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THE WORLD ECONOMY, IMPERIALISM, AND PERMANENT REVOLUTION: SOME FACTS AND SOME QUESTIONS

Kinnell

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INTRODUCTION

The first part of this article attempts to summarise some basic facts about the development of the capitalist world economy. The second part criticises the main-stream of post-war Marxist thinking on imperialism in the light of those facts; argues that vulgarised forms of the theory of permanent revolution have been strengthened in the Trotskyist movement by the influence of that mainstream; and deals with some theoretical issues to do with recent controversies in the WSL.

Facts and theory are not, of course, separate. The questions I asked in doing work for part 1, and the way I present the answers, were influenced by the theoretical views in part 2; conversely, those views are based on the facts as I understand them.

However, in part 1 I have not confined myself to the facts immediately relevant to the arguments in part 2. I have tried, to the best of my ability, to give a rounded picture.

The work for this article has of necessity been done mostly in odd hours snatched here and there - not the best conditions for such work. I hope comrades will bear with faults arising from this. In particular, some of the figures given in part 1 are more out-of-date than they should be, being from the early '70s or even late '60s. I have tried to ensure that this happens only where there is good reason to suppose that the broad pattern presented has not changed over the last 10 to 15 years.

I wish to thank comrades Ellis and Traven for discussions on the draft of this article; comrade Dupont for discussions on Lenin's "Development of Capitalism in Russia", on permanent revolution, and on South Africa; comrade Carolan for many of the ideas in part 2; comrades Christel and Maguire for typing. All errors are my responsibility.

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NOTE: Throughout the article the term ACCs (Advanced Capitalist Countries) is taken to refer to the countries of Western Europe (and Greece), the USA, Canada, Japan, Australia, and New Zealand.

There are some arguments about the best term to use for the other capitalist countries - 'underdeveloped', 'developing', 'Third World', etc. For convenience I use the abbreviation 'LDCs' (less developed countries), and have permitted myself such formulations as 'more developed LDCs'.

Most sets of statistics use this division, or something very close to it. The World Bank includes Greece and Portugal, and also some Stalinist states, among LDCs, and for some purposes divides LDCs into 'middle income' and 'low income'. Some of Bairoch's figures do not include Turkey among LDCs.

PART I: SOME FACTS

A. INEQUALITY

According to the World Bank, about 780 million of the 2800 million people in the capitalist world live in "absolute poverty". And military spending world-wide totals almost twice the aggregate income of the poor countries where half the population of the world lives.

Some rich and poor countries

Country	GNP per head	Adult literacy	Infant mortality
US	11,360	99	13
Japan	9,890	99	7
France	11,730	99	10
Britain	7,920	99	12
Spain	5,400	90	11
Argentina	2,390	93	45
Portugal	2,370	71	35
Mexico	2,090	81	56
Brazil	2,050	76	77
Egypt	580	44	103
India	240	36	123
Zaire	220	58	112
Bangladesh	130	26	136

Infant mortality is the number per 1000 of babies dying before the age of 1 (1980). Adult literacy is the percentage of people over 15 able to read and write (about 1977- except Spain and Portugal, figures for 1970 from World View 1983). GNP per head - US dollars 1980. This figure is pretty unreliable because of:

a) dubious elements in the concept of GNP itself,
b) unreliability of national statistics,
c) activities not entering the statistics, such as subsistence agriculture and the 'underground' economy. World View 83 estimates the latter as 20%, maybe up to 50%, of economic activity in LDCs.
d) errors in international collation of statistics,
e) the use of official exchange rates to convert figures in national currencies into dollars.

It seems to be generally reckoned that the overall direction of these inaccuracies is to exaggerate the differences between rich and poor countries (WV82 gives a table indicating that the income gap between the US and Indonesia is really about 10:1, whereas GNP per head figure would indicate 25:1). But there can be no doubt that the differences are huge.

The aggregate figures conceal inequality within nations. Walter Rodney points out: "Not long ago" (he was writing in 1972), "60% of the internal revenue of Dahomey went into paying salaries of civil servants and government leaders. The salaries given to the elected politicians are higher than that given to a British Member of Parliament" (p.27). Even the poorest countries include small minorities enjoying great wealth; and in the US there are currently estimated to be about two million people destitute, living on the streets. Furtado (p.90) estimates that the top 5% in Chile, Mexico or Venezuela have the same income as the top 5% in Norway; but the bottom 20% have half the income of the bottom 20% in Norway, and the middle 60% little more than a third of the income of their counterparts in Norway.

B. GROWTH

The average GNP per head in the rich capitalist countries exceeds the average in 'low-income' capitalist countries other than India - I.E., principally, Pakistan, Bangladesh, and black Africa - by 67:1. The comparable figure for 1955 was 36:1. With all due qualifications for the unreliability of GNP per head figures, it seems that the gap is increasing.

Long term trends in national income per head

	Latin America	As % of US	Asia	As % of US	US
1900	230	17%	90	7%	1360
1913	240	16%	110	7%	1580
1929	280	16%	115	6%	1840
1952-4	390	14%	110	4%	2850
1960	380	12%	130	4%	3350
1970	500	12%	150	4%	4270

(First table Bairoch p.191: figures in US dollars of 1970, pre-1954 figures not strictly comparable with post-1954. Second table World Bank: figures in US dollars of 1980)

	'Middle income'	As % of US	India	As % of US	Other low income	As % of US	US
1955	1050	8%	170	2%	140	2%	7030
1980	2650	14%	260	2%	190	2%	11560

Bairoch reckons that the overall picture may even be worse than it seems, because LDCs' statistics tend to overestimate growth rates (p.185-6).

However, though the idea of a growing 'gap' between ACCs and LDCs is true, it is also partly misleading.

a) The 'gap' between the most advanced LDCs and the ACCs is <u>decreasing</u>: what is increasing is the gap between the most advanced and the poorest LDCs.

In 1965 the gap between the USA and Mexico was $7\frac{1}{2}$:1, and between Mexico and Chad or Ethiopia, 7:1. In 1981 the US-Mexico gap is $5\frac{1}{2}$:1, the Mexico-Chad/Ethiopia gap, 20:1. (Figures for GNP per head from OEA for 1965, WV83 for 1981).

b) There is no gulf between the more advanced LDCs and the poorer ACCs. Mexico is pretty much on a level with - if anything, slightly better off than - the poorest West European country, Portugal. Japan, which now ranks high among the ACCs, had until the late 1950s a smaller national income per head than Mexico.

c) Since World War 2 the economics of the LDCs have been growing very fast, by comparison with previous capitalist development. The gap has increased because the ACCs have grown even faster.

Rates of growth of manufacturing industry (Bairoch p.67 , World Bank)

	1950-60	1960-70	1970-80
LDCs: manufacturing output	6.9	6.3	5.0 I/3.6 LI/ 5.4 MI
ditto per head	4.5	3.6	2.9 I/1.0 LI/ 3.0 MI
(..I=India, LI= other 'low income', MI= 'middle income')**			
ACCs: manufacturing output	5.0	5.6	3.2
ditto per head	3.8	4.4	2.4

	1800/4-1850/4	1850/4-1900/4
Britain: manufacturing output	3.6	2.2
ditto per head	2.2	1.4

Industry generally has grown as fast or faster than manufacturing industry. Agriculture in the LDCs has not grown so fast: and this has been part of a situation of terrible suffering in the LDCs.

But the LDCs are not caught in some sort of time-warp. Latin America now is at a level of capitalist development roughly comparable to Western Europe in the first half of this century (by some indicators, such as education, it compares with levels not reached in Western Europe until after World War 2; by others, such as the development of manufacturing industry, it is comparable to France, for example, before World War 1. See Bairoch).*

C. AGRICULTURE AND HUNGER

Growth of food production per head, average % p.a.

	1960-70	1970-80
Africa	0.1	- 1.1
Middle East	0.1	•.2
Latin America	0.1	0.6
South Asia	0.1	0.0

This lack of growth has existed since 1934 at least (Bairoch p.17). Meanwhile enough cereals are fed to animals in the richer countries to feed 2½ billion people. In the transformation from cereal to meat, at least 70% of the calories and protein content - i.e. enough to feed 1.8 billion people - is lost.

Agricultural productivity in LDCs is very low. Bairoch constructs an index of agricultural productivity, measuring calories produced per man hour with certain adjustments. (see over)

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*This does not mean that Latin America is at the same point on the same path of capitalist development as Western Europe was in the early 20th C. It is at a different point on a different path . The point is that it is not static.

** The 'high-income oil exporters' are not included as LDCs by the World Bank.

Index of Agricultural Productivity (Bairoch p.38-40)

1968-72: per man hour

US	330.0
France	100.0
Argentina	86.9
Brazil	12.9
Mexico	6.8
Morocco	6.5
Nigeria	3.4
Zaire	5.9
Egypt	5.7
India	3.9
Pakistan	4.2

US 1840	21.5
Britain 1810	14.0
France 1810	7.0

If it were not for the very rapid growth of population in the LDCs - about $2\frac{1}{2}\%$ per year - the squeeze imposed by agricultural stagnation would no doubt be less severe. The World Bank claims that there is some growth of output per that there is some growth of output per hectare.

But world hunger is not due to natural reasons.

Susan George's book "How the Other Half Dies" is a vigorous "de-bunking effort" (her own words) on this issue. Some points:

a) The ACCs - which are also the world's leading agricultural producers and exporters: the US accounts for 19% of world exports and the EEC excluding Greece for 12% (1980 figures) - produce vast surpluses, and could well produce still more.

b) There are big areas of arable land still uncultivated - the World Bank says estimates range from 500 million to 1.4 million hectacres, in addition to the 820 million now in use.

c) Since World War 2 agricultural productivity has expanded faster than manufacturing productivity in the ACCs. Social, not natural, obstacles stand in the way of a similar expansion in the LDCs.

d) China - probably the only country in the world which has arrived at the limit of its arable land - has had a rapid expansion of agricultural productivity.

Thus, characteristic of the LDCs, and central to the fact that in a period of tremendous technical advance and unprecedented abundance on a world scale, the lives of hundreds of millions are still dominated by hunger and ill-nourishment, are vast hinterlands of backward agriculture.

The most 'advanced' LDCs have areas of terrible poverty in the countryside and on the outskirts of the towns. Of the states for which the World Bank gives figures, Venezuela, Mexico, Brazil, Panama and Peru have the most unequal income distribution. In Mexico the inequality has been increasing since 1958. Such figures are not very reliable, but other evidence points in the same direction. Andre Gunder Frank bases himself on official Brazilian statistics to claim that in that country, 56% of the population are "absolutely marginalised" and 75% "relatively marginalised". In Mexico, he says, 96% of the pre-school population suffers from malnutrition. Celso Furtado writes: "With the exception of Argentina, Uruguay and Cuba, in all the Latin American countries there are sizeable proportions of the population (between 20 and 40 per cent of the total) whose living conditions are determined by the level of productivity in the so-called 'primitive' sector..." (p.88).

Peasants with tiny plots, landless agricultural labourers, and town-dwellers living from petty trade, casual employment, prostitutuion petty theft,etc. are the people who make up this mass of poverty.

Practically no LDCs have any system of state benefits for the unemployed. Unemployment figures are therefore dubious. In any case, unemployed people have no choice but to find someone (another member of their family,usually) to support them, to beg, to get odd jobs, to survive by crime - or to starve. The Financial Times (7.9.82) quotes figures from the UN ECLA for the percentages in various Latin American countries of employees "in domestic or marginal employment". The percentages vary from 56% in Peru through 45% in Brazil and 40% in Mexico to 27% in Uruguay.

Regional variations are huge in many LDCs. In the north-east of Brazil average per capita income is less than one-third of the average for the rest of Brazil: it is about the same as the average for the Philippines or Morocco. If India's states are divided into three groups, richer, poorer, and middling, the average income per head of the 'richer' group is twice that of the 'poorer'.

D. THE AGRICULTURAL ECONOMY

The size of the mass of poverty, and its distance from or closeness to absolute destitution and starvation and starvation, vary from country to country. But its existence, on a much larger scale than in the ACCs, is a constant. Beneath this constant is a great variety of relations on the land. In Latin America, over 50% of the land is in units over 500 hectacres. Even in countries like Mexico where there have been fairly radical land reforms, ownership is concentrated: 45% of agricultural output, by value, came from private units of more than 5 hecta res, while 15% of the population employed in agriculture worked on small private units of less than 5 hecta res and 65% in ejidos (R.Bartra: 1970 figures).

In Asia and Africa, by contrast, about 50% of land is in units less than 5 hecta res. But even there a big proportion of the agrarian population is landless, or has tiny unviable plots.

The agriculture is generally backward, but it is not a separate sphere, isolated from capitalist development in the rest of the economy. Frank has argues this in detail for Chile and Brazil. In India 25% of rural household income comes from non-agricultural activities, and around 40% of income for the poorer 50% of households.

E. THE DEVELOPMENT OF CAPITALISM

Writing before World War 1, Rosa Luxemburg argued that the essence of imperialism was the relation between capitalist and non-capitalist economies. In the polemic that followed, no-one questioned her assumption that the LDCs were largely pre-capitalist.

Today the scene is completely changed. While most LDCs have pre-capitalist residues in their societies, and there is argument about their size and definition, they are indisputably capitalist societies.

From Bairoch's figures (p.86) all but a very few LDCs are "more industrialised" (insofar as a comparison is possible) than Russia in 1900.

The capitalist development has been extremely uneven. A few LDCs have become sizeable manufacturing centres and have begun to export manufactured goods on a large scale. Most have shown a fairly rapid growth of manufacturing, though in some cases from very low lvels. Heavy industry, according to Bairoch, has grown faster than light industry. A number of countries, however, mostly in Africa, have suffered an actual decline in value added in manufacturing over the '70s.

Major exporters of manufactured goods, 1979

	Exports ($1979)	Value added in manuf.($1979) 1970	1979	Growth 1970-9
South Korea	13,299	2,346	9,955	324%
Hong Kong	10,804	1,620	3,596	122%
Singapore	7,372	827	2,080	151%
Brazil	5,876	17,852	40,327	126%
South Africa	5,166	n.a.		
India	3,729	10,202	15,595	53%
Israel	3,654	n.a.		
Mexico	3,389	13,801	23,429	69%
Malaysia	1,966	946	2,597	175%
Argentina	1,888	9,174	11,192	22%
Philippines	1,596	2,816	5,339	90%

(NB. Figures for Hong Kong especially are boosted by re-exports)

Other major manufacturing centres, 1979; value added in manufacturing

Turkey	6386	Egypt	3597
Venezuela	5491	Colombia	3217
Thailand	4154	Nigeria	2890
Indonesia	4136	Algeria	2538
Peru	3830	Pakistan	2056 ($ million 1975)

LDCs which suffered a decline in value-added in manufacturing between 1970 and 1979

Zaire, Chad, Somalia, Mozambique, Uganda, Jamaica.

Bairoch (p.176) gives estimates for the proportion of machinery and transport equipment which various LDCs had to import in 1968-70 or thereabouts: five can be identified which imported less than 50% of their equipment.

These are:

Argentina (21%), India (26%), Chile (40%), Jamaica (39%), Mexico(44%).

But this expansion of LDCs manufacturing has flowered especially in the 1970s. LDCs' share of the manufactured imports of ACCs went up from 7% in 1970 to 13% in 1980. According to Bairoch the expansion bagan in 1962: between 1962 and 1970 LDCs' manufactured exports increased at 14.5% per year in current prices (p.99).

From the table above it can be seen that the major manufacturing LDCs in the 1970s all (bar India & Argentina) exceeded the average rate of industrial growth typical of LDCs since about 1960, i.e. about 6% per year, and far exceeded the US growth rate of about 3% per year.

The overall history of capitalist development in the LDCs seems to have had the following stages:

a) Industry before World War 1 was mostly confined to mining and plantations, employing tiny workforces in proportion to the total, and infrastructure (e.g. the railways in India). On the plantations, relations of exploitation often were (and often still are: see Frank) semi-feudal. Only in Mexico and Argentina was there a sizeable 'spin-off' from this export-orientated industry in terms of general industrial development. Both of these countries had massive inputs of foreign capital.

In Argentina, and also in Uruguay, agriculture was capitalist from the start: this bracketed them with Australia and Canada, the other settler states, rather than with the majority of the LDCs. In Argentina there was a major growth of small industrial firms owned by immigrants (see Cornblit).

Barratt Brown gives the following figures for direction of capital investment in this period (p.190,p.168-9).

Britain 1860-70	Dominions 12, India 21, other Empire 3, Latin America (presumably mainly Argentina, Brazil) 10.5, USA 27, Europe 25, others 1.5
Britain 1881-1890	Dominions 29, India 15, other Empire 3, Latin America 20, USA 22, Eurpoe 42, others 9
Britain 1911-1913	Dominions 30, India 10.5, other Empire 5.5, Latin America 22, USA 19, Europe 6, others 7
France 1890s	Europe 39, Russia and Turkey 32
1910s	Europe 29, Russia and Turkey 22, colonies 10

In other words, investment went mostly to a fairly small number of countries: the greater part to other advanced countries, the bulk of the rest to those LDCs which were going through some capitalist development.

b) After World War 1, according to Barratt Brown, French investments were reorientated to French colonies and US investment in Latin America increased. (That investment to other countries was small in relation to the total of the great powers does not mean, of course, that its effect was not often devastating for the country invested in).

But the major turning point was 1929. After the Great Crash the foreign investment of the great powers and their imports declined drastically. The following table (from Kindleberger, p.191) indicates the percentage decline in exports suffered by various countries between 1928-9 and 1932-3.

