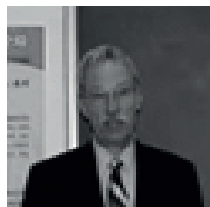


Imperialism and Marxist Theory*

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ABSTRACT

Inspired by Cheng Enfu's new concept of neoimperialism, this article reflects on the Marxist theory of imperialism from the height of our times. It examines the roots of imperialism in the basic relations of capitalism and reviews the evolution of the imperialist system in the capitalist era through about 1990, and finally assesses the contemporary world system.

KEYWORDS

neo-imperialism,
imperialism, United
States of America

1. Introduction

Imperialism is among the many topics on which Cheng Enfu has written. His recent coauthored article "Five Characteristics of Neoimperialism" (Enfu and Lu 2021) offers a Marxist analysis of contemporary imperialism. It considers the role of globalization, financialization, monopolization, and other features of global capitalism. It provides valuable insights about the character of the contemporary imperialist system.

This article was inspired by Cheng Enfu's provocative analysis of imperialism in Enfu and Lu (2021). This article provides an analysis of the Marxist concept of imperialism. Section 2 asks what is meant by "imperialism" in the Marxist tradition. Section 3 examines the roots of imperialism in the basic relations of capitalism. Section 4 reviews the evolution of the imperialist system in the capitalist era through about 1990. Section 5 assesses the contemporary world system. Section 6 offers concluding comments.

My own first serious encounter with Marxism came through the struggle against U.S. imperialism in the 1960s, when I was a college student. Many of my generation became involved in the movement to oppose the U.S. war against Vietnam. As the US government continued to escalate the aggressive war despite the growing mass movement against it in the US and around the world, we struggled to understand the reasons for the

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war. At that time the administrations of Presidents John F. Kennedy and Lyndon B. Johnson were relatively progressive on domestic economic and social issues. They presided over the passage of landmark civil rights legislation to guarantee equal rights regardless of race or gender and a series of measures to reduce poverty. Yet that same government was engaging in massive and indiscriminate violence aimed at preventing a small nation in Southeast Asia from finally attaining national independence.

The search to understand what was driving the U.S. war in Vietnam led us to read Lenin's *Imperialism: The Highest Stage of Capitalism* (Lenin, 1939). We found that book offered a persuasive explanation for what we realized was not just a mistaken policy but was an example of the U.S. imperialist drive to dominate other countries.¹ Lenin's analysis of imperialism explained how an imperialist drive emerged in powerful capitalist states. We realized that we needed to learn more about capitalism. I was an economics PhD student in the late 1960s to early 1970s at the University of California at Berkeley, and the mainstream neoclassical and Keynesian economics taught in our classes gave no hint of why a capitalist economy would give rise to imperialism. On the contrary, the professors taught that capitalism – they called it a “market economy” – promotes free trade through which every country benefits, with no possibility of any economic motive to dominate another country. That theory did not explain the world we were living in!

After reading Lenin, we moved to reading Marx. This search led us at U.C. Berkeley to form a study group to read the three volumes of Marx's *Capital*, as did many economics PhD students of my generation in other leading universities in the U.S. We read Marx critically over a period of a year. By the end of the year, almost all of the participants had concluded that Marxist analysis offered a compelling account of the capitalist system. It provided a basis for understanding the problems of imperialism, war, exploitation of labor, racial oppression, and gender oppression – all of them that could not be understood based on neoclassical or Keynesian economic analysis.

It is worth noting that imperialism and war have historically been perhaps the most powerful force in promoting Marxism and the socialist movement. The two great world wars of the 20th century and the many imperialist interventions in the Third World moved millions of people toward Marxism and socialism.

2. What is imperialism?²

A Marxist understanding of the concept of imperialism centers around the geographic dimension of human society, a dimension that is not directly involved in the construction of many of the other core concepts of Marxist theory. For example, there is no geographic, or spatial, dimension to the abstract Marxist concepts of class, class conflict, exploitation, appropriation, domination, value, surplus value, production, exchange, crisis, economy, state, ideology, circuit of capital, mode of production, or transition. Some of the foregoing concepts require a time dimension, but none requires a spatial dimension.

Human societies exist in space as well as time. Human societies are found in particular locations around the world. In the era of class society, relations develop between soci-

1 A popular slogan that emerged in the protest movement against the Vietnam War was “From anti-war to anti-imperialism!”

2 Sections 2 and 3 of this paper draw on joint research with Zhongjin Li, which gave rise to the article Li and Kotz (2021).

eties at different locations. The concept of imperialism can be understood as the Marxist entry into analyzing relations among societies that exist contemporaneously in different locations. By contrast, the concept of transition applies to developments that arise over time in a society existing at a specific location.

