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Imperialism, Industrialisation, Trade, and Sub-imperialism

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IMPERIALISM, INDUSTRIALISATION, TRADE & SUB IMPERIALISM

"The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilisation into their midst, ie, to become bourgeois themselves. In one word, it creates a world after its own image." (Marx 'Communist Manifesto' p.47 Progress Publishers ed. 1977)

Just as Marx believed capitalism had "rescued a considerable part of the population from the idiocy of rural life" (ibid), so he saw capitalism playing a progressive role on a world scale rescuing millions from the "idiocy" of the Asiatic Mode of Production (AMP) and "barbarism". Marx was led to the conclusion that autonomous development could not take place in societies based on the AMP. It required the stimulus of European colonialism. England had a double role to play in India - one destructive the other laying the "material foundations of Western society in Asia." (Marx, 'The Future Results of the British rule in India' pp583 -4 Marx Engels reader also in Marx 'Surveys from Exile Penguin ed.) In predicting these developments Marx was getting carried away by excessive optimism. In later years seeing the catastrophes caused by capitalism's destructive side in the colonies he was forced to modify his judgement somewhat.

Whilst not idealising any past age or the effects of colonialism Marx was acutely aware of the tremendous social revolution Britain was creating in Asia. By destroying the inertia of the AMP in the villages and the division of labour inherent in the system capitalism was at the same time destroying the caste system which rested on it and thus opening the way to future progress. But "The Indians will not reap the fruits of the new elements of society scattered among them by the British bourgeoisie till in Great Britain itself the now ruling classes shall have been supplanted by the industrial proletariat, or till the Hindus themselves shall have grown strong enough to throw off the English yoke themselves." (ibid.)

It was much the same with China. Marx condemned the greed behind the Opium War but stressed the progressive nature of capitalist penetration of the country. (Marx, Revolution in China and in Europe 'Surveys from Exile Penguin ed.) Similarly Engels did not hesitate to hail as "an important and fortunate event for the progress of civilisation" the French conquest of Algeria, the US expansion at Mexico's expense and the conquest of Central Asia by Russia. (See F. Engels Northern Star 22nd January 1848, F. Engels Deutscher Brusseler Zeitung no 7 23rd. Jan. 1848 in Werke vol. iv p.501, and F. Engels letter to Marx in Correspondence 1846 - 95 p37)

It was the dialectical method that allowed Marx to distinguish between the subjective and objective aspects of historical events. He was able to condemn capitalism and colonialism from the point of view of those who suffer while still pointing to them as as important progressive forces from the point of view of objective historical movements. Marx always stresses the great historic function of capitalism "forcing humanity without scuple to produce for the sake of production" it constitutes a "transitory historical necessity" in that the victory of productive forces and creation of a world market creates for man "the real basis of a superior structure of society, whose basic principle would be the full and free development of every individual." Marx was well aware that the chief problem of the new epoch was forging a link between the socialist struggles of the industrial proletariat and the anti colonial struggle. Whilst the Second International popularised (and vulgarised) Marxism, being riddled with chauvinism, it ignored the struggles against colonialism. It was up to the early Comintern to address itself to the 'National Question'.

TRADE & THE WORLD MARKET

The World market, being created, was as Marx pointed out being created by the already industrialised nations, in particular Britain. The international economy is a fairly recent phenomena and has only emerged as such over the last 150 years or so. (Kuznets has shown trhat in 1800 only 3% of world output was traded, but by 1913 this was 33%) Not surprisingly early bourgeois economists like Smith and Ricardo were concerned to show the advantages of Free Trade (eg Ricardo's theory of Comparative Advantage) Yet the process whereby these nations had themselves initially industrialised had little to do with Free Trade (eg Britain(s destruction of the Indian textile industry through tariffs on imports etc.)

Relations between imperialist powers and their colonies caused among other things;

(a) bias in the structure of production specialisation by country,

(b) constraints on the geographical pattern of trade flows and,

(c) peculiarities in the way many colonial areas developd.

