	31,108	422,047 (2014)	13,750 (2014)	x0.972
Malaysia	13,834	45,773	3,309	30331	329,952.50	10,878	x3.287
Average / Total	3,158,163	6,521,833	2,065	5,385,103	24,911,830	4,626	x2.240
Avg. ex China	2,176,928	6,180,474	2,839	4,009,054	16,002,018	3,991	x1.406
Avg. ex China ex oil	2,025,652	5,347,784	2,640	3,648,672	13,795,544	3,781	x1.432
Major oil exporters (5)	151,276	832,690	5,504	360,382	2,206,474	6,123	x1.112

TOTALS

Growth rate in GDP per capita, 1980–2015

	1980			2015			Growth rate in period
	Population	GDP	GDP per capita	Population	GDP	GDP per capita	
24 Largest First World Economies	740,947	19,630,327	26,494	979,406	44,976,674	45,922	x1.733
36 Largest Third World Economies by population	3,158,163	6,521,833	2,065	5,385,103	24,911,830	4,626	x2.240
China	981,235	341,359	348	1,376,049	8,909,812	6,498	x18.672
35 Largest Third World excluding China	2,176,928	6,180,474	2,839	4,009,054	16,002,018	3,991	x1.406

Source: World Bank, 2017.

Percentage growth rates (simple average) of Third World states according to their starting income in 1980

36 largest Third World states by population grouped according to their 1980 level of GDP per capita (Constant 2010 USD)

1980 GDP per capita \$1-1000 (13 economies)	Growth rate 1980 - 2015: x4.198
1980 GDP per capita \$1-1000 (excluding china, 12 economies)	Growth rate 1980 - 2015: x2.991
1980 GDP per capita \$1001-3000 (5 economies)	Growth rate 1980 - 2015: x2.686
1980 GDP per capita \$3001-5000 (7 economies including South Korea)	Growth rate 1980 - 2015: x2.528
1980 GDP per capita \$5001-7500 (3 economies)	Growth rate 1980 - 2015: x1.957
1980 GDP per capita \$7501-10,000 (3 economies)	Growth rate 1980 - 2015: x1.387
Oil Exporters, <i>average</i> 1980 GDP per capita \$10,023 (5 economies)	Growth rate 1980 - 2015: x1.074

Figures for general income brackets excludes oil exporters.

Source: World Bank, 2017.

Appendix 3. Core and non-core dominance by sector

The text and tables below divides into five categories the 82 economic sectors used by Forbes to categorise companies listed in the Forbes Global 2000 (2017). Each economic sector is classified as having either:

- 1) no non-core firms listed
- 2) overwhelming core dominance
- 3) core dominance with more significant non-core presence
- 4) no dominance by either the core or non-core, or
- 5) non-core dominance

24 sectors with no non-core corporations listed

Advertising, aircourier, Business Products & Supplies, Computer and electronics retail, computer storage devices, Containers and packaging, diversified media, Discount stores, Environmental and Waste, Forest Products, Furniture and Fixtures, health care services, Home improvement retail, insurance brokers, managed health care, medical equipment supplies, Paper and paper products, precision healthcare equipment, printing and publishing, Restaurants, Security Systems, Semiconductors, Thrifts and mortgage finance, Trucking.

40 sectors with overwhelming core dominance

Brackets containing "#" followed by a number indicate a company's rank on the Forbes Global 2000 list.

Industry	Total	Non-core*	Notes
Aerospace or defence	22	1	Russian united aircraft (#1829) is listed as twentieth in this category and made a loss.
Airlines	24	6	The top six companies are all from the core. Each one of these made close to the same as the combined total of all 6 non-core airlines, while Delta Air (#183, United States) alone made close to twice the profit of the non-core six.
Apparel and Footwear	13	1	The one non-core company, Shenzhou International (#1790, China), made a profit around 1/9th of Nike's.
Auto and Truck Manufacturers	31	11	The top nine companies and 15 of top 17 are all from the core, while China's 8 companies had a combined aggregate profit less than that of Toyota. Includes Geely, which is Hong Kong listed
Auto and truck parts	29	2	Morherson Sumi (#1952) is from India while Brilliance China Automotive Holdings (#1690) is headquartered in Hong Kong
Beverages	23	6	Nine of the top ten are from the core while the 6th, Femsu (#380) is from Mexico

