

Capitalism and Imperialism

by Prabhat Patnaik

The anti-colonial struggle in the third world countries had brought together workers, peasants, agricultural labourers, artisans, middle class intellectuals, and even the national bourgeoisie into one camp, demanding decolonisation. This was a reflection of the fact that colonialism, or imperialism (if one uses the term in an inclusive sense to refer to all stages of metropolitan domination, and not in the strict sense of [Lenin](#) which refers to the stage of finance capital), oppressed all sections of the colonial economy, including even the national bourgeoisie which did not have adequate scope for capital accumulation. Put differently, the main contradiction in that situation was between "imperialism" and the "third world."

There was something more. Lenin had argued that imperialist exploitation enabled monopoly capital to "buy off" the trade union bureaucracy and a thin upper stratum of the working class in the metropolis, the so-called "workers' aristocracy." Post-war literature advanced an even more striking proposition: theories of "unequal exchange" for instance saw the entire working class in the advanced capitalist countries as being beneficiaries, though not necessarily *conscious* beneficiaries, of imperialist exploitation of the third world. As a result a picture of imperialism emerged *where the entire third world, including its national bourgeoisie, was on one side, the side being exploited, while the entire advanced capitalist world, including its working class (though it was not necessarily a conscious participant), was on the other side, the side that did the exploiting.* This was not a correct picture; but it was the picture of imperialism that came to be widely perceived.

Two very obvious changes in this picture have taken place in the neo-liberal era. On the one hand the workers in the advanced capitalist countries have seen, for almost four decades now, no increase in their *absolute level* of real wages; on the contrary there has been some decline in this level. On the other hand, the capitalists of many third world countries like India, the so-called "emerging market economies," have flourished during this period, as the high rates of growth experienced in these economies have led to the accumulation of huge surpluses in their hands. The gaps *inside* the advanced capitalist countries, and *insidethe* third world, have widened enormously. Hence the old picture of imperialism derived from the colonial period, which existed in the minds of many, and which posited two totalities, "the advanced capitalist world" and "the third world," and an exploitative relationship between the two, has become palpably obsolete. This, not surprisingly, has given rise to a perception that *imperialism itself has become obsolete in the new situation.*

The third world bourgeoisie, which in an earlier era, was opposed to imperialism and actively supported the non-aligned movement after decolonisation, has now, in the era of its new-found prosperity, little use for the term "imperialism." And the same is true of several middle class intellectuals in the third world who benefit from the burgeoning surplus value in the hands of the capitalists. Metropolitan capital in any case always sought to bury the term, and to convert economics into a branch of apologetics, where there would be no room for the concept of imperialism. What is worse, many radical and Marxist intellectuals in the advanced capitalist countries, under the influence of arguments of the sort mentioned earlier, are now moving away from the concept of imperialism. As a result the concept has few takers now. The question naturally arises therefore: can we still talk of imperialism? It turns out, as we shall see, that not only can we and should we talk about imperialism, but that *capitalism without imperialism is inconceivable.* One important reason for it can be stated as follows.

Wealth-holders in a capitalist economy hold their wealth in a number of alternative forms: physical elements of capital; claims on others or debt instruments like bonds and equities; and money or claims on the banking system. Since not everybody would like to hold physical elements of capital, it is essential for the functioning of a capitalist system that there must be this alternative form of holding wealth in the form of money or monetary claims (like equities or bonds). But for these alternative forms to be

meaningful, there must be some stability in the value of money in terms of commodities, or, what comes to the same thing, in the money values of commodities. And if we are looking at the world economy as a whole, where there are numerous different kinds of money, it is the money of only some particular nation (a leading nation), which typically constitutes this stable medium of holding wealth. (Money of other nations, in terms of which wealth is also held, plays this role of being a wealth-holding medium, only in so far as its value in terms of the money of the leading nation is expected on the whole to remain stable.)

In today's world the US dollar plays this role of being surrogate "world money," the medium in terms of which a substantial part of the world's wealth is held. It is essential for the entire system that the value of the US dollar in terms of commodities should not start declining rapidly.

