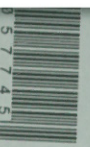


Radical Economics

Bruce McFarlane



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9 IMPERIALISM IN THEORY AND PRACTICE

In these days of demands for a new international economic order, and in the wake of discussion about the role of ITT and CIA in the 'destabilization' of the Chilean government of Allende and the political regimes of other Third World countries, the issue of 'imperialism' remains to the fore. Conservative economic science is sceptical of the value of the term and of the corpus of Marxist scholarship on the later phases of the capitalist economy which lies behind it. Radicals, following the lead of Paul A. Baran,¹ André Gunder-Frank,² Samir Amin³ and others⁴ have tried to bring the theory of imperialism up to date with their idea that the 'overdevelopment' of the West is achieved at the expense of the underdevelopment, indeed the *de*-development, of countries such as Indonesia, the Philippines, Latin America, etc.

The aim of writing this chapter is to carefully distinguish early and recent dependency (or *de*-development) theories of imperialism from Marxist theories as background for theoretical examination of the 1980s. It is also aimed to expose a common 'dodge' of anti-imperialist theorists in equating the Marxian theory of imperialism with *one* pamphlet by Lenin. This enables them to ignore the rich insights of at least two other Marxist schools (to say nothing of Trotsky) and, by concentrating on some oversimplification of Lenin's, to avoid discussing: the uneven development of various parts of the world capitalist economy; the impact of capital investment from the West on the Third World and new forms of mercantilism in our modern age.

It now seems germane to ask four questions about the theory of imperialism:

1. What were the historical-political circumstances under which the classical theories of Lenin, Bukharin and Rosa Luxemburg were introduced? Did they stamp the concrete formulation of the theory so powerfully that today's changed political framework also necessitates a change in the theory itself?
2. Of the various Marxian strands of thought, which of those produced before 1950 would appear to give the best insights into the process of capitalist economic development being encouraged in Indonesia, the Philippines, etc., today?
3. In what respects was the 'dependency' or *de*-development theory a reaction to Marxist theory, and to what extent a part of it? Does

a dependency-type theory give a more-or-less accurate portrayal of the development process of Third World countries (and the relationship between a capital exporting and a capital receiving country) under today's conditions than one which stresses the capitalist industrialization of the Third World?

4. If rapid economic development rather than *de*-development of the Third World could be demonstrated, would this necessarily mean that imperialism is a thing of the past, and the classical theories of imperialism otiose?

Origins and Impact of Radical and Marxian Theories of Imperialism

The 'radical' version of imperialism dealt with what Marxists called the 'colonial question'. As one radical theorist, Woolf, put in in 1922: 'imperialism centres around the relations, between Western civilization and civilization of Africa and the East,'⁵ while Hobson too saw such an area of conflict.⁶ *This is also the focus of modern radical dependency theory or 'development of underdevelopment' approaches.* Lenin, however, listed this aspect as only *one* of five in his model of imperialism,⁷ which was broadly defined as 'monopoly capitalism with capital export in search of profit'. As Marxist (i.e., Lenin and Bukharin) approaches to imperialism developed, they parted company with the 'radical' approach and shifted the emphasis from the export of capital from a nation-state to its colony, to supra-national monopoly capitalism, and extended the field of imperialism to cover investment by capitalist countries in *each other*. As Bukharin put it,

it has become customary to reduce imperialism to colonial conquests alone, in fact the more imperialism develops the more it will become a struggle for the capitalist centres as well.⁸

So a most interesting difference of form to be noted is that the Marxian emphasis was not (as against the radicals) predominantly on the exercise of power by a developed capitalist state over underdeveloped peoples living in pre-capitalist societies (which is the focus of modern dependency theory). What this came to mean was that the Marxists gradually rejected the diagnosis of imperialism as the result of under-consumption (which could be cured, according to the Radicals, by income redistribution within the industrial capitalist power). They increasingly diagnosed imperialist strategies in terms of attempts to stave

off the declining rate of surplus value, which was a feature of a certain stage in the development of capitalism, by export of capital and/or commodities to higher profit areas.

I have been referring to 'Marxist' theories here in the sense of Lenin, Bukharin and the Comintern theories which tended to dominate the international Communist movement from 1917 to 1926. There were, however, two *other* Marxian schools which it would be best to describe as *neo-Marxian* to avoid confusion—the Austro-Marxist school⁹ of Bauer and Hilferding and the school of Rosa Luxemburg.¹⁰ It may be noted that one of these—namely Luxemburg, who had the same focus on metropolitan involvement with the economy of a colony—is a *rival* explanation for the radical and dependency approach. The Austro-Marxist school of Otto Bauer and Rudolf Hilferding thought that capitalist growth produces a financial oligarchy in coalescence with industry within the metropolis which would seek profits abroad if they were higher. Lenin did not wholly accept this.¹¹ He argued that the coalescence of finance and industrial capital did not eliminate the conflicts between them and so interesting new classes and fractions of capital would be thrown up¹² (in particular the rentiers). Any 'supra-imperialism' would still fail to eliminate clashes between nation-states.

The Austro-Marxist school is not relevant to the main theme of this chapter, which is to explore Luxemburg's approach as a *rival* to the modern dependency and de-development schools. It has been mentioned here because its literature is rich in insights about financial and rentier capital, cartellization, world marketing arrangements and the process of investment under monopoly capital,¹³ before which modern orthodox attempts¹⁴ to explain the same trends (but to pour scorn on Luxemburg's historical account¹⁵ or on the very use of the term 'imperialism'¹⁶) have very little to show.