			and the 11th, Kweichow Moutai (#647) is from China. The combined profits of all six non-core companies From China (3), Mexico (2) and Thailand (1) are almost \$7 billion, slightly higher than PepsiCo's (#84) \$6.3 billion profit but less than the three Coca-Cola companies listed.
Biotech	14	1	Only the lowest ranking, Shanghai RAAS Blood Products (#1962, China), is non-core.
Broadcasting and Cable	18	2	The top 9 are all from the core while number ten, Naspers (#655, South Africa), and thirteen, Grupo Televisa (#1365, Mexico), are not.
Casinos and Gambling	6	1	The fourth largest company, Genting (#1259), is from Malaysia.
Communications Equipment	7	1	The sixth largest, ZTE (#1052), is from China.
Computer Hardware	15	4	The sixth largest company, Legend Holding (#610, China), the seventh, Lenovo (#690, Hong Kong), and fifteenth are all Chinese. A total of four Chinese companies made a combined profit of \$1.9 billion—just over 4% of Apple's profits.
Computer Services	25	7	The top four companies were from the core while Tencent (#148, China) was fifth. The seven Third World companies were from China (4) and India (3). They made a combined profit less than that of Alphabet (#24, USA).
Conglomerates	36	11	Conglomerate is a business model associated with unspecialised Third World capital. Yet the top 12 were core companies. The eleven Third World companies combined made a profit less than General Electric's (#14, USA).
Construction Materials	24	8	The top five companies are from the core while the eight Third World companies listed made a profit equal to the top three core companies'.
Business and Personal Services	43	4	Top ranking Alibaba (#140) is from China while number fifteen, Power Finance (#1086), is Indian. The rest of the important companies are core-based. While the category "business and personal services" is nebulous, according to Reuters "Sales on [Alibaba's] e-commerce platforms made up 86 percent of revenue". ¹¹²¹
Consumer Electronics	9	1	The sixth firm, TCL Corp (#1104) from China, made profit around 1/6 of Panasonic's (#221) from Japan.
Department Stores	13	3	No firm made a profit over \$1 billion, though the top company, Falabella (#582, Chile) and the fourth, SM Investments (#823, Philippines), were from the Third World. All eight corporations listed in the alternative sub-sector "discount stores", which were hugely more profitable, are from the core.
Diversified Chemicals	33	6	Two were from Saudi Arabia, and one from each of South Africa, Thailand, Venezuela and China (HK). Non-core companies made a combined profit of \$7.6 billion, \$4.8 billion of which came from Saudi Basic Industries (#117). Total Third

¹¹²¹ Cadell, Cate, Alibaba beats on earnings as e-commerce remains core revenue driver, *Reuters*, August 17, 2017.

			World company profits excluding Saudi Arabia came to \$2.8 billion, or just over 1/5 of the top 3 core companies.
Drug Retail	4	1	The Chinese company listed is Shanghai Pharmaceuticals (#995). It has less than half a billion profit, which was less than 1/10th of the top core firm, CVS Health (#66, United States).
Electrical Equipment	11	1	Only the lowest ranked company, China Railway Signal & Communication (#1838), is from outside the core. Its less than half billion profit is less than 1/4 of that of either Mitsubishi Electric (#278, Japan) or Schneider Electric (#250, France).
Electronics	29	3	The top six and 11 of the top 12 companies are from the core. The three non-core companies listed are Chinese. Their combined profits of \$1.7 billion were less than those of any of the top three companies and just over 1/3 of Hon Hai Precision (#98, Taiwan).
Food Processing	46	13	The top 4 and 11 of the top 12 companies are all from the core. The 13 non-core companies have a combined profit around 6.5 Billion. This compares to Nestle's (#34, Switzerland) \$8.7 billion and Kraft Heinz's (#117, USA) \$3.6 billion.
Food Retail	32	6	The top six companies are all from the core. All six non-core companies' profits total \$2.5 billion compared with the top six core companies combined profit of \$6.4 Billion.
Hotels and Motels	11	2	The top three companies and nine of the top ten are all from the core. The two non-core companies, both from China, made a combined profit of less than \$1 billion compared to the top core company Carnival's (#270, US) profit of \$3 billion.
Household / Personal Care	32	3	The top 19 companies are all from the core. The three non-core companies' combined profits of \$1 billion are just over 1/10th of Procter and Gamble's (#46, USA).
Internet and Catalogue retail	6	1	The only non-core company listed, JD.com (#659, China), made a half billion dollar loss, compared with eBay's (#407, USA) profits of \$7.3 billion and Amazon.com's (#83, USA) \$2.4 billion.
Natural Gas Utilities	13	2	The top eight companies are all from the core. Only three core companies have profits over \$1 billion.
Other Industrial equipment	16	1	The one non-core firm, China National Materials (#1755), is listed last - the only company to barely make a profit (\$0.1 Billion).
Pharmaceuticals	56	7	The top 19 companies are all from the core. The top 5 non-core companies made profits of \$3.2 billion, compared with \$15 billion for Allergan (#149, Ireland) and \$9.7 Billion for Roche (#79, Switzerland).
Railroads	14	1	The Chinese company Daqin Railway (#767) is eighth with profits of 1 billion, compared to \$4.2 Billion for Union Pacific (#182, USA) or \$3.4 Billion for Central Japan Railway (#262).

