What's new about "New Imperialism"

"The proclaimed free movement of capital and commodities must also be applied to that which must be above all else: human beings. No more blood-stained walls like the one being constructed along the American-Mexican border, which costs hundreds of lives each year. The persecution of immigrants must cease! Xenophobia must end, not solidarity!"

Fidel Castro, Speech to the 12th summit of the Non-Aligned Movement, Durban, South Africa, 2nd September 1998

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Contents

Abstract

This paper argues that the globalisation of production processes is neo-liberal globalisation's newest and most transformational feature, and that this new phenomenon is driven by—and perverted by—what some call the 'global labour arbitrage' generated by wage differentials across international borders which prevent the free movement of labour but allow everybody and everything else to pass.

The paper gleans neo-Marxist literature for pearls of wisdom into imperialism and the globalisation of production processes, the brightest of the meagre haul being Ellen Wood's observation that *'we have yet to see a systematic theory of imperialism designed for a world in which all international relations are internal to capitalism and governed by capitalist imperatives'.*[1] One sign of the absence of such a 'systematic theory' is the disconnection between current literature on imperialism and the quite separate field of Marxist value theory. It argues that a 'systematic theory' requires the merging of these two fields.

Hence the structure of this paper.

The *Introduction* and *'Labour and the globalisation of production processes'* surveys the globalisation of production processes and identifies its essential features, with the aim of establishing it as an object of analysis. Instead of launching into a detailed empirical investigation of this phenomenon, this paper's task is to develop a conceptual framework for this investigation.

'Ways of seeing statistics' deals with the first set of problems encountered by any attempt to study the global political economy: standard GDP, trade and investment data are not objective, they are defective; projections of the tautological equation of 'value' and 'price' at the heart of ruling marginalist economic theory. During the refutation of GDP's claim to be a measure of the value produced by a nation, central elements of Marx's theory of value are introduced and a different way of seeing the world is indicated.

The final section, *'Marxism, 'New Imperialism' and the globalisation of production processes',* considers the globalisation of production processes from the perspective of Marx's theory of capital and Lenin's theory of imperialism; it then briefly visits the 'dependency' debate of the 1960s and 1970s before concluding with an examination of some currently-influential theories of late capitalism and 'new imperialism'. It discovers in these theories a striking inattention to the globalisation of production processes, locating this shortcoming in their deficient conceptual frameworks—in particular their general failure to ask basic questions about how the law of value operates in today's imperialist world economy and their almost universal desire to distance theories of 'new imperialism' from Lenin.

The globalisation of production processes profoundly affects revolutionary politics, geopolitics, gender politics and every other kind of politics. Some of the political implications of the globalisation of production processes and of global labour arbitrage are considered *en passant*, but the political dimension, *i.e.* the answer to the question *what is to be done?* is not addressed in this paper.

[1] Wood, 2005 p127.

Introduction

> *"the given concrete object [in this case globalisation, is]… a very complicated mass of interconnected processes of development mutually interacting and altering the forms of their manifestation. The difficulty lies in singling out… the cardinal points of the development of this… given, concrete system of interaction."*[2]

Just as 140 years ago, when Karl Marx wrote in Capital *"…the sphere of… the exchange of commodities provides the 'free trader vulgaris' with his views, his concepts…"*, so too are today's dominant conceptions of globalisation and imperialism trapped within this sphere—preoccupied with financial globalisation, prospects for access to the consumer society (the 'global' inequality' debate) etc, and either ignore or merely record the transformations taking place in the processes of production of social wealth. However, despite the accelerated growth in foreign trade and the even more spectacular efflorescence of capital markets, neo-liberal globalisation's newest and most transformational feature is not to be found in the market-place but in *"the hidden abode of production"*.[3] Here we find what is new about 'new imperialism': *the globalisation of production processes.*

In 19th-century capitalism, the various stages in the processing of raw materials into final goods (commodities for personal consumption or for investment) typically took place within a single factory. The 20th century saw the growth of more complex production networks within national borders, and, especially since World War II, a big trend towards intra-national outsourcing of service tasks. For most of these two centuries international trade consisted of raw materials and final goods. Neoliberal globalisation has transformed this picture. As William Milberg noted in a study for the ILO, *"because of the globalization of production, industrialization today is different from the final goods, export-led process of just 20 years ago"*.[4] The big difference, indeed

> *"the defining manifestation of globalized production… [is] the rise in intermediate goods in overall international trade, whether it is done within firms as a result of foreign direct investment or through arm's length subcontracting."*[5]

The era of global outsourcing began in the 1960s and 1970s with clothing and other articles of mass consumption, and played a key role in the emergence of commercial capital—retail giants like Tesco and Wal-Mart—whose predilection for outsourcing to low-wage countries helped them to break down producer control over prices in their domestic markets.

The globalisation of production processes has transformed the global working class, the 3.1 billion humans who support themselves and their families by selling their labour power. Gary Gereffi, who has pioneered research into the formation of what he calls 'global commodity chains', describes the changed panorama:

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[2] Ilyenkov, 1960, p216

[3] Both snippets from Marx, 1867 p279-80, from the closing paragraphs of Part Two.

[4] Milberg, 2004, p38

[5] Milberg, 2004:9

"A striking feature of contemporary globalisation is that a very large and growing proportion of the workforce in many global value chains is now located in developing economies. In a phrase, the centre of gravity of much of the world's industrial production has shifted from the North to the South of the global economy."[6]

Figures 1a & 1b displays two views of the growth in the global workforce and their relative proportions in rich and poor countries. 80% of the world's 'economically active population' (see Figure 1a) now live in 'emerging nations'. Since 'emerging nations' typically export more of their GDP than do rich countries, their fraction of the 'export-weighted global labour force' is even higher. ILO data displayed in Figure 2 report that 78% of the world's industrial workers now live in the global South, up from 34% in 1950 and 53% in 1980. The increasing importance of industrial production in the global South to the imperialist economies is highlighted by the South's growing share in the North's manufactured imports (see Figure 3).

Gary Nigel Howe, in a 1981 paper called *'Dependency Theory, Imperialism, and the Production of Surplus Value on a World Scale'*, made a significant but unremarked contribution to understanding this then-nascent phenomenon. He began by noting that, in capitalism's 'Fordist' mass production stage, capitalists responded to downward pressure on profit rates by revolutionising the production of workers' consumption goods, thereby cheapening them and so reducing necessary labour (the time a worker spends replacing the values s/he receives in wages) and increasing surplus labour (the source and substance of the capitalists' profits). But this gave rise to a new contradiction:

" work relations necessary for the mass production of "cheap" wage goods also provided the conditions for the 'production' of mass working class economic organizations militating against 'cheap' labor."[7]

Howe argues that capital's response was to embark on *"a new reorganization of the global system… a shift of elements of the industrialized section of the means of consumption (not industry in general) to the periphery."* This 'shift' involved two complimentary aspects:

"the injection of migrant labor into the core industrial process on a massive scale [and] the internationalization of parts of the industrial work process. As we know, both of these possibilities have been realized - the first in large internal and international population movements to the industrial areas of the core, the second in selective but intense industrialization of particular peripheral areas …. so-called "export platforms" provides the most obvious … example of… the exploitation of cheap peripheral labor by core capital in manufacturing processes, with the low-priced products being directly shipped to the core working class."[8]

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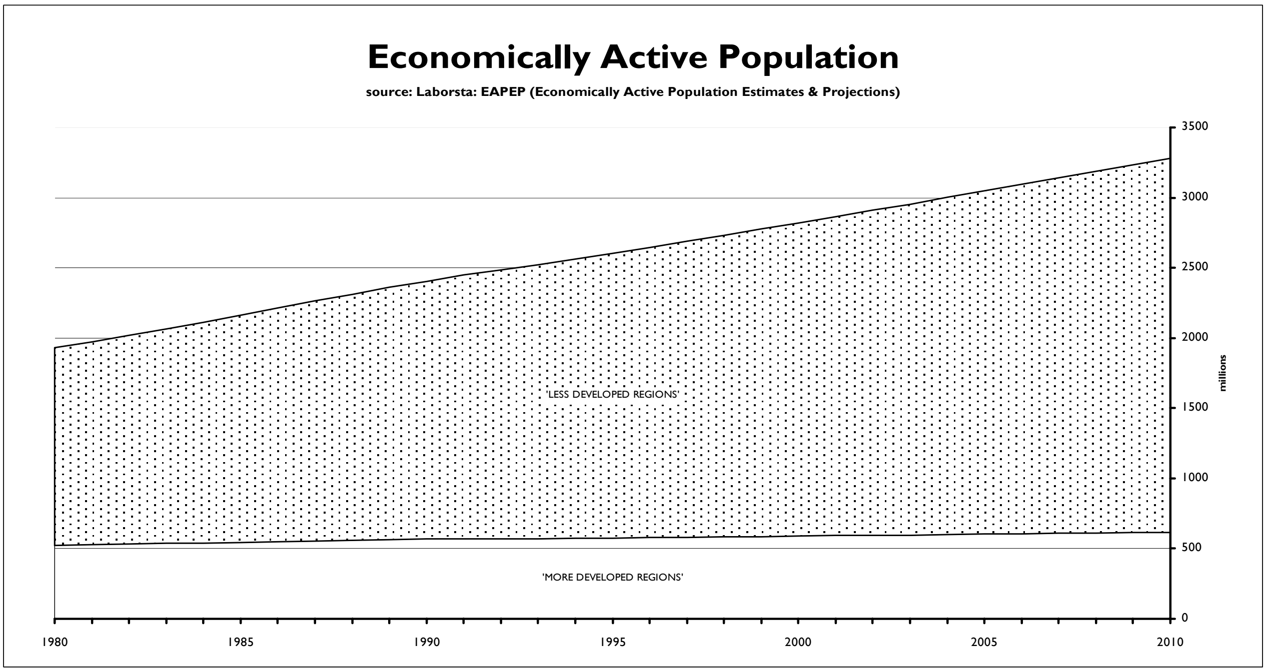
[6] Gereffi. 2005, p5

[7] Howe, 1980, p95. Despite these insights, two analytical errors prevented Howe from developing a useful concept of this new stage of imperialism. First, misled by the 'dependency' theorists' preoccupation with the 'articulation of capitalist and pre-capitalist modes of production', he tried to understand outsourcing and immigration as signifying the introduction of *"precapitalist elements of production into the industrial work process - by mobilizing a work force whose very being (and means of day to day existence) is produced outside the sphere of commodities"* (ibid pp96-7). Second, he carelessly lumped Lenin's conceptions together with those of 'dependency' theorists: *"the imperialist structure of the late nineteenth and early twentieth century was, sadly, not the highest stage of capitalism, and Lenin gives us little indication of the essential dynamics of a stage that could not exist. Hence, in the wake of the collapse of the classical dependency paradigm, there is almost no theory." (ibid, p88).*

[8] Ibid, p96

Figure 1a



'More Developed Regions': all regions of Europe plus Northern America, Australia/New Zealand and Japan. **'Less Developed Regions'** all regions of Africa, Asia (excluding Japan), Latin America and the Caribbean plus Melanesia, Micronesia and Polynesia.

Figure 1b

Export-awaited global labour force: the IMF (2007a) estimates that the *'export-weighted* global workforce*'* *quadrupled* between 1980 and 2003. Its reasoning is that if, say, 1/10 of a nation's production is internationally traded, 1/10 of its workers participate in global trade. Since exports have, for most nations, grown faster than GDP, the 'effective global workforce' is growing faster than total economically-active population.

The IMF notes (ibid., p162) that this trade-weighted approach *"is more accurate for developing countries specialized in labor-intensive activities than for advanced economies"*—an advanced nation's export goods are more capital-intensive than the economy-wide average, exaggerating the proportion of its total workforce engaged in export production.

