

# Marxist Theories of Imperialism from Marx to Present Times: A Contemporary Critical Reassessment

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The capitalist world has been submerged in possibly the most systemic and structural crisis in its history since last one decade. All predictions of a recovery are proving to be a chimera. Imperialism in the phase of Globalization has reached a stage where stagnation has become the new norm. It is a well-recognized fact that the capitalist world never fully recovered from crisis since the collapse of 1973. World capitalism is going through a mild recession since the early-1970s, periodically collapsing into serious crises and it is surviving by creating bubbles of fictitious capital. The outbreak of the most recent crisis in 2007-08 with the subprime mortgage crisis in the US and then its spread to the rest of the world has proven to be the most serious of all the crises that manifested themselves in the sector of finance. This crisis inaugurated a decade-long global slowdown and has politically expressed itself into the intensified rivalry between the declining US imperialist hegemony and other imperialist blocs, in principal, the Sino-Russian axis. Despite the fact that there is no completely direct confrontation between the Anglo-Saxon axis and the Sino-Russian axis militarily, the intensified rivalry between them is expressing itself in currency wars, diplomatic tussle over third countries like North Korea, Venezuela, Iran, etc and the indirect shadow war between them in Syria and to a certain extent in Ukraine. At present, the danger of a major, if not world, war is hovering above the world. In such a scenario, it has become particularly pertinent to analyze the present phase of imperialism, the changes in the *modus-operandi* of imperialism in the era of Globalization and post-Fordism, the new forms of accumulation and the form that crisis has assumed since the inauguration of neo-liberal policies. A number of Marxist academicians have attempted to analyze the new characteristic features of Imperialism in the era of Globalization, like David Harvey, Ellen Meiksins Wood, Dumenil and Levy, John Smith, Christian Fuchs, Prabhat and Utsa Patnaik, etc. Some of them have tried to take cue from Marx and Lenin and analyze imperialism in the Twenty-first century; others have failed to avoid the obsessive compulsive disorder of academism to launch new neologisms, "invent fire all over again," present old wine in the new bottle while claiming novelty. These new studies have launched a new debate regarding what is being described using a variety of epithets including 'new imperialism', 'empire', etc. This has made relevant a critical and contemporary reassessment of classical Marxist theories of imperialism, the neo-Marxist theories of imperialism that emerged in the 1960s and 1970s including the Monopoly Capital School, 'Dependency' theory, World Systems Theory, as well as different Marxist theories of imperialism that came out in the heyday of neoliberalism and Globalization and the latest analyses of imperialism that emerged in the new millennium.

Since all the theories of imperialism that emerged after the Second World War claim to be Marxist or at least heavily influenced by Marxism and build upon the writings of Marx and Lenin, it would be imperative to recapitulate the basic tenets of the Classical Marxist theories of imperialism. Such an endeavor, of course, can only start with Marx's fragmentary observations about expansion of capitalism

on global scale, causes of this expansion, its influence on the advanced capitalist countries as well as on the backward countries that became colonies.

## Marx on Imperialism

Marx did not develop a complete and coherent theory of imperialism and the monopoly stage of capitalism. Capitalist system was still undergoing the transition to the monopoly stage when Marx died and phenomenal manifestations of this process were still unfolding. We only find fragmentary but extremely valuable comments of Marx on expansion of capitalism beyond national boundaries, creation of world market, foreign trade and colonialism that are relevant for the study of imperialism even today. Marx's analysis also becomes important because Imperialism and the stage of monopoly capital was outcome of the same essential tendencies of capitalist mode of production that Marx had identified, namely, concentration and centralization of capital, the law of accumulation and expanded reproduction and the law of tendential decline in the rate of profit.

Marx clearly distinguishes between the two periods of capitalist expansion into other regions of the world, especially Asia because Marx wrote too little about Africa and Latin America. Marx analyzes the early colonial voyages that began in the late-15th century. This expansion was driven by mercantile capital which co-existed with pre-capitalist modes of production in European countries. The 17th century marked the establishment of bourgeoisie as the dominant class in England. But the bourgeoisie was still dominated by merchant capital which had struck an alliance with the new bourgeoisified aristocracy of England represented by Whig aristocrats. The second phase of colonialism for Marx was the period that began with the late-18th century. Marx could not deal with the different aspects of expansion of capitalism into the backward regions during this period in detail and we are obliged to rely on his journalistic writings about the role of British colonialism in Asia and in particular in India and secondarily in China.

Marx was aware that many pre-capitalist empires also had the tendency of imperial expansion. However, he clearly differentiated between this pre-capitalist imperial expansion and the capitalist imperialist expansion. The latter was distinguished by a tendency to expansion which was not hindered by any moral, cultural or civilizational inhibition and was driven by an insatiable greed for profits, the drive to sell the dearest and buy the cheapest. Marx remarks that the "semi-barbarians" and "barbarians" were much more restrained and ethical in their approach as compared to the "civilized" capitalist colonizers. Regarding the Opium trade with China, Marx remarks:

"While the semi-barbarians stood on the principle of morality, the civilized opposed to him the principle of self...the representative of the antiquated world appears prompted by ethical motives, while the representative of overwhelming modern society fights for the privilege of buying in the cheapest and selling in the dearest markets." (Karl Marx, Friedrich Engels, *Karl Marx on Colonialism and Modernization*, Anchor Books, New York, edited by Shlomo Avineri, 1969, p. 343-44)

Marx's treatment of foreign trade involved a refutation of the neo-Classical and Ricardian comparative cost theory of foreign trade based on "mutual benefits." Marx demonstrated that the profits from foreign trade were not based on mutual benefits and were possible only on the basis of force, coercion, loot and plunder.

For Marx, colonialism of the period before the advent of industrial capitalism served as one of the important sources of primitive accumulation and as one of the pre-conditions of the development of capitalist mode of production in England. Marx points out:

"There is no doubt...that in the 16th and 17th centuries the great revolutions, which took place in commerce with the geographical discoveries speeded the development of merchant capital, constitute one of the principal elements in furthering the transition from feudal to capitalist mode of production. The sudden expansion of the world market, the multiplication of circulating commodities, the competitive zeal of the European nations to possess themselves of the products of Asia and treasures of America, and the colonial system - all contributed materially toward destroying the feudal fetters on production." (Karl Marx, *Capital*, volume-3, Progress Publishers, Moscow, 1978 Reprint, p. 332-33)

Marx was also clear that the industrial capitalism does not develop without foreign trade and world market. He believed that one of 'the specific tasks of bourgeois society is the establishment of a world market, at least in the outline, and the production based upon this world market.' (Marx's Letter to Engels, 8 October, 1858). A world market and foreign trade between Europe and other regions of world existed before capitalist mode of production became the dominant mode of production in countries of Europe. However, the advent of industrial capitalism led to profound changes in the structure of foreign trade, world market and colonialism. In the period before the advent of industrial capitalism, foreign trade was linked with a process of plunder and coercion, which contributed to the process of primitive accumulation for the development of capitalism in England in particular and Europe in general. Through this process of colonialism before the advent of industrial capitalism, a world market came into existence. The growth of industrial capitalism in Europe was going on along with significant changes in the other regions that were connected with it through foreign trade. Spread of capitalist expansion to other parts of the world was converting production in these areas increasingly into commodity production, though this commodity production was mostly carried under different kinds of pre-capitalist formations. Despite the fact, that these areas did not develop capitalist mode of production, their commodity production became part of the circuit of industrial capital of Europe. Marx observes:

"Within its process of circulation, in which industrial capital functions either as money or as commodities, the circuit of industrial capital, whether as money-capital or as commodity-capital, crosses the commodity circulation of the most diverse modes of social production, so far as they produce commodities. No matter whether commodities are the output of production based on slavery, of peasants (Chinese, Indian ryots), of communes (Dutch East Indies), of state enterprise (such as existed in former epochs of Russian history on the basis of serfdom), or of half-savage hunting tribes, etc...The character of the process of production from which they originate is immaterial. They function as commodities in the market, and as commodities they enter into the circuit of industrial capital as well as into the circulation of the surplus value incorporated in it. It is therefore the universal character of the origin of the commodities, the existence of the market as world-market, which distinguishes the process of circulation of industrial capital." (Karl Marx, *Capital*, volume-2, Progress Publishers, Moscow, 1986 Reprint, p. 113)

Thus, Marx was clear that without foreign trade and world market, industrial capital could not exist. Marx, while analyzing the process of accumulation of capital on world scale, was aware of the fact that

this accumulation of capital on world scale develops very unevenly. However, he could not go into the details of this unevenness. Had he been able to complete the planned volumes of *Capital* on world market and credit, he might have dealt with these issues in more detail.

As more and more production transforms into commodity production (even under pre-capitalist modes of production), an international division of labour comes into existence. This international division of labour inevitably takes the form of a division between areas where industrial capitalism has developed and areas which become the supplier of raw materials and agricultural goods, a form which is suited to the needs of centres of industrial capitalism. This observation of Marx is manifested in his characterization of Ireland as the 'agricultural district of England.'

Development of industrial capitalism also brings a change in the structure and *modus operandi* of colonialism as we mentioned earlier. Till the mid-18th century, Marx argued, that the interests of the different sections of the English bourgeoisie namely the merchant capital (moneyocracy), the landlord class (aristocracy) and the manufacturer (millocracy) coincided. However, the advent of industrial capitalism since the late-18th century led to the separation of these interests and a struggle ensued between the industrial capitalist class on the one hand and the merchant capitalist class allied with old landed aristocracy on the other. Marx wrote in 1853:

"The ruling classes of Great Britain have had, till now, but an accidental transitory and exceptional interest in the progress of India. The aristocracy wanted to conquer it, the moneyocracy wanted to plunder it and the millocracy wanted to undersell it. But now the tables are turned. The millocracy have discovered that the transformation of India into a reproductive country has become of vital importance to them, and that, to that end, it is necessary above all, to gift her with means of irrigation and of internal communication." (Karl Marx, 'The Future Results of the British Rule in India', in *Karl Marx on India*, Tulika Books, New Delhi, 2006, p. 47)

Marx clearly understood that for industrial bourgeoisie it was necessary to create a market in India, rather than just plundering it. Marx also understood that the limited capitalist development brought about by development of means of communication and transport by the British, especially, the Railways, which Marx saw as the 'forerunner of modern industry in India,' was driven by the 'vilest of interests' and it does not lead to full-fledged capitalist development but will only lay the foundations for capitalist development in the future. Marx commented:

"All the English bourgeoisie may be forced to do will neither emancipate nor materially mend the social condition of the mass of people, depending not only on the development of the productive forces but on their appropriation by the people. But what they will not fail to do is lay down the material premises for both. Has the bourgeoisie ever done more? Has it ever effected a progress without dragging individuals and people through blood and dirt, through misery and degradation?" (*ibid*, p. 49)

Marx believed that these material foundations of the development of capitalism cannot be converted into actual capitalist development unless the ruling class in Britain is changed, that is bourgeois rule is subverted by the proletariat, or the Indians themselves throw the yoke of British rule. In the same article quoted above (The Future Results of the British Rule in India) Marx opines:

"The Indians will not reap the fruits of the new elements of society scattered among them by the British bourgeoisie, till in Great Britain itself the new ruling classes shall have been supplanted by the industrial proletariat, or till the Hindoos themselves shall have grown strong enough to throw off the English yoke altogether." (*ibid*, p. 49)

It is true that Marx's theory of Asiatic Mode of Production based on self-sufficient idyllic village communities at the bottom and a despotic authoritarian rule at the top was not correct. It postulated that Asiatic societies lack the potential of any autocentric development towards capitalism and only an external power (namely, advanced capitalism) can lead to disintegration of Asiatic mode of production and potentialities of development of capitalism. However, from the standpoint of Marx's theory of Historical Materialism itself this notion can be rejected. According to this theory, the *prime mover* of the development of any society is the contradiction between its productive forces and production relations which is expressed as class struggle in the class societies. Marx himself acknowledged the existence of various kinds of village communities in India and in some of them there was private ownership in land (Karl Marx, Frederick Engels, *Karl Marx on Colonialism and Modernization*, Anchor Books, New York, edited by Shlomo Avineri, 1969, p. 451). He repeats this observation in *Capital, Volume-I* also. He also acknowledges that classes, state and inequality existed in Indian society. If these things existed then one cannot deny, following the method of Marx himself, the existence of class struggle and the potentialities of the society to develop autocentrically towards capitalist development. However, Marx was clearly having doubts about his theory of Asiatic mode as is evident from his notes of the book of Kovalevsky (*Communal Landholding*, 1879). In his notes, Marx observes that classes had developed in the Indian village community and this is leading to the genesis of contradictions within it. So Indian self-sufficient village community was no longer a static entity bereft of any autocentric motion for Marx. Further, Marx had noted in the third volume of *Capital* that the source of stationary character of social conditions in Asia was the rent extracted by the state as land-tax in kind. It should be noted that the manuscripts from which Engels had put together the third volume belonged to period before 1870s. However, his notes from the study of Mountstuart Elphinstone's *History of India* in the 1870s show that he became aware of the fact Akbar, the Mughal king, had taken tax in cash. This information certainly changed Marx's earlier opinions. A number of such evidences from the notes and manuscripts of Marx can be produced that prove that he was having serious doubts about his older theory of Asiatic mode and Oriental Despotism. This brief detour was only to show that the generally-held opinion in western academia about Marx that he continued to stick to his earlier conception of Asiatic Mode of Production till his death is incorrect. This is also important because this has led some scholars to a very misleading understanding of Marx's opinion about the impact of Imperialism on Asiatic societies. They erroneously claim that Marx mainly saw the positive side of Imperialism on these societies. We have quoted at length above to show that Marx's assessment of expansion of European capitalism and its impact on these regions was very dialectical and in the process of development.

Now let us return to Marx's observations about imperialism and the elements of his theory of capitalist development that laid the foundation of analysis of imperialism by later Marxists like Lenin, Bukharin, Luxemburg and Hilferding. Marx showed that the development of industrial capitalism means real subsumption of labour, extraction of relative surplus value. This in turn implies expanded reproduction and accumulation of capital which obliges capitalist class to look for markets and opportunities of profitable investment as well as sources of cheap raw materials. He showed that export of commodities was not only due to realization of the increasing production but also because it could be sold at prices

higher than their values in the foreign markets. Export of capital to these backward regions for Marx was mainly driven by the higher rate of profits in these areas due to lower organic composition of capital. Moreover, the import of cheap raw materials and foodgrains from these areas cheapened the elements of constant capital and reduced wages by cheapening the principal wage goods. The search for foreign markets and opportunities of profitable investment in regions where the organic composition of capital was low inevitably led to imperialist domination of the colonies and also resulted in the lop-sided development of these colonized regions. As we will see, these essential tendencies of the capitalist mode of production were the same tendencies that led to the rise of finance monopoly capital, as noted by later Marxist theorists. Marx showed, on the one hand, that industrial capital destroyed the monopoly of merchant capital and on the other hand it had its own tendency towards monopolization through concentration and centralization of capital. Thus, in the age of "free" competition itself, Marx could see the tendency towards monopolization. Marx wrote :

"Along with the constantly diminishing number of the magnates of capital...grows the mass of misery, oppression, slavery, degradation, exploitation; but with this, too, grows the revolt of working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalist production itself. 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 means of production and socialization of labour at last reach a point where they become incompatible with their capitalist integument." (Karl Marx, *Capital*, volume-1, Progress Publishers, Moscow, p. 715)

Marx did not commit the mistake that some of his followers (with the exception of Lenin) committed, namely, of arguing that monopoly is the negation of competition. Long before writing *Capital*, Marx was aware of this fact. Marx writes in *Poverty of Philosophy*:

"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 compete among themselves; competitors become monopolists...and the more the mass of the proletarians grows as against the monopolists of one nation, the more desperate competition becomes between monopolists of different nations. The synthesis is such that monopoly can only maintain itself by continually entering into the struggle of competition." (Karl Marx, *The Poverty of Philosophy*, Foreign Languages Press, Peking, Third Edition, 1977, p. 146-47)

In Marx's view thus, monopoly was not opposite of free competition; it grows out of free competition and continues to thrive on the basis of free competition, albeit by changing the character of free competition. The decreased number of competing capitals in each branch of economy does lead to changes in the way the competition between capitals is fought off. It intensifies the competition between the monopolies; it destroys the celebrated "freedom" of individual small capital. Marx clearly saw the dialectical motion inherent in the process of concentration and centralization of capital. For Marx, the process from free competition between the small capitals to the formation of monopolies in every branch of production is not a linear evolutionary process, but dialectical process signifying two stages of concentration and centralization of capital. Here we also find the reason why monopolization cannot lead to a world trust or perfect monopoly and negation of competition itself. Marx on the one hand sees that the celebrated

independence of small capitalist is destroyed, free competition restricted among monopolies and reproduced in a more intensified fashion and on the other hand he also argues that this monopolization can never be complete under the conditions of generalized commodity production. Let us see what Marx has to say about it:

"The growth of social capital is effected by the growth of many individual capitals. All other circumstances remaining the same, individual capitals, and with them the concentration of the means of production, increase in such proportion as they form aliquot parts of the total social capital. At the same time, portions of the original capital disengage themselves and function as new independent capitals. Besides other causes, the division of property within capitalist families plays a great part in this. With the accumulation of capital, therefore, the number of capitalists grows to a greater or less extent...Accumulation and the concentration accompanying it are, therefore, not only scattered over many points, but the increase of each functioning capital is thwarted by the formation of new and the subdivision of the old capitals. Accumulation, therefore, presents itself on the one hand as increasing concentration of the means of production, and of the command over labour, on the other, as repulsion of many individual capitals one from another.

"This splitting-up of the total social capital into many individual capitals or the repulsion of its fractions one from another, is counteracted by their attraction. This last does not mean that simple concentration of the means of production and of the command over labour, which is identical with accumulation. It is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals." (Karl Marx, *Capital*, volume-1, Progress Publishers, Moscow, p. 585-86)

As we can see, Marx was clear that there can be no stage of perfect monopoly because there is a constant dialectics between attraction and repulsion in the process of concentration and centralization of capital. It is not a linear process leading from perfect competition (in which Marx never believed) to perfect monopoly (which for Marx is incongruent with capitalist mode of production). Therefore, for Marx, perfect monopolization, a stage of a world trust (*a la* Hilferding) is not even theoretically possible.

Marx's view regarding the increasing importance of the credit system and banks demands particular attention. Especially, in the third volume of *Capital* Marx points out that with increasing concentration and centralization of capital and decreased number of capitals functioning in each branch of economy, the role of credit system will be increased immensely. The growing scale of production will make the immensely large investments in any branch of industry imperative for fighting off the competitors or even starting a new enterprise. This will make the credit institutions, financiers and banks of central importance. Even in the first volume of *Capital*, when Marx is analyzing 'capital in general', he displays a remarkable foresight in this regard:

"Apart from this, with capitalist production an altogether new force comes into play -- the Credit system, which in its first stages furtively creeps in as the humble assistant of accumulation, drawing into the hands of individual or associated capitalists, by invisible threads, the money resources which lie scattered, over the surface of society, in larger or smaller amounts; but it soon becomes a new and terrible weapon in the battle of competition and is finally transformed into an enormous social mechanism for the centralization of capitals.

"Commensurately with the development of capitalist production and accumulation, there develop the two most powerful levers of centralization -- competition and credit. At the same time the progress of accumulation increases the material amenable to centralization, i.e., the individual capitals, whilst the expansion of capitalist production creates, on the one hand, the social want, and, on the other, the technical means necessary for those immense industrial undertakings which require a previous centralization of capital for their accomplishment." (*ibid*, p. 587)

Evidently, Marx could foresee that the banks will begin to dominate the investments. Similarly, the form of joint stock companies too will become very significant in this stage. Marx, in Volume 1 and especially in Volume 3 of *Capital* foresees a number of tendencies of monopoly stage of capitalism. The following quotation is one example which besides pointing to the role of joint stock companies and banks also alludes to the increasing division of labour in bourgeoisie, the increasing *parasitic* character of owners of capital and their becoming superfluous in the stage of monopoly with increasing socialization of production:

"Stock companies in general -- developed with the credit system -- have an increasing tendency to separate [the] work of management as a function from the ownership of capital, be it self-owned or borrowed...But since on the one hand, the mere owner of capital, the money-capitalist, has to face the functioning capitalist, while money-capital itself assumes a social character with the advance of credit, being concentrated in banks and loaned out by them instead of its original owners, and since, on the other hand, the mere manager who has no title whatsoever to the capital, whether through borrowing it or otherwise, performs the real functions pertaining to the functioning capitalist as such, only the functionary remains and capitalist disappears as superfluous from the production process." (Karl Marx, *Capital*, Volume - 3, Progress Publishers, Moscow, 1978 Reprint, p. 387-88)

Marx was well aware that it is not the negation of capitalist mode of production and production relations. He called it as 'the abolition of capital as private property within the framework of capitalist production itself.' He argued that even when this stage is reached the essential capitalist relations of production are in tact, though they assume a much more developed form, where the working class confronts the concentrated power of capital in the form of joint-stock companies and banks, where the 'form' has become social but in which appropriation remains private. As this capitalist 'socialization' grows, alienation also grows. The inner contradiction of the capitalist mode of production assumes the most acute form. Taking cue from Marx himself, Lenin called the stage of imperialism a transitional phase in which the basic pre-conditions of Socialism and apparatus to run a socialist economy have been fulfilled by unprecedented socialization of production and national accounting of production of different branches of economy by banks.

