

1 · Introduction

I Imperialism: the scope of the book

The last two or three hundred years have seen two interconnected developments that have totally transformed the world. Firstly, production and productivity have increased to levels that would previously have seemed not so much impossible as inconceivable, and the whole nature of industry and of many of the goods produced has altered beyond recognition. How could earlier generations have conceived of live colour television pictures from the moon, broadcast to a mass audience in their own homes? Secondly, inequalities of wealth and power between different parts of the world have grown to an equally unprecedented degree. American workers watch their colour televisions, while their African and Asian counterparts suffer malnutrition. These are facts that everyone knows, but we tend to take them for granted and to ignore the extent to which they determine the whole character of the contemporary world. They can only be understood and analysed by looking at the historical process by which they have evolved, on a world scale and over a period of centuries.

The same period has been marked by a third, less obvious, development: the rise to dominance of the capitalist mode of production. In this form of economic organisation, production is carried out by many distinct, privately owned enterprises that sell their products on the market and employ wage workers. Capitalism has almost completely supplanted earlier forms of organisation (peasant agriculture, feudal estates, slave plantations) in the advanced countries. In the underdeveloped countries peasant agriculture still supports a large part of the population, but these areas have been drawn into a world market and a world-wide system of specialisation that has completely undermined traditional economic and social structures.

The colonial empires hacked out by European powers, and the whole system of European and American military and political dominance over

the world, that reached its peak in the early twentieth century, can only be understood in the context of this process of uneven development. The basis for military supremacy was economic. Superior technology meant superior armaments and a capacity to transport armed men to any part of the world. Superior economic organisation made it possible to finance the overhead costs of military forces, and to deploy them to devastating effect. The motives for imperial expansion were also predominantly economic. Some historians now seek to deny this, but the men of the East India Company, the Spanish *Conquistadores*, the investors in South African mines and the slave traders knew very well what they wanted. They wanted to be rich. Colonial empires were exploited ruthlessly for economic gain as sources of cheap raw materials and cheap labour, and as monopolised markets. The romantic image of empire (flags fluttering over distant outposts, etc.) may be appealing, but a serious study must concentrate on more fundamental economic issues.

I am not arguing, nor has any sane Marxist ever argued, that every incident in the history of empire can be explained in directly economic terms. Economic interests are filtered through a political process, policies are implemented by a complex state apparatus, and the whole system generates its own momentum. Much of the history of the British empire, for example, pivots on the need to safeguard the route to India. British policy in, say, the Mediterranean should not be explained in terms of the economic gains to be made in that area alone, but in terms of the maintenance of the empire as a whole. The overall drive to imperial expansion must be explained as one element in the whole process of capitalist development.

Equally, the creation of formal empires, under a single flag and a single political authority, is only a part of the story, and perhaps not the most important part. Formal political independence, with a flag, an airline and a seat at the UN, does not guarantee real equality, though it may be a necessary precondition for real independence and development. Some countries have never been formally annexed, and most Latin American states have been formally independent for a century and a half, but they have been drawn into a system of inequality, exploitation and dominance almost as deeply as have areas subjected to direct colonial rule. Underdeveloped countries still participate on very unequal terms in a world system of trade and investment.

My purpose in this book is to survey the various accounts of the development of the capitalist world economy that have been put forward within the Marxist tradition. I shall not discuss non-Marxist theories,

nor will I discuss pre-capitalist empires or Soviet expansionism. This is not to deny the importance of these topics (especially the last); it is simply a matter of drawing a line that will enclose a reasonably coherent subject area.

I have argued that imperialism (in any of several different senses of the word) must be seen in the context of the whole history of capitalism on a world scale. Correspondingly, any theory of imperialism can only make sense when seen as a whole. This dictates the structure of the book. The work of each major writer must be seen as a whole, since it is their 'vision' of the whole system that determines their treatment of particular aspects of it. The main body of this book will, therefore, be devoted to an examination of the work of a succession of major theorists in (approximate) chronological order. The focus, in each case, is on the logical coherence of the economic theory that underlines a particular political position.

II Historical outline

Before discussing the theories, I will give a very brief, selective, and inevitably inadequate outline of the historical record.

The fifteenth century is as good a starting point as any. At this time, Europe was not particularly rich or technically advanced compared with, say, India or China. The Arabic cities dominated what long-distance trade there was, controlling the trading links between Europe and Asia and the main Indian ocean routes. Certain parts of Europe had, however, a crucial lead in weaponry and shipbuilding, together with the ability and incentive to take advantage of it. This was the basis for the explosive expansion of the Spanish and Portuguese seaborne empires at the end of the fifteenth and the beginning of the sixteenth centuries.

During the first part of the 'mercantile period' (1500–1800), Spain and Portugal dominated. The Spanish empire was based on the mining of precious metals in Central America and the Andes; these were funnelled through Panama to Spain, running the gauntlet of piracy in the 'Spanish Main' on the way. The mines, and the agricultural estates that fed them, were worked by forced labour. The Portuguese empire was more a string of trading posts which controlled the traffic in spices and, later, in African slaves, leaving social systems and systems of production relatively untouched. At the same time the expanding mercantile cities of Western Europe came to depend on imports of grain produced by serf

labour on the estates of Prussia and Poland, shipped from the Baltic ports.

In the seventeenth century, the emphasis shifted to the production of sugar in slave plantations in the Caribbean and Brazil, while Spain and Portugal progressively lost control of the seas and of key parts of their empires, first to the Dutch and then to the English and French. Labour was scarce in the areas suitable for sugar growing, and the 'Atlantic triangle' was born, with manufactured goods (especially guns) being shipped to Africa, slaves to the Americas, and sugar back to Europe. As the eighteenth century went on, the English, French and Dutch trading posts in Asia were being expanded into territorial possessions, and there were signs of the more profound changes in Europe that developed in the following century.