Percentage decline	Countries
Over 80	Chile
70 to 80	China, Bolivia, Cuba, Malaya, Peru, El Salvador
60 to 70	Argentina, Netherlands Indies (Indonesia), India, Mexico, Brazil, Egypt.

Turkey and Venezuela were comparatively well-off, with only 30 to 45% decline in exports. Prices of primary products also crashed.

But this crash also led, in those LDCs sufficiently developed, to a growth of industrialisation in the form of 'import substitution'. Industries developed which manufactured the goods which could no longer be imported because there were not sufficient exports to pay for them.

'Import substitution' continued in World War 2. The political reflection of this in the '30s and '40s was the various nationalist programmes of Cardenas (Mexico), Vargas (Brazil), Peron (Argentina), etc.

By 1950, according to Bairoch (p.79), the following countries had appreciable proportions of the male working population in manufacturing industry:

Argentina	20.3% (1947)	
Chile	17.1% (1952)	
Mexico	10.3% (1930:	but industrial output had increased 171% between 1929 and 1947 - Furtado p.112)
Syria	9.9% (1950)	
Venezuela	9.4% (1950)	
India	8.2% (1951)	

c) The 1950s and '60s, this reached the point of "generating autonomous finance capital in (countries such as Brazil and Iran), active not only internally but even internationally, with a certain degree of independence from Western imperialism, however close its political and military association with it" (Mandel).

Meanwhile, a number of other states had reached the point that over 25% of their labour force was in industry:

By 1960: Turkey, Jordan, Jamaica, Uruguay

By 1980: Iraq, Lebanon, Algeria, Tunisia, Congo (People's Republic), South Korea.

e) The question of capitalist development in the LDCs is often discussed in terms of 'take-off'. The analogy with aeroplanes is presumably meant to convey the idea of a short sharp rise from one continuing level to anoth. This seems misleading. Industrial development is general in the LDCs (with identifiable exceptions). Rapid growth is not confined to countries in the early stages of industrialisation, but exists mostly in more developed LDCs and in ACCs (e.g. Japan, West Germany). If 'take-off' means a level of development similar to West European countries at the time of their industrial revolutions, then most LDCs (so far as the comparison is possible) have already taken off. The problem is that this 'take-off' does not abolish the horrors of 'underdevelopment'. It may even increase them.

f) Lacking from the above is consideration of the development of capitalism in agriculture in the LDCs. This issue is extremely complicated both theoretically and empirically. It is clear that capitalist tendencies in LDC agriculture have increased, and especially so since the Green Revolution (the introduction of higher-yielding strains of wheat, rice, etc.) But clear-cut capitalist farms, employing wage-labour and regularly transforming methods of production through accumulation of capital, are still a relatively small part of agriculture in almost all LDCs. Clear-cut feudal or 'Asiatic' relations are even rarer. Hybrid or transitional forms are often dominant.

These include: small independent producers whose activity is dominated by the merchants to whom they sell; sharecroppers; 'debt peons' who formally have free commercial contracts but in fact are tied by never-paid-off debts to merchants, moneylenders, and/or landlords. There is much theoretical debate about the characterisation of such forms.

Samir Amin (writing in the mid-'70s: CGR) states:

"In the next stage the pressures of urban capitalism led to great changes in the rural world. In Latin America, in the Arab countries of the Middle East, and in Asia, the era of agrarian reforms began. More or less radical,

> these changes became generalised after the Second World War, with independence in India, with the wave of petty-bourgeois nationalism in the Arab world in the fifties, with the populist movement and especially that of desarrollismo ['developmentism'] in Latin America, also in the fifties. These reforms, in bringing to an end the former class alliances between foreign capital and the big landowners, replaced them with the new triple alliance between foreign capital, the local urban bourgeoisie (private and/or state), and the kulaks [rich peasants]. They formed the social basis of the green revolution which followed". [in the late '60s and early '70s] (p.68)

In sub-Saharan Africa, he argues, the development was different. The colonial system was characterised by small producers selling to, buying from, and dominated by colonial trading firms. Despite low productivity, this system yielded profits to merchant capital because of the low income and harsh labour of the peasants.*

The peasants were formally owners of the means of production; in fact, Amin argues, because their labour was under alien control, and because they received no rent or return on capital, they were 'semi-proletarians', something like home-workers in manufacturing industry.

Independence "brought no change... The new African government fulfills the same functions as the former colonial administration". (p.70)

But, Amin argues, this primitive form of exploitation is being replaced (in some areas, at least) by capitalist farming – leaving vast numbers of the rural population 'surplus'.

> "Thus African agriculture and stockfarming, boosted by the green revolution, will contribute to feeding the Europeans, while the local population will be asked to emigrate or 'disappear'." (p.72)

Goodman and Redclift agree that there is a shift "From Peasant to Proletarian", as the title of their book (published 1981) puts it. They show how state credit for agriculture in Brazil is directed overwhelmingly towards rich farmers and landowners, thus promoting capitalist farming (by converting big landlords into big capitalist farmers) and proletarianising small peasants. But they are much less sweeping in their conclusions than Amin, arguing that hybrid, semi-proletarian, 'transitional' forms can continue for a very long time under capitalism.

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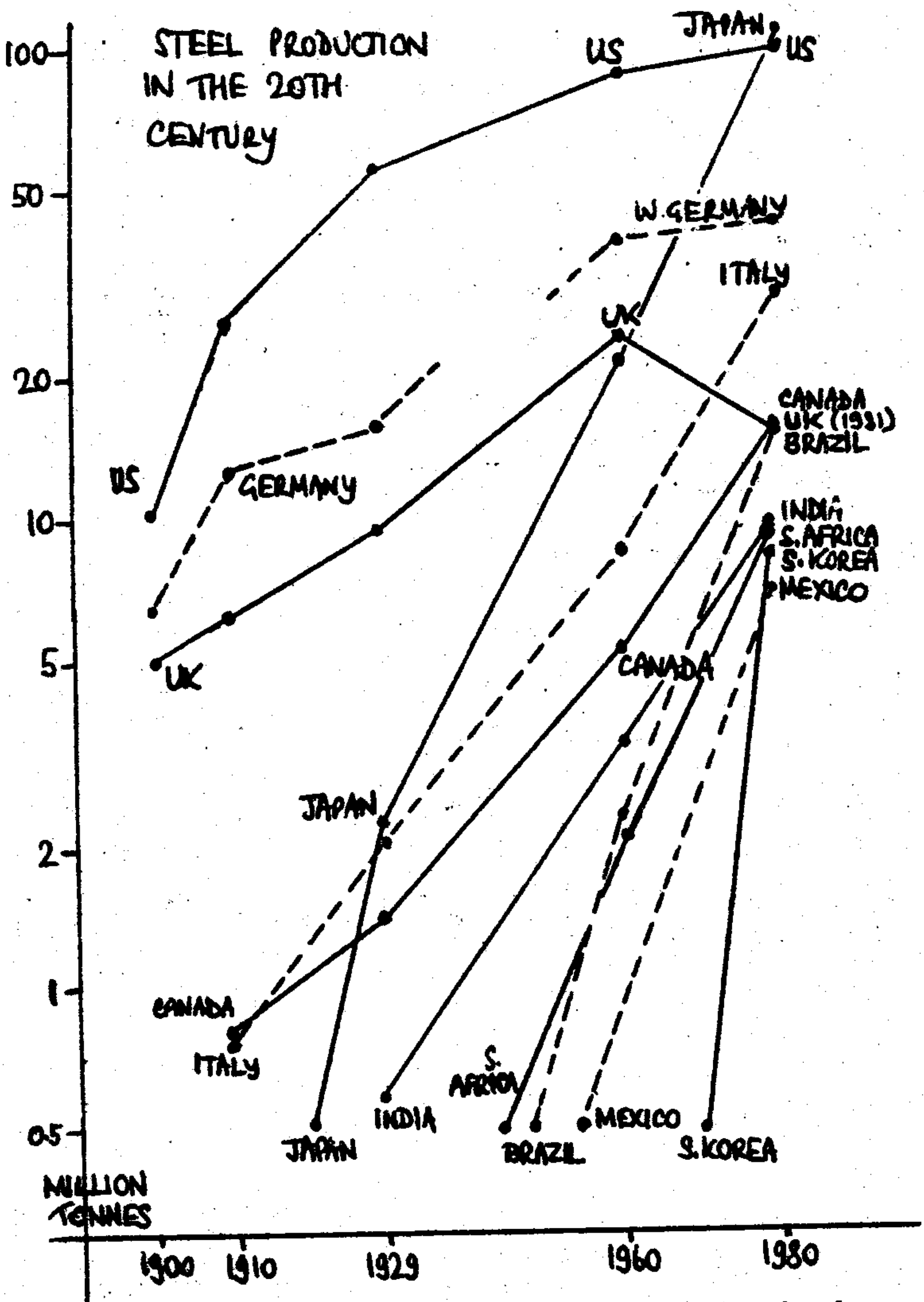
* Referring forward for a moment to an argument in part 2 (page 25): both the small producer/colonial trading firm set-up and the foreign capital/local landlords alliance mean a 'drain of surplus' from colony to metropolis. Yet here as elsewhere the 'drain of surplus' is not the explanation. It is the tendency of imperialism to sustain (and adapt to its needs) certain pre-capitalist forms of exploitation (because of its class alliances) that explains 'underdevelopment' and the drain of surplus here. This tendency was emphasised by Trotsky in his theory of permanent revolution: it is also a major theme of one strand of modern Marxist thinking on imperialism (see survey in Brewer, chapters 8 and 11).



The scale is logarithmic. For simplicity figures are given only for a few selected years and a continuous line is drawn between those years: but it is not necessarily true that growth was even in those years. 1981 figures are used for the UK instead of 1980's, which were depressed by the steel strike. For simplicity, again, some major producers are not included, namely:

– the USSR (by far the biggest producer in the world), E.Europe, China;

– France (which ranks between Italy and Canada), and Belgium, Spain, Netherlands (which rank between Brazil and India).

E1. THE STEEL INDUSTRY

The development of steel production in different countries gives another index of the spread of industrial capitalism.

In 1910, 77% of all steel was produced in the USA, Germany, and Britain. Only nine other countries – six in western Europe, Austria, Russia, and Canada – produced any steel at all.

Steel production spread more widely after World War 1. In 1929, the USA, Germany and Britain – still the three biggest producers – accounted for 69% of world production, but steel industries now existed in China, India, many East European countries, Mexico, Brazil and South Africa.

Between 1929 and 1939 production in the three big centres fell by 2%. Production in the rest of the world rose 50%, and the USSR outstripped the UK as a producer.

1945 saw the US predominant, with 63% of all world production. By 1950 this share was down to 46%, mainly thanks to the rapid revival of steelmaking in western Europe, Japan and the USSR.

By 1960 the shares had shifted – and with a rapid rise in steelmaking in the Third World they shifted much more by 1980.

Shares in world steel output, 1960 and 1980

	1960	1980
Western Europe	32%	28%
USA/Canada	28%	16%
Japan	6%	16%
Africa	0.6%	1.6%
Latin America	1.4%	4.0%
China	4.9%	5.2%
Other Asia	1.2%	4.5%
Australia	1.0%	1.1%
USSR/E.Europe	25%	29%

Percentage change in steel production 1970-80

UK –45% (1970-81); US –15%; W.Germany –3%; Japan +19%; India +52%; Mexico +82%; South Africa +91%; 'Other Africa' (Algeria, Egypt, Tunisia, Zimbabwe) +141%; Brazil +185%; South Korea +1679%.

Brazil is now a bigger steel producer than Britain, and India, South Africa, South Korea and Mexico are not so far behind. (All figures in this section from British Iron and Steel Federation statistics).

E2. WORLD MARKET FACTORIES

The most dramatic aspect of the recent growth of manufacturing in the LDCs has been analysed by Frobel, Heinrichs and Kreye.

In a series of countries, 'free production zones' have been organised. Margaret Thatcher's 'free enterprise zones' are a pale reflection of these. In these zones – usually physically fenced off– multinationals can use cheap labour to produce for export, free from taxes, duties, restrictions on imports or on remittance of profits, or local participation requirements. 'World Market Factories' are the factories in these zones, and some others enjoying similar conditions elsewhere.

These zones are well described by an official South Korean advertising brochure for one of them:

"The Masan Free Export Zone is a specially designed, 175 hectare, industrial free zone where foreign-invested firms can manufacture, assemble or process export products using tax free raw materials and semi-finished goods, most or all of which may be imported for the purpose. The zone embodies the ideal investment climate Korea offers, along with the most liberal incentives, the best facilities and every convenience to foreign investors.

The application of pertinent laws and regulations are waived or eased in regard to the business activities of foreign-invested firms in the zone. Once admitted, occupant-enterprises are not required to obtain the permissions, licences, registrations etc, prescribed by law for some types of business operating outside the zone. In addition, occupant-enterprises are treated on the same footing as public utilities in relation to the handling of labour disputes...

No duties or taxes will be imposed on raw materials, parts, semi-finished goods and equipment brought in for export production.

Export products are exempted from export inspection, except for a very few cases...

Income, corporate, property and property acquisition taxes will be exempted during the first 5 years... The remittance overseas of profits and dividends by foreign investors is guaranteed from the first year of business operations... Low cost labour is abundant and will provide an excellent advantage for products from the zone to compete on international markets. Highly qualified work forces, both male and female, all with at least a primary education and easily trainable, will be continually available from surrounding towns. The average cost of labour in Korea is about 50% that of labour in Hong Kong, 30% of that in Japan, and roughly the same as that in Taiwan..."

They are a recent development. Frobel et al describe the history:

"Industrial production in developing countries for the world market, especially production by foreign firms, did not exist until the middle of the 1960s. In 1966 there were world market factories in operation in four countries: Hong Kong, Taiwan (in one of the first FPZs of the developing countries, Kaohsiung), South Korea and the northern border zone of Mexico. The first FPZ in Colombia, Barranquilla, was established in the same year. In 1967 foreign firms first began to relocate industry to Singapore on a large scale; in 1968 the free zone of Manaus in Brazil was established. In 1969 the first of three FPZs began to operate in the Dominican Republic. A second zone (Nantze) was put into operation in 1970 in Taiwan and a third followed in 1971 (Taichung). 1971 was also the year in which the first FPZ in Mauritius entered the world market for sites for industrial production.

By 1971 FPZs were in operation in a total of nine countries. Between 1972 and 1976 the number of new zones increased rapidly. During this same four year period most of the world market factories located outside FPZs were also established.

World market oriented industrialisation, more specifically, the industrial utilisation of the labour force of the developing countries for world market production which is recorded in the figures here, became established in a matter of a very few years. Whereas scarcely any industrial production for the world market existed in Asia, Africa and Latin America in the mid-1960s, by the middle of the 1970s world market factories were in operation in 79 FPZs in 39 countries and in many sites outside the zones, employing in all 725,000 workers according to our [incomplete] statistics. There were FPZs and WMFs outside the zones under construction in a further 12 countries..." p.316)

From the other angle – of 602 West German firms which had production sites abroad in 1976, only 86 had been producing abroad before 1955 (p.271).

Hong Kong, Singapore, and the northern border area of Mexico are special cases where the whole area is a FPZ. Other major centres of FPZs in the mid-'70s, with numbers of workers employed in FPZs and WMFs, were:

South Korea 112,000; Puerto Rico 97,000; Taiwan 62,000; Malaysia 40,000; Brazil 28,000; Haiti 25,000;
Tunisia 24,000; Thailand 17,000; Indonesia 11,000;
Philippines 10,000; Mauritius 10,000.

The Financial Times (4.3.83) recently gave a figure of 350

PZs worldwide — and 120,000 workers in FPZs in South orea, 70,000 in Taiwan, 20,000 in Malaysia and 70,000 in exico.

The industries sited in FPZs are most often textiles and elecical engineering. In textiles, by 1976 Hong Kong had captured 4.8% of the world market, and South Korea 9.4% (p.83).

These World Market Factories are sited as they are, not to ach the LDCs' markets, nor even to use their raw materials, ut to use cheap labour.

"Working conditions which represent a synthesis of Manchester capitalism and the forms of the capitalist organisation of work in the last quarter of the 20th century compel the labour force in FPZs and WMFs in the underdeveloped countries, on the one hand, to achieve levels of productivity and intensity of labour which correspond to the most advanced current levels in the world, and on the other hand, to tolerate wage levels which are not much higher than those which prevailed in Manchester capitalism's heyday" (p.360)

The labour force is drawn from a huge 'reserve army of labur'. Usually it is more than 70% women — mostly young omen, aged 14 to 25. Women, at least in South Korea, Mauritius, Taiwan, South Africa and Singapore on mid-'70s figures, e paid less than half the male wage. Average pay for semi- and nskilled workers is thus often less than 25 US cents an hour igures for the mid-1970s, again). There are few fringe benefits, elfare provisions, etc. Hours are long. Safety precautions are inimal; in the Masan FPZ in South Korea, already mentioned, ccidents run at 19% of the workforce per year (Frank, CITW, .175). Turnover of labour is high. Repression of strikes and nion activity is ferocious.

The great bulk of the capital in FPZs is, of course, US, Japanse, and EEC. Hong Kong, Thai, Singapore, S.Korea, Taiwanese, ilipino and Indian capital are, however, found in FPZs elsewhere in the Far East. And Frobel et al report an FPZ under onstruction in Botswana for Brazilian capital.

. SOCIAL TRENDS GENERATED BY THE DEVELOPMENT F CAPITALISM

Literacy increases, infant mortality declines, urbanisation creases, the percentage in agriculture falls.