The Marxist theory of imperialism builds on the non-spatial concepts of Marxist theory but it applies them to a different realm. We start with a consideration of Lenin's famous work, *Imperialism: the Highest Stage of Capitalism*, which is the most influential work presenting the Marxist theory of imperialism and has long served as the starting point for Marxist analysis of imperialism. Lenin's aim in writing what he referred to as "this pamphlet" was "to help the reader understand the fundamental economic question, that of the economic essence of imperialism (Lenin 1939 p. 8)." However, he noted that "I shall not be able to deal with the non economic aspects of the question, however much they deserve to be dealt with (p. 15)."

In the book Lenin used the term "imperialism" in more than one way. The book focuses on the specific features of capitalism in the beginning of the 20th century that are relevant for understanding the contemporary imperialism of that period.³ He offers "the briefest possible definition of imperialism" as "the monopoly stage of capitalism." He elaborates on that meaning of imperialism by listing five basic features: 1) monopolies arise and play a decisive role; 2) bank capital merges with industrial capital to form finance capital; 3) export of capital becomes important relative to export of commodities; 4) giant capitalist companies share world markets among themselves; and 5) the territorial division of the world among the biggest capitalist powers is completed (Lenin 1938 pp. 88-89).

However, in the book Lenin shows that he also had in mind another, more general meaning of imperialism. In several places he refers to "capitalist imperialism (pp. 85, 86)" which implies that there may be a non capitalist imperialism. He notes that "imperialism existed before this latest stage of capitalism, and even before capitalism (81 82)." He notes that "Rome, founded on slavery, pursued a colonial policy and achieved imperialism (p. 82)." Imperialism in this more general sense is not a particular stage of capitalism and indeed can apply to various modes of production. Let us consider what Lenin's implicit second meaning of imperialism is.

First, note that it is not unusual in Marxist analysis for a key term or concept to have different meanings at different levels of abstraction. In the theory of historical materialism, the central concept of "exploitation" is understood at the relatively abstract level of class society in general, which covers slave, feudal, and capitalist systems. That general concept centers around the appropriation of surplus labor. The concept of exploitation is given a more specific meaning as "capitalist exploitation," which entails features of capitalist relations of production that are not necessarily shared with exploitation in other modes of production. For example, free labor is part of the concept of the relation of capitalist exploitation, it is not involved in slave or feudal exploitation. There is no "best" level of abstraction for considering a concept such as imperialism. The best level of abstraction depends on the purpose of the analysis.

3 In the Preface to the French and German editions, Lenin wrote "the main purpose of the book was to present a general picture of the world capitalist system in its international relationships at the beginning of the twentieth century (Lenin, 1939, p. 9)."

Apart from Lenin's focus on the specific features of the capitalism of his epoch, he indicates what he regards as the main features of a relation of imperialism in the capitalist era. First, imperialism involves a relation among states. He refers to states as the active force in a relation of imperialism, referring to "rich and powerful states which plunder the whole world" and "the division of the world among a handful of states". Second, he stresses that a relation of imperialism involves "domination" of various forms, which in that period included "annexation," "financial strangulation," and "colonial oppression." Third, he views the gains accruing to the imperialist power to include "plunder," "super profit," and coupon clipping (financial returns on investments) that at times involved rates of return of 30%, 40%, or more per year. Fourth, he indicates that the means of attaining such gains include the elimination of competition and construction of monopoly power, the establishment of financial domination, and the securing of control over raw materials.

Taking account of the foregoing four features, imperialism in the capitalist era as a whole can be defined as the economic and political domination of one country by the ruling class of another aimed at extracting economic benefits for that ruling class. Political domination is part of the definition because the state is the instrument of coercion in the capitalist era. Capitalist firms cannot establish a position of domination in other countries on their own, they require that their state exercise power to support their interests.⁴ The active entity in the relation of domination is the ruling class of the dominant state, based on the Marxist argument that the state in a class society represents its ruling class, not the country as a whole. To treat a "country" as the agent of domination overlooks the class character of contemporary societies.

Other aspects of society may be involved in imperialism, such as the cultural aspect of society. However, the direction of cultural domination does not necessarily match the direction of economic and political domination. In some cases, the culture of the dominated country penetrates the imperialist power to a significant extent. The core of the imperialist relation is economic and political domination.

The Marxist literature on imperialism presents a number of ways in which imperialism harms the dominated country. The possible harms cited include the following: 1) denial of the right of self determination; 2) blocked development (the dependency thesis); 3) distorted development unfavorable for the local population; 4) damage to the natural environment and the health and safety of the population; 5) unequal exchange; 6) imposition of burdensome debt; 7) imposition of, or backing of, a repressive state; 8) violence against the local population by the imperial power. The dependency thesis has provoked debate among Marxists, over whether imperialism slows/impedes capitalist development or, in the end, accelerates it in the dominated country. This article will not enter into that debate.