It has been argued that to talk of the economies of underdeveloped nations being distorted is meaningless, because it assumes there is some 'normal' path of development. Such arguments are not really helpful either for uncovering the relations between imperialism and the 'third world' or for understanding why some underdeveloped countries have begun to industrialise rapidly while others have not, or as a means of providing underdeveloped countries with any kind of a solution to their problems. But as Mandel points out "The apologists of imperialism sometimes claim that monoculture and monoproduction are the consequences of 'natural' conditions in the colonial and semi colonial countries. This does not fit the facts. Though these counr ies certainly possess abundant riches, equivalent riches did not result in monoproduction in England, Canada, Sweden, Belgium, Bohemia, Silesia, the Ruhr etc. Monocultures, far from being 'natural' have usually been imported from aboard (notably coffee in Java, Ceylon and Brazil, cotton in Egypt and the Sudan sugar cane in Cuba etc. The best example in this connection is natural rubber in South East Asia." (Marxist Economic Theory pp 462 - 3)

Not only was rubber introduced into Malaya, where there were norubber trees, but the workforce itself was introduced. Moreover, the path of development of all countries which have developed is not hard to trace. It involves a continual reduction in the agricultural population along with increasing labour productivity in agriculture, and an increase in the manufacturing workforce. Manufacture develops along the lines of producing goods with a higher value added content.

In much of the underdeveloped world, at least until recently, the process has been the opposite. Native industry (eg. Indian textiles) have been destroyed, a high percentage of the population is employed in agriculture and primary production. Even in countries which have developed this legacy is still evident. Australia and New Zealand, for example, in 1964 came within the list of countries which had one commodity making up more than one third of the value of their exports (in this case wool) and primary products accounted for 86% of New Zealand's, and 83% of Australia's exportx in 1975. (See Appendix 1, Tables 11 and 111.)

The Colonial Revolution which brought political independence to most of the underdeveloped countries did not provide automatic economic independence from these biases. Indeed no country can be totally independent of the capitalist world economy. Yet the fact remains that some previously underdeveloped countries have managed to industrialise rapidly and others have not. Theories of dependency therefore, which virtually rule out the possibility of underdeveloped countries breaking free of total imperialist control, are just the other side of the coin to those which recognise <u>no</u> distortion of the economies of underdeveloped countries.

<u>ECONOMIC DEPENDENCE AND INDEPENDENCE</u>

In reality much depends on how much a country is dependent on trade. This in turn depends on a number of factors. W.A. Lewis suggests (a) its resources, (b) its size and (c) its stage of development. Kindleberger has put forward three propositions in relation to a nation's resources and its propensity to trade

(a) the narrower or more intensive a country's resource base, the more it will tend to trade to satisfy its internal wants,

(b) the smaller a country in geographic area the narrower its resource base will will tend to be so that the proportion of trade to income will tend to be high,

(c) conversely, the larger a country in geographic area the more diversified or extensive its resource base is likely to be, and the smaller trade is likely to be as a percentage of income.

But if a country is to utilise its resource base to industrialise it needs capital to create forward linkages. It is precisely that which underdeveloped countries are short of, and which leads them into large external borrowing. (NB. Some of the countries which have developed most successfully have not been large or particularly well endowed in resources - Taiwan, S.Korea, Singapore - important other factors are involved in their development such as strategic importance for imperialism, and historical factors eg. entrepots and financial centres like Singapore and Hong Kong.)

Whilst OPEC has been successful in raising its members income, the economies of most OPEC members remain rent based. It is also unique in its success - similar attempts at cartels in sugar, copper and other primary products have totally failed. Despite the protestations of the West against OPEC's rejection of 'free trade' they have themselves pursued the same attitude themselves throughout this century.

WORLD WIDE DISINTEGRATION & INTEGRATION

The first serious disintegratián of world trade occurred during and immediately after the First World War. After a brief interlude of freer trade in the early 1920's real disintegration and a rapid decline in the importance of trade set in - only 1% p.a. 1913 - 38. Governments introduced tarriffs, quotas, and other protective measures to protect their economies. The significance of these measures depends on;

(a) the relative domestic importance of trade to economies, and

(b) their general international bargaining sovereignty in respect of aggregate world trade,

(c) their product bargaining power with respect to world demand and/or supply of a particular product.