Recreational Products	12	2	Core companies make up the top six spots. The two non-core companies are Indian makers of recreational buggies for the domestic market.
Rental and leasing	6	1	The top three firms are from the core, while the Chinese firm listed, Bohai Financial Investment Holding (#1724), made only \$272 million in profit.
Software and Programming	24	1	The non-core firm, HCL Technologies (#958, India), made a \$1.1 billion profit, compared with \$16.8 billion for Microsoft (#19, USA) and \$8.9 Billion for Oracle (#70, USA).
Speciality Stores	32	4	The top seven stores are from the core, while the 4 non-core stores' combined profits were only marginally higher than the top ranking AutoZone's (#772, USA).
Tobacco	9	2	The two non-core firms' combined \$2 billion profit compares to \$14.2 billion for the leading Altria Group (#177, USA).
Trading Companies	12	3	The top 4 companies are Japanese (3) and Korean (1). The Three Chinese trading companies' total profit of \$0.8 Billion was 1/3 of Itochu's (#218, Japan).
FINANCIAL SECTORS			
Consumer Financial Services	20	3	Nine of the top ten companies are from the core, while the seventh (HDFC, #373) is from India and the 19th, Jabal Omar Development (#1864), is from Saudi Arabia.
Investment services	87	20	Core companies make up the top 9 and 18 of the top 20. The top five non-core firms, all Chinese, made a combined profit of \$7.3 Billion. This compares to \$57.6 Billion for the top 5 Core firms, all from the US.
Property and Casualty insurance	24	2	The two non-core firms are ranked fourth, People's Insurance Company (#214, China), and fourteenth, Grupa PZU (#1026, Poland).
Life and Health Insurance	35	5	Core companies make up 18 of the top 20. The top 3 non-core firms, all Chinese, made a combined profit of \$5.5 billion, compared to the top three core firms' profits of \$11.6 billion.

* In all four tables, the figures for non-core companies includes companies headquartered in Hong Kong where the company is Chinese, such as China Mobile, and excludes Hong Kong where the company is not, such as AIA Group. Where it is unclear, the alternative figure is given in brackets.

Ten sectors of core dominance with more significant non-core presence

Industry	Total	Non-core	Notes
Electric Utilities	88	28	The top 5 companies and 9 of the top 10 are all from the core, though almost 1/3 of the total are non-core, including 10 from China. These figures exclude un-privatised state utilities, including China's State electrical monopoly, State Grid, the largest utility company in the world.
Telecommunications Services	54	15	Nine of the top ten companies are from the core; however the biggest company is Chinese state-owned China Mobile (#21), listed in Hong Kong. The top 5 non-core companies' profit was \$25.2 Billion, while that of the top 5 core companies was \$46.9 billion.
Real Estate	83	20 (34)	The non-core companies are 16 from China, three from UAE and one from Qatar. There are another 14 companies, including 6 of the top ten, listed as headquartered in Hong Kong.
Diversified Mining and Metals	38	15	Four of the top 5 companies and six of the top ten are from the core. The 15 non-core companies from China (8), India (1), Russia (2), Mexico (3) and Saudi Arabia (1) made a combined profit of \$12.4 Billion. This compares to the combined \$7.1 Billion for the two most profitable companies, Rio Tinto (#123, UK) and BHP Billiton (#124, Australia). Chinese China Shenhua Energy (#161) made a profit of \$3.4 Billion, while the two Russian companies, Norilsk Nickel (#586) and Alrosa (#1093), both made profits over \$2 billion.
Specialised Chemicals	34	10	8 of the top ten companies are from the core. The top 5 non-core companies made profit of \$5.4 Billion, while the top 5 core companies made profits of \$ 8.5 billion.
Heavy Equipment	22	6	8 of the top 9 makers are from the core, though the largest, CRRC (#235), is Chinese. The combined \$2.3 billion profit for all six non-core companies was 1/3 of the \$7 billion profit for the top six core companies.
Oil and Gas Operations	83	26	3 of the top five and 7 of the top 10 companies are non-core. Five of these are Russian. The top five non-core firms made a profit of \$34.8 billion, while the top five core firms made \$23.5 billion. However, excluding Russia, the top five Third World firms made \$12.1 billion.
Oil services and equipment	15	2	The top firm, and by far the most profitable, is Russian, Transneft (#658), with a \$3.5 Billion profit, while the only other non-core firms listed, Sinopec Oilfield Service (#1958, China) made a \$2.4 Billion loss.
Other Transportation	26	11	The top 3 and 6 of the top ten companies are from the core, while Shanghai International Port (#864) and DP World (#883, UAE) also made \$1Billion in profit each.
FINANCIAL SECTORS			
Diversified Insurance	47	2	The largest company, Ping An Insurance (#16, China), and Reinsurance Group China (#670) were listed outside the core.