For the purposes of this chapter, Rosa Luxemburg's key argument will be highlighted: that the Imperialists develop railways and ports to enable the continual expansion of the export of commodities to 'hinterland' or 'colonial' economies, but that one of the effects in doing this will be '*the industrialization and capitalist emancipation of the hinterland where capital formerly realised its surplus value*'¹⁷ (my italics). As part of this process, there will be the development of what Luxemburg called 'capitalist autonomy in the hinterland and backward colonies',¹⁸ as well as the creation there of 'a modern state machinery adapted to the purposes of capitalist production'.¹⁹ It is important to notice, in view of later argument, that Luxemburg was quite clear that the impulse to a capitalist path of development and economic growth

would follow on the heels of railways and mining and the capital so advanced would gradually be realized, and,

it is immaterial to the situation as a whole whether this exported capital becomes share capital in new independent enterprises, or whether, as a government loan it uses the mediation of a foreign state to find new scope for industry.²⁰

However, what *is* important for her discussion is that in order for capital accumulation in the metropolitan country *and* in the hinterland to proceed,

large regions of natural economy are open to conversion into commodity economy, or existing commodity economy can be ousted by capital.²¹

There seems to be little room in these practical observations for the active *de-development of a colony* by way of denying it industry and modern social infrastructure; in fact the process seems to point to a *capitalist industrialization of the Third World, albeit of a lopsided and immature kind*. She also foreshadowed capital inflow in the form of 'official' loans, etc., the kind of activity pursued by the World Bank since 1946. This seems to be the right focus of attention.

Implications of a Luxemburgist²² 'Vision' for analysing Third World Countries Today

If one looks at Indonesia, the Philippines, Argentina and countries of that kind today, one could start with a Samir Amin-type model and stress that accumulation on a world scale required a thwarting of the development of productive forces in the Third World by outside pressure of the imperialistic countries, and that it continues to require this today. As Dobb put it,

international trade has had the effect of freezing an existing international pattern of industries and of factor endowments, and so of arresting the development of the more backward countries at a certain stage.²³

Alternatively, one could *emphasize* the considerable growth of productive forces that has already taken place in the Third World²⁴ and see it as part of a Luxemburg-style penetration of Third World countries through the spread to them of capitalist industrialization.

Let us take the recent development of Indonesia as an example.²⁵ The Indonesian economy under the military regime has encouraged rapid capitalist industrialization since 1965 at severe social cost, and to the detriment of the national bourgeoisie ('pribumi'). This followed on a period of Dr Sukarno's government during which badly administered exchange rate control, hyperinflation and misuse of oil revenues combined to prevent interior capital accumulation from proceeding at an adequate pace to sustain development. Money capital was not able to be allocated to the sectors where real productivity was highest, and this prevented the development of capitalist industry. Growth impulses could not be spread whilever 'black' money constituted more than 5 per cent of national income and could be used for trafficking in licences, commodity and real estate speculation, etc. The windfall profit rate it established discouraged longer-term manufacturing investment, and the establishment of normal 'social relations of production'.

With the *coup d'état* of Suharto, Western governments kindly re-scheduled the Indonesian foreign debt. This took the pressure off the 'new order' rightist government by permitting additional food imports; it allowed improvements in the services of public sector agencies necessary to get industrialization under way; and it released funds from the defence budget to supply 'social overhead capital' for development. On this base was constructed the conditions for the rapid spread of industrial capitalism throughout the Indonesian economy. New institutions were established, such as a revamped capital market, a free exchange rates system and new development banks. As a result, the foreign 'enclaves' of the Indonesian economy began to become dynamic and thrust out roots—Western style capitalism began spreading geographically (horizontally) and production-wise ('vertically'). This provoked a counter-reaction from the national bourgeoisie aimed at slowing down the process. Legislation was then introduced requiring the 'pribumisation' of certain economic sectors. This seems likely to be ineffective, as it is objectively in the way of a rapid conquest by capital. Many observers already regard the legislation as a half-hearted *political* response to what is a developing capitalist *economic* formation.

The development of manufacturing in Indonesia is now proceeding apace while the 'social overheads' and land needed are being made available by the government. Labour unions of a company type are

being formed so that firms can take advantage, not only of the *cheapness* of labour, but its organization into foremen, skilled workers, etc. If the development banks help to promote expanded reproduction on this new basis, instead of propping up an indigenous small-scale manufacturing industry which wastes its cheap labour, then *social relations* in Marx's sense will gradually change. The desire to protect small and middle size pribumi, which holds back the capitalist social relations, will prove to be unattainable. We will then see capitalist industrialization being enhanced by a modern capital market which will replace older sources of finance through smaller units (money lenders, etc.). Instead, there will be new *forms* of credit; specialized merchant banks, equity control, bonds, credit from development bank and the *centralization of credit facilities*. All of this would allow firms to practise the *sequencing* of loans of a short-term kind, make it possible for them to go for longer-term loans. Once a network of credit of this kind starts to get established, the profit rate will become the *only* index of the net worth of firms and their ability to get finance. When this happens, the transition to capitalism will be near to completion. Despite political obstacles, it is getting nearer all the time.

Apart from recent experience in Indonesia, one can also cite the establishment of *free-trade zones* in a number of Asian countries as another sign of the capitalist industrialization process spreading to a number of previously non-capitalist sectors and societies, just as Rosa Luxemburg foresaw. The result has been rapidly increasing foreign exchange earnings and economic growth. Essentially a 'free trade zone' is an industrial estate, usually near an airport or seaport, which is reserved for manufacturers prepared to export a high percentage of production. While these zones absorb large quantities of local labour, they are exempt from local labour law, taxation (for a stipulated period), water and electricity charges, etc. The thrust is not (as with commercial free zones) mainly towards re-exporting, distribution or warehousing but toward industrial manufacturing activities.²⁶

Such free trade zones now exist in Malacca, Taiwan, South Korea, the Philippines and Penang and Selangor. The Asahan Project has been approved for Indonesia and India has just rewritten its Statement of Industrial Policy so as to permit a similar development across the board.²⁷ The significance of the free trade zone is claimed to consist of the following: promotion of exports; new jobs for the local labour force; transfer of Western technology to their own countries. For metropolitan capital, the free trade zones are like beachheads, ensuring operations which will integrate much of the economy of the host

countries. Moreover, these zones reproduce the pure wage-labour situation of classical capitalism in its pure form. As they spread their impulses to the countries noted above, they are certain to widen and deepen these social relations. In Sri Lanka, about *one half* of the present size of the industrial labour force (200,000) will be recruited to *one* free trade zone over five years.²⁸

Finally in this section on the spread of capitalist industrialization throughout Asia, we should note the development of the *multinational mode of production* as outlined by English political economist Stuart Holland.²⁹ The multinational corporations are transferring highly effective capital, new up-to-date technology and skilled management techniques to Asia to take advantage of the more docile and less expensive labour force. This is a powerful combination, capable of generating rapid capitalist industrialization.