Marx showed brilliant foresight about the growth and nature of fictitious capital represented by securities, stocks, bonds, etc. Marx wrote:

"The independent movement of the value of these titles of ownership, not only of government bonds but also of stocks, adds weight to the illusion that they constitute real capital alongside of the capital or claim to which they may have title. For they become commodities, whose price has its own characteristic movements and is established in its own way. Their market-value is determined differently from their nominal value, without any change in the value (even though



the expansion may change) of the actual capital. . . . All this paper actually represents nothing more than accumulated claims, or legal titles, to future production whose money or capital value represents either no capital at all, as in the case of state debts, or is regulated independently of the value of real capital which it represents." (*ibid*, p. 467)

Marx thus clearly understood much before any of the Keynesians or Keynes himself that market of these financial devices is relatively independent of the markets of commodities. The value of a stock is nothing but a claim on future production of surplus value. They does not represent the real value of productive capital, in the sense that value is existing twice: in the productive capital and then in stocks. It is duplicate of that value and secondly the value of stocks diverges normally much above the real value of productive capital. In times of crisis, it might diverge less. That is the reason why financial markets are highly speculative.

Clearly enough, Marx was able to anticipate a number of characteristics of imperialism as identified by later Marxists like Lenin and Bukharin, namely, the law of concentration and centralization of capital, the tendency to search for foreign markets in order to oversell in these markets, export capital to areas where opportunities of investment more profitable than investment in home country due to low organic composition of capital, to monopolize sources of raw material, and increasing role of credit system and particularly banks. However, Marx's particular observations about monopoly stage and imperialism (though he never used the term in its modern sense) are scattered, incomplete at best, despite providing excellent insights. Marx did not develop a complete theory of imperialism because the phenomena of monopoly stage were still unfolding when Marx died. However, as we tried to argue above, his analysis of capitalist mode of production, its inner dynamic and laws of motion prepare the basic foundation of a theory of monopoly stage of capitalism, that is, imperialism. Imperialism emerged due to these very basic expansionary tendencies of capitalism, namely, unceasing accumulation, concentration and centralization, crisis of profitability, search for markets and sources of raw material. That is why Milios and Sotiropoulos have refused call it a new stage of capitalist mode of production, but a new stage in the evolution of capitalist social formation. (John Milios and Dimitris P. Sotiropoulos, *Rethinking Imperialism: A Study of Capitalist Rule*, Palgrave-Macmillan, 2009)

Precisely due to incomplete, provisional and scattered character of Marx's views and due to the fact that many elements of these remarks remain unfinished and unclear, there was a lot of debate among the later Marxists of the early-20th century who analyzed capitalism in the stage of finance monopoly capital. Different Marxist theorists emphasized different aspects of Marx's theory and debated with each other. The three most debated issues in these controversies were Marx's theory of law of tendential fall in the rate of profit (LTFRP hereafter), realization problem and disproportionality between departments. As we shall see, the core of Marx's theory of crisis, of export of capital and monopolization is LTFRP. We will see later that the other two problems, namely of realization and disproportionality are symptomatic expressions of the crisis of profitability itself. However, this much is certain that the validity of any theory of imperialism cannot just be proven by exegesis, but by its power to explain the realities of Imperialism today and also to propose, in the vein of Lenin, a revolutionary strategy for present proletarian struggles against it.

## **Hilferding's 'Finance Capital'**

The first major Marxist theorist to deal with the question of Imperialism and finance capital was Hilferding whose *magnum opus*, *Finance Capital* was published in 1909. Some elements of his theory were extremely important for the development of Lenin's and Bukharin's theory of Imperialism later. Karl Kautsky before Rudolf Hilferding had presented an underconsumptionist position on imperialism first in 1884 and then in 1901, though he still derived revolutionary results from this underconsumptionist analysis. Hilferding was skeptic about underconsumptionist logic. When Hilferding's monumental work *Finance Capital* was published in 1910, it was hailed by Otto Bauer as the 'next volume of *Capital*'; Kautsky in a glowing review (in which, though, he again presented an underconsumptionist argument) called it the continuation of analysis started by Marx in *Capital* in the context of contemporary developments in capitalism. Lenin called it 'very valuable theoretical analysis' and Bukharin called this work his 'starting point and essential inspiration' in writing his work *Imperialism and World Economy*. Hilferding's work was undoubtedly the most important Marxist work of political economy of contemporary capitalism in that period. It is noteworthy that the bulk of the work was already complete in 1906 though it was published only in 1910.

Hilferding's work introduced all the basic categories of analysis of imperialism which were later used by Lenin as well as Bukharin, though their analyses developed in a different direction and the political lessons of their works were different from that of Hilferding. These basic categories were formation of monopolies through concentration and centralization of capital, rise of finance capital with the fusion of bank and industrial capital, the new changed role of banks and export of capital.

Rudolf Hilferding's *Finance Capital* analyzes the characteristic features of the 'later phase of capitalism'. These features include the expansion of credit system, the rise of joint stock companies, trusts, cartels and syndicates, the rise of banks and the emergence of finance capital by the fusion or coalescence of bank and industrial capital, and restriction of free competition by finance capital and joint stock companies. The most important factor that lies at the root of all these developments is the fusion of bank capital and industrial capital leading to the rise of finance capital that unifies the three forms of capital into one under the tutelage of finance capital, namely, industrial capital, commercial capital and bank capital. These developments give rise to a number of tendencies of capitalist system that characterise the capitalism of the 20th century. These tendencies include the emergence of the imperialist economic policy in which the major elements are cartellization, protective tariffs, export of capital and the competition between capitalist nation-states to enlarge their economic territory, which in turn leads to the change in the nature of capitalist state from the liberal capitalist state favoring free trade to a strong and interventionist state. Hilferding writes,

"Finance Capital has no faith in the 'harmony of capitalist interests' and knows well that competition is becoming increasingly a political power struggle...The ideal now is to secure for one's own nation the dominant position in the world." (Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, Routledge and Kegan Paul, London, 1981 p. 335)

Analysis of Hilferding starts with analysis of money and credit. This chapter is generally regarded as the weakest of the book as the theory of money propounded by Hilferding was erroneous, as Lenin also commented in his work *Imperialism: the highest stage of capitalism*. Lenin has pointed out in his *Notebooks on Imperialism* how Hilferding believed that money enters circulation without any value of its

own and assumes value in the process of circulation itself. It has been criticized by many others as being inadequate. However, we cannot go in the details of these critiques. The important point in this chapter was Hilferding's analysis of credit money, which forms the foundation of his analysis of banks and their new role. According to Hilferding, credit is a means of keeping 'idle money' minimum, which is not used for productive purpose. Bank credit for Hilferding is different from old short-term commercial credit that was given by merchants and also banks in the earlier phase. Bank credit is more effective in economizing the role of money. The nature of bank credit as opposed to short-term commercial credit given for commercial operations of the firms ('circulating credit'), is that it is long-term capital credit ('investment credit'). With the rise of this kind of bank credit, the banks were not simply interested in the solvency of the debtor, but in the long term prospects of the debtor firm. The division of surplus value between profit and interest assumes a new proportion, in which the relative weight of the latter increases, manifesting the growing power of banks in economy.

Hilferding argues that this changed role of bank and credit is result of the unprecedented increase in the concentration and centralization of capital which was continuing right since the death of Marx, but which increased in a rapid fashion especially since the mid-1890s. The concentration and centralization of capital led to the rise of industrial monopoly. This assumed most importantly the form of joint stock companies, about which Marx also had talked. The most important aspect of joint stock companies was the separation of ownership and management of capital. The industrial capitalist is freed from the function of industrial entrepreneur. This has a number of significant consequences. One is the emergence of 'promoter's profit', which arises from selling the shares in a newly formed joint stock company for a price which is much higher than the real value represented by the capital stock of the company; it is possible when the yield on that capital is higher than the current rate of interest on investments. There is a clear tendency of the rate of interest to be lower than the average rate of profit, as Marx himself had pointed out. The difference between the capitalized value of a company in stock market and the real value of the capital stock of the company is the promoter's profit. It is not only an incentive for further formation of joint stock companies but also a source of immense wealth which is then used for further investments. In both ways, it further accentuates the tendency of centralization of capital, the growth of giant corporations and eventually cartels, trusts and syndicates controlling entire industries or branches of economy. The buyers of shares in a company get a dividend which approximates to the rate of interest. Consequently, the big shareholders pocket increasingly large portion of the profit as promoter's profit. The dividend is generally slightly above the rate of interest due to addition of a risk premium, which is decided by the board of the joint stock company. The categories of promoter's profit and dividend as introduced by Hilferding have certainly enriched our understanding of capitalism in its monopoly stage and are relevant for the analysis of today's capitalism also. Hilferding's analysis of rise of joint stock companies, resulting in the separation of ownership and management of capital, promoter's profit as well as the control of finance capital is basically a continuation of Marx's analysis of fictitious capital in volume 3 of *Capital* according to which the fictitious capital is a duplicate of productive capital. Hilferding shows that promoter's profit is appropriated by the mere act of negotiating fictitious capital, that is, controlling the issuance and circulation of stocks, bonds, securities, etc.

Hilferding rightly argues that with the increasing concentration and centralization of capital the scale of production grows to gigantic proportions. In this stage the role of banks undergoes a change and becomes of central importance. The reason for this is that with the growing scale of production, any new investment or replacement of fixed capital requires long-term investment credit. The firm must be freed

from the bonds of individual property. Big business requires investments that are far beyond the resources of any individual capitalist. This capital is mobilized by banks who extend credit in exchange of shares in this enterprise. Banks give credit and support cartellization and restriction of competition in order to minimize the risks associated with their loans. At the same time, the competition among banks also leads to a process of monopolization in the banking sector. Consequently, a handful of banks begin to dominate the entire banking sector. In this process there is a unification of industrial, banking and commercial capital under the tutelage of high finance. In this unification, the masters of industry and banks are united in a close personal network of association. The basis of this unification according to Hilferding is elimination of free competition between individual capitals by large monopolistic combines. Though the role of banks is central according to Hilferding in this entire process, finance capital is neither old bank capital in the service of industry, nor is it the bank capital dominating industrial capital, but it is a new form of capital that emerges as a result of fusion of the two.

Connected to the rise of industrial monopolies and finance capital is the phenomenon of export of capital. The free-trade capitalism was characterized by the export of commodities, during which Britain emerged as the leading industrial power of the world. With the increasing competitive pressures from Germany and the US and with the increasing protective tariffs, the export of capital replaced export of commodities as the main trend. Higher prices in the foreign markets due to lower organic composition of capital or higher profitability also prompted the export of capital. Capital was exported to circumvent the protective tariffs and was used to establish industrial plants in the foreign country. These industries remained under the ownership of the parent company directly or indirectly and their profits were repatriated to the home country. On the other hand, banks establish branches in foreign countries which negotiate the conditions of loans for construction of industries or infrastructure projects; the conditions of the loans included the clause that the contract of construction will be given to the companies associated with the bank in the home country. This intimate connection between banks and industry also led to rapid increase in the export of capital. While analyzing the rise of export of capital, Hilferding also points to the changed form of protective tariffs. Earlier protective tariffs were used to facilitate the domestic industry, help it stand on its feet and cordon it off from foreign competition. However, now protective tariffs were used to enable domestic industry to reap monopoly profits at home, dump their products in foreign markets and it was a tribute levied on the consumers at home. It was a device through which monopolization was given impetus.

Hilferding contends that it is this increasing tendency of export of capital that gives rise to imperialism. The export of capital on the one hand extends markets and provide new opportunities of profitable investments, increase the wages in advanced countries, but at the same time they face the limitation of scarcity of wage labour in the colonized regions or dependencies. Thus, the capital-exporting advanced capitalist country is obliged to destroy the pre-capitalist relations, resort to forced labour, immigration from regions of labour-surplus areas. All these things lead to the imperialist domination of backward countries. The three objectives of imperialist policy according to Hilferding are establishing largest possible economic territory, close this territory to competitors through protective tariffs and reserve it as an area of exploitation by national monopolistic combines. This inevitably leads to imperialist rivalry among advanced capitalist states. Capitalist states in the free-trade era showed a relatively indifferent attitude towards colonies but in the era of finance capital they follow a very active policy of colonization due to export of capital. But for Hilferding, unlike Lenin and Bukharin, imperialist rivalry does not

inevitably leads to war. He believed that working class opposition might check militarism and war preparations and in doing so can hasten the collapse of capitalism.

According to Hilferding, rise of monopoly undermines the operation of law of value by transferring profits from non-cartellized sector. Consequently, a dual economy comes into existence in which the rate of profit is systematically higher for the big monopolies than smaller industries. In other words, the averaging of rates of profit is hindered. Investment in both sectors fall according to Hilferding. In cartelized sector, it falls because the prime objective of cartel is to restrict production, whereas in non-cartellized sector it falls because the rate of profit is low and discourages investment. Hilferding argues this leads to overaccumulation of capital, in turn, leading to increased export of capital. The idea of Hilferding that labor theory of value is undermined and monopoly prices are determined subjectively has been rightly criticized by a number of Marxist political economists.

Another error of Hilferding was to believe that theoretically there is no objective limits to cartellization. For him, one single cartel controlling entire production is conceivable. This will convert prices into mere accounting devices, consciously and subjectively managed and determined by the cartel. This will lead to constitution of a 'consciously-regulated society but in an antagonistic manner.' Antagonistic because a few giant corporations will control all capital and production while the masses of people will possess nothing. This will intensify class struggle as the problem of property relations will be intensified. According to Hilferding this can lead to violent clashes also. But this single cartel will be able to end the anarchy of production which is inherent in the capitalist mode of production. The crisis will not be done away with totally. But the monopolies will be able to shift the burden of crisis to the non-cartellized sectors.

Hilferding also misunderstood that monopolization in the age of finance capital cannot lead to a crisis-free capitalism by doing away with anarchy of production. He argued that finance capital has socialized production to the maximum degree under capitalism. In Germany, all production is virtually controlled by 6 banks and whoever takes over these 6 banks takes over the entire national economy. Thus the ground for overcoming capitalism is prepared. These were the seeds of theory of 'organized capitalism' by Hilferding. By 1920s, he was clearly talking about 'organized capitalism'. In the age of dominance of monopoly finance capital, certain degree of planning has developed. This has increased due to the intervention of the state also. Consequently, the relations between the capitalist states after the First World War came to be characterized by what Hilferding called 'realistic pacifism.' He still believed that imperialism is a necessary stage but he seems to believe after the war that imperialist rivalry might become less prominent feature of this stage and that imperialism itself in its colonial form might be less permanent phenomenon. In 1927 he contended, "We are moving...from an economy regulated by the free play of forces to an organized economy." Among the features of this organized economy was the replacement of competition with scientific methods of planning. It is understandable that such an analysis will inevitably lead to reformist conclusions. If one concludes that the contradiction in the sphere of production and the anarchy of production is eliminated in the phase of finance capital and that the class struggle now becomes an issue of distribution of production, then it is a free highway to reformist political program from there. The same happened with Hilferding whose political conclusion was bringing socialism through parliamentary means. He argued that with socialization of production and the rise of a strong, interventionist state, now there is no need for smashing the bourgeois state but now there is a need to take it over and extend its role in planning and controlling socialized production. The following quote of Hilferding exposes his errors most clearly:

"There is no absolute limit to cartellization. On the contrary, there is tendency for cartellization steadily to expand. As we have seen, the independent industries become increasingly dependent upon those that are cartellized, only to be annexed by them in the end. As a result of this process a general cartel arises. The entire capitalist production is consciously regulated by one body which determines the extent of production in all its spheres. Then the fixing of prices becomes purely nominal and its sole significance is the distribution of the total product among the cartel magnates on the one hand, and among the masses including all the other members of society, on the other hand. The price is then not the result of a material (*sachliche*) relation into which men have entered, but a mere arithmetical method of allotting things by persons to persons. Money no longer plays any role. It can disappear entirely, because it is now a question of allotting things and not allotting values. Together with the anarchy of production vanishes the material appearance of the commodities, vanishes their character as objects of value, vanishes -- money. The cartel distributes the products. The material elements of production have been reproduced and are being utilized for new production. One part of the new products is distributed among the working class and intellectuals, the other part falls to the share of the cartel to be used for any purpose it may desire. It is consciously regulated society, in antagonistic form. *But this antagonism is an antagonism of distribution.* Distribution itself is consciously regulated and thereby the money as a necessity is a thing of the past. Finance capital in its perfected sense is loosened from the soil on which it arose and was nurtured.

"The tendency to bring about a general cartel and the tendency to form a central bank coincide, and it is from their nexus that the tremendous power of finance capital to concentrate arises."  
(*ibid*, p. 234)

Hilferding's theory of crises also is a problematic area of his overall theorization. He focuses totally on disproportionality between departments in capitalism as the source of anarchy of production and crises. However, according to Marx this disproportionality is an expression of the movement of profitability. Therefore the basic regulator here too is profitability. However, since Hilferding focuses on disproportionality, his conclusion is obvious. Once the general cartel emerges, it becomes possible for capitalism to develop without crises, "if only production is properly proportioned." Though, Hilferding says that socially and politically emergence of a general cartel does not seem to be possible, it is theoretically and economically conceivable. Due to this very error, Hilferding also could not see the parasitic and moribund character of capitalism in the stage of finance monopoly. Clearly enough, Hilferding misses the *law of uneven development* under capitalism that prevents the formation of any general cartels. For Lenin, it was even theoretically not possible precisely because all the agreements between capitalist associations are temporary and depend on the changes in the relative power of the parties of the association; the law of uneven development shows that since this balance of power continually changes and leads to a continuous process of fission and fusion, such a general cartel is theoretically impossible.

Despite these errors and limitations, Rudolf Hilferding definitely laid a foundation for the further study of imperialism and monopoly stage of capitalism. On these foundations, especially Lenin and Bukharin developed the Marxist theory of imperialism. However, before Lenin and Bukharin came the work of Rosa Luxemburg.

## Rosa Luxemburg and *Accumulation of Capital*

The next major work that dealt with the question of imperialism was Rosa Luxemburg's *magnum opus* *The Accumulation of Capital*. It was not a work focusing on the question of imperialism *per se*. However, in propounding her own theory of capitalist development, Luxemburg also articulated her understanding of imperialism. It must be said at the outset that her work was directed against the right-wing and center-right wing opportunism within the German Social Democratic Party represented by Karl Kautsky and Rudolf Hilferding respectively. However, she barely confronts them directly. She rather attacks Tugan-Baranovsky and Marx himself. Tugan-Baranovsky and later Hilferding had presented an interpretation of Marx's reproduction schema presented in the second volume of *Capital* according to which the disproportionality between departments within capitalism can be eliminated and the system can reproduce itself indefinitely. Rosa Luxemburg, rather than criticizing these erroneous interpretations, attacked the reproduction schema of Marx, the objective of which was merely to demonstrate *the conditions* under which the capitalist system *can* reproduce itself. Marx was clear that it is *possible* for capitalism to reproduce itself under conditions of what Luxemburg called *pure capitalism*. However, it must not be confused with the argument that it *will* reproduce itself indefinitely. Marx demonstrates the conditions under which capitalism *can* reproduce itself only to demonstrate when and why it fails to do so. But Luxemburg failed to grasp that due to her underconsumptionist views. It is noteworthy to recall that her underconsumptionist views were actually shaped under the theoretical leadership of Karl Kautsky who held an underconsumptionist position in 1884 and then in 1901 (though this time the focus on underconsumptionism was present in a round-about form namely as an emphasis on the chronic problem of overproduction). However, Rosa develops this argument to its culmination and in a different direction from Kautsky.

The basic assumption that underconsumptionists of all shades share from reactionary underconsumptionist Malthus, to reformist underconsumptionists like Sismondi and Hobson and to revolutionary "left" underconsumptionists like Rosa Luxemburg and also theoreticians of what I would call the broad "exchange-relations school", including Sweezy, Baran, Andre Gunder Frank, Immanuel Wallerstein and Arghiri Emmanuel, is this: *consumption is the regulator of production in capitalism and in general*. As we know, Marx taught that the regulator of production and investments in a capitalist system in profitability and it is the movement of profitability in an economy that regularly and recurrently lead to the phenomena of disproportionality as well as underconsumption; in other words, disproportionality and underconsumption are not the *underlying fundamental cause* of crisis of capitalism and they can only be the *immediate cause* or *symptom* of the crisis of profitability.

