ANALYSING IMPERIALISM

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The best-known statement about the centrality of imperialism to the system is Lenin's pamphlet *Imperialism: The Highest Stage of Capitalism*. It was written in the midst of the First World War. Its aim was to be a "popular outline", showing how the resort to war was a product of the "latest stage of capitalism"—the original subtitle to the work:

> Capitalism has grown into a world system of colonial oppression and financial strangulation of the overwhelming majority of the people of the world by a handful of "advanced" countries. And this "booty" is shared by two or three world-dominating pirates (America, England, Japan), armed to the teeth, who embroil the whole world in their war over the division of their booty.

The capitalist powers, he points out, have partitioned the world between them on the basis of "a calculation of the strength of the participants, their general economic, financial, military and other strength". But "the relative strength of these participants is not changing uniformly, for under capitalism there cannot be an equal development of different undertakings, trusts, branches of industry or countries". A partition of the world that corresponded to the relative strength of the great powers at one point no longer does so a couple of decades later. The partitioning of the world gives way to struggles over the repartitioning of the world:

> Peaceful alliances prepared the ground for wars and in their turn grow out of wars. One is the condition for the other, giving rise to alternating forms of peaceful and non-peaceful struggle on one and the same basis, that of imperialist connections and interrelations of world economics and world politics.

Lenin's theory was not just a theory of military conflicts between the great powers. He insisted these conflicts were a product of changes in capitalism itself:

> Half a century ago, when Marx was writing Capital, free competition appeared to the overwhelming majority of economists to be a "natural law"... Marx had proved that free competition gives rise to the concentration of production, which, in turn, at a certain stage of development, leads to monopoly... The rise of monopolies, as the result of the concentration of production, is a general and fundamental law of the present stage of development of capitalism... Concentration has reached the point at which it is possible to make an approximate estimate of all sources of raw materials...of a

> country and even....of several countries, or of the whole world. Not only are such estimates made, but these sources are captured by gigantic monopolist associations. An approximate estimate of the capacity of markets is also made, and the associations "divide" them up amongst themselves by agreement.

But once this stage is reached, competition between the giant corporations is no longer based simply—or even mainly—on the old purely market methods. Taking control of raw materials so that rivals cannot get them, blocking rivals' access to transport facilities, selling goods at a loss so as to drive rivals out of business, denying them access to credit, are all methods used. "Monopolies bring with them everywhere monopolist principles: the utilisation of 'connections' for

profitable deals takes the place of competition in the open market."

And central among the connections are those linking the monopolies based in a particular country to its state. Lenin concluded that the development of monopoly at home has its corollary in the use of state power to establish influence abroad. The competitive struggle between the monopolies became a struggle between their states to control different parts of the world:

The epoch of the latest stage of capitalism shows us that certain relations between capitalist associations grow up, based on the economic division of the world; while parallel to and in connection with it, certain relations grow up between political alliances, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the "struggle for spheres of influence".

This found expression in the division of the world into the great empires—the British, the French, the Russian, the Belgian and the Dutch—which divided most of Asia and Africa between them in Lenin's time. But Lenin was insistent that imperialism involved more than the division between the great powers of what we would today call the "Global South". He criticises Karl Kautsky for writing, "Imperialism...consists in the striving of every industrial capitalist nation to bring under its control or to annex all large areas of agrarian territory, irrespective of what nations inhabit it." The imperialist division of the world, Lenin insisted, was increasingly centred on industrial areas: "The characteristic feature of imperialism is precisely that it strives to annex not only agrarian territories, but even most highly industrialised regions." Lenin's fellow Bolshevik, Bukharin—whose Imperialism and World Economy was written shortly before Lenin's work, but which appeared afterwards, with an introduction by Lenin—made the arguments just as forcefully:

> Where formerly many individually owned enterprises competed with each other, there appears the most stubborn competition between a few gigantic

> capitalist combines pursuing a complicated and, to a considerable degree, calculated policy. There finally comes a time when competition ceases in an entire branch of production... The centralisation process proceeds apace. Combines...in industry and banking...unite the entire “national” production, which assumes the form of a company of companies, thus becoming a state capitalist trust. Competition reaches its highest, the last conceivable, stage of development. It is now competition of the state capitalist trusts on the world market.

Lenin and Bukharin’s works were produced in the middle of the First World War, and their aim was to explain the forces behind it. Their enduring power lies in the way in which they still provide an explanation, like no other, of the whole of what has been called the “30 years war” of the 20th century—the great military clashes that tore Europe apart, causing a total of 50 million deaths and devastation all the way from the Channel to the Volga, and sucking into the maelstrom hundreds of millions of people in the most distant stretches of the world. It was an explanation that spurred opponents of war in Europe and North America to challenge not merely the militarists, but also the economic system as a whole. And it spurred a whole generation of people fighting to shake off the shackles of empire in the Third World to see some sort of identity of interest with the workers’ movements of the advanced countries.

The attacks on the theory

The sheer power of this theory of imperialism has led to repeated attempts to refute it. The attacks have generally concentrated on two interlinked fronts. They have denied any empirical link between the great expansion of the Western colonial empires and the dynamics of capitalism. And they have argued that peaceful free trade rather than a militaristic struggle to control chunks of territory is the most profitable course for the majority of capitalists to pursue.