	Adult literacy		Infant mortality		Urbanisation		% in agriculture	
	1960	77	1960	80	1960	80	1960	80
ndia	28	36	165	123	18	22	74	69
ther low come	23	34	164	130	11	19	81	73
iddle income	49	65	125	80	33	45	61	44

Adult literacy is the percentage of people over 15 able to read nd write. Infant mortality is the number per 1000 of babies ying before the age of 1. Urbanisation is urban population as a ercentage of total population).

These trends are pretty general. So is another trend generated y the development of capitalism — the rapid increase in population.

They go *alongside* massive superexploitation, repression, and mpoverisation in LDCs (see above; and Frank, CITW p.157-229, locuments this in detail).

. TRADE

airoch points out that while the countries of Western Europe, n the early stages of their industrialisation, exported only 3% to % of their output, the way the LDCs were seized upon by the ACCs in the 19th and 20th century made them irreversibly nore dependent on trade. Since 1900 they have exported a proortion of their output ranging from 15 to 20 per cent.

Some writers see the export-orientation of LDCs' economies s a major cause of their problems. So it is. We only need to add hat autarchic (economic-isolationist) policies create just as nany problems.

If economies are classified by exports as a % of GNP, we get the following picture:

10% or less:	*Very large countries*: US, Brazil, India, Bangladesh.
	Very poor countries: Bangladesh, Burma, Sudan.
	Countries with autarchic policies: Burma, Argentina, Turkey.
10% to 20%:	*Large countries*: Japan, Mexico, Pakistan.
	Very poor countries: Ethiopia, Nepal, Somalia, Upper Volta, Tanzania, etc.
20% to 40%:	*Most ACCs*: W.Germany, France, Britain, Italy, etc.
	Big producers of oil and other high-value primary products: Algeria, Nigeria, Indonesia, Zaire, Ecuador, Venezuela, etc.
	Other LDCs: South Korea is at the top of this range, other LDCs are generally nearer the bottom of this range.
Over 40%:	*Small ACCs*: S.Ireland 55%, Netherlands 53%, Belgium 63%, Norway 48%, etc.
	Small-population oil exporters: Libya, Saudi Arabia, Kuwait, UAE: overall average 72%.
	Other primary producers: Malaysia 60%, Angola 43%, Jamaica 50%, Iraq 63%, etc.
	Entrepots: Hong Kong 111%, Singapore.

On the whole middle-income LDCs are no more dependent on trade than ACCs, and low-income LDCs less so. But these overall figures conceal the legacy of the fashion in which the ACCs seized upon these countries in the 19th and early 20th centuries, transforming each into a producer of one or two primary products, provincializing them and integrating them not with each other but with the metropoles.

Walter Rodney writes:

"Liberia... was a monoculture dependent on rubber, Gold Coast [Ghana] on cocoa, Dahomey [Benin] and South East Nigeria on palm produce, Sudan on cotton, Tanganyika on sisal, and Uganda on cotton. In Senegal and Gambia, groundnuts accounted for 85% to 90% of money earnings". (p.256)

Furtado summarises the Latin American economies: Argentina and Uruguay — wheat, beef, etc; Brazil — coffee; Chile — nitrates; Venezuela (from the 1930s) — oil; Cuba — sugar; and the 'banana republics' of Central America.

Arghiri Emmanuel quotes Marx ('On the Question of Free Trade'):

"We are told that free trade would create an international division of labour, and thereby give to each country the production which is most in harmony with its natural advantages. You believe perhaps, gentlemen, that the production of coffee and sugar is the natural destiny of the West Indies. Two centuries ago, nature, which does not trouble herself about commerce, had planted neither sugar-cane nor coffee trees there..."

Economic development which starts with a few products can of course diversify. California is a striking example. And since the 1950s, bourgeoisies in the LDCs have striven to diversify their export products and to reorient their trade more to each other than to the ACCs. Their success, however, seems to have been limited.

Bairoch estimates than in 1963, for the entire Third World, 56% of all exports consisted of goods which were the main export for each country. "In most underdeveloped countries", he writes, "5 to 7 per cent of the working population produce goods of which some 90% are exported, while the other 93 to 95% produce goods of which only 1% is exported" (this presumably refers to his time of writing, in the early 1970s).

Over the '60s and the '70s there was an increase in manufactured exports from LDCs; and some countries seem to have reduced their reliance on particular primary products. By 1980, for example, 42% of the exports of Brazil were industrial products, as again 9% in 1965.

Another effort by LDC bourgeoisies has been to improve the relative prices of their exports; and in this they had a spectacular success in the 1970s, with the oil price rises. However, this had some paradoxical effects:

a) For non-oil LDCs it meant a sharp *worsening* of the terms of trade;

b) Oil-exporting LDCs are now as reliant on a single export – namely oil – as any country ever was. Experience over the last year, and the current difficulties of OPEC, show that oil prices could go down as well as up.

Bairoch argues that the reliance of LDCs on ACCs as customers has not diminished (first table below). The World Bank figures may however indicate a shift in this respect during the '70s. (Note that the World Bank includes China, Vietnam, North Korea, Rumania, Yugoslavia, etc. as LDCs, and only the USSR and its East European satellites as 'non-market industrial economies'.)

Share of exports from LDCs:	To developed countries	To LDCs	To Stalinist states
1938	72%	22%	3%
1948	67%	29%	3%
1960	72%	22%	5%
1970	74%	20%	6%

Share of exports from:	To ACCs	To LDCs	To USSR E.Europe
Middle income 1960	68	25	7
.. 1980	64	32	4
India 1960	66	27	7
.. 1980	53	30	17
Other low-inc. 1960	66	31	3
.. 1980	56	40	4
'High-income oil exporters' (Libya, UAE, Kuwait, Saudi Arabia): 1960	83	17	nil
.. 1980	78	21	nil

Of the major LDC exporters of manufactured goods listed above, two, Brazil and Argentina, export high proportions of their goods to LDCs (49% and 54% respectively). These countries evidently have a conscious policy of re-directing exports to LDCs: the proportion of their total exports going to LDCs increased between 1960 and 1980 from 13% to 28% for Brazil, and 20% to 38% for Argentina.

Ex-colonies have definitely diversified trade away from former colonial powers. (Figures from OEA and WV83).

Percentage share of former colonial power in LDCs' trade

Nigeria (Britain): Imports 47% (1955), 31% (1965), 19% (1980)
Exports 70% (1955), 38% (1965), less than 7% (1981).
Algeria (France): Imports 76% (1955), 70% (1965), 26% (1981)
Exports 74% (1955), 73% (1965), 18% (1981)
India (Britain): Imports 31% (1938), 25% (1955), 11% (1965)
Exports 34% (1938), 28% (1955), 18% (1965)
Morocco (France): Imports 49% (1955), 38% (1965), 27% (1981)
Exports 45% (1955), 44% (1965), 26% (1981)
Tunisia (France): Imports 75% (1955), 39% (1965), 28% (1981)
Exports 55% (1955), 31% (1965), 16% (1981)
Pakistan (Britain): Imports 31% (1938), 28% (1955), 15% (1981)
Exports 34% (1955), 15% (1965), 13% (1981).

The share of the LDCs in world trade rose steadily from 1900 to 1950 – from 16% in 1900 to 31% in 1950 – and then declined. It was 18% in 1970. Between 1970 and 1980 it increased again, to 21%. But this was entirely due to the oil price rises (Bairoch p.93, World Bank).

The reason for the turnabout in 1950 appears to be as follows. Following the 1929 crash, the world trading system disintegrated. According to Kindleberger (p.282):

"Trade increasingly took place bilaterally, and to the extent it continued to be multilateral, was contained within bloc lines. The UK, for example sold 62% of its exports to the Commonwealth and sterling bloc in 1938, compared with 51% in 1929, and bought 55% of its imports within the bloc in the later year, as compared with 42% in the earlier year... The most remarkable shift took place in Japan's trade with the 'yen bloc' of Korea, Formosa, Kwantung and Manchuria, where exports rose from 24 to 55 per cent between 1929 and 1938 and imports from 20 to 41 per cent".

After World War 2, by contrast, a new trading system was welded together under the hegemony of the USA. Multinational companies developed. The EEC was set up, and intra-EEC trade rose from 4.9% of world trade in 1953 to 13.9% in 1970. By 1981 43% of Britain's exports, for example, went to the EEC, and 10% to the US. 41% of imports came from the EEC, 12% the US.

Thus in the ACCs after World War 2, trade grew faster than production. In the LDCs, by contrast, production grew faster than trade. LDCs were also striving to reorient excessively export-directed economies.

The LDCs have become less important as a market for the ACCs: a decline in the percentage of ACCs' exports going to LDCs is shown by the figures both of Bairoch (31% 1948, 19% 1970) and of the World Bank (30% 1960, 28% 1980), though the definitions used are clearly different.

II. BIG ECONOMIES AND SMALL

The oil price rises arguably reflected increased power of primary producers in the world market. But most LDCs are tiny economic units compared to the ACCs.

Despite rapid increases in population, over 50% of the people of the LDCs live in countries with smaller populations than Japan – that is, all except the people of India (673 million), Indonesia (146 million), and Brazil (119 million).

(Japan's population is 117 million. The next biggest populations are Bangladesh 89 million, Nigeria 85 million, Pakistan 82 million).

Thus the US – and the EEC, a far more cohesive unit than any association of LDCs – outpower them by sheer numbers, even disregarding the huge differences in productive capacity.

The following table gives some picture of the relative sizes of the economies:

	GDP 1980 (1980 $bn.)	Value added in manufacturing, (1979, in 1975 $billion)
EEC total	2782	483
US	2587	448
Japan	1040	208
W.Germany	819	184
France	652	109
UK	523	60
Italy	394	71
Canada	253	38
Brazil	238	40
Spain	198	34
Netherlands	168	25
Mexico	167	23
India	142	16

The above are the world's 12 biggest capitalist economies. Only seven other LDC economies have a GDP greater than $50 billion – i.e. about *one fiftieth* of the US's. (They are Indonesia, Nigeria, South Africa, Venezuela, South Korea, Argentina, and Turkey).

I. MULTINATIONALS, FOREIGN INVESTMENT, RAW MATERIAL SOURCES

a) *The growth of multinationals*

A distinctive feature of the post-war period is the growth of giant multinational corporations which organise not only the export of commodities, not only the export of capital, but the internationalisation of production itself.

Palloix (p.81), writing in 1973, estimated that 30% of total world trade was transfers within multinationals.

The biggest of the giant US corporations, Exxon, has a turnover which exceeds the GDP of any LDCs but Brazil, Mexico, and India. If the six big Japanese industrial groups are considered as single units, every one of them is bigger again than Exxon (FT 20.10.82).

The top 30 industrial firms — all of which have turnovers bigger than the GDPs of Ghana or Uganda or Bangladesh or Syria, or many smaller countries — are based as follows (WV83):

US — 14
West Germany — 3
UK — 2
Anglo-Dutch — 2
Netherlands — 1
France — 2
Italy — 2

and the national oil companies of Kuwait, Venezuela, Mexico and Brazil also qualify.

"Of the 100 largest US firms in... 1967... 62 had production facilities in six or more nations... Even more significantly, in 1965 81 US firms operating internationally had over 25 per cent of their sales or earnings derived from overseas operations" (Murray p.128).

More recent figures show a similar picture for big UK firms. General Motors produces cars in Australia, Belgium, Brazil, Chile, West Germany, Malaysia, Mexico, New Zealand, Philippines, Portugal, South Africa, UK, Uruguay, Venezuela, Zaire, and has associates in Colombia, Iran, Kenya, and Korea. It also owns part of two Japanese producers. Ford produces in Canada, Germany, Britain, Spain, Australia, Brazil, Mexico, Argentina, and South Africa. And so on. (FT 19.10.82).

b) *Foreign investment*

These multinationals dominate direct foreign investment. This investment — after declining in the wake of 1929 — has increased rapidly since World War 2, mainly in the ACCs.

US capital: share of various areas in direct foreign investment

	stock				Flow
	1929	1949	1959	1968	1960-64
Europe	19	14.5	16	30	38
Canada	25	31	33	33	30
Latin Amer.	33	39	35	17	12
Other LDC	23	15.5	16	20	20

(Barratt Brown p.208)

US accumulated foreign investments: amount in various areas.

	1960	1970	
Canada	11.2	22.8	billion dollars
Europe	6.7	24.5	
Other ACC	1.5	5.8	(including South Africa)
Latin Am.	8.4	14.7	
Other LDC	4.2	6.7	

(Palloix p.68)

In 1978 about 25% of world direct foreign investment stock was in LDCs (Stopford p.xv).

The various sets of figures do not quite mesh, but the general picture they paint is the same. US foreign investment has generally dominated world foreign investment, though its domination is weakening.

The following are the shares of different countries in world total direct foreign investment: US 42% (and falling), Britain 15%, Holland 8%, Japan 7% (a very rapid rise from an insignificant share in the 1960s), West Germany 7%, others 21% (Economist 19.2.83, figures for 1980).

c) *Foreign investment in LDCs*

LDCs too receive foreign investment — but very unevenly. Direct investment is concentrated in relatively few LDCs. Those receiving more than $500 million new investment in 1980 were (in order of amount received) Mexico, Brazil, Singapore, Malaysia, Argentina, Nigeria, Egypt. Those receiving more than $90 million in 1970 were: Brazil, Mexico, Nigeria, Malaysia, Singapore. On the other hand, some LDCs — e.g. poorer African countries — receive no direct foreign investment at all.

* *Increasingly concentrated in manufacturing*

The investment is increasingly concentrated in manufacturing industry. Cardoso shows that between 1929 and 1968, manufacturing's share in total US direct investment in Argentina rose from 25% to 64%, in Brazil from 24% to 69%, and in Mexico from 1% to 68%. Sarkar and Chattopadhyay (p.116) show that before World War 2 foreign investment in Asia was overwhelmingly in infrastructure and extractive industries — less than 10 per cent, in most countries, was in manufacturing. The percentage of foreign investment stock in manufacturing has increased as follows:

	1956	1967
India	30%	51%
Pakistan	29% (1960)	41%

During the 1970s, the overall share of manufacturing in foreign direct investment in the LDCs continued to rise (Economist 19.2.83).

* *Changes in form of investment*

The methods of foreign investment have changed substantially over the 20th century.

"In 1913, only 20% of British foreign investment was 'direct' while railways and other public utilities bonds constituted about 45%, and foreign government bonds about 30%" (Sarkar and Chattopadhyay).

In Latin America, in 1914, 77% of UK investment was in the form of railways securities and government bonds (UN). In the least development countries a greater proportion of investment was direct, but even there a lot was 'portfolio investment'.

On the eve of World War 2:	Malaya	India	
'Entrepreneur' investment	372	3400*	*Average of two
'Rentier' investment	83	2100	estimates. All figures in US $million. S/C p.11)
'Rentier' as %	18%	39%	

The same was true for (mainly Dutch) investment in the 'Dutch East Indies' (Indonesia). 38% of investment on the eve of World War 2 was 'rentier' investment (S/C ibid.)

After World War 2 — in fact, after 1929 — the picture changed. "During the postwar period, the almost complete absence of foreign private capital entering Latin America in the form of portfolio investment that characterised the 1930s has persisted. The inflow of private capital has consisted largely of direct investments by US enterprises", reported the UN in the early 1970s. A similar shift in Asia is reported by Sarkar and Chattopadhyay.

Another new development after World War 2 was the growth of lending through international institutions and through 'aid' as methods of exporting capital.

Since the early 1970s lending by private commercial banks has become important.

According to the Sarkar/Chattopadhyay book, direct investment has become more likely to be organised in local subsidiaries rather than branch companies (S/C p.116). Other sources confirm this and also point to joint enterprises between multinationals and LDC states as increasingly important.

*** The extent of foreign ownership**

External finance currently accounts for about 13% of total investment in LDCs. Of that external finance, direct private investment is about 15% (i.e. about 1.9% of total investment), and private loans are about 50% (i.e. about 6.5% of total).

Figures for investment flows in one year can be very misleading, because they can reflect only short-term variations. The following figures for 1980 may however be useful for illustration.

	1 Total investment ($ million)	2 Net direct private investment ($m.)	2 as % of 1	3 Public and publicly guaranteed long and medium term loans	3 as % of 1
Argentina	15,000	741	4.8%	1645	10.9%
Mexico	47,000	1852	3.8%	4503	8.7%
Brazil	62,000	1568	2.6%	2270	3.7%
Egypt	7,100	541	7.6%	1736	24.5%
Ivory Coast	1,900	109	6.7%	892	46.8%
India (1970)	33,000	6	-	1841	6.7%
Nigeria	22,000	595	2.7%	1442	6.7%
Algeria	16,000	315	2.0%	996	6.2%

In *Mexico*, foreign investment and reinvestment accounted for about 4.9% of total investment in 1960-70 (Matthies). But (1972) the foreign companies nonetheless controlled a large part of the big manufacturing firms: 52% of the capital of the 300 biggest firms. (Furtado gives similar figures).

In *Brazil*, the state dominates industry: but, according to Frank (CITW p.8):

> "the multinational or transnational monopolies control a very substantial part of Brazilian industry through mixed enterprises with national and state capital – 90% in motor vehicles, 80% in rubber, 70% in machinery, 60% in electrical and communications equipment"

In *Argentina*, foreign capital accounts for probably not much more than 5% of the total capital stock, but 60% of the sales of the country's 100 largest industrial firms are of foreign-owned businesses. (Sutcliffe, WSR2).