The basic logic of underconsumptionism is that consumption regulates production but capitalism does not recognize the social needs of consumption. It recognizes only demand and that too effective demand (that is backed by money/purchasing power). However, capitalism by nature cannot create sufficient effective demand. Therefore, it cannot reproduce itself on extended scale, is bound to become stagnant and then collapse because capitalist production by nature is expanded reproduction. The concept of 'demand gap' is central to all underconsumptionist theories including Luxemburg's theory. In this concept, Department - I (means of production) is vertically integrated to Department - II (articles of consumption) in a *subordinate position*, because production is for the sake of consumption. The total product of the society is equal to the products that renew or replace the spent means of production plus the net product. The net product is an aggregation of workers' consumption and capitalists' consumption. In income terms, the net

income is equal to wages plus profits. Workers spend all their income (wages) in consumption and consume their share of the net product. However, the capitalists under the conditions of expanded reproduction do not consume their share entirely and accumulate a portion of it for expanding the scale of production. As a result, a demand gap opens up because a portion of net product remains unrealized because it can find no 'effective demand' within the ambits of pure capitalism. This demand gap widens as the expanded reproduction progresses because productivity rises, the relative share of wages in the income decreases and the net product increases. To realize this 'surplus product', a non-capitalist buyer is necessary; for Malthus, this non-capitalist buyer was the parasitic classes like landlords, aristocratic classes, etc. However, Luxemburg rightly argues that the consumption/income of these classes derives either from profits or wages and constitutes a displacement of either capitalists' consumption or workers' consumption. Rosa said that workers cannot consume this 'surplus' because their consumption is a function of initial capital investment. The capitalists cannot consume each other's surpluses (either as individual consumers or as productive consumers according to Rosa) and grow richer as a class. She argues that such a logic 'constructs a round about that revolves around itself in empty space.' For her, it was inconceivable because it would mean 'production for the sake of production.' (!) Therefore, the only option remains a class of non-capitalist producers like petty-commodity producers, peasants, etc. Therefore, according to Rosa Luxemburg capitalism cannot grow without the existence of non-capitalist periphery (first within the country and then outside). Hence for Luxemburg,

"the realization of the surplus value for the purposes of accumulation is an impossible task for a society which consists solely of workers and capitalists." (Rosa Luxemburg, *The Accumulation of Capital*, Martino Publishing, Mansfield Centre, CT, 2015, p. 350)

And, there is

"the deep and fundamental antagonism between the capacity to consume and the capacity to produce in a capitalist society, a conflict resulting from the very accumulation of capital which periodically bursts out in crises and spurs capital on to a continual extension of the market." (*ibid*, p. 347)

Therefore, the basic precondition of capital accumulation is existence of a non-capitalist periphery in the form of pre-capitalist agrarian regions of the world, where the surplus product can be realized through the non-capitalist buyers.

This is the crux of Luxemburg's theory of accumulation of capital and this also forms the basis of her theory of imperialism. Rosa Luxemburg in the process of stipulating this theory attempts a critique of Marx's reproduction schema which in her opinion were the basic cause of the harmonist illusions of the likes of Tugan-Baranovsky, Hilferding and others. According to Rosa, Marx failed to expose the problem of realization in his reproduction schema giving the impression that the capitalist system can reproduce itself without the limits posed by consumption. We will not go into the considerations of the numerical models employed by Rosa to refute Marx's reproduction schema. The point is that these numerical examples used by Rosa are flawed and miss the temporal as well as spatial dimension of the accumulation of capital and for Marx the real limits of capital accumulation is not consumption but capital itself. We will come to this in a short while.



It is evident that for Rosa Luxemburg the reason for the emergence of imperialism is this crisis of realization faced by capitalist system, because for realization of surplus product the capitalist system must expand to the backward non-capitalist agrarian regions of the world. So, capitalism can only 'proceed by assimilating the very conditions which alone can ensure its own existence.' The expansion of capitalism in these backward regions leads to capitalist transformation of these non-capitalist peripheries. First, advanced capitalist regions conquer these regions or establish their dominance over these regions. Then it destroys their natural economy and introduces commodity production in these regions. Natural resources are seized and the producers are liberated from pre-capitalist coercion to constitute a new proletariat, which is 'dually free'. Agriculture is separated from industry and trade. All of this is achieved by force and coercion because capital cannot wait for the natural disintegration of the pre-capitalist formations as it will take centuries. Luxemburg gives a graphic description of conquest of India, French colonialism in Algeria and the Opium Wars in China. Simple commodity production in agriculture and industry are soon superseded by capitalist production and capitalist relations. However, this is what ultimately leads to the crisis of accumulation and preparation of conditions of eventual collapse of the capitalist system and imperialism because through this very process capital destroys the very conditions which it desperately needs for its survival. As the non-capitalist periphery shrinks, the competition between the advanced capitalist countries to hegemonize the remaining non-capitalist regions sharpens. She contends,

"The imperialist phase of capitalist accumulation which implies universal competition comprises the industrialization and capitalist emancipation of the *hinterland* where capital formerly realized its surplus value. Characteristic of this phase are: lending abroad, railroad constructions, revolutions, and wars." (*ibid*, p. 419)

All of this leads ultimately to drive for political emancipation of these colonized regions. This process of capitalist political emancipation too progresses through wars and revolutions. Therefore, for Luxemburg, imperialism can be defined as follows:

"Imperialism as a whole is nothing else but a *specific* method of accumulation. (Rosa Luxemburg, *Anti-Critique*, p. 61-2)

"Imperialism is the political expression of the process of accumulation of capital in its competitive struggle for those remnants of the non-capitalist world milieu, against which no attachment has yet been levied." (Rosa Luxemburg, *The Accumulation of Capital*, Martino Publishing, Mansfield Centre, CT, 2015, p. 446)

"However, the *inner* economic driving forces of imperialism may be more exactly defined, this much at any rate is clear and generally known: its essence consists precisely in the extension of the domination of capitalism from the old capitalist countries to new territories, and in the economic and political competitive struggle among those countries for such territories." (Rosa Luxemburg, *Anti-Critique*, p. 62)

About the eventual demise of the capitalist system, Rosa writes:

"Capitalism is preparing its own demise in a *twofold manner*: on the one hand by heading for the moment when, due to its expansion at the expense of all non-capitalist forms of production, all humanity will consist in actual fact solely of capitalists and wage-workers, when consequently

further expansion and therefore accumulation become impossible. At the same time it accentuates to the extent that this tendency forces its way, the class antagonisms, the international economic and political anarchy, to such an extent that long before the logical conclusion of the economic development -- the absolute undivided domination of capitalist production throughout the world - will be reached, the rebellion of the international proletariat against the domination of the capitalists will have been brought about." (Rosa Luxemburg, *Anti-Critique*, Chapter-1)

As we can see, though Rosa Luxemburg shares the undersconsumptionist logic with Kautsky and also the latter's argument about the division of world between agricultural periphery and industrial core as a precondition of existence of imperialism, at the same time she attacks Kautsky's belief in super-imperialism and transition to socialism in a peaceful manner (a position that Kautsky began to develop only after 1910-11).

Now we can embark upon the criticism of the political economy as well as political conclusions of Rosa Luxemburg. As we mentioned earlier, in arguing that expanded reproduction and accumulation of capital is not possible without a non-capitalist periphery, Rosa Luxemburg missed the *temporal* and *spatial* aspects of the process of capitalist reproduction. The accumulation of capital takes place over real time and the different moments or phases of the circuit take place *only partially* as a *simultaneous* process, and mainly as a *sequential* process. In simpler terms, the capitalists and workers do not buy articles of consumption (including luxury goods for capitalists) and means of production (the capitalists) from the product of the current production cycle, but from the previous production cycle. If we assume the conditions of expanded reproduction, then in the current cycle the capitalists will buy more means of production and will hire more workers. Thus the effective demand for increased consumption will be there and it *can* realize the surplus value of the previous production cycle. Therefore, the expanded reproduction *can* absorb the surplus product of the capitalist production of the previous cycle. Marx did not argue that it *will* absorb this surplus product but only talked about the conditions under which it can do so. Secondly, Marx never argued that whenever it does, it will happen smoothly or in an uninterrupted fashion.

The second aspect that Luxemburg misses is the *spatial* dimension of expanded reproduction. She assumes that capitalists cannot buy off each other's surplus and still grow richer as a class because that will tantamount to 'production for production's sake.' But she missed that that is what capitalist production is! She raises a question at the level of individual capital which can be understood and answered only at the level of 'many capitals.' She is considering total aggregate capital as an individual capitalist, whereas, the total aggregate capital is represented by the sum total of all individual capitals competing with each other. In reality, the capitalists *can* grow richer by buying off each other's surplus. Capitalists can, do and must become each other's customers and the effective demand for the surplus product *can* and *does* originate from the capitalist class, because the demand for that part of the social product which is going to be accumulated comes from capitalists intent upon increasing their employment of variable and constant capital. But for Rosa this line of argument means that "human consumption becomes increasingly unimportant, and production more and more an end in itself."- The irony of Rosa's theory is that this is what the reality is like in a capitalist system! It is not the goal of capitalist system to expand human consumption. The capitalist is driven by profitability, rather than expansion of consumption. If endlessly increasing the production of means of production which produce means of production (machine making machines) *appears* to be profitable, there is no reason why the capitalist would not undertake such an

endeavor. Apparently, Luxemburg confuses the requirements of an individual capitalist (external sources of demand) with the requirements of capitalist system as a whole, which is a constituted by 'many capitals' (number of these individual capital can be more or less, but that does not change the essence of the problem).

Due to these fundamental errors, her analysis of impact of exports to pre-capitalist regions is flawed and inconsistent. If these exports are offset by an equal magnitude of imports, they will have no direct impact on the level of demand. There can be increase in demand only if there is an export *surplus*, which is possible only if there is *export of capital* to the non-capitalist periphery. Then the exchange will be formally equal and yet the advanced capitalist countries will be able to enrich themselves by producing surplus in the backward regions and repatriating the profits back home. But for Luxemburg this creates a problem. She believes that inadequate effective demand has been a problem throughout the history of developed capitalism, but the export of capital began only in its final stage, the imperialist stage. And even then export of capital plays a much smaller role in the theory of Rosa, as compared to the accounts of Hilferding, Bukharin and Lenin. Hilferding too, failed to give a sufficient explanation of the reasons of rise of export of capital, but in Luxemburg's account there is virtually no explanation of the rising trend of export of capital. Therefore, in general, there is no theory of regulator of investment in general and export of capital in particular, in Rosa Luxemburg's work. It is natural because due to her underconsumptionist logic, she fails to recognize that it is the crisis of profitability that is the real underlying reason behind the rising tendency of export of capital, which is aggravated in the stage of monopoly and is expressed in a much more active and a different kind of colonial policy based on the export of capital, as compared to colonialism of pre-imperialism phase. Evidently, Rosa fails to distinguish between the monopoly stage of capitalism and the free-competition and free-trade stage of capitalism. She fails to recognize the importance of finance capital, the peculiar significance of export of capital and the concentration and centralization of capital leading to formation of monopolies in the rise of modern imperialism, because the very edifice on which she builds her model of accumulation of capital is flawed.

Her theory naturally leads to the notion of 'inevitable collapse' of capitalism because the very existence of capitalism rests on the existence of non-capitalist periphery which capitalism itself destroys. Rosa Luxemburg's analysis that accumulation of capital will lead to the break-up of pre-capitalist relations in the backward regions, will lead to national liberation through wars and revolutions, and her optimism about an active national bourgeoisie are misplaced. Marx was clear that capitalist penetration in the pre-capitalist milieu of backward regions will only prepare the material foundations on which capitalist development is possible, given that the subjugated people liberate themselves from the yoke of colonial domination. However, Rosa Luxemburg's account of capitalist transformation of the non-capitalist periphery is non-dialectical and ahistorical as it fails to recognize the fact that the imperialist domination can only lead to a very limited capitalist development and it mostly hinders, blocks and retards the advanced capitalist development in the non-capitalist periphery.

In conclusion, it can be said that Rosa Luxemburg's theory of imperialism is not basically a Marxist theory, but an underconsumptionist theory. Notwithstanding the life-long communist revolutionary commitment of Rosa, her political economy was not Marxist. Her work definitely has a descriptive value as it presents a graphic picture of colonial domination and exploitation of the backward regions. However, her analysis of the *prime mover* of capitalist expansion and export of capital is erroneous and consequently her theory of imperialism too is incorrect. Yet, her theory has influenced a lot of ostensibly

Marxian theorizing about imperialism especially after the Second World War, which saw the emergence of the broad 'exchange-relations perspective' which includes the 'monopoly capital' school of Sweezy and Baran, 'dependency' theory of Andre Gunder Frank, the 'World Systems Theory' of Immanuel Wallerstein and 'Unequal Exchange' thesis of Arghiri Emmanuel. These theories will be dealt in the next section of this paper. For now, we will turn to the next major Marxist theorist of imperialism, Nikolai Bukharin.

## **Bukharin on Imperialism**

Nikolai Bukharin's work *Imperialism and World Economy* can be regarded as the first systematic Marxist work on the question of imperialism as Hilferding's main focus was continuation of the project of Marx's *Capital* in the new phase of finance capital and Rosa Luxemburg's study was also a work of political economy in general presenting an undersconsumptionist theory of capitalist development. Bukharin draws heavily on the work of Hilferding, though his approach and method show divergence from that of Hilferding. Bukharin begins his analysis with the emergence of world economy. This concept occupies a central place in his theory of imperialism. He defines world economy as follows:

"Thus we may define world economy as a system of production relations and, correspondingly, of exchange relations on a world scale." (N. Bukharin, 2010, *Imperialism and World Economy*, Aakar Books, p. 26)

Bukharin tries to follow Marx's logic closely and metaphorizes the evolution of world capitalist system or world economy with the evolution of commodity production and exchange, its generalization and rise of capitalist relations. He argues that world economy is plagued with the same anarchical, non-regulated conditions which plagued national economies *before the late-19th and 20th centuries*, that is before the era of monopoly finance capital. In his conception of world economy, Bukharin points to the interanational division of labour based in the earlier phases on natural particularities and in the later period on the uneven development of productive forces. He shows how this international division of labour leads to international exchange, emergence of a world market of commodities, and then a world market of money, the formation of world prices which, Bukharin erroneously believed does not follow the law of value but emerge as a result of leveling out of national differences. The international division of labour manifests itself in the division of the world in industrial regions which export manufactured products and imports raw materials and food-grains and agrarian regions which export raw materials and food-grains and import manufactured goods. Bukharin compares this division also to the division of town and country within a capitalist country. The industrial regions are like the towns and the agrarian regions as the countryside. Bukharin, explaining the process of evolution of world economy, argues that it is the result of extensive (area-wise) and intensive (capitalist transformation of production relations) expansion of capitalist system. According to him, it was the unprecedented growth of productive forces towards the end of the 19th century, as manifested in electrical industry, chemical industries, engineering industry etc, that propelled this expansion of capitalist system and emergence of a world capitalist system. The rapid growth of productive forces led to the increased rate of accumulation of capital and faster concentration and centralization of capital.

The concentration and centralization of production led to the formation of industrial monopolies as well as banking monopolies. The fusion of banking capital with industrial monopolies led to the rise of finance capital, manifested in the form of financial oligarchies which control entire branches of national

economies. This further increases the concentration and centralization of capital, in turn, leading to fusion of national capitalist monopolies with the state. As a result, national states themselves emerge as capitalist state monopoly trusts. As a result, the national economies become 'organized'. The rise of state monopoly trusts representing the entire finance monopoly capital of the country (which according to Bukharin now resembles a monolithic "reactionary mass") lead to elimination of competition within advanced capitalist countries and the law of value becomes inoperative. However, the elimination of competition at national level is complemented by reproduction of competition at the world level in even more acute and violent forms. The anarchy of production that prevailed in the national economies before the rise of finance monopoly capital and state monopoly trusts is now transferred to the international level. The individual national economies are affected by these laws of anarchy of capitalist production only through international relations. Therefore, the purely internal basis of crises had been eradicated with the emergence of state monopoly capitalist trust, representing the bourgeoisie of the nation. Now competition took place among different capitalist state monopoly trusts because the economic units were now politicized and they were now separated by state borders. However, the productive forces have developed to a stage where they cannot operate within these boundaries. As a result, the capital must be internationalized. Since all national capitals are represented by their state monopoly trust, there is an intensification of struggle between these state monopoly trusts. Thus the internationalization of capital itself requires the national consolidation of national capitalist state monopoly trusts. Bukharin here points to the dialectics between the internationalization of capital without the internationalization of capitalist interests organized in the state monopoly trusts and the nationalization of capital which is manifested in the strengthening of the national capitalist states in order to compete for internationalization of their capital with other national state monopoly trusts. Bukharin's entire line of argument becomes clear from the following quote:

"...the development of productive forces of world capitalism has made gigantic strides in the last decades. The upper hand in the competitive struggle has everywhere been gained by large-scale production; it has consolidated the "magnates of capital" into an ironclad organization, which has taken possession of the entire economic life. State power has become the domain of a financial oligarchy; the latter manages production which is tied up by the banks into one knot. This process of the organization of production has proceeded from below; it has fortified itself within the framework of modern states, which have become an exact expression of the interests of finance capital. Every one of the capitalistically advanced "national economies" has turned into some kind of a "national" trust. This process of the organization of the economically advanced sections of world economy, on the other hand, has been accompanied by an extraordinary sharpening of their mutual competition." (*ibid*, p. 108)

One of the important contribution of Bukharin is that he clearly sees the crisis of profitability as the driving force of internationalization of capital, as expressed by export of commodities as well as export of capital. Bukharin is right that this internationalization of capital requires the strengthening of the capitalist state, however, he extends this logic non-dialectically to the conclusion that competition vanishes from the national economies. Bukharin was mistaken in believing that formation of state monopoly trusts and later even purer forms of state capitalism results in the eradication of competition and therefore the law of value from the national economies. The impact of Hilferding is clearly discernible in this argument of Bukharin, though he draws different conclusions from this. The elimination of competition at national

level is accompanied by intensification of competition at the international level between these state capitalisms.

Another contribution of Bukharin was his focus on the formation of authoritarian state system, though here too, Bukharin extends this argument to non-dialectical and mechanical ends. He erroneously concludes that parliaments have now become anachronistic for capitalism as their basic function, that is, settlement of contradictions between different sections/blocs of bourgeoisie is not required. Liberal freedoms according to Bukharin are now only a shadow of their older existence. Capitalism in its monopoly phase cannot give any democratic rights. Now the stage of socialist revolution has become relevant and parliamentary road to socialism has become totally inconceivable. On the second issue Bukharin was totally correct, however, his first argument could not be generalized and shows an impact of Trotsky's ideas.

Bukharin's account of the collapse of Second International also is broadly correct. He argues that the collapse of the Second International was not an accident but was a result of the stage of imperialism. The leaders of working class movement were co-opted in a dual process. On the one hand, they identified socialism with increased state control and hence confused state monopoly capitalism with socialism, lending their support to their national state capitalism. Secondly, the imperialist loot and plunder of the backward regions had allowed the imperialist bourgeoisie to bribe these leaders, leading to formation of a labour aristocracy and trade union bureaucracy which identified more with the interests of the capitalist class rather than that of the working class. However, Bukharin is sure that the days of the opportunism in working class movement, best represented by Kautsky, were numbered. Contradictions of capitalism had brought the first of what, according to Bukharin, might be a series of world wars. However, when Bukharin linked revolution firmly with war, he made a serious mistake. Though connecting revolution with imperialist war so rigidly appears at first as a radical argument, but it disarms the proletariat for revolution in the period between the wars, from making use of situations favorable for revolution in times of peace and also from fighting against the dangers of war. Here too, the lack of dialectical treatment is visible.

Bukharin argues that rise of national capitalist trusts have led to unprecedented socialisation and organization of production preparing the ground for a higher social order, namely, socialism. He refuted Kautsky's theory of 'ultra-imperialism' and capitalist peace. For Bukharin, an association of state monopoly trusts and international monopolies was *theoretically imaginable* but practically impossible because the more productive and efficient members of the association would not accept the compulsions imposed by such an association. Moreover, before the rise of any super-imperialist state, that is the ideal of all state monopoly trusts, the wars will lead to intensification of class struggle and revolution, or destruction. However, it is not clear why did not Bukharin applied the same logic to the association of monopolies within the nation, considering any such association as temporary. Also, he considers emergence of an international cartel or permanent association of state monopoly trusts as *theoretically imaginable*. This is one of the reasons why Bukharin's critique of Kautsky is politically correct but is not in full congruence with his economic analysis; it is much more artificial, whereas Lenin's critique of Kautsky is much more dialectical, coherent with his economic analysis and organic. When Lenin wrote the introduction of Bukharin's book, he shared this idea of considering an international cartel and association of state monopoly trusts as theoretically possible. However, later in *Imperialism: Highest*

*stage of Capitalism*, Lenin refutes this idea systematically and argues that it is not even theoretically possible.