The first argument is not difficult to deal with. The great period of growth of the Western empires was the last quarter of the 19th century. Some European powers (Britain, Holland, France) already had empires, inherited from a previous phase of capitalist development, but not until the 1880s did they seek to divide all the world between them. In 1876 no more than 10 percent of Africa was under Imperialism and National Liberation 7 European rule. By 1900 more than 90 percent was colonised. In the same period Britain, France, Russia and Germany established wide spheres of influence extending out from colonial enclaves in China; Japan took over

Korea and Taiwan; France conquered all of Indochina; the US seized Puerto Rico and the Philippines from Spain; and Britain and Russia agreed to an informal partitioning of Iran.

This was the period in which the export of capital became a central feature of the economy of Britain, still then the world's dominant capitalist country. Total investment in foreign stocks rose from £95 million in 1883 to £393 million in 1889. It soon equalled 8 percent of Britain's gross national product and absorbed 50 percent of savings. Its biggest colony, India, accounted for 12 percent of its exports of goods and 11 percent of its capital exports, while providing a surplus to Britain's balance of payments that could help pay for investments elsewhere in the world.

The 1870s and early 1880s had been a period of depressed markets, falling prices, and low profits and dividends in Britain. With the growth of foreign investment this "great depression" came to an end.

It is not true that the exports of capital, let alone of goods, went to the colonies. Much went to the US, and quite a lot went to Latin American countries like Argentina. But what mattered for both politicians and industrial interests was that "Britain ruled the waves". There was a global empire, in which direct dominance in some parts of the world contributed to hegemony—and defence of economic interests—in other areas.

Where British capitalism went, others wanted to follow and set about grabbing what they could. It was usually a case of first come, first served. France took huge swathes of North and West Africa, Belgium's king seized a vast area of the Congo region, and the Dutch consolidated their scattered holdings in the East Indies into a modern empire. But the one country in Europe that was beginning to overtake British capitalism industrially, Germany, was the last to join the race. By the turn of the century there were powerful voices in German industry connected to the National Liberal Party (after 1918 the National People's Party) who were arguing that German business could only compete globally if Germany had more colonies—or at least a sphere of influence stretching through eastern and south eastern Europe.

Whichever way you look at the 1890s and the 1900s—or for that matter the 1920s and the 1930s—you find that empire was seen as a positive economic advantage by capitalist classes. There would be differences of opinion over the advantages to be gained from particular imperialist adventures. There was no great divergence about the benefits of empire in general.

But this still leaves open the second objection. Was it really in the interests of businessmen to see their taxes burnt up in wars that disrupted markets? This was essentially the argument of one of the first accounts of imperialism, produced by the English liberal economist Hobson, whose work was published in 1902. He saw imperialism as the product of one interest group, those connected with certain financial institutions. These opted for guaranteed returns of interest on overseas loans rather than taking the risks involved in industrial investment at home, and welcomed colonial expansion as a way of making sure their state guaranteed the safety of their investments.

Other sectors of capitalists might support imperialist policies, such as arms manufacturers, “the great manufacturers for export trade”, “the shipping trade”, but Hobson insists that “by far the most important economic factor in imperialism is the influence relating to investments”.

So one small section of the capitalist class has, in effect, turned the state to its own advantage, despite the harm it does to the rest. The alternative to imperialism, on Hobson’s reasoning, was not the revolutionary overthrow of capitalism, but governmental action to expand the domestic economy and defend the interests of industry against finance. Such action would form the basis of an alliance uniting trade unions and the great majority of business interests in opposition to the rentiers and the finance capitalists.

Ten years later Karl Kautsky, the veteran theorist of the German Social Democratic Party, came up with a very similar account of imperialism. Along with finance capitalists, Kautsky also saw the arms producers as having an interest in imperialism and war. But he maintained that “the economic costs of rearmament, while they favoured the development of some sectors of industry, were detriments to others”. “The source of the political power of finance capital, which aimed at subjugating all society, could be traced back to its union with militarism and the bureaucracy.”

From his view that capitalism as whole had no interest in partitioning the world into rival colonies, Kautsky drew the conclusion that it was approaching a new stage. He developed this argument in an article he wrote in 1914 in which he saw the colonisation of the previous three decades as a result of industrial capitalists trying to secure for themselves raw materials and markets.

“Capitalist accumulation in industry can proceed freely only when the agricultural region which supplies its raw material and consumes its products is constantly being enlarged.” There were various ways to do this. One was called “imperialism”, especially fostered by the system of investing capital in agrarian countries which encouraged “efforts to reduce these lands to a state of political dependence”. “The effort to subdue and hold agrarian regions" had caused serious conflicts between the great capitalist powers which led to "tremendous competition in armaments" and "long-prophesied world war". But, he went on to argue, "this phase of imperialism" was not necessary to the continued existence of capitalism:

> There is no economic necessity for the continuation of the great competition in the production of armaments after the close of the present war. At best such a continuation would serve the interests of only a few capitalist groups. On the contrary capitalist industry is threatened by the conflicts between the various governments. Every far-sighted capitalist must call out to his associates: Capitalists of all lands unite! From a purely economic point of view, therefore, it is not impossible that capitalism is now to enter upon a new phase, a phase marked by the transfer of trust methods to international politics, a sort of super-imperialism.

Monopolies, the state and finance capital

Lenin's *Imperialism* is very much a critique of Kautsky. It rests on three planks. First, there is the argument that the whole system is in a monopoly stage. Monopolies are the central, dominating forms of capital, dragging other sections behind them.