In *Malaysia*, in 1965-6 (which of course is only a 'snapshot'), foreign capital accounted for 26% of gross domestic capital formation. But 53% of fixed assets in manufacturing were foreign-owned (in 1968 – 12% out of that 53% was Singapore-owned). In the *Philippines*, 22% of gross domestic capital formation was accounted for by foreign capital (1968-9). But 70 of the 100 biggest companies were said to be foreign-owned (1965). (Sarkar and Chattopadhyay, p.52, 90, 109).

The countries mentioned so far are LDCs with relatively well-developed industry and relatively big amounts of foreign capital. They are also countries with elaborate systems of controls on foreign capital, though less so in the Philippines and since 1976 less so in Argentina.

Other LDCs vary. Some have stricter controls, some looser. Some have no direct foreign investment at all. The trend seems to have been for stricter controls in the '60s, and some relaxation in the last ten years or so (Economist 19.2.83).

South Korea is in the process of relaxing an exceptionally strict system of controls. Accumulated foreign direct investment there is only $1.28 billion (Far East Economic Review 14.5.82), which can hardly be more than a few per cent of the total.

In *India* today, state-owned corporations hold about 70% of the country's fixed industrial assets (Economist 8.1.83). Foreign capital has a very small share.

The low figures for foreign share of overall investment, and the high figures for the foreign stake in industry in the more developed LDCs, seem to clash. Inaccuracies, and discrepancies between apparently similar concepts of 'investment' and 'capital stock', can be enormous here. But the two sets of figures may be both accurate, and compatible.

Consider the following picture:
Manufacturing as % of GDP – 20 to 30%
Big manufacturing firms as % of manufacturing output – 30 to 40% (based on Corradi's figures for Argentina)
Big manufacturing firms as % of GDP, therefore – about 10%
Big manufacturing firms as % of capital – say 20%
% of total investment required for foreign capital to control half the big manufacturing firms – say 10%.

Now, according to various accounts, foreign firms in these countries can raise substantial parts of their capital from government grants, loans from local banks, etc. Thus 5% of total investment may be enough to control half the big manufacturing firms.

For comparison: the Bank of England estimates that 17% of industrial output in the UK is produced by foreign-owned firms (BEQB March 1980 – figures apply to 1975). The Department of Industry's estimate (for 1979) is that foreign-owned firms produce 20% of manufacturing output and account for 22% of net capital expenditure (FT 11.3.83).

*** Comparisons with the past**

In the earlier years of the 20th century, nearly half the total capital invested in Mexico is said to have been US-owned (Hodges and Gandy, p.86). Similar shares of foreign ownership are reported for Argentina (Sutcliffe) and Russia (Lomax).

In India before World War 2, foreign capital, as well as dominating the economic infrastructure, also held a controlling position in all major industries except cotton and sugar.

% foreign ownership (by number of employees)	
Jute manufacturing	83% [1937]
Woollen mills	70% [1944]
Dockyards	92% [1944]
Paper	45% [1944]
Leather	96% [1944]
Engineering	93% [1937]

[S/C p.26-27]

In Korea before World War 2, 82% of industry was Japanese-owned (S/C p.36). Another estimate is 89% (FEER 14.5.82).

In Egypt, in 1914, of all the paid-up capital and debentures of companies operating there, 92% was held by foreign interests (Issawi p.70). Throughout the Middle East and North Africa, "Europeans held all the commanding heights of the economy except for landownership..." (ibid. p.9)

From all accounts, levels of foreign ownership are generally far lower today.

*** Nationalisations**

Nationalisations — especially of extractive industries and infrastructure — have taken place even under vocally pro-imperialist regimes.

Frank (p.251, p.268) cites a UN source and Claude Ake:

> "Over the last 10 years [i.e. 1965-75], there has been a trend towards public ownership of existing public utilities and direct government financing of new ones... In some countries government participation in trade in agricultural commodities has been undertaken... State trading is carried out through... marketing boards, purchasing agencies, food agencies and import or export offices... In many instances, countries have resorted to nationalisation of natural resource production facilities..."

"All African countries, even the most obviously capitalist, such as Nigeria, Zaire, Ivory Coast and Senegal, have very large public sectors which are getting larger in every case... all over Africa, the state has become the major and sometimes the only owner of industry..." (Frank p.251-2, p.268)

Akinsanya summarises the record as follows:

"Most of the expropriations have been in... raw materials, agriculture, power and telecommunications... The banking and insurance industries are also targets for nationalisation... Alien investment in the manufacturing sector has rarely been a target of nationalisation".

And he adds:

"It is by no means true to say that most nationalisation measures are taken by left-wing regimes... Both left-wing and right-wing regimes have expropriated alien-owned enterprises..." (p.175-6)

He gives a run-down of major nationalisations in selected countries:

Mexico	1938	Oil and landholdings
	1960	US and Canadian power companies
	1961	US mining companies
	Late 1960s	US sulphur companies
Peru	1968	Exxon
	1969	US and German holdings in banks; ITT; US radio/TV; W.R.Grace sugar; landholdings.
	1970-5	US mining companies
Chile	After 1970	Copper (where the state had already taken a majority share in 1967-9); foreign-owned banks; nitrates; US iron ore.
	1974	ITT (state holding taken in 1967)
Guyana	1971	Alcan (bauxite)
Tanzania	1967-73	Banks and insurance; sisal; landholdings; coffee plantations; all large buildings
Zambia	1969-71	Copper, insurance, most banks
Libya	1971-4	Oil companies
Iran	1951	Oil
Egypt	1956	Suez Canal
	Early 1960s	Almost all foreign industry, finance, and landholdings
Indonesia	1958	Dutch property
	Early 1960s	Almost all other foreign property, mainly UK
Sri Lanka	1962	Oil companies

Some of these took place with little conflict. With others (Mexico 1938, Egypt 1956, Indonesia 1958, Guyana 1971, Peru after 1968, etc) there were serious conflicts over the nationalisation or over the compensation offered.

Issawi chronicles developments in the Middle East and North Africa. In that region direct imperialist controls over countries which were not actually colonies were extensive. Turkey is an example. Commercial treaties – from the Anglo-Turkish Commercial Convention of 1838 – restricted its ability to levy tariffs. Large chunks of government revenue were directly under the control of the Public Debt Administration, a body (set up in 1881) under the control of the Great Powers. There were also

"the 'capitulations', which since the early Middle Ages had given foreigners and their protected subjects extra-territorial jurisdiction [i.e. they were not subject to local courts] and immunity from local taxes" (p.13-14).

Rosa Luxemburg's 'The Accumulation of Capital' very vividly describes the imperialist oppression and exploitation of Turkey in this period.

Nationalisations were part of a process which also saw the abolition of these direct controls, and the substitution of different forms of imperialist domination.

Turkey abolished the 'capitulations' in 1914, had them reimposed by imperialist intervention at the end of World War 1, and finally did away with them in 1923. Between then and 1937 the 'capitulations' were also abolished in other countries. In the same period the treaties restricting tariffs lapsed. In Turkey the public utilities were taken over by the state in the 1920s and '30s.

With the winning of independence (Iraq 1932, Egypt 1936, Lebanon 1944, Syria 1945, Jordan 1946, Libya 1951, Tunisia 1955, Morocco 1956, Algeria 1962), and the nationalist revolutions (Egypt 1952, Iraq 1958, Libya 1969),

"by 1960, the bulk of economic activity in the region, with the important exception of oil, had passed into the hands of the governments or the native bourgeoisies. The next two decades saw a powerful wave of socialisation. Outside agriculture and housing the national private sector was reduced to insignificance in Egypt, Syria, Iraq, Sudan, Algeria, Libya, South Yemen, and, most recently, Iran, and severely curtailed in other countries. The takeover of the oil industry since 1973 has completed this process" (Issawi p.15).

In recent years, in some countries, there has been a move to de-nationalisation: Frank mentions Chile, Argentina, Peru, Nigeria, Egypt, Bangladesh (CITW p.249), and Indonesia and Brazil could also be included. Local state ownership is still, however, substantial.

d) Foreign investment by LDCs

The Banco do Brasil is the third largest bank in the world by capital and reserves, and the 65th biggest by deposits. Banks in Iraq, India, Hong Kong and Mexico are also in the list of the world's 100 biggest by deposits (WV83).

This highlights the fact that finance capital is now relatively well developed in some LDCs. In Asia there has been a big growth of stock exchanges since the 1960s (S/C p.248)

Large amounts of Argentine capital are said to have been exported, and the same is said of Mexico and Brazil. I am not aware of precise figures.

Frank (CITW) gives some illustrative facts about Indian capitalism:

"Indian capital has launched a modest programme of foreign investment since 1970, much of it in Southeast Asia. By 1 January 1976 there were 65 recorded foreign investment ventures by Indian capital in 43 countries, 49 of them begun since 1970 and 23 in 1975 alone..." (p.36)

Today:

"The biggest, most successful Indian company abroad is the Birlas' Pan-African paper mill in Kenya. The Thapar group has a paper plant in Thailand, where Indo-Thai Rayon, a Birla joint venture, is also doing well. The Tatas have a successful palm oil plantation in Malaysia..." (Economist 8.1.83)

These investments are on a tiny scale compared to the massive interests of the US, UK, etc. They do however represent a trend only just begun but now growing.

The rich oil bourgeoisies of the Middle East have very large foreign investments, of course. Not much of this takes the form of direct ownership of enterprises in other countries, though the Kuwait Petroleum Corporation has recently bought the assets in Europe of Gulf Oil (refineries, petrol stations, etc.) and a US drilling contractor. (FT 17.3.83)

e) Raw material sources

Magdoff's book 'The Age of Imperialism' argues in detail that access to raw material sources is a major international issue for US capital.

Current leading producers of key minerals are:

Bauxite — Australia, Guinea, Jamaica
Chrome ore — South Africa
Cobalt — Zaire
Copper — USA, Chile, USSR, Canada, Zambia, Zaire
Industrial diamonds — Zaire, USSR, South Africa
Iron ore — USSR, Brazil, Australia, US
Lead — US, Australia, Canada
Molybdenum — US
Nickel — Canada
Phosphates — US, USSR, Morocco
Tin — Malaysia, USSR, Thailand, Indonesia, Bolivia
Zinc — Canada

(WV83)

J. DEBT

From the early '50s to the '70s, the LDCs ran a balance of payments deficit. Today, if the rich oil exporters are still considered as LDCs, then the LDCs overall have a surplus on current account. Non-oil LDCs, however, have a bigger deficit as a result of the higher price of oil.

In this sense debt problems are a long-running feature of the LDCs. The current debt crisis, however, reflects new features:

a) A massive expansion of lending to LDCs in the '70s;

b) An increase in the proportion of lending which was from commercial banks (as opposed to governments and international agencies). 35% of LDCs' public debt was owed to private creditors in 1972, 55% in 1980.

Money was on offer from the banks because of the 're-cycled' OPEC oil surpluses (and the stagnation of investment in the ACCs). It went overwhelmingly to a relatively small number of countries.

Net liabilities outstanding to/assets with banks in BIS reporting area and some offshore banks: June 1982 (from BEQB December 1982)

Switzerland	$127.2 bn	ACCs	$177.1 bn (of which over half accounted for by Japan, W.Germany, and France)
USA	121.2	Latin America	138.7 (of which 115.9 accounted for by Argentina, Brazil, Mexico)
Middle East oil exporters	80.8	East Europe	42.3
UK	55.6	Offshore banking centres	19.7
Netherlands	20.1	Australia/NZ/South Africa	23.2
		Other Africa and Asia	46.8 (n.b. this total also includes some creditor countries)

In this situation the role of the IMF as the arbiter of banks' debt rescheduling schemes becomes more central.

K. GROUPS OF COUNTRIES

The data above suggest that a simple division of the world into ACCs and LDCs is not the most useful, or at least is useful only for limited purposes.

At least the following groups can be distinguished:

1. The US. This is in a group of its own because of [a] its much greater economic and military power than any other capitalist state, [b] its dominant role as international investor and base of multinationals, [c] its dominant role in the IMF, World Bank, etc.

2. The big ACCs: Japan, West Germany, France, Britain. These are large economies, mostly with major military and/or sphere-of-influence roles, and major bases for multinationals. Britain, as well as being a major military power, is also the world's biggest international banking centre. (Over a quarter of all international lending is done through London. The next biggest centre, New York, is half the size). The Netherlands, Canada, Italy are possible marginal cases between this group and group 3.

3. The small ACCs: ranging in size from Spain, Sweden and Belgium down to Greece, Portugal and S.Ireland. Portugal, the poorest of these countries, was the latest to abandon an independent imperialist role — which others such as Finland or S.Ireland never attempted. Five of them (if Luxemburg is included) participate via the EEC. Spain, the largest of these by GDP, shows some signs of a renascent autonomous imperialist role: 23% of its exports in 1981 went to Africa and Latin America, as against 16% in 1965 (WV83).

4. The settler states. Canada should arguably be in this group rather than group 2. Australia and New Zealand have a high level of capitalist prosperity and social development, but they still retain marks of their colonial past. Australia, for example, still has a 63% share of primary products in its exports. It is the world's third biggest producer of iron ore but has relatively little steel industry. (It produces 11% of world iron ore, but only 1.1% of world steel — 1980 figures].

There are three marginal cases in this category: South Africa, Israel, and Argentina and Uruguay.

Bairoch writes (p.30): "Argentina is usually included in the Third World... But it becomes more and more obvious that such a classification is wrong... the extremely high level of agricultural productivity in Argentina must surely exclude it from the list of those countries traditionally called underdeveloped". He notes that he had "already expressed doubts on this subject after examining the percentage of durable goods made locally".

Furtado notes that various social indicators — birth rates, education, health, urbanisation, etc — rank Argentina more with Western Europe than with Latin America. All these features reflect the fact that Argentina developed on the basis of a fully bourgeois social structure and a white settler population — like Australia, Canada, or the US, only less successfully.

Argentina has lacked the massive pauperised 'marginal' population typical of LDCs. But the current regime seems to be creating such pauperisation, and on many indices of development Argentina is not now visibly ahead of Mexico, Brazil, or Venezuela. It is thus halfway between group 4 and group 7.

In contrast to Australia or New Zealand, but like South Africa, Argentina has been a local 'big power', with aspirations to hegemony in its region.

5. Enclaves/entrepots. The two main examples are Singapore and Hong Kong. These are more or less totally urbanised and industrial, but on the basis of being enclaves with an LDC hinterland.

6. Rich, small-population oil exporters: UAE, Kuwait, Saudi Arabia, Libya.

7. LDC big powers: Mexico, Brazil, India. These all have, alongside their substantial industry, the massive pools of poverty and underdevelopment characteristic of LDCs, but the overall level of social development differs quite widely between Mexico and India.

A marginal case between this and group 9 is Nigeria. Iran comes somewhere between this group and group 8.

8. More developed LDCs: the rest of the Caribbean, Central and South America except Bolivia and Haiti, the rest of the Middle East and Tunisia, Algeria, Morocco, Zimbabwe, Sri Lanka, Philippines.

Chile and Venezuela are special cases in this group, being rather more developed than the rest.

This group is distinguished from the poorer ACCs by greater mass poverty, more widespread backward agriculture (often in pre-capitalist forms), lower industrial development, and more primitive (if any) state welfare services. They are distinguished from the poorer LDCs by usually greater industrial development, high literacy rates, high primary education rates, more plentiful food supply (i.e. poverty is more likely to mean malnutrition than starvation), greater numbers of doctors, lower infant mortality, greater urbanisation and a lower percentage in agriculture, and fairly widespread possession of radio sets.

All these distinctions are quantitative, but on comparing Venezuela with a poorer LDC such as Ethiopia the quantitative differences seem to add up to a qualitative one.

	Venezuela	Ethiopia
Infant mortality per 1000	33	172
Urbanisation %	83	15
Agric. share of labour force, per cent	18	80
Literacy (% of over-15s)	82	10
Primary education (% of age group	110	36
Radio sets per 1000	414	7
GNP/head, US $	4023	130
Population per physician	930	75,000

(Most recent figures available, World Bank and WV83).

9. Larger poor LDCs: Indonesia, Pakistan, Bangladesh, Egypt, Zaire. These too vary in development among themselves, from Bangladesh at one extreme to Egypt at the other. Nonetheless they differ from smaller poor LDCs in being far more powerful and having some industry which, if small in relation to their population and to the ACCs, is big compared to the small poor LDCs.

10. Smaller poor LDCs: Bolivia, Haiti, Afghanistan, Nepal, Burma, the rest of Africa, and various small states elsewhere. These are distinguished not only by terrible social conditions but by extreme lack of power in world politics.

Part 2: SOME QUESTIONS

The outline given above shows, I think, that the actual facts of the deveoopment of the capitalist world economy are rather different from the conventionally accepted "facts". In the following sections I shall summarise the actual facts as I understand them, their contrast with the conventional "facts", and the way that acceptance of the conventional "facts" has intoduced Stalinist or semi-Stalinist content into "vulgar Trotskyism".

FROM THE RISE OF CAPITALISM IN W. EUROPE TO THE RISE OF CAPITALISM IN THE 'THIRD WORLD'

> "The discovery of gold and silver in America, the extirpation, enslavement and entombment of mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black skins, signalised the rosy dawn of the era of capitalist production."
>
> (Marx, Capital vol. 1, p 751)

The ascent of commercial capitalism in Western Europe from the 16th century went together with the creation of a huge new system of world trade and the pre-capitalist exploitation (plundering) and ruination of other areas of the globe.