In the mercantile period, then, European commerce came to dominate much of the world, though the goods exchanged in intercontinental trade were still mainly luxuries (sugar, spices, tobacco, etc.) together with slaves and precious metals. The organisation of society and of production in South and Central America was totally and forcibly transformed, with whole populations being exterminated and replaced, while in Africa and Asia the impact of Europe was in general either superficial or wholly destructive (the slave trade, the looting of India).

How this pattern of trade and production should be described is controversial. Frank and Wallerstein (chapter 7 below) insist that it was a *capitalist* world system, while others such as Banaji, Brenner and Rey (chapters 8 and 11) would describe it as a system of mainly *pre-capitalist* societies, linked by exchange, which contained an evolving capitalist centre in Europe. This disagreement is part of a larger debate over the definition of capitalism.

By the eighteenth century, capitalist relations of production, characterised by the employment of free wage labour in privately owned businesses producing for the market, were well established in England and, to a lesser extent, elsewhere in north-west Europe. Productivity was rising fairly rapidly (though not as rapidly as later), and was already well above levels in the rest of the world. One factor in this general technical advance was the development of science with state support. The seventeenth and eighteenth centuries were the period of the 'scientific revolution', which was very closely linked to military and mercantile needs. Astronomy and the measurement of time were critical to navigation, and these sciences were at the heart of the Newtonian revolution in physics, and thus of a wholly new view of nature.

The decades around 1800 are a critical turning point, separating the mercantile period from the classical epoch of capital development. In the political sphere, the American and, above all, the French revolutions created a new conception of politics. Britain supplanted France as a major colonial power and took effective control of India, which became the lynchpin of the British empire.

Even more significant, the industrial revolution, centred in Britain, marked the start of a new era. It was a protracted affair, but taken as a whole it must surely be regarded as about the most significant breakthrough in human history. Its short-run effects on the mass of the people were probably retrograde, but it was henceforth possible to conceive of the abolition of poverty and drudgery through the mechanisation of production. Marx's vision of the possibilities of socialism is based squarely on the potential created by industrialisation.

The industrial revolution happened when and where it did because of a conjunction of external and internal factors (whose relative importance is a matter of debate). The organisation of production in Britain was by this stage wholly capitalist, based on firms that were relatively large (by previous standards) but numerous, flexible and driven by fierce competition between themselves. These enterprises could recruit workers with the skills they needed from a substantial urban proletariat, and lay them off again equally quickly when market conditions changed or when labour-saving innovations made them redundant. Britain controlled the markets of the world: a vital advantage since the most important raw material, cotton, had to be imported, while a large part of the product was exported to markets abroad. The profits of empire contributed to the ready availability of funds for investment. This was a new kind of society, which the rest of the world regarded with amazement.

In a wider sense, the industrial revolution went on through much of the nineteenth century, a period of sustained capital accumulation and development in the main centres of capitalism. The new industrial methods were introduced into industry after industry, and at the same time they were spreading to other parts of Europe and North America. This was the context in which Marx wrote. By the end of the nineteenth century, Germany and the United States had emerged as major industrial rivals to Britain, and Japan had started on the process of industrialisation.

The case of Japan is important, since it is the only example of complete capitalist development outside Europe and areas of European settlement.

Those who argue that it was subjection to Europe that was the cause of the failure of development elsewhere can point out that Japan was one of the few areas that remained outside European control, while those who argue that the success or failure of capitalist development depends primarily on internal social structures can point out that Japan started from a social structure that had much in common with European feudalism.

The area effectively integrated into the capitalist world economy expanded enormously during the nineteenth century. Most of Latin America achieved formal independence (with some British support), but came under informal British control. Asia, the largest and most populous continent, was opened up for capitalism. The British established effective control of the whole Indian subcontinent, and forced China, at gunpoint, to permit the import of opium. The French got Indo-China and the Dutch already controlled the East Indies. Russia was steadily pushing back its frontiers in Siberia and Central Asia. Parts of Africa were colonised, setting the scene for the scramble for the rest at the end of the century. North America was opened up (gold rushes, cowboys and so on) and so was Australasia.

It was in this period that the world was definitively divided into 'advanced' and 'underdeveloped' areas, and the basic patterns of the present world economy were established. A new pattern of trade emerged, replacing the trade in luxuries that characterised the mercantile period. The advanced capitalist centres exported manufactures in return for imports of food and raw materials. The physical bulk of goods traded expanded colossally, but the means of transport were able to cope, having themselves been revolutionised along with the rest of industry.

The end of the nineteenth century marks another major turning point, the beginning of what Lenin called the 'imperialist stage' of capitalism. Following his lead, many Marxists reserve the term 'imperialism' to describe the twentieth century, using other terms for the expansionism of earlier periods. I will follow the usage of whichever writer is under discussion.

At this time, there was a rapid increase in the size of firms and a very rapid spread of monopoly in the form of cartels, trusts and so on. The twentieth century is the period of 'monopoly capital'. There was also a large increase in the export of capital, augmenting rather than replacing trade in commodities, at first in the form of loans to governments and public utilities, but increasingly as 'direct' investment in productive

enterprises. In the early twentieth century investment was mostly in resource-based industries and in related infrastructure. The natural resources of the whole planet were opened up for exploitation by the capitalist firms of the advanced capitalist centres.