Second, in such a situation the political "influence" they exert is not an accidental feature. It is intrinsic to the form capitalist competition now takes. No large capital can survive unless it has connections to the state and uses these to expand at the expense of other capitals. Or, to put the argument another way, capitalism is never simply an abstract system of free-flowing capital. The system has always been composed of different individual capitals, each run by people who attempt to use their connections with each other and with the state to cheat the market. But under the "free market" capitalism of Marx's time, none was big enough to influence the dynamic of the system as a whole. By contrast, in Lenin's picture individual capitals dominate each major sector of production within each country and are able, through their connections with each other and the state, to impose a whole new dynamic of political and military expansionism on society as a whole. Finally, Lenin backs up his points by his empirical accounts of the development of major industrial concerns.

There are, however, certain subsidiary problems with the way Lenin presents his arguments that leave a back door open for arguments of the Kautsky sort.

In his pamphlet Lenin readily acknowledges his use of Hobson's work and that of the Austrian Marxist economist Hilferding, who was also an important influence on Kautsky's views on imperialism. Lenin is critical of both. But he puts at the very centre of his analysis Hilferding's use of the phrase "finance capital" to describe the dominant feature of the system in its imperialist phase, and he accepts much of Hobson's description of the dominant and parasitic role of finance within this.

Hilferding had carried through a very important account of the changes in capitalism in the quarter of a century after Marx's death in 1883—the rise of the joint stock company in place of the individual entrepreneur, the growing importance of the banks as a source of investment, and the role of the state in protecting the markets of already mature national capitalisms. There was, he argued, a merging together of financial capital and industrial capital to produce a synthesis of the two. But there was a central ambiguity in Hilferding's own use of "finance capital". At some points it meant a merger of finance and industry—or at least financial interests lubricating the merger of industrial concerns: "Industry becomes increasingly dependent upon bank capital, but this does not mean that the magnates of industry also become dependent on banking magnates."

On this basis giant trusts and cartels were emerging that could dominate whole sectors of industry. They leaned on the state to protect their domestic markets, so enabling them to raise their prices at home—and attempt to conquer foreign markets with lower prices. It was this pressure of the combined finance-industrial capitals that changed the whole attitude of capital to the state. "It is not free trade England, but the protectionist countries, Germany and the United States, which become the models of capitalist development," wrote Hilferding. The drive for empire was endemic in the most modern forms of capitalism.

But Hilferding also used the term "finance capital" in a way resonant of Hobson's description of finance as something with interests in opposition to those of the mass of industrial capitals: "The mobilisation of capital and the continual expansion of credit gradually bring about a complete change in the position of the money capitalists. The power of the banks increases, and they become the founders and eventually the rulers of industry, whose profits they seize for themselves as finance capital, just as formerly the old usurer seized, in the form of 'interest', the produce of the peasants and the ground rent of the lord of the manor."

The finance capitalists were then seen as the force pushing for colonies and wars, even while the industrial capitalists want to hold back. Lenin was scathing about this trend in Hilferding's politics. Yet he took over the term finance capital and put it at the centre of his own theory. In doing so he left his own work open to ambiguous interpretations.

The phraseology of certain parts of the pamphlet allowed people to interpret him as saying that financial interests and the banks were mainly responsible for imperialism. This stress on the "parasitism" of finance capital allowed some people who supposedly based themselves on his work to claim in the decades after his death that it was possible to form anti-imperialist alliances with sections of industrial capital against finance capital—that is, to fall back precisely into the Kautsky policy that Lenin attacked so bitterly.

It also seemed to make the whole theory of imperialism rest upon the key role of the banks in exporting financial capital. But this did not fit with the picture even when Lenin was writing, let alone in the decades afterwards. The export of finance was a central feature of British capitalism in the two decades before Hobson wrote. But Britain no longer "showed the future" to other capitalist countries, as it had in Marx's day. Its new competitors, like Germany and the US, had leapt over Britain when it came to the concentration and monopolisation of industry. In the German case it was the industrial combines, especially those in heavy industry, that sought to expand beyond national frontiers by the establishment of colonies and spheres of influence. Moreover, the characteristic feature of the US and Russian economies in this period was not the export of capital but the inflow of funds from other capitalist countries (although here there was some re-export of capital).

Bukharin and the drive to war

Bukharin's account of imperialism holds up much better, despite being much less widely known. He uses the category of "finance capital" repeatedly in Imperialism and World Economy. But he explicitly warns against seeing it as something distinct from industrial capital: "Finance capital...must not be confused with money capital, for finance capital is characterised by being simultaneously banking and industrial capital." It is inseparable, for Bukharin, from the trend towards domination of the whole national economy by "state capitalist trusts": "The individual production branches are in various ways knit together into one collective body, organised on a large scale. Finance capital seizes the entire country in an iron grip. 'National economy' turns into one gigantic combined trust whose partners are the financial groups and the state. Such formations we call state capitalist trusts."

Once this stage is reached "there is a struggle of economies against each other, a war of capitalist competition. The form of this competition can be widely different.

The imperialist policy...is one form of this competition." War now becomes central to the system, arising from the competition between the "state capitalist trusts", but also feeding back into and determining their internal organisation:

> "With the formation of state capitalist trusts, competition is being almost entirely shifted to foreign countries; obviously, the organs of the struggle that is to be waged abroad, primarily state power, must therefore grow tremendously... If state power is generally growing in significance, the growth of its military organisation, the army and the navy, is particularly striking... This is why in our times, when economic conflicts have reached an unusual degree of intensity, we are witnessing a mad orgy of armaments."