> "The shift in the centre of nascent European mercantilist capitalism from the Mediterranean to the Atlantic also caused a crisis in Africa. This shift tolled, in the 16th century, the knell of the Italian cities, and at the same time it brought ruin to the Arab world and to the Black African states of the Sudan-Sahel zone. A few decades later the representatives of Atlantic Europe made their appearance on the shores of Africa" (Amin, UD p.50)

In South America, the Spanish conquerors did not transform the agrarian economy of the American-Indian population, but drew forced labour from it on a scale, with a brutality which produced "a virtual holocaust of the indigenous population". ~~about 16 million~~ Mexico's population at the time of the Conquest, was reduced by 90% within a century. (Furtado, p. 6)

In Africa, the slave trade is estimated to have led to a stagnation of thecontinent's population between 1650 and 1850, while Europe's population increased by a factor of 2.7. The African economy was reorientated to slave-trading, to the disadvantage of other activities. The African cloth industry was swamped by imports. (Rodney, p. 106-123)

In Asia, the western impact came later - in China not until the second half of the 19th century. By this time western Europe had developed into industrial capitalism. From the early or mid 19th century for Britain, from the late 19th century for other west European powers (Barratt Brown, p. 171), the capitalist powers began to export capital on a large scale. A world economy was created. More and more, west European powers set out to grab colonies.

This led to the first beginnings of capitalism in the Third World. It was not like the evolution from capitalist farmers, merchants and urban crafts in Europe. Western capital went overwhelmingly into strictly delimited spheres: infrastructure (railways, etc.), plantations, mining. These capitalist sectors existed without many 'linkages' with the generally pre-capitalist bulk of the economy, which remained backward and often indeed had sectors ruined by competition from imports from the West.

> "...the cheapness of the articles produced by machinery, and the improved means of transport and communication furnish the weapons for conquering foreign markets. By ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material. In this way East India was compelled to produce

cotton, wool, hemp, jute and indigo for Great Britain. By constantly making a part of the hands 'supernumerary', modern industry, in all countries where it has taken root, gives a spur to emigration and to the colonisation of foreign lands, which are thereby converted into settlements for growing the raw material of the mother country; just as Australia, for example, was converted into a colony for growing wool. A new and international division of labour, a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field".

(Marx, Capital vol. 1, p. 451)

Some industry, however, began to develop in the cities created in the colonies and semi-colonies. In a footnote to the above passage, Marx writes:

" "The economic development of the United States is itself a product of European, more especially of English modern industry. In their present form (1866) the States must still be considered a European colony".

In 1890 Engels added another note:

"Since then they have developed into the country whose industry holds second place in the world, without on that account entirely losing their colonial character".

The industrial development was concentrated in the settler states - the US, Australia, Canada, Argentina - where

(a) the pre-capitalist hinterland did not exist, or had been eliminated (by brutal extermination of the indigenous people); and

(b) immigration provided a supply of relatively skilled and trained labour and of competent capitalists often equipped with capital.

But there was some development elsewhere. It massively increased after 1929. Capital export from the West dried up, western markets contracted, 3rd World countries - or at least the more developed ones - turned to 'import substitution'. Mainly, light industries developed, producing the consumer goods previously imported from the west.

This economic development created the bourgeois and petty-bourgeois classes which led the successful national independence struggles after World War 2 (and the nationalist/populist movements in Mexico, Brazil, Egypt, Argentina, Bolivia, etc.). Working classes were also expanded, but (mainly thanks to Stalinism) remained as a tail to bourgeois or petty bourgeois movements.

The cause of de-colonisation was generally supported by the US, which had become the world's 'super-imperialism' after World War 2, and which wished to secure free access to the areas colonised by the now second-rate west European capitalist powers. And the independence of the former colonies has severe limits, in that they remain weak and (all but a very few) small units in a competitive capitalist world economy in which, as in capitalist economy generally, the strong are constantly elbowing aside or subjugating the weak.

Moreover, the former colonial powers have adjusted to the end of colonialism by re-casting their economic relations with the Third World. In place of the former typical situation of direct ownership of infrastructure, primary-product industries, and virtual monopolies of foreign trade, an economic set-up which more or less required colonial or semi-colonial relations as its political complement, the advanced countries now obtain their profits more from manufacturing from joint enterprises, and from commercial contracts with states that control their own foreign trade.

Substantial remnants of the former colonial-type economic relations continue. And a few Third World countries - some in Central America, some former French colonies in Africa - are still subject to such domination by a particular ACC as to put them in the same category as the semi-colonies of the first half of this century.

Frobel et al argue that the new development of manufacturing industry in the LDCs has many parallels with the old extractive-industries imperialism: the development is totally oriented to foreign markets and confined to enclaves.

All that said, it would be wrong - indeed, a grave Eurocentric error - to underestimate the winning of national independence by some hundreds of millions of people.

Hundreds of millions of people were drawn into modern politics, and became aware of their own dignity and their own ability to change the world, for the first time. In a number of countries the independence movement took a radical petty-bourgeois form and led to large-scale social changes - land reforms, expansion of education, measures for women's equality, nationalisations.

And - with very few exceptions - political independence has been won. There are grave limits to what small and weak states can do with political independence, just as there are limits to what small and weak groups can do with free speech. Yet free speech is important, and so is political independence. They are important even when they are constantly restricted and nibbled at.

It is not merely a sham. The economic influence of the former colonial power has declined sharply in the ex-colonies. They have carried out extensive nationalisations. They pursue foreign policies often quite at odds with the former colonial power. No-one supposes that Algerian policy is dictated from Paris these days, or Ghanaian policy from London, or Libyan from Rome.

Following decolonisation, and the nationalist/populist movements in South America and the Middle East, a new phase of capitalist development has opened in the 3rd World. Most 3rd World countries have begun to develop their own manufacturing industry, some have done a great deal more than begin.

Together with this development in the 3rd World goes a continuation and even an intensification of social misery. The development, like all capitalist development , is extremely uneven. Whole groups of countries are stagnant or even declining. In the fastest-developing countries, vast areas of poverty remain - and even increase, since recent development in countries like Brazil and Mexico has gone together with a sharp increase in inequality (Frank, 'Crisis in the 3rd World', p. 1-20 and p. 157-279). The development is punctuated by crises, and since 1980 some of the faster-developing LDCs have been in their worst crisis for decades.

But that development is accompanied by increasing misery does not mean that it is not development. What Lenin wrote against the Narodniks on the question of the development of capitalism in Russia is very relevant:

> "A large number of errors made by Narodnik writers spring from their efforts to prove that this disproportionate, spasmodic, feverish development is not development ...
> " ... whether the development of capitalism in Russia is slow or rapid, depends entirely on what we compare this development with. If we compare the pre-capitalist epoch in Russia with the capitalist (and that is the comparison which is needed for arriving at a correct solution of the problem), the development of social economy under capitalism must be considered as extremely rapid. If, however, we compare the present rapidity of development with that which could be achieved with the general level of technique and culture as it is today, the present rate of development of capitalism in Russia really must be considered as slow. And it cannot but be slow, for in no single capitalist country has there been such an abundant survival of ancient instiutionss that are incompatible with capitalism, retard its development, and immeasurably worsen the condition of the producers, who 'suffer not only from the development

of capitalist production, but also from the incompleteness of that development'..."

(Lenin, DOCR, p. 597, 600)

"... there is nothing more absurd than to conclude from the contradictions of capitalism that the latter is impossible, non-progressive, and so on - to do that is to take refuge from unpleasant, but undoubted realities in the transcendental heights of romantic dreams ..."

(Lenin, DOCR, p. 58)

SUB-IMPERIALISM

In some LDCs this recent development has reached the point that they have their own relatively integrated industry, their own finance capital, and their own multinationals.* They have become big powers, not on a world scale, but in their regions.

The term 'sub-imperialism' was coined to describe this development by Ruy Mauro Marini, analysing Brazil after the 1964 coup.

"The Brazilian military", he wrote, "has expressed the intention of becoming the centre from which imperialist expansion in Latin America will radiate."

It would be a junior partner to the USA, but a junior partner with its own interests and plans.

The military organised a huge influx of foreign capital (much of it in joint enterprises), and industrial expansion, on the basis of a brutal increase in the rate of exploitation. The mass of the workers and peasants were unable to provide a market for this industrial production. But the military organised a big push to win export markets, and also developed a limited local 'consumer society',

"created through a transference of income from the poorest strata to the middle and upper strata, in order to guarantee the market for a high-technology industry which is becoming more and more divorced from the real needs of the great masses ..."
(An example is the government's measures to develop a local market for cars, with cheap fuel, etc.)

The state itself was also a major market for this new industry, particularly with military expenditures.

"The militarisation of Brazilian capitalism is neither accidental nor circumstantial. It is the necessary expression of the monstrous logic of the system, just as Nazism was for Germany of the '30s. And just as with Nazism, war must be the result."
Finally:
"Brazilian capitalism is carrying out <u>its</u> agrarian reform, and it is not in the least idyllic. The accelerated extension of capitalist relations to the countryside has the same inhuman and brutal character which defined it in England in the 16th and 17th centuries, and more precisely in Tsarist Russia as described by Lenin".

In the course of the 1970s, this theory of 'sub-imperialism' became quite widely accepted among Marxist economists. Frank (CITW) lists seven economies as sub-imperialist: Brazil, Mexico, Argentina, India, Iran, Israel, South Africa; and analyses each one.

Both Marini and Frank belong to the 'dependency theory' school, which analyses the capitalist world economy mainly in 'centre/periphery' terms (thus Frank's alternative term for 'sub-imperialist': 'semi-peripheral'). But the general drift of the theory of 'sub-imperialism' does not depend on that framework.

Self-expansion is the necessary inherent logic of capital. Once capital accumulation in a certain state reaches a certain level, then it is <u>necessarily</u> driven towards conquering foreign markets, fields of investment, etc. Why should this logic cease to operate in the 3rd World?

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* "In the late 1970s, multinational enterprises began to emerge from some of the more advanced industrialised developing countries" - Stopford et al, Introduction.

Some writers, indeed, object to the term 'sub-imperialism' because it seems to over-stress the aspect of the more developed LDCs acting as lieutenants for the big ACCs, and underplay their autonomous imperialist tendencies. Thus the Mexican Sergio de la Pena writes:

> "... the imperialist impulses of Mexican capitalism ... are an inevitable part of the new development ... This interpretation does not accept the 'sub-imperialism' thesis of dependency theory, but proposes that the imperialist impulses are internal, national, and include components of foreign investment..."

The whole theory is questioned by the French writer Pierre Salama, with two arguments (Salama, p. 77-79). The first argument Salama himself describes as "not fundamental": that Marini and others accept too easily the 'super-imperialist' status of the USA, without sufficiently examining the rivalries with Japan, the EEC, etc. The second argument is that the drive to conquer markets comes principally from balance of payments problems caused by the policy by the governments (Salama refers to Argentina, Brazil, and Mexico) of permitting large-scale repatriation of profits.

> "This export policy is thus <u>necessary</u> - to the extent that it flows precisely from the attitude of these governments in relation to foreign investments - but it is not <u>vital</u> for the reproduction of the system".

Especially in view of the continuation of the tendencies identified by Marini in the years since he wrote, this argument seems hair-splitting.

THE "CONVENTIONAL FACTS"

The common view on the left is different from the actual facts as presented above. It presents the world as sharply divided into three camps: the 'socialist' (or degenerated and deformed workers' states); the LDCs, usually described as semi-colonies or oppressed nations, or exploited nations; and the imperialist nations. It asserts that the LDCs are all dominated by neo-colonialism and experience practically no development. If some development is admitted, it is defined away as being in some way spurious or not real development. National liberation for the LDCs still remains a central question.

Now our assessment of this ideology has to depend somewhat on who is expressing it.

Sometimes it expresses the progressive protest of 3rd World bourgeois and petty bourgeois democracy. Then our main job is now to dwell on the scientific inexactitude of the analysis, but to argue that the dominated, subordinate position of weaker but politically independent nations cannot be remedied on a national basis but only by international working-class socialist revolution.

Pretty often, however, this account is used for their own purposes by bourgeois demagogues and Stalinists, against working-class internationalism.

Now the national question is not finished in the 3rd World. In many areas the artificial frontiers inherited from colonialism are a major problem, needing to be replaced by larger, more rational units (Socialist United States of the Middle East, of South & Central America, etc.)

<u>Nevertheless, the colonial revolution - the fight for independence from the former colonial powers - is finished</u>. Like all bourgeois revolutions, it has been finished incompletely, unsatisfactorily, and will be followed by supplementary revolutions. But the era when the winning of political independence from the colonial powers was the centre of politics is past.

The bourgeois demagogues and Stalinists try to keep national independence centre stage by re-defining it. National independence is re-defined as independent economic development - something which under capitalism is as utopian as labour money. The - real enough - facts of the rapacity of the ACC multinationals are pointed to as evidence that this national independence is yet to be won. And so the working class is called to rally to a 'national' effort to win it.

Often enough it is said that socialism is the only way to win this national independence. But such rhetoric does not indicate any break from Stalinism or bourgeois nationalism. For bourgeois nationalism in the 3rd World often paints itself as socialist; and Stalinism no longer relies rigidly on its classic 'stages' theory. It is well enough content to patronise the socialist pretensions of 3rd World state capitalisms, and to promote such socialism as the way to 'national independence'.

The pioneer Russian Marxist George Plekhanoc defined his difference from the Narodniks by writing that for the Marxist,

> "he is convinced that not the workers are necessary <u>for the revolution</u>, but the revolution <u>for the workers</u>".
>
> (Plekhanov, p. 384)

Likewise, for the Marxist, national independence (and all other bourgeois democratic rights) are necessary for the workers; for the left nationalist, the workers are necessary for the national independence struggle. And now 'national independence' is defined in a mystified form so that the only rational form of the struggle for it is the various efforts at national self-assertion. And these are presented as a first step to socialist struggle, as an elementary form of 'anti-imperialism'.

The tactical conclusion of this line of argument is the 'anti-imperialist united front'. Now even when the national question <u>is</u> still central, this 'united front' is a trap for the workers. Practical agreements with bourgeois nationalist forces for specific actions will be necessary: long-term political blocs can only leave the workers swindled by their bourgeois allies or perhaps by petty-bourgeois Stalinist forces. (See Trotsky TIAL p. 127ff)

When political independence has been won, the call for an anti-imperialist united front is simply a call for the workers to rally behind the 'anti-imperialist' gesturing of the local bourgeoisie and petty bourgeoisie. Iran should have taught us this lesson.

'Anti-imperialism', fully-developed, means working-class socialism. But used as something distinct from socialism, it means only the fight for political independence. 'Anti-imperialism' today is rather like 'anti-fascism' in the '40s: the universally accepted 'progressive' cause in the name of which class questions are obscured.

To the millions of workers and peasants who today define themselves politically as 'anti-imperialist', as to the millions who considered themselves 'anti-fascist' in the '40s, the task of Marxists is of course not to bring pedantic critiques but to try to show the way to a working-class programme. But the precondition is that the minds of the Marxists themselves are clear - free from the use of 'anti-imperialist' rhetoric to smear over class questions and to present bourgeois nationalism and proletarian socialism as simply more or less militant versions of the same 'anti-imperialism'.

This is doubly important because of the role of the sub-imperialist powers and the USSR as oppressors of nations.

Portugal was the last west European state to release its colonies. The reason was not Portugal's strength, but its weakness. It was not strong enough to maintain its position purely by economic means.

For similar reasons, the 'sub-imperialist' powers - and some LDCs which can scarcely rank as sub-imperialist - are today more apt to seek direct political domination of subject nations than are the big ACC imperialisms. Iran, Turkey, Ethiopia, are examples. So are Israel and South Africa, though other factors enter there.

But by far the greatest oppressor of nations today is the USSR. The reason why the Kremlin relies on such brutal, direct political repression is, surely, the fact that the bureaucracy does not have the solidity and the historic role of a ruling class. The bureaucracy's antagonism to its economic base differentiates it from imperialism (i.e. capitalist imperialism). It does not make the national oppression inflicted by the bureaucracy any less reactionary.

The difference between the USSR and imperialism is important in some circumstances: but, under the pressure of the strong influence of Stalinism on the Trotskyist movement since world war 2, it has often been crudified.

Trotsky's own answer to the question, 'Is the USSR imperialist?', was a lot nearer 'yes, but' than 'no'.

> "Can the present expansion of the Kremlin be termed imperialism? First of all we must establish what social content is included in this term. History has known the 'imperialism' of the Roman state based on slave labour, the imperialism of feudal land-ownership, the imperialism of commercial and industrial capital, the imperialism of the Tsarist monarchy, etc. The driving force behind the Moscow bureaucracy is indubitably the tendency to expand its power, its prestige, its revenues. This is the element of 'imperialism' in the widest sense of the word which was a property in the past of all monarchies, oligarchies, ruling castes, medieval estates and classes. However, in contemporary literature, at least Marxist literature, imperialism is understood to mean the expansionist policy of finance capital which has a very sharply defined economic content. To employ the term 'imperialism' for the foreign policy of the Kremlin - without elucidating exactly what this signifies - means simply to identify the policy of the Bonapartist bureaucracy with the policy of monopolistic capitalism on the basis that both one and the other utilise military force for expansion. Such an identification, capable only of sowing confusion, is much more proper to petty bourgeois democrats than to Marxists".
>
> (Trotsky, IDOM, p.33-34). (First emphasis added).