One of Howe's central conclusions is particularly relevant:

> *"The benefits of imperialism are not limited to the profit derived from this or that foreign investment. On the contrary, they extend to broad sections of core capital insofar as the effect is the lowering of the reproduction cost of labor in the core. Thus support for imperialism is general… "*[9]

In hindsight, Howe's concept has proved to be too restricted—undermining trade union organisation and lowering the value of labour power within the imperialist nations is driven by their firms' quest for super-profits wherever they may be found. Nevertheless, it is clear that from the very beginning the globalisation of production processes has been driven by two imperatives: to reduce wage pressure cheapening the cost of consumer goods, and to deunionise and 'flexibilise' the domestic labour force. In their detailed study of production outsourcing by US firms, Kate Bronfenbrenner and Stephanie Luce identified *"a systematic pattern of firm restructuring that is moving jobs from union to non-union facilities within the country, as well as to non-union facilities in other countries."*[10]

Modern offshoring/outsourcing is the continuation of capital's eternal quest for new sources of cheap, easily exploitable labour power; what's qualitatively new about its modern expression is that it is now *global.* As Gary Gereffi reminds us,

> *"The geographic shift of industries is certainly not a new phenomenon. In the early 20th century in the United States, many industries… began to move to the US south in search of abundant natural resources and cheaper labour, frequently in "right to work" states that made it difficult to establish labour unions. The same forces behind the impetus to shift production to low-cost really regions within the United States eventually led US manufacturers across national borders..."*[11]

In a report presented to the Seventh Summit Conference of Non-Aligned Countries in 1983 Fidel Castro succinctly summarised the distinct phases of transnational-led industrialisation of the global South:

> *"ever since its first manifestations and continuing up to around the 1930s, this process was aimed at controlling and exploiting… natural resources…. Later - especially in Latin America - foreign capital sought to… produce for the domestic market so as to reap the benefits of protectionist policies. These two forms are still maintained, but their importance is diminishing compared to that of the new current that arose in the 1960s… consist[ing] of introducing the headquarters-subsidiary system to take advantage of the existence of a cheap, abundant workforce in the Third World for the production of industrial goods for export… the imperialist powers and their transnational corporations have found a kind of external industrial reserve army… which, as in past stages of capitalist history, fulfils its role as a mechanism of plunder."*[12]

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9 Ibid, p97

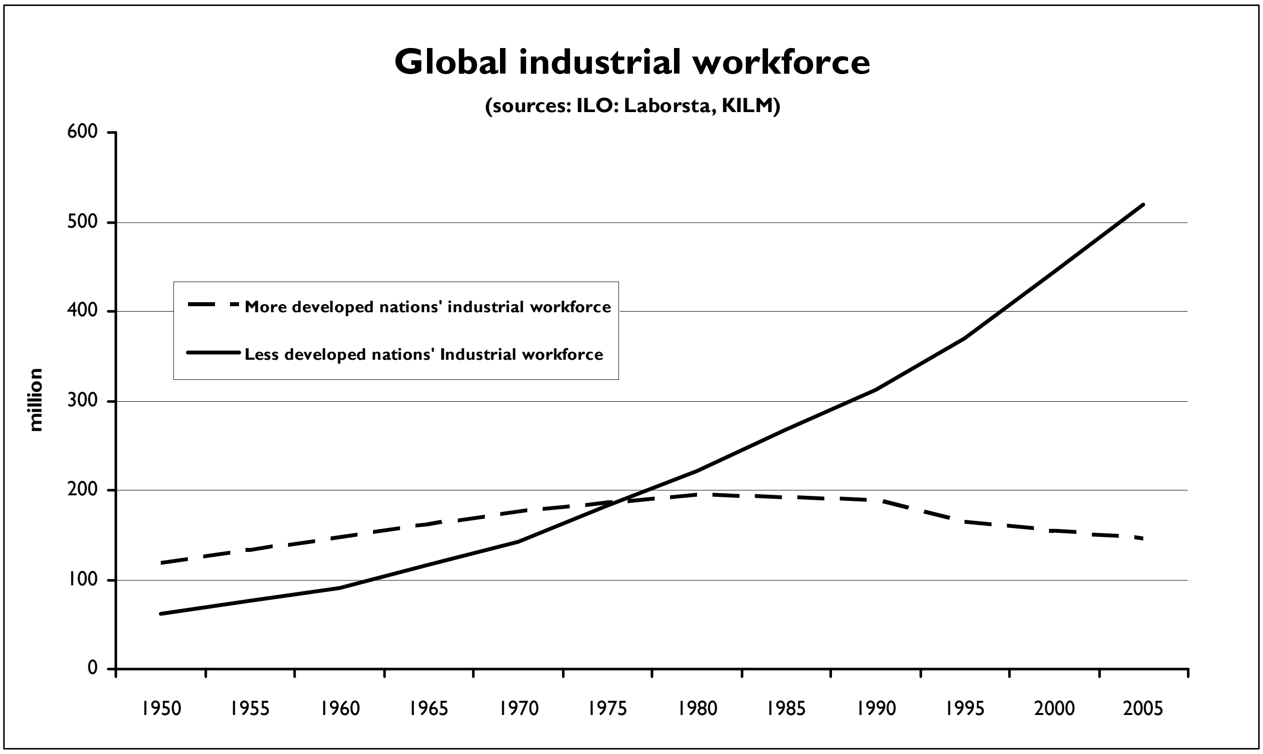
10 Bronfenbrenner et al, 2004 p37-8.

11 Gereffi, 2005, p4

12 Fidel Castro, 1983 p132-3

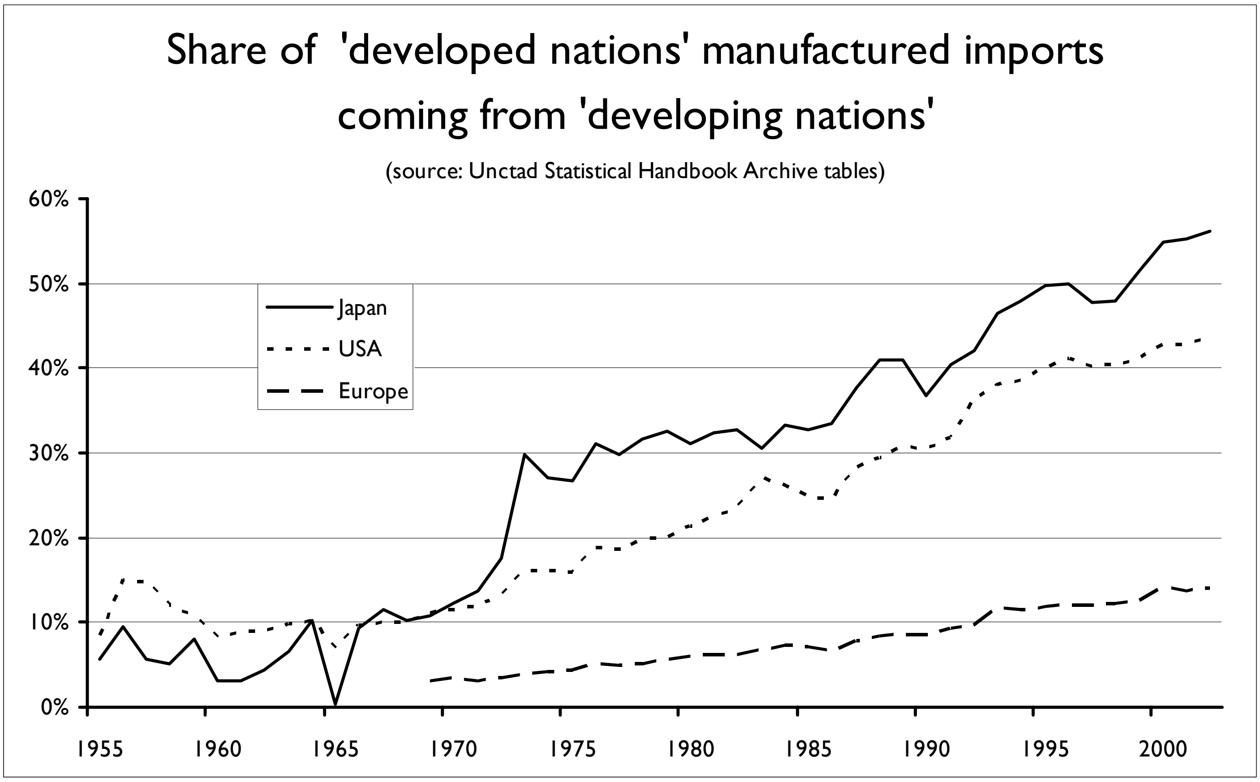
Of these, the latest form is not only new, it is qualitatively new, a *new*, *imperialist form of the capital relation* that is evolving in stages and surges as value-chains are 'sliced up' and dispersed across frontiers and oceans, as technological advances open up new segments and sectors to offshoring and outsourcing. The globalisation of production processes is reflected in a huge growth of intra-company trade generated by the *offshoring* of some parts of these production processes to wholly-owned subsidiaries in low-wage countries (appearing as FDI), and also in an even greater increase in the practice of *outsourcing* of production processes to independent firms in low-wage nations. 'Outsourcing', otherwise known as arms-length production, does not fit neatly into the headquarters-subsidiary concept cited in Castro's report, and has only become prominent in the two decades since it was presented. During these years, offshoring/outsourcing has gathered momentum, and *"there is now massive evidence that global production sharing is being undertaken in a wide variety of sectors, including textiles and apparel, consumer electronics, transportation and machinery, light consumer goods industries such as toys and even services as diverse as sales and finance."*[13]

Figure 2



[13] Milberg, 2004:13

Figure 3.



One reason for the peculiar dynamism of the globalisation of production processes is that technological and other changes increasingly propitiate the offshoring/outsourcing of individual segments and links of production processes and a myriad of 'service' tasks.[14] Richard Baldwin, in *'Globalisation: the great unbundling(s)'* argues this has created 'a new paradigm'; *"global competition"*, he states, now occurs *"on a task-by-task basis rather than firm-by-firm or sector-by-sector basis"*,[15] this signifying that the old conception of (and distinction between) trade in goods and services should be replaced by *task trading*.

For several decades, outsourcing and offshoring were associated with labour-intensive manufacturing processes; the irruption of this into 'services', in particular to any service which can be delivered through a computer screen, is still in its early stages. Alan Blinder, in a Foreign Affairs article in 2006, concluded that,

> *"manufacturing workers in the rich countries have grown accustomed to the idea that they compete with foreign labor. But as the domain of tradable services expands, many service workers will also have to accept the new, and not very pleasant, reality that they too must compete with workers in other countries….. Many people blithely assume that the critical labor-market distinction is, and will remain, between highly educated (or highly skilled) people and less-educated (or less-skilled) people…"*"[16]

[14] See Milberg, 2004; Baldwin, 2006 and Grossman et al, 2006.

[15] Baldwin, 2006 pp7-8

[16] Blinder, 2006, p117-8

The globalisation of production processes is much more than a conjunctural phenomenon; its world-historic significance requires that it be seen in a world-historic context. Capitalism emerged as the result of *global* development, the first mode of production to do so, as Marx explained in a famous passage in *Capital:*

> *"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the indigenous population of that continent, the beginnings of the conquest and plunder of India, and the conversion of Africa into a preserve for the commercial hunting of blackskins, are all things which characterise the dawn of the era of capitalist production. These idyllic proceedings are the chief moments of primitive accumulation."*[17]

To this we can add that, for more than two centuries after 1492, gold and silver from the Americas financed Europe's huge structural trade deficit with the East,[18] and so capitalism's seed, though first to take root in Britain, germinated in the soil of every continent. The globalisation of production processes, then, is both the culmination of and the highest form of development of capitalism's inherently globalising impulse.

Labour and the globalisation of production processes

Focussing on production processes and their globalisation means giving central place to the one element they all have in common—living labour. This particular 'factor of production', the world's 3.1bn-strong workforce—is central to the globalisation of production processes in two fundamental ways.

'Labour arbitrage'

First, labour is the great and glaring exception to the proclaimed principles of global economic integration. Factories freely cross the zone of death between the US and Mexico and pass with ease through the walls of Fortress Europe, as do the commodities produced in them and the capitalists who own them, but the human beings who work in them *have no right of passage*.

Harvard economist Dani Rodrik commented

> *"Removal of restrictions in markets for goods and financial assets has narrowed the scope of price differentials in these markets…. Remaining price wedges rarely exceed a ratio of 2 to 1. Meanwhile, there has been virtually no liberalization of markets for cross-border labor services. Consequently, wages of similarly qualified individuals in the advanced and low-income countries can differ by a factor of 10 or more. …"*[19]

The borders around the imperialist states have helped to enforce a dramatic widening of international wage differentials. This steep wage gradient generates what some contributors to mainstream business literature on offshoring/outsourcing variously call 'labour arbitrage' or

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[17] Marx, 1867.

[18] See Hobson, 2004.

[19] Rodrik 2002 p18-21

'wage arbitrage'. 'Arbitrage' refers to the practice of profiting from price differences in imperfect markets, exactly what merchants have done for millennia with the products of labour, but *this* arbitrage arises from international differences in the price of living labour. Stephen Roach, chief economist at Morgan Stanley explained why labour arbitrage has become *a prime organising principle powering and shaping the globalisation of production processes:*

> *"in an era of excess supply, companies lack pricing leverage as never before. As such, businesses must be unrelenting in their search the new efficiencies… offshore outsourcing that extracts product from relatively low-wage workers in the developing world has become an increasingly urgent survival tactic for companies in the developed economies."*[20]

A detailed study of the history of this phenomenon and of its present extent and current pace of development is necessary before we can reach firm conclusions about its likely course and its significance for the world economy and world politics. This paper limits itself to presenting some of the findings and conclusions of some of the most distinguished researchers in the field. One such is NBER economist John Whalley, whose insightful paper entitled 'China and Outsourcing' concluded that

> *"we are at an early stage of a historic transformation in which large portions of global manufacturing and service activity progressively relocate to low-wage economies to arbitrage wage differences supported by OECD immigration restrictions"*[21]

Wage arbitrage is also absolutely central to national and international politics, propelling immigration and the globalisation of work to the centre of class politics in both imperialist and oppressed nations, providing, for example, the prime motive for the eastern expansion of the European Union and Washington's quest for 'free trade' agreements between the US and Latin America.[22]

There are two different ways for capitalists in the imperialist countries to increase their profits through global labour arbitrage: one is the offshoring/outsourcing of labour processes to low-wage economies; the other is the migration of labour from the low-wage economies to the high wage economies. As the IMF's 2007 World Economic Outlook puts it: *"The global pool of labor can be accessed by advanced economies through imports and immigration",* adding that *"Trade is the more important and faster-expanding channel, in large part because immigration remains very restricted in many countries"* [23]

[20] Roach, 2003, pp5-6

[21] Whalley, 2006, pp25-6.