The issues of agreement between Lenin and Bukharin are their analysis of imperialism and war; both of them believe that imperialism means war, though Bukharin's causal link of war and revolution is not shared by Lenin. Secondly, both of them believe that imperialism or finance monopoly capitalism constitutes a new and final stage of capitalism. And thirdly, both of them critique the opportunism of Kautsky as well as of Austro-Marxist variety, as demonstrated by Hilferding. However, there are important points of disagreement also. One is mentioned earlier, namely, Lenin did not believe in Bukharin's idea that in the age of imperialism competition within national capitalism is eradicated. Secondly, the cause of war for Bukharin is the competition between national state monopoly trusts as a result of eradication of competition at the national level, whereas for Lenin the fundamental cause of imperialist rivalry is implicit in the law of uneven development. Overall, Lenin's treatment is much more dialectical and non-linear than that of Bukharin, as we shall see while discussing Lenin's theory of imperialism.

There are other important shortcomings in Bukharin's work also. For instance, Bukharin believes that the fusion of state and capital is part of a general tendency of capitalism in the age of finance monopoly capital. However, the history of capitalism has shown that this relationship is historically specific and cannot be termed an inherent tendency of capitalism. The experience especially since the 1970s has demonstrated that this relation is much more flexible and subject to change.

Besides, Bukharin in my opinion commits some very obvious mistakes of political economy in this work, which is otherwise very diligent in following the method of Marx. For instance, as mentioned above, he believes that world prices are not determined by law of value. Similarly, he believes that just as profit is equalized internationally leading to creation of an average rate of profit, determining the export of capital, the wages too are internationally equalized by movement of labour power to areas with higher wages. This is not correct because Bukharin misses the basic point that imperialist stage signifies the internationalization of capital, but the internationalization of labour is hindered by various mechanisms of state. Even present phase of imperialism, that is, Globalization represents a globalization of capital and not labour.

Summing up Bukharin's theory of imperialism, it can be said that his emphasis on profitability as the determining factor of export of capital, his identification of finance monopoly capitalism as a new distinct stage of capitalism, his refutation of opportunism, his detailed analysis of evolution of world economy as a result of elemental tendencies of capitalist mode of production, are some of the positive contributions of his theory. However, his belief that competition within national limits is eradicated only to be produced at international level gives breathing space to Hilferding's theory of 'organized capitalism' and this affects his overall political treatment of all the issues related with imperialism. Overall, his method lacks dialectics and there is a strong influence of mechanical and linear method on Bukharin. As a result, despite being richer in data, expanse of subject-matter, systematic treatment of evolution of world economy, and attempts to follow the method of *Capital* in analyzing imperialism, Bukharin's work lacks the dialectical treatment and higher level of generalization evident in Lenin's work.

## **Lenin's theory on Imperialism**

Lenin's theory can be regarded as the most important Marxist theory of imperialism. There are two things that distinguish Lenin's theory from other Marxist theories of imperialism presented during that period. First is that Lenin's theory of imperialism does not simply aim to explain the changes in the capitalist system towards the end of the 19th century, but also to deduce conclusions from this theory relevant for the strategy and general tactics of world proletarian revolution. This is reflected in Lenin's treatment of the living questions of the working class movement as well as the revolutionary communist movement of that period. The second characteristic of Lenin's theory is that though it is not an entirely original research of the different characteristic features of the capitalism in the stage of imperialism, however, it is marked by a highly dialectical treatment and much higher level of generalization as compared to the theories of Hilferding or Bukharin. Due to these two characteristics of Lenin's analysis of imperialism, it emerged as the most important and prominent Marxist theory of imperialism and in my opinion it remains to be so, notwithstanding the fact that there are significant quantitative changes in the *modus operandi* of imperialism in the *phase* of globalization which demand fresh analysis from Leninist perspective.

Lenin's booklet *Imperialism: The Highest Stage of Capitalism* is subtitled as 'a popular outline.' However, one must not be misled by this humble subtitle. Tremendous amount of research work was behind this 'popular outline.' The 'Notebooks on Imperialism', the volume 39 of Lenin's collected works, runs some 900 odd pages. Preparations for this booklet included reading 150 books and 240 articles. Before tackling the subject of imperialism, Lenin virtually read everything that he found available in Zurich. We also must not forget that Lenin's theory of imperialism cannot simply be analyzed on the basis of this small booklet and must be read in conjunction with other extremely important writings, which did not enjoy the same amount of fame. For example, his writings like 'A Caricature of Marxism and Imperialist Economism', 'Imperialism and Socialism in Italy', 'Imperialism and Split in Socialism', 'The Nascent Trend of Imperialist Economism', etc. The booklet became the most definitive work of Lenin on imperialism, however, one also needs to go through his 'Notebooks on Imperialism.'

Another thing that we need to remember before embarking upon an analysis of Lenin's theory of imperialism is what Lenin has urged us to take note of. First, he cautions us that the booklet was written with a view to circumvent the czarist censorship and therefore he was obliged to confine himself to strictly theoretical issues, specifically economic analysis of the facts. Secondly, he was obliged to resort to hints and "Aesopian language" wherever he had to formulate the few necessary observations on politics. Lenin writes, "It is painful, in these days of liberty, to re-read the passages of the pamphlet which have been distorted, cramped, compressed in an iron vice on account of the censor." (V.I. Lenin, *Imperialism: The Highest Stage of Capitalism*, Progress Publishers, Moscow, 1978, p. 7) Lenin makes it fairly clear that due to these limitations the work is quite prone to misappropriation and misinterpretation. One can only say that his fear was not unfounded on the basis of experience of critical evaluation of Lenin's text by a number of academicians in past 100 years.

Yet another thing about which Lenin adds a caveat at the very outset is that this text is only intended to present the economic essence of imperialism and this in no way means that there is no need to study the political, ideological and cultural aspects of this phenomenon. Nor does it imply that these aspects are not important. On the contrary, a complete analysis of these aspects is desirable and needed. Despite this rider in the 'Preface' itself, a number of bourgeois academicians and even some "Marxists" have accused Lenin of ignoring the ideological, political and cultural aspects of imperialism. In my opinion, it is very important to read the 'Preface to the French and German Editions' published in 1920 in order to assess



Lenin's views. With these preliminary comments we can undertake a critical assessment of Lenin's theory of imperialism.

We do not need to give a summary of Lenin's work. However, a little recapitulation of the basic tenets of his theory are in order. Lenin bases his analysis mainly on two works. First was J.A. Hobson's *Imperialism* and the second was Rudolf Hilferding's *Finance Capital*. The basic categories of analysis of the latest stage of capitalism that Lenin uses in his work are not his original innovations. For example, formation of monopolies, the concept of finance capital, and export of capital are things which were introduced and used in the analysis of imperialism before Lenin by Hobson, Hilferding and Bukharin. It is not the use of the same concepts and categories but the dialectical treatment of these concepts and categories that is the *differentia specifica* of Lenin's work.

Lenin begins by analysing the process of concentration and centralization (though he seldom uses the term 'centralization' but his treatment of the issue at stake certainly implies both the processes) of production. These are elemental tendencies of capitalist accumulation. However, they reached a qualitatively new stage towards the end of the 19th century, especially since the 1870s according to Lenin. He argues:

"From this it can be seen that at a certain stage of its development concentration itself, as it were, leads straight to monopoly, for a score or so of giant enterprises can easily arrive at an agreement, and on the other hand, the hindrance to competition, the tendency towards monopoly, arises from the huge size of enterprises." (*ibid*, p. 17)

There are political economists today who have misinterpreted Lenin's concept of monopoly as a negation of competition. We will show in detail that this is not so. However, here we would just show what Lenin said about such political economists:

"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...to kill the works of Marx, who by a theoretical and historical analysis of capitalism had proved that free competition gives rise to concentration of production, which, in turn, at a certain stage of development, leads to monopoly. Today, monopoly has become a fact. Economists are writing mountains of books in which they describe the diverse manifestations of monopoly, and continue to declare in chorus that "Marxism is refuted". But facts are stubborn things...The facts show that...the rise of monopolies, as the result of concentration of production, is a general and fundamental law of the present stage of development of capitalism." (*ibid*, p. 20)

Lenin never understood monopoly as the negation or absence of competition; neither did he hold any neoclassical idea regarding "free competition" to be fair and free or perfect competition. What he means by monopoly is simply the fact that progressive concentration and centralization of capital at a qualitatively higher stage of its development leads to the destruction of the celebrated freedom of a large number of small capitals. This in no way implies that these small capitals were ethical, moral or fair in their mutual competition. Secondly, Lenin shows that the drastic reduction in the number of capitals active in each branch of industry and with their becoming humongous in size, the nature of competition does undergo a change. Lastly, Lenin also sees the stages of free competition and monopoly vis-a-vis the level of socialization of production. The former leads to unprecedented level of socialisation of

production. Lenin says nothing less nothing more. However, even a fine political economist like Anwar Shaikh has misunderstood Lenin's concept of monopoly. Let us see what Lenin says about the relation between monopoly and competition:

"At the same time, the monopolies, which have grown out of free competition, do not eliminate the latter, but exist above it and alongside it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts." (*ibid*, p. 83)

Moreover, Lenin clearly says that even in the stage of monopoly, new monopolies emerge due to opening up of new sectors of economy or even in the already existing sectors giving rise to competition; there is competition between monopoly and non-monopoly sectors and then there is competition between existing monopolies.

With the stage of monopoly, a number of developments are associated which Lenin mentions. One is, as just mentioned, unprecedented socialization of production as well as technical innovations, which enables these huge monopolies to make an approximate estimate of availability of raw material in a country, or several countries or even whole world. However, diverging from Hilferding and to a certain extent from Bukharin in significant ways Lenin concludes from this that this develops the potential for doing away with anarchy of production. But it does not actually do away with the anarchy of production, neither at the national level nor at the international level. Another inference that Lenin draws from monopolization is that as far as this socialization of production creates a necessary pre-condition for socialism and negates private property within the bounds of capitalism, it constitutes a transitional stage between capitalism and a higher social order. Lenin clearly says that monopoly neither eliminates competition, nor anarchy of production, nor the recurrent crises. Though in the first section, his description of crises depends more on the crises of disproportionality, however, his later treatment makes it clear that he regards movements of profitability to be the main underlying cause of investments, export of capital as well as crises.

Lenin broadly following Hilferding's analysis, though in short, yet at a higher level of generalization, argues that the role of banks changes from middlemen in making payments to a power that begins to control industry. The reason for this according to Lenin is increasing concentration and centralization of capital, growing scale of production that requires huge amount of capital for any investment or renewal of investment. Banks have enormous amount of money-capital at their disposal. This is the source of growing power of banks at the stage when concentration of capital has led to emergence of monopolies. Lenin describes in detail the process through which banks begin to control industry and their investments, the way in which banks promote monopolization, formation of cartels, trusts and syndicates and finally the way in which these powerful banks, themselves undergoing a process of monopolization, begin to impact state and its policies. Concentration in industrial sector and concentration in banking constitute a symbiotic process, each giving impetus to the other. The banking capital fuses with industrial capital because banks too are obliged to invest their capital in industry in order to pay interests to their account-holders. This becomes especially important with the emergence of central state banks, the schemes of state like post-office saving accounts, etc. These increase the necessity of bank capital to fuse with the industrial capital. This gives rise to finance capital in which the bank capital, according to Lenin, is in the driver's seat. This finance capital is concentrated in the hands of a handful of financial oligarchies which begin to control the bulk of national economy. Lenin also shows how banks emerge as institutions of national book-keeping which are in a position to determine the social division of labour. This prepares an

apparatus which can be used by socialist system to determine the distribution of means of production and social division of labour to different branches of economy. But these only prepare the grounds for that. They cannot achieve that due to the fact that despite the socialization of production the appropriation is private.

There is one aspect about which Lenin's analysis seems to be betrayed by real developments of imperialism in the past 100 years. He argues that the role of stock exchange will decrease in the age of finance monopoly capital because stock exchanges which used to act as an exact measuring rod and an automatic regulator of the economic movements in the era of free competition, will become irrelevant because in the era of finance capital and dominance of bank capital over industrial capital, every bank will become a stock exchange. It has a grain of truth but this judgement is not accurate. However, if we read the entire portion on stock exchange it might also imply the increasing dominance of banks over stock exchange and due to this a resultant change in their nature from the free competition period when they performed the function of free circulation of securities, and therefore a regulator of economic activity. So far as Lenin means that the Stock Exchanges of free-competition and free-trade era as a place of free circulation of securities, they do not exist anymore and in the era of monopoly finance capital, they are hegeemonized by the absolute power of banks, that have virtually swallowed the Stock Exchanges, it is more or less correct. But in itself this statement might create confusion.

Lenin, drawing on Marx and Engels, shows that in the age of finance capital, with the separation of ownership and management of capital, the capitalist class as owner of capital has become completely superfluous and lives on rents extracted from his financial speculative activities. His profits ("the promoter's profit") resemble more to rent or interest, rather than entrepreneurial profit. This much was said by Hilferding too, but Lenin draws an important lesson from it. For Lenin, emergence of this class of coupon-clippers who lived by clipping coupons was one of the signs of the parasitic and decaying character of capitalism in its imperialist stage. Other manifestations of this decaying parasitic nature was hindrance created by monopolies on further development of productive forces, innovations and inventions. This, for Lenin, did not mean that in the monopoly stage the technological progress will stagnate permanently. He was aware that due to existence of competition in the stage of monopoly, there will be periods of rapid progress too. However, this will not constitute the main trend. Lenin opines:

"In proportion as monopoly prices become fixed, even temporarily, the stimulus to technical and consequently to all, progress tends to disappear, and to that extent also the economic possibility arises of deliberately retarding technical progress...Certainly the possibility of reducing cost of production and increasing profits by introducing technical improvements is an influence in the direction of change. Nevertheless, the tendency to stagnate and decay, which is feature of monopoly, continues, and in certain branches of industry, in certain countries, for certain periods of time, it becomes predominant." (*Ibid*, p. 94)

But he also says,

"It would be a mistake to believe that this tendency to decay excludes the possibility of the rapid growth of capitalism." (*Ibid*, p. 112)

Regarding the definition of finance capital, Lenin accepts the definition given by Hilferding that is, finance capital is the capital owned by banks but employed by industry. According to Lenin, Hilferding's

definition is lacking in only one aspect, that is, such a situation emerged only at a certain level of development of concentration and centralization of capital resulting in monopoly, though elsewhere in his work Hilferding has paid attention to this question also. However, for Lenin the broad sequence of developments should be clear. That is why he says:

"We now have to describe how, under the general conditions of commodity production and private property, the "business operations" of capitalist monopolies inevitably lead to the domination of a financial oligarchy." (*ibid*, p. 46)

Lenin shows how through holding system the financial oligarchy is formed. Through holding system, a person holding shares worth a few million pounds could control many hundred millions of pounds. In this, shares of small denominations were especially useful. Lenin shows how the British imperialism was based on 1 pound share. Lenin describes in detail how the holding system works. Lenin also shows how the bulk of profit of the finance capital was coming from speculation, by buying shares, inflating their values and earning obscene amounts as "promoter's profits". Major source of profit of financial oligarchy is floating foreign loans and issuance of securities. In the times of crisis, these oligarchies make good use of it by buying the shares of companies in crisis, in the name of "reorganization and reconstruction", take control of these companies and by inflating the values of their shares, earn huge profits.

In a prophetic paragraph, Lenin shows how the financial capital makes huge profits through speculation in the real estate. The contemporaneity of this portion strikes you right away when you read it. Lenin argues:

"Speculation in land situated in the suburbs of rapidly growing big towns is a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly of ground-rent and with monopoly of the means of communication, since the rise in the price of land and the possibility of selling profitably in lots, etc., is mainly dependent on good means of communication with the centre of the town; and these means of communication are in the hands of large companies which are connected with these same banks through the holding system and the distribution of seats on the boards." (*ibid*, p. 54-55)

Lenin argues that once the monopolies are formed they penetrate every sphere of economic life and soon begin to control it. The celebrated independence of small capital and mythology of "fairness" of free competition becomes a laughing stock, which was never fair but whose unfairness was hidden behind the crowd of numerous small capitals. The financial oligarchies offer lucrative offers to state officials, bureaucrats, political agents and middlemen (which suddenly reminded me of people like Amar Singh and NeeraRadia, while reading this section!), placed on their board along with representatives of industrial monopolies and banking monopolies. In this way, the financial oligarchies establish contacts with the state and even begin to affect its policy-making. Lenin opines that the source of power of banks is in the general tendency of capitalism to gather a huge amount of money-capital at the disposal of banks and credit institutions. This assumes a central importance with increasing capitalist development. This very process leads to domination of industry by banks and then emergence as a result of their coalescence of finance capital. The abundance of capital that cannot be invested profitably at home is exported.

Here it is noteworthy that a number of later Marxist political economists have claimed that Lenin always emphasized on disproportionality between departments more than crisis of profitability as the main cause of crisis. However, if one reads *Imperialism: The Highest Stage of Capitalism* it becomes clear that Lenin

has referred to the movements of profitability as the main cause of export of capital. Lenin often refers to plethora or abundance of capital. Marx had already showed that any plethora of capital is that plethora that cannot be invested profitably. Plethora in itself is not a certain amount, but a concept that makes sense only in relation to the rate of profit. Lenin argues that the monopoly is manifested also in the form of monopoly position of certain countries with "abundance" of capital which cannot be invested domestically. Lenin ridicules the petty-bourgeois remedies suggested to get rid of this "plethora" without the "policy of imperialism". Here Lenin's critique of such petty-bourgeois quacks naturally brings to your mind the likes of Prabhat Patnaik, C.P. Chandrashekhara and Jayati Ghosh who persevere in their attempts to make this system understand that it must increase domestic demand in order to get rid of the crisis. Lenin has nothing but disdain for their quackery and reminds that if capitalism did that it would not be capitalism, because such measures lead to decline in the rate of profit due to upward pressure on wages and the regulator of capitalist production and investments is profitability. This "plethora" finds profitable investment opportunities in backward countries where the organic composition of capital is low, the prices of land are low, labour power is cheap and cheaper raw materials are available. Moreover, export of capital enables capitalist monopolies to circumvent the walls of protective tariffs.

Lenin shows by data the incredible increase in export of capital. Here we need to remember one thing. In the period of Lenin as well as today, the inflow and outflow of capital is greatest among advanced countries. Many scholars have used this fact to disprove export of capital as an important marker of stage of imperialism. However, they miss the basic point. Even today the US has largest inflow of FDI from EU and the largest share of its FDI outflow is to EU. However, if we need to understand the data regarding capital import and export, we must understand the capital import and export among developed capitalist nations do not constitute an element of imperialist exploitation and their relationship is one of broad parity. Secondly, we need to look at the data regarding the share of developing and developed world in the total FDI inflow/outflow as well as FDI stocks. Thirdly, there is no place of comparison of any two countries because such an analysis will be totally relativistic; in the analysis of any pair, one would emerge as imperialist exploiter and the other as the exploited; that holds true even if we analyze the capital flow between the US and the EU. The analysis should centre on the capital flow between the developed world and developing world; the increasing tendency of export of capital in capitalist economies; being a net importer or a net exporter of capital *in itself* does not prove anything. For instance, the US is net importer of capital; can we call the US a country exploited by imperialism!? The real yardstick is the role that export of capital plays in the appropriation of surplus from the backward capitalist countries today and the role this appropriation plays in maintaining the imperialist hegemony of the developed countries. The case of China is an interesting one. Here we can see that the net export of capital has increased incredibly in past 30 years. A great portion of this export is going to Africa, but also to developed countries. It is an interesting issue of research whether China is emerging as an imperialist power, or, has it already emerged as an imperialist power? We cannot go in the detail of this question here. However, this much is certain that Lenin's criterion of export of capital has been grossly misunderstood by a number of scholars, some of whom are Marxist. What is essential to understand is that in Lenin's theory, influence/control on certain regions, resources, and markets of less developed world plays a vital role in the appropriation of surplus by the advanced countries and also in their competition with other advanced countries. It does not really make any difference if the bulk of export of capital of the EU is to the US and other parts of the developed world. The EU still remains an imperialist power *vis-a-vis* countries like Egypt, Libya, India, Indonesia, South Africa, Turkey, etc.

Lenin's assessment of the impact of export of capital on the colonies, semi-colonies, neo-colonies does seem to be a little inaccurate. According to Lenin, the export of capital will lead to deceleration of capitalist development in the sending areas and the acceleration of the capitalist development in the receiving areas, though they give huge benefits to the financial oligopolies in the advanced countries through repatriation of profits through state loans, construction projects, etc. Actual experience of history shows that imperialist penetration of backward areas does create some preconditions of capitalist development but they also impede and block the natural course of capitalist development in the colonies, semi-colonies and neo-colonies. However, if we look at the period after the decolonization, this assessment of Lenin does have a grain of truth. The export of capital and consequent shifting of what Lenin called "arterial industries" to the developing world, the capitalist development in the developed world has become decelerated, whereas, the capitalist development in the developing world has increased, though with much higher levels of unevenness, inequality, incomplete bourgeois democracy, etc. These are characteristic features of the peculiar kind of post-colonial and relatively backward capitalist development that has taken place in the erstwhile colonies since last 5 or 6 decades.