Importantly, these Asian capitalist industrialization processes have the opportunity to succeed and to expand. Few of the older manufacturing centres (like Australia) will be able to compete with them. Their labour is cheap, they have no human rights or trade unions, and their women workers especially are super-exploited in a manufacturing situation. Under these conditions the old imperialist relationships will alter. Previously it didn't matter if Australian wages were ten times as high as Asia's, since Australia had ten times higher real product per man hour. Today this no longer obtains in practice.

It seems queer that the 'de-development' theories did not anticipate trends such as these, whereas Luxemburg (and to a lesser extent Trotsky) did have a glimmering of it. To explain this failure of prediction it is necessary to say more about dependency theory itself.

Origins and Method of De-development Theory: A Critique

Earlier in this chapter, I drew attention to the fact that the focus of modern dependency theory owed more to the 'radical' than the Marxist camp in the theory of imperialism. Of the neo-Marxists only Rosa Luxemburg has a solid discussion of the impact of the export of capital on the recipient, and she hardly speaks of active de-development.

The methodological origins of dependency theory might be traced back to the sociology of Max Weber and others like him who wrote on the transition from traditional to modern society.

This will not be attempted here but instead I will look at the origins of de-development theory and how the theory diverges from

Marxism. Why did dependency theories arise? First, because of the new circumstances of post-World War II economic penetration of politically 'independent' Third World countries. Second, because both Lenin (when discussing the colonial question) and Luxemburg looked at the relationship between metropolis and colony largely through the prism of the former, and did not specify in any *detail* the impact on the development process in the capital-receiving countries. Amin, Gunder-Frank and others tried to fill this vacuum.

In so doing, they abandoned the idea, strongly underlined by Luxemburg and Trotsky, that the uneven development of the world capitalist system involves an exertion of economic pressure, by advanced capitalist countries on less developed countries, which force the latter to attempt to progress in leaps, to try to reach the most advanced techniques and scales of production used in the capitalist countries themselves. However the process is contradictory — on the one hand,

a backward country assimilates the material and intellectual conquests of the advanced countries. But this does not mean that it follows them slavishly, reproduced all the stages of their past . . . The privilege of historic backwardness compels the adoption of whatever is ready in advance of any specified date, skipping a whole series of intermediate stages . . . The development of historically backward nations leads to a peculiar combination of different stages in the historic process.³⁰

It is hard to imagine a picture more unlike that of de-development theory and it is not surprising then to see Geoffrey Kay, a Trotskyist of the 'International Socialists' variety, emerging as a prominent academic critic of such theory. According to Kay,³¹

. . . this concept [dependence] fails to grasp the real nature of the process of under-development. The immediate explanation for this is the theoretical framework employed . . . eclectic combination of orthodox economic theory and revolutionary phraseology.

In part, then, the reason for the emergence of 'dependency' theory was a refusal to use Luxemburg or Trotsky and instead to argue that there is non-growth. The causes of de-development were then seen to be the low prices paid for raw materials and staples; the violent swings in foreign exchange earnings due to fluctuations in the prices paid on the world market, the 'ripping out' or 'uprooting' of the minerals sector

and the denial of mineral processing facilities, and finally the super profits of oil companies and mineral developers repatriated to foreign investors.

However, as indicated earlier, such a description is one-sided. It fails to mention that some Third World countries have massively imported multinational capital and modern technology and allowed them to take advantage of cheap labour. This is the same as saying that theorists have not discussed the contradictory character of 'uneven capitalist development' on a world scale which allows us to see that we still have today the process noted by Trotsky and Rosa Luxemburg: that rapid industrialization, capitalist, ruthless and distorted, nevertheless will be the fate of the colonies and ex-colonies. The main differences between Luxemburg and Trotsky were that (a) she saw a strong neo-colonial state being formed to prop up the process of capital accumulation, whereas Trotsky stressed the weak 'comprador' character of such a state;³² (b) Luxemburg was pessimistic about the success of colonial revolution, whereas Trotsky increasingly stressed the role of revolution in the 'peripheral' stages (i.e. the Third World) as a force which could not only succeed there, but also put pressure on the capitalist bastions in the industrial West as well.

Some political reasons might also be advanced for the growth of radical dependency theories. Many of the theoreticians (S. Amin, F. Cardoso) were themselves 'Third Worlders' and were keen to produce an authentically Third Worldist position. From their perspective, Polish and Austrian based views would appear as an intrusion from outside. Many were also prepared to blame 'the metropolis' rather than the policies of their own nation-states for economic problems. Even where a good perspective was used—'accumulation on a world scale'—the tendency was to see only the *undermining* aspects of capitalism's own tendency to produce uneven world development. It is true that one country may be set against another in this process, and one branch of industry may be set against another, and some development may be thrown away. But it is also probable, as this paper has argued, that the 'crystallization of the unevenness' of the formation of capital on a world scale will also produce the multinational mode of production in which some Third Worlders will undergo rapid capitalist industrialization.

Finally, one must mention the UNCTAD conferences and the political demands for a new international economic order, backed by China which has recently claimed to have evolved the Third World concept itself! Such conferences demand a political *united front*, seeking sellers' cartels in minerals, high permanent prices for staples and primary

commodities and an accelerated flow of interest-free capital from West to East-South zones of the world. In the process of hard political bargaining, few of the economic advisors to Third World participants will want to hear about the *per capita* growth already achieved, the burgeoning manufactured export volume or the degree of industrialization attained. Radical dependency theory provides a more soothing brief, and one which, as Colin Leys has pointed out,³³ can easily be absorbed into the 'advice', 'strategy' and planning of the World Bank and International Monetary Fund, to say nothing of the political support given by people like S. Amin to Pol Pot, 'Unita' in Angola, etc.