[22] 'Labour arbitrage' is epitomised by the decision of the Scottish firm Young's Seafood to send scampi caught in Scottish waters on a 12,000-mile round trip to Thailand to be hand-peeled by cheap labour, re-packed and then shipped back to Scotland. The move, to result in 120 job losses at its plant in Annan, was necessary due to "prohibitive wage costs" in the UK. BBC News, 15 November 2006 http://news.bbc.co.uk/2/hi/uk_news/scotland/south_of_scotland/6150240.stm.

[23] IMF 2007. World Economic Outlook Spillovers and Cycles in the Global Economy. International Monetary Fund, Washington, D.C.p180

A chapter in this IMF report addresses a central theme of the debate among economists and politicians on the impact of what it calls 'labour globalisation' on the wages and living standards of labour in the advanced economies.[24] Its principal conclusion is that

> *"The integration of workers from emerging market and developing countries into the global workforce has produced important benefits for advanced economies.... It has provided access to cheaper imported goods and has enabled companies to operate more efficiently. This has boosted productivity and output, and contributed to rising real labor compensation..."*[25]

The report finds that 'labor globalisation' has contributing to the sharp decline in labour's share of national income observable in all the 'advanced economies' over the past quarter-decade, but that most of the decline is due to *"rapid technological change... especially in the information and communications sectors"*—an estimation based on some contestable premises. The report attempts to distinguish between the effect of the two aspects of 'labour globalisation' on labour-share, concluding that the downward pressure exerted by immigration is around 50% greater than offshoring.

What the report does not do, needless to say, is to estimate the profits made by the capitalists in the advanced nations from this global labour arbitrage, nor compare the relative contributions made by immigration and outsourcing.

The globalisation of labour power

The second reason why living labour is central to the globalisation of production processes is that *it too is a commodity*—commodification of labour power is *the essence* of capitalism, no less—*and its production is also being globalised*. More and more of the manufactured consumer goods which reproduce labour power—'final goods' which may also be seen as intermediate inputs in its production—are being produced by super-exploited labour in the oppressed nations. As cheap industrial raw materials or semi-processed manufactures, offshored/outsourced production enables capitalists in the G7 nations to boost profits. As clothing, food and other mass consumption goods, they have enabled workers in rich countries to achieve improvements in living standards without wresting higher wages from their employers.

Mainstream international business theory and value-chain analysis consider the globalisation of the production processes of all commodities save one, *labour-power*. Since in every other respect marginalist theory accords 'labour' the same status as sacks of raw materials and other 'factors of production', it is curious that this commodity is excluded from their various definitions and conceptions of 'offshoring' and 'outsourcing'. This inconsistency arises from (but is not at all justified by) the fundamental difference between living labour and all other commodities: capitalists *consume* living labour in the *production* of all other commodities. Labour power is the only commodity which the capitalists don't bring to market. It is

[24] The report does not analyse the impact of labour globalisation on southern labour, saying only that "For emerging market economies, the ongoing integration of labor into the global marketplace has benefited workers, with manufacturing wages rising rapidly."

[25] IMF 2007. World Economic Outlook Spillovers and Cycles in the Global Economy. International Monetary Fund, Washington, D.C.p180

excluded from mainstream conceptualisations of offshoring/outsourcing because it is outside the capitalist entrepreneurs' field of vision.

The IMF's *World Economic Outlook 2007* estimates that between 1980 and 2003, real, terms-of-trade adjusted wages of unskilled workers (those with less than university-level education) in the US increased by 14%, and that nearly half of this improvement resulted from falling prices of imported consumer goods. It comments

> *"although the labor share [of GDP] went down, globalization of labor as manifested in cheaper imports in advanced economies has increased the "size of the pie" to be shared among all citizens, resulting in a net gain in total workers' compensation in real terms."*[26]

However, the IMF is likely to have significantly underestimated the positive impact of cheap imports on real labour compensation in the "advanced economies": its estimate does not take account of the fact that cheap imports from low-wage economies form a much larger proportion of workers' consumption goods than they do of advanced economies' imports as a whole. Luxury goods consumed by the middle and upper classes are much more likely to have been produced by more expensive labour in firms which have not [yet!] outsourced their production processes; clothes and footware for example: *"fashion-oriented companies [Gucci, Armani etc] source from Europe and first-generation NIEs while the discount stores source from low-cost countries."*[27]

The aim of this introduction was to show why neo-liberal globalisation and 'new' imperialism can only be comprehended if the globalisation of production processes is placed at the centre of analysis.

Having done this, our investigation encounters a new and very substantial problem. Investigation of the globalisation of production processes requires careful analysis of two types of raw statistics: those relating to FDI stocks and flows and those relating to GDP and trade.28 We have to peer at the world through an FDI lens and a GDP lens. Both sets of data—or rather, the way they are interpreted and conceived—introduce massive distortions and conceptual errors which must be corrected if we are to bring the object of our investigation into sharp focus. The next two sections of this paper attempts to do this.

Ways of seeing statistics (1) – the "FDI lens"

Raphael Schaub, expressing a broad consensus uniting mainstream economists, radical reformers and neo-Marxists, has no doubt what his eyes are telling him:

[26] IMF 2007, p179. A recent OECD report describes this effect as *"a welfare-improving ex-ante appreciation in the terms of trade."* Molnar et al. 2007, p22

[27] Dicken, 2007, p270

[28] Trade statistics (purport to) express that part of a nation's product which is exchanged with other nations, and so GDP and trade data can be regarded as of the same type. This commonality, however, does not pertain to data on FDI stocks and FDI flows, each of which contain their own very specific distortions and should not be regarded as of the same 'type'. This observation is elaborated in the 'FDI lens' section.

"The data reveals that most of the FDI stock is owned by and is invested in developed countries… FDI stock and flows have increasingly been concentrating in the industrialized countries since the 1960s."[29]

Kavaljit Singh, writing from a radical-reformist perspective characteristic of NGO critics of globalisation, concurs:

"the bulk of global FDI inflows move largely within the developed world… This situation could be aptly described as investment by a developed country TNC in another developed country. The US and the EU… continues to be the major recipients of FDI inflows."[30]

Sam Ashman and Alex Callinicos, writing in the Marxist journal *Historical Materialism*, cite the same Unctad data and draw similar conclusions:

"the transnational corporations that dominate global capitalism tends to concentrate their investment (and trade) in the advanced economies … Capital continues largely to shun the global South."[31]

What follows are seven reasons why this standard interpretation, founded on an uncritical regurgitation of deeply misleading headline statistics, is wrong—and why a more careful examination of Unctad and WEO data on FDI shows that in fact the opposite is true: *far from "shunning" the global South, northern capital is embracing it and is becoming ever-more dependent on the super-exploitation of southern low-wage labour.*

First, when we go beyond the headline aggregate totals and analyse the composition of these FDI flows, we find that 'developing economies' receive close to 50% of *manufacturing* FDI: between 2003 and 2005, they received $82.1 billion in such flows, compared to $83.7 billion flowing into developed countries.[32] On the other hand, FDI in 'Finance' and 'Business activities' into developed countries totalled $185.1 billion, more than twice the inward flow of manufacturing FDI. In other words, FDI flows between the US, Europe and North America are puffed up by non-productive investments. What's more, much of the alleged 'N-N manufacturing investment' is in firms *which have offshored/outsourced some or all of their production processes to low-wage nations.* For example, the 2005 restructuring of the world's second-largest oil company, Royal Dutch Shell resulted in the UK's inward FDI increasing by $100bn, causing the UK to leap above the USA to become that year's prime destination for FDI. Yet the vast bulk of Shell's oil (and profit) production takes place in Latin America, Central Asia and the Middle East!

What the simplistic interpretation of FDI headline figures ignores is that the process of concentration/monopolisation of imperialist TNCs, reflected in high quantities of N-N FDI, is accompanied by *and subordinate to* the extension of the TNC's tentacles into the low-wage South. Gary Gereffi suggests this when he points to the

[29] Schaub. 2004, pp26-7

[30] Singh, 2007, pp26-7

[31] Ashman et al. 2006, p125

[32] *Unctad, 2007* p227. This dramatically contrasts with the 1989 – 1991 period, when developing economies received $16.3 billion in manufacturing FDI, compared to $47.3 billion received by developed countries.

"…two dramatic changes in the structure of the global economy. The first is an historic shift in the location of production, particularly in manufacturing, from the developed to the developing world. …The second is a change in the organisation of the international economy. The global economy is increasingly concentrated at the top and fragmented at the bottom, both in terms of countries and firms.[33]

Second, qualitative differences between N-N FDI and N-S FDI mean they cannot be simplistically compared. There is a symmetry about investment flows between the US, Europe and Japan—they invest in each other—whereas in contrast the exploitation of the global South by the 'Triad' nations is extremely asymmetric: there is no corresponding S-N FDI to match N-S FDI. Repatriated profits flow in both directions between the US, Europe and Japan, between these 'Triad' nations and the global South *the flow is one-way*. As the accumulated stock of FDI in the South has increased, so has this one-way flow of profits grown into a mighty torrent, to the point where S-N profit repatriation from South to North now regularly exceeds new N-S FDI flows.[34] In other words, even though FDI now forms by far the largest share of N-S capital flows, N-S FDI is now decapitalising the southern nations! As Fidel Castro commented back in 1983, in relation to FDI emanating from the USA,

"The effect of direct investments in those countries is a net transfer of resources to the United States and, therefore, a continuous decapitalisation of the underdeveloped countries, which are in no small measure financing the "development" of those very same developed capitalist countries."[35]

FDI originating from the 'global South' formed 13% of global stock of FDI in 2006 (down from 14% in 2000), the vast bulk of which was directed towards other southern nations. However, it is likely that a significant part of this should instead be counted as N-S FDI. If a US or UK TNC uses profits earned in country X to finance new investment in country Y, stock and flow data will show this as FDI originating in country X, not in the US or UK.[36] Furthermore, a tenth of 'southern FDI' supposedly originated from two rather unusual 'developing nations': the British Virgin Islands and the Cayman Islands, a significant part of which is likely to have originated from the UK and other imperialist centres. In a variety of ways, S-S FDI is exaggerated by the routing of FDI through these and other offshore tax havens, most of which are 'British overseas territories' operating under the jurisdiction of the UK government.[37] For example, ECLAC reported in 2004 that 95% of 'S-S' FDI in Latin America was routed through

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33 Gereffi. 2005, p40

34 Milberg comments *"net capital flows… have arguably been… perverse, in the sense that debt repayment and profit repatriation by multinational enterprises has brought a flow from developing to developed countries"* Milberg, ibid:2n.

35 Fidel Castro, 1983 p141

36 See Lipsey 2006 p3

37 The City of London itself is literally and figuratively the mother of offshore havens – its secrecy, minimum restrictions and other 'offshore' qualities help explain why the City has preserved its global pre-eminence during the globalisation period, and its offspring ring the world. Hawley, 2003, p10, reported:

"Most offshore financial centres are located in UK Overseas Territories and British Crown Dependencies. Some £400 billion, for instance — more than half Britain's GDP — is held in the country's tiny offshore islands. In 1997, bank deposits in Jersey alone stood at £100 billion — up from £8 billion in 1980. Some 90,000 anonymously-owned companies are registered on the islands.… Even more money — fully one-third of the world's offshore wealth — is held in 17 Caribbean offshore centres, most of which are UK Overseas Territories."

offshore havens in the Caribbean.[38] Another example of this type of distortion is the so-called 'round-tripping' of Chinese investment through Hong Kong, in which domestic investment appears as FDI—up to half of all inward FDI into China is estimated to fall into this category.

Offshore tax havens have rapidly grown in popularity among the South's wealthy elites (and the southern corporations they own), who use them to keep vast quantities of financial assets beyond the reach of their governments' tax authorities and—because this wealth is in hard currency—immune from economic crises in their nations of origin. If these Southern billionaires were to be defined by the colour of their money, by where they shop and where they live, they should be defined as, at best, quasi-nationals, and many are in fact émigrés who have absconded entirely to the North, seeking the protection of its laws and armies, putting in question whether their investments in southern nations should not instead be counted as N-S FDI.

Third, FDI flows are purely quantitative. On their own they tell us nothing interesting; they do not mean anything has actually changed about the particular economic activities which they are connected to. For instance, when a local shareholder is bought out by a foreign investor the enterprise may continue exactly as before, but the cost of the buy-out would appear as FDI. Re-invested profits are recorded as FDI, but loans contracted on local markets to finance investments are not, even if the banks they borrow from are foreign-owned.

This is why it is important to distinguish between M&A (mergers and acquisitions) from 'greenfield' FDI. The former signify nothing more than a change in ownership; only the latter counts as a new investment. When we make this distinction, we see that N-N FDI flows are overwhelmingly dominated by mergers and acquisitions that don't involve any new expansion of production facilities but instead reflect the process of concentration and monopoly-formation. On the other hand, between 2000 to 2006, *51% of all greenfield FDI was N-S.*[39]

Fourth, FDI stock and flow data are notoriously unreliable. As NBER economist Robert Lipsey says, *"flows and stocks have little relationship to the real economic activity that theories of FDI attempt to explain".*[40] The 777,647 subsidiaries of the world's 78,411 TNCs[41] have no independent market valuation—they are not traded on domestic stock markets but exist as overseas assets on the balance sheets of their parent companies and make up part of their parent companies' valuation on London, New York etc stock markets. Standard FDI stock data is based on book-values reported by TNCs to host governments and collected by Unctad and others, and significantly understate market values.