According to Lenin, the competition for largest possible territories for exploitation by monopolies through export of capital leads to division of the world *figuratively* (among the leading world powers) and *actually* (among the capitalist monopolist associations). The relationship between this 'figurative' and 'actual' division of the world must be understood as the failure to understand this has led a number of theorists of 'new imperialism' to bizarre conclusions. Lenin shows with the data of various industries including electrical industries, oil production, etc how the world of Lenin's time was divided among capitalist monopolistic combines. The agreements and conflicts between the monopolistic combines is described in detail by Lenin to show that due to different trajectories of growth, conflict turns into agreement and agreements are broken to give rise to new rivalries. At the root of this dialectical movement is the law of uneven development. In this movement, the state of advanced capitalist countries emerges as an instrument of monopoly capital. Lenin specifically refutes the argument of Kautsky and other social-democrats that monopoly leads to elimination of competition. Lenin writes:

"International cartels show to what point capitalist monopolies have developed, and *the object* of the struggle between various capitalist associations...for the *forms* of the struggle may and do constantly change in accordance with varying, relatively specific and temporary causes, but the *substance* of the struggle, its class *content*, positively *cannot* change while classes exist." (*ibid*, p. 71)

Evidently, Lenin argues that monopoly does not eliminate competition but only alters the form, nature and manifestation of competition. According to him, division of the world is based on the share of capital of different monopolies and states. This share is subject to constant change due to a variety of factors. Whenever this changes, conflicts emerge. *Figurative* division of the world between political alliances of the states is only on the basis of *actual* division of the world between the monopolistic associations. And both of them are subject to change. Right now the world is on the verge of a major change in the figurative as well as actual division of the world, though this process can be uneven, interrupted and full of violent convulsions.

Related to this theme is Lenin's divergence from Bukharin's conception of world economy. In Bukharin's work, the concept of world economy overlooks the internal divisions; even when these internal divisions

are considered they are subordinate to the general laws of world economy. Consequently, the entire concept of world economy becomes a bit monolithic and homogeneous. However, Lenin's concept of international economy is one of multi-layered network of imperialist powers. Due to the monolithic concept of world economy, Bukharin drifted towards the so-called "Polish heresy" which totally rejected the rights of nations to self-determination. It was argued that in the age of imperialism the very concept of national self-determination had become obsolete. Trotsky too argued in the same vein and his influence on Bukharin cannot be struck out. As a consequence, it was argued by Bukharin that the socialist revolution in this era is more likely to establish a global or at least a multinational socialist state, which is incompatible with the notion of national self-determination. Lenin attacked this idea vehemently and called it a breed of "imperialist economism". He did not support the right to self-determination from a nationalist viewpoint but precisely from the standpoint of future of socialist revolution. At the root of this critique was Lenin's totally different conception of imperialism as a multi-layered network of imperialist powers, a kind of chain. Lenin understood that the rise of monopolies, formation of financial oligarchies, export of capital and division of world between capitalist monopoly associations has bound the different capitalist as well as non-capitalist social formations together; but at the same time he realized this is not an organic unity creating a monolithic structure but a structure that resembles a multi-tier network which is internally contradictory, fluid and dynamic. These different social formations (advanced capitalist, relatively backward capitalist, as well as colonial, semi-colonial and neo-colonial) are like links in a chain of imperialism. Each link has its own dynamics and rate of growth due to the existence of particular socio-economic relations, their particular political condensation and their particular political conjunctures. This also led Lenin to propound his famous theory of 'weak links' which argued that the coming revolutions most likely will occur in the 'weak links' and his theory was validated by historical experience. The reason was that he correctly captured the nature of imperialist system as a multi-layered network rather than a monolithic and homogeneous world economy. The latter concept dominated a number of Marxist scholars of that period and it was a smooth road to Kautskyite social-democratic or Trotskyite permanent revolution theory.

While discussing the territorial division of the world, Lenin makes a number of valuable observations. He talks about three categories of imperialist powers. These categories are useful to analyze the changing scenario of present imperialist world also. The first category belongs to the new and rapidly emerging imperialist powers (in Lenin's time, the US, Germany and Japan); the second category is of old imperialist powers in decline (in Lenin's time, Britain and France), and the third category belongs to countries like Russia which are still backward as compared to other imperialist countries but which have a combination of most advanced and concentrated forms of finance capital and industrial capitalism existing with backward relations. One can disagree over which countries today belong to which category, but there would be a general consensus on the fact that these categories are still relevant and apply to present imperialism.

Another very important and relevant observation of Lenin is that colonialism is not *conditio sine qua non* of imperialism. Imperialism can and does exist without colonialism, semi-colonialism, neo-colonialism. He argues that finance capital is capable of subjecting and does subject states with the fullest independence. Lenin contends further that there can be multiple forms of domination of finance capital and dependence, besides colony, semi-colony and neo-colony. One of these forms is commercial colony which has political independence. Argentina, for Lenin, was the most important example of such a commercial colony. Another form of domination of finance capital that Lenin mentions is particularly

important for today's world. He argues that smaller and relatively less developed capitalist states also are exploited by imperialism. The example of such a nation that Lenin gives is Portugal. It is a fully politically independent capitalist state and is allied with British imperialism. Its role as a 'junior partner' of British imperialism is evident in the fact the Portugal allows Britain to invest in its colonies, use its network of telegraph cables, etc. Such countries according to Lenin are neither colonies nor semi-colonies nor neo-colonies. They are aligned with this or that imperialist bloc and play the role of a subordinate partner. Let us see what Lenin says in this regard:

"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...it has been a British protectorate. Great Britain has protected Portugal and her colonies in order to fortify her own positions in the fight against her rivals, Spain and France. In return, Great Britain has received commercial privileges, preferential conditions for importing goods and especially capital into Portugal and the Portuguese colonies, the right to use the ports and islands of Portugal, her telegraph cables, etc., etc. Relations of this kind have always existed between big and little states, but in the epoch of capitalist imperialism they become a general system, they form part of the sum total of "divide the world" relations and become links in the chain of operations of world finance capital." (*ibid*, p.81-82)

In present world, the situation has changed to a certain extent. Now such states that are relatively less developed are not allied to one imperialist power for a long time, but they play the role of 'junior partners' of imperialism in general, inclining to one axis sometimes, while to some other axis at other times. One thing is clear from the above account that colonialism, semi-colonialism and neo-colonialism are not the only possible *modus vivendi* of imperialism. Imperialism can exist without colonialism, semi-colonialism and neo-colonialism. Barring a few exceptions, that is the case today. Obviously, Lenin did not discuss and could not have discussed this case in greater detail because he was a revolutionary practitioner and it was his duty to analyze the most living questions of his time and the most representative realities of his time.

Similarly, Lenin did not believe that the division of the world between an industrial and agrarian region is a precondition of imperialism, as Kautsky suggested. Lenin also criticized Kautsky for not understanding the peculiarity of relationship between imperialism and finance capital and linking the former with advanced industrial countries. This refutation applies to a great degree to the recent theorizations about imperialism by Prabhat and Utsa Patnaik also. Lenin points out that imperialist domination in itself has nothing to do with agrarian regions or what the Patnaiks have called tropics (whose cheap goods are essential for development of capitalism in the temperate countries) and that imperialist countries strive equally hard to hegemonize highly developed industrial territories because world is already partitioned and struggle for redivision obviously leads to a scramble for all kinds of territories and secondly it involves struggle for hegemony over the globe to weaken the rivals, so there is not enough room for consideration of agrarian or industrial regions.

Lenin also debunks the claim of Kautsky that a stage of 'ultra-imperialism' can arrive. Lenin calls it a theory of ultra-nonsense. Lenin argues that it is even theoretically impossible. Kautsky argued that there is a possibility of development of the cartellization in foreign policy also leading to emergence of a world monopoly, a single international trust inaugurating an era of 'ultra-imperialism'. He defined it as the union



of many 'imperialisms' into one imperialism jointly exploiting the entire world by internationally united finance capital. Lenin demolishes this whole argument as ultra-nonsense. The very idea of 'ultra-imperialism' is a meaningless "pure abstraction". Lenin argues that if we analyze the growth of monopoly in the age of finance capital in a historically determined concrete situation it becomes clear that given the different rates of growth, disparities and uneven development of capitalism, such a stage of ultra-imperialism will never come. There always will be many imperialisms even though at different times different imperialism(s) might be hegemonic. This criticism applies to theories which emerged after the collapse of Soviet Union when even some "Marxists" began to talk about "uni-polar world" and "Pax Americana", for instance Prabhat Patnaik and Aijaz Ahmad. Due to this realization, Lenin's critique of Kautsky's and other social-democratic leaders' opportunism was much more complete, coherent and effective than Bukharin's critique which was artificial due to his belief that competition will be eradicated within national capitalism. The same logic disarmed him to refute Kautsky and later-Hilferding. Lenin's analysis of the link between imperialism and the rise of opportunism within the working class movement due to bribing by imperialistic ruling class of the leaders and a sizeable minority of upper echelons of working class in the advanced countries, is much superior to Bukharin's analysis.

This small booklet is so rich in its historical observations and the assessment of trajectories of development that all the insights cannot be presented here, but it would be imperative to mention the fact that the phenomenon that is today being registered by a number of leading studies of imperialism (like John Smith's), namely, of shifting of production from developed North-Western capitalist countries to what is being called the 'Global South', was recognized a 100 years ago by Lenin. Lenin shows how Britain is not producing most of the commodities that it uses and most of its arterial industries are shifting to its colonies in Asia and Africa. This applies especially to the US today. Another related observation of the contemporary Britain that applies ditto to the US today is that most of the land in Britain at that time was not being used for productive purposes but for recreational and non-productive activities. The parasitism of Britain's financial oligarchy was leading it to a slow but steady decline. The same can be said about the US today, again.

Towards the end of the book Lenin presents a brilliant critique of petty-bourgeois critiques of imperialism, reformist critiques of imperialism as well as imperialist critiques of imperialism. However, we cannot go in details of this critique of Lenin.

Finally, it is important to understand the concept of 'highest' or 'latest' stage. Some authors have tried in vain to prove that Lenin did not mean the 'highest stage' but only meant the 'latest' or 'contemporary stage' of capitalism. The reason for this desperate attempt to defend something that does not need a defence is an utter confusion about the nature of this concept. The nature of this concept is logical, rather than chronological. Imperialism is called the highest stage of capitalism and the eve of proletarian revolution by Lenin not to mean that revolutions are round the corner. It means that imperialism creates the necessary prerequisites of socialism in the form of unprecedented socialization of production and the accounting of entire national economy by banks. Whether or not these material preconditions are actually transformed into a higher social order, is not a spontaneous economic act, but a conscious political act and depends on the struggle against opportunism and revisionism in the working class movement, among other things. Thus, Lenin is against any kind of "inevitable collapse" or "inevitable breakdown" theory. Imperialism is the highest stage also does not mean that the history of imperialism itself cannot be divided into many phases from Fordism to post-Fordism and neoliberal globalization, which in my opinion is the

latest phase of imperialism. Therefore, it is essential to understand the political concept of 'the highest stage' as a logical concept rather than as a chronological concept. Let us see what Lenin has to say about it:

"...then it becomes evident that we have socialization of production, and not mere "interlocking"; that private economic and private property relations constitute a shell which no longer fits its contents, a shell which must inevitably decay if its removal is artificially delayed, a shell which may remain in a state of decay for a fairly long period (if, at the worst, the cure of the opportunist abscess is protracted), but which will inevitably be removed." (*ibid*, p. 120)

Therefore, those who uselessly want to salvage the concept of 'the highest stage' should remain in peace. Do not try to fix it, if it is not wrecked!

Summing up Lenin's contribution to Marxist theory of imperialism, it can be said without any exaggeration that his theory still remains the most complete theory of imperialism with high level of generalization and excellent use of dialectical method. A lot of themes have been left undeveloped and unfinished and demand further development. However, the very objective of the project was very humble, namely to present 'a popular outline' of the 'economic essence' of imperialism. Lenin not only breaks new ground in the analysis of imperialism but also systematizes the findings of Marxist studies done till that time about imperialism. As a consequence, Lenin succeeded in presenting the most complete paradigm for the study of imperialism and it is relevant even today. This is not to say that Lenin's theory of imperialism does not need to be developed today. The world since the end of the Second World War and especially since 1970s has undergone profound metamorphosis from the decline of Fordism, deregulation, fragmentation of assembly line and emergence of a truly global assembly line, flexibilization and invisibilization of working class, different process of informalization, emergence of new types of monopolies in the form of transnational corporations, changing nature of the presence and intervention of the nation-states, and the unprecedented level of financialization and rise of speculative capital. These changes in my opinion constitute significant quantitative changes that need to be understood and interpreted from the Leninist framework. However, this too is certain that it is this framework which has the greatest analytical rigour and incisiveness to understand these changes in totality, in motion and in their inter-relations, in other words dialectically.

## Neo-Marxist Theories from 1940s to 1970s

The period after the Second World War saw a spurt in new Marxist studies of imperialism and monopoly capitalism. The most important work in this period came out from the US, namely, *The Political Economy of Growth* by Paul Baran in 1957. The second important work was *Monopoly Capital* by Paul Sweezy and Paul Baran. However, the roots of their political economy, which came to be known as the 'Monopoly Capital School', were laid in 1942 when Paul Sweezy published his *The Theory of Capitalist Development*. The publication of these empirically rich and important work laid the foundation of what I would broadly term as 'The Exchange Relations Perspective' (ERP from here onwards). ERP has five major sub-branches: the first was Sweezy-Baran's 'monopoly capital' school; the second was Andre Gunder Frank's 'Dependency Theory'; the third was Immanuel Wallerstein's 'World Systems Theory'; fourth was Samir Amin's theory of 'Underdevelopment'; and finally, the 'Unequal Exchange' theory of Arghiri Emmanuel. All these five subsets of ERP are different in their analysis in significant ways but

also share some basic positions of political economy. These basic positions are underconsumptionism, primacy of exchange relations (rather than production relations) and analytical preference to sphere of circulation and distribution.

In analyzing ERP too, we should 'begin from the beginning'. The roots of this broad trend are in the publication of *The Theory of Capitalist Development* of Sweezy. This work is an extension of the Luxemburgite underconsumptionism that we analyzed above. Sweezy makes no bones about the fact that he is going to develop an underconsumptionist theory of capitalist development and crisis "free of the objections which have been levelled at earlier versions." (Paul Sweezy, *The Theory of Capitalist Development*, New York, Monthly Review Press, 1942, p. 179). However, what Sweezy produces is the same traditional underconsumptionist argument that consumption regulates production; therefore Department I is integrated in a vertical subordinate position to Department II and any increase in production in Department I is an effect of changes in Department II. Once he makes this assumption he smoothly transitions into traditional underconsumptionism which argues that since capitalists have tendency to invest more in machines, the production of machines increases. Any increase in production of machines leads to an increase in consumption goods; consequently, consumption lags behind production because the share of wages in national income falls and capitalists have a tendency to accumulate, rather than consume. As a result, a demand gap opens up leading either to crisis or stagnation. We have already critiqued this position above.

In the next major work, *Monopoly Capital* published in 1966, Sweezy and Baran add little to the foundations of their analysis. Here they just add that the overproduction or over-capacity is not limited to Department II but also Department I. In other words, capitalism in its monopoly stage has the tendency to continually increase production beyond its capacity of consumption, or internally generated effective demand. Sweezy and Baran assume that Marx's analysis was based on the free competition phase (they ascribe the neoclassical idea of competition to Marx, though Marx critiques this idea of perfect competition) and in the monopoly stage of capitalism his notions of law of value and law of tendential fall in the rate of profit are not relevant.

Sweezy and Baran use the category of 'economic surplus' to effectively replace the category of surplus value. It is noteworthy that the category of surplus introduced by Sweezy and Baran simply means the difference between the total produce of society and the portion of it which is used to replace the expended factors of production, what is generally called the net product. This concept does not have any historical specificity and it does not relate to the relations of production. Economic surplus can exist in a variety of modes of production. It does not have anything particular to do with capitalism or capitalism in its monopoly stage. Secondly, this surplus has nothing in particular to do with the relation between the direct producer (wage labour under capitalism) and the exploiter (capitalist under capitalism with monopoly of ownership of means of production). The way the surplus product is extracted, i.e., the mode of surplus extraction is not explained in any way by this concept of economic surplus. It is a concept that belongs at a macro level to the sphere of circulation. The concept of surplus is not specifically and explicitly related to exploitation. It is a macroeconomic concept with no or incomplete microeconomic foundations. The sole problem in *Monopoly Capital* is disposal and absorption of this surplus. Thus the problem is solved at the level of circulation; for the absorption of the surplus, capital must look for external sources, otherwise the demand gap will keep widening and the system will be bogged down in chronic depression, crisis or stagnation. This expanding surplus is only temporarily and partially absorbed by military

spending, wasteful consumption spurred by new sales efforts through advertising, etc. So, the chronic depression and stagnation is inevitable.

According to Sweezy and Baran there is a constant tendency of rising surplus, which they call the law of tendency of the surplus to rise. They claim that Marx's law of tendency of the rate of profit to decline and law of value does not apply to the stage of monopoly capitalism. Under monopoly capitalism, the costs of production decrease, but the prices increase or remain constant. This enables the monopoly capitalism to prevent the rate of profit from declining and their profits continue to rise. However, this argument completely ignores the production in non-monopoly sectors. Shinzaburo Koshimura, using Marx's arguments about monopoly and monopoly prices (which are conspicuous by their absence in Sweezy and Baran's treatment) demonstrates that monopoly capitalism actually shows the unfolding of the law of value itself. Marx wrote in volume three of *Capital*:

"...if equalization 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 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 not merely transfer a portion of the profit of the other commodity-producers to the commodities having the monopoly price. A local disturbance in the distribution of the surplus value among the various spheres of production would indirectly take place, but it would leave the limit of this surplus value itself unaltered...The limits within which the monopoly price would affect the normal regulation of the prices of commodities would be firmly fixed and accurately calculable." (Karl Marx, *Capital*, volume-3, Progress Publishers, Moscow, 1978 Reprint, p. 861)

Thus the logic of monopoly prices and monopoly profit is only an extension of the theory of value rather than its negation. There are limits within which monopoly price would affect the normal regulation of prices of commodities. The rise of monopoly does not negate competition but reproduces it in more intensified form at a higher level.

The "law of increasing surplus" proposed by Sweezy and Baran has been shown to have little empirical evidence and is based on classifying all government spending as surplus, which is extremely misleading. Another problem with Sweezy and Baran's account is that they believe that stagnation is now the permanent state of capitalism, interrupted by periods of expansion that are caused by external factors. The reason for this stagnation as opposed to Marx's argument is not declining rate of profit but underconsumption or the problem of realization, or absorption of surplus. The crises in the stage of monopoly capitalism is superseded by a permanent state of stagnation due to this realization crisis. Thus for Sweezy and Baran, the sphere of circulation now determines the sphere of production. Exchange relations, therefore, are given primacy over production relations. We have shown while discussing Luxemburg's theory of imperialism that expanded reproduction is possible, proportionality between departments is possible and surplus can be realized within the system. The failure to realize this is caused by the foundational error of forgetting that department I produces for department I also (producing means of production that produce means of production) and forgetting that this tendency increases with development of accumulation, owing to the belief that consumption determines production under

capitalism. Secondly, we have also shown above that underconsumption is not the cause of the crisis but the symptom of the crisis of profitability. Thirdly, the state of stagnation is not permanent because every major crisis or stagnation leads to devalorization of capital, restoring profitability by precisely this devalorization. Therefore, one must not forget that every crisis is a sudden or a protracted *cathartic* process for the system.

All these problems have led to misleading conclusions that 'monopoly capital' school derives about the nature and role of imperialism. The real reason for the expansion of advanced capitalism to what later came to be known as 'periphery' is the absorption of surplus, realization problem. The export of capital increases this problem to a higher level because this export of capital increases the amount of repatriated profits, in turn, leading to even greater "demand gap". However, 'monopoly capital' school fails to explain why the capitalists export capital? For Sweezy and Baran, the three salient features of imperialism in the era of monopoly capitalism are rise of the US as the hegemonic imperialist power, maintaining its economic hegemony by brute force and militarism; second, the threat of socialism, that the US perseveres to limit and suppress by economic and military means; and third is the rise of MNCs. The rise of MNCs signal the beginning of a new kind of capitalist firm that is different from the nationally-rooted monopolies of Lenin's time. There is no doubt that there has been an important change in the form of existence of monopoly firms. However, Sweezy and Baran say that these MNCs have shifted from the strategy of export of commodities to export of capital and shifting of production to Third World countries; we have seen that this process was well underway in Lenin's time itself and Lenin had alluded to these developments. Moreover, Sweezy and Baran claim that the interests of MNCs diverge from national interests that was not the case with monopolies of Lenin's time. This too is only an apparent reality. In fact, the TNCs/MNCs of today are represented by the individual imperialist countries (often the mother country or the country of origin of that MNC) or some bloc of imperialist countries. Sweezy and Baran argue that the essence of imperialist domination of colonies and neo-colonies is the economic surplus of these countries is pumped out by imperialism. This economic surplus is not used for accumulation because the comprador bourgeoisie consumes part of this surplus wastefully in luxuries. Decolonization has not prevented the inflow of foreign capital because the pressures of socio-economic development in these countries is great while local sources of surplus is wasted in luxury and speculation. Consequently, the bourgeoisie of the ex-colonies is obliged to rely on foreign investments. On the other hand, the MNCs that export capital to these countries and shift production to these countries use the local capital for financing these enterprises. This rather than relieving from the problem of absorption of surplus, increases it.

