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Fictitious Capital For Beginners: Imperialism, 'Anti-Imperialism', and the Continuing Relevance of Rosa Luxemburg

By Loren Goldner

The liquidity crisis currently wiping billions off global stock markets is just the tip of a very big iceberg. Beneath the credit crunch and incipient insolvency crisis lie the economic and political crisis of the USA's global reign, claims Loren Goldner. But will this mean global depression, wars and intensified authoritarianism, or a renewed opportunity for communism? Goldner returns to the theories of Marx and Luxemburg to examine today's financial and military imperialism, and its left wing 'anti-imperialist' mirror

[Hyland_tracks](#)

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In February of this year the Chinese stock market, which had long been suspected of being in a runaway bubble phase, took a plunge. In the following days that tremor was felt in stock markets around the world. China in recent months has reached the 'shoe shine boy' phase of popular stock speculation (a major American investor famously decided to get out of the stock market just before the 1929 crash when a shoeshine boy gave him advice on stocks), and after the (not so welcome) correction, the Chinese market resumed its upward rush to new highs, followed with relief by investors everywhere.

With the slightest historical perspective, we can see that the world shock set off by such a hiccup in a still relatively small market (in terms of what savvy people call 'total market capitalisation') is something quite new, unthinkable only a few years ago. China's stock market can have such an impact because people are aware that any pause, not to say downturn in the country's economic boom (averaging over 10 percent GDP growth for years on end, whereas Britain in its 19th century heyday was considered quite impressive at 3 or 4 percent) could bring the contemporary worldwide financial euphoria to an end. Increasingly insiders and pundits talk openly of the 'when, not if' of a global downturn, or even (for some) cataclysm.

With a bit more historical perspective, we can recall the late 1980s myth of the Japanese economic juggernaut, when the Imperial Palace in Tokyo was briefly priced at a higher value than all the real estate in California. And we recall that juggernaut hit a wall in 1990 in a stock market and real estate meltdown that lasted some 16 years. It does not seem impossible that we will look back on a meltdown of the current Chinese juggernaut in somewhat the same way, but the consequences will be more far reaching.

These, however, are relatively surface, almost journalistic observations about phenomena arising from the real issues of how the world economy actually works, or more precisely, doesn't work for much of humanity.

In fact, what we are seeing today is just the culmination of a process underway since the late 1950s, (the proverbial 'from a scratch to the danger of gangrene'), whereby an ever-increasing mass of nomad dollars, corresponding to no real wealth in the world economy, are tossed around like a hot potato by

central banks always counting on the ‘bigger fool’ to be holding them when they finally deflate. The central banks of Asia (China, Japan, South Korea and Taiwan) currently hold over \$2 trillion of these nomad dollars, and China alone is expected to have \$2 trillion by some time in 2008.

We can call these dollars, which represent uncollectible debts arising first or all from five decades of chronic American balance-of-payments deficits, ‘fictitious capital’, a concept which, when unpacked, leads straight to the heart of 50 years of capitalist history and to the illumination of our own precarious present.

The following aims to show that, far from being a remote ‘economic’ concept, fictitious capital leads us straight to the central political questions of today, and above all those questions confronting the international left. To see this clearly, we must connect these fictitious nomad dollars to the dynamics of contemporary geopolitics and the closely related class struggle.

IMPERIALISM AND SUPER IMPERIALISM

Some 90 years ago, V.I. Lenin wrote a book, *Imperialism* (1916), which purported to explain the origins of the First World War and the abject capitulation of the socialist parties in 1914 (with a few noble exceptions) to ‘social patriot’ support for their own bourgeoisie in that war. Lenin portrayed a world economy of ‘monopoly capital’ and giant cartels fighting for control of the planet. But the political payoff of Lenin’s analysis (quite apart from his questionable economics) was multiple: he argued that the imperialist powers (i.e. Europe and the US, and later the newly arrived Japan) were ‘exporting capital’ (an idea borrowed from the British Fabian Hobson) that could not be profitably invested in the capitalist heartland, and that the ‘super-profits’ from this capital export helped to buy off an ‘aristocracy of labour’ in the Western working classes, explaining the accommodation in each country of this ‘aristocracy’ to its respective national bourgeoisie.

Lenin’s little book would probably have been forgotten had he not led the Russian Revolution a year later, and helped found the Third (Communist) International in which his theses, after his death in 1924, were enshrined as writ, with repercussions extending, through the international impact of Stalinism, for decades.

Lenin had already skirmished, and generally unhappily, with a revolutionary contemporary, Rosa Luxemburg. In her *Accumulation of Capital* (1913), a work much more grounded in Marx’s problematic than Lenin’s pamphlet, Luxemburg argued that imperialism expressed the continuing presence of what Marx had called ‘primitive accumulation’, a certain increment of ‘loot’ which capitalism required to compensate for a disequilibrium internally generated by its dynamic. The implications of Luxemburg’s analysis were that the goods and machinery capitalism was exporting to peasants and petty producers in the heartland and in the burgeoning colonial world were in fact exchanged for a huge increment of unpaid wealth (cf. her unforgettable descriptions of the looting of American farmers, African tribesmen, Egyptian and Chinese peasants), a looting that was extended to capitalism’s own working class through taxation to pay for the pre-1914 arms race, driving real wages below the level required for the working class to reproduce itself. Far from constituting an aristocracy, the working class within capitalism was, for Luxemburg, increasingly subjected to a complementary form of the primitive accumulation which the system visited on petty producers of the non-capitalist world. These complementary aspects, inward and outward, of ‘looting’ in fact anticipated the fascism which emerged in Germany and elsewhere two decades later.