Since Trotsky wrote the above works in October 1939, the Moscow bureaucracy has given repeated proof of its rapacity in striving to "expand its power, its prestige, its revenues". In 1946 the Fourth International raised the call for the withdrawal of the USSR's troops from Eastern Europe, even though the comrades regarded the East European states as capitalist and considered that a prolonged USSR occupation might result in the replacement of those capitalist relations by systems on the model of the USSR. In April 1948 the Fourth International felt obliged to clarify what "Defence of the USSR" meant. The comrades proposed "Defend what remains of the conquests of October" as a more precise formulation, and emphasised:

> "It will be necessary to continue this revolutionary class struggle consistently and uninterruptedly in the case of the occupation of any given country by the Russian army, even though the revolutionary forces clash with the Russian army, and also in spite of the military consequences which this might entail for the Russian army in its operations against the imperialist military forces ...
>
> "It would be the gravest mistake to apply the strategy of the 'defence of the USSR against imperialism' to the different tactical diplomatic or military manoeuvres of the bureaucracy ..."
>
> (FI: 'The UUSR and Stalinism')

If the issue at stake in a given conflict is "what remains of the conquests of October" - the nationalised property relations - then the distinction between the USSR and capitalist imperialism is important. But to extrapolate from "defence of the USSR" to considering the subjugation of people by the Kremlin - as in Afghanistan - as an 'anti-imperialist' alternative, at any rate to be preferred to the risk of imperialist domination in the area, is to subordinate the struggle for emancipation of oppressed peoples to the empty phrases of 'anti-imperialism'.

To say that self-determination is supportable only as an anti-imperialist demand is to deny support to most oppressed people today. To try to evade the problem by saying that thsoe peoples oppressed by the USSR or by LDCs are 'really' oppressed by imperialism, the Kremlin or the LDC bourgeoisie acting only as an agent of imperialism, is plainly absurd in some cases (Iran, Yugoslavia's struggle for independence from the USSR in the '40s), and confining ourselves to a distorted one-dimensional view in others (Israel/Palestine).

To make 'anti-imperialism' a basic principle of our politics is at best to make our theory a set of empty phrases to be tagged onto conclusions reached for reasons having nothing to do with theory; at worst, accommodating to the LDC s bourgeoisies and to Stalinism.

'Anti-imperialism', 'anti-fascism', even 'anti-capitalism', are not concepts with the precision necessary to serve as a basis for Marxist politics. Our job is to work out the real tendencies of development, the real possibilities that the working class can fight for, to formulate a positive programme. Arguing against P. Kievsky (Pyatakov), who wanted to replace the 'self-determination' demand by 'negative slogans' such as 'get out of colonies', Lenin wrote, aptly I think:

> "There is not, nor can there be, such a thing as a 'negative' Social-Democratic slogan that serves only to 'sharpen proletarian consciousness against imperialism' without at the same time offering a positive answer to the question of <u>how</u> Social-Democracy will solve the problem when it assumes power. A 'negative' slogan unconnected with a definite positive solution will not 'sharpen' but dull consciousness, for such a slogan is a hollow phrase, mere shouting, meaningless declamation".
>
> (Lenin, CMIE, p. 51)

The rational positive content of anti-imperialism, insofar as it is distinct from the full programme of working-class socialism, is self-determination of nations. Thus it is senseless to oppose self-determination in the name of the allegedly higher principle of anti-imperialism. (There may be cases where self-determination for a particular nation or people is limited because of conflicting rights of another nation or people. But that's a different matter).

However, many of our comrades evidently do see anti-imperialism as something higher and more revolutionary than self-determination.
They see the negative formula 'defeat of British imperialism' as more revolutionary than the proposal for a democratic solution in Ireland.

This argument goes through to the definition of certain peoples as 'pro-imperialist' and therefore not deserving of self-determination (or autonomy as appropriate) or rights as against an oppressor power which can be defined as 'anti-imperialist'. Examples are the Northern Ireland Pr testants, the Falklanders, the Afghans.

The Marxist attitude to the national question is surely to fight to solve it in the most democratic manner possible, to leave as little room as possible for national conflicts, to clear the ground as much as possible for the unrestricted development of the class struggle. To introduce 'anti-imperialism' as an extra criterion is to move off the terrain of Marxism onto the terrain of nationalism.

"CENTRE/PERIPHERY" THEORY

The great bulk of Marxist work on imperialism in the last 20 years or so has been done broadly within the parameters of 'centre/periphery' theory.

The line of thinking dates back to Paul Baron's book 'The Political Economy of Growth'. Posing the problem of why LDCs were underdeveloped, Baran answered that the main reasons were parasitism within the LDCs and drain of surplus to the ACCs.

Now in fact the level of productive investment in the LDCs is generally very high, as compared to earlier periods in the ACCs and even in the ACCs today. Nevertheless, Baran's ideas have had a great influence - and particularly the idea about the drain of surplus.

This idea is, however, not very satisfactory theoretically. No-one contests that there is a substantial flow of profits from the LDCs to the ACCs, nor even that this flow is generally greater than the reverse flow of capital export. But capitalist exploitation is not simply a system of plunder of existing resources, but rather a process of self-expansion of value. Suppose there is foreign capital to the amount of 1,000 invested in a country, and (through exploitation of labour) it expands by 20% per year. Then an outflow of 200 per year and an inflow of 100 per year can mean 10% growth per year.

But if the 200 did not flow out, them growth would be faster? It is not so simple. Why does the 200 flow out? The capitalists' lust for profit is no explanation. If local opportunities for investment are the best going, then lust for profit dictates not bringing the 200 out, but reinvesting it. Conversely, if opportunities for investment are better elsewhere, then the most national of capitalists will seek to direct their funds to the other place rather than investing in the LDC in question.

In reality investment patterns are not simply determined by profit maximisation in this way. The classic case for 'drain of surplus' is where foreign interests own a plantation or a mine in the LDC. The foreign capitalists are not very interested in diversifying into other industries in the LDC; the necessary infrastructure, trained workforce, etc., do not exist, and the LDC home market is small. They are not even very interested in investing in new technology in the plantation or mine: abundant supplies of cheap labour make it unnecessary. They prefer to bring their money home to the ACC and invest it there. When the LDC state takes over the plantation or mine, however, it is likely to use the profits to build up infrastructure and heavy industry in the LDC.

But here the 'drain of surplus' is what is to be explained, not the explanation. It is an effect of 'underdevelopment', not the cause. (Cf footnote p.8a)

Frank argues that:

> " ... external monopoly has always resulted in the expropriation (and consequent unavailability to Chile [and the same argument goes for other LDCs]) of a significant part of the economic surplus produced by Chile and its appropriation by another part of the world capitalist system ... [an] exploitative relation ... in chain-like fashion extends the capitalist link between the capitalist world and national metropolises to the regional centres (part of whose surplus they appropriate), and from these to local centres, and so on to large landowners or merchants who expropriate surplus from small peasants and tenants, and sometimes even from these latter to landless labourers exploited by them in turn. At each step along the way, the relatively few capitalists above exercise monopoly power over the many below... Thus at each point, the international, national, and local capitalist system generates economic development for the few and enderdevelopment for the many".
>
> (CULA pp. 7-8)

There is thus a chain of metropolis-satellite relations, in which the drain of surplus from satellite to metropolis is simultaneously the cause of development of the metropolis and underdevelopment of the satellite.

For Frank this set-up is the major defining feature of capitalism, and he considers Latin America to have been integrated into a capitalist world system since about the 16th century. Imperialism, for him, therefore, is more or less synonymous with capitalism, and extends back into the 16th century.

Immanuel Wallerstein has written more on 'centre' and 'periphery' in early capitalism; and others such as Samir Amin have extended the concepts of centre and periphery back into precapitalist history.

The problem with this line of theory is shown, I think, in the way that in the excerpt above the relations of country to country, region to region, landlord to tenant, and peasant to landless labourer, are all placed under the same heading of mono poly power. This common feature does of course exist. But to focus on that is surely to miss out the specific features of the capitalist-worker relation - and the revolutionary implications which those specific features are held by Marxist theory to have.

The image of surplus being drained by a million threads from periphery to centre is a powerful one. But it is not a very satisfactory explanation of development/underdevelopment. Consider the capitalist/worker relation. For Frank this is an example of a centre/periphery relation. But does it make sense to say that this relation means development for the capitalist, underdevelopment for the worker? No. The relation means riches and power for the capitalist, poverty and alienation for the worker, and also development of the capitalist/worker relation. Accumulation of capital means increase of the proletariat, as Marx put it.

"Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all the advantages of this process of transformation... grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself."

(Marx, Capital vol.1, p. 763).

Put it another way. What happens to the surplus when it finally drains through to the metropolis of metropolises - some US multinational HQ? It is not simply consumed by the bosses of the multinational. No: they seek to expand their capital still further - i.e. to develop the whole web of relations that brings them the surplus.

The image of the periphery/centre drain of surplus points to an explanation of why the workers and peasants are thrust into poverty. It does not point to an explanation of underdevelopment.

Brenner argues essentially this point against Wallerstein:

"He must thus end up by essentially ignoring any inherent tendency of capitalism to develop the productive forces through the accumulation of capital, in favour of a view which sees such development in the core as a result of a 'primitive accumulation of capital' extracted from the periphery, and which sees underdevelopment as a result of 'lack of capital'."

(Brenner, p. 61)

Plunder of the weak by the strong is a feature of all history since primitive communism. The centre/periphery theory essentially focuses on this feature. It really is a common feature. But Marxism focuses on the differences between, for example, the exploitation of peasants by feudal landlords (who directly consume most of the surplus) and the exploitation of wage-workers by capitalists (who use the surplus mainly to expand capital), for a good reason. It is in the differences that we can find the unfolding of the internal condradiction, the emergance of new elements, the potential of revolutionary change. Without that focus it is difficult to point to any reason why the plunder of the weak by the strong should be more likely to be overthrown today than 400 years ago.

Consider an analogy. Women's oppression is a feature of all societies since the matriarchy. It is possible to write its history in terms of a single, for-all-times concept of 'patriarchy'. But then why expect patriarchy to be overthrown today rather than 2000 years ago or 2000 years into the future? The reason why Marxist feminists focus on the specific differences of women's oppression under capitalism (e.g. the specific nature of housework under capitalism, quite different from previous societies) is that such a focus best identifies the new possibilities of revolutionary change.

Frank does write about contradictions, but really there is no internal, dialectical movement in his concepts. Brewer puts it like this:

> [Wallerstein's analysis] "seems to me to amount to little more than a series of definitions and phrases together with his overall generalisation. What is lacking is a level of <u>theory</u> that would connect the two."
>
> (Brewer p. 167)

The account is in a way unfair to Frank and Wallerstein and their co-thinkers. They have produced probably the great bulk of recent Marxist writing on imperialism, much of it quite sophisticated analysis in which the basic concepts are scarcely visible. Frobel et al, for example, see their analysis as in the 'dependency' framework. There is a great deal of value to be learned from this work, I think.

In some situations the images are extremely apt. Most so, I think, in the situation referred to earlier of an LDC's economy being dominated by plantations or mines owned by a foreign company. Such a situation existed in large parts of the world, at least up to World War 2. The surplus was drained out of the LDCs and went to expand capital elsewhere. And, as Walter Rodney records:

> "There were no roads connecting different colonies and different parts of the same colony in a manner that made sense with regard to Africa's needs and development. All roads and railways led down to the sea... ... The story is often told that in order to make a telephone call from Accra in the British colony of the Gold Coast to Abidjan in the adjacent Franch colony of Ivory Coast it was necessary to be connected first with an operator in London and then with an operator in Paris who could offer a line to Abidjan."
>
> (Rodney, p. 228, 251-2)

Now that <u>economic</u> situation was more or less inseparable from colonial or semi-colonial <u>political</u> control. The shift to more indirect forms of economic domination than outright ownership of the bulk of a country's exploited natural resources, different patterns of investment, etc., has gone together with a shift to more indirect political control.

Clearly elements of the colonial-type set-up still exist - are still perhaps decisive in some countries. But overall to analyse modern imperialism in terms of 'neo-colonialism' - and that, I think, essentially, is what the centre/periphery theory does - seems to me to be misleading in roughly the same way as analysing capitalism as 'neo-feudalism'. Clearly feudal remnants exist, and may even be decisive in some capitalist societies. Clearly many common features are shared by feudalism and capitalism. But again, from a revolutionary point of view, surely what we should focus on is what is new, what is changing, where the potential is for further change.

The commonest criticism of the centre/periphery theory - and one pretty widely accepted since it was first suggested by Laclau - is that it fails to focus on relations of production, instead looking mainly at relations of exchange. In essence this is the same point as I have argued above. The argument and its political implications are summarised by Brenner:

> "Thus so long as incorporation into the world market/world division of labour is seen automatically to breed underdevelopment, the logical antidote to capitalist underdevelopment is not socialism, but autarky. So long as capitalism develops merely through squeezing dry the 'third world', the primary opponents must be core versus periphery, the cities versus the countryside - not the international proletariat, in alliance with the oppressed people of all countries, versus the bourgeoisie. In fact, the danger here is double-edged: on the one hand, a new opening to the 'national bourgeoisie'; on the other hand, a false strategy for anti-capitalist revolution".
>
> (Brenner, p. 91)

"Most directly, of course, the notion of the 'develolment of under-development' opens the way to third-worldist ideology. From the conclusion that development occurred only in the absence of links with accumulating capitalism in the metropolis, it can be only a short step to the strategy of semi-autarkic socialist development. Then the utopia of socialism in one country replaces that of the bourgeois revolution..."

(Brenner, p. 92)

In the periphery/centre view, nationalist, autarchic moves by the LDC bourgeoisie appear as limited, initial forms of the struggle of periphery against centre - which struggle, of course, ultimately, fully developed, is the struggle for socialism. The periphery/centre view thus necessarily smears over class distinctions. This is shown strikingly, I think, by the contradictions in Frank's own writings.

He developed his theories in specific and vehement opposition to the Latin American Communist Parties and their strategy of supporting the nationalist bourgeoisie.

"The historical mission and role of the bourgeoisie in Latin America - which was to accompany and to promote the underdevelopment of its society and of itself - is finished. In Latin America as elsewhere, the role of promoting historical progress has now fallen to the masses of the people alone ... To applaud and in the name of the people even to support the bourgeoisie in its already played-out role on the stage of history is treacherous or treachery".

(CULA, p. xvi-xvii)

Yet throughout his writings are scattered approving references to nationalist segments of the bourgeoisie as "progressive". For example this comment on Brazil before the 1964 coup:

"The progressive forces, including Brazilian nationalist business interests, had offered (president) Goulart an alternative... (but) Goulart again tried to put off demands of the progressive forces".

(U R, p. 346-7)

Baran's book, which is the original source of many of the ideas of the centre/periphery theory, is fairly explicitly moulded by Stalinism. In essence he advises those forces seeking development in LDCs, whichever class they may come from, to follow the model provided by 'socialism in one country' in the USSR. Many bourgeois and petty-bourgeois forces in LDCs have followed this advice, with state-capitalist or Stalinist results.

Frank is sharply opposed to the CPs. Yet, it seems to me, in the end he is tied by the same neo-Stalinist framework. As Brewer points out, he argues for socialism not by identifying a revolutionary class that can create it, but by indicting capitalism for its lack of capitalist development.

"The classical Marxists assumed that each country must go through successive stages of development; the capitalist stage performed the historic task of creating a proletariat and laying the material basis for the succeeding stage of socialism. Lenin and Trotsky argued that the bourgeoisie in Russia (then a relatively backward country) was too weak to carry through the political tasks of the bourgeois revolution, so that the proletariat had to take the lead and could then carry straight on to the socialist revolution. The evolution of a relatively backward country differed from that of the more advanced centres. This argument, however, still presupposes the existence of a proletariat adequate to the task, and thus a certain degree of capitalist development.

"However, in the first half of the 20th century, there were few signs of capitalist development in underdeveloped countries, and many Marxists came to argue a position almost diametrically opposed to that of the classics. Where it had been argued that capitalist development had to create first the possibility of a socialist revolution, it was now argued that the absence of capitalist development made socialist revolution necessary. Frank is the leading exponent of this view, summed up in the title of one of his books, Latin America: Underdevelopment or Revolution. This shift of perspective entails a shift to a more voluntaristic concept of politics and to treating the peasantry or lumpenproletariat, rather than the industrial proletariat, as the revolutionary class. This trend in political thinking was encouraged by the success of the Chinese and Cuban revolutions". (Brewer p.286).

For Marxists, the nature of socialism derives from the nature of the agent of socialism, the working class. But Frank identifies no particular agent. So how is socialism defined? By what the Stalinists call "actually existing socialism". The forces fighting for development, whoever they are, are advised to follow that model.

In his recent book 'Crisis in the World Economy', Frank is quite sharply critical of Stalinist 'socialism', but seems to draw conclusions of pessimism about socialism altogether.

CENTRE/PERIPHERY THEORY: SUMMARY

On the scaffolding of centre/periphery theory - to repeat - have been hung many detailed analyses which seem to me interesting and valuable. But for the further argument of this article, what is important is the broad general ideas that have entered the thinking of the left from the theory and from bourgeois-populist and Stalinist influences more generally. These are:

1. The idea of the drain of surplus as the cause of underdevelopment in the LDCs and development in the ACCs.

In fact the drain is by no means sufficient to account for development in the ACCs. In 1967-9, the direct foreign investment income from LDCs for the US was $3000 m, for the UK £170 (Barratt Brown p.227). This is a very small proportion of the national income (see also Barratt Brown, AI, p.293-6).

There is another argument - Arghiri Emmanuel's, according to which surplus is drained from LDCs to ACCs primarily by unequal exchange rather than repatriation of profits - which indicates a bigger drain. But even then the drain could not be the cause of relative prosperity in the ACCs unless a big proportion of total world surplus were produced in the LDCs - i.e. the LDCs were highly developed.

2. The idea of foreign investment being generally and necessarily more exploitative and disadvantageous than national capital (because it ties the country into a web of periphery-centre relations).