Harry Magdoff of the 'Monthly Review' school of Marxism tried to move towards the Leninist notion of imperialism but in attempt to save the position of Sweezy and Baran, his analysis falls short of capturing the essence of contemporary capitalism. In short, the position of 'monopoly capital' school is an underconsumptionist logic of absorption of the net product, as the reason of crisis/stagnation as well as imperialism. The hallmark of this position is giving primacy to exchange relations rather than production relations that is evident in the notion of 'economic surplus'. The political analysis of Sweezy and Baran is shared by a number of communists who are still clinging to the idea of comprador bureaucratic bourgeoisie, semi-feudal semi-colonial or neocolonial social formation and new democratic revolution. We can see the non-Marxist roots of the political economy of 'monopoly capital' school.

The next major trend within ERP was Dependency Theory. Though Andre Gunder Frank is the most well-known name of this trend, its origins can be traced to Paul Baran's *Political Economy of Growth*. Here, Baran traces the roots of underdevelopment of the Third World countries and their inability to undergo capitalist industrialization in the extraction of surplus from these countries by the imperialist countries, first through colonialism and then through neo-colonialism. The comprador bourgeoisie in the erstwhile colonies collaborated with the imperialist bourgeoisie in this extraction of surplus in return of a share in this surplus. However, since this bourgeoisie expends its share on the state bureaucratic apparatus and its luxuries, accumulation is not possible. Therefore, there is a systematic development of underdevelopment in these countries. Imperialism here is based on extraction of surplus and absorption of surplus. However, how the surplus itself is produced is taken for granted.

Andre Gunder Frank takes the basic idea of surplus extraction from Third World countries or the periphery by the metropolis/centre. Later, he stipulates that periphery and centre exist even within a country and therefore we should talk about the metropolitan regions and peripheral regions, the boundaries of which sometimes coincide with national boundaries. According to Frank, development and underdevelopment are the two sides of the same coin. Development in the core/metropolis is not possible without underdevelopment in the periphery. This is based on the process of extraction of surplus from the periphery by the metropolis. He argues that from the time when a world market came into existence with the expansion of capitalism from Western Europe to other parts of the world (first he says it was in the 16th century and then later pushes this time to 5000 years ago!), a world capitalist system came into existence with the dialectical poles of metropolis and periphery through the extraction of surplus. As capitalism developed, the development of metropolis and underdevelopment of periphery also became consolidated. Frank disagrees from Baran that underdeveloped regions failed to develop capitalism. According to him, underdeveloped regions are capitalist and capitalism necessarily has these two poles of developed regions and underdeveloped regions. Frank also argues that there is an entire hierarchy in the world capitalist system in which some countries can be characterized as metropolis, others as periphery and yet others as semi-periphery. The developments in the peripheral regions is derivative of development in the core regions. The satellite or peripheral countries develop a commercial and comprador bourgeoisie due to the penetration of capital from the core regions which act as agents of bourgeoisie in the core countries.

As evident, for Frank capitalism came into existence as a result of extension of world market through foreign trade, colonial voyages and establishment of colonies. This definition of capitalism has nothing to do with Marx's definition who showed that foreign trade, mercantilism and coming into existence of a world market is possible in the era of feudal relations also. Secondly, the thing that lies at the root of emergence of capitalism, imperialism and underdevelopment is extraction of 'surplus'. This theory does not bother to explain what class relations, production relations and mode of production led to production of this surplus, or the particular mode of extraction of this surplus from one class by another class. The existence of surplus is assumed. Thus the entire focus of Frank is on exchange relations, who does not conceptualize capitalism as a mode of production and imperialism as a particular stage of capitalism, but as a global system based on a set of exchange relations. As a result in Frank's theory, there is no place of class struggle. For Baran as well as Frank the source of capital accumulation is not exploitation of labourpower but the extraction and redistribution of surplus from one region to another, creating underdevelopment in the former and development and accumulation in the latter. But as Marx said, "the profit must exist before it can be redistributed." The comment of Dore and Weeks on Frank is correct:

"By ignoring the mode of production, production itself is ignored. Once the analysis loses touch with the process of production, the fundamental social axiom that all societies, save the most primitive ones, are based upon the exploitation of direct producers disappears from view. And without the mode of appropriation (and thus exploitation) at the heart of an analysis of societies, a discussion of *classes* has no scientific content. Without reference to the mode of production, the concept of class merely provides a taxonomy for the sphere of appearances, a more-or-less arbitrary exercise in attaching labels." (Dore, Elizabeth and Weeks, John, 'International Exchange and the Causes of Backwardness', *Latin American Perspective*, Spring, 1979)

The third trend of ERP is closely related with 'Dependency' theory and aims to explain the process through which the extraction of surplus from underdeveloped regions by the developed countries takes place. This trend was initiated by Arghiri Emmanuel, who gave the theory of unequal exchange. Emmanuel attempts to show that due to wage differentials between the developed regions and underdeveloped regions of the world, there is a persistent flow of value from the latter to the former. These value transfers depress the incomes, living standards and investment and distort the trajectory of growth in the periphery which favors production of primary goods for export and luxury goods for domestic consumption, creating a condition of chronic underdevelopment. Emmanuel assumes, just like the neo-classical trade theory based on Ricardo's theory of comparative costs, that all countries use same technologies and produce same products, these techniques of production require the fixed technical composition of capital; the rate of profit is equalized internationally leading to an international prices of production; given these assumptions, the profit rates will be higher where the wages are lower. Since in the age of imperialism export of capital has become the dominant trend, it has to be taken into account to revise the theory of comparative costs proposed by Ricardo based on exchange of commodities only. (Ricardo assumed on the basis of quantity theory of money that international trade will be beneficial for all because the trade deficits will always be changed into trade surpluses and vice-versa due to changing quantities of money; though this theory was in contradiction with Ricardo's labour theory of value, yet he stuck to it). Emmanuel accepts the Ricardian theory on its own grounds (the exchange of commodities), but argues that in the age when export of capital has become the main trend, the international flows of capital will be detrimental to the peripheral economies dragging them down into chronic underdevelopment. The reason for this is that the lower wages in peripheral economies will invite foreign investment leading to constant transfer of value to the metropolitan centres. Therefore, competition and the mobility of capital results in systematic and continuous transfer of surplus value from underdeveloped countries to the advanced imperialist countries: this is what Emmanuel calls 'unequal exchange'. The very foundations of the theory is flawed. For example, wages for Emmanuel are pre-determined and independent variable determining the prices of production. This is a gross misunderstanding of law of value determining the value of the labour power and its phenomenal expression, that is, wages (as "price of a day's labour"). The value of labour power in different countries is determined by the productivity in the industries producing the wage goods especially used by workers in general. This productivity in turn is determined by the level of development of productive forces and the production relations of a country. However, Emmanuel's analysis leaves the sphere of production, production relations and class struggle and rather focus on the sphere of distribution of surplus value. Secondly, the very assumption that of a single global technology of production and different wages in different countries implies that both the prices and the profit rates cannot equalize. Either the prices are different and the profit rates equalize, that would require trade restrictions, in which case there is no transfer of value, or the profit rates vary and the

prices equalize across countries. In that case, all production would migrate to underdeveloped countries, which would eventually eliminate any kind of dependence. However, the gap between the developed countries and underdeveloped countries is a reality. However, it can be explained from Marx's method rather than resorting to neo-Ricardianism, as Emmanuel does. The reality is that the absolute advantage that the more efficient capitalist countries enjoy over countries with lower level of development of productive forces leads to a structural inequality and this applies also to the period in which exchange of commodities dominated, contrary to what Emmanuel assumes. The absolute advantage is implicit in the fact that the values of the same commodities tend to be lower in countries with higher productivity, making them internationally more competitive. As a result, the underdeveloped countries run persistent trade deficit. In the era of export of capital and shifting of production to Third World countries the wage differentials actually lead to double effect, as Anwar Shaikh has shown. It can lead the transfer of surplus value to zero and yet uneven development and underdevelopment of the periphery. The inequality which for Emmanuel is *simply* the inequality of nations due to differential wage rates is actually a manifestation of the inequality between capitals which is result of the law of uneven development of capitalist relations of production and forces of production. Concentration and centralization of capital are valid laws of capitalism nationally as well as internationally. In either case, the patterns of exchange and transfer of surplus value are not the causes of capitalist development or underdevelopment, but the effect of this development or underdevelopment rooted in the uneven development of the forces and relations of productions. The prescription of Emmanuel, that is why, reminds one of Proudhon's solution, i.e., equalization of wages. The internationalization of wages cannot solve the problem of underdevelopment of backward capitalist countries; it will only destroy the indigenous capital! To argue for same wages everywhere is only arguing for equal exploitation of workers everywhere, subjectively. And objectively it would not even lead to that. The real wages in any country are ultimately limited by the level of development of its forces of production. If the worker of a country like Bangladesh gets wages so high as to enable them to consume the entire social product of country, even then their wages will not equal the wages of an average American worker because the total social product per capita in Bangladesh is lower than the real wages of average American workers. We can see the absurdities to which the ERP perspectives can lead to.

There is no need to discuss Immanuel Wallerstein's 'World Systems Theory' which is a variant and extension of Frank's 'dependency theory' in many ways and Samir Amin's theory of global accumulation which is more of an extension of Emmanuel's theory of Unequal Exchange, but also has an eclectic mixture of elements of dependency theory and world systems theory. The basic characteristic features that all subsets of ERP theories share is a disdain for sphere of production and focus on sphere of circulation (exchange and distribution), underconsumptionism, dependency and underdevelopment. It is important to note here that a lot of NDR theorists in Third World, unable to prove existence of semi-feudal relations on the basis of the study of internal contradictions and production relations of their countries have relied heavily on the dependency and unequal exchange theories to prove the existence of a comprador bourgeoisie, continuing imperialist domination in the neocolonial form and lack of "sufficient capitalist development". However, the very roots of these theories constitute a departure from Marxist-Leninist methods.

## **A Re-statement of Classical Marxist Positions: John Weeks and Anwar Shaikh**



The late-1970s and early-1980s saw the emergence of a few studies in response to different ERP theories that challenged them and attempted to re-state the materialist and Marxist position regarding the accumulation of capital, expansion of capitalism, monopoly capital and imperialism. This includes studies by Rober Brenner, John Weeks and Anwar Shaikh in the main. Brenner's study is not so much about expansion of capitalism but more about the origins of capitalism. It challenges the general thesis of ERP, especially those of Sweezy, Baran and Frank, that it is the expansion of market that leads to emergence of capitalism, though there are significant differences in these three ERP proponents. We will leave out Brenner's study here and would focus on the arguments of John Weeks, Elizabeth Dore and Anwar Shaikh.

Weeks and Dore published their study in 1979 and Weeks published a number of other essays and books during the late-1970s and early-1980s. They argue that the foundation of materialist theory of production is theory of reproduction of the social relations of production. In context of capitalism, it is the theory of capital accumulation. Weeks and Dore criticize 'dependency' theory's emphasis on the development of capitalism on the basis of extraction of surplus from backward countries. Since this theory only sees the division between developed and underdeveloped regions, it cannot explain the political boundaries between countries that are essential in international accumulation and uneven development. They show that contrary to the claims of 'dependency' theorists, most of the capital flows into the developed countries. They also show that the existence of surplus product does not necessarily imply capitalist accumulation. Expanded reproduction happens not as a result of redistribution of surplus but by increase in the surplus value as a result of development of productive forces. The first condition of capitalist development and existence of capital relation is creation of a class of "dually free" wage labour and a class of capitalists who monopolize the ownership of means of production. Without labour power becoming a commodity, capital relation cannot emerge. Secondly, the law of accumulation and concentration and centralization of capital shows the necessity of capital to expand. This expansion of capital beyond national boundaries leads to exchange among developed countries as well as between developed and underdeveloped countries. According to Weeks'argument, competition is an inherent element of capitalism and it cannot exist without competition. Marx never posited a dichotomy of competition and monopoly because contrary to claims of Sweezy and Baran, Marx's analysis never functioned on the neoclassical notion of free competition. Monopoly rather than negating competition, reproduces it on a higher level in a more intensified form because capital in the stage of monopoly can move across branches of production, rather than being limited within their boundaries.

Quoting Marx from *Grundrisse*, Weeks shows that the basis of competition under capitalism is not in the sales of products, that is, in market. That is how competition *appears* under capitalism. The real basis of competition, however, is the fact that there is the existence of free wage labour and the purchase of this labour power creates the conditions of competition. The necessary conditions of bourgeois production, free wage labour and a market for the means of production, mean that the possibility of capital marshalling the forces of production for an invasion of branches of industry where the rate of profit is above average is always present. Thus, competition under capitalism is not determined by conditions in the product market but is determined by the existence of labour power as commodity, though it may take an apparent form of struggle for sales in a market. Therefore, it is the basic capital relation and the drive for maximum profits that drive the export of capital.

If the number of capitals in various branches of production is drastically reduced due to free competition itself, it does not mean that competition is eliminated. This monopoly stage does not change the basic source of competition : the existence of labour power as commodity. Moreover, Marx never believed in a 'golden age' of "free competition". Even in the early phases of capitalism competition was fettered by pre-capitalist modes of production and lack of credit. It does not begin with free competition in the literal sense of the term, rather with limited competition. The increasing concentration and centralization leading to the stage of monopoly intensifies competition rather than eliminating it. Weeks quotes from Marx:

"We all know that competition was engendered by feudal monopoly. Thus competition was originally the opposite of monopoly and not monopoly the opposite of competition. So that modern monopoly is not a simple antithesis, it is on the contrary the true synthesis.

Thesis: Feudal monopoly, before competition

Anti-thesis: Competition

Synthesis: Modern monopoly, which is the negation of feudal monopoly as it implies the system of competition, and negation of competition insofar as it is monopoly." (Karl Marx, *The Poverty of Philosophy*, Foreign Languages Press, Peking, Third Edition, 1977, p. 145)

Lenin in the same vein believed that monopoly reproduced and intensified competition. In the stage of monopoly, competition reaches its highest level in the form of imperialism. To understand imperialism it is imperative to understand the law of uneven development and the law of competition. Monopoly capital accentuates the uneven development. Monopolization of certain branches create conditions of super-profits for the associations of capitalists monopolizing that branch. Other big capitalist associations try to intrude into these sectors, but smaller firms cannot do that. As a result the competitive struggle is more and more restricted to capitalist monopolies. However, it is not the end of competition but its resumption on a higher level. Monopolies might temporarily retard technical developments in a sector. These periods give capitalism in the stage of imperialism its parasitic character. Such interruptions, however, are only temporary until a new big competitor breaks in this sector challenging the old monopoly in the sector. When this process takes place in general at the international level, it leads to conflict between capitalist monopolistic associations, who seek the interest of their national states or a group of national states. This leads to direct or indirect imperialist conflicts.

Moreover, Weeks continues, the stage of monopoly does not negate the law of competition propounded by Marx. Secondly, the process of capitalist accumulation on world scale takes place in a context of countries, or national-states, which are ruled by distinct ruling classes controlling a definite territory. Nation is nothing but bourgeois political and social condensation of the capitalist relations of production. This process of capital accumulation on world scale is based on the production and appropriation of surplus value on world scale, rather than by "extraction of economic surplus" or redistribution of surplus, as 'monopoly capital' school and 'dependency' theorists argue. The reason for underdevelopment in the neo-colonies and semi-colonial countries is not simply the extraction of economic surplus by imperialist countries. It is rather the pre-capitalist relations that hinder the process of capital accumulation and capitalist development in these countries. Therefore, Weeks gives primacy to the internal contradictions of these countries rather than deriving underdevelopment from extraction of surplus by imperialist countries. For him, it is the opposite. The transfer of surplus value from these backward countries to

advanced capitalist countries is shaped by the production relations and class struggle in these countries. According to Weeks, one of the main obstacles in the capitalist transformation of these economies was the prevalence of pre-capitalist relations in agriculture due to which productivity in this sector did not increase. Therefore, the value of labour power does not come down and capital accumulation cannot progress satisfactorily. Rise of productivity in any single sector only leads to temporary super-profits. As soon as, the advanced technology is adopted by other firms in the branch, this temporary rise in surplus value is equalized and gone. Therefore, the rise of productivity in agriculture and increasingly decreasing necessary labour time is necessary for progressive accumulation. This condition was not fulfilled in the backward countries.

Secondly, the export of capital from foreign countries is not due to low value of labour power, but due to the fact that with advanced technology foreign capital can produce the same goods at much lower cost than the domestic capital of backward country. Therefore, the *prime moveris* higher rates of profit. If export of capital can yield a higher rate of profit in backward countries than in the advanced countries, the capital will be exported. Low wages in backward countries are low for foreign capital as well as domestic capital. The real factor therefore is the advanced productive forces of advanced countries and lower organic composition in the backward countries giving a higher profitability. However, this argument is a little imbalanced. Because the low wages in so-called Global South does play a role of magnet for capital. Even if it does not mean the national oppression of the "national bourgeoisie" of these countries, it must be admitted that the low wages are a reason for export of capital to these countries. Secondly, in the high-end industries like automobile industry the technological differential is absent or negligible. Therefore, the export of capital to countries like China and India cannot simply be ascribed to technological superiority of western capital. It is definitely the higher rates of profit in these countries due to low OCC, but the factor of lower wages cannot be denied.

Due to this higher profitability, local competitors are ruined or driven out of those branches where foreign capital enters if they do not adopt the advanced technologies. New international competitors enter these branches and despite considerable barriers to competition in these countries, there will still be a tendency for the price of the commodity to go down towards its new lower average social value. The super-profits of foreign capital will tend to be eliminated. The rate of surplus value fails to rise faster enough to compensate for the decline in the rate of profit, also because in these countries the productivity in agricultural sector is low. As a result, the rate of profit continues to decline. Consequently, foreign capital goes to new branches and the same process is repeated, often eliminating local capitalist class from these branches and eliminating their existence as an independent capitalist class. If the production relations and the character of the state remains the same, the pre-capitalist relations in agriculture and other sectors will be reproduced. Weeks and Dore accept that whether the penetration of foreign capital also breaks the pre-capitalist relations in the agricultural sector is something that needs to be researched. History shows us that the politically independent bourgeoisie adopted a particular path of capitalist development in countries like India, which through a blend of foreign capital investments and policies of import substitution and also by balancing their reactionary bourgeois national interests by using the inter-imperialist rivalry have achieved capitalist development, albeit of a peculiar type. We cannot develop this theme here. This much is certain, however, that despite a few minor lapses, Weeks and Dore have attempted to restate the Marxist position on Imperialism with a fair amount of success.