In *'Detecting the Pitfalls of Data on Foreign Direct Investment'*, Michael Stephan and Eric Pfaffmann offer a useful explanation of the differences in the nature of FDI stock and flow data:

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[38] ECLAC, 2004:78. ECLAC notes assurances by the Brazilian Central Bank that resulting distortions are 'minor', thanks to requirements that inward FDI routed through offshore havens should be recorded against the country of origin of the investing company; or, if this is a holding company, against the country of origin of the main shareholders. It is impressive how trusting are the Brazilian authorities of information provided by people who are trying to avoid paying taxes to them.

[39] Unctad, *2007,* p206.

[40] Lipsey, 2006:1

[41] Unctad, *2007,* p217.

> *"The components of FDI capital transactions [FDI flows] are equity capital flows, retained earnings and intercompany loans. By accumulating all components of FDI transactions, the resulting net worth of accumulated flow components should be equal to the book value of the owner's equity (FDI stock)…. [However,] book values state the historical costs… a revaluation of FDI stocks [to bring them into line with accumulated flows] is impossible without… additional data on international production activities of TNCs and their foreign affiliates apart from FDI."*[42]

Defects and distortions in standard FDI data are many and varied, and should give analysts cause to pause before drawing glib and sweeping conclusions from headline statistics. Another distortion is created by the enormous growth in importance of offshore centres and of shell 'holding companies' established to operate from them. Robert Lipsey cites data showing that *"the share of holding companies in the U.S. Direct Investment position abroad rose from 9 per cent in 1982 to 33 per cent in 2003".* [43] The 'Netherlands Distortion' is a spectacular example: City analyst Ian Milne reports that *"for tax reasons, FDI is often channelled through intermediate holding companies domiciled in the Netherlands".* This *"massively exaggerates the importance of the EU, both as a source of and as a destination for British FDI".* Milne calculates that this understates the share of UK FDI earnings originating from outside the EU and US by 63%.[44]

Fifth, another reason to take FDI stock and flow data with a large pinch of salt is that they are given in dollars, converted from national currencies at current exchange rates. But a dollar invested in, say, China or Indonesia buys a lot more resources and living labour that a dollar invested in Germany or the UK. If we were to correct for this by measuring the value of southern FDI in PPP dollars, we'd need to multiply the Unctad totals by 2.6 (this being the weighted average PPP coefficient between the 'developed' and 'developing' countries). A similar logic led David Harvie and Massimo de Angelis to suggest an alternative way to interpret data on N-S FDI flows:

> *"in the United States, $20 will … command just a single hour of labour time. But, in India that $20 is sufficient to put ten people to work, each for ten hours. When the difference that $20 makes is between commanding one hour of labour time, on the one hand, and commanding 40 hours or 100 hours, on the other, it matters much less that less FDI goes to the South."*[45]

Harvie and de Angelis show that between 1997 and 2002 some $3,400 billion of intra-imperialist flows of FDI commanded 190 billion hours at just under $18 per hour; while some $800 billion of FDI flowing into semi-colonial nations commanded 330 billion hours at $2.4 per hour (an average labour-cost ratio of 7.5:1). In other words, N-S FDI flows, 19% of the global total during this period, comprised 63% of total 'labour commanded'.

[42] Stephan et al, 1998 p12-13

[43] Lipsey, 2006:2

[44] Milne, 2002.

[45] Harvie et al, 2004.

Sixth, and most important of all, tens of thousands of southern-owned factories in low-wage nations supplying northern industries with cheap inputs and the likes of Tesco and Wal-Mart with cheap consumer goods are *completely absent from FDI statistics*. As William Milberg comments,

> *"because foreign direct investment is measured so precisely and for so many countries, analysts tend to see globalization through a foreign direct investment lens. Like the proverbial drunk who searches for his lost keys under the streetlight only because that is where he can see best, economists have overemphasized the relevance of foreign direct investment…."*[46]

The result of looking through "a foreign direct investment lens" is that hundreds of millions of workers in southern fields and factories—the majority young and female, producing cut flowers, computers, car components and most of our clothes—become invisible!

In *'The Rise of Offshoring: It's Not Wine for Cloth Anymore'*, Princeton economists Gene Grossman & Esteban Rossi-Hansberg conclude,

> *"it does not matter much whether the firm opens a subsidiary in a foreign country and employs workers there to undertake certain tasks within its corporate boundaries, or whether it contracts with a foreign purveyor under an outsourcing arrangement.... in either case the effects on production, wages and prices [in the US] will be roughly the same.*[47]

William Milberg goes even further, suggesting that outsourcing is becoming the predominant form:

> *"despite the stunning increase in the transnational activity of large firms… such firms find it increasingly desirable to outsource internationally in an arm's length rather than non-arm's length (intra-firm) relation… increasingly, efficiency-seeking foreign direct investment is being substituted with arm's length subcontracting."*[48]

These considerations have led Peter Dicken, author of '*Global Shift*', to propose a significant change to the definition of 'transnational corporation'. Instead of denoting a firm with wholly-owned subsidiaries in other countries, 'transnational corporation' means *"a firm that has the power to coordinate and control operations in more than one country, even if it does not own them."*[49] It is useful to contemplate this alongside the comprehensive definition given by Fidel Castro:

> *"transnational corporations are the international vectors of all the laws that govern the capitalist mode of production in its present imperialist stage, all its contradictions, and*

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[46] Milberg, 2004:9

[47] Grossman et al, 2006, p13

[48] Milberg, 2004, p15. "*Efficiency -seeking foreign direct investment*" is a commonly-used euphemism for "wage arbitrage", *i.e.* FDI motivated by the desire for cheaper labour. FDI can be classified into three basic types, whether we're talking about industry or 'services'. One, the particular focus of this study, is FDI driven by the quest for cheap labour, what Whalley calls 'wage arbitrage' and the mainstream literature calls 'vertical integration', or 'efficiency-seeking' FDI. 'Market-seeking' (or 'horizontal') FDI is aimed at capturing a share of markets in the host countries. Finally, 'resource-seeking' FDI aims at extracting oil, minerals and other raw materials.

[49] Dicken, 2007, p6

> *they are the most efficient instrument available to imperialism for developing and intensifying the subordination of labour to capital throughout the world."*[50]

Seventh, and finally, a headline statistic which suggests a different and much more accurate picture than those cited at the start of this section: Unctad's 2007 World Investment Report counts 406,967 TNC subsidiaries in 'developing economies', compared to 259,942 in 'developed economies'[51]

Since a central aim of this paper is to make a contribution to the revival of Marxist theory and analysis, I return to the paper published in *Historical Materialism* by Sam Ashman and Alex Callinicos. These authors wish to warn people away from thinking that *"capitalism today lives by… predation on the global South"*,[52] arguing that their

> *" preferred conception of capitalist imperialism [is] the intersection of two forms of competition, economic and geopolitical. This way of thinking... sets imperialism within one of the two constitutive dimensions of the capitalist mode of production— namely, competition between capitals (the other is, of course, the exploitation of wage-labour)."*[53]

It apparently doesn't occur to Ashman and Callinicos that imperialism has got anything to do with the exploitation of wage-labour. They could not be more wrong—increasing reliance upon the super-exploitation of low-wage labour in the global South is the essence of "new" imperialism.

Our interlocuters conclude,

> *"a US corporation that off-shores some productive capacity to China or Mexico… is, perfectly rationally, seeking to reduce its costs of production by relocating some of the value-creation that it directs to foreign sites where labour is cheaper…. but the predominant flows of commodities and of capital across the world economy take place among the OECD countries, and—along with the important extension of these circuits to embrace China—they feed the expanded reproduction of a capitalist system that continues to derive its profits mainly from the exploitation of wage–labour."*[54]

The whole effect of this is to make the super-exploitation of Southern wage labour invisible, to turn it into an epiphenomenon, something incidental, secondary and absolutely nothing to do with 'imperialism'.

My response: if there is to be a rebirth of Marxism, the notion that "capital is shunning the global South" is a cord wrapped around the neonate's neck.

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[50] Castro, 1983, p146

[51] Unctad, 2007, p217. The difference between the sum of TNC subsidiaries in 'developed' and 'developing' countries given in point seven and the world total given in point four is accounted for by the so-called 'transitional economies' of the former USSR and Comecon.

[52] Ibid. p124

[53] Ashman et al. 2006, p112

[54] Ibid. p128-9

FDI stock and flow data, as we have seen, come with a raft of technical and analytical vagaries and distortions which must be corrected if an accurate and sharply-focussed picture is to be obtained. But the problems intrinsic to GDP and trade data include some of a much more fundamental nature, and concern the premises and precepts of mainstream marginalist economic theory buried deeply within them. These walk through the door every time we uncritically report GDP and trade data, thereby implicitly accepting that "Gross Domestic Product" does indeed measure the wealth produced by a nation and that world trade statistics do serve as a more-or-less accurate measure of the exchange of wealth between nations. But if GDP is a true measure of a nation's product then Bermuda, which currently boasts the world's highest per capita GDP, is size-for-size the world's most productive nation.[55] This tax haven leapt above Luxemburg to take the top spot after becoming a favourite destination for hedge funds forced to relocate by the destruction of the World Trade Centre in 2001.[56]

Another way of seeing through the 'GDP illusion', the falsity of GDP's claim to be a measure of a nation's product, was provided in this oft-cited passage from a seminal paper by Robert Feenstra:

> *"As an example of outsourcing, consider the Barbie doll. The raw materials for the doll (plastic and hair) are obtained from Taiwan and Japan. Assembly… has now migrated to lower-cost locations in Indonesia, Malaysia, and China. The molds themselves come from the United States… Other than labor, China supplies only the cotton cloth used for dresses. Of the **$2** export value for the dolls when they leave Hong Kong for the United States, about 35¢ covers Chinese labor, 65¢ covers the cost of materials, and the remainder covers transportation and overheads, including profits earned in Hong Kong. The dolls sell for about $10 in the United States… The dolls sell worldwide at the rate of two dolls every second, and this product alone accounted for $1.4 billion in sales for Matte1 in 1995."*[57]

The GDP of China, the country where the majority of the labour making the doll is expended, is increased by between a tenth or a fifth of the doll's selling price, while according to Feenstra *"[t]he majority of value-added is …from U.S. activity".* In other words, most of the value of the doll, and likewise of countless other intermediate inputs and consumer goods mainly or wholly produced in low-wage nations, *appears in the GDP of the consuming nations.* Only an economist could think there's nothing wrong with this!

[55] Bermuda's per capita GDP (in PPP$) in 2006 stood at $69,900, 60% greater than that of the USA, according to the CIA factbook (http://www.indexmundi.com/g/r.aspx?c=bd&v=67). Three other tax havens (Jersey, Cayman Islands and the British Virgin Islands) make it into the CIA's top 10. The IMF's WEO database does not provide data for offshore centres.

[56] *"Bermuda's reinsurance business has exploded in scale. The rapid growth started after the September 11 attacks in 2001 and gathered pace following 2005's terrible hurricane season – which included the devastating Hurricane Katrina. These disasters not only inflicted losses on reinsurers of some $40bn (£20bn, €29bn) but also pushed up the cost of insurance premiums. That shortage of capital has prompted hedge funds and private equity groups to dash into the sector, hoping to reap fat profits if premiums stay high. Bermuda became their favoured location."* Andrea Felsted and Gillian Tett: 'Hedge funds find Bermuda a favourable climate', Financial Times, July 4 2007.

[57] Robert Feenstra, 1998, p35-6

To assess the validity of GDP's claim to be an objective measure of a nation's wealth production, we must examine the premises upon which it stakes its claim. The essential concept within GDP is 'value-added'—GDP being the aggregate of 'value-added' produced by every firm within a national economy. 'Value-added' is itself a construct of the neoclassical theory of the firm. So, to assess the validity or otherwise of 'GDP', we must give special attention to this notion of 'value-added', and to the neoclassical concept of the 'firm' wherein 'value-added' is reputedly generated.

GDP, 'value -added' and the theory of the firm

Nothing is *produced* in marketplaces, the world of the exchange of money and titles of ownership; production takes place elsewhere, in production processes. On this point the marginalist and the Marxist conceptions fleetingly coincide. 'Fleetingly', because while, on the one hand, the marginalist concept of 'value added' presupposes that value is created (or "added") in production processes, this elementary recognition is confounded by the dogmatic insistence that value is determined in the marketplace and has no independent (even transitory) existence from price, ruling out the possibility that values created in production processes typically diverge from the prices the commodities are eventually sold for. *Financial Times* columnist Michael Prowse is an eloquent exponent of the marginalist doctrine:

> *"what determines the value of goods and services? The correct answer is our subjective valuations as consumers. A good is valuable only to the extent that people demonstrate a desire to purchase it rather than something else. If our tastes change even a good that is scarce will cease to command a high price. Such a theory of value ought to be intuitively obvious; after all what could confer value on inanimate objects but the decisions of valuing individuals?"*[58]

According to mainstream neoclassical economic theory, what *matters* are the subjective desires of consumers, while the living labour expended in the production of these commodities is *immaterial*. On these dubious premises is founded the identity between the value of a commodity and its price. This is as true of commodities which are inputs into production processes (so-called intermediate goods') as it is for final goods. According to the ruling orthodoxy, given unrestricted and efficient markets the prices of all inputs, including labour, must be equal to their 'marginal product', *i.e.* to what they add to the firm's overall 'value-added', this determining the desirability and therefore 'value' of each input. If the price of an input was less than its marginal product, the only rational behaviour of the capitalist would be to purchase more of it until its price rose and/or the price of outputs fell, and equivalence is restored.