In many LDCs foreign capital has had devastating effects for the majority (the case of the economy focused on mines or plantations owned by a foreign company). A takeover of those mines, plantations, (or oilfields, canals) by the nation-state is not only a necessary part of the fight for national independence but a progressive move for bourgeois economic development.

But the generalisation about foreign capital leads to regarding autarchic ('capitalism in one country') policies as relatively progressive - which they are not. See for an example of this conclusion the postscript by Tanzanian development minister A.M.Babu in Walter Rodney's book, where he argues for "opting out of production for the so-called world market" and rejecting all foreign investment.

An example of the influence of these two ideas is the article by Will Reissner on Argentina which appeared widely in the USFI press during the Falklands War.

THE CORRUPTION OF THE THEORY OF PERMANENT REVOLUTION

Under the influence of centre/periphery theory and populism, many argue: (a) national independence is central; (b) it can be fully achieved only by socialism; (c) the path forward is therefore through an anti-imperialist struggle, of which the most primitive form is bourgeois nationalism and the highest form is socialism.

This ideology can be transformed into something resembling the Trotskyist theory of permanent revolution just by adding some insistence on the need for working class leadership for the socialist culmination of the anti-imperialist struggle. But the resemblance is deceptive.

The theory summarised above means accepting 'national independence' - defined not precisely, but in utopian terms of 'independent development' - as central, whereas Marxism demands precise definitions.

It means accepting bourgeois nationalism as the first form of the anti-imperialist struggle, whereas Marxism surely demands counterposing the workers to the bourgeoisie even in the fight for bourgeois democratic demands.

It means smearing over the differences between bourgeois democracy and socialism under the general heading of anti-imperialism - both, after all, are defined as the fight for independent development - rather than strictly distinguishing.

Ideas not very different from this seems to dominate many comrades' minds. How else can they arrive at counterposing anti-imperialism to bourgeois democracy? How else can the Argentine invasion of the Falklands be seen as a first step in anti-imperialism, in a process of parmanent revolution? How else can the Catholic struggle in Northern Ireland (which, I believe, in contrast to the Argen tine junta's adventure, has a real, progressive i.e. bourgeois democratic content) be seen as somehow bearing within it the socialism that will solve the problem of Catholic-Protestant working class unity? In both cases events are analysed not for what they are, but from slotting them into a preconceived scenario of escalating anti-imperialism, leading to socialist revolution - and then reading backwards.

This sort of scenario-thinking was established in the Trotskyist movement well before the theorisations of Frank and his co-thinkers:

"One must be prepared first of all to enter the struggle, confident that the logic of its development is infallibly that of the permanent revolution

> and grasping at the first handle offered by the situation (peasant movements, workers' strikes, or national demonstrations) to go with the masses, demonstrate with them and be the first ones against imperialism. Even though they may cry at the same time, 'Long live King Farouk', 'Long Live Mossadeg', 'Long live Bourguiba', their second cry will inevitably be against the traitor king, the traitor paschas, the feudal-capitalist traitors, the cry of the Cairo demonstrators: 'War and revolution'". (Pablo, p.34)

But by being merged with such theory it has been systematised and rationalised.

TROTSKY'S THEORY

Let us look back at Trotsky's formulation of the theory of permanent revolution.

From the 1890s on, there was a debate between Marxists and Narodniks in Russia about the nature of the coming revolution. The Narodniks said it was socialist. The Marxists said bourgeois. Trotsky's theory started firmly from the Marxist side.

"No one in the ranks of the Russian SOcial Democrats (we all called ourselves Social Democrats then) had any doubts that we were approaching a a bourgeois revolution, that is, a revolution produced by the contradiction between the development of the productive forces of capitalist society and the outlivedcaste and state relationships of the period of serfdom and the Middle Ages. In the struggle against the Narodniks and the anarchists, I had to devote not a few speeches and articles in those days to the Marxist analysis of the bourgeois nature of the impending revolution".

The starting point for Trotsky's variant within the general Marxist analysis was, however, that:

"The bourgeois character of the revolution could not.... answer in advance the question of which classes would solve the tasks of the democratic revolution and what the mutual relationship of thewe classes would be". (PR, p.2-3)

Some years later, on Spain, Trotsky polemicised against Andres Nin, who interpreted 'permanent revolution' as the assertion that the revolution was socialist:

> "... Andres Nin began his broadcast declarations with the following thesis: 'the struggle that is beginning is not the struggle between bourgeois democracy and fascism, as some think, but between fascism and socialism'... The socialist character of the revolution, determined by the fundamental social factors of our epoch, is not, however, given ready-made and completely guaranteed right from the beginning of revolutionary development. No, from April 1931 onward, the great Spanish drama has taken on the character of a 'republican' and 'democratic' revolution.... The problem still remains, and therein lies the whole political task, to transform this hybrid, confused, half-blind and half-deaf revolution into a socialist revolution. It is necessary not only to say what is but also to know how to use 'what is' as one's point of departure". ('The Spanish Revolution, p294-5).

And in the Transitional Programme Trotsky summarised permanent revolution with great conciseness:

> "As a primary step, the workers must be armed with this democratic programme [agrarian revolution, national independence, constituent assembly]. Only they will be able to summon and unite the farmers. On the basis of the revolutionary democratic programme, it is necessary to oppose the workers to the 'national' bourgeoisie. Then, at a certain stage in the mobilisation of the masses under the slogans of of revolutionary democracy, soviets can and should arise. Their historical role in each given period, particularly their relation to the National Assembly, will be determined by the political level of the proletariat, the bond between them and the peasantry, and the character of the proletarian party politics. Sooner or later the soviets should
> 4 overthrow bourgeois democracy. Only they are capable of bringing the democratic revolution to a conclusion and likewise opening an era of socialist revolution."

What is the difference between this and the vulgarised version of permanent revolution described above? The Trotskyist theory says: this is a bourgeois revolution. Organise the working class to fight for bourgeois democratic tasks in opposition to the bourgeoisie: on that basis win workers' power. The vulgarised theory says: this is a process of permanent revolution. Support the bourgeois nationalist first stage of it. Develop it.

It will 'grow over' into socialist revolution. Bourgeois democratic issues - like freedom of trade unions, political parties etc - are not very important here since socialism is higher than bourgeois democracy.

FORTY-FIVE YEARS ON

In the summary of 'The Permanent Revolution', Trotsky wrote:

> "With regard to countries with a belated bourgeois development, especially the colonial and semi-colonial countries, the theory of the permanent revolution signifies that the complete and genuine solution of their tasks of achieving democracy and national emancipation is conceivable only through the dictatorship of the rroletariat as the leader of the subjugated nation, above all of its peasant masses". (PR, p.152)

Following this, some comrades seem to argue that the LDCs must 'stand still' with respect to bourgeois ~~transformation~~ - the elimination of pre-capitalist survivals - until the proletarian revolution. To admit that the colonies have won national independence, for example, is to deny Trotskyism.

I think this is wrong. Trotsky always wrote on a short time-span. He was concerned about the revolutionary possibilties for the next period, not about what would happen if those revolutionary possibilities were defeated, a world war happened, and 35 years of capitalist development followed.

On Russia, Lenin repeatedly argued that there were two alternatives for the country's bourgeois transformation:

"With the present economic basis of the Russian Revolution, two main lines of its development and outcome are objectively possible:

"Either the old landlord economy, bound as it is by thousands of threads to serfdom, is retained and turns slowly into purely capitalist, 'Junker' economy... Or the old landlard economy is broken up by revolution, which destroys all the relics of serfdom, and large landownership in the first place..." (DOCR, p.32)

The first alternative - the 'Prussian road' - surely also applies to the countries Trotsky was referring to. In the 'Third International after Lenin', (TIAL, p.134), Trotsky refers to the possibility of the 'Bismarckian way'.

To use the passage cited at the beginning of this section as a basis for assessing the LDCs today would seem to Trotsky, I'm sure, as wrong as using Marx's writings on permanent revolution in Germany in 1848 to assess Germany in 1900.

Whatever else capitalism can do, it cannot stand still. If the working class proves unable to take the lead - as, mainly due to Stalinism, it did in the 1920s and 30s and 40s - then the bourgeoisie will transform society in its own way. The variant is mentioned by Trotsky in passing:

"Then the struggle for national liberation will produce only very partial results, results directed entirely against the working masses". (PR, p.132)

The fact, it seems to me, is that the whole Third World has had a bourgeois revolution (winning national independence). Some countries have had internal bourgeois revolutions (Mexico is the clearest example: it seems to me to be the one country in the world, after France, nearest to the 'norm' of a bourgeois revolution). Others have been substantially transformed the 'Bismarckian way' (Brazil). All these revolutions and transformations are, to be sure, incomplete. But they have happened. To await the perfect, 'complete' bourgeois transformation and to refuse to recognise any qualitative change until then, may appear very 'intransigent'. But it is actually to close our eyes to reality - and to the basis for future revolutionary action.

In many LDCs it clearly still makes sense to say that the immediate issues are those of a bourgeois revolution. In others - especially the more developed LDCs - such a view is totally misleading. Trotsky's theory of permanent revolution is still a brilliant tool for understanding the relation between bourgeois-democratic struggles and the fight for workers' power. But the theory was developed as an application of concrete analysis in opposition to the Menshevik abstract historical schematism. To make it a new abstract historical schema is to falsify its spirit.

TROTSKY ON MEXICO

A useful check on the ideas developed above is provided by studying Trotsky's writings on Mexico in the period of the Cardenas government (1934-40), which was the culmination of the revolution opened in 1910.

1. He had no qualms about recognising it as a bourgeois revolution.

"The Mexican revolution is now carrying out the same work as, for instance, the USA accomplished in three quarters of a century, beginning with the Revolutionary War for independence and finishing with the Civil War for the abolition of slavery and for national unification". (Writings 1937-8, p.359)

2. His attitude was warm sympathy to the bourgeois revolution and its bourgeois leaders against imperialism and internal reaction, coupled with a rigid insistenoe on working class independence. All his comments on Cardenas are sympathetic. Yet the Trotskyists refused to vote for Cardenas' party (Writings 1938-9, p.176). And Trotsky most vehemently denounced Lombardo Toledano, who led the Mexican trade unions into political support for Cardenas.

3. He argued against Mexico following the model of 'socialism in one country' or autarchy:

"These notes may seem imbued with a very moderate, almost conservative spirit in comparison to the high-flown, but alas empty formulations of the programme [Mexico's second six-year plan]. We believe, however, that our point of view is more realistic and at the same time more revolutionary... The peasantry would understand [a programme of radical agrarian reform] ...and accept it much more warmly than this vague and verbose translation of the official documents of the Kremlin".

"Turning one's back on foreign capital and speaking of collectivisation and industrialisation is mere intoxication with words..." (and Trotsky advocates inviting foreign capital on the basis of joint enterprises and strict controls.) (Writings 1938-9, p228,226).

THE HILFERDING-BUKHARIN-LENIN THEORY OF IMPERIALISM

The Frank-Wallerstein theory is quite different in subject matter, purpose, and conclusions from the theory of imperialism developed before and during World War I by Hilferding, Bukharin and Lenin. It is therefore confused and confusing to defend ideas from the Frank-Wallerstein theory in the name of 'defending the Leninist theory of imperialism'.

Lenin does, agitationally and polemically, refer to the plunder of LDCs by ACCs. But in his theory this 'import of revenue' is the flip-side of 'export of capital'.

He takes the argument furthest when giving some credit to a speculation of Hobson's: that Western Europe would become a group of 'rentier states', consisting solely of people living off dividends and service workers. ('Imperialism', p. 97). In fact the last 80 years show that Hobson's speculation was ill-founded. (Perhaps it flowed from Hobson accepting the notion - recurrent in bourgeois economics - of an absolute glut of capital in the ACCs, and thus underestimating the scope for further capital accumu lation there).

But in any case this 'theoretical'extreme' was one in which the LDCs would become industrially the most developed part of the world. For Lenin, plunder is linked to development in the LDCs, not underdevelopment.

Instead of seeing imperialism essentially as what one country does to another (what the centre does to the periphery), the Hilferding-Bukharin-Lenin theory tried to analyse imperialism as a system.

Hilferding, Bukharin and Lenin posed themselves the problem of explaining key developments between 1880 and 1914: the rush for colonies, the drive to war. They undertook to show that these were not more or less superficial choices, but expressions of the latest stage of development of capitalism as a system.

Concentration and centralisation of capital had reached the point that major industries were dominated by a few mono polies. Big sections of industry, also, were controlled by banking capital: Hilferding calls this development finance capital.

These great concentrations of capital seek to expand their operations across the globe. They seek markets, sources of raw materials, and openings for investment.

The leading capitalist powers pursue policies of colonial conquest to clear the way for this capitalist expansion. By the early 20th century the world had been completely divided up; pressure for re-division meant pressure for war.

> "We laid bare three fundamental motives for the conquest policies of modern capitalist states: increased competition in the sales markets, in the markets of raw materials, and for the spheres of capital investment. This is what the modern development of capitalism and its transformation into finance capitalism has brought about.
>
> "Those three roots of the policy of finance capitalism, however, represent in substance only three facets of the same phenomenon, namely of the conflict between the growth of productive forces on the one hand, and the 'national' limits of the production organisation on the other."
>
> (Bukharin, p. 104)

Hilferding, Bukharin and Lenin wrote of imperialism as an epoch of reaction and decay of capitalism. They meant that the period of the more or less organic spread of capitalism was finished, to be followed by a period of convulsions.

> "For nine-tenths of the population of the advanced countries for hundreds of millions of peoples in the colonies and the backward countries, this epoch (the previous one, 1871-1914) was not one of 'peace' but of oppression, tortures, horrors that seemed the more terrifying since they appeared to be without end. This epoch has gone forever. It has been followed by a new epoch, comparatively more impetuous, full of abrupt changes, catastrophes, conflicts, an epoch that no longer appears to the toiling masses as horror without end but is an end full of horrors."
>
> (Lenin, preface to Bukharin, p. 10)

The new epoch, however, was not one of stagnation.

> "The extraordinarily rapid growth of world economy, particularly in the last decades... the industrialisation of the agrarian and semi-agrarian countries proceeds at an unbelievably quick tempo..."
>
> (Bukharin, p. 28, p. 39)

> "It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not... On the whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (Britain) ..
>
> "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world...
>
> "Capitalism is growing with the greatest rapidity in the colonies and in overseas countries. Among the latter, new imperialist powers are emerging (e.g. Japan)..."
>
> (Lenin, p. 117, p. 62, p. 92)

This perception of the growth of capitalism in the LDCs was, indeed, the basis of Lenin's argument on the importance of national liberation struggles: with that growth of capitalism would come the rise of social forces capable of leading bourgeois-democratic revolutionary struggles.

A NEW EPOCH?

To use a dogmatic reproduction (or, more accurately, what is falsely imagined to be a dogmatic reproduction) of an analysis of some 70 years ago as an analysis of today is to reduce theory to a joke. To re-use, unmodified, an account developed to explain colonial conquest, increased imperialist rivalry, and the rapid beginnings of capitalism in the LDCs, as an explanation of de-colonisation, three decades of US 'super-imperialism', and alleged stagnation in the LDCs, is to substitute for Marxism the art of reciting phrases.

In a 1964 article Hamza Alavi argued that a new imperialism had replaced the old:

> "To sum up, we find that the principal aim of neo-colonialism or the new imperialism is not the export of capital as a means of exploiting cheap labour overseas. It is rather that of concentrating investment at home to expand production in the metropolitan country and of seeking to dominate the world markets..."
>
> (p. 123)

He presents a clear argument that the Hilferding-Bukharin-Lenin theory was relevant for its day but must be replaced by a new theory today. We can accept or reject this argument. What we should not do is accept his account of present-day reality and spatchcock it together with phrases from the (different) Hilferding-Bukharin-Lenin account of the reality of 70 years ago.

Aspects of the Hilferding-Bukharin-Lenin theory can be criticised in the light of later evidence and discussion. Lenin, in particular, sometimes seems to come very close to the 'underconsumptionist'/'absolute glut of capital' notions which he had himself sharply critisised in 'The Development of Capitalism in Russia' (see 'Imperialism', p. 60). This feature, I think, helped nourish the 'catastrophism' of much post World War 2 Trotskyist economic analysis.

Yet the theory remains, I think, a brilliant example of Marxist synthesis, and an important guide and reference point for us today. The point is that it cannot simply be applied as a ready-made answer to today's questions, any more than Marx's writings could be applied directly and unmodified to the capitalism of the early 20th century.

A number of important new developments since World War 2, and some since the early '70s, have been outlined above.

1. After 1945, US 'super-imperialism'. Under this umbrella, serious though partial integration of west European capitalism in EEC. After the early '70s, increasing revival of inter-imperialist rivalry.
2. Between 1945 and early '70s, rapid and fairly steady growth in ACCs - through development of new industries, and, to a serious extent,(Sutcliffe, WSR 1) through capitalist 'filling-out' of countries like Japan, Italy, Spain, France, W. Germany. Since early '70s - trend towards stagnation, especially in manufacuuring industry.
3. Expansion of multinationals using different forms of operation - focusing more on manufacturing and distribution than on direct exploitation of natural resources.
4. Large-scale industrial capitalism in LDCs. Since the early '70s, especially, development of some LDCs as 'sub-imperialisms' and/or major manufacturing exporters. Capitalist transformation of agriculturein LDCs.