The other major political economist who restates the Marxist theory of foreign trade and international exchange and attempts to show the origins of underdevelopment of peripheral countries is Anwar Shaikh. Shaikh begins by refuting the Ricardian concept of comparative cost which argues that international trade is beneficial for all. Shaikh is particularly critical of the concepts of 'monopoly capital' (as negation of competition) and 'surplus extraction theory' of the 'monopoly capital' school. He restates the Marxist theory of foreign trade and international exchange that shows that the countries with more advanced productive forces and advanced capitalist relations will enjoy an absolute advantage in the age of export of commodities as well as in the age of export of money capital and productive capital. In fact, the stage of export of money capital and productive capital comes into existence precisely of this absolute advantage already created during the period in which export of commodity predominates. Shaikh on the one hand rejects the neo-Smithian notions of 'monopoly capital' school and 'dependency' theory, on the other hand, he also rejects the neo-Ricardian assumptions of 'unequal exchange' theorists like Emmanuel and Samir Amin. He admits that given the higher profitability and advanced technologies of advanced countries the main factor that attracts foreign investments in backward countries is cheap labour or low wages. First, the foreign investments invade the export sector of these countries which produce for the world market. Sectors producing for domestic markets are targeted only if they yield higher rate of profit than producing the same commodity back at home. The increasing competition between foreign capitals in these sectors of backward economies will result in decline in the prices, reducing the extra profits. In this process, the local capitals will be driven out of these sectors and flow to the sectors which are not penetrated by foreign capital or which have come into existence to serve the sectors monopolized by foreign capital. The foreign capitals will use investments in backward countries also to elbow out their competitors at home. FDI's have a dual impact on the economy of the backward countries: on the one hand they reduce the value of their exports resulting in more unfavorable terms of trade for them. On the other hand, shifting of production from advanced countries to these countries will tend to improve the underdeveloped nation's balance of trade and will create new avenues of employment of its labour. But this positive impact is compensated by future capital outflow in the shape of repatriation of profits. Shaikh argues:

"it does so only at the expense of an eventual capital outflow (surplus-value transferred out in the form of repatriated profits), declining terms of trade, and increased foreign domination. Instead of negating international inequality therefore, foreign investment tightens the grip of the strong over the weak -- not merely through monopoly and state power, but through "free" competition itself." (Anwar Shaikh, 'The Laws of International Exchange', in *Growth, Profits and Property*, Edward J. Nell (ed.), Cambridge University Press, 1984, p. 231)

However, Shaikh is very skeptic about the concepts of 'monopoly' and 'imperialism'. He argues that capitalism is inherently 'imperialist' from the very beginning insofar as it is expansionary by nature. To relate imperialism with 'monopoly' and 'export of capital' according to Shaikh is incorrect. The domination of backward countries started from the time of free trade and export of commodity itself. Yet, Shaikh accepts that the rise of finance monopolies and export of capital does bring a qualitative change in the relationship between imperialist countries and underdeveloped countries and also the relationship among imperialist countries expressing itself as inter-imperialist rivalry. However, he argues that it is confusing to call this phase as imperialism and previous phases as something else because imperialism according to Shaikh is inherent in capitalism. However, if we look closely, we might assume that Shaikh would agree that 'imperialism' (that for him is simply the capitalist relations of international exchange that

signify an unequal relationship and uneven development since the very beginning of capitalism) assumes different forms as capitalism progresses from the stage of free competition to the stage of monopoly (not as negation but as intensification of competition). One question on which Shaikh is not clear is that whether the decreasing number of magnates in every branch of production affects the nature of competition in some way or not. If we do not recognize the changes in the nature of competition from progressive concentration and centralization of capital, the entire history of capitalist accumulation becomes a smooth and even evolutionary process. Such an observation would amount to an ahistorical view of capitalism which sometimes also affects Marxist political economists of the finest category.

These re-statements of classical Marxist positions about international trade, monopoly formation, law of competition, and law of accumulation are lacking in their political aspect and are purely economic re-statements. Still, they are effective in showing the non-Marxist character of all kinds of neo-Smithian, neo-Ricardian, underconsumptionist frameworks of ERP paradigm which masqueraded as Marxist theories of monopoly capital, imperialism and under-development. Therefore, these theorists, like Brenner (whom we did not discuss), Weeks and Dore, and Anwar Shaikh are important for stimulating the thinking on the development of a Marxist-Leninist position on Imperialism.

Now we can embark upon a brief discussion about the theorists of 'new imperialism', especially David Harvey, Ellen Meiksins Wood, Callinicos etc. as well as John Smith's work 'Imperialism in the Twenty-first Century.'

## **Theories of 'New Imperialism': Harvey, Wood, Callinicos, Smith**

The world of academics has an irresistible fetish for dropping ever new neologisms and 'inventing the fire all over again' while claiming novelty for it, as we mentioned earlier. Nothing proves this better than the theorists of 'new imperialism'. And may be the work that is characterized with this tendency the most is David Harvey's *The New Imperialism*. This is an ambitious work which aims to unravel the working of imperialism in the 21st century. Harvey in this work argues that the new imperialism can only be understood by comprehending the autonomous but historically connected logics of political power and that of capital. In other words, the dialectics between autonomous territorial logic of state and the logic of capital. Harvey claims that his understanding of new imperialism is based on,

"dialectical relationship between the politics of state and empire on the one hand and the molecular movements of capital accumulation in space and time on the other." (David Harvey, *The New Imperialism*, Oxford University Press, 2003, p. 89).

Thus, the 'economic' ('movements of capital') and the 'political' ('politics of state and empire') are leveled as autonomous and independent moments within the social totality. For him,

"the fundamental point is to see the territorial and the capitalist logics of power as distinct from each other." (*ibid*, p. 29)

The reason for this, according to Harvey, is that the logic of state, as a matter of rule, is confined within fixed territorial boundaries, whereas this does not apply to the logic of capital. Secondly, the agents of state and capital or fractions of capital are separate autonomous entities, whose actions may intertwine each other in complex and contradictory fashion sometimes. The capitalist will seek endless accumulation

of capital, whereas the statesman would seek more power for his state *vis-a-vis* other states. He claims that the states would strive for accumulation of control over territory as an end in itself. In sum, there is a conflict in the logic of state and logic of capital. This logic has an unmistakable influence of Weberian sociology as well as Schumpeterian arguments. Brenner has rightly pointed out that such an understanding is based more on the logic of Arendt regarding imperialism than Lenin. For Lenin's analysis, Harvey does not have any regard anyway. He argues that Lenin's book *Imperialism* is more of 'pamphleteering' than theorizing (!) and that imperialism is not the last stage of capitalism, but the first stage of global capitalist rule, as Arendt suggested. Both these statements show sheer lack of understanding of Lenin's theory of imperialism on the part of Harvey.

Harvey's argument about separation of the economic and political shows that he does not have a coherent theory of state. For example, he fails to tell us why territorial logic of state and interests of capital are in conflict, whenever they are so. His descriptive history of imperialism from the 1840s to the present actually shows just the opposite. As a result, as Brenner has rightly commented, Harvey drops this argument of an autonomous territorial logic of state as a hot potato! The reason is Harvey himself cannot show this to be happening in reality. That is why, on this question, the entire treatment of history of imperialism by Harvey contradicts himself again and again.

Imperialism for Harvey is a result of capitalist crisis of overaccumulation of capital. In his account of the US imperialism since the end of the Second World War and its interventions in the 'Third World', Harvey argues that the real aim of these interventions was to ensure that spread of communism and socialism and also radical bourgeois nationalism (of Nasser or Sukarno-type) is stopped. The reason for this is to ensure in the 'Third World' countries a ground for free movement and profit-making by international capital, i.e., the financial oligarchy and transnational corporations. For Harvey, this interventionism was not simply based on dominance, but also on a quest for hegemony on the part of the US as the recognized leader of the capitalist world. Through Bretton Woods institutional framework, the US promoted capitalist development in these countries by helping them to convert the Rostowian "take off" into proper capitalist development. But at the same time, the US, from a 'patron of national liberation movements' (!?) became an oppressor of any country that opted for even a *mildly non-capitalist path* (what is that!?). However, again this theorization is betrayed by the description given by Harvey. The description actually shows that the role of the US has always been one of imperialist dominator in the 'Third World' and only for the advanced capitalist world (Europe, Japan) it strove for the position of hegemony as an accepted leader.

According to Harvey, the period of 'new imperialism' begins after the crisis of 1973. The reasons for this crisis according to Harvey was rising wages due to pressure of organized labour in the US, budget deficit due to social spending by the state and intensified competition from Germany and Japan. However, if we cast a glance at actual data the "profit squeeze" thesis of Harvey falls flat. The wages were actually not rising just before the breaking out of crisis that began in 1973. Moreover, this crisis was not just in the US economy but a global crisis. The factors mentioned by Harvey as the reason of the crisis cannot even explain the crisis in the US economy, let alone explaining it at the global level. The social spending was not causing budget deficit because Vietnam War was over and social spending were not so much of a drag on the state budget. The international competition offered from Germany and Japan itself was not very effective in the times of crisis. The actual reason for this crisis, as a number of Marxists political economists have shown, was the crisis of profitability due to LTFRP. The long boom that began after the Second World War on the basis of creation of new opportunities of profitable investment on account of

the reconstruction of Europe and Japan was coming to a saturation point towards the end of the 1960s itself. However, Harvey fails to realize the real reasons of the crisis.

When the 1973 crisis started, the period of neoliberal policies and 'new imperialism' started as a response to this crisis. The main strategy of accumulation during this period was what Harvey calls 'accumulation by dispossession'. Under this category comes a host of activities facilitated by the state on behalf of capital. It includes opening up of new spaces for profit-making or production of the 'other' of capitalism for the capital to feed upon, which capitalism always needs as Luxemburg said. This includes privatization of state property and thus throwing the resources owned by state on the market. This is fundamentally erroneous conception to regard the property of state to be the property of the public without considering the class character of the state. Also, it is incorrect to assume the state property is not on the market for profit-making. The state in most of the capitalist countries is itself a big monopoly capitalist and makes profits through the industries owned by the state in most possible ways. Harvey moves on to include a host of things in 'accumulation by dispossession', for example, devalorization of capital and labour in a regional and local crisis by the imperialist countries (East Asian Crisis, 1997 which for Harvey becomes a consequence of conspiracy by the US imperialism), the acquisition of the Commons, plunder of nature, taking away of the pension of workers if their company goes bankrupt (the case of Enron workers), the destruction of family farms producing for market and profit by agri-business companies, the transfer of wealth from common people by financialization and speculation like workers losing homes due to usurious lending. As evident, this concept of 'accumulation by dispossession' loses all substance by becoming a laundry list of all dispossessions (some of which are certainly caused by advanced capitalist accumulation). This shows the level of muddled theorization by Harvey and one yearns for Leninist pamphleteering instead!

Most ironically, Harvey claims that Marx was at mistake to think that primitive accumulation is a process that is limited to the initial period of capitalism. First of all, Marx never said that and Marx clearly understood and actually wrote about the fact the moments of primitive accumulation and advanced capitalist accumulation co-exist in the overall development of capitalism, though the latter becomes the predominant trend. This can easily be proven that the main source of accumulation today is advanced capitalist accumulation. Moreover, for Marx, the concept of primitive accumulation is not simply important due to the role of force and coercion in dispossessing people from their possessions to create new spaces of profitable investment. The basic function of this concept for Marx is that this act is constitutive of the capital-relation, i.e., creation on the one hand of a class of wage-labour that is free from the encumbrances of ownership of means of production and "free" to sell his labour power and on the other, a class of capitalists who have the monopoly of ownership of means of production. What Harvey is talking about here is a blend of 'original accumulation' of Adam Smith and processes of advanced capitalist accumulation. For Harvey, the new imperialism is particularly characterized by what he calls 'accumulation by dispossession' in which, as we just saw, he includes a disparate collection of methods of accumulation, some belonging to primitive accumulation and others to advanced capitalist methods of capital accumulation, especially used with particular ferocity in the era of neoliberalism.

In trying to explain the invasion of Iraq by George Bush Jr., Harvey argues that the real reason can be explained by the geo-political factors rather than economic factors. The quest to control the main sources of oil which lie at the heart of world domination in present era was the real reason of invasion of Iraq. Harvey argues,

"whoever controls the Middle-East controls the global oil spigot and whoever control the global oil spigot can control the global economy." (*ibid*, p. 19)

The US actually wants to control the Middle-East for countering its economic decline by giving the US,

"effective control over the global economy for the next fifty years...What better way for the US to ward off that competition and secure its own hegemonic condition than to control the price, conditions and distribution for the key economic resource upon which its competitors rely?" (*ibid*, p. 25)

However, a number of scholars have shown that the oil industry rather than the US state will be the beneficiary of the oil of Middle-East if the US succeeds in establishing its hegemony over it. Christian Fuchs (*Critical Globalization Studies: An Empirical and Theoretical Analysis of the New Imperialism, Science and Society*, Vol. 74, No. 2, April 2010) has shown with empirical data that the real beneficiary of US occupation of Iraq were huge oil corporations of not only the US but also Europe, especially Britain. Secondly, the US cannot control the prices of oil by this occupation. It has never been able to do so. Thirdly, it cannot refuse oil to its competitors because that would tantamount to war, as Brenner argues. If the US is willing to engage in such a war with, say, China or Russia, it does not need to invade Iraq. It can do that without invading Iraq.

Apart from these serious problems, Harvey sometimes also seems to suggest that the flow of value transfers has reversed in the last 30 years, though he accepts that the export of capital and shifting of industry from the US and Europe to the 'Third World' in order to exploit cheap labour and raw material has increased unpre~~ce~~cedently. These two are contradictory arguments. The first suggests that now the Global North is the victim because value is flowing from it to the Global South. The latter argument clearly means that the Global South's cheap labour and raw material are being exploited by the Global North leading to massive transfer of surplus value from the former to the latter. Harvey curses finance capital for the transfer of production from the US to developing countries and resultant 'de-industrialization' of the US, whereas the real reason of this transfer, though facilitated by finance capital, was the crisis of profitability in the manufacturing sector. For remedy, what Harvey suggest is surprising not just for its reformism and chauvinism but also for open invocation of Kautsky:

"The only possible, albeit temporary, answer to this problem within the rules of any capitalistic mode of production is some sort of new 'New Deal' that has a global reach. This means liberating the logic of capital circulation and accumulation from its neo-liberal chains, reformulating state power along much more interventionist and redistributive lines, curbing the speculative powers of finance capital, and decentralizaing or democratically controlling the overwhelming power of oligopolies and monopolies (in particular the nefarious influence of the military-industrial complex) to dictate everything from terms of international trade to what we see, read, and hear in the media. The effect will be a return to a more benevolent New Deal imperialism, preferably arrived at through the sort of coalition of capitalist powers that Kautsky long ago envisaged.

...There are, of course, far more radical solutions lurking in the wings, but the construction of a new 'New Deal' led by the United States and Europe, both domestically and internationally, in the face of the overwhelming class forces and special interests ranged against it, is surely enough to fight for in the present conjuncture." (*ibid*, p. 209-10)



This is how Harvey reaches his political *nirvana*! Fight for 'New Deal' type benevolent imperialism for rest of the world and 'New Deal'-type welfarism for the imperialist world! Why? Because the neoliberal consensus is opposed to this. Therefore the Marxists should fight for left Keynesian welfarism because the neoliberal orthodoxy is opposed to it. This, in the name of being realistic, because this is the only possible alternative in the 'present conjuncture'. Though Prabhat Patnaik and Utsa Patnaik argue in a very different way, but their solutions are methodologically similar to Harvey's; the only differences are due to their "geo-political locations", to borrow from Harvey himself!

Ellen Meiksins Wood in her book *Empire of Capital* presents a different narrative about 'new imperialism'. For her, the term 'new imperialism' denotes the form of imperialism that emerged after the Second World War with the US becoming hegemonic in economic as well as in the political-military sense. The new imperialism for her is basically an 'economic relationship' as opposed to earlier forms of imperialism (including the imperialism that emerged between the later-19th century and the Second World War) where the economic and political intersected each other in apparent ways. However, with capitalism becoming the truly global system after the Second World War, there is a divergence between the political and the economic, though it's the new kind of political-military hegemony that creates the condition for the global domination of capital under the tutelage of the US capital. Therefore, 'new imperialism' is a purely 'economic relationship', it requires *brute force* to implant and sustain it.

Wood argues that capital must be understood as an autonomous entity, which while always retaining a national origin in terms of ownership, can expand beyond national boundaries. Individual capital seems to be moving away from its national origin, expanding into an international space which is composed of many nation-states. However, Wood fails to see that capital that crosses national boundaries is incorporated into different processes of accumulation based on the conditions that prevail within the country in which capital enters. It involves in each country a different set of conditions of class exploitation, irrespective of the fact that the surplus value/profits are eventually repatriated to the original owner. Thus for Wood, if capital of advanced capitalist countries expands beyond the borders of the nation of its origin, then that nation-state is obliged to resort to *political imperialism* of a kind which is appropriate to developed capitalism and in this way it secures the specific political and legal conditions under which the accumulation for that capital can proceed. Wood argues,

"Actually existing globalization ('new imperialism' - *author*), then, means the opening of subordinate economies and their vulnerability to imperial capital, while the imperial economy remains sheltered as much as possible from the obverse effects." (Ellen Meiksins Wood, *Empire of Capital*, Verso, London, 2005, p. 134)

This kind of domination needs more than ever a system of multiple nation-states according to Wood, owing to the fact that 'new imperialism' is a directly economic relationship. She opines,

"The 'globalized' world is more than ever a world of nation-states. The new imperialism we call globalization, precisely because it depends on a wide-ranging economic hegemony that reaches far beyond any state's territorial boundaries or political domination, is a form of imperialism more dependent than any other on a system of multiple states....

"Imperial hegemony in the world of global capitalism, then, means controlling rival economies and states without going to war with them." (*ibid*, p. 154, 157)

According to Wood, present day wars are of a different kind as compared to the past imperialist wars. It is not a generalized conflict between imperialist powers, but represent a 'constant threat of force' based on the military power of the new empire of the US. The imperialist capital needs this kind of constant threat and possibility of a war in order to impose its hegemony over the international system of 'multiple nation states.' Therefore, an important characteristic of 'new imperialism' is a war without temporal ends and geographical limits, or specific aims. It is characterized by pre-emptive military strikes and rule of universal capitalism under the tutelage of the US empire. Thus, for Wood, Iraq war was not for oil but for securing the US global hegemony. For Wood, 'new imperialism' thus means a unilateral US hegemony. She argues,

"In all cases, the overriding objective is to demonstrate and consolidate US domination over the system of multiple states." (*ibid*, p. 167)

The problem with Wood's account, despite capturing a few realities of present imperialism, is twofold. First, the kind of unilateral US domination she talks about does not exist. When there was an optical illusion of such a unilateral US domination existing during the Iraq and Afghanistan wars, or just after the collapse of the Soviet Union, even then, it was more of a phenomenal reality and the world even then was pregnant with simmering inter-imperialist rivalry. Secondly, the kind of divergence between the economic and the political that Wood talks about is not real. Every war still is imposed by the US imperialism or imperialism in general is imposed with a specific set of economic and geopolitical aims, which are intertwined in an inseparable way. It holds true for invasion of Afghanistan as well as Iraq. An additional third problem with Wood is that her analysis, just like Harvey's analysis (with whom she disagrees on a number of fundamental issues) is empirically very poor or in words of Bob Sutcliffe is 'empirico-phobic'. This makes the whole endeavor more of an exercise in politico-historical speculation, rather than an analysis firmly grounded in empirical research and theoretical analysis based on hard facts, which characterized the early Marxist theories of Imperialism.

Alex Callinicos' work *Imperialism and Global Political Economy* relies heavily on some of the Weberian and Schumpeterian sociological concepts borrowed by David Harvey. Callinicos agrees with Harvey while also accepting openly the influence of Weberian sociology (in a 2006 article critiquing Sam Gindin and Leo Panitch). According to Callinicos, imperialism is a result of intersection between economic and geopolitical competition. The economic and geopolitical competition began to merge definitively only towards the end of the 19th century, i.e., the period about which Hobson, Lenin, Hilferding, and Bukharin were writing. Before the late-19th century, the geopolitical competition was separate from economic competition. In other words, during the transition from feudalism to capitalism and in the early phases of capitalism when the traces of feudal elements remained in the capitalist state, this separation of geopolitical and economic competition continued. However, it does not seem to be true to argue that during this period the dimension of politics was entirely separate from the economic base due to persistence of feudal elements in it. The truth is that the initial phases of capitalism already presupposes a state with predominantly capitalist character, though the bourgeoisie may not have become completely dominant in it. Callinicos' mechanical logic of separation between the economic and the political falters historically.

Callinicos argues that the different phases of imperialism are based on the changing character of the intersection between the geopolitical competition and the economic competition. The reason for this is

that the intersection between the geopolitical competition and economic competition can be reduced to the competition between the agent of state and agent of capital who have different vested interests and motivations. The historical form of these relationships in different contexts depends on the conditions of reproduction of these two groups of actors or agents. According to Callinicos, there are two phases of capitalist imperialism. First, from the late-19th century till the Second World War and the second from the end of Second World War onwards. In the first period, the economic and geopolitical competitions reinforced each other mutually. In the second phase, in which US has become the unquestioned hegemonic power, there is a divergence between the political and economic because now the competition between capitals will not give rise to military conflicts. Clearly enough, Callinicos closely follows Harvey. However, in claiming that Lenin's theory was schematic and did not recognize this divergence, Callinicos is not correct. Lenin did not believe that every war between imperialists was a direct result of immediate economic conflict. However, it can be shown that even in cases where it was not, there was a dialectical relationship between the long-term economic interests of capital and the geopolitical conflicts among imperialists or between imperialists and non-imperialist countries. At any rate, nine out of ten wars since the end of the Cold War are driven by long-term or short-term economic interests, besides a variety of political factors. This applies on the Vietnam War, Korean War and also on Iraq War and Afghanistan War.