Bukharin's account here foreshadows the version of imperialism that characterised the late 1930s and the 1940s. But in one respect he was weaker than Lenin—in terms of drawing out the political consequences of his theory when it came to the countries oppressed by imperialism.

Lenin, imperialism and the colonial countries

Imperialism: The Highest Stage of Capitalism had an enormous impact on the colonial liberation movements—and on those showing solidarity with them in the imperialist countries. This was partly because it was a clear call for workers within imperialist countries to oppose the policies of their own rulers. It was also because it was read in association with other writings by him on the right of peoples to self-determination.

In these Lenin had dealt with the political implications of imperialism. He saw that the revolt of the oppressed nationalities within the great empires that dominated the world could tear them apart. These revolts could arouse much wider layers of the population to action and weaken the Western capitalist states running the great empires—and this was true even if the revolts were led by remnants of the old pre-capitalist exploiting classes or by the newly emerging bourgeois groups. What mattered was that these local exploiting classes were politically dominated by the states of the great empires, and in fighting back weakened those states. Revolutionary socialists had to encourage and aid such fightbacks by unconditionally supporting the right of political self-determination in the face of imperialist oppression.

But there was one big problem with Lenin's theory when it came to the colonial world. Imperialism: The Highest Stage of Capitalism held that the export of capital to the colonies would lead to their industrial development:

> 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.

However, the attraction of Communism to many in the national liberation movements had been because of the perception that capitalism was not producing appreciable industrial advance. In many Third World countries there was a large urban middle class that suffered from impoverishment, precarious job opportunities and unemployment, as well as political marginalisation by the colonial set-up. The lack of willingness of movements dependent on the local bourgeoisie to wage a consistent and determined struggle against colonialism could attract some of the urban middle class to Communism—provided Communism addressed their concerns about economic development as well as political independence. A debate over this issue arose in the Communist International in 1927-8, just before complete Stalinisation destroyed any possibility of rational debate within it. Jane Degras has written:

> The chief point in dispute was whether the colonies were being "decolonised", i.e. whether the metropolitan countries were promoting or retarding the industrialisation of their colonies; India served as the focus of this discussion... Members of the British delegation believed Britain was industrialising India to take advantage of cheap labour there. Bukharin in his introductory speech came out against the decolonisation theory; the Indians themselves were divided.

Kuusinen, Stalin's man in the Communist International at the time, then intervened to insist, "If it were true that British imperialism had really turned to the industrialisation of India, we should have to revise our entire conception of the nature of imperialist colonial policy"—without, of course, recognising that any "revision" would have meant agreeing with Lenin's writings!

Two British delegates, Arnot and Rothstein, argued back, "Imperialism by its own contradictions fostered industrial development in the colonies that was going to compete with it, thus transferring domestic contradictions onto the world scene." But the theses of the Congress were adamant: "There is an objective impossibility of a non-capitalist path of development for the backward countries... The specific colonial forms of capitalist exploitation...hinder the development of the productive forces of the colonies." This argument became cast in stone during the following decades of Stalinism, when it was used to argue that the only way colonial and excolonial countries could develop economically was to follow the pattern established in the USSR.

There was a convergence between this current of ideas rooted in the Stalinist tradition with another current that had arisen, more or less independently, in Latin America. Direct colonial rule had ended in most of the region in the 1820s. But in the first decades of the 20th century the conditions of life of people in large areas of it were hardly different from those for the colonised peoples of Africa and Asia.

Movements began to arise in the inter-war years that saw the main obstacle to economic advance as lying in the stultifying influence of British and American imperialism. Haya de la Torre, son of an unsuccessful businessman, formed the Alianza Revolucionaria Peruana (APRA) in 1924 around a programme of nationalism and anti-imperialism which gathered wide support from both the middle class and workers in Peru, and encouraged middle class activists in other countries to follow suit. As one author writes:

In political terms, the strategy was seen as an alliance of nearly all social classes against the landed oligarchy... In many ways this analysis was similar to the argument put forward by the Communist Party, which...argued that revolutionaries should support the "progressive national bourgeoisie" in its struggle to remove the last vestiges of feudalism and imperialist domination, and modernise the economy.

Governments like that of Vargas in Brazil and then that of Peron in Argentina moved strongly in the direction suggested by such arguments, but so did others, so that for a time the policy was virtually the orthodoxy. Such governments were not in any serious sense hostile to US or Western European capitalism. But their policies did face varying degrees of opposition from powerful landowning classes who had commercial and financial links with Britain or the US, and it was possible for the "populist" politicians to give a nationalist and supposedly anti-imperialist tinge to their policies.

The Second World War: the confirmation of the theory

The Second World War was the great and barbaric confirmation of the classic theory of imperialism. In response to the unprecedented economic crisis of the 1930s each national capitalism turned to a greater or lesser degree to an integration between national capital and the national state—and the other side of this "state monopoly capitalism" was the use of "protectionist" measures to restrict direct market competition from foreign capitalists. World trade, which had risen fourfold between 1891 and 1925, by 1932 had fallen back to the level of 1905. The imperialism of countries seeking to penetrate distant parts of the world through capital exports turned into the imperialism of countries trying to form tight trading blocs in opposition to each other. But capitalist states could not simply undo their dependence upon components and materials from outside their own borders. This put a greater premium than before on the national state being able to exert direct political influence to control resources beyond its own borders.