5 sectors with no dominance by either core or non-core countries

INDUSTRY	Total	Non-core	NOTES
Construction Services	57	17	Of the 57 companies seven of the top ten, including the most profitable companies, are Chinese.
Diversified Utilities	9	3	No companies made profits over \$1 billion, and most made around half that. The most profitable company was from Brazil, Sabesp (#1436). Three non-core companies (two from China) were roughly equal to the top three core companies.
Iron and Steel ¹¹²²	31	15	Non-core companies make up six of the top 10 companies, including the top two. These include Citic Limited (#72) a majority Chinese state-owned company headquartered in Hong Kong, Vale (#156, Brazil), one other Chinese and three Russian firms. The Top five non-core firms made \$13.6 Billion in profits while the top five core firms made \$6.8 Billion.
Aluminium	9	5	Three from China, two from the United States and one each from Norway, Russia, India and Taiwan. Only UC Rusal (#961, Russia) made over \$1 Billion profit; the second and third by profits were from Norway and Taiwan, while Chinese producers had low profits and US producers a net loss.
FINANCIAL SECTORS			
Major Banks	64	20	Of the 20 non-core banks, 14 and all of the largest ones are from China. There is also one from each of Venezuela, South Africa, Greece, Chile, Portugal and India. The top five Chinese banks made a profits of some \$120 billion, compared to the top five core banks of \$86 billion.

3 sectors of non-core dominance

INDUSTRY	Total	Non-core	NOTES
Educational and Training Services	1	1	Kroton Educacional (#1895, Brazil), with a half billion dollar profit was the only company listed.
Household Appliances	6	3	The top two and 5th ranked companies are Chinese. Their combined profit of \$5 billion was more than double the core profit of \$2.3 billion in this small sector.
FINANCIAL SECTORS			
Regional Banks	256	133	Non-core companies made up the top eight; 5 from China, two from Brazil and one from Russia. The top Five non-core firms' profit was \$59.2 billion while the top five core firms made \$16.5 Billion.

¹¹²² The category may be deceiving as it separates these companies from the bigger mining companies, such as BHP-Billiton, Glencore and Rio Tinto, which are listed under "diversified mining and metals".

Appendix 4. Return on assets to world's largest core and non-core corporations

15 Largest core and non-core non-financial companies by revenue

Return on Assets (RoA) (%) 2017.

Number before Company name indicates rank in Fortune 500.

15 Largest Core Corporations	RoA	15 Largest Non-Core Corporations	RoA
1 Walmart	6.9	2 State Grid	2
5 Toyota	3.9	3 Sinopec	0.4
6 Volkswagen	1.4	4 China National Petroleum	0.3
7 Shell	1.1	24 China State Construction Engineering	1.2
8 Berkshire Hathaway	3.9	41 SAIC Motor	5.7
9 Apple	14.2	47 China Mobile	3.9
10 Exxon-Mobile	2.4	55 China Railway Engineering	0.8
11 McKesson	8.3	58 China Railway Construction	1.1
12 BP	0	63 Gazprom	5.1
13 United Health Group	5.7	68 Dongfeng Motor	2.4
14 CVS Health	5.6	75 Petrobras	-2
15 Samsung	8.9	83 Huawei	8.7
16 Glencore	1.1	86 China Resources National	1.6
17 Daimler	3.7	89 Pacific Construction Group	6.6
18 General Motors	4.3	100 China Southern Power Grid	2.3
Average Return on Assets	4.76%	Average Return on Assets	2.67%

Data: Fortune Global 500, 2017, fortune.com/global500/list/ accessed January, 2018.

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