The spurious identity between value and price causes the exploitation of labour by capital, both within and between nations, to disappear. The worker's wage, like any other input is (given efficient markets) necessarily equal to his/her 'marginal product', leading the capitalist to believe that he has paid in full for the worker's labour. As Marx put it,

[58] *Financial Times*, 8 September 1996

"it is only the semblance of the relations of production which is reflected in the brain of the capitalist…The category of surplus labour-time does not exist at all for him, since it is included in the normal working day, which he thinks he has paid for in the day's wages."[59]

From the perspective of the capitalist, the only sense in which 'exploitation' exists is when the owners of one factor wield some form of monopoly power—as occurs when a trade union forces wages above the workers' marginal product, in which case the workers are exploiting their employer—or, if he is able to pass on these higher costs to consumers, they're exploiting the rest of society.[60]

Looking more closely, how is this spurious equalisation between wage and 'marginal product' achieved? The latter is derived by extrapolating total 'value-added' (the difference between the price paid for all inputs from the price received for all outputs) *backwards* onto the production process. The contribution made by each factor is obtained by attempting to calculate the difference a unit increase in any one of them makes to total output.[61] This describes a tautological device, in which a complex relationship is replaced by a simple 'equals' sign; and where the arrow of time is reversed—in the real world, *values are not disaggregated prices, prices are transformed values.*

Despite its claim to be a measure of 'product', GDP measures the results of transactions in the market-place. The production process itself is a 'black box'; all that's visible is what goes in and what comes out. Of central importance for this discussion, *it is also a closed system*—the marginalists' tautological premise, that value and price of the same thing, precludes the possibility that value being added in a particular production process may be somehow transferred or reassigned between entirely separate firms and 'production functions' during and as part of the process of price formation—in other words, that a firm's 'value-added' might represent not the value that *it* has added but *its share of the total value* created by all firms competing within the economy as a whole,.

The economists' 'production function', in its many variants, mathematically expresses this unconditional identity: inputs multiplied by their factoral productivity are placed on one side of an 'equals' sign, 'output' on the other. The value – price identity is more than a tautological equation of two separately-existing phenomena—the two are *conflated*, the very existence of 'value' as something distinct from price is excluded out of hand. Yet—they cannot get around this—value is 'added' in production processes. Even though the various firms and their production functions proceed simultaneously, and as part of an organic whole, the marginalist 'theory of the firm' does not permit them to influence each other—no 'value added' is allowed to leak between them—instead, the quantity of 'value-added' generated in the production process is determined retrospectively by what Prowse calls 'the subjective valuations of consumers'. The marginalist counter-revolution of the 19th century replaced a complexity (the transformation of values into prices) with an absurdity (that no such transformation takes

[59] Marx, 1867a: 690-1

[60] See Rama. 2003, p13.

Note: I refer to the owners of capital as 'he', reflecting the overwhelming concentration of wealth and power in male hands and the oppression of women intrinsic to capitalism. Otherwise, I use 's/he'.

[61] The factors are, essentially, labour and capital, the latter decomposed into as many categories (R&D, machinery, material inputs etc) as there are different versions of the production function.

place because value and price are the same thing). Standard WB/IMF data on GDP, trade etc. are compiled by adding up the 'value-added' contributed by each firm in a nation's economy; they are therefore projections of the presumed identity between price and value and its corollary, a firm's 'value-added' is identical to what it adds to total value in the whole economy. *In reality*, 'value-added' is actually nothing of the sort, it is *value captured*. And if 'value-added' is nothing of the sort, then neither is 'Gross Domestic Product'.

Productivity

The fundamental problems afflicting GDP and trade data are even more evident in the conceptualisation and measurement of labour productivity, whose simplest standard definition is 'value-added' per worker. A study of labour productivity would entail a whole new stage of this interrogation of supposedly objective economic data and categories. This section limits itself to recording three interesting and important ways in which questions about labour productivity are posed by the arguments presented here, and is followed by a brief section on the related question of productive and non-productive labour.

An extremely significant effect of outsourcing/offshoring is its impact on labour productivity, or at least on statistics claiming to measure this, in the outsourcing firms and countries. Several US economists have discovered the interesting fact that when a firm outsources a part of its production process labour productivity in the parent company rises, even though those remaining continue to do their jobs exactly as before. This *"productivity effect... has been overlooked in much of the previous academic literature and public discussion of offshoring...."* say Grossman et al.,[62] who note that offshoring labour-intensive tasks *"is like technological progress in that industry".* Susan Houseman investigates the source of this illusion that causes 'cost saving' to be misinterpreted as 'productivity growth', commenting,

> *"the coincidence of U.S. productivity growth with the growth of outsourcing and offshoring has… raised concerns that strong productivity growth since the mid-1990s, particularly in manufacturing, is misleading and its implications misinterpreted. Most analysis focuses on labor productivity measures, which in U.S. manufacturing are defined as constant dollar shipments divided by hours worked by manufacturing employees. When manufacturers outsource or offshore work, labor productivity increases directly because the outsourced or offshored labor used to produce the product is no longer employed in the manufacturing sector and hence is not counted in the denominator of the labor productivity equation."*[63]

Marxist critics of dependency theory (see p35) attempted to deny the contention that workers in oppressed nations were subject to higher rates of exploitation than in the imperialist countries by claiming that 'labour productivity' was so much higher in the latter that, despite their higher money wages, their rate of exploitation was actually higher than in the oppressed nations. Fidel Castro contradicted this line of argument in his 1983 report cited earlier, in which he denounced imperialist transnationals for

[62] Grossman et al, 2006, p16n

[63] Houseman, 2006, p2.

"taking advantage of the low wages and longer and more intensive work shifts in underdeveloped countries in which productivity similar to that of the developed capitalist countries can be obtained in generally simple, partial operations"[64]

In order to compile 'GDP', government statisticians compute synthetic values for health provision, education and other non-traded government-provided services. This is an especially murky area: one study of the compilation of US GDP data by a leading academic and practitioner in the field reported that,

"real output estimates accounting for 9% of US GDP were constructed using input quantity extrapolation is and real output estimates accounting for another 14% of GDP were constructed using input-cost deflators. Both approaches are problematic."[65]

Concerning the first of these, she comments *"Assuming that output grows at the same pace as labour input... is equivalent to assuming that there has been no growth in labour productivity..."* As for the second, she cites a study which shows that *"labour productivity in the services industries… actually declined over the two decades from 1977 through 1997… among the individual service industries showing declines in labour productivity were educational services and health services, as well as auto repair, legal services and personal services. Construction was another problem industry, with the implied labour productivity falling by 1% per year over the entire 20-year period."*[66]

Productive and nonproductive labour

The economists' tautological equation of value with 'value-added' not only makes exploitation disappear, it also obliterates the classical distinction between productive and non-productive labour. If every price is by definition a value, then any activity that results in a sale is by definition 'productive'. Marxist value theory maintains that economic activities which are not integral but contingent to the production process, e.g. financial services that do not create values but merely circulate titles to them, police and security services, government bureaucracies and so forth, are not value-producing activities and should instead be regarded as nonproductive activities, *as forms of social consumption* that consume values produced in production processes elsewhere.

The distinction between productive activities, which create the use-values required for the reproduction of society (this includes value-producing wage labour and non-value-producing domestic labour) on the one hand, and non-productive activities (*e.g.* banks and financial services, social maintenance, the legal system, police, military and private security) on the other exists in all modes of production. These non-production activities

"all use up use values in their performance without themselves directly resulting in the creation of new wealth.…They are, in other words, similar to personal consumption itself in that their net effect is to consume a portion of the net social product… This is precisely

[64] Fidel Castro, 1983 p132-3

[65] Abraham, 2005, p7.

[66] Abraham, ibid. p7

why classical economists insisted on distinguishing between production ("productive") labor and nonproduction ("unproductive") labor."[67]

What's specific to capitalism is that this distinction is veiled by universal commodification, and by the capitalists' distinctive and new criterion for productivity, *profitability*.

The distinction between productive and nonproductive economic activities has enormous relevance for the subject of this investigation. 'Financial services' (which now contribute one-third of UK GDP) and other nonproductive activities constitute the fastest-growing segment of GDPs in imperialist nations. Meanwhile, the productive (value and surplus-value producing) links of global value chains are being increasingly relocated to oppressed nations, where they suffer diminishing returns reflected in declining manufacturing terms of trade. Raphael Kaplinsky concluded, from a study of relative price movements of 10,000 internationally traded items, that,

> *"the primary economic rents in the chain of production are increasingly to be found in areas outside of production [and, we might add, in areas outside of the global South—JS] … particular links in the chain (for example, transforming inputs into outputs, rather than marketing) are likely to be associated with declining terms of trade, and hence with a worsening of relative and/or real incomes."*[68]

More reasons to question GDP

This deconstruction of GDP leaves a host of secondary issues to one side, for instance the very large unrecorded flows between northern and southern nations, as revealed by Raymond Baker in 'Capitalism's Achilles Heel' (2005), and the 'Purchasing Power Parity' anomaly, which refers to the curious and significant fact that one dollar, converted into national currencies, purchases on average 2.6 times more goods and services in 'developing nations' than in 'developed nations'.

Robert Wade and Thomas Pogge provide useful exposés of some of the distortions and dubious procedures inherent in the compilation of GDP data and PPP indexes, amounting altogether to a what Wade suggests is a 'politicisation' of UN statistical agencies.[69]

GDP has been frequently criticised for what it leaves out (so-called 'externalities', e.g. pollution, the depletion of non-renewable resources, destruction of traditional societies; and also productive activities that take place outside of the market economy, especially household labour—all of which are of immense importance to society but are incidental to the process of profit-making). To the best of my knowledge, 'GDP' has never been systematically criticised for what it claims to measure, not Marxist and other heterodox critics of the mainstream.

[67] Shaikh & Tonak, 1994: section 2.14. Marx's most extensive writings on productive and non-productive labour is to be found in volume 2 of '*Theories of Surplus Value*'. For an outstanding exposition and application of these concepts, see chapter 2 of Shaikh & Tonak, 1994; see also Savran et al, 1999, and Brown, 2007.

[68] Kaplinsky, 2001 pp123-132.

[69] See e.g. Wade, 2003; Pogge, 2001.

A rare exception is to be found in a brief passage in *'Industrial convergence, globalization, and the persistence of the North-South divide'* by Giovanni Arrighi, Beverly J. Silver and Benjamin Brewer. Unfortunately, their critique of 'GDP' is incoherent. First, they say *"GDP measures the incomes that have been generated ("produced") within a country".*[70] Yet GDP measures (or purports to measure) not the 'incomes', but the price of *all final goods and services*, i.e. a national economy's net 'value-added'. An entirely different category—GDI (Gross Domestic Income), that measures *the incomes—wages, profits, taxation*—received by participants in a national economy.[71] Having muddied the central issue, they deepen the confusion in a footnote:

> *"whether or not GDP actually is a valid and reliable measure of the aggregate production… of a state's residents depends on the plausibility of… [an] heroic assumption… that each and every reward is somewhat proportionate to the[ir] corresponding contribution."*

This makes no sense: one person's gain is another's loss, and this cancels out in 'the aggregate'. The real question, missed by Arrighi et al, is whether 'the aggregate' is the national economy or the world economy.

Lies, damn lies, and GDP

Through the neoclassical lens only price is visible; value is invisible and therefore doesn't exist. The same optic naturally interprets standard trade data as an objective and accurate measure of wealth exchanges between nations. As measured by standard trade data, over a third of the manufactured products consumed in the United States are imported, more than double the level of 1980. In 2002, 44% of these imports came from 'developing nations', up from 30% in 1990 and 21% in 1980. 53% of the increased flow of manufactured imports between 1990 and 2002 came from low-wage nations, half of it from China.[72] The USA's overall trade deficit is entirely accounted for by its merchandise trade deficit. In 2006 the USA's merchandise imports cost it $1.92tr, while its merchandise exports earned $1.04tr.[73] In other words, as measured in the market-place, by what it spends and what it receives, the USA imports nearly twice as much as it exports. But, as we've seen in microcosm in the Barbie doll, only a tiny fraction of the final selling price of these imports is paid to the country where they are produced.

The implication of the argument being developed here is that the relative prices of commodities exported by imperialist nations and low-wage nations systematically and massively diverge from the values created in their production, that the USA's manufacturing

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[70] Arrighi et al., 2001, p12

[71] The more widely used GNI ('Gross National Income') includes wages remitted and profits repatriated from abroad. According to neoclassical theory, GDI should be equal to GDP—each price paid for a product (appearing in GDP) should appear as income earned from its sale (appearing in GDI).

[72] Source: Unctad, 'Network of exports by region and commodity group - historical series'. (http://stats.unctad.org/Handbook.) This database only continues to 2002. The IFS' DOTS (Direction of Trade Statistics) provides data up to the present, but only for aggregate trade and does not separate trade in manufactured goods from services, raw materials etc.