As was noted above, Lenin suggested that imperialism existed before capitalism, such as the ancient Roman slave system. The definition proposed above – the economic and

4 Early in the capitalist era there were cases of imperialist domination exercised by a corporation itself, such as the English East India Company's role in British imperialism in Asia in the 17th Century. Even in more recent times private companies have occasionally participated alongside states in exercising domination by force, such as the role of private security companies in the US occupation of Iraq in the early 2000s. However, as capitalism developed states soon became the primary agent of exercise of imperialist domination.

political domination of one country by the ruling class of another aimed at extracting economic benefits for that ruling class – serves for pre-capitalist modes of production as well as for the capitalist era. However, the type of economic benefits that are extracted, and the modes of extracting them, will differ for pre-capitalist modes of production, given the different relations of pre-capitalist modes.

There have been cases of inter-state domination in history that do not fit the general definition of imperialism proposed in this paper. For example, consider the relation between the Soviet Union and the six Communist Party ruled states in Eastern Europe through the Warsaw Pact and COMECON. Soviet socialism, with a planned economy and public enterprise, did not generate a drive to dominate other countries to extract economic benefits. Nevertheless, the Soviet Union did establish relations of political and economic domination over the six Communist Party ruled states to its west. However, that relation of domination was not aimed at extracting economic benefits but rather to provide a buffer to safeguard the Soviet Union from another military assault from the west. Indeed, the economic relations in COMECON appeared to be designed to provide economic benefits for the other six members, guaranteeing them access to low-priced raw materials from the Soviet Union and a guaranteed market for manufactured goods from Eastern Europe. That economic relation provided an incentive to accept a relationship of domination/subordination. In the terminology proposed here, that relation would not be considered imperialism in the Marxist meaning of the concept.

3. The Roots of Imperialism in the Capitalist Era

Although the form of capitalism has evolved over time since its inception, capitalism gives rise to imperialist domination throughout the capitalist era. Roots of the imperialist drive can be identified in the basic institutions of capitalism: it is a system of commodity production (a market economy) in which the means of production are owned by a distinct class of capitalists who hire free wage laborers aimed at appropriating a profit. Capitalists must compete with one another in the market, which compels the capitalists to accumulate and to pursue the maximum possible profit to provide funds for the accumulation that is necessary to survive in the competitive struggle.

As Marx and Engels described in the *Manifesto of the Communist Party*, the profit drive compels capitalists to recognize no geographic boundaries to its field of operation:

“The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere (Tucker 1978 p. 476).”

While the above quote from Marx and Engels refers to the need for an expanding market for products, that is only one of the forces operating. Capitalists expand the geographic scope of their activities in three ways: 1) export of commodities; 2) export of capital; 3) import of goods and services including raw materials.

Growing export of commodities is driven by the profit/accumulation nexus – exports beyond the country is one way to sell the growing volume of goods that results from accumulation of capital. Export of capital has two sub-cases: direct investment and portfolio investment. Direct investment is the building or purchase of production facilities outside the home country. This may be particularly profitable for either of two reasons. First, production costs may be cheaper outside the country due to low wages, a longer

workday, absence of health and safety regulations, absence of environmental regulations, favorable tax treatment, and other local conditions. Second, producing in another country can confer benefits in the sale of the product in that country such as avoiding tariff barriers. Thus, labor-intensive production tends to move to countries with low wages, while more means-of-production intensive production may move to leading markets for the sale of the product. Portfolio investment refers to the export of financial capital, through lending and purchase of financial securities across national boundaries, undertaken to expand the profits of financial institutions.

The third mode of expansion of economic activities across national boundaries is the import of goods including consumer goods (by retail companies), producer goods, and raw materials. The search for raw materials is particularly important, since capital accumulation generates a voracious appetite for raw materials, which are located in various places around the globe.

Some past Marxist analysts, such as Rosa Luxemburg (1968 [1913]), suggested that capital accumulation could not proceed at all without growing sales to another country. However, as Bukharin (1972 [1924]) and others demonstrated, Luxemburg's attempted proof was flawed. Capital accumulation can in principle proceed in a closed economy in one country. The valid point is that capitalism generates a powerful drive, emerging from competition, the profit motive, and accumulation, to aggressively pursue the export of commodities, the export of capital, and the import of raw materials across national boundaries.

However, economic expansion across national boundaries is not equivalent to imperialism. Domination exercised across national boundaries is a key defining feature of imperialism. The final part of the argument is that the drive to expand economic activity across national boundaries inevitably gives rise to a drive to dominate other countries to extract economic benefits. The potential benefits from a relation of imperialism for the capitalists in an imperialist power involve the three ways that capitalists do business outside the home country: export of commodities, export of capital, and import of goods including raw materials. Those three types of international economic interchange do not necessarily rest on a relation of interstate domination. Such interchange can in principle take place through voluntary exchanges and contracts without the domination of one party by another. However, through a relation of domination capitalists in the dominant power can extract special benefits, such as the following:

1. Control of export markets, through such means as excluding rivals from other powerful states and extracting advantageous terms for doing business compared to those of local producers
2. Imposing low prices for imports of intermediate goods
3. Maintaining favorable conditions for obtaining an extra-high rate of profit on direct investments in the country and ensuring the security of such investments
4. Guaranteeing favorable conditions for financial institutions in the imperial power to impose high interest rates in the country
5. Obtaining control over the development and export of raw materials located in the country and seizing the major part of the revenues from raw material development.