Clearly in a world recession when such protectionist measures are implemented those countries dependent on monoproduction and monoculture for exports, and in particular exporters of primary products, are in a weak position. (This is clear from the present crisis in OPEC)

The third wave of world wide integration and growth started after WW2 gathering momentum at the beginning of the 1950's (1953 - 63 world trade grew by 58.6% output by 24.7%). It has been centred on the spectacular recovery and rapid growth of all industrial nations, and supported by attempts under the post war hegemony of US imperialism at international interventionist policies. There are a number of evident features.

1) Institutionalisation

The Bretton Woods conference of 1944 resulted in a three pronged approach to trade questions. In the trade sphere GATT was set up to supervise reductions in trade restrictions primarily for manufactured goods, although attempts have also been made to establish agreements for a limited number of primary products. In the monetary sphere the IMF was set up amongst other things to supervise exchange rate agreements, and because of the hegemony of the US therefore, the dominant role of the dollar as world currency. It was also to ensure that world trade did not grind to a halt as a result of a shortage of liquidity - something which with growing inflation and payments deficits it found increasingly hardto achieve. In the area of investment the IBRD (World Bank) was set up to maintain world investment (subsequently the International Finance Corporation and the International Development Association - affiliate organisations - were set up). Clearly what these institutions signified was an attempt under the hegemony of US capital - faced with the extension of anti capitalist regimes in Europe and a growing colonial revolt -

US capital - faced with the extension of anti capitalist regimes in Europe, and a growing colonial revolt - to replace the national divisions of capital, which had resulted in the First and Second World Wars, with a co - ordinated imperialist response. It also reflected a number of other changes. Firstly, there was a belief after the experience of WW2 that Keynesianism could save capitalism from its inevitable crises. Keynesians held responsible position within these institutions. Secondly, it reflected a change in imperialism itself. Increasingly it was the giant (usually US) Multinational Corporations (MNC's) that were the representatives of imperialism. Their links to the domestic state were not at all automatic - indeed on some issues their interests may clash. Rather than imperialism being a competition of national capitals it was developing as a competion of giant MNC's who were often as powerful as small states. And increasingly they looked to international -al bodies to carry out the state functions.

2) <u>Regional Co - operation and Customs Unions</u>

In line with the trend described above customs unions and common markets have emerged in Europe, Latin America, Africa and elsewhere. They have had a dual role in terms of rationalising many state economic functions formerly undertaken by national states, and of conciliating the antagonisms which still persist from the conflicting <u>political interests</u> of the national <u>governments</u> of their member states. Such changes have also resulted in changes in trade patterns eg Britain has shifted much of its trade from the Commonwealth to the EEC.

3) <u>NIC's & MNC's</u>

From the early 1960's it became apparent that an important structural change was under way in the international economy. Transnational factors were not only speeding up the transmission of economic events from one country to another, they were also changing the motivation behind exchanges.

(a) MNC's located manufacture in underdeveloped countries where a fairly low level of technical know how allowed cheap labour to be used.

(b) Competition from NIC's made the operation of industrialized economies more subject to international pressures and industrial penetration.

(c) The emergence of transnational structures in business, banking, technology transfer, behaviour patterns (the demonstration effect) and value systems (Westernisation of the Middle East).

(d) OPEC's price hike in 1973 intensified the dislocation of the international economy that was already under way, having an inflationary effect on costs and deflationary effect on growth.

To meet this there were at first intermittent attempts at 'world demand management' through successive, unsuccesful summits. From the late 70's governments abandoned the attempt under pressure of inflation and spiralling Government deficits. Monetarism became dominant not only through Healey, Thatcher and Reagan but in the IMF.

The world financial and monetary system is in chaos. The dollar is unable to fulfil the role it played after WW2 as world currency, and no other

As a result the Americans grew exchange rates were arranged with European currencies (except the £) organising themselves into the EMS which is itself perilously close to collapse. The IMF's SDR's which were supposed to become a world currency or 'paper gold' are a total failure. Hence the increase in the price of real gold.

CHANGES IN THE VEHICLE OF IMPERIALISM

Alongside changes in the structure of the world market there have been changes in the vehicle of imperialism.

1) During the last century it was merchant capital which was the pioneer of imperialism represented by the large trading monopolies like the East India Company and Hudson Bay Co. Kay has argued that it is the operation of merchant capital which explains many of the features of underdevelopment. His main points are;

(a) Merchants do not make their profits by revolutionising production but by controlling markets - the greater the control the higher the rate of profit.