[73] Source: Unctad, Table 1.1 http://stats.unctad.org/Handbook. The US ran a small surplus in its trade in 'services', exporting $0.41 trillion, importing $0.34 trillion in 2006 (see Unctad, Table 5.1)

trade deficit, impressively large as it is, is in fact many times greater than is revealed in the standard trade data cited above, and that the traces of US, Japanese and EU manufactured imports from 'developing nations' in Figure 3 (see p9) give but a glimpse of the true import of southern manufacturing for the US, European and Japanese economies.

The ideas of neoclassical economic theory are the ruling ideas; they rule, in part, by providing the concealed premises of supposedly 'objective' economic data on global production and consumption. Criticising these premises suggests a very different picture, one where a nation's product is no longer conveniently equated with what it consumes, a world in which what Lenin called 'a handful of oppressor nations' consume far more than they produce and 'a great majority of oppressed nations', wherein live the great majority of the world's workers, produce more than they consume. In other words, the contemporary world is characterised by the exploitation of the global south by the imperialist north; and 'imperialism' is, in essence, a relation of exploitation, a term denoting the contemporary form of capitalism, as is communicated by the title of Lenin's famous pamphlet *'Imperialism, the Highest Stage of Capitalism'.*

The 'value-chain' concept

> *"The value chain describes the full range of activities that are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services) delivery to final consumers, and disposal after use."*[74]

A hesitant, partial and implicit break with the mainstream orthodoxy is to be found in new areas of multi-disciplinary research into global value-chains (also called 'global commodity chains' or 'global production networks'). These related schools are of particular interest since their object of analysis is the same phenomenon being investigated here: the globalisation of production processes.

Jennifer Bair, in a lucid review of the different strands of this research, explains that analysts of global commodity chains have set as their 'principal task' *"to understand where, how, and by whom value is created and distributed"* in *"global industries".*[75] The strong implication is that values may be 'created' in some links (say, southern fields and factories), and 'distributed' to others (say, retail giants, TNC parent companies)—in other words that values created in one link condense as prices received elsewhere, by another links in the chain, even though these separate 'links' are in fact different firms in different continents. They have hesitated (for fear of having to engage with Marxism—or of being accused of it) to consider the far-reaching implications of this, preferring to talk of 'rents' rather than 'value transfers', or instead they ignore the problem altogether, worshipfully accepting the sanctity of the market's determination of value. Raphael Kaplinsky is an exemplar of the former approach, classifying all income received by all participants in the value chains as 'rent', allowing him to sidestep the central question begged by value chain research—that value created in one link may be

[74] Raphael Kaplinsky (2005) p101

[75] Bair, 2004 p5

captured by another. But even if he had squarely confronted this it would not have been enough.

From the perspective of Marxist value theory, value chain analysis makes the same error that neoclassical economics make with their hermetically-sealed production functions, but here the error is transferred to the level of the entire chain. Before—no leaks of value between firms. Now, no leaks of value between chains. The value-chain approach takes the total value-added created in the entire value chain as a pie to be sliced up and retrospectively assigned to each link—exactly the same tautological procedure we identified in our examination of the production function. Recognising that value is enclosed neither by firms nor by value chains, that *all* of what bourgeois economists call 'value-added' is actually *value captured*, is the logical next step, but one which would signify a total break with the premises of neoclassical economics and necessitate a re-engagement with Marxist value theory.

GDP and Marxist value theory

What the ruling marginalist doctrine excludes out of hand—the distinction between value and price, and therefore the necessity for a theory of their relationship, of the transformation of one into the other—is at the heart of Marx's theory, as summarised in this famous passage from *Capital:*

> *"If the commodities are sold at their values…very different rates of profit arise in the various spheres of production… But capital withdraws from a sphere with a low rate of profit and invades others which yield a higher profit. Through this incessant outflow and influx... it creates a ratio of supply and demand that the average profit in the various spheres of production becomes the same, and values are, therefore, converted into prices of production. It follows… that in each particular sphere of production the individual capitalist... takes direct part in the exploitation of the total working class by the totality of capital…."*[76]

GDP's claim to measure the national product rests on fallacious, tautological neoclassical premises. It is understandable that mainstream analysts accept GDP's claim, given their endorsement of its underlying philosophy. How can we account for the fact that avowed Marxists, who one might suppose reject the bourgeois doctrines, also with few exceptions uncritically cite GDP and trade data as measures of national value production and international exchange? Part of the answer lies in the fact that marginalist and Marxist value theory coincides at one point: while the Marxist lens reveals that individual prices systematically diverge from values, at the aggregate level all of these individual divergences cancel out: in the aggregate, total value *is* equal to total price.

The problem facing those wishing to use Marxist concepts to understand the imperialist world economy is this: the aggregate level is no longer the national economy. The globalisation of

[76] *Capital* Vol. 3 p193-194. It is vital to understand Marx's reasoning here. If each capitalist's profit were simply the proceeds of the exploitation of his own workforce, his profits would be directly proportional to the number of his employees, and the more labour-intensive his firm, the higher would be his rate of profit—an absurd supposition, since it would mean that any capitalist attempting to replace labour with machinery would be penalised by reduced profits. Instead, competition equalises the rate of profit between capitals, each of which captures part of the total, economy-wide value in proportion to its size, and the quantity of value captured by each bears no necessary relationship to the quantity of value produced by each.

production processes signifies that both the process of value production and the transformation of these values into the prices of final goods now takes place at an international level, and GDP can no longer serve as an objective, more-or-less accurate measure of a nation's product.

In other words, the 'total working class' which Marx speaks of in the above quote *cannot be conceived within a narrow national perspective*; it must mean (at least) the 800 million wage workers identified by the IMF as the export-weighted global labour force, if not all the 3.1 billion human beings who live by selling their labour. If value can be produced by one firm in one production process and condense in the price of commodities produced in other firms within a national economy, then it is irrefutable that, in the era of globalised production processes, this also occurs between firms in the global economy. And to the extent that it does, 'GDP' diverges from being a true measure of a nation's product.

Marxism, 'New Imperialism' and the globalisation of production processes

This paper began by drawing on the findings of mainstream business literature and leading exponents of value-chain analysis in order to introduce and initially survey a new phenomenon of transcendental significance: the globalisation of production processes. In *'Ways of seeing statistics'* began to develop a theoretical framework and a methodological approach capable of analysing this new phenomenon. This section continues in this vein, first by considering the globalisation of production processes from the perspective of Marx's theory of capital and Lenin's theory of imperialism, and then by considering some currently-influential 'academic Marxist' texts on late capitalism and so-called 'new imperialism'.

There's not the space here to fully evaluate the contribution made by this rapidly-expanding literature; this paper argues, however, that an acid-test for Marxist theories of contemporary imperialism is their accordance of a central place to global wage arbitrage and the globalisation of production processes it is propelling. On examination, we discover in these theories not only a striking inattention and dearth of insights into this phenomenon, but also some major deficiencies in their conceptual framework, in particular a general failure to ask basic questions about how the law of value operates in today's imperialist world economy, and an almost universal desire to distance their theories of 'new imperialism' from Lenin.

Marx, Lenin and the globalisation of capitalist production

A theory of imperialism cannot be derived from a study of globalised production processes. On the contrary, a theoretical concept of imperialism must precede the investigation, guide it, and be enriched and developed by it. The problem, as Ellen Wood argues in *'Empire of Capital' is that*

> *"we have yet to see a systematic theory of imperialism designed for a world in which all international relations are internal to capitalism and governed by capitalist imperatives. That, at least in part, is because a world of more or less universal capitalism… is a very recent development."*[77]

There are many reasons for the absence of such a 'systematic theory' of imperialism: the disastrous effects of Stalinism on Marxist theory and revolutionary outcomes; the influence of bourgeois nationalism on radical intellectuals in oppressed nations; the pressure of social-chauvinism and Eurocentrism in the imperialist nations—all these have taken their pernicious toll.

There's an even deeper reason for the incomplete state of the theory of imperialism. Just as Karl Marx could not have written *Capital* if he had not had before him the emergent, fully-evolved form of capital (mid-19th century England), so it is that a theory of *the imperialist form* of the capital relation is only now—with the arrival of *imperialism's fully evolved form*, so-called 'neoliberal globalisation'—becoming possible.

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[77] Wood, 2005 p127. William Robinson also recognises that *"globalization [is] the near culmination of a centuries-long process of the spread of capitalist production around the world and its displacement of all precapitalist relations"*. (Robinson, 2004 p6).

Marx's *Capital* begins with an exposition of how the *value relation*—the social relation that arises from the production and exchange of commodities—becomes the *capital relation* when living labour itself becomes a commodity. He gives a detailed account of its evolution within an idealised, unitary economy, in which both capital and labour are free to move. As Wood put it, *"[Marx] was primarily interested in exploring the most mature existing capitalism, industrial Britain; and he explicated the systemic logic of capitalism by examining it as a self-enclosed system, abstracted from the surrounding, largely noncapitalist, world."*[78]

In Marx's exposition, the equality between capitals and between workers is predicated on their autonomy and free mobility; the ensuing competition between capitalists creates an average rate of profit across the different branches of the economy, while competition between workers equalises wages. Neoliberal globalisation has greatly relaxed restrictions on the mobility of capital across national borders, but there has been no such relaxation in the free movement of labour: imperialist governments are responding to increasing migration pressure by militarising their borders and criminalising migrant workers.

As a result, the condition of equality between workers assumed by Marx is profoundly violated, *giving rise on a world scale to a new, mutant, imperialist form of the capital relation.* The violation of equality between producers was given the sharpest and most political definition by Lenin: when he said the *"division of nations into oppressor and oppressed forms the essence of imperialism"*[79] he was not so much stating a theory as recognising a new fact not anticipated by theory—and in so doing, revealing himself to be the very opposite of the dogmatist his opponents depict him to be.

Lenin, who was present at the birth of capitalism's imperialist stage, could not have included a conception of how value is produced in globalised production processes *because this transformation had yet to take place*. This circumstance has resulted in an inevitable disconnection, persisting right to this day, between Lenin's theory of imperialism and Marxist value theory. This disconnection was inevitable precisely because Lenin's theory was founded on study of its early form, identifying those key characteristics of capitalism's imperialist stage which were evident at its birth.

Lenin's 'Imperialism, the Highest stage of Capitalism', written in 1916, in the middle of World War I, is better understood as a continuation of Marx and Engels' Communist Manifesto than of Marx's *Capital.* It was written as a guide to action, to explain why the leaderships of the mass socialist parties in the imperialist countries capitulated on the eve of world war, and why the war itself was not an aberration or accident but the normal and inevitable result of capitalism's internal contradictions. Lenin could only analyse what was visible, hence his focus on the concentration of wealth and the rise of finance capital.

The disconnection between Lenin's theory of imperialism and Marxist value theory explains why there's no 'systematic theory', as called for by Ellen Wood. But having no 'systematic

[78] Wood, 2005, p125

[79] Lenin, 1915 p407. Too many theorists have forgotten this definition of imperialism and have instead been preoccupied with another of Lenin's definitions: 'imperialism, the monopoly stage of capitalism'. Anwar Shaikh (1980:208) comments that *"ever since the publication of Lenin's Imperialism it has become a Marxist commonplace to assert that capitalism has entered its monopoly stage… [here] the laws of price formation must be abandoned… The focus shifts instead to the domestic and international rivalries of giant monopolies, to their political interaction with various capitalist states… in other words, to imperialism as an aspect of monopoly capitalism. The law of value, like competitive capitalism itself, fades into history."*

theory' is not the same as no theory at all. We still have the firm foundations of Marx's theory of capital and Lenin's theory of imperialism and a century of experiences and further theoretical advances to illuminate our way.

Despite the remarkable persistence to the present day of those key features identified by Lenin, it is striking how much currently-fashionable theories of 'new imperialism' are falling over themselves to take their distance. Sam Ashman argues, in her editorial introduction to a symposium on David Harvey's *'The New Imperialism',*

> *"There is general agreement that the classical theorists of imperialism, whose accounts are now nearly 100 years old, may be important reference points but they are not an adequate guide to the contemporary world…"*[80]

Ashman is right about the consensus... but the consensus is wrong. Lenin's 'nearly 100 years old' writings are no more out of date than are Marx's writings of 50 years earlier. US communist leader Jack Barnes gives reasons for believing that Lenin's writings are a much more accurate guide to today's imperialist reality than the combined output of today's 'new imperialism' theorists:

> *"Lenin's "theoretical" contribution to "economics" is one no bourgeois economist will admit to and that petty-bourgeois radicals recoil from. Lenin's main point, more true today than when he wrote it 85 years ago, is that this monopoly stage of capitalism is one in which state-organised violence, imperialist wars, national rebellions, civil wars, and proletarian revolutions are just as much an inevitable, lawful consequence of that mode of production as business cycles, inflation, and depressions."*[81]

Ellen Wood signs up to the consensus by claiming that Lenin believed imperialism *"depends for its survival not only on the existence of… non-capitalist formations but on essentially precapitalist instruments of 'extra-economic' force, military and geopolitical coercion, and on traditional interstate rivalries, colonial wars and territorial domination."*[82] This confuses essence with outward forms, and it misrepresents Lenin, who emphasised that the capitalist rulers of the great powers became imperialist—that is, expansionary and predatory towards the rest of the world—*as a result of their internal evolution*. The transition to capitalism's imperialist stage was a necessity imposed by domestic over-accumulation of capital and rising class struggle at home, both of which stimulated the search for new sources of profits overseas. The fact that imperialist finance capital emerged into a world dominated by pre-capitalist forms was a circumstance, not a predicate of Lenin's theory. David Harvey noted this in *'Limits of Capital',* saying that *"Luxemburg and Lenin… see imperialism as the external expression, dominant at a particular stage in capitalism's history and achieved under the aegis of finance capitalism, of the internal contradictions to which capitalism is systematically prone."*[83] It follows that Wood's reason for dismissing Lenin must be rejected. She does, however, find some purchase on

[80] Ashman, 2006, p3

[81] Barnes, 2005, p142.