Marxian Theories of Imperialism Today: How Much Updating Needed?

1. Radical dependency theory has more in common with earlier 'radical' theories of imperialism (Hobson-Woolf) than with Marxism.
2. It has been hinted that the historical circumstances in which the views of Lenin-Bukharin, Luxemburg and the 'radical dependency' theories arose is crucial to assessing their modern application. This immediately raises the question of what 'revisions' to the original theories are needed for the contemporary world, and how deeply they would tend to undermine the underlying methodology, if at all.
3. As far as *Lenin's* theory of imperialism is concerned, the major factors that need to be incorporated into it would appear to be the internally generated tendencies towards stagnation of investment in the monopolistic sectors, elaborated by Kalecki, Steindl and Alvin Hansen, and new features in the movement of capital between countries. Among these I would mention in particular that the motivation for such movements now consists of much more than the rate of profit. Security, maximization of gross sales, the desire to be the first into a new market—all seem to be important. They also appear to vindicate some of Luxemburg's views about why capital is exported (rather than Lenin's) because striving for new *markets* in a product and geographical sense is involved. However, I think it needs to be stressed that the remarks in Lenin's *Imperialism* about the new capital fractions (finance capital, rentiers), and their role in economic crisis, have been vindicated by the activities of these fractions during the crisis of the 1970s. (Friedmanism, the closing down of manufacturers temporarily unable to meet commitments, the 'tough' budget approach, etc.) Certainly the Cambridge School of economists would thoroughly agree, as the *rentier* is seen in their theories as *blocking* 'a lively process of capital accumulation and

technical progress' and accentuating economic crisis.³⁴

4. *Trotsky's* theory of imperialism was based heavily on his view of the changed nature of the capitalist epoch. Economically, this meant a 'long cycle' (of the Kondratieff type) fluctuating around a long-term declining trend.³⁵ Trotsky dismissed the possibility of an upward trend of expansion within the bounds of the nation-state. This extrapolation or 'inspired guess' has little theoretical rigour about it, but appears to many³⁶ to be nevertheless right, not only for the interwar period, but for the present down phase of the Kondratieff long cycle. Politically, the division into 'eras' was also linked to Trotsky's view of the political economy of each *stage* of the development of capitalism. He saw³⁷ the European epoch 1871-1914 as an epoch of the organic accumulation of contradictions. The reign of finance capital and trust monopolies spread, but, as always, politics lagged behind economics, and 'politics' only caught up with the events of the First World War, the October Revolution in Russia and the founding of the Third International. It was this political analysis which created the theoretical basis on which the entire tradition of the Communist International was based.

The main innovations to Trotskyism by followers which bear upon the theory of imperialism were three:

- (a) They point to the technological revolutions which in 1945-71 pushed the Kondratieff cycle into its upward phase and had business cycles oscillating around a rising long-term trend. At the same time, they (in particular, Ernest Mandel in his *Late Capitalism*) share Kondratieff's 1920 prediction that 1971 would prove to be an 'upper turning point', prelude to a long downswing of 50 years.
- (b) The interventionist role of the capitalist state helped temporarily to smooth out some of the fluctuations of the cycle and loosen the connection during the long boom between profit rate and capital export. It is conceded that this might change with a slump.
- (c) Third World countries have been increasingly important for the physical supply of raw materials at constant costs, rather than as profit yielders as such. The end of this situation, with the emergence of OPEC and other sellers' cartels in raw materials, has been seen as a major factor in the long slide since 1971 in industrial Western countries. That the 'axis of capitalism' has, however, shifted away from Third World countries, so that most capital export has been from America to Europe and vice versa, is implicit in much Trotskyist writing, and has not been ignored (as often claimed by orthodox political scientists and economists).

5. As to Luxemburg's theory, I think it needs to be acknowledged that

her complicated attempts to show that capital accumulation *must* break down within a model of capitalist economic growth were wrong in technical details.³⁸ Hence the export of commodities is by no means the *key* to imperialist dynamics at the theoretical level, nor the consequent movement of commodities into 'third world' pre-capitalist societies. If such a process exists in reality, nevertheless, its main periods of activity have been 1900-20 and 1968-78 when striving for new product markets led to conglomeration of capital, and from new geographical markets to various forms of multinationalism.

The main point here has *not* been to demonstrate that Luxemburg's theory of economic contradictions within a closed capitalist's model is valid and/or necessary. Rather, it has been to emphasize her remarks on the effects of the spreading of capitalism to the hinterland countries, a process I see as repeating itself with even greater intensity in the last ten years. (It might also be noted that Luxemburg's emphasis on railways, public utilities and loans to governments rather than on Lenin's (and 'dependency theory') plantations and mines has been validated by later research by Nurkse and D.H. Robertson. The nominal capital value of British overseas investment in 1914 was in the proportions one-quarter for plantations and mines, and three-quarters for railways, public utility loans and loans to colonial governments for 'basic development works'.³⁹)

Perhaps a contemporary assessment of Luxemburg's approach might run as follows:

Since Luxemburg's death, the world economy has altered in a way not fully catered for in her views on the spread of industrialization to the Third World. There now appears on the scene a coalition of forces *outside* of her model. One of these is the growth of multinational corporations in Sweden, Denmark, Germany and especially Japan in competition with the older UK and US corporations. The other is the bloc of non-aligned countries plus COMECON (Communist Common Market) coalition, which is in a strong position to offer aid to Third World 'intermediate regimes' (to use Kalecki's term)⁴⁰ who would then be in a position to strengthen their states and stiffen their attitude to capital inflow of an exploitative kind. As this develops it is certainly going to present an alternative to the Third World manifestos being tabled for the New International Economic Order, and must reduce the 'de-development' scenario of radical dependency theory.