Is this a new era of capitalist development? Yes. Or, more precisely, two new eras. It is so not only because of 'objective' economic changes but also because of the 'subjective factor'. The early Communist International's view that capitalism had entered an epoch of convulsions was based not only on economic analysis, but also on the existence and activity of the Communist International itself - an international working-class revolutionary army, its cadres organised and educated over decades by the Second International and reorientated towards revolution by the CI. That army was soon disoriented and scattered by Stalinism, but the prospect of regrouping large sections of it remained (it seems to me) central to the thinking of the communist (i.e. Trotskyist) movement up to World War 2.

Since the late '40s (at latest) that 'subjective factor' has not existed. It is being reconstituted. That liquidation of revolutionary working-class political culture does not mean that revolution was off the cards in situations like France May-June 1968 (there is no pre-set limit to how rapidly it can be reconstituted in times of upheaval), though it does point to one reason why the French CP was able to block that struggle. However, when Trotskyists have retained the notion of an epoch of convulsions and revolutions, unchanged, while being unable to identify the 'subjective factor', that has had grievous consequences. Some Trotskyists have fallen into an identification of the mass revolutionary working-class vanguard with Stalinist and other petty bourgeois currents; others have fallen into sectarianism, implicitly assuming a fixed, constant mass semi-revolutionary workers' consciousness and identifying the 'subjective factor' with their own self-expansion. Many have suffered from both aberrations.

Some Trotskyists refuse to recognise a new epoch of capitalist development after World War 2 on the gounds that to do so would undercut revolutionary politics by admitting that capitalism had further scope to develop the productive forces.

Now it is a fact that capitalism has developed the productive forces faster and more broadly since World War 2 than ever before. If that does undercut revolutionary politics, then as serious Marxists we are obliged to reconsider our political conclusions rather than to seek ways of ignoring the facts or defining them out of existence.

But in historical experience and in logic, there is no reason to suppose that a system of production must fall into stagnation before it is ripe for revolution. That it should enter into a series of crises is indeed a precondition. Modern capitalism has no lack of crises. But that the net result of the crises should be stagnation is not a precondition for revolution.

OPPRESSED AND OPPRESSOR NATIONS

Some comrades evidently see the essence of Lenin's theory of imperialism as being the division of the world into oppressed and oppressor nations. If so, it would be trite indeed. It took no great theoretical powers to see in 1914 that most of the world was either colonial powers (total population 437 million) or colonies (1006 million people), or semi-colonies (361 million people), with only a few countries being neither colony-owning nor colonies (290 million people: all figures Lenin, 'Imperialism', p. 76). And anti-colonialist agitation was a commonplace of socialist and radical-liberal politics.

Lenin's insight lay not in pointing out the obvious, but elsewhere:

> "What characterises Bolshevism on the national question is that in its attitude toward oppressed nations, even the most backward, it considers them not only the object but also the subject of politics. Bolshevism does not confine itself to recognising their 'right' to self-determination and to parliamentary protests against the trampling upon of this right. Bolshevism penetrates into the midst of the oppressed nations; it raises them up against their oppressors; it ties up their struggle with the struggle of the proletariat in capitalist countries; it instructs the oppressed Chinese, Hindus, or Arabs in the art of insurrection and it assumes full responsibility for this work in the face of civilised executioners. Here only does Bolshevism begin, that is, revolutionary Marxism in action..."
>
> (Trotsky, 'What's Next', p. 203)

And thus theoretically:

> "Lenin... raised the national liberation movements, the colonial insurrections, and wars of the oppressed nations, to the level of the bourgeois democratic revolutions, in particular, to that of the Russian revolution of 1905".
>
> (Trotsky, TIAL p. 130)

That process of colonial revolution is now essentially over. The heritage of the colonial period is still strongly marked. There is a fairly clear dividing line between ACCs - mostly former colonial powers - and LDCs - mostly former colonies. But if recognising that division is the hallmark of Leninism, then the United Nations are the best Leninists of today.

On national struggles, Lenin argued for a concrete analysis against those socialists who were content with the generality that we must be concerned with class, not nation. Yes, we must always oppose nationalism ideologically.

But depending on concrete circumstances a national struggle may be a fight for conquest and plunder, or a bourgeois-democratic liberation struggle.

To replace the demand for a concrete analysis by a crude classification of capitalist countries into two groups - 'oppressed' and 'oppressor', or whatever else we want to call them - and the rule that we must always side with the national struggles of the oppressed group, is to negate the spirit of Lenin's argument. It means losing political independence in relation to the bourgeoisies of the countries which - by whatever index: size of debts, average income, telephones per head, or any other figure dragged in to suit the argument - win classification as oppressed. Whenever they undertake an exercise in national self-assertion, we are committed to support them for what they are (an oppressed nation) rather than what they are doing. We are committed to take their word for it.

For Lenin, and indeed for Trotsky, writing in a period when colonialism dominated the world, the possibility of a 'national' struggle led by a colonial bourgeoisie which would not be a fight for liberation was, realistically, remote. Nevertheless they gave no blank cheques (see Cleary's article in WSR 2).

Lenin, for example, consistently classified Turkey as a 'semi-colony'. Yet the Communist International's 'Theses on the National and Colonial Question' (1920) called for vigilance against Turkish imperialism. Conflicts had to be assessed concretely, not merely in terms of broad classifications of the countries concerned.

National struggles can be fights for conquest and plunder; bourgeois-democratic liberation struggles; or parochialist, backward-looking enterprises. The Fourth International argued during World War 2 that there was a real national liberation struggle in France: they based themselves on Trotsky's comment that, "In the wake of a number of other and smaller European states, France is being transformed into an oppressed nation" (Writings 1939-40, p. 296). But there was no question of regarding De Gaulle's struggle as a progressive bourgeois-democratic liberation struggle. In general national struggles of that sort are not possible for the monopolist, world-dominating bourgeoisies of the big ACCs. Thus their national struggles are always of the first or third type: rapacious or parochialist.

That is the reason why the Canadian struggle against 'US imperialism'; or the fight for 'economic independence' for Australia; or the British 'national liberation struggle' called for by Benn; or the drive for Scotland to have 'Scotland's oil' to itself; or the movements in France against 'English-language imperialism', are all reactionary. It is not that these countries are not dominated by the US. They are. There may even be genuine national questions involved (US military bases imposed on Japan and W. Germany by unequal treaties; the powers of the British monarchy in Australia, used as recently as 1975 to depose the elected government there; etc.). The point is that in countries where bourgeois development is beginning to make its way against feudal or other pre-capitalist structures, a fight for national independence is, or can be, intertwined with a bourgeois-progressive social content. Where there bourgeoisie is not only supreme in its own country, but has become a world power on some scale, or another, nationalist agitation can only cover a reactionary social content.

As the bourgeoisies in the LDCs become stronger in their own territories, and even develop predatory ambitions elsewhere, the possibility of them conducting(however irresolutely, weakly, etc.) progressive brurgeois-democratic liberation struggles decreases. Such struggles do still occur. But LDC bourgeoisies also conduct 'national' struggles of the predatory or parochialist sort. Only concrete analysis can provide a basis for political judgement on any particular struggle.

KIDRON'S THEORY

Comrade Smith (IB 15) has denounced my views on imperialism as similar to those of Michael Kidron, a former leading theorist of the IS/SWP.

The method used in this denunciation is, I would argue, bad. Suppose my views are the same as Kidron's. That proves nothing against my views unless it is first shown that Kidron is wrong on the issues in question.

If the reference to Kidron served to call to readers' minds a well-known set of arguments developed against Kidron which would equally apply against my views, then it would be reasonable. In fact it is not true that a clear critique of Kidron is part of the intellectual common stock of the organisation. The reference to Kidron serves not to mobilise well-known arguments, but (demagogically) to mobilise prejudices and traditional factional hostilities.

In fact my views are not the same as Kidron's, and no serious effort is made to show that they are. Comrade Smith simply excerpts a paragraph from me and a paragraph from Kidron, and asserts that the ideas are the same.

One thing I do have in common with Kidron as against cd. Smith, and that is an attempt to start from studying the facts of the present day and to understand what is new in the situation, rather than to rely on manipulating quotations from analyses of 45 years ago. Beyond that, the arguments developed in this article diverge sharply from Kidron's. Let us review Kidron's arguments.

Kidron's views on imperialism are (or, rather, were - they have been disavowed, in different ways, both by Kidron himself, in his 1977 article, and by Duncan Hallas for the SWP) part of a coherent whole, integrated with the theses of state capitalism, the permanent arms economy, and deflected permanent revolution.

The modern world (so the argument runs) is dominated by military competition between nations-states. As a result of its involvement in that, a drive for competitive accumulation dominates the USSR and defines its economy as state capitalist.

In western capitalism the permanent arms economy acts as a stabliliser. The original version of this thesis was, as Kidron himself points out, "heavily Keynesian". Implicitly accepting the Keynesian view that the fundamental cause of capitalist crisis is lack of market demand (due to insufficient propensity to consume and propensity to invest at a given level of income), it proposed that the demand created by the state through military spending would (to some extent, for some time) fill the gap.

Later the permanent arms economy theory "underwent a marxist conversion" (Kidron 1977). Relying on the fact that the organic composition of capital in sectors which produce neither wage goods nor means of production does not affect the overall rate of profit, it was argued that arms spending provided a drain whereby capital accummlation could proceed without activating the tendency of the rate of profit to fall.

The ideas on imperialism rested fundamentally on the 'Kennsian' version of the permanent arms economy theory. The economic funtion of imperialist export of capital was interpreted fundamentally as providing a 'drain' for capital that would otherwise be surplus in the ACCs. With the PAE providing an alternative drain, such export of capital was no longer necessary for the system.

The LDCs were also less and less important to the ACCs as raw material suppliers, because of new technologies, use of substitutes, etc.

In short, imperialist exploitation of LDCs was no longer necessary for ACCs, and that explained decolonisation. However, the LDCs were left crushed and battered in the world of military competition between nations-states.

> "The societies maimed and shattered by the imperialist explosion of the last century are again being maimed and shattered - by the growing economic isolationism of the west (an imperialist implosion as it were)..."
> (Kidron, 'Western Capitalism', p. 10)

The conclusions were similar to those of the standard 'centre/periphery' argument on the underdevelopment of the 'periphery' - with one modification. Rather than China, Cuba, etc. being pointed to as exmmples of development, to contrast with the general underdevelopment, it was argued that they shared in the underdevelopment. In such countries there had been a process of 'deflected permanent revolution', whereby petty bourgeois groups presented themselves as the banner-bearers of socialism but actually installed state capitalism - which, within the capitalist world economy, could offer no way out.

What is wrong with this theory?

1. Military competition is not the same as capitalist competition. It is indeed a feature of many pre-capitalist societies. It would also be an imprtant pressure on a healthy workers' state in a capitalist environment.

   International pressures of military competition in any case do not fully explain the internal dynamics of the USSR. And in relation to more lightly militarised Stalinist states (e.g. China), IS/SWP writers have generally abandoned any attempt to argue from military competition as the dominant factor, instead relying on generalities about the bad position of the working class.

2. The 'Marxist' version of the permanent arms economy theory is plain wrong. The argument that increases in the organic composition in the arms sector do not in themselves depress the overall rate of profit is, I think, true (despite objections from Yaffe, Mandel, etc.). But capital accumulation has taken place - and very rapidly - in <u>other</u> sectors too. Why should that happen without the organic composition increasing <u>there</u>?

   Moreover, to the extent that surplus is channelled into state spending on arms, the net industrial rate of profit will be <u>reduced</u>. (For some empirical evidence relevant to the latter point, see Smith. For the whole argument, see Semp).

3. The 'Keynesian' version of the PAE theory has more truth in it than the 'Marxist' version. State spending (though not just, nor even mainly, arms spending) can act as a stabiliser. But only within narrow limits (there is a big Marxist literature on this). And even if it is a stabiliser, that does not explain rapid growth.

4. To see imperialist export of capital as a 'drain' siphoning off capital that would otherwise be excess is, I think, a misleading way of viewing the question - though certainly there are passages in Lenin's 'Imperialism' which lend themselves to this interpretation.

Capital does not necessarily exhaust all domestic openings for investment before turning abroad. Capitalism is not a system composed fundamentally of national units, with flows between those units generated only by the excesses and imbalances within them. Export of capital is not an overflow. It is, as Bukharin argued, part of an international process of self-expansion of capital.

In any case, capital can be surplus in a LDC as well as in an ACC. Capital becomes surplus, not because of the absolute level of development of an economy, but in relation to its tempo of capitalist development.

High levels of capital export from a country may be associated with low investment in that country - or, equally, with high home investment. (See, for example, figures for Britain 1865-1913 in Barrat Brown p. 176).

Thus the argument that export of capital is no longer necessary for the ACCs falls down. And in fact export of capital to the LDCs in recent decades has been pretty rapid. Export of capital between ACCs has been even more rapid - and that gives rise to the figures for the apparent declining importance of foreign investment in LDCs which can be used to bolster Kidron's case.

5. Magdoff argues in detail that LDC sources of raw materials are still important for the US (especially for arms production). But the 'oil crises' of the 1970s surely settle this debate anyway.

6. Logically, if military competition defines the USSR as state capitalist, then that same competition (and not any internal factors) also defines the economic character of the USSR's competitor, the US. Indeed, <u>every</u> state is state capitalist.

IS/SWP has long vacillated between this conclusion (drawn explicitly by Kidron, 1977) and the notion that the state capitalism of the USSR, etc., is something quite different from the capitalism of the west. But the argument that military competition defines a world of state capitalisms also leads to the conclusion that so social revolution is possible unless it happens simultaneously in at least a large chunk of the world. Revolutions in LDCs (and perhaps in ACCs?) are bound to end, under international pressure, in state capitalism.

This fatalistic conclusion is completed by a rejection (more or less out of hand, with references to Trotsky) of the notion of bourgeois revolutions in the LDCs.

It was expressed most dramatically in a celebrated controversy in the late '60s. When the ex-Trotskyist LSSP joined a bourgeois coalition government in Ceylon, Michael Kidron wrote an article deploring the LSSP's action but commenting that unfortunately there was nothing much that socialists could do in countries like Ceylon anyway. Some leading IS/SWPers (then under considerable pressure from the Workers' Fight tendency within IS) sharply dissociated from Kidron. But he had the logic of their common theory on his side.

WARREN'S THEORY

Kidron's argument, as we have seen, differed essentially from the conventional centre/periphery argument not in its assessment of the underdevelopment of the LDCs, but elsewhere.

Another post-imperialism argument by Bill Warren started off from presenting facts on the capitalist development of the LDCs. I think it is undeniable that Warren's initial 1973 article had a healthy impact in forcing Marxists to re-think the 'conventional facts', But the further theorisations by Warren - a member of the Communist Party and then of a Stalinist-Kautskyist sect, the British and Irish Communist Organisation - are not very useful.

Warren's argument is completely trapped by the thesis he is arguing against. On point after point he says no where the centre/periphery theorists say yes, yes where they say no. This makes his account a contradictory jumble.

Example: centre/periphery theorists say that colonialism hindered the development of the colonies, also that the removal of formal colonial rule has not removed those hindrances. Warren replies that colonialism helped the development of the colonies - and that the end of colonialism helped even more!

Example: centre/periphery theorists attack the social and cultural effects of colonialism and imperialism. Warren respons with a vigorous defence of the historically progressive role of bourgeois culture - yet has little but scorn for a major example of that progressive role, the self-assertion of the ex-colonial people through bourgeois national struggles.

Example: Centre/periphery theorists say that imperialism generated under-development - using 'underdevelopment' as a term to cover <u>both</u> lack of capitalist development, <u>and</u> unevenness of that development, <u>and</u> mass misery within that development. Warren replies thet imperialism generates development - meaning growth of capitalism, <u>and</u> increasing evenness of development, <u>and</u> increased social welfare.

If centre/periphery theorists in some ways parallel the Narodniks in pre-revolutionary Russia, Warren parallels the Legal Marxists. Like them he paints the development of capitalism in the most glowing colours, not only recognising it (as Marxists must) but effectively praising and advocating it.

Everything that points to capitalist progress in the LDCs is played up, the other side of the picture is played down.

If you read closely, there are qualifications and reservations. But the drift of Warren's argument is that the world is moving towards more even development, with imperialist relations of economic domination being weakened. The facts cited earlier in this article do not permit such a conclusion. Capitalist development is becoming <u>more</u> uneven. We <u>may</u> see major reshufflings of the imperialist hierarchy and the emergence of new imperialisms. The 'end of imperialism' is not foreseeable, this side of the socialist revolution.

The comparative weakness of LDC states, in an epoch when the state is central to capitalist development, and the continued stagnation of agriculture in the LDCs (linked to continuation of, or only limited transformation of, pre-capitalist forms), are surely key features of capitalist uneven development and imperialism today. Yet they are hardly mentioned by Warren. He notes briefly that "Agriculture has failed..." in the LDCs (his book, p. 236), but rapidly moves on to <u>speculations</u> about favourable prospects for LDC agriculture in the future.

FIGHTING IMPERIALISM

The Communist International was the first socialist movement seriously to "penetrate into the midst of the oppressed nations" and organise the workers of the LDCs on a class basis. The Stalinist degeneration of the CI rapidly transformed the CPs of the LDCs into instruments of petty bourgeois nationalist/ populist politics, sometimes into instruments of the creation of new Stalinist states.

Over the last few years substantial sections of workers in South Africa and Brazil have broken from the Stalinist-populist-nationalist net, and begun to organise consciously on an independent class basis. What vicissitudes these workers' organisations will go through, and how quickly workers in the other LDCs will follow them, we cannot tell. But they represent our hope for the future, in terms of a serious fight against imperialism in the LDCs.

Our job is to help, and, as a precondition, to understand.

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