The result was a recurrence, on a more intense basis, of the tension that had culminated in the First World War. The established colonial powers, especially Britain and France, were able to rely upon their existing empires to create political-economic blocs, dominated by their own currencies. The US was able to increase its influence, particularly in Latin America, after buying up many British investments there during the First World War. The world's second industrial power, Germany, was restricted to an even narrower national territory than in 1914. It had lost its colonies, and France had made a series of alliances in Eastern Europe directed at reducing German influence there, and even over German-speaking Austria. In the Far East expanding Japanese capitalism similarly felt penned in by the colonial rule exercised by the French over Vietnam, the British over Malaya, the Dutch over the East Indies (present-day Indonesia) and the US over the Philippines—as well as by the continuing British and French "concessions" in China.

The rulers of Germany and Japan went for political options that, as well as repression of the working class movement at home, subordinated individual capitalists to programmes of national capitalist accumulation imposed by the state. The Nazi government used dictatorial political powers to impose regimentation on the economy. The major capitalist groups remained intact. But from now on they were subordinated to the needs of an arms drive which they themselves supported. Armaments and the expansion of heavy industry drove the whole economy forward, providing markets and outlets for investment. However, there was one major problem with any such policy. Germany was not a self-contained economic unit. The only way to overcome instability in raw material sources was to expand the boundaries of the German Reich so as to incorporate neighbouring economies, and to subordinate their industries to the German military drive. The logic of state-directed monopoly capitalism led to a form of imperialism Lenin had referred to in 1916 and which was central to Bukharin's theory—the seizure of "highly industrialised regions". Beyond a certain point such expansion led to inevitable clashes with other great powers who feared threats to their own spheres of influence and empires. As they reacted by resorting to armed force, the German regime in turn had to direct even more of the economy towards arms—and reach out to grab new territory—in order "defend" the lands it had already grabbed.

The rulers of the British and French empires were driven to resist, later joined by the US and USS R. The alliance against Germany and Japan overshadowed the clashes between the other imperialisms. In the 1920s there had been predictions of a major clash between the US and Britain. The predictions were not fulfilled. There were sharp clashes of interest between the British and US governments in the course of the Second World War. For instance, they jostled for influence over Saudi Arabia with its oilfields. But greater hostility to the demands of German and Japanese imperialism led to British imperialism accepting, grudgingly, a subordination to US interests.

Imperialism in the Cold War years

The clash of imperialisms in the 1930s had taken the form of the conflict between Britain and France with their diffuse global empires and Germany as it built a continental empire in Europe. With the defeat of Germany, a new conflict in some ways similar grew up between the two great victors of the war.

The US had aspirations for its industries, the most advanced and productive in the world, to penetrate the whole world economy through "free trade". The Western European powers, exhausted by the war, were in no position to challenge it directly. But the other victor, the USS R, was in such a position. Its ruling bureaucracy had embarked with a degree of success on the forced industrialisation of their country in the late 1920s by subordinating everything to accumulation of means of production, building a state capitalism of their own at the expense of the gains made by workers and peasants in the revolution of 1917. This gave them the means, through large and powerful land forces, to dominate virtually the whole of northern Eurasia, from the borders of Western Europe right through to the Pacific. But with levels of industrial productivity less than half those of the US, they were in no position to sustain themselves in economic competition through free trade.

In 1947 and 1948 they decided to contest the US attempt at global hegemony by blocking its access to the economies under their control—not just the territory of the old Russian Empire, but also the countries of Eastern Europe which they subordinated to their military-industrial goals. The US, for its part, rushed to cement its hegemony over Western Europe through finance to pro-American Christian Democrat and Social Democrat political parties, a Marshall Plan for reviving

European industry within parameters favourable to US interests, the creation of the Nato military alliance and setting up US bases in Europe.

The developing conflict cannot be explained by economics as often understood, in terms simply of profit and loss accounting. The armaments bills of both great powers soon exceeded anything their rulers could hope to gain from the increased exploitation of the lesser powers under their control. At no stage in the 1940s or 1950s did total US overseas investment exceed US spending on arms. Even in the period of "disarmament" prior to the outbreak of the Korean War "military expenditure...was not only 25 times as high as the sum of private capital exports, but it was also many times greater than the sum of foreign aid." Over the subsequent three decades US overseas investment grew many times over. Total expenditure on "defence" also rose. It was eventually less than total overseas investment, but still substantially more than the profits that could possibly accrue from that investment. The picture for the USS R will have been somewhat similar.

The imperialism which necessitated arms spending was not the imperialism of a single empire in which a few "finance capitalists" at the centre make huge super-profits by holding billions of people down. Rather it was the imperialism of rival empires, in which the combined capitalists of each ruling class had to divert funds from productive investments to military expenditure in order to ensure that they hung on to what they already possessed.

The calculation in both Washington and Moscow was simple. To relax the level of military spending was to risk losing strategic superiority to the rival imperialism, enabling it to seize territory. So the pattern was laid for the next 30 years, of each of the two great powers reaching out to draw as much of the world into its sphere of influence so as to gain a strategic advantage over the other. They fought a bloody war over control of the Korean peninsula, not because of the little wealth it possessed, but because of the strategic implications for the whole of the East Asian and Pacific region. They gave aid and arms to regimes which fell out with their rival—the US to "Communist" Yugoslavia so as to gain a foothold in the Balkans close to Russia's borders; the USS R to Cuba so as to get a toehold in the Caribbean close to US borders; the USS R armed Somalia to fight an Ethiopia armed by the US, and then, in a quick turnaround, the USS R armed Ethiopia and the US Somalia.