However, such a trend would also modify a Luxemburgist scenario, and some kind of state capitalism model might again become viable in place of the type of capitalist industrialization that is spreading in

Indonesia. Third World countries, at *present* undergoing fairly rapid industrialization and promoting free trade zones, could then escape being new Singapores. The difficulty with this scenario is the known weakness of the 'soft states' (Myrdal's term)⁴¹ or 'state capitalist' models in the period 1945-65. These led to their downfall and the imposition of the present strategy based on a multinationals plus World Bank presence, which I have described elsewhere as a system of re-conquered provinces.⁴²

New Aspects of Imperialism in Today's World Economy

International firms are international only in terms of production and market operations, but not in terms of ownership, citizenship and location of top management. This causes new problems which are sure to be accentuated in the 1980s.

One of these has been mentioned by Stuart Holland—the tendency for a reconstruction of the international economy in which countries like South Korea, the Philippines and Indonesia receive modern technology and management from multinationals. This means that subsidiaries of a multinational would have access to both very low wages and highly effective capital—an unbeatable combination. Left to itself, this process would wipe out large parts of the manufacturing base of Australia, New Zealand, Japan, etc., and re-locate modern industry in the 'intermediate zone' countries mentioned above (India, Ethiopia, Bangladesh, etc., the so-called fourth world, would be ignored in this process). Such a rearrangement would be very painful for countries such as Australia (an analogy would be if all American cars were sent for repair and service to Mexico more cheaply than being fixed in US garages). The lack of an Australian say in this process due to US or German domination of the boards of multinational corporations would make opposition to such corporate strategies difficult. Opposition would have to come from forces outside the world of capital.

However, Holland's picture is exaggerated as an account of what has happened so far. Surplus value does not necessarily flow so easily in Third World countries if labour is used inefficiently or is inefficient. In that case the low wages do not produce commensurate surplus value and much of the capital stock sent to such countries is wasted. Some Japanese firms⁴³ have already expressed a preference for Australian workers over their counterparts in Indonesia and the Philippines because of reliability, higher skills, knowledge of the production line, etc.

The cases of South Korea and the Philippines are no doubt serious. But surely the cases involved—motor cars and electronic parts and components—are rather exceptional. To imagine that Britain and Kenya, the US and the Andaman Islands will end up using similar technology is just unreal. Moreover, if wages are so low, there is a temptation to use older technology and dump it in Asia. For with wages low, there is no incentive to use highly capital-intensive technology of a new kind. There is no Marxian scenario⁴⁴ in which modern machines have to be introduced as a substitute for high wage-labour. (There is a certain amount of substitution of labour for capital in such things as transport, handling, packaging and distribution.) However, the real product per man hour of labour is lowered by such things as low education and inadequate calorie intake.

In the future, however, the type of scenario outlined by Holland may become more likely. The multinational corporation 'enclave' in an 'intermediate zone' country will not be using technology very different to that in the USA. But all of this will take time. The capitalist industrialization of the Third World is still incomplete. Many 'hinterlands' and sectors of the society have not yet been incorporated. When capital has conquered these 'provinces' and sectors of a given economy, then adjustments (possibly taking 20 years) of the kind Holland outlined will come about. The peasants will be driven out; the post-colonial state will co-operate more with international capital (and may have to organize unions to get labour properly 'organized'); raw skills and education will have to develop to improve the organization of production.

All of this means that the post-colonial states will have to learn how to deal with people in multinational corporations who have mainly an interest in the security of their investments and less interest in the temporary disruption of the national economies of the Third World.

Among other new factors likely to emerge in the 1980s which any understanding of imperialism will need to take into account are:

- (a) Increased 'externalities' in relations between firms of different countries. Some of these contain the seeds of conflict. An example is international fishing where one country's mesh fishing can destroy the prospects of another; other examples can be found in the exploitation of oil and minerals lying under sea beds.
- (b) More 'internationalization' in the area of technology. As individual countries can develop only a small fraction of the technology they use, more trade in technology could be expected, and multinational firms are poised to exploit this.
- (c) Internationalization of capital is bound to affect political

superstructure — GATT, IMF, the World Bank will be marshalled to create the right environment for the process of internationalization of markets and firms. This is now also true in agriculture, hitherto untouched because of political problems: UK agriculture is being dragged into the Common Market; multinational agribusinesses expect much from the World Bank's intervention in Third World agriculture.⁴⁵

Implications for Asian States

It is misleading to argue that (a) foreign capitalists are de-developing countries like Indonesia and (b) no real progress in Third World countries has been made because 'the gap between rich and poor widens . . . these are the conclusions of the second Report of the Club of Rome'.⁴⁶ This is my position.

Such a view seems to be anathema to many Marxists, more used to the 'ripoff' approach pioneered by Paul A. Baran in his *Political Economy of Growth*. Yet it was certainly not anathema to Lenin when he wrote about the problem of the modernization of a backward agricultural country. Take Lenin's views on the possibilities for development inherent in an expanding home market.⁴⁷ Indonesia can (for example) support a manufacturing base from its own market impulses, it does not need to depend on an export-based development programme.

Nor is it helpful to say that Third World countries are getting poorer and quote shares in world resources. *Per capita* income growth has undoubtedly taken place in all countries — faster among the rich and the intermediate poor, slower at the very bottom (Bangladesh, Ethiopia, etc.). Bill Warren pointed this out long ago,⁴⁸ and whatever quibbles one might have about the particular measures he used,⁴⁹ the trend is clear enough: manufacturing output and exports especially grew rapidly in the 1960s.⁵⁰

The post-colonial state is going to be involved in such a new basis for development. In the past, there was an uneasy, ambiguous relationship between the local state and the colonial power. Often the local capitalist class and the 'home' government were weakened in relation to both the governments and capitalist of the imperialist countries.⁵¹

Marxist-type theories of the post-colonial state, as we have seen,⁵² have been rather unsatisfactory. The 1960s 'World Communist Parties' designation of India, Egypt, etc., as 'progressive' states, neither capitalist nor socialist but 'approaching socialism', was disproved by events — the fall of Nkruma; the development in India, Egypt and Pakistan, and the

fall of such dominoes to the Right. In response to this, political economists in the Third World have set up their own theory, giving quasi-autonomy to the post-colonial state. In this approach, however, the concept of the post-colonial state tends to get a life of its own as a new departure invented by Third Worlds.