Note that capitalists will engage in maneuvers aimed at realizing all of the above benefits in their economic activities within their home country. However, when engaging in interactions with other countries they encounter the problem that another state will not necessarily protect the interests of foreign capitalists. Since capitalist firms are not able to dominate other states on their own, they are driven to press their home state to enforce their interests in other countries. That is the core dynamic of capitalist imperialism.

There is a peculiarity of capitalist imperialism. The imperialism of ancient Rome sent out armies and brought back slaves and tribute. The imperialism of London or New York sends out armies, but it also sends out useful commodities as exports and employs the local population as wage laborers. It is not possible to understand the dynamics of capitalism and imperialism based on the view that the pursuit of use-values is the driving force of a capitalist economy. Capitalists pursue value and surplus value, not use-value. If they can obtain surplus value from sending useful goods and productive factories out of the country, they will do so. Of course, the resulting relationship generates multiple forms of exploitation and oppression in the places where capitalists “nestle, settle, and establish connections.”

4. Stages of Imperialism through 1990

The exact form of international economic relations, and of state actions to dominate other countries in pursuit of profit, has changed over time as capitalism has evolved. The following brief sketch of four stages of imperialism in the capitalist era through 1990 is necessarily over-simplified. The character of imperialism in each period differed somewhat across regions of the world. However, a simplified account is useful to identify changes in the main features of each stage of imperialism.

1) Commercial Imperialism: Late 15th Century to the mid 18th Century

This is the period of primitive accumulation in Europe, described by Marx in the final section of volume I of *Capital*. European merchants financed expeditions to the Americas, Africa, and Asia, exploring and establishing settler colonies in some places. The aim was to develop profitable trade to enrich the merchants and also to obtain precious metals and gems. In the later part of this period the large-scale slave trade arose, with European manufactured goods traded for captured African people to sell to slave plantations in the Americas. The resulting trade in that period largely involved products produced under pre-capitalist modes of production, such as Indian silks, slave-mined precious metals, and slave-grown crops. This generated new wealth in Europe that played a role in the rise of capitalism, as Marx noted in *Capital*. This process generated great empires for the major trading nations of Europe.

2) Competitive Capitalist Imperialism: 1750 to 1870

Modern industry arose in this period, or in the language of mainstream Western historians, the industrial revolution took place. This gave rise to a rapid increase in productive power in the centers of capitalist production. The result was a search for markets to export the rapidly growing output of the new machine-based industry, along with the requirement of a growing inflow of raw materials such as cotton. For the first time a genuine international division of labor emerged, with the center exporting manufactured

goods produced by capitalist enterprises and the colonies sending back raw materials and some luxury goods not produced in Europe. Slave-produced cotton, sugar, and other crops flowed to Britain both from the U.S. South and from British colonies around the world. Political control by the European powers over their colonies was in many cases exercised largely through alliances with local elites. As the most developed capitalist nation, Britain became the dominant imperial power during this era.

3) Modern Colonialism: 1870 to 1945

The last three decades of the 19th Century saw the transformation of capitalism in the center countries, as the competitive stage gave way to the stage of monopoly/finance capitalism. The joint-stock corporate form largely replaced individual or partnership forms of business organization. Waves of mergers consolidated many small enterprises into giant corporations, particularly in Germany and the U.S. Many core industries came to be dominated by one or a few giant companies. The relation of finance capital emerged, through a merger of financial institutions and non-financial companies. Financial groups arose in Germany and the U.S. in which one or a few banks controlled and coordinated the actions of a large number of corporations in mining, manufacturing, transportation, and electric power. This gave rise to the form of imperialism described by Lenin in 1916.

A new feature of the international economic interactions of this period was a rapid rise in the export of both real and financial capital. While commodity export remained a feature of the system, capital export grew in relative importance. British capitalists built railroads in their colonies to facilitate trade and made large loans abroad.

The growing importance of capital export had consequences for the character of political domination under imperialism. The export of commodities brings a flow of profit back to the home country capitalists as soon as the goods are sold and paid for. However, the export of capital generates a flow of profit back to the imperial power's capitalists only gradually over an extended period of time. Exported capital faces the danger of losses due to the emergence of local economic problems or even the threat of expropriation. In addition, the rise of giant monopolistic corporations led to a drive to control markets in which the imperialist power's large companies operated.

The growing role of monopoly and capital export led to a transformation of the political character of European colonialism in many parts of the world in the late nineteenth century. The previous method of rule exercised largely through alliances with local elites was now inadequate, and in many places it was replaced by direct political rule by the imperialist power as large numbers of civil servants were sent to the colonies.