The Cold War clash of imperialisms came to an end with the collapse of the Soviet Bloc in the late 1980s. But during its course enormous changes had taken place within the structure of world capitalism as a whole.

The end of the European empires

The Second World War fits neatly with the theory of imperialism as expounded in 1916, especially by Bukharin, but not with the emphasis taken over by Lenin from Hobson on financial capital and investments overseas. So do the 40 or so years of the Cold War. Britain, France, Holland and Belgium reacted to the defeat of Germany and Japan by re-establishing their hold over their old colonial possessions in the Far East, North Africa and the Middle East—even if France often relied upon British or US troops to retake colonies for it. But the trend in the post-war decades was away from the colonial policies and conflicts between Western capitalist powers, as theorised by Lenin and Bukharin, which had characterised the previous 70 years. Britain finally abandoned attempts to hang on to the jewel in the colonial crown, the Indian subcontinent, in 1947 after a major mutiny by its Indian sailors, and began in the same year a long retreat from the eastern Mediterranean. Malaysia and the African colonies were to follow in the next two decades. Dutch imperialism tried to hang on to the East Indies, but had conceded defeat by 1950. French resistance to abandonment of empire was stronger—an unsuccessful nine-year war to hold on to Indochina was followed by an equally unsuccessful nine-year attempt to keep Algeria, but by the 1960s it too gave up all of its formal empire apart from a couple of islands in the Caribbean and Pacific.

The US replaced Western European influence in some regions. It took control of South Vietnam when the French withdrew in 1954—until it too was forced to withdraw after the most bitter of wars in the mid-1970s. It became the dominant influence in most of the Middle East and parts of Africa. But, like the European powers, it retreated from formal colonisation, granting independence to the Philippines and keeping direct control only over Puerto Rico.

This retreat from direct colonisation had as a direct corollary the end of the old clashes between the Western powers over the partitioning of the rest of the world. The drive to war between them seemed to have gone once and for all. It was also accompanied by something else unexpected by the Lenin and Bukharin theories of imperialism—once divested of their colonies, each of the Western economies participated in a boom that eventually lasted more than a quarter of a century, saw minimal unemployment, and maintained profit levels without apparent trouble despite regular rises in living standards for their workers.

The driving force behind the boom was precisely the Cold War imperialist rivalry between the US and the USS R, with its massive arms expenditure. Far from there being a “surplus” of capital in the advanced countries, there was a shortage, and the exports of capital stayed down at the very low levels they had sunk to in the great slump of the 1930s. And foreign investment was decreasingly directed towards the less industrialised parts of the world.

A shift in the demand for Third World products took place at the same time as the changing in the pattern of investment. At the beginning of the First World War raw materials from agricultural countries were indispensable for industrial production in the West, and colonial control was an important way for industrialised countries to ensure their own supplies and block access to their rivals. But the interruptions to trade during the two world wars forced them to try to find substitutes for such raw materials. So the first half of the 20th century saw the invention of artificial fertilisers, synthetic rubber, rayon, nylon and a vast range of plastics. And during and after the Second World War there was a massive transformation of agriculture in both Europe and North America, with the use of industrial outputs and subsidies to raise food output, so reducing reliance on imports from the rest of the world. In a world now awash with raw material and foodstuffs, withdrawal from colonies in Africa and Asia was no longer the threat it would once have been to the industrialists of the European countries, and companies which had made their fortunes from such things now began to diversify their investments into new lines of business.

There was, however, one great exception to this picture—oil. Here was the raw material of raw materials, the ingredient for manufacturing the plastics, the synthetic rubber and the artificial fibres, as well as providing for massively expanding energy needs and propelling the ever greater proliferation of motor vehicles, tanks and aircraft. And the supplies of it were increasingly to be found outside Europe and North America. In the early 1950s “gulf oil” referred to reserves to be found around the Gulf of Mexico, especially in Texas. It was cost of pumping out that oil that determined world prices. By the mid-1970s, as was shown by the temporary interruption of supplies during the Arab-Israeli war of 1973, the gulf that mattered was the Persian Gulf. Saudi Arabia, Iraq, Iran, Kuwait, the petty sheikhdoms around the Arabian peninsula, were the countries that mattered. Control over their policies became increasingly important for the advanced capitalist states. Bribes, threats, weapons sales, the deployment of military “advisers” and seconded troops were used to achieve this—and so was support for the world’s last classic colony, the Israeli settler state with its expulsion of most of the indigenous population and denial of rights to the rest. It was in this region that the wars that mattered for the world system increasingly took place—in 1947-8, in 1956, in 1967, in 1973, in 1980-9, in 1982, in 1991, in 2003.

The Global South after colonialism

The dismantling of the European colonial empires was a political fact of immense importance for something like half the world's people. It raised important questions for those who had fought against the hold of those empires. What happened to imperialism—and the fight against it—if empires no longer existed?

The reaction of many social democrats and liberals in the West was to say that imperialism no longer existed. An important section of the left rejected this. They could see that the former colonial countries were still plagued by poverty and hunger—and that the Western firms that had benefited from empire remained entrenched in them.