[Hyland Cranenberg](#)

I have minor differences with Luxemburg (as will be shown below) but her posing of the problem takes us much farther than Lenin's in understanding today's world.

This debate from 90 years ago is important because, despite the post-modern platitudes of figures such as Hardt and Negri, or e.g. the protestations of the much more rigorous orthodox Marxism of the school around Paolo Giussani in Italy, imperialism is still very much with us. While this might seem obvious, the serious theoretical amnesia and retrogression on the international left in the past three decades oblige us to quickly sketch some recent history. Iraq of course speaks for itself as a classical imperialist adventure. But beyond the obvious, let's begin by pointing to the US military presence, overt and covert, in 110 countries and its largely successful counter-insurgency in Latin America and the Caribbean. We can include the various 'revolutions' backed overtly or covertly by the US in Serbia, Georgia and the Ukraine (the US embassy in Kiev has 750 employees). All this is connected, once again, to a geopolitical strategy aimed at controlling the borderlands of Russia and China, a classic remake of the 19th century 'great game'. In this perspective, the US backed the extension of NATO to include most of the former Warsaw Pact states, right at Russia's doorstep. The US (sorry, I mean NATO) intervened in the wars in ex-Yugoslavia and militarily humiliated Serbia. Most recently, the US is assuring everyone that its proposed anti-missile systems in Poland and the Czech Republic pose no threat to Russia, and is pushing the independence of Kosovo against growing Russian opposition.

The US, officially and unofficially, is at the same time 'greatly concerned' about China's new presence in Africa and elsewhere in the Third World, particularly where oil is involved. Western experts have had the cheek to warn China against 'unfairly exploiting Africa's natural resources'. A great power rivalry over raw materials in Africa, Asia, and Latin America? Haven't we been here before?

In East Asia, the US maintains 35,000 troops in South Korea, important bases in (and a close alliance with) Japan, naval fleets ready to defend Taiwan, all aimed at containing what the CIA openly identified as the main future rival of the US: China. When China recently showed the world the efficacy of its new anti-satellite missiles, the US, with hundreds of nuclear warheads aimed at China, growled about the hypocrisy of China's claims to be pursuing 'peaceful emergence'.

In the Middle East, current US dominance of world oil production, a fundamental weapon in keeping potential rivals down, has dictated everything from support to the hilt for Israel to helping foment the (how short lived!) anti-Syrian 'Cedar Revolution' in Lebanon, and close ties with NATO partner Turkey as a counter-weight to Iran. The US has more military hardware in the little Gulf state of Qatar than in any other country in the world except Germany.

I have limited myself thus far mainly to the geopolitical and military level. But let's not forget the over 200 multinationals, most of them American, which still constitute the lion's share (and an increased share) of world production.

To this we can add the weight of the US through 'international' institutions such as the UN, the IMF and World Bank, the latter two imposing 'structural adjustment' programmes on 100 developing countries, producing over 60 failed or near-failed states; we can add the 'fact' that the income ratio of the West to the developing world has greatly increased in the past 30 years, in spite of important development in countries such as China, Brazil and more recently in India during that time. It is no secret that the military overreach described above is the 21st century extension of the proverbial gunboats of earlier times for the enforcement of IMF and World Bank dictats. Capital, except in 'free market' fantasy, never exists without a state and without the 'special body of armed men' (as Engels

termed the military and police) who, when necessary, collect debts for the state.

Some sceptics have asked what imperialism means when a country such as China, with an average per capita income of \$1,200 a year, has lent something rapidly approaching \$2 trillion to the 'lone superpower', and this takes us right back to Lenin and Rosa Luxemburg.

Michael Hudson's excellent book, *Super Imperialism* (1972; new edition 2002) anticipates, and answers that question. Hudson shows that US imperialism since World War II has not, indeed, followed Lenin's model (which was always flawed), but has perfected the strategy of 'managing empire through bankruptcy'. The \$1-2 trillion in the Bank of China consists of little green pieces of paper (dollars and dollar-denominated bonds) exchanged for real Chinese goods produced by the exploitation of Chinese workers, pieces of paper then re-lent to the 'US consumer' so he/she can buy those goods. That money will never be seriously repaid, particularly if US policy makers get their way and the Chinese revalue their currency (from 7.8 renminbi = \$1) to the desired level of 4 renminbi = \$1, cutting in half the value of those reserves to themselves. The Japanese, who saw their dollar holdings reduced in value by Nixon's dissolution of the old Bretton Woods system in 1971, can tell the Chinese a thing or too (and the Chinese know the stakes very well and have discussed them publicly).

But the mere enumeration of the dimensions of imperialism today still does