[82] Wood, 2003, p127

[83] Harvey, [1982] 2006 p440 well

Rosa Luxemburg, in whose opinion *"capitalism is the first mode of economy... which is unable to exist by itself, which needs other economic systems as a medium and soil."*[84]

In *'A Reply to Critics',* Wood suggests a much less cavalier attitude to the crucial task of rediscovering Lenin's contemporary relevance:

> *"Another approach I have encountered suggests that, although Lenin lived in different times, he foresaw the connections between then and now. According to that argument, he only claimed to be describing the beginning of a new development in capitalism, which would… never again exist without financial domination; and it was only in this sense that he described his own time as the 'highest' stage. What we are seeing today, then, would simply be Lenin's prediction come true. As an interpretation of Lenin, this may have much to recommend it.* [85]

She neither endorses nor investigates this 'interpretation of Lenin', adding, as an awkward caveat, a simple statement of the challenge before anyone who wishes to comprehend 'new imperialism':

> *"I do not think this interpretation would compensate for a failure adequately to apprehend both what binds the capitalism of Lenin's day to our own and what differentiates one from the other."*

David Harvey deserves a much harsher verdict. His study of Marx's writings led him *"to conclude that the classical theorists of imperialism had not completed Marx's theoretical project."*[86] Fair enough—but it is completely unrealistic to expect them to have done so, since they were writing at the birth of capitalism's imperialist stage. Instead of seeking to connect with classical theorists, however, Harvey casts them aside, scolding them for 'bickering' and for not been smart enough to complete Marx's theoretical project—the classical theorists, he tells us,

> *"were desperately anxious… to construt a conceptual apparatus to confront the rapidly deteriorating national and international conditions…. The result was a body of theorising (or, in Lenin's case, pamphleteering) that was deeply marked by the conditions of the time. But I would go much further than Wood and argue that the theories they produced were not adequate to their time either, and that much of the bickering between the participants… reflects not only fundamentally different political positions over what was to be done, but also a theoretical failure to find a way to deal with the spatiotemporal dynamics that had long been constructing a global imperialist system..."*[87]

"Spatiotemporal dynamics", the addition of the 'dialectic of time and space' to Marx's theory of capital (elaborated by Harvey in *'Limits to Capital')*, is the concept which completes Marx's theoretical project but which eluded Lenin and his contemporaries. We will soon see where Harvey has taken his theory; as for Lenin and the 'classical theorists', Jack Barnes offers a much more reliable verdict:

> *"Kautsky and other centrist leaders did not challenge the basic facts presented by Lenin about the growing domination of monopolies, of finance capital. Rather, they denied that*

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[84] Luxemburg, 1913, p467.

[85] Wood, 2007, p165

[86] Harvey, 2007, p58

[87] Harvey, 2007, pp58-9

these tendencies increased the violence of capitalism on a world scale and created conditions for its overthrow by the toilers led by a proletarian vanguard. In fact, the centrists said, these trends fostered the conditions for the development of a stable order, based on a convergence of interests of the largest capitalist powers, that would transcend contradictions and conflicts and could lay the basis, over time, for peace on earth."[88]

Dependency theory and its demise

The rise of Stalinism in the mid-1920s decapitated the communist movement, with the exception of tiny groups gathered around the Trotsky-led International Left Opposition. Further developments in the theory of imperialism and new recruits to the revolutionary movement awaited developments in the class struggle—these arrived in the form of the anti-colonial and anti-imperialist struggles that swept through Africa, Asia and Latin America following World War 2. This revolutionary wave inspired the emergence of a diverse and heterodox set of theoretical schemas, bracketed collectively as 'dependency theory', whose most influential texts deployed stripped-down concepts borrowed from Marx and Lenin to offer rival explanations for the persistence of the imperialist division of the world following the attainment of formal independence by the former colonies.[89] Theoreticians of 'new imperialism' have almost completely ignored this chaotic but extremely rich body of literature. Here we have space only for a brief reflection on the relationship between 'dependency theory' and the globalisation of production processes.

Remarkably, and significantly for this investigation, the debate sparked by dependency theory in the 1960s and 1970s was the first and last time that the theory of imperialism has engaged with Marxist value theory, one reason why it remains an important reference point for any contemporary attempt at restoration. The meeting-place was the debate over the theory of 'unequal exchange', whose most influential exponents were Fernando Henrique Cardoso, a social-democratic economist who became a neoliberal Brazilian President (succeeded in 2002 by Luis Inacio da Silva), Arghiri Emmanuel and Samir Amin.

Dependency theory's rational kernel hinged upon its accurate perception that the wide and growing differences in wages and living standards between workers in imperialist nations and neocolonial southern nations reflected *a higher rate of exploitation of workers in the oppressed* nations *and an attenuation of the exploitation in the imperialist countries*. If it is true that southern workers producing export goods are more highly exploited than their northern counterparts, then the basic 'unequal exchange' thesis, that commodity exchange between rich and poor nations (North-South trade) systematically results in the transfer of value from poor to rich nations, is valid.

With the increasing flow of N-S FDI yet to turn into a flood, international outsourcing yet to take off and the Third World debt yet to achieve its mountainous proportions, the dependency theorists' claims of systemic north-south exploitation crucially depended on making the theory of unequal exchange stand up. However, their failure to successfully operationalise the law of value, by

[88] Barnes, 2005, pp123-4

[89] Amongst the most prominent 'dependency' theorists of the 1960s and 1970s were Immanuel Wallerstein, Andre Gunder Frank, Arghiri Emmanuel, Samir Amin, Enrique Cardoso; their 'orthodox' Marxist critics included Charles Bettelheim, Ernest Mandel, Robert Brenner, Anwar Shaikh and John Weeks.

developing the theory of 'unequal exchange' into a theory of global capitalist production, resulted in their various theories of unequal exchange becoming an easy target for those who could have helped them: 'orthodox' Marxists based in Europe and North America.

The implications of Cardoso and Emmanuel's thesis, that North-South wage differences resulted in prices of production which redistributed value from Third World exporters to western consumers—that higher wages in the North are a cause of the exploitation of the South and that socialist revolutions in the imperialist countries were indefinitely postponed—aroused resistance from 'orthodox' Marxists based in Europe and North America. Instead of analysing the significance of higher rates of exploitation (reflected in differential wages), the dependentistas' 'orthodox' Marxist critics attempted to theoretically prove it didn't exist, arguing that workers in the imperialist nations were subject to a *higher* rate of exploitation than in the oppressed nations, since *"the more the productive forces are developed, the more the proletarians are exploited".*[90] These words by Charles Bettelheim were echoed by Ernest Mandel, Robert Brenner, John Weeks, Anwar Shaikh and others, who restated in various ways the 'orthodox' view that higher productivity of workers in industrialised nations meant consumer goods were produced there much more efficiently; thus higher levels of consumption were perfectly compatible with rates of exploitation as high or higher than in the oppressed nations.

Subsequent transformations wrought by the globalisation of production processes have finessed this debate: now, the goods consumed by workers in the imperialist countries are increasingly produced *by workers in oppressed nations*. But, as the 'orthodox' objection to dependency theory fell, *"dependency theory itself began to flounder"*[91]—the rapid increase of exported-oriented industrial production in a series of southern nations increasingly contradicted the dependentistas' insistence that imperialist domination blocked industrial development in the South.

The term 'dependency' itself was a euphemism, a concession made to the desire of the national bourgeoisie and 'modernising elites' for economic independence and equality with the former colonial powers. This bourgeois-nationalist trend is strongly reflected in the unequal exchange literature, with both Cardoso and Emmanuel seeking a path of independent capitalist development that did not rest on low wages. The revolutionary socialist pole, on the other hand, was fragmented, riven with sectarianism, and deeply contaminated by the ideological influence of Stalinism (especially its Maoist version). This is nowhere clearer than in its almost complete disregard for the Cuban revolution and its leaders, who for decades have placed denunciation of unequal exchange at the centre of their struggle to unite the global South against imperialism. Speaking to the 1979 UN General Assembly on behalf of the 95 member nations of the Non-Aligned Movement, Fidel Castro declared,

> *"The first fundamental objective in our struggle consists of reducing until we eliminate the unequal exchange that… converts international trade into a very useful vehicle for the plundering of our wealth. Today, one hour of labour in the developed countries is exchanged for ten hours of labour in the underdeveloped countries. … Unequal exchange is ruining our peoples. It must end!... The international monetary system is bankrupt. It*

[90] Bettelheim 1972, p302

[91] Howe, 1981 p88.

must be replaced!… The economic chasm between the developed countries and the countries seeking development is not narrowing but widening. It must be closed!" [92]

The pervasive sectarianism of the 'revolutionaries' within the 'dependency' debate towards the Cuban revolution and its leaders (a fatal flaw evident in today's 'new imperialism' literature) deprived it of the most advanced thinking available on the nature of imperialism, unequal exchange and the law of value,[93] and ensured its ultimate failure and demise.

Theories of 'new imperialism'

The demise of dependency theory and the general retreat of Marxism occurred, not by coincidence, at the beginning of the current neoliberal globalisation period. Also fallen by the wayside, where it remains, is a conception of a world that is divided between imperialist and exploited nations. Current attempts to revive Marxist theory of imperialism are either preoccupied by financial globalisation (yielding many valuable contributions)[94] or with their rival versions of deterritorialised capitalism, where disagreements rage about whether a 'transnational capitalist state' has come into being but there is widespread agreement with Ellen Wood that the "*relationship between imperial masters and colonial subjects*" has been replaced by *"a complex interaction between more-or-less sovereign states."*[95]

William Robinson, a prominent exponent of the undiluted 'transnational capitalist state' thesis, exemplifies this approach: *"global class formation involves the increasing division of the world into a global bourgeoisie and a global proletariat, even though global labour remains highly stratified along old and new social hierarchies that cut across national boundaries."* [96] This is the only time Robinson alludes to the 'old' divisions, those that don't 'cut across national boundaries', namely the borders between the imperialist nations and the global South. Since the *"particular spatial form of the uneven development of capitalism* [imperialism?] *is being overcome by the globalisation of capital and markets and the gradual equalisation of accumulation conditions this involves,"*[97] why pay attention to the North-South division if it is about to disappear altogether?

Ellen Wood's central thesis is much more promising: the old imperialism, characterised by *"the interactions between capitalism and non-capitalism"* has been, since WWII, superseded by a new, capitalist imperialism in which economic compulsion—the *"internationalisation of capitalist imperatives"*— has become the prime disciplining force.[98]

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92 Castro, [1979] 1993, pp184-6

93 Tablada, 1987, provides an excellent and accessible introduction to the thinking of and debates among Cuban revolutionaries on imperialism, unequal exchange and the law of value.

94 See especially Brenner, 2005; Panitch, 2005, Duménil & Lévy, 2004.

95 Wood, 2003, p129

96 Robinson, 2004 p42

97 Robinson, 2007, p82n.

98 Wood, 2003, p126 Coercion has not disappeared: just as the bourgeois state remains essential for the maintenance of the social order with nations, so *"the new imperialism depends more than ever on a system of multiple states to maintain global order"*(Wood, 2003:155). William Robinson also recognises that *"globalization [is] the near culmination of a centuries-long process of the spread of capitalist production around the world and its displacement of all precapitalist relations"*. (Robinson, 2004 p6).

Despite this important insight, Wood is unable to make further progress, for three reasons. First, she states that her *"purpose is… to define the essence of capitalist imperialism"*, but decides not *"to go into the intricacies of value theory"*.[99] Yet a 'systematic theory of imperialism' requires the application of value theory to the imperialist world economy. Her important insight is itself an extension of an elementary postulate of Marxist value theory—the (coercive) separation of the producers from the means of production allows capitalism to substitute coercion for economic compulsion, providing the material basis for the formal separation of politics from economics. By refusing to go any further with value theory, this formal separation becomes a complete divorce, economic analysis of imperialism comes to a dead halt, and 'imperialism' is conceptualised not as a system of exploitation but as *"a global system of multiple states and local sovereignties, structured in a complex relation of domination and subordination,"* this being *"[t]he very essence of globalization."*[100]

Second, she judges that the colonies' attainment of formal sovereignty means that: *"[t]he new imperialism…[is] no longer… a relationship between imperial masters and colonial subjects but a complex interaction between more-or-less sovereign states."*[101] The effect, if not the purpose, of *"more-or-less"*—an extraordinarily sloppy term to include within a theoretical definition—throws a veil over the *continuation* of the master-subject relationship and of the territorial division of the world between oppressed and oppressor nations.