The new form of capitalism intensified the rivalries among the leading imperial powers, as they jockeyed for dominance over markets around the world. In the 1890s the U.S., by then a rising capitalist power whose core industries were dominated by finance capital, joined the scramble for colonies, seizing Puerto Rico, Cuba, and the Philippines. The dividing up of the world among the great powers was completed in the period before World War I, as Lenin noted, which heightened the tensions among the leading imperialist powers.

The above developments gave rise to a tendency for wars of redivision of colonies and spheres of influence to break out among the leading imperialist powers. Later developers such as Germany, Japan, and the U.S. sought to expand their areas of dominance, while

Britain and other earlier developers sought to hold onto their lucrative colonies and spheres of influence. The law of uneven development in capitalism assured that such conflicts would emerge. The growing tensions of inter-imperial rivalry finally broke out in a major armed conflict with World War I, which can be understood as a war of redivision of the world. A second world war followed twenty years later as the losers in World War I sought to redivide power in the world.

4) Post-Colonial Cold War Imperialism: 1945 to 1990

Two developments during the later decades of the period of Modern Colonialism prepared the way for the close of that system, the two world wars and the emergence of a large and powerful bloc of Communist Party-ruled states. The two devastating wars exhausted the European imperialist powers, which lacked the ability to hold onto their colonies after World War II. In 1945 the U.S., far from being exhausted by the wars, which had been fought outside the U.S., emerged with a strengthened economy and military while Europe lay in ruins. European colonialism had blocked the expansion of U.S. power in the developing countries. As the U.S. emerged as the dominant imperial power, it had no reason to come to the rescue of British or French colonialism, except when it was necessary to ward off the new threat that had emerged of anti-capitalist revolutions in the former colonies such as French Indochina.

Also, during the two world wars the European colonial powers resorted to enlisting their colonial subjects in their armies as they desperately sought to defeat their rivals. Thus, the colonial subjects learned to use the modern armaments of the era, and they gained an argument for expanding their political rights. Anti-colonial movements arose in the first half of the twentieth century, which could point to elements of bourgeois ideology to justify their demands, such as the right of all nations to self-determination. The colonized peoples had acquired the skills to use modern weapons in their struggle if needed.

The second development was the rise of a large and powerful socialist bloc. The Russian Revolution of 1917 gave rise to the world's first attempt to build a socialist system, but at first the new Soviet Union was underdeveloped and weak. However, the rapid development of the economy and the military in the Soviet Union enabled it to play the primary role in defeating Nazi Germany. As World War II ended, the Soviet Red Army promoted the rise to power of Communist Parties in Poland, Czechoslovakia, Hungary, Bulgaria, Rumania, and the eastern part of Germany. Thus, the newly dominant imperialist power, the U.S., faced a serious threat to the future of capitalism in the world. A few years later the Chinese Communist Party came to power in the most populous nation in the world. More than one-third of the world's population had left the capitalist system to build socialism.

That development contributed to the demise of formal colonialism. The socialist states supported the demands of the colonized peoples. They offered ideological, political, economic, and military aid to the colonized peoples' struggles for independence. In many cases local Communists and Socialists played important roles in leading the independence movements. The leading capitalist states now had to compete with the socialist bloc in the less developed part of the world, which put pressure on the imperialist powers to accept the right of self-determination for colonized peoples. While the U.S. replaced

Britain as the dominant imperial power, it was not feasible for the U.S. to attempt to structure its expanding imperial domain in the form of the colonial method of rule.

Thus, as the post-World War II period began, there was a newly dominant imperial power, the U.S., a disintegrating colonial system, and a world-wide contest between capitalism and socialism. This led to a new stage of imperialism dominated by the “Cold War” contest between the leading capitalist states and the threat of socialism represented by the socialist bloc, as well as the threat posed by the rise of strong Communist parties in some of the leading capitalist countries.

The Cold War rivalry between capitalism and socialism led the major capitalist states to unify behind the U.S. as leader of the imperialist camp. The inevitable tendency toward inter-imperial rivalry did not vanish, but it was held in check by the common interest in combating socialism. Occasional instances of conflict among the major imperial powers broke out, such as the conflicts between France and the US in 1966 when the French President partially withdrew France from NATO, and in the 1980s when Japanese exports were conquering U.S. markets. However, those conflicts were managed without a resort to armed conflict.

The new stage of imperialism was characterized by informal political domination. The U.S. constructed a vast empire of states controlled by the U.S. government in Latin America, Africa, the Middle East, and Asia, but in almost all cases U.S. domination was informal rather than the direct political rule of previous stages of imperialism. U.S. political domination fostered a highly profitable spread of U.S. corporate activities around the world.

In this stage a gradual process of globalization of capital developed, as corporations and banks based in the imperialist powers spread their activities around the world. The production process itself began to be globalized through new networks of subsidiaries and subcontracting relations in the later part of the period.