At the same time there was a scramble for control of the few remaining areas not already brought under colonial control, especially in Africa. Latin America passed, more gradually, from the British to the American sphere. Once the division of the world was complete, any further territorial expansion had to be at the expense of rival colonial empires. There was a sharp increase in tension between the main powers, especially between Germany (the rising power) and Britain (with the largest empire), which culminated in two world wars.

That the rise of monopoly, the export of capital and the outbreak of inter-imperialist rivalry are connected is generally agreed among Marxists, though the exact nature of the connection is more disputable. This is the subject matter of the 'classical Marxist' theories of imperialism (chapters 4 and 5) worked out at the time by Hilferding, Bukharin and Lenin.

The twentieth century has seen a number of developments. Firstly, the area covered by the world capitalist system has contracted as a result of the subtraction first of Russia, then of China, Cuba, much of south-east Asia and so on. In all cases these areas broke away as a result either of war or of violent internal struggles. The nature of the systems installed in these countries will not be discussed here, but the fact of their existence has had important effects on the world balance of power.

Secondly, international trade has grown more rapidly than total production, and (perhaps more important) international investment by major firms has grown even faster, and made then into 'multi-nationals' operating on a world-wide basis. Markets for liquid money capital have also been internationalised, particularly through the development of 'Euromarkets'. Within its reduced geographical territory, the world capitalist economy is much more tightly integrated than ever before, despite the achievement of formal independence by most underdeveloped countries. The system cannot possibly be understood by looking at particular nation states in isolation.

Thirdly, the capitalist world is very clearly divided into advanced and underdeveloped countries, which differ from each other not only in income levels, but also in almost every other aspect of their economic and social structure. There are, as in all previous periods, a few doubtful cases (semi-developed countries in southern Europe, and special cases

like Israel and South Africa), but it is notable how small a fraction of the world's population they contain. In almost all cases there is no difficulty at all in assigning a country to one group or the other. This sharp cleavage is clearly a major structural feature of the world system.

The advanced countries (Europe, North America, Australasia, Japan) went through a bad patch in the two world wars and the depression of the 1930s, but then experienced the 'long boom' of the 1950s and 1960s. Overall, levels of productivity have increased enormously over the century and the capitalist form of organisation has almost completely displaced others. Trade and investment flows within the advanced 'centre' have grown especially rapidly, so that trade with the underdeveloped 'periphery' is now a relatively small part of the total. The economy of a typical advanced country is dominated by a relatively large industrial sector, with a service sector which is also fairly large and organised on modern capitalist lines. Agriculture only employs a small fraction of the labour force, but uses modern capital intensive techniques. (In some cases, a peasant sector survives with the help of subsidies.) The majority of the population are wage earners, and trades union organisations, if they have not fundamentally altered the nature of capitalism, have at least ensured that the benefits of increased productivity have been shared with the working class. The institutions of 'bourgeois democracy' are well established, with free elections and guarantees of personal freedom. The advanced countries contain the headquarters of the main multi-national companies and are the main centres of technological development.

These countries produce and export a very wide range of manufactured and primary products. Their imports from underdeveloped areas consist mainly of primary products, produced where natural conditions are most favourable, together with labour intensive products produced by cheap labour.

Turning to the underdeveloped world, there are important differences between the 'three continents' (Latin America, Asia, Africa). In Latin America indigenous societies were almost wholly destroyed centuries ago. White or creole ruling classes with a European culture have been established for an equally long time, and the institutions of the modern state were installed at almost the same time as in Europe. The larger Latin American countries have average income levels which are well above those of Africa and Asia, though equally far below those of Europe. At the same time, they have all the structural features of underdevelopment.

In Asia, major pre-capitalist civilisations were drawn into the capitalist orbit more gradually and at a later date. The larger Asian countries have well-established indigenous ruling classes, a considerable technological capacity, and industrial sectors which are quite large in absolute terms, though small relative to the size of the population. Average income levels, however, are very low, with an enormous mass of peasants and workers reduced to starvation level or below, and massive unemployment. Some smaller Asian countries, on the other hand, are relatively industrialised, and Japan is, of course, in another category altogether.

Africa suffered the destructive effects of the slave trade over several centuries, but actual European penetration into the larger part of the continent did not come until the 'imperialist' stage, much later than in Asia or Latin America. It is, in general, the least developed continent, with tiny industrial sectors and low levels of income.

Despite these differences, one can still talk of a 'typical' underdeveloped country, characterised by the small proportion of the population employed in modern industry, by permanent large-scale unemployment or underemployment, and by large, low-productivity agricultural and service sectors. Wages and incomes are low (except for a small élite). Agriculture mainly consists of small peasant holdings, except where there are plantations producing for export. These peasant farms are no longer self-sufficient 'subsistence' holdings, but are integrated into the market system. Foreign trade generally accounts for a rather large fraction of total national income, with essential imports of capital goods, intermediate products and raw materials being paid for by exports of primary products or labour intensive manufactures. Export earnings also have to finance outflows of dividends, interest and royalties. Underdeveloped countries generally trade with advanced countries and not with each other. This pattern is clearly quite unlike that of an 'untouched' pre-capitalist economy, and is the result of incorporation into the world capitalist system.

The class structure of underdeveloped countries is also distinctively different both from that of a pre-capitalist society and from that of the advanced countries. The small scale of industry and its domination by foreign firms with labour-saving production methods mean that the industrial working class and local industrial capital, the principal forces in advanced countries, hardly exist. In their absence, the system is dominated by the local representatives and affiliates of multi-national companies, by trading interests and by landlords. The largest popular

classes are the peasantry and the urban 'lumpenproletariat' of unemployed or casually employed workers.