Third, she notes *"one overriding indication that the global market is still far from integrated: the fact that wages, prices and conditions of labour are still so widely diverse throughout the world."*[102] Despite the obvious relevance of this to profit, exploitation and other 'capitalist imperatives', she only considers the significance of this for state theory: *"Not the least important function of the nation state in globalisation is to… manage the movements of labour by means of strict border controls and stringent immigration policies, in the interests of capital."*[103]

In his writings on the end of the post-war boom ('The Boom and the Bubble' and 'The Economics of Global Turbulence'), Robert Brenner discards the terminology (and, I'd argue, the concept) of imperialism and imperialist exploitation, preferring instead to talk of 'global capitalism'. In sharp contrast to his impressively data-rich analysis the globalisation of production processes is given minimal attention. Brenner's main thesis focuses the systemic global overcapacity depressing the industrial and general rate of profit in the US and other advanced economies, seeing the rise of southern manufacturing production over the past quarter-century as merely another factor contributing *"to the further build-up of that redundant manufacturing productive power that was holding down profitability on a world scale."*[104]

In reality, this phenomenon is vastly more significant and more contradictory than Robert Brenner recognises. Far from depressing northern capitals' profits, the growth of southern

[99] Wood, 2003, pp7, 3

[100] Wood, 2003. p141

[101] Wood, 2003, p129

[102] Wood, 2003, p135-6

[103] Wood, 2003, p137

[104] Brenner, 2006, p290.

manufacturing production has been driven by these same northern capitalists seeking *to arrest the decline in their rate of profit* by exploiting low-wage labour. Stephen Roach, senior economist at Morgan Stanley, eloquently expresses why offshoring/outsourcing is a strategic response by northern capitals to the overcapacity and relentless profit squeeze correctly identified by Brenner:

> *"in an era of excess supply, companies lack pricing leverage as never before. As such, businesses must be unrelenting in their search for new efficiencies… offshore outsourcing that extracts product from relatively low-wage workers in the developing world has become an increasingly urgent survival tactic for companies in the developed economies."*[105]

While overproduction of commodities and the falling rate of profit is central to Brenner's work (providing its strength and substance), these phenomena play no role in David Harvey's theory of 'new imperialism', whose emphasis instead is on the 'overaccumulation of capital', pushing capitalists into an ever-greater recourse to, and reliance upon, 'accumulation through dispossession', *i.e.* diverse, non-capitalist forms of plunder (confiscation of communal property, privatisation of welfare etc). Thus he argues that "new imperialism" is characterised by *"a shift in emphasis from accumulation through expanded reproduction to accumulation through dispossession"*, this now being *"the primary contradiction to be confronted"*.[106] But there's a deep confusion at the centre of his theory. The prime purpose and effect of 'accumulation through dispossession', he tells us, is to create more and more wage-labourers available for exploitation by capital—*i.e.* for expanded reproduction, for accumulation through capitalist exploitation of wage labour. He gives no reasons why the means to this end should have become "the primary contradiction", merely asserting that this is so. In any case, this notion serves to distract him and his readers from seeing that, while old and new forms of 'accumulation by dispossession' are indeed of continuing and even increasing importance, imperialism's most significant 'shift in emphasis' is *in an entirely different direction*—towards the transformation of its own core processes of surplus value extraction through the globalisation of production processes, a system of interaction that is entirely internal to the realm of the capital relation (or, in Ellen Woods terminology, is organised by the logic of capitalist imperatives).[107]

Harvey's book *'The New Imperialism'* devotes two pages to the globalisation of production processes. First, he adapts the phenomenon to his 'overaccumulation of capital' thesis:

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[105] Roach . 2003, p5-6

[106] Harvey 2003 pp176-7. *Contra* Harvey, Imperialism's 'primary contradiction' is elsewhere—between the *globally* socialised relations of production and the private ownership of the means of production *in the hands of rival national finance capitals.* Only a revolution in property relations can resolve this contradiction.

[107] Shaikh et al. explain the crucial difference between surplus value extracted in capitalist production process and capitalist profits deriving from interaction between capital and e.g. petty-commodity producers:

"At the most abstract level of Marxist theory, aggregate profit is simply the monetary expression of aggregate surplus value. But it is often forgotten that profit can also arise from transfers between the circuit of capital and other spheres of social life. Marx calls this latter form of profit on alienation, which—unlike a profit on surplus value—is fundamentally dependent on some sort of unequal exchange. Its existence enables us to solve the famous puzzle of the difference between the sum of profits and sum of surplus values brought about by the transformation from values to prices of production." (Shaikh & Tonak, 1994, p35)

"Easily exploited low-wage workforces coupled with increasing ease of geographical mobility of production opened up new opportunities for the profitable employment of surplus capital. But in short order this exacerbated the problem of surplus capital production world-wide..."[108]

Second, echoing the nationalist demagogy of Democratic and far-right politicians in the USA, a crude counterposition of manufacturing and financial capital allows him to ascribe outsourcing/offshoring to the 'unleashed power' of finance capitalists, harming US national interests:

"a battery of technological and organisational shifts… promoted the kind of geographical mobility of manufacturing capital that the increasingly hyper-mobile financial capital could feed upon. While the shift towards financial power brought great direct benefits to the United States, the effects upon its own industrial structure were nothing short of traumatic, if not catastrophic… Wave after wave of deindustrialisation hit industry after industry and region after region... the US was complicit in undermining its dominance in manufacturing by unleashing the powers of finance throughout the globe. The benefit, however, was ever cheaper goods from elsewhere to fuel the endless consumerism to which the US was committed"[109]

But cheap imports of manufactured goods not only fuelled consumerism, it also directly supported the profitability and competitive position of US multinationals. Far from ending US 'dominance'—in other words, its ability to capture the lion's share of surplus value—offshoring/outsourcing has given US capitalists new ways to extend their imperialist domination over global manufacturing production.

In Harvey's much more theoretical treatise*, 'Limits to Capital',* the globalisation of production is even more sidelined. Despite including a section entitled 'Location of production processes', the most concrete thing he has to say in the whole book is

"much of what passes for imperialism rests on the reality of exploitation of the peoples in one region by those in another.... the processes described allow the geographical production of surplus value to diverge from its geographical distribution ."[110]

Harvey attempts to add a spatial dimension to Marxist theory of capitalism, yet—apart from this single vague allusion to its possibility—his *'Limits to Capital'* leaves out the all-important dimension of imperialist exploitation. His exegesis and reinterpretation of Marxist theory of capitalism contains no discussion of the 'spatial' implications of immigration controls, of the deepening wage gradient between imperialist and semicolonial nations, of 'wage arbitrage'—astonishing lacunae for a Marxist geographer!

For Lenin and his comrades, as for Marx, theory was never merely a means to interpret the world, but a weapon in the struggle to change the world. What, then, do our theorists of 'new imperialism' propose is to be done? Judging by the literature reviewed here, socialism and

[108] Harvey, 2003, pp63-4

[109] See David Harvey, 2003,' pp64-5

[110] Harvey, 1988, pp441-2

socialist revolution is completely off the agenda. Instead, we are offered a variety of reformist dead ends and fantastic futures which reveal their authors' belief that imperialism is, after all, a policy option which the capitalists could be induced to discard (if sufficiently pressured 'from below') and to replace with a more humane policy. Ellen Wood expresses a vague hope that,

> *"Popular struggles for truly democratic states, for a transformation in the balance of class forces in the state, with international solidarity among such democratic national struggles, might present a greater challenge to imperial power than ever before."*[111]

William Robinson dreams Kautsky's dreams over again, envisaging a transnational capitalist state in the hands of social democrats:

> *"There are many scenarios for how a global neo-Keynesianism or regulatory regime could take hold. The concrete form of such a reformist project and how it may take hold are impossible to predict. Whatever replaces the orthodox neoliberal programme will emerge not from a preplanned design but as the political outcome of the dynamics of struggle among diverse social forces and institutions around the world."*[112]

David Harvey's capitulation is the most complete. In the closing pages of *'The New Imperialism'* he says:

> *"The only possible, albeit temporary, answer... within the rules of any capitalistic mode of production is some sort of new 'New Deal' that has a global reach. This means liberating the logic of capital circulation and accumulation from its neo-liberal chains, reformulating state power along much more interventionist and redistributive lines, curbing the speculative powers of finance capital, and decentralising or democratically controlling the overwhelming power of oligopolies and monopolies… The effect will be a return to a more benevolent 'New Deal' imperialism, preferably arrived at through the sort of coalition of capitalist powers that Kautsky long ago envisaged….*
>
> *"The construction of a new 'New Deal' led by the United States and Europe, both domestically and internationally, in the face of the overwhelming class forces and special interests ranged against it, is surely enough to fight for in the present conjuncture. And the thought that it might, by adequate pursuit of some long-term spatio-temporal fix, actually assuage the problems of overaccumulation for at least a few years and diminish the need to accumulate by dispossession might encourage democratic, progressive, and humane forces to align behind it and turn it into some kind of practical reality."*[113]

One wonders, what was the point of *'Limits to Capital'?* In the above paragraph, Harvey throws Marxist theory out of the widow; we learn in it what has become of Harvey's great innovation, the 'spatio-temporal fix'. It turns out to be magic dust which can be sprinkled on the actual imperialism we've got in order to finally realise Kautsky's dream. If only imperialism could have such a fairy-tale ending!

To return to the real world, we should remind ourselves of what Harvey said in the conclusion to *'Limits to Capital':*

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[111] Wood, 2003, p155

[112] Robinson, 2004, p167

[113] Harvey, 2003, pp209-211

"The world was saved from the terrors of the great depression not by some glorious 'new deal' or the magic touch of Keynesian economics in the treasuries of the world, but by the destruction and death of global war." [114]

[114] Harvey, [1982] 2006, p444

Conclusion

This paper represents work in progress. I'm still coming to conclusions, and I've made more of them than I have space to develop here, so I limit myself to some brief general comments.

I

> *"Very often (much more often than the empiricist believes) the genuine objective cause of a phenomenon appears on the surface of the historical process later than its own consequence. For instance, the general crisis of overproduction in the capitalist world is empirically manifested first of all in the form of disturbances in the sphere of bank credits, as a financial crisis, later it involves commerce and only at the very end does it reveal itself in the sphere of direct production as a real general crisis of overproduction. The superficial observer, who takes succession in time for the only historical principle, concludes from this that misunderstandings and conflicts in bank clearances are the cause, the basis, and the source of the general crisis."*[115]

This passage from Evald Ilyenkov's classic work on Marx's dialectical method is relevant not only for its astoundingly accurate description and definition of the current financial disorder (what's bursting is not so much a 'bubble' but an immense dam), but because it emphasises the primacy of the sphere of production over that of circulation. It also points to the real nature of the crisis stalking the imperialist world economy: the globalisation of production processes has allowed the imperialist centres *to postpone and to displace* the overproduction crisis. Southern capitals producing for northern markets face brutal competition resulting from what Raphael Kaplinsky identifies as *'systematic overcapacity in the global economy'*,[116] to the advantage of the 'global buyers', the giant commercial monopolies who use their market power to relentlessly drive down the cost of outsourced inputs and consumer goods. However, the globalisation of production processes will ultimately turn from being a countervailing force mitigating the decline in the rate of profit into an accelerant, portending and precipitating a global crisis of overproduction.

II

Without the super-exploitation and super-profits made possible by outsourcing progressively more and more of the production of commodities to oppressed nations, intense competition and falling profit rates would precipitate a crisis of overproduction whose resolution would require a vast destruction of capital, or in other words a cataclysmic economic depression, obliging capitalists in the imperialist nations to mount an assault on wages (including the 'social wage') of such a magnitude that it would shatter social peace and the fraudulent parliamentary democracy which binds workers into an alliance with their own ruling classes against the rest of the world.

[115] Ilyenkov, 1960, p217

[116] Kaplinsky, 2005, p162

III

Neoliberal globalisation represents a radical break with the post-WWII social compromise which allowed the rulers of the imperialist countries to remove radical social change from the political agenda by conceding the demands of working people for universal access to health, education and social security. Fidel Castro expressed this with characteristic clarity:

> *"out of fear of revolution, out of fear of socialism… developed capitalism came up with some distribution schemes that, to a certain degree, do away with the great hunger that European countries were familiar with in Engel's day, in Marx's day."*[117]

The emergence of global labour arbitrage and its inexorable extension to more and more branches of the economy means that nationalist-reformist attempts to protect workers living standards and access to social services behind protectionist barriers are not only reactionary, they are also futile. If US and European workers do not wish to compete with our sisters and brothers in Mexico, China etc., we must unite with them. There is no credible nationalist-reformist solution to the spreading depression conditions in the global capitalist economy, still less is there a credible internationalist-reformist solution.

IV

Imperialism is not exogenous to capitalism; it is not a policy option; it is not a term describing the foreign policy of capitalist states; it is, in essence, the name for the system of global capitalist exploitation; a synonym for capitalism in its current stage of development.

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[117] Castro, 1994, p7.

Glossary

EWGLF	Export-Weighted Global Labour Force
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GDI	Gross Domestic Income
GNI	Gross National Income
GNP	Gross National Product
ILO	International Labour Organisation
IMF	International Monetary Fund
OECD	Organisation for Economic Co-Operation and Development
NBER	National Bureau for Economic Research
NIE	Newly Industrialising Economy
UNCTAD	United Nations Commission for Trade and Development
WEO	World Economic Outlook

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