How is this ensured? A whole complex set of arrangements is put in place to ensure this. The first element is the existence of a reserve army of labour within the leading capitalist economy itself, which ensures that its domestic money wages do not rise rapidly, or, preferably, do not rise at all. But the prices of commodities do not depend on the money wages alone. There are *imported material inputs*, like oil, a rise in whose prices can give rise to an overall increase in the price level and hence undermine the position of the leading currency of the capitalist world. And even if the existence of the domestic reserve army of labour prevents any autonomous "wage-push", if there is a rise in the prices of *imported means of subsistence* which squeezes real wages in the leading capitalist economy, then that too would give rise to an increase in its domestic price level, undermining the stability of its currency. Hence it is essential that the prices of its imported means of production and subsistence should also remain stable.

There is an additional, rather ironical, factor here: any tendency for an initial rise in the price of an imported means of subsistence or means of production, gets compounded many-fold, threatening the stability of the wealth-holding medium in the capitalist world, and hence the entire financial stability of the system, by the actions of financial speculators who are a part of this very system! The fact that economic agents belonging to this very system can act in a way which undermines the system itself is an irony of capitalism which arises because of its anarchic, unplanned character. It is rather like a tiny hole in a boat, which in itself should not threaten survival, causing the boat to capsize because of the panic-stricken behaviour of its occupants. The system's stability requires all the more therefore that there should be no such small holes in the first place, i.e. that any primary inflationary tendency should be pre-empted in the first place.

An obvious condition for this is the existence of reserve armies of labour in countries producing such imported means of production and subsistence, so that there is no autonomous wage push in those economies. But that is not enough. Not only should there be no autonomous wage push, but any autonomous increase, say in the profit margins in the metropolitan economies owing to an increase in the power of the monopolists, should not cause even a compensatory increase in wages in those economies from where means of subsistence and means of production are imported into the leading capitalist economy. In other words, the workers in such economies must be "price-takers," which means that they must be located within massive labour reserves, reserves *that are so large that there are neither autonomous nor compensatory wage increases*. Hence the existence not only of domestic labour reserves but also of labour reserves, and that too in massive proportions, in such "feeder" economies, is a condition for the stability of the world capitalist system.

But even this is not enough. Even if all autonomous wage push everywhere is ruled out, even if all compensatory wage increase in response to autonomous profit-push is also ruled out, there will still remain the possibility of a threat to the stability of the wealth-holding medium, arising from *shortages*, or excess demand situations, with regard to critical means of production and means of subsistence. There are two obvious areas where such shortages may arise: the first relates to exhaustible resources, of which oil is the most significant example today. And the second relates to products of the tropical land mass which is fixed in supply, occupied by numerous peasants and petty producers, and already so intensively used that the scope for increasing output from it is limited. True, technological progress can raise land

productivity and hence increase supplies from this fixed land mass. But this can happen only at a certain rate, and not just at will.

It is essential for the stability of the system therefore that oil supplies must be controlled to prevent any secular increase in their prices, and that products of the tropical land mass should be extracted from their existing uses to meet the requirements of the metropolis without any rise in their prices. This latter in turn requires that this extraction should take the form of compressing the incomes of the vast mass of petty producers and workers who live in these economies, and other economies that also use such products.

Control over the oil-producing economies, and the imposition of "income deflation" upon the third world workers and petty producers are thus essential for the stability of the capitalist system. *And these measures constitute the crux of the mechanics of imperialism.*

The manner in which the metropolis has imposed these controls has varied over time. In the colonial period, income deflation was imposed through the colonial tax mechanism. Now it is imposed through a plethora of neo-liberal policies that squeeze the third world working people. Likewise in the colonial period when Britain was the leading capitalist economy, it controlled the supply of exhaustible resources like oil, by the simple device of acquiring *de jure* or *de facto* control over the producing economies. Now it is ensured through political influence, though direct colonial-style control is also tried, as in Iraq. But no matter what the form is, imperialism, in the sense of acquisition of control over the world in both a social and a spatial sense, is essential for capitalism. The identity of the leading country may change but the necessity for such control will not.

In the era of globalisation, though the third world bourgeoisie may have got progressively more integrated with international finance capital, this still does not negate the need for world capitalism to have control over third world resources and products. The imposition of income deflation on third world working people is a necessary element of such control, which constitutes imperialism.

Prabhat Patnaik is a Marxist economist in India. This article was first published in [People's Democracy](#) on 19 June 2011; it is reproduced here for non-profit educational purposes.

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