Some “front line states” in the Cold War were permitted to pursue statist economic development programs, such as South Korea. Japan’s economic recovery through an active state role including industrial policy was encouraged. At the same time, in other parts of the developing world progressive economic reformers were often undermined or overthrown through overt or covert interventions by the imperial powers, such as occurred in Iran in 1953, Brazil in 1964, Guatemala in 1953, and the Dominican Republic in 1964.

While there were no wars of inter-imperial rivalry in this period, imperialism led to many armed conflicts of other types. There were inter-camp wars and military interventions in Korea in the 1950s and Cuba in the early 1960s. The U.S. aided in the bloody overthrow of the democratically elected socialist government of Salvadore Allende in Chile in 1973. National liberation wars were mounted against imperialist domination in Vietnam, Angola, Mozambique, and Nicaragua in that period.

After World War II capitalism entered a new stage of regulated, or social-democratic, capitalism. The global economy was regulated by the Bretton Woods system under which the US dollar served as the global trading and reserve currency and two new institutions, the IMF and World Bank, presided over a semi-open world economy with some barriers to capital movement across national boundaries. There were strong trade unions, active state regulation of business and banking, some state-owned enterprises, increased state

provision of public goods and services, and welfare state programs. During that period, average real wages rose relatively rapidly in Europe and North America along with rising profits. In the developing world many governments followed a development strategy of import substitution industrialization, with some success.

Around 1980 capitalism was again transformed, as neoliberal capitalism replaced regulated capitalism. The neoliberal transformation of capitalism entailed elimination of barriers to capital movements in the global economy, the weakening of trade unions, the deregulation of business and banking, privatization of state enterprises, and contracting out of the provision of public goods. The new slogan was liberalization, privatization, and stabilization, where the latter referred to cuts in public programs and tight monetary policy.

As the neoliberal era began, real wages stagnated or declined, austerity programs were imposed on developing countries, and globalization accelerated. As financial institutions were released from government oversight, they shifted from a focus on serving the financial needs of non-financial business to pursuit of speculative profits through creation and trading of a bewildering array of new and highly risky financial assets.

5. The Contemporary World System: 1990 through Today

It is difficult to definitively characterize a new stage of imperialism in the period when it is still developing. It is too early to discover where the contradictions of this stage of imperialism will lead. However, it is possible to note the key features of this stage as it emerged from the previous stage and has evolved so far.

The key event was the demise of Communist Party rule in the Soviet Union and the other Communist Party ruled states in Eastern Europe. The USSR was dismembered, and a rapid transition to capitalism took hold in post-Soviet Russia, the other former Soviet republics, and the six former allied states of Eastern Europe. Post-Soviet Russia endured an 8-year long depression that shrank its economy by half and largely destroyed its industrial capacity.⁵ Also, the other large Communist Party ruled state, China, embarked on the Reform and Opening Up policy at the end of the 1970s, and by the early 1990s had undergone a transition to a market economy, started introducing domestic privately owned enterprises, and integrated its economy with the global capitalist marketplace. Those remarkable developments eliminated the challenge from a traditional socialist bloc with an alternative economic system based on public ownership and central planning, and it left the U.S. as the sole superpower. This rapidly restructured the imperialist system.

Some hoped that the above developments would lead to a period of demilitarization and peace. However, instead, the U.S., now the unchallenged global superpower, adopted an aggressive political and military strategy that asserted its right to rule the world into the indefinite future. In 1992 the U.S. Defense Department prepared a new planning document containing the following passage:

“Our first objective is to prevent the re-emergence of a new rival. This is a dominant consideration underlying the new regional defense strategy and requires that we endeavor to prevent any hostile power from dominating a region

5 Kotz and Weir (2007) provide an analysis of the forces that led to the demise of the Soviet system.

whose resources would, under consolidated control, be sufficient to generate global power. These regions include Western Europe, East Asia, the territory of the former Soviet Union, and Southwest Asia. (<https://www.pbs.org/wgbh/pages/frontline/shows/iraq/etc/wolf.html>)”

That statement is written to suggest it is about defense against “a hostile power” yet no significant “hostile power” remained in the world in 1992. It was actually a warning that any government that does not agree to a position of subordination to the U.S. would not be allowed to become a global power, or even a regional power, in the future. Since then that policy has been applied to other countries, large and small, that do not threaten the U.S. but that remain independent of the U.S., including Russia, Iran, Iraq, North Korea, and recently China. NATO had been created to oppose the Soviet Union and its allies, but when the Soviet Union disappeared, instead of disbanding NATO, the U.S. turned it into an instrument for extending U.S. global domination. Breaking a promise to Soviet leader Mikhail Gorbachev not to extend NATO eastward, the U.S. began doing just that, recruiting the former allies of the Soviet Union in Eastern Europe, the former Baltic republics, and advocating including Ukraine and Georgia in NATO. The U.S. initiated, with or without allies, a series of military actions, against Iraq in 1991, Yugoslavia in 1999, Afghanistan in 2001, Iraq again in 2003, and Libya in 2011. In this period the U.S. used its global economic and financial power to enforce sanction against states that refused to accept policy dictation from the U.S. government.