Rejecting facile talk about an end to imperialism usually meant insisting on the continued relevance of Lenin's 1916 analysis without recognising the changes that had occurred since it was written. This led most of the left to quietly redefine imperialism so as to refer simply to the exploitation of the Third World by Western capitalist classes, ignoring the drive towards war between imperialist powers so central to Lenin's theory. At the same time they simply replaced talk of colonialism with talk of "neo-colonies" or "semi-colonies".

Lenin had written of "semi-colonies". For him these were places like China at the time of the First World War, where colonial armies occupied enclaves of territory and used force to impose their will on the national government. There were some places where things did seem like this after the end of direct colonial control in the 1950s and 1960s. But in some of the most important cases independence did mean independence. Governments proceeded not only to take seats in the United Nations and set up embassies all over the world. They also intervened in the economy, nationalising colonial companies, implementing land reforms, embarking on schemes of industrialisation inspired by the preaching of the Latin American dependency theorists or, often, by Stalin's Russia. Such things were undertaken with varying degrees of success or failure in India, Egypt, Syria, Iraq, Algeria, Indonesia, Ghana, Equatorial Guinea, Angola, Taiwan and South Korea, as well as by the more radical regimes of China, Cuba and Vietnam.

To call regimes like Nasser's Egypt or Nehru's India "neo-colonial" or "semi-colonial" was a travesty. In such cases, attempts were made to establish not only independent political entities, but also independent centres of capital accumulation.

These still operated within a world dominated by the much stronger capitalisms of the advanced countries, but they were by no means mere playthings of them.

The success of such attempts varied enormously from place to place. A handful of countries made it into what might be called the "second division" of advanced capitalism. This was true of South Korea, Taiwan, Singapore and Hong Kong—and by the 1990s of coastal China as it experienced industrial growth rates much higher than anywhere else in the world. But similar methods in many other places had very different outcomes. In the major Latin American countries nearly half a century of successful if slow accumulation was followed, in the 1980s, by a "lost decade" of stagnation, debt crises and increased impoverishment of wide sections of the population. Sub-Saharan Africa underwent more than 30 years of falling output per head.

Even where "development" did take place, it was usually accompanied by a combination of dictatorship and appalling conditions for the mass of people. Inevitably there was growing disillusionment among the lower middle class and the workers—and sometimes sections of the peasantry—with the nationalist "developmentalist" state. It became increasingly clear that it could not fulfil the promises it had made to improve the living standards of the mass of the population and improve the life chances of the middle class. This could easily translate into the feeling that it had betrayed the goal it had proclaimed of "national liberation". Opposition movements took up its old slogans and directed them against it—even when, as in Argentina in the 1950s or India in the 1960s, the direct links between the state and foreign capital were still minimal. The nationalist ideology of the bourgeoisie and petty bourgeoisie seeking capitalist development became the left nationalist ideology of those who had suffered from the attempts at such development.

Dependency Theory

One expression of this was the popularity, particularly after the Cuban Revolution of 1959, of new, radical versions of dependency theory which fused the Stalinist and Latin American traditions and hegemonised much of the left worldwide in the 1960s. The writings of Paul Baran and André Gunder Frank dominated most Marxist thinking on the subject.

Baran wrote, "Far from serving as an engine of economic expansion, of technological progress and social change, the capitalist order in these countries has represented a framework for economic stagnation, for archaic technology and for social backwardness," and, "The establishment of a socialist planned economy is the essential, indeed indispensable, condition for the attainment of economic and social progress in underdeveloped countries." "Socialism" for Baran meant following the model of Stalinist Russia.

The "dependency theory" argument was a weak one. It rested on four unsustainable assumptions.

It assumed that capitalists from the advanced countries who invested in the Third World deliberately chose not to build up industry, even when it would have been profitable to do so, for fear of competing with industrial capital in their home states. This assumption, of course, was completely opposed to Lenin's belief that foreign capital could go into the building of industry. It also failed to account for the considerable industrial development that had taken place in Argentina and the British dominions before the First World War and in Mexico, Argentina and Brazil from the 1930s onwards.

Its second false assumption was that the Western states at all times have an interest in using their power to prevent any such industrialisation. In practice, they have done so at some points, but not at others. So Britain followed policies which prevented industrialisation of some parts of its empire, but at other points was quite happy to see industrialisation take place (for instance, with the growth of enormous shipbuilding and engineering industries in north east Ireland, or of jute mills in Bengal).

Third, it assumed that the Western powers were able so to manipulate the Latin American governments as to prevent them following independent policies. Yet the reality was much more complex. Any powerful state has a variety of instruments for bending a less powerful state to its will. But it can rarely achieve more than part of what it wants. So, for instance, Britain did try to influence the outcome of the civil wars that plagued Argentina between the final achievement of independence in the 1820s and the early 1860s. But it was never fully successful, and was usually reduced to trying to make sure the outcome was the least worst from its point of view. The civil wars themselves, and the balance of forces determining their outcome, were a result of internal divisions within the Argentinian exploiting classes, with each looking for foreign allies to back its claims. This was a very different situation to that which prevailed in Europe's direct colonies.