(b) Their effect on the development of the forces of production was ambiguous; acting as the medium through which the law of value enters history yet unable to consummate the process it has set in motion; it was unable to break out of the sphere of circulation.

(c) Whereas in the developed world merchant capital was a necessary moment in the circuit of capital, and acted therefore within certain limits in the colonial world it was the only form of capital and acted therefore in an unrestricted manner. The East India Co. for example acted as the state.

(d) With the development of industrial capital merchant capital, whilst retaining its independence in the colonial countries, was at the same time compelled to act as the agent of industrial capital within the world economy. "At one and the same moment it was the only form of capital but not the only form of capital. This apparent paradox is the specifica differentia of underdevelopment, and its emergence as a historical fact in the course of the nineteenth century marks the beginning of underdevelopment as we know it." (Kay - Development and Underdevelopment: A Marxist Analysis p100)

(e) The interest of industrial capital in the underdeveloped countries was as a cheap source of raw material and a market for its manufactures. Merchant capital which made its profit from buying cheap and selling dear was therefore ideally suited to act as its agent.

(f) As industrial capital at home became dominant it was increasingly unable to make its profit from selling raw material and was forced to make its profit through increasingly unequal exchange overseas and industrial capital began even to eat into that.

(g) Merchant capital was forced to convert itself into productive capital as a result of this crisis of profits. At the same time productive capital at home suffering a falling rate of profit was forced to intervene directly in the underdeveloped world beginning a new phase "the inception of a capitalist mode of production proper in the underdeveloped world." (ibid p124)

2)Also during the last century,following on from merchant capital,investment began to take place by states on infrastructure linked to domestic industrial production (eg.railways to India).Merchant capital continues to operate as an agent of industrial capital in raw material (agriculture and mining) production.
3)During this century the process began of direct involvement of industrial capital into the underdeveloped world via at first large trusts and more lately MNC's proper.They have located production of commodities which are in the mature phase of the product cycle,and therefore require little technical skill for production,in low wage countries.
4)Could a new phase of imperialism be commencing?More and more production in imperialist countries is focussing on very high technology products;'intellectual production',and export of technology.Additionally,as manufacture is declining as a shere of employment services have increased.The imperialist nations are the centre of finance and credit and are able to act as international 'coupon clippers'.

The Role of the MNC's

The present stage is that of 3 above with some elements of 4.Giant corporations are nothing new in international trade.They were a characteristic feature of the mercantilist period.But they were like dinosaurs,large in bulk but small in brain.In the 1870's firms were typically tightly controlled by a single capitalist or family.By the early 2oth Century the rapid growth of the economy and the great merger movement had consolidated many enterprises into large national corporations engaged in many functions over many regions.These national corporations copied the practice of railway companies who had established a structure which distinguished field offices from head offices.To meet the need of a constantly changing market firms adopted a multi divisional structure whose decentralisation gives them the flexibility to enter a new market by setting up a new division leaving the old divisions untouched.The new administrative structure ~~of~~ and financial strength of US corporations gave them the power to go abroad.Their large size and oligopolistic position gave them an incentive.

Hymer argues that one would expect to find the highest offices of the MNC's concentrated in the world's major cities,being the centres of high level strategic planning.Lesser cities will deal with day to day operations and specific local problems.Since business is the core of the city geographical specialisation will come to reflect the hierarchy of corporate decision making, and the occupational distribution of labour in a city or region will depend on its function in the international economic system.The best and most highly paid administrators,doctors,lawyers,scientists,actors etc.,etc. will tend to concentrate in or near the major centres.The structure of income and consuption will tend to parallel the structure of status and authority.The citizens of capital cities will also be the first to innovate new projects in the cycle of trickle down marketing.In this process the rich and powerful get most votes because they have more money,more ability to experiment,and because they have high staus are more likely to be copied.(See Hymer 'The Multinational Corporation and the Law of Uneven Development' in International Firms and Modern Imperialism - Penguin)

One effect of this is to reduce the options for develpment.For example,an underdeveloped country may wish to invest in education to increase its stock of human capital,but the need for high level education in low ranking areas is limited.A country does not become a world centre simply by having a better education system.The effect is an increase in emigration.Another effect on development is on the state's tax collection capacity.Taxation of MNC's is limited by their ability to manipulate transfer prices and move their production to another country.The state finds it difficult to extract the surplus from MNC's necessary for long run develpment programmes,and for stimulating growth in other industries.