As neoliberal transformation deepened, statist capitalist development models were undermined. In the 1990s the statist capitalist development models in Asia, which had been tolerated during the Cold War, were dismantled under pressure from the IMF and the U.S. Treasury Department during the Asian financial crisis of 1997. Japan’s long-standing statist model crashed in 1989, and its previous long period of rapid economic growth ended.

Globalization had accelerated after 1980, and after 1990 it deepened. Global value chains spread, spurred by a heightened focus on reducing costs to squeeze the maximum possible profit out of corporate operations, and enabled by new technologies in transportation, communication, and information-processing. Manufacturing moved out of the old centers of capitalism, leaving deindustrialization and poverty in its wake, to low-income sites in Latin America and Asia and particularly China as its vast population moved from the countryside into new manufacturing centers.

The legal basis for financialization had been laid around 1980 in the U.S. by a series of bank deregulation laws, but it took another decade for financialization to take off. The profits of financial institutions in the U.S. rose from 21% of all corporate profits in 1994 to 40% in 2001-03 (Kotz, 2015, p. 35, figure 2.8). However, this development was not the same as the earlier rise of finance capital, which Lenin analyzed. Finance capital was a relation of domination of real production by financial institutions. The aim of finance capital was to increase monopoly power of the non-financial companies, to boost profit to the benefit of the financier and the non-financial company. Financialization meant a separation of financial institutions from their previous close and stable relations with non-financial corporations in order to pursue new forms of profit from creating and trading new financial securities. This process has sometimes undermined productive enterprises, such as when a speculative financial institution takes over an efficient man-

ufacturing company, forces it take on a heavy debt load, and directs the borrowed funds into large dividend payouts to the financial entity. The financial firm is enriched while the manufacturing company is unable to undertake real investment to maintain effective operations, a result that does not become known until the financial firm has sold its stake.⁶

Another feature of the contemporary world system is the increased enforcement of what is called “intellectual property rights,” that is, the rights of owners of knowledge and information. Of course, knowledge and information are inherently public goods whose total benefits are greatest when everyone has free access to them. In this period the U.S. has used its power to create and seek to enforce global protection of the right to control new knowledge by corporate owners typically housed in the U.S. and other leading imperialist powers. This gave rise to the TRIPS agreement on intellectual property through the WTO in 1995. Some suggest that this represents an opposite policy direction from the neoliberal advocacy of unregulated markets. However, neoliberal ideology consistently defends the need for a strong state to enforce property rights, as the basis for market interactions in which property owners engage in exchange. IPR has generated huge monopoly profits for some corporations in the imperial powers, particularly in pharmaceuticals.

In the 2000s some analysts claimed that globalization had replaced imperialism, by making nation-states no longer relevant in the new interdependent global economy (Hardt and Negri, 2000). However, that view misunderstands the nature of capitalism, which is not just an economic system of markets. Capitalism is a class system which requires a state to back up and protect the relation of exploitation and to promote favorable conditions for profit-making. In the capitalist era, states are the major possessors of the means of coercion – police, armies, etc. That means that, although globalization indicates a tendency for capitalism to expand beyond nation-state boundaries, the capitalists still need the nation-state to protect the system and their profits. Almost every major corporation has a single nation-state base of operations, through its incorporation and the nationality of its main controllers. The nation-state remains a key actor in contemporary capitalism, and the power of nation-states continues to underlie the operation of imperialism.

If a global capitalist state evolves in the future, that could in principle replace the power of nation-states, with implications for the future of imperialism. However, such a hypothetical possibility is far from the reality today, and there is no sign that it is developing. Indeed, this era has seen the disintegration of nation-states rather than a trend toward the agglomeration of political and military power toward a single entity in the world.

The neoliberal global system gave rise to a series of crises in the developing countries in the 1980s and 1990s. In the U.S. and the other developed economies, economic growth was slower than in the preceding period, but the system did give rise to 25 years of long economic expansions in the U.S. and other developed economies punctuated by relatively mild recessions, with low inflation. However, the growth mechanism of neoliberal capitalism generated trends that were unsustainable over the long run. Declining

6 This was not first wave of financialization in the U.S. A similar wave arose in the 1920s. See Kotz (2015, chapter 6).

trade union power and declining wages led to rising profits which encouraged economic expansion, but who would buy the growing output of a growing economy with wages falling and state spending restrained? The necessary growing demand was provided by rising debt-financed consumer spending that in turn was possible due to the periodic huge asset bubbles, particularly the real estate bubble of the 2000s. The real estate bubble was in turn promoted by the new and risky mortgage-backed financial securities created by financial institutions. Over time the debt load of households grew steadily, and that of the financial sector even more rapidly as they borrowed to finance their highly profitable speculative activities. Growing financial sector debt backed up by highly risky financial assets indicated an unsustainable trend, causing a financial sector collapse in 2008. There followed a crunch on households that could no longer borrow to finance growing consumer spending. A severe financial crisis and Great Recession followed. A Great Depression level of collapse was averted only by huge state interventions and bailouts. (See Kotz 2015 chapter 5.)