It might be legitimately asked, though, whether the idea of a post-colonial state is really necessary if former colonial regions are subjected to the same forces (capitalist industrialization, multinational corporations, internationalization of production and capital) as (say) West Europeans *vis-à-vis* US 'imperialism'. The post-colonial state is not really universal to the Third World, and to establish its quasi-autonomy one would have to prove its unique characteristics. There follows a temptation to look for, even to invent, a domestic dominant class whose state it is. In fact all that may be involved is a different representation of social relationships, and the insertion of the idea of the post-colonial state can blur the analysis of relations between international capital and national capital.

In my view, any notion of a post-colonial state (or for that matter any picture of the nation-state versus the multinationals) may easily mislead. The general function of the state needs to be seen from the viewpoint of what capital requires for its own reproduction and the reproduction of social relations vital to that, and not from the viewpoint of the nation-state plus the progressive national bourgeoisie versus imperialism, i.e. the function of the state needs to be seen from the *viewpoint of class relations, and not as class relations from the viewpoint of the state*.

One should perhaps have three guidelines in analysing imperialism's activities in any given Asian country:

- (i) The state in those countries presupposes imperialism; not just capitalism but capitalist imperialism.
- (ii) Start by looking at the material forces operating on the post-colonial state, and then look at the social relations that are the basis of those material forces. For example, Egypt had Soviet armaments plus imperialist pressure. Here I think Kalecki's idea of the 'intermediate regime' does have (limited) relevance.⁵³
- (iii) Ask whether the previous state (the one before formal political independence) was just an administrative state (as the Indian 'home' government was), just a branch of the executive of a foreign power, or a political state in Poulantzas' sense — a state representing social class relations and tensions, a state which is 'political', which concentrates all political tensions. It appears, for example, that African states were in no real sense political states. So the colonial power had to recruit a reliable

ruling class. In this case some autonomy will exist for the trained group that take over. In Indonesia and the Philippines, exactly this happened and we see a structure that was imposed on society, rather than growing out of social conflict in society. In such cases a military-based state emerged which does have some ability to control and channel multinational investment and to control the spread of capitalist industrialization and the degree of disruption to be imposed on the native capitalist class. In Chile, on the other hand, there was a political state, and the country was subject to special imperialist pressure and there was and remains a capitalist state.

The political economy of imperialism in the 1980s needs to look at the concrete location of the state in Asia in the intersection of national and international capitalist pressure. It should treat each Asian country individually and avoid blanket, universal, abstractions like 'the post-colonial state', the 'nation-state', etc. For while Baran and Gunder Frank did a good job in drawing attention again to the metropolis-colony connection, their analysis is less useful for the 1980s. I have already expressed my preference for Rosa Luxemburg's insistence that capitalist industrialization is spread by imperialism to the Third World. This seems more realistic than the 'de-development' approach or the popular 'overdevelopment of the West causes underdevelopment of the East' approach.

In recent years young scholars like Colin Leys⁵⁴ and Geoffrey Kay⁵⁵ have seen a process in which 'dependency' theory, originally a militant critique of the ruling ideas of developmentalism, has degenerated into an economistic-mechanistic approach quite amenable to the officials and economists of the World Bank, IMF, ILO, etc. This arises from two fundamental characteristics—failure to specify what development would involve, and the use of fairly primitive, universal and abstract concepts like 'centre-periphery' and 'dependence' without identifying one clear set of relationships. In the event, there is a kind of 'anaesthetizing' of some relationships because of an over-complex interdependency.⁵⁶

This is a similar reaction to my point about the post-colonial state. Use of abstract universal concepts and sets of relationships, while in some ways an understandable reaction to the insistence of the Anglo-Saxon university community on clarity, precision and empiricism (as against Althusser-Bettleheim-Poulantzas emphasis), leads to trouble. An 'underdevelopment' concept embracing India, Brazil, Haiti and Tanzania is not much use. I have already pointed to a similar danger in overdoing Stuart Holland's prognosis and ending up with the same technology being assumed for Britain and Kenya.

As with Althusser, class struggle does not appear here as the factor unlocking the 'structural causality' between the economic, political and ideological. Without this the mode of production cannot be transformed (even by productive forces!). No wonder many of the adherents are unable to see the pre-capitalist mode of production is being transformed by capitalist industrialization and paint the Third World as de-developed and pre-capitalist because it is being 'ripped off'. There has taken place a class struggle against imperialism (Java peasants against Japanese planters, etc.) which is not explained when the term 'underdeveloped' is synonymous with being 'locked into' imperialism's economy. I think that capitalist industrialization through multinational corporation branch plants is not ultimately different to classical capitalist industrialization, in which case class struggle in particular countries is the key, and not polemical pairings like centre/periphery, development/underdevelopment, rich/poor, developed/underdeveloped, etc.