Advanced and underdeveloped countries, then, are complementary halves of a very unequal world system, which is the product of a process of development that stretches back centuries. At different stages in its evolution, and in different areas, it has taken very different forms. A complete theory of imperialism must account for all of them.

III Historical materialism

The writers surveyed in this book differ from each other on many issues, but they share a common set of assumptions. All assign a central role to the evolution of the economic system, and agree that imperialism must be explained in terms of the development of 'capitalism'. This approach derives, of course, from Marx, and in this section I will briefly summarise some of the elements of Marx's method, historical materialism.

Marx starts from the observation that production is always social; Robinson Crusoe is a myth. Seen from a technical, physical point of view (the *forces of production*) or in terms of the actual activity of work (the *labour process*), production is the activity of human beings working on the natural environment to modify it to meet their needs. As a social process, however, it also involves relations between people, the (*social*) *relations of production*, which govern access to the means of production and the use of the product. These relations are not a matter of deliberate choice; the organisation of production in, say, Europe today is not the result of a conscious decision that wage labour in capitalist factories is a better system than the serfdom of the middle ages or the slave system of antiquity. It is the product of a long process of historical evolution.

Marx argues that the analysis of society must start from this structure of social relations, and not from individual choices or motivations:

In the social production of their existence, men enter into definite, necessary relations, which are independent of their will, namely relations of production corresponding to a determinate stage of development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation on which there arises a legal and political superstructure and to which there correspond definite

forms of social consciousness. The mode of production of material life conditions the social, political and intellectual life-process in general (Marx, 1976, p. 3)*

Marx's assertion that the economic 'foundation' ultimately determines the 'social, political and intellectual life-process in general' is one of the most controversial aspects of his work. It does not seem to me to be useful to discuss it at a general level; the test is whether it can be justified by detailed analysis in particular cases. I propose to treat it throughout as a working hypothesis, adopted for purposes of argument, and to see how far we can get with an analysis which starts from the economic structure.

Marx insisted on the need for abstraction. Society is too complex to be grasped as a totality, an integrated whole, in a single step. Instead, we must isolate the simplest and most fundamental social relations and build up an abstract representation of how they work and how they fit together. The concepts developed in this way can then be used to construct an analysis of the real (or 'concrete') world.

However, a single set of abstract concepts will not serve for the analysis of all societies. Marx praised the 'classical' economists (of the late eighteenth and early nineteenth centuries, notably Smith and Ricardo) for recognising the need for abstraction, but criticised them for applying concepts appropriate to the analysis of the capitalist economies of their time to all periods of history, thus failing to recognise the historical specificity of capitalism. Different stages of development were characterised by particular, different structures, and a separate process of abstraction was necessary for each. A *mode of production*, in the abstract, is a simple, basic structure of social relations that is the starting point for the analysis of a particular stage of history. It is essential to Marx's approach that there are only a limited number of these basic forms.

Each mode of production (except the simplest, the primitive-communal, and the highest, the future communist mode) defines a pair of opposed *classes*, a class of producers and a non-producing class that exploits them. The relation between these two classes is the central, defining feature of the mode of production. At this level of abstraction,

* References are to the bibliography on p. 295. Following the usual convention, the dates given are those of the edition cited, but the date of the original publication is given in the bibliography. Some frequently cited works will be referred to by an abbreviated form of their title; these abbreviations are listed on p. xi. Throughout, any emphasis in quoted extracts is in the original, unless otherwise stated.

classes should not be thought of primarily as groups of people, but as opposing positions within a structure of social relations. In particular, a class cannot be conceived of in isolation, since it only constitutes a class by virtue of its relation to another class; there cannot be employers without employees, slave-owners without slaves, and so on.

Some words of caution are necessary here. Recent 'structuralist' interpretations of Marx seem to me to have lost contact with Marx's materialism. Although Marx places the primary stress on the objective structure of social relations, this does not mean that these structures are ghostly 'essences' manipulating their 'bearers'. They exist only in the relations between real, flesh and blood human beings, and modes of production, in their pure form, exist only in the mind of the analyst. If I say, as I will, that 'capitalism develops the forces of production' (or some similar formula), then this is shorthand for 'a social organisation of the sort described by the concept of the capitalist mode of production induces people to act in such a way as to bring about an increase in output and productivity'.

Marx's original idea was simple and elegant. The various modes of production were successive *stages* in the history of human society. Each had its own structure and was able to 'reproduce' itself, that is to maintain both the forces of production (by replacing used up means of production, etc.) and the relations of production (by perpetuating the subordination of one class to another). The mechanisms of reproduction differ, of course, between different modes. The stability of each mode, however, was only relative; each generated development of the forces of production and, in the process, brought about changes in its own functioning that led in the end to a breakdown of the existing structure and its replacement by the next in the sequence.

At a certain stage in their development, the material productive forces of society come into conflict with the existing relations of production. . . . From forms of development of the productive forces these relations turn into their fetters. At that point an era of social revolution begins. . . . In broad outline, the Asian, ancient, feudal and modern bourgeois [capitalist] modes of production may be designated as progressive epochs of the socio-economic order. (Marx, 1976, pp. 3-4)

Society, according to this account, has evolved from a (rather nebulous) primitive-communal stage, through the ancient and feudal periods, into the capitalist societies of Marx's (and our) time, which will

in turn be replaced by communism. The *ancient* mode is defined by the opposition between slaves and free, slave-owning citizens, while the *feudal* mode, in its classic form, involves production for local use by a class of unfree peasants or serfs who control their own subsistence plots, but are compelled, by extra-economic coercion, to support a class of feudal landlords.