Even before the financial and economic crisis of 2008, an opposition movement emerged in the 1990s, driven by the contradictions of the neoliberal world system manifested in deindustrialization, worsening job conditions, stagnating or falling wages, and steeply rising inequality. These contradictions led to the appearance of a counter-corporate globalization protest movement in a series of large demonstrations in many countries in the late 1990s. A few years after the crisis of 2008, a popular anti-capitalist protest movement arose targeting “the one percent”. In 2011 the “Occupy” movement spurred large and overtly anti-capitalist demonstrations in 951 cities in 81 countries around the world. Public opinion surveys showed the protests had widespread public support.

It may be that 2008 marked the start of a transition to a new form of capitalism and a new stage of imperialism, although it is too soon to be sure. After 2008 the global economy settled into a condition of stagnation, with very slow growth in the U.S. and no growth for a long period in the EU. The slow growth was finally interrupted by a sharp global recession when the COVID pandemic broke out in 2020. Economic recovery has followed but with COVID still not conquered, the economic outlook is uncertain at this time.

The long period of stagnation since 2008, amidst the continuing retrograde trends of neoliberalism of rising inequality, casualization of work, and increasing insecurity, has provoked a growing political polarization. Right-wing nationalist political figures and political parties have emerged in many countries around the world, including the U.S.. The hegemony of the liberal democratic state has been challenged for the first time since the defeat of fascism in World War II. This period has also seen growing support for a socialist, or a social-democratic, direction of change in some countries, including the U.S.. That could open the possibility of new efforts to break out of the capitalist system.

Another important recent development is the shift in the stance of the U.S. toward China. The U.S. government had encouraged China's accession to the WTO in 2001, and U.S. big corporations have been making high profits from the relationship with China. When China was largely producing cheap, low-tech consumer goods, and offering high-profit opportunities for foreign investment, U.S. capitalists viewed the relations as very satisfactory. U.S. companies were monopolizing the high-profit ends of the global value chains. However, China was gradually moving up the ladder toward high-tech

products. China moved onto a trajectory to become the economic and technological equal of the U.S. Over the past 5 to 10 years the U.S. government and mass media shifted to viewing China as threat to U.S. hegemony. Recently an aggressive new cold war against China has been promoted by the U.S..

The new cold war against China could lead to a new stage of global imperialism. This shows once again that the underlying character of imperialism has not changed. After a long period when rivalries among the major capitalist states were set aside to confront the socialist bloc, its dissolution has led to a new period of global tensions due to a rising economic power threatening the hegemony of the dominant imperial power. The Cold War after World War II had a different character, in that the earlier socialist bloc was not engaging in economic competition with the leading capitalist powers. The rising global tensions today bear some similarity to the global relations on the eve of World War I. However, it has a new feature of the rising power having a ruling Communist Party and a system that, although no longer based on central planning, still has significant differences from the political economies of the long-time dominant capitalist states. The U.S. ruling class is reacting to a rising economic power but also to what it perceives as an economic threat to Western capitalism from a different socioeconomic system.

6. Concluding Comment

This review of capitalist imperialism suggests that the value of Lenin's famous analysis of imperialism is not the provision of a five-point definition of imperialism to serve for all future history. Lenin's contribution is to provide a model of how to use Marxist analysis to understand imperialism in any part of the capitalist era. As Lenin noted, imperialism even predated capitalism, and in the early 20th century it took a new form that produced tensions that led to devastating wars but also opportunities for socialist revolution. This paper has sought to follow Lenin's example by applying Marxist analysis to the imperialism of the past 60 years through today, starting from a clarification of the meaning of imperialism in the more abstract sense as a system of economic and political domination of one country by the ruling class of another aimed at extracting economic benefits for that ruling class. That definition remains valid today.

A future world without imperialism would be a great advance for human welfare. However, it cannot emerge until the capitalist epoch, and with it class society, draws to a close. One cannot rule out occasional frictions between nation-states in a future socialist world if nation-states remain in that future world. However, a future socialist world, even if made up of nation-states of some kind, would not have an imperialist economic drive. Imperialism can bring large benefits to a small ruling class in class society, but it takes significant resources to create and maintain a relation of imperialist domination. In a class system the costs can be largely born by the exploited class, while the ruling class reaps the benefits. That calculus would not work in a future socialist world of classless societies. A future socialism may not mean the end of economic and social problems, but imperialism, with its domination and violence, should not be one of them.

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