Notes

1. Paul A. Baran, *Political Economy of Growth* (Monthly Review Press, New York, 1957).
2. André Gunder-Frank, *Capitalism and Underdevelopment* (Monthly Review Press, New York, 1969); *On Capitalism and Underdevelopment* (1975).
3. Samir Amin, *Unequal Development* (Monthly Review Press, New York, 1976).
4. E.A. Brett, *Colonialism and Underdevelopment in East Africa: The Politics of Economic Change* (Heinemann Educational Books, London, 1973).
5. Leonard Woolf, *Economic Imperialism* (Swathmore Press, London, 1920).
6. J.A. Hobson, *Imperialism* (Constable, London, 1905).
7. V.I. Lenin, *Imperialism* (Foreign Languages Publishing House, Moscow, 1981).
8. N.I. Bukharin, *Imperialism and World Economy* (Merlin Press, London, 1972), p. 121.
9. The chief writings of Bauer and Hilferding have not yet had a readily obtainable English translation, although a limited number of copies of such a translation of Hilferding exist in Europe, despite the best efforts of his son to suppress it. I have relied on three sources: (a) P.M. Sweezy, *The Theory of Capitalist Development* (Monthly Review Press, New York, 1942), chs. XI and XIV (Sweezy translated much of both for his own use and for 25 years has been promising an issue of Hilferding); (b) an English translation of selected chapters of Hilferding for the use of the Politics Department, University of Adelaide, compiled by F. Gailit; (c) A Serbo-Croatian volume which collects Bauer, Pannekoek, Kautsky and Hilferding's main articles on economic crises and the export of capital—Radmila Stojanovic, *Ciklicno Kretanje Kapitalisticke Privrede* (Branko Donovic, Belgrade, 1955).
10. Rosa Luxemburg, *The Accumulation of Capital* (Routledge and

Kegan Paul, London, 1951).

11. Lenin, *Imperialism*, chs. 1-2.
12. *Ibid.*
13. R. Hilferding, *Das Finanzkapital* (Deitz, Berlin, 1947). Sweezy, *Capitalist Development*, pp. 258-62, and Stojanovic, *Ciklicno*, pp. 85-94.
14. For example the pedestrian David P. Calleo and Benjamin M. Rowland, *America and the World Political Economy* (Indiana University Press, Bloomington, 1973).
15. Rosa Luxemburg, *Accumulation of Capital*, chs. XXV-XXII.
16. Benjamin J. Cohen, *The Question of Imperialism* (Basic Books, New York, 1973).
17. Luxemburg, *Accumulation of Capital*, p. 419.
18. *Ibid.*
19. *Ibid.* Luxemburg goes on to describe the recent history of Egypt as 'characterized by the interplay of three phenomena, large scale capitalist enterprise, a rapidly growing public debt and the collapse of peasant economy' (p. 429).
20. *Ibid.*, p. 427.
21. *Ibid.*
22. In their eagerness to discredit the Marxist theory of imperialism, many orthodox political scientists concentrate their attacks on Lenin's political pamphlet, *Imperialism*, ignoring other scientific works by Lenin (and also ignoring the fact pointed out by D.C. Hodges in his 'The Dual Character of Marxian Social Science', *Philosophy of Science*, October 1962, that Lenin had a serious commitment to intellectual values and saw it to be desirable to free social science from an exclusive preoccupation with the injustices of the proletariat). They wholly ignore the work of the Austro-Marxist school, Luxemburg's debates with Bukharin and her theoretical work and the general usefulness of Luxemburg's work for studying the development process in the Third World. Nor do they notice that criticism of Lenin's political economy does not of itself dispose of the ghost of 'imperialism'. As Lukacs said, '[a]s economics, Lenin's concept of Imperialism by no means bears comparison in depth and sweep with Rosa Luxemburg's admirable extension of Marx's theory of capitalist reproduction' (Georg Lukacs, *Lenin* (New Left Books, 1970), p. 41). The point of writing this chapter is to show that 'imperialism' is not just a swear word of ideological debate, but an important category of economic theory in its own right. The main conclusion is that how you approach the question of relations between large metropolises and colonies will also determine your views on the extent to which industrialization of the Third World has occurred or can occur. Political aspects cannot be left out without distorting the results of the economic theory (e.g. the control of the British Cabinet over monetary/fiscal policy in the twentieth century). See B. McFarlane, Review of M. Barratt-Brown's 'Economics of Imperialism', *Journal of Contemporary Asia*, Vol. 7, No. 2.
23. M.H. Dobb, *Some Aspects of Economic Development* (University Press, Delhi, 1951), p. 4.
24. As Bill Warren has done in 'Imperialism and Underdevelopment', *New Left Review*, No. 81, and his 'Post-War Economic Experience of the Third World', *Journal of Australian Political Economy*, No. 3, 1978. Warren's work is important and deserves comment here. It is a restatement of the need to study the growth of productive forces (and especially industrialization) in the Third World—something he sees as having almost dropped out of sight in the welter of dependency theories about de-development of the area. His work also involves an all-out attack on the approach of Bettelheim, Poulantzas and the Louvain maoist-jesuits for ignoring forces and growth in their need to emphasize the 'social relations of production'. It leads Warren himself, especially in his discussion of the 'green

revolution' in Asian countries, to overemphasize productive forces and underplay the problem of ownership structures. He concentrates on outward effects such as 'growing income differentials' rather than on the specifics of how surplus is being extracted in agriculture. An analogous debate has occurred in China in recent years, with the 'Gang of Four' emphasizing 'social relations' and downplaying 'modernization', and the present Chinese leaders now doing the opposite.