The most frequently studied mode of production, and the only one that Marx analysed in detail, is the *capitalist* mode. This is characterised by generalised commodity production, production for the market by many distinct and unco-ordinated units of production, together with a polarisation of wealth, so that a class of owners of the means of production confronts a class of free but propertyless workers. Ownership of the means of production excludes non-owners (the workers) from production, except on terms acceptable to the owners. Workers have to sell their labour power (their capacity to work) to the capitalists in return for wages with which they buy the goods they need to live. Marx's analysis of capitalism will be discussed in more detail in chapter 2.

Marx recognised that non-European history could not be fitted into this 'Eurocentric' succession of stages, and he introduced a distinct mode, the 'Asian' or 'Asiatic' mode (discussed further in chapter 2) to deal with this problem. The point of the Asiatic mode is that it does not develop in a way that leads on to further stages, but tends to persist unless disrupted from outside. He also admitted that the succession of stages could be broken by outside influences, especially by conquest:

In all conquests there are three possibilities. The conquering nation subjects the conquered nation to its own mode of production . . . ; or it allows the old mode to remain and is content with tribute . . . ; or interaction takes place, which gives rise to a new system, a synthesis. . . . In all cases the mode of production – whether that of the conqueror or of the conquered nation or the one resulting from the fusion of the two – is the determinant of the new distribution that occurs. (Marx, 1976, p. 27)

What he insists on is the analytical primacy of the mode of production, not the inevitability of a certain succession of stages.

A real society cannot, in any case, be reduced to a single abstract mode of production. Marx argued that: 'In every social formation there is a specific kind of production that predominates over all the others, and whose relations therefore determine their rank and influence. It is a general illuminant tingeing all other colours and modifying their specific

features' (1976, p. 39). Relations characteristic of several modes of production may be combined in a 'social formation' with one of them predominating. This interpretation has been revised recently (see chapter 8). Among other advantages, it permits the inclusion of the *petty-commodity* mode of production, a mode which has never predominated, and which therefore does not appear in a list of stages. It is characterised by production for the market by independent producers who own their own means of production.

Once we regard modes of production as basic forms of organisation which can be combined and elaborated upon in many ways in different historical circumstances, the range of possibilities becomes almost infinite. A limited number of modes can be analysed carefully in (conceptual) isolation, and then the complications can be built in to analyse a rich variety of real situations. This is the scientific method; the discovery of simple ideas which can elucidate complex problems.

What Marx left, in short, was not a complete interpretation of history, but a fragmentary outline of European history, an analysis of the capitalist mode of production, and some tantalisingly brief indications as to how his analysis could be extended. It would be foolish to treat Marx's writings as holy writ. In the study of imperialism, a central problem is the analysis of interactions between initially very different societies, characterised by different dominant modes of production. Marx's few writings on India and Ireland (discussed in chapter 2 below) are not particularly helpful. The Marxist method, on the other hand, has proved very fruitful, as I shall try to show.

IV The state

In any analysis of imperialism, the actions of (capitalist) *states* must play an important role. It is almost an axiom of Marxist theory that the state acts to defend the interests of the ruling class (i.e. the dominant exploiting class). There are many statements to this effect in Marx's writing, although he presented very little detailed analysis to support it. The state was one of the (many) topics that he planned to work on and write about at length but which he never managed to reach.

It is fairly easy to see why the state should act to preserve the broad outlines of the existing social system or, in other words, the dominant mode of production. The ruling class is normally well organised to defend its interests, and the higher level personnel of the state

apparatuses (politicians, bureaucrats, military officers, etc.) have a clear interest in preserving the existing state organisation, which could hardly hope to survive a wholesale change in the social order. In any case, a failure to meet the essential needs of the dominant mode could only result in chaos and economic regression unless it were coupled with the propagation of a positive alternative. Support for the existing order does not necessarily imply unthinking conservatism. On the contrary, it requires constant adaptation to changing circumstances, and may mean acting against the interests of particular sections of the ruling class. It does not necessarily follow either, that the state will succeed in this task; circumstances may overwhelm it, and the historic role of stupidity and error should not be underrated.

Within this framework, there are still many alternative policies, many degrees of freedom. An assertion here that the state acts to promote the interests of the 'ruling class' is not self-evident, and may not even be meaningful. There are always, in practice, divisions of interest within the capitalist class, so that the interests of that class as a whole are not clearly defined. Some Marxists appear to believe in a special providence that guides the hand of statesmen, so that their actions inevitably coincide with the 'objective requirements of expanded reproduction', or something of the sort. This is surely not an adequate analysis; policies are the outcome of real political practice, of class conflict, and of the conflict of sectional interests both within classes and cutting across class boundaries, all within a given political and ideological structure. The state, it is often said, has a certain 'relative autonomy'. A certain amount of work has been done on these lines, but the construction of general theories is at a very early stage.

This leaves something of a gap in the theory of imperialism. In most of the theories discussed in this book, the focus is on an economic analysis which shows that certain state policies serve the interests of (major sections of) the capitalist class, and this is taken to explain the policies concerned. I shall concentrate on the economics of imperialism, following the general trend of the literature. The economic analysis is, at the least, an important part of the story, even if it is not the whole of it.

V The theories of capitalism as a world system

Marxist theories of the development of capitalism on a world scale tend to fall into two groups. There are those that concentrate on the

important

good, but no

progressive role of capitalism in developing the forces of production, and conversely those that present capitalism as a system of exploitation of one area by another, so that development in a few places is at the expense of the 'development of underdevelopment' in most of the world. Capitalism, according to the first view, creates the material preconditions for a better (socialist) society, as well as the class forces that will bring it about, while on the second view it is precisely the failure of capitalism to generate economic development that makes revolution necessary. The historical record, however, suggests that there is an element of truth to both of these opposed views: capitalism has generated massive technological and economic advances and also enormous geographical disparities in economic development.