Callinicos argues that previous Marxists have relied too heavily on the concept of finance capital which has prevented contemporary Marxists from realizing that after the end of the Second World War, the nature of capitalism has changed and there has been a separation of industrial capital and bank capital. As example, Callinicos argues that most of the US corporations like General Motors rely on their own revenue for financing their operations rather than resorting to bank credit. He contends further that these corporations themselves start their own financial arm or institution which indulges in financial activities. However, this example actually contradicts Callinicos's argument. It does not matter whether bank capital is being employed by the industrial enterprise, or the industrial enterprise is obliged to pump its abundance of capital into financial arena; the end result is same. Financialization is also a result of declining rates of profit in the productive economy, apart from the need of productive economy at the higher scale of production for bank credit in order to make new investments or replace their fixed capital. Callinicos also argues that most of the credit is now going to consumers rather than industrial enterprises or productive economy. This has changed the nature of finance capital and shows the separation of bank capital and industrial capital. However, this logic too, is misplaced because the consumer-lending or the so-called debt-financing is done precisely to give impetus to productive economy undergoing depression. The relationship, therefore, has changed only in the phenomenal aspects.

Following Wood, Callinicos too argues that Iraq War was not simply for oil but for geopolitical interests of US imperialism, and in particular maintaining the strategic control over the source of this most strategic commodity. However, it is difficult to show that here the geopolitical interests totally diverge from the economic interests. Moreover, empirical data shows that the Iraq War benefitted the private oil companies in a big way. Callinicos criticizes Lenin for a number of issues which are totally off the mark. For example, Callinicos thinks that Lenin borrowed a definition of imperialism from Hobson that was underconsumptionist (for support Callinicos quotes the portion where Lenin refers to the "overripeness" of capitalism in advanced countries). However, we have shown above that for Lenin the main reason of export of capital to backward countries was crisis of profitability due to a "plethora" of capital in advanced countries that cannot be invested profitably. Callinicos has failed to understand a number of

other arguments of Lenin. For example, the meaning of parasitical character of capitalism in imperialist stage is seen as a weakness of Lenin's analysis which he borrowed from Hobson, according to Callinicos. He also refutes Lenin's analysis of the phenomenon of the rise of a labour aristocracy due to the impact of imperialism and super-profits of imperialists. As an evidence of refuting this theory of labour aristocracy Callinicos cites the example of well-paid metal workers of Europe standing in support of Bolsheviks. This shows how utterly Callinicos has failed to understand the concept of labour aristocracy, which is a political concept rather than simply economic one. First of all, equal examples can be given where it is the upper echelons and political leadership of the well-paid and white-collar workers that are converted into labour aristocracy. It is not the entire class of well-paid workers, but the political leadership of these well-paid sections and mostly a small minority of these sections that emerges as political agents of bourgeoisie in the working class movement. Moreover, if we accept Callinicos' theory against the concept of labour aristocracy, then the Leninist idea of 'weak links' is trashed, which in our opinion, is much more relevant than ever. Such is the impact of Trotskyism in Callinicos' formulation. In these matters, Callinicos juxtaposes the work of Bukharin as superior in its theoretical rigour, which in our opinion is just the opposite of reality. In reality, despite being more detailed and empirically richer and despite the attempt to follow Marx's method, Bukharin's work is second to Lenin's work in terms of dialectical treatment and higher level of generalization. Similarly, Callinicos objects to Lenin's and Bukharin's characterization of imperialism with monopoly because monopoly means the end of competition for Callinicos, which is neither Lenin's idea nor Marx's, though Bukharin definitely was under this impression.

Callinicos accepts that US is hegemonic in the structure of imperialism. Its hegemony is based, as against British Imperialism of the late-19th and early-20th century, on managing the advanced capitalist world, rather than contesting against them economically and militarily and eventually defeating them. He accepts that this hegemony does not mean that there is no geopolitical and economic competition. He takes the Russia-Georgia war as a response of Moscow to Washington's attempts to establish its hegemony in the region.

In short, Callinicos' work is highly eclectic, with severe problem of sociology. It misappropriates and misinterprets Lenin's position to claim novelty regarding its own formulations. Methodologically too, there are serious problems with Callinicos, especially where he follows the mechanical division introduced between geopolitical competition and economic competition in the name of being dialectical and avoiding economic reductionism. We cannot go here in further detail regarding the critique of Callinicos.

Another work which has gained considerable popularity is John Smith's *Imperialism in the 21st Century*. It must be said at the outset that Smith's book is an important contribution in the study of imperialism today. It shows brilliantly and with revolutionary passion how the workers of what he calls 'Global South' are exploited by the TNCs and their 'supply chains'; the horrible conditions in which they are forced to work without any safety arrangement; and the way the states of Global South are a party in this whole process of what Smith calls 'super-exploitation'. Smith gives a moving account of conditions of work in countries like Bangladesh as well as a country like China. He points out:

"The starvation wages, death-trap factories, and fetid slums in Bangladesh are representative of the conditions endured by hundreds of millions of working people throughout the Global South, the source of surplus value sustaining profits and feeding unsustainable levels of consumption in

imperialist countries." (John Smith, *Imperialism in the Twenty First Century*, Dev Publishers and Distributors, New Delhi, 2016, p. 10)

Smith describes the whole process in which the TNCs capture this surplus value produced by hundreds of millions of workers in the Global South and is transferred through the value chains to the imperialist countries of Global North. It is shown that the major portion of value and surplus value created in the countries of South are transferred to imperialist countries, whether it is the products like T-shirts in Bangladesh or Apple iPhones in China. Smith says,

"Just as with the T-shirt, the standard interpretation of data on production and trade assumes that the slice of the iPhone's final selling price captured by each US, Chinese, and other national firm is identical to the "value-added" that each contributed. They reveal no sign of any cross-border profit flows or value transfers affecting the distribution of profits to Apple and its various suppliers. The only part of Apple's profits that appear to originate in China are those resulting from the sale of its products in that country. As in the case of the T-shirt made in Bangladesh, so with the latest electronic gadget: the flow of wealth from Chinese and other low-wage workers sustaining the profits and prosperity of Northern firms and nations is rendered invisible in economic data and in the brains of the economists." (*ibid*, p. 22)

One cannot deny that this statement contains grain of truth. Smith shows that 80 percent of global trade (gross export) is linked with international 'value chains' of TNCs. Outsourcing has been the clearly apparent strategy of these TNCs of North in countering the pressures created on their profitability by higher wages, unionization, the remnants of regulation at home. This is their way to suppress the wages of workers at home. This has led to tremendous increase in the employment of workers in the low-wage countries of South and shifting of production from the North to South. In other words, the centre of gravity of global production has shifted from North to South. This claim also is true and it can be demonstrated by actual data and facts, as Smith has done.

Smith basic argument is that most of the recent debates have focused on financialization, the crisis of profitability as the reason of the present depression, etc. However, few people have focused on the way in which industrial production has been shifting from the North to South in a big way and the basic underlying reason for this shift. This according to Smith alludes to a new change in the *modus operandi* of imperialism in the 21st century. The key feature of this change is the strategy of forcing down the wages below the value of the labour power. Smith argues that the crux of present imperialism does not lie so much in over-financialization or financial hegemony or in what Harvey has called 'accumulation by dispossession', but it is the exploitation of the ultra-cheap labour of the Global South, and it is this hunger of imperialist countries to reap ultra-profits that has led them to shift their production to Global South.

Smith critiques neo-classical view which is also followed by a number of Marxists that since the labour in the imperialist countries is more productive, therefore, despite the horrible work conditions, working-hours in the Global South, the worker in the North might be more exploited. This misconception is based, according to Smith, on a misinterpretation of Marx and it confused the production of more use values with the production of more values. According to Smith, wage differentials are created by suppressing labour mobility. However, the question of the productivity being higher in the sector of wage-goods in the developed countries (which actually increases the rate of exploitation) and the question of skilled labour-power (which participates in the labour-process not only with its own labour but with labour of others

who have contributed in the production of this skill) are not dealt satisfactorily by Smith, which might show that, economically speaking, the rate of surplus-value ( $s/v$ ) *can be* higher in the advanced countries due to higher level of productive forces in overall economy as a whole. Though, it must be admitted that this technological differential is decreasing rapidly with the transfer of production to Global South and it can be doubted how far the labour of Global North can actually be regarded as more productive in general. Still, there are problems with the method of Smith.

Smith points out that in the last decade a huge class of wage-earners has come into existence in the Global South and it is the main source of imperialist profit today, which is captured and transferred from Global South where it is produced. In 1950, 34 percent of global industrial work-force was in South, in 1980 it increased to 53 percent; in 2010, it was 79 percent and today it is around 84 percent. Economically active population grew from 1.9 billion in 1980 to 3.1 billion in 2006 and almost all of this increase took place in the South. Out of these, 1.6 billion work for wages, 1 billion are small peasants and rest include wage-earners, petty commodity producers, etc in the informal sector. It is the largest working class in the history of human civilization. Despite this increase, the share of wages has decreased steadily in the national income and Smith shows convincingly that this decrease has been faster in countries of South. This shows the way in which production has shifted to South and the way the workers of these countries are exploited. These workers are low-wage workers, whose wages are mostly driven down below the value of their labour-power. However, Smith misses one point: not all of these workers are producing for the TNCs. In fact, in countries like India, China, Brazil, South Africa, etc., most of these workers are producing for the huge corporations of these countries themselves. Another major point that Smith misses is that the wages of these workers are equally low for the TNCs of North and the corporations (even TNCs) of South. Missing these cardinal fact creates a number of problems in Smith's analysis, as we will see later.

Smith argues that Marx talked about two general ways of increasing the surplus value: the absolute surplus value (which predominates in the early stages of capitalism) and relative surplus value (which predominates in the advanced stages of capitalism, though Marx was always clear that both of these methods continue to co-exist in capitalism). Another method used by advanced capitalist countries especially in colonies and backward countries is driving down the wages below the value of labour power. However, since it was not the dominant tendency, Marx did not analyze this method in detail. This is one of the methods used to counter-act the decline in the rate of profit according to Marx. Smith contends that in 21st century this method has become the dominant method of appropriating surplus value, whereas relative and absolute surplus value have become the secondary tendencies. This method is called 'super-exploitation' by Smith. This too is an erroneous argument because such a 'super-exploitation' cannot be constant due to a variety of reasons including the fact that wage-differentials exist not simply because the labour mobility is restricted (Asian workers even when the work in the Global North get lower wages than their white counterparts) but also due to the fact that wages of each country is not determined simply and only physiologically. We will come to this point a little later.

Smith also critiques the way in which mainstream economics calculates GDP and shows that in case of imperialist countries in 21st century the 'D' (domestic) of the GDP might be a complete lie. The confusion is created by the analysis of 'value added' which is designed to hide the fact that most of the GDP of Northern countries is not value created by workers in these countries but by workers in the South. Value creation is confused by value capture in these calculations. However, these facts are used by Smith to

argue that the world is even today split between 'oppressor nations' and 'oppressed nations'. He argues that Lenin's analysis of this division of world between oppressor and oppressing 'nations' is true even today and 'dependency' theorists correctly re-emphasized it, though orthodox Marxists and, what Smith calls, "Euro-Marxists" find it hard to accept and are at the wrong side of reason here. It is important to note that Lenin's analysis of oppressed and oppressor nation was wholly based on the existence of colonies, semi-colonies and neo-colonies. Even in his booklet *Imperialism* when he talks about the imperialist domination of politically independent countries like Portugal, he is not talking about an oppressed nation, but shows how the bourgeoisie of nations like Portugal were like 'small brother' of big brother imperialist countries like Britain in the international imperialist chain. On the one hand, Smith accepts that 21st century capitalism is characterized by a situation in which capitalism has emerged as a 'global mode of production' for the first time in its history and on the other he talks about the contradiction between 'oppressed' and 'oppressor' nations, i.e., the contradiction of national liberation; this is paradoxical. This can be sustained only if Smith agrees that the countries of Global South are still colonies, semi-colonies or neo-colonies. Only then one can talk about 'oppressed' and 'oppressor' nations. Smith's thesis is weakest on this point. Secondly, the very category of 'nation' is used in a very uncareful way which might lead readers to draw a number of wrong inferences.

Another thing which intrigues is Smith's lauding of 'dependency' theorists and their similarity with Lenin's analysis. Lenin's theory of imperialism was based on the fundamental tendencies of capitalism like the law of accumulation, increasing concentration and centralization of capital leading to the stage of monopoly, the crisis of over-accumulation which is nothing but crisis of profitability for Lenin, and export of capital. All these laws are derived from the basic Marxist law of value. Following Paul Baran's notion of 'surplus' and its 'extraction' by advanced capitalist countries from backward nations, the 'dependency' theorists do not use the categories of value and surplus value. Moreover, even Smith uses the categories of value and surplus value! Still, he lauds 'dependency' theorists because they argued that even after the decolonization, the contradiction between the 'oppressed' and 'oppressor' nations remained and eventually the 'dependency' theory collapsed because these dependent peripheral nations did not remain agrarian and un-industrialized, but became the centres of industrial production. Therefore, the only problem with 'dependency' theory was the development of world capitalism past the stage described by 'dependency' theory, but their basic categories of analysis are correct. At the same time, Smith criticizes those Marxist political economists like Dore and Weeks, Nigel Harris, etc who critiqued 'dependency' theory for departing from the basic Marxist positions and argued that the rate of exploitation of workers in advanced countries *can* be higher than those in the underdeveloped countries despite the higher living standards of the former. There is nothing wrong in this logic, though it can be suspected how far the workers in advanced countries are actually exploited more (purely economically) than their counterparts in the South in present times. Still, the analytical point presented by Weeks, Dore, Shaikh, Harris etc holds, i.e., the low wages may signify 'super-exploitation' or higher rate of exploitation but not necessarily. Exploitation is not simply low-wages (even if it is below the value of labour power).

Another thing that is missed by Smith is that the value of labour-power is not *simply and only* a physiological concept. It also depends on the social and cultural norms prevalent in each country, which can never be even, howsoever globalized is production and capital. If the wages in factories of Foxconn are too below the average wages of industrial workers in China (notwithstanding the difference in the value of skilled and unskilled labour power), then one can claim that these workers in China are 'super-exploited' in economic sense of the term. Otherwise, this 'super-exploitation' cannot be proven as far as

purely economic parameters are concerned. One cannot simply compare the wages prevalent in the North and the ones prevalent in the South to prove that the former is 'exploiter' of the latter or the latter is 'super-exploited.' Also, the rates of profits have a stronger and more intense tendency to equalize due to the more unhindered mobility of capital across the globe. However, it is not the globalization of labour and the mobility of labour-power is hindered and regulated in every possible way, which Smith also marks. Therefore, the differences in national wages are increased. But these restrictions are not the only reason for national wage differentials as Smith seems to convey.

Moreover, all transfer of value and surplus value cannot simply be attributed to this 'super-exploitation'. Some of it is exactly what Marx called the transfer of value from lower OCC capitals to higher OCC capitals, or from less productive industrial capitals to more productive industrial capitals. Michael Roberts has used the same numerical example used by Smith to prove capture and transfer of value through super-exploitation to show that it is actually transfer of value due to higher technology and OCC of Northern capital even if we assume that the rate of surplus value is same in both areas. It is true that what Smith calls 'super-exploitation' amplifies and increases this transfer of value. However, to reduce it to super-exploitation would be misleading. Secondly, to assume that this value is transferred to the advanced capitals of North only is misleading too. This value is also transferred through similar value chains to the indigenous or local corporations, which can more aptly be termed as the TNCs of Global South. Secondly, to assume that low wage workers are concentrated in South only would be incorrect. Actually, there is a huge class of low wage workers that has come up in countries like the US, UK and even Germany and France, though they might not be industrial workers. They work in different kinds of sectors like food chains, service providers, and a host of 'unproductive workers' (it must be remembered that for Marx these unproductive workers are exploited too, sometimes intensively). Therefore, there is more 'North' in North and more 'South' in South, but it is also true that there is 'North' in South and there is 'South' in North. The very division of North and South, if applied mechanically, becomes absurd, though those who claim that there is no such division today, are even more misplaced. These (often Trotskyites) gentlemen argue that revolutions are equally likely to take place in Northern countries (if we use it as a synonym of advanced imperialist countries, notwithstanding their geographical location) and negate Lenin's theory of 'weak links', whereas in a new way and at a higher level this Leninist theory has become much more relevant than ever. This is not to say (and Lenin never said that and that is why he was optimistic about revolution in Germany) that as a matter of rule revolution in some advanced country cannot take place. However, Smith criticizes such scholars from a position which resembles 'Third-worldist Marxism'.

Another thing that must be understood is that 'super-exploitation' based on low wages (below the value of labour power) cannot be a permanent phenomenon if it begins to assume a general character across the country because the 'super' in 'super-exploitation' is relative to national prevalent average wage (apart from the physiological parameters) rather than wages in advanced capitalist countries or average international wage (because the tendency of equalization of wages across the world is too weak to create a tendency towards an international average wage; hence, national wage differentials). Once, these low wages become the accepted and established norm due to capitalist competition between capitals as well as the capitalist competition imposed on the workers themselves, they represent the new average value of labour-power in that country. Therefore, if we go into the fundamentals of the logic of 'super-exploitation' we would be obliged to accept that there can be no permanent 'super-exploitation' *in the purely economic sense*, though the wage differentials between countries themselves represent an international power



structure. But this, in the last analysis, can be reduced to the different levels of capitalist development of productive forces and the historical location of the different countries in the structure of world capitalism.

The strong influence of 'Third-worldist Marxism' and Monthly Review-school Marxism on John Smith cannot be denied. Smith is also wrong in following Higginbottom that Lenin did not rely on law of value and LTFRP in analyzing imperialism. This is a common misreading of Lenin that we have refuted above. Smith is correct when he argues that what has driven the shift of global industrial production to the South is the crisis of profitability faced by capital in the advanced countries. He also correctly puts finger on the restrictions put on the mobility of labour to keep the wages depressed in the countries of South.

However, his conclusion that this super-exploitation of workers in countries like China, India, Bangladesh, Vietnam is oppression of these 'nations' by 'oppressor nations' of North is absurd. The reason for this is the fact that these low-wage workers are equally and sometimes even more exploited (in terms of rate of exploitation as well as the number of workers exploited) by corporations of these countries, who are not supplying to the TNCs. These corporations are themselves exporting capital to countries of Asia and Africa and even to Europe and the US. Can we call this bourgeoisie national? Can we call the China, India, Brazil, etc as 'oppressed nations'? It is not as if China, India, Brazil, etc do not have an industrial and financial bourgeoisie and are dominated by commercial or bureaucratic bourgeoisie. Therefore, the argument of 'oppressed' and 'oppressor' nation seems to be an absurd argument in today's context. No one can deny the imperialist exploitation of the workers of Global South; however, to term this exploitation as national oppression of countries of Global South by countries of Global North is misleading because it completely ignores the capitalist development of countries of Global South, the nature of their bourgeoisie, the way in which these bourgeoisie participate in and benefit from the exploitation of the low wage workers, and the fact that at the national level most of the capitalist classes of these countries of Global South are actually the major shareholder in the appropriated surplus, though they certainly are the 'junior partner' in the appropriation of surplus value at the global level. As a result, the nuances and contours and political implications of the capitalist development in these countries are totally missed by John Smith.

In sum, despite his excellent analysis of the process in which production has shifted to Global South, the inhuman way in which workers of Global South are exploited, the low wages and horrible work conditions, the process through which the profits of TNCs of the North are made; Smith's economic analysis falters and consequently, his political conclusions are misleading and sometimes absurd. The impact of 'Third-worldism', 'Monthly Review' school, 'dependency' theory, a misreading of certain elements of Lenin's theory of imperialism and a selective reading of Marx's theories has prevented this work from presenting a correct view of imperialism in the twenty-first century.

## **In lieu of Conclusion...**

The task of developing a Marxist-Leninist theory of Imperialism especially in tune with the developments in the *modus operandi* of imperialism after 1970s is far from being completed. A lot of things need to be explained from an ML perspective. Some of them represent important quantitative changes and others include a few qualitative changes. From emergence of post-Fordism, a global assembly line, the new dimensions of multi-polarity in imperialist world, informalization at a higher level, deregulation, over-financialization, dominance of speculative capital to the absence of any socialist camp, the new ways in

which imperialism is giving rise to military conflicts and wars in the form of shadow-boxing between imperialist powers, the declining US hegemony, the assertion of Sino-Russian axis, the new strategy and general tactics of proletarian revolution in the erstwhile colonies, which have become capitalist countries, albeit of a peculiar kind; there is a need to analyze and understand these changes seriously. There have been and ongoing attempts to undertake this analysis with mixed results. Our purpose was not (and could not have been) to present a summary of all of these theories of imperialism. Our aim was simply to present the esoteric aspects of Classical Marxist theories of imperialism from Marx to Lenin, review the attempts to understand imperialism in the period of decolonization and after, the attempts to revive the Classical Marxist positions against underconsumptionist and 'Third-worldist' Marxist theories of imperialism and then present some of the representative theories of imperialism that came out in the period of what has been called the 'new imperialism'. The objective was not to present a general critical summary, but to analyze these theories in the light of contemporary developments, to refute the misreadings and misinterpretations of especially Marx and Lenin and restate the Marxist-Leninist position on imperialism with questions that might prove to be productive in developing the theory of imperialism in the context of Twenty-first century. We hope we have failed in a better way as compared to earlier attempts of critical evaluation of theories of imperialism.