The subsidiaries of MNC's are typicall amongst the largest corporations in the country of operation.,and their top executives play an influential role in the political,social,and cultural life of the host country.Yet whatever their title they occupy at best a medium position in the corporate structure, and are restricted to a lower level of authority and decision making.The governments with which they deal tend to take on the same middle management outlook which is unlikely to develop the kind of imagination needed to apply the policies needed to solve the pron lems of underdevelopment.

An increasing number of MNC's are establishing subsidiaries abroad with the purpose of exporting to third countries and to the'home'country.Veritable enclaves for manufacturing goods have been established whose operations are geared almost exclusively to the shifting requirments of the global strategy of MNC's. (See Kinnell IB 49).As the main outlets for manufactured goods are the advanced capitalist countries (ACC's) the underdeveloped economies are as has been stated earlier exposed to the changes and shifts of the ACC'S economies and trade policies, particularly those of the US.Processing and component manufacture midway within the production process may generate an output for which there is no outlet,other than the parent firm or sub contractor who commissioned the activity in the first place.

MNC's & The State

When any capital extends beyond its borders the historic link which binds it to its particular state no longer holds necessarily.Robin Murray identifies 5 possible executors of state functions for the overseas operations of an extended capital.(See Murray 'The Internationalization of Capital and the Nation State' - ibid.)First the domestic state may perform these functions directly ie.in most such cases annexation of territory.Secondly,there may be an arrangement that foreign states structure should perform them,accomplished via positive supplies and threats and sanctions.Thirdly,the extended capital may perform them either singly or in conjunction with other capitals.Fourthly,states may already be performing or be willing to perform them of their own accord.Finally,they may be carriedout by state bodies in co operation with each other.

Extended capital is not homogenous.The interst of the capital in the types of public function to be performed,and the bodies to perform them will differ,Murray says,according to the following factors:

(a)the degree of productive centralisation,

(b)the stage of overseas company development,

(c)the forms of international flow,

(d)the degree of dependence on state partiality,

(e)the strength of foreign competition.

There are some firms whose main concern with respect to their extended capital is the intra national performance of public functions.Companies which are financiallycentralised internationally may in effect play off rival states against each other.Other firms interests lie in the international as well as intra national performance of public functions.Murray lists them as:-

A)those principally engaged in servicing foreign markets by trade

B)those with regionally centralised production,

C)those operating with an international or regional division of labour in production,

D)those concerned with an exchange of goods rather than information or labour,

E)those whose domestic govt. gave insufficient support in the face of competition.

Firms which have expanded primarily as trading concerns have a strong interest in international liberalisation while being still firmly bound to the domestic state.Those firms which have developed an international division of labour in production are more concerned with a co ordinated execution of international state functions.In a number of trading areas in underdeveloped countries consumer goods manufacturers have distributed specialised plants country by country as a result of or as a guard against local nationalism.The preliminary results of the Harvard Business School Research programme,says Murray,on their investigations into the product cycle theory of trade suggest that this particular phasing of an international division of labour is not uncommon.

INDUSTRIALISATION

In the process of modernisation capital formation plays a central role. How much capital is accumulated depends ultimately of course on how much surplus value is created,but other factors are involved.The state has always had an important part to play in the process of development and capital formation,but never more so than for todays Newly industrialising Counctries (NIC's).If,as has been suggested above may happen,the state is unable to raise sufficient taxation its power to assist capital formation is reduced,and it is forced to rely on credit, which increasingly has come from commercial banks in ACC'S (Mexico,Brazil,Argentina). Private capital is forced into low profit areas or competing with MNC's which it is usually unable to do.It is also suggested that the compradore bourgeoisie develops Western consumption patterns (the demonstration effect)which leads to a high level of unproductive consumption from surplus value,again reducing capital formation.

On the other hand according to Dasgupta sectoral studies in developing