The first of these views is broadly that held by the 'classical' Marxists, from Marx himself to Lenin and his contemporaries. It has been strongly revived in recent years. According to this account, the development of each country is determined primarily by its internal structure, and specifically by the nature of the dominant mode of production. Capitalism, a system in which free wage workers are employed by competing firms, tends to generate economic development, while other modes do not. External forces have their effect primarily by altering the organisation of production.

Competition between capitals is at the heart of a classical Marxist analysis of capitalism. The largest, most efficient firms with the newest capital equipment are the most profitable, and can increase their lead, while weaker firms fall behind and the weakest are eliminated by bankruptcy or takeover. The threat of failure forces all firms to maximise profits, to plough profit back into expansion, and to seek out new methods of production, new markets, new sources of supply, and so on. In pre-capitalist modes of production, by contrast, the exploiting class must, above all, maintain the basis of the extra-economic coercion which they exercise over the producers. The result is relatively static systems dominated by custom, with the (potentially investable) surplus redirected into non-productive channels.

The expansion of capitalism constantly expands the demand for natural resources (minerals, land, etc.) and this is one motive behind the geographical expansion of capitalism. Even with a static demand, development of means of transport together with the search for cheaper sources of goods will tend to draw new areas into the capitalist orbit. Capital accumulation by itself tends to increase the demand for labour power as well, but the adoption of labour-saving methods tends to offset

this. The search for cheap labour is another motive for geographical expansion.

In the classical Marxist account, grossly oversimplified, capitalism emerges first in a few centres and generates capital accumulation and development there, opening up a lead over the rest of the world without necessarily taking anything from it (though capital will always take anything it can get). Capitalism spreads, starting the same process in other areas. Different parts of the world can be regarded, very crudely, as runners in the same race, in which some started before others. Any advantage gained by one at the expense of others is incidental.

The alternative view has been developed since the Second World War, notably by Frank and Wallerstein, as a response to the failure of capitalist development in many parts of the world. In this view, the unit of analysis must be a *world system*, in which different geographical areas or nation states are merely component parts. Capitalism is not characterised by a specific relation between classes, but rather by production for profit within a world system of exchange and by the exploitation of some areas by others. The 'metropolis' or 'core' exploits the 'satellites' or 'periphery' by direct extraction of profit or tribute, by 'unequal exchange' (see below) or through monopolistic control over trade. The state machines of the centre play a key role in this. In the periphery, ruling classes emerge which owe their position to their function as intermediaries in the system of exploitation, so that they have an interest in preserving it and in preserving the patterns of production that underlie it. Underdevelopment is not a state of original backwardness, but is the result of the imposition of a particular pattern of specialisation and exploitation in the periphery.

Within this world system, different forms of 'labour control' may be used, such as forced labour, wage labour, slavery, and so on. The class structure of different 'nations' and the particular forms of exploitation in production are merely results of the place of the areas concerned in the world system, rather than being the key determining factors (as they are in a classical Marxist analysis).

In this approach, oversimplified, capital accumulation is seen not as a precondition for genuine, qualitative advances in the level and methods of production, but rather as a redivision of a fixed magnitude, a transfer of resources from the exploited periphery to the centre. Development in some areas and the 'development of underdevelopment' in others are opposite sides of the same coin.

These two views involve quite different readings of history. In the

classical Marxist view, capitalism started off in a few places and has since spread out geographically in a process of *internationalisation* of capital, and has also evolved through a succession of *stages*, with key turning points in the industrial revolution and at the date when large-scale export of capital (not goods) started (i.e. around 1900). According to Frank and Wallerstein, by contrast, capitalism as a world system dates from the sixteenth century, and the system has persisted essentially unchanged ever since. The classical Marxists see capitalism in dynamic terms, while their opponents see it as a basically static system of exploitation.

The contradictions between these two views should not be overstressed, though they are very real. The world economy is a complex whole in which relations of production and exploitation exist both within and between 'nations'. It may not matter very much whether we say that underdevelopment is the product of external influences (which also determine a certain class structure and organisation of production), or alternatively that underdevelopment is caused by a certain class structure and organisation of production (which may be in whole or part the result of external influences). When we get to a more detailed level of analysis there are many theories that cut across this simple classification. Nevertheless, I think it is a helpful preliminary way of ordering the material.

The definition of the term 'underdevelopment' differs according to the approach adopted. In the classical view, underdevelopment is synonymous with backwardness, with an earlier stage of development. Frank and his followers, on the other hand, would argue that an isolated country could not be called underdeveloped, and that underdevelopment is defined by incorporation into a world system in a subordinate position. Whichever definition is adopted, there is little doubt as to which category to put any particular country in (though there have been half-hearted attempts to label Canada as underdeveloped), so this is not likely to lead to confusion. I shall use the term descriptively: an underdeveloped country is one that shows the general structural features of underdevelopment described in section II above.

Marx (chapter 2), in his main theoretical work, concentrated on a closed and wholly capitalist economy. In a rather less formal way, he analysed the origins and expansion of capitalism within a single nation state. His importance to the theory of imperialism is primarily that he established a basic framework of analysis that other writers have built on. In a series of articles on India, however, Marx made it clear that he regarded British rule, however brutal, as ultimately progressive in that it laid the foundations for subsequent capitalist development.