25. Kate Short, *Accumulation and Economic Growth in Indonesia 1958-75*, unpublished Ph.D. thesis, University of Adelaide, 1978.
26. T. Takeo, 'Introduction' in AMPO, *Free Trade Zones Industrialization of Asia* (Tokyo, 1977).
27. K.K. Subrahman, 'Approach to Foreign Collaboration: Critique of New Industrial Policy', *Economic and Political Weekly*, Bombay, 8 April 1978.
28. Export Promotion Secretariat, Government of Sri Lanka, *The Scope, Functions and Role of Export Processing Industrial Estates in Sri Lanka* (Colombo, 1974).
29. S. Holland, 'The Multinational Mode of Production', Australian Broadcasting Commission, *Broadband Program*, 4/8/77.
30. L. Trotsky, *The Russian Revolution* (Doubleday Anchor, New York), p. 2.
31. Geoffrey Kay, *Development and Underdevelopment: A Marxist Analysis* (Macmillan, London, 1975), p. 103.
32. L. Trotsky, *Revolution Betrayed* (Merit, New York, 1965), p. 5, argued that the colonial bourgeoisie only with difficulty develops the national economy.
33. Colin Leys, 'Underdevelopment and Dependency: Critical Notes', *Journal of Contemporary Asia*, Vol. 7, No. 1.
34. J.M. Keynes, *General Theory of Employment, Interest and Money* (Macmillan, 1961), pp. 220-21, 262, 290; Joan Robinson, *Collected Economic Papers*, Vol. 2 (Blackwell, Oxford, 1951), p. 11, Joan Robinson, 'The Theory of Value Reconsidered', *Australian Economic Papers*, June 1969.
35. Geoff Hodgson, *Trotsky and Fatalistic Marxism* (Spokesman Books, 1975), pp. 20-26, and the review of Hodgson by Melanie Beresford, *Bulletin of Marxist Studies*, June 1977.
36. See my article 'Political Economy of Futurology—Responses to Economic Crisis', *Politics*, May 1978, pp. 66-72.
37. L. Trotsky, *The Third International After Lenin* (Pathfinder Press, n.d.), p. 80.
38. One of Luxemburg's key points is that wages and profits lag behind the growth of production of both consumption and capital goods, because of periodic unemployment and the fact that capitalist luxury consumption does not expand at an increasing rate. But new investment over and above that needed to replace worn-out capital goods could not be profitable unless markets could be continually found for the increased output that results from investment. In these circumstances, the process of investment must break down, arrested by the failure of the demand for consumption goods to keep pace with their production, with the result that the capitalists who have caused increased output to be produced cannot realise the anticipated profit on this output. And if they lack the ready money with which to maintain investment, the demand for 'means of production' (machinery and raw materials, building materials, etc.) must be curtailed. Either the economy falls into crisis or both capital and surplus goods must be exported. In this fundamental process, says Luxemburg, lies the roots of modern imperialism and colonialism. Parts of Luxemburg's theory have been made obsolete by the passage of time. She underrated the willingness of the capitalists to rely on each other in the capital goods sector and to permit higher consumption demand; she underrated the importance of a growing home market in a developing country brought about by the movement of the agricultural problem. Doubtless also she did not

foresee the growth of techniques and institutions (e.g. fiscal and monetary policies of central governments, hire purchase, etc.) to keep demand high for longish periods, although in these days of economic crisis, such techniques are no longer as effective as they were thought to be in 1945-71.

39. D.H. Robertson, *Britain and the World Economy* (Allen and Unwin, 1954), p. 43.

40. Michael Kalecki, 'Observations on Social and Economic Aspects of Intermediate Regimes', in M. Kalecki, *Essays on Developing Economies* (Harvester Press, 1976), Chapter 4. The details of how 'leverage' can be given for such regimes is spelled out in M. Kalecki, *ibid.*, chapter 6.

41. The term 'soft state' was first used by Myrdal to describe corruption in the civil service and bureaucratic inefficiency in the public sector which led to the breakdown of the type of non-capitalist path sought by Burma, India, Indonesia, Ghana, Egypt and other countries in the 1950s. The term appeared in Gunnar Myrdal (ed.), *Asian Drama* (Penguin, 1968), and more systematically in his Penguin book *Challenge to World Poverty*. For an interesting Soviet critique of Myrdal's approach to non-capitalist Third Worlders see R. Ulyanovsky and V. Pavlov, *Asian Dilemma: A Soviet View of Myrdal's Concept* (Progress Publishers, Moscow, 1973).

42. 'Editorial', *Journal of Contemporary Asia*, Vol. 7, No. 1, 1977.

43. Japan Export Bank, *Annual Report*, 1973.

44. Marx himself traced the trend to more progressive technology in the substitution of capital for ever more *expensive* labour as the industrial reserve army diminished.

45. E. Fedder, 'Capitalism's Last Ditch Stand to Save Third World Agriculture', *Journal of Contemporary Asia*, Vol. 7, No. 1, 1977.

46. Charles Birch, in E.L. Wheelwright (ed.), *Political Economy of Development* (Australian Broadcasting Commission, 1977), p. 222.

47. For Lenin, Marxism was a theory of modernization, of transition from one mode of production to another. In agriculture he saw a rising 'organic composition of capital' which, introduced from outside, would 'break up' agriculture. Capitalism in an agricultural country would conquer the multitude of transitional forms (from semi-feudal to semi-capitalist) in a clear process of change (see V.I. Lenin, *The Agrarian Question and the Critics of Marx* (Foreign Languages Publishing House, Moscow, 1954)). Lenin saw the process of continued class differentiation of the peasant being accelerated by the 'nationalization of agriculture'. His analysis is one of looking at the *spread* of capitalist technique and the kind of growth patterns it brings in backward countries. In 'A Note on the Market Theory', *Collected Works*, Vol. 4 (Lawrence and Wishart, London, 1960), pp. 55-61, Lenin criticized the populists because 'they never dream of explaining how capitalism arose, and how it functions but confine themselves to comparing the sore spot in the system (capitalism) with the healthy spot—the direct producers, the people'.

48. Bill Warren, 'Imperialism and Underdevelopment', *New Left Review*, No. 81.

49. For example he does not disaggregate manufacturing into domestic and foreign owned; his *per capita* product index need re-weighting (see P. McMichael, *New Left Review*, No. 85).

50. Warren, 'Imperialism and Underdevelopment'.

51. P. Patnaik, 'Imperialism and the Growth of Indian Capitalism', in K. Gough and H. Sharma (ed.), *Imperialism and Revolution in South Asia* (Monthly Review Press, New York, 1973).

52. Third Worldists here include Issa Shivji, *Class Struggles in Tanzania* (Heinemann, London, 1976), H. Alavi, 'The State in Post-Colonial Society', *New Left Review*, No. 76, etc.

53. M. Kalecki, 'Intermediate Regimes', in Kalecki, *The Last Phase in the Transformation of Capitalism* (Monthly Review Press, New York, 1972).

54. C. Leys, 'Underdevelopment and Dependency: Critical Notes', *Journal of Contemporary Asia*, Vol. 7, No. 1, March-April 1977.

55. G. Kay, *Development and Underdevelopment*.

56. C. Leys, 'Underdevelopment and Dependency'.