Finally, the theory insisted that because the ruling class of one country was "dependent" upon its trade and investment patterns with bigger capitalist countries, it inevitably lost any ability to forge an independent path of capital accumulation and economic development. But this would rule out any such independence for most of the world's capitalist countries. For a good half-century the European economies, for instance, have been to a high degree dependent on what happens in the US economy. The Dutch economy is to a very high degree dependent on what happens in Britain and Germany. But this has not turned the European ruling classes simply into puppets of the US, or the Dutch ruling class into a plaything of British and German interests.

Imperialism and globalisation

Imperialism had changed from Hobson's time to that of the Second World War. It had changed again in the post-war years. In the late 1960s and 1970s a third change took place. For 20 years the Western powers were united behind US leadership in their opposition to a Soviet Bloc. There were occasional tensions between them. But these tensions seemed marginal in the face of a series of Cold War conflicts.

However, important shifts were those taking place beneath the surface. The economic balance between the various Western states underwent a long-term change, as Germany and Japan grew rapidly. In 1945 the US had accounted for something over 50 percent of world output; by the 1980s the figure was down to about 25 percent. In the early 1960s Japan's manufacturing exports were less than a third of the US's; by the late 1970s they were at the same level. The US—and to a lesser extent Britain—were paying the price of sustaining the whole world economy through arms spending. Essentially the US's arms industry kept its economy booming, and so provided a market for German and Japanese exports.

Along with this went a second great shift within the system as a whole. From the late 1960s onwards there were growing financial flows across national boundaries. Foreign currency commitments of West European banks increased eightfold between 1968 and 1974. By September 1985 total lending to the world banking system totalled $2,347 billion.

The growth of finance was accompanied by a resurrection of the feature Hobson, Hilferding and Lenin had paid so much attention to—the export of capital. The stock of foreign direct investment (FDI) had amounted to only 4 percent of world gross domestic product in 1950 (as against 9 percent in 1913). In 1999 it reached 15.9 percent. But there was one major departure from the Hobson-Lenin picture. The flows were not from industrial to "underdeveloped" countries. They were overwhelmingly to areas where industry already existed. Europe alone accounted for around half of US direct investment overseas in the mid-1990s, 50 times more than Indonesia and nearly 400 times as much as India, even though India's population is around four times larger than Europe's.

Such flows of investment are an indication of where capitalists think profits are to be made, and they suggest that it is overwhelmingly within the advanced countries, and a handful of "newly industrialising" countries and regions (of which coastal China is now the most important). This means that, whatever may have been the case a century ago, it makes no sense to see the advanced countries as "parasitic", living off the former colonial world. Nor does it make sense to see workers in the West gaining from "super-exploitation" in the Third World. Those who run the system do not miss any opportunity to exploit workers anywhere, however poor they are. But the centres of exploitation, as indicated by the FDI figures, are where industry already exists.

The rise in the figures for FDI reflects very much the rise of the multinational corporations. Multinational firms had existed in the pre-war period. But they were not generally based upon integrated international research and production. From the 1960s and 1970s successful firms began to be those who operated international development, production and marketing strategies. Once the process of internationalisation of production was under way, there was no stopping it. By the late 1980s there was hardly an industry in which firms in one country did not have to work out international strategies, based upon buying up, merging with or establishing strategic alliances with firms in other countries.

The state, capital and globalisation

The internationalisation of finance, markets and production led, in the mid-1990s, to many people making a simple judgement. The state was disappearing as an economic actor. A new multinational world capitalist class was emerging which had no need for this relic of half a century ago. The judgement was wrong. It failed to recognise the continued interconnectedness of the biggest multinationals and the most powerful states. A big portion of the sales and the bulk of the investments of the major multinationals remain concentrated in their home country (or, for small countries, in that and adjacent countries). Of the Fortune 100 largest firms, 40 did half or more of their sales in foreign markets, but only 18 maintained the majority of their assets abroad, and only 19 at least half their workforce. The picture was slightly less clear cut in the case of the European multinationals, because many have begun investing in neighbouring European countries, but if the European

Union was treated as a "home region", degrees of concentration comparable to those in the US and Japan were found.

The internationalisation of the system has proceeded apace over the past decade. But at the same time, most major multinational firms remain firmly controlled by capitalists from a particular country. Recent studies suggest that most top multinational corporations will now have a couple of non-nationals on their boards. But these remain a small minority. Firms with a global reach like ExxonMobil and Microsoft can operate with no non-US directors. Renault-Nissan refers to itself as a "binational group" (French-Japanese), rather than a multinational.

Regardless of the nationality of its directors, what the national state does can still have an enormous impact on the profitability of a company operating from its territory. It controls taxation and government expenditure, both of which influence both the general level of economic activity and the possibilities open to particular firms. Through its influence on the national bank, it influences the liquidity available to firms and the rates of interest they have to pay on any borrowing. It is responsible for company laws and labour laws which affect the balance between different companies, and between them all and their workers. It negotiates trade agreements which can open up markets in other countries. It ensures that other states make sure firms get paid for "intellectual copyright" on new inventions and discoveries— increasingly important when it comes to pharmaceuticals, agroindustry and software. It has the capacity to intervene to protect firms against going bust if their profitability calculations go wildly wrong. And last, but by no means least, it exercises a monopoly of armed force which can be used against other states.

The world biggest companies have both expanded beyond national boundaries on a scale that now exceeds the internationalisation of the system before the First World War and remain dependent to a high degree on their ability to influence "their" national government. This is because, at the end of the day, they need a state to protect their web of international interests, and the only states that exist are national states.