Rosa Luxemburg (chapter 3) developed Marx's picture of the expansion of capitalism into the pre-capitalist societies that surround it. She advanced two explanations for this expansion. The first is that capitalist economies suffer a chronic problem of 'realisation', that is of selling the products produced for sale, and must therefore seek markets abroad. This idea recurs in a variety of forms in the history of imperialism, and I shall refer to it as 'underconsumptionism' (though Luxemburg's variant of it does not exactly fit the term). I shall argue that underconsumptionism is mistaken. However, Luxemburg also argued that competitive pressures lead to expansionism, in search of raw materials and cheap labour, and here I think she is right. In either case pre-capitalist 'natural' (non-market) economies cannot be penetrated by simple market competition, there being no markets to compete in, and they must therefore be broken open by force.

Rey (chapter 8) has developed this idea recently, giving a more sophisticated account of the workings of the pre-capitalist modes involved and their interaction ('articulation') with capitalism. He argues that (some kinds of) commodity exchange can take place without fundamental alteration in the mode of production, so that incorporation into a world market is not necessarily a key turning point, but that the installation of capitalist production requires forcible penetration and the imposition of a 'colonial' mode of production. Once capitalist relations of production have 'taken root', they can reproduce themselves and expand by primarily economic means, under the aegis of a local state. Even in this 'neo-colonial' stage, however, the persistence of a pre-capitalist mode articulated with capitalism hampers development, and this accounts for slow growth in underdeveloped areas.

Hilferding, Bukharin and Lenin (chapters 4 and 5), the main authors of what I will call the 'classical Marxist theory of imperialism' (since Marx did not discuss 'imperialism' as such), wrote immediately before and during the First World War. In economic life, the main change since Marx's time had been the development of monopoly. This fulfilled Marx's prediction that the competitive process, with its constant elimination of smaller and weaker firms, would generate an inevitable tendency to monopoly. It remained, however, to analyse the results of this development. At the same time, there was a scramble for colonies and intense antagonisms emerged between the main capitalist powers. All three writers stressed the formation of monopolies on a national basis, and the intensification of competition on a world scale between national groupings of capital. At the same time, they predicted an

acceleration of capitalist development in backward areas of the world.

Hilferding's main contribution (chapter 4) was the concept of *finance capital*, the product of the fusion of industrial and financial capital into huge interlocking groups which still competed with each other, but not by price cutting. Instead they enlisted state support in their efforts to gain control of whole industries by financial and political means. Most of the elements of a theory of inter-imperialist rivalry were worked out by Hilferding, but his main focus was on the internal development of a single (advanced) capitalist economy.

Bukharin (chapter 5) transformed Hilferding's analysis by setting it in the context of a world economy in which two tendencies were at work. The tendency to monopoly and the formation of groups of finance capital is one, and the other is an acceleration of the geographical spread of capitalism and its integration into a single world capitalist economy. Blocs of finance capital form on a national basis, because of their links with national states. Competition thus becomes competition between 'state capitalist trusts', with annexation and war as means employed in the competitive struggle. One element in Bukharin's theory should be noted, because of the tendency of the rate of profit to fall (Marx's theory, discussed in chapter 2), the profit rate, he argued, tends to be lower in advanced centres than in backward areas, promoting the outflow of capital and the development of underdeveloped areas. This is an argument that recurs in the theory of imperialism, and that is, I shall argue, mistaken. It does not seem essential to Bukharin's theory as a whole.

Lenin's pamphlet on imperialism (also discussed in chapter 5) follows Bukharin in most respects while avoiding the main issues of theory. Lenin's main contribution was to insist that 'imperialism' should be regarded as a *stage* of capitalist development, the monopoly stage, rather than being a policy of capitalist states or an aspect of the relations between capitalist states. This terminology causes some confusion, since other writers (following everyday English usage) use the term to refer specifically to international relations of dominance and exploitation. Another aspect of Lenin's account which has caused confusion is his rather obscure treatment of the reasons for capital export, which could be interpreted in terms of the falling rate of profit or of underconsumptionist theories. Altogether, Lenin's pamphlet has been treated with a reverence that it does not deserve.

The work of Baran (chapter 6) represents a turning point in the theory of capitalist development on a world scale. The main Marxist writers,

from Marx to Lenin, had expected full capitalist development to be achieved, in due course, throughout the underdeveloped world. By the 1950s it was clear that this had not (yet) happened. Baran was the first to argue that the destiny of the underdeveloped countries was distinctively different from that of the areas that had experienced capitalist development at an earlier date.

His main arguments related to the effect of monopoly which, he argued, leads to restriction of output and of investment, and hence to low growth (in all parts of the world). In advanced countries output is high, and high monopoly profits depress workers' consumption, so that there is a chronic shortage of demand, which can be (partially) overcome by waste and especially by military spending. In underdeveloped countries, the 'surplus' is partly absorbed by the luxury spending of the ruling class, but much of it is transferred to the advanced countries (as profits), where it contributes to the problem of absorbing the rising surplus. Monopoly thus transforms capitalism from a force for development into a cause of stagnation, in advanced and underdeveloped countries alike. In underdeveloped countries, however, there was no competitive stage, so that they are 'frozen' at a low level of development of production.

Frank (chapter 7) is the central figure in recent debates. He has many followers, many of his arguments have been accepted implicitly even by his opponents, and important developments in theory have emerged from criticisms of his work by Laclau and others. I shall argue that his theories have crucial weaknesses, but that he has performed an enormous service to Marxism by forcing Marxists to confront the issue of underdevelopment, the most important single issue of our time. Frank's conception of capitalism as a world-wide system of monopolistic exchange and exploitation has already been described. The main criticism of this approach is that it ignores the role of relations of production in determining both the dynamics and the class structure of the system.

The 'dependency theorists' are a group of (mainly) Latin American writers whose position is similar to Frank's. They have concentrated on the economic aspects of the problem, arguing that growth in underdeveloped countries has been limited by balance of payments problems and narrow home markets which derive from their position in the world economy. Their work is valuable but limited, since they do not offer an explanation of the pattern of trade which is the basis of their arguments. They are discussed, along with Frank and Wallerstein, in chapter 7.

Emmanuel (chapter 9) stands somewhat outside the main lines of development of Marxist theories of imperialism; his theory of 'unequal

exchange' has started a new line of its own. He, too, sees capitalism as a world system of exploitation through exchange, but he provides a mechanism whereby surplus can be transferred through trade in *competitive* markets, not by monopolistic exchange. An essential element in Marx's theory of a closed capitalist economy is the establishment of a single general rate of profit and a corresponding set of 'prices of production'. Marxist theories of the world economy lacked any corresponding linkage between the analysis of production and of exchange, until Emmanuel provided a theory of the determination of prices of production in a world economy. The main assumption is that capital is mobile internationally, while labour is not. The main criticism of his analysis is that certain key variables (the pattern of specialisation, productivity, wages) remain inadequately explained. Emmanuel has made a useful contribution to a theory of the world economy, but he claims too much for it.

Amin (chapter 10) has incorporated the formal analysis of international exchange into an account of accumulation on a world scale. He argues that the impact of already developed capitalism on less developed or pre-capitalist areas imposes a pattern of specialisation that limits future development. His argument has much in common with that of Baran, the 'dependency theorists' and Emmanuel, but he meets many of the objections that I have raised against their work by an explicit treatment of 'unequal specialisation'. Important weaknesses, however, remain. The determinants of the development of productivity in different areas remain unclear, and his 'underconsumptionist' treatment of demand seems to me to be misconceived.

There have also been a number of debates on more specific issues, generally revolving around the differences between the Frank-Wallerstein position and the newly revived classical Marxist approach. One major area of debate surrounds the concept of a mode of production and its application to contemporary underdeveloped countries (chapter 11). The central point at issue here is whether the internal structure of underdeveloped countries can be conceptualised in terms of the persistence of pre-capitalist relations of production, and, if so, whether this is cause or consequence of their backwardness. A second area of debate concerns the trends in the relative standing of different capitalist states (chapter 12). In the post-war period, Marxists tended to assume that the United States would maintain or increase its dominance as the principal imperialist power, and that underdeveloped countries would inevitably become relatively, if not absolutely, poorer and more thoroughly sub-

ordinated as long as they remain part of the world capitalist system. Capitalism was seen as a stable, self-reinforcing global system of inequality. This view has now been challenged by a revival of the Lenin-Buharin prediction of rivalry between relatively equal imperialist centres, together with capitalist development in the underdeveloped world.

Taken together, the writings surveyed in this book seem to me to provide most of the makings of a coherent theory of the evolution of capitalism on a world scale, though such a theory has yet to be worked out in detail. What follows is my guess at the form it might take. It is only a tentative outline; to go further would go beyond the scope of this work.

The 'mercantile' period was characterised by very loose integration of the world economy, so that developments in different parts of the world were determined primarily by the dominant mode of production in each area. Transport costs were high, long-distance trade was mainly in luxuries and both capital and skills were relatively immobile. Europe advanced because Europe was becoming capitalist. Elsewhere, European military power had its effect mainly by transforming the mode of production, either installing new pre-capitalist modes (as in Latin America) or clearing the ground for future capitalist development (as in North America).

The nineteenth century was a period of transition. The emerging world economy was still rather loosely integrated, and the emergence of new centres was still possible where internal conditions were ripe and resolute state support was forthcoming. At the same time, the development of capitalism in Europe and North America was breaking up mercantile monopolies, bringing down transport costs, and inaugurating a new stage of development.

As the world economy became more closely integrated, the more developed industrial centres had a crucial advantage, since productivity levels were rising while wages remained relatively low. As a result, they had a crushing cost advantage in all the main lines of industrial production, and relatively backward areas were confined to natural resource linked activities. The advantages of the more developed areas could not be readily transferred, since skills were mainly in the hands of the workers, and capital tended to flow towards concentrations of skills. The need for a network of specialised services and suppliers had a similar effect. These 'external economies' were especially important in the epoch of competitive capitalism, but remain important up to the present.

Over this long period, development in some areas did tend to produce underdevelopment elsewhere, though it is not clear that the 'development of underdevelopment' in the periphery made much contribution to development at the centre.

Monopoly capital, however, tends to 'internalise' these external economies by taking over external suppliers and by codifying and routinising skills. Modern multi-national firms are able to transfer technology to new locations with relatively low additional costs. At the same time, wage levels in advanced countries have been rising. The cost advantages of established industrial centres have thus been eroded on both counts. There is now a clear tendency for production to be shifted to low-wage areas in underdeveloped countries, although it will take a very long time for this tendency to work its way through the whole range of industries.

It does not follow that the whole of the Third World can look forward to complete capitalist industrialisation, since one would expect the emergence of new poles of development and the elimination of weaker competitors. Equally, the mass of the population in the newly developing areas may not gain very much for a long time. Capital intensive methods of production hold down the demand for labour and the resulting unemployment holds down wages. The prospect is one of uneven development as between different areas, accompanied by working-class poverty – very much what Marx predicted over a century ago.

Part I

Classical Marxist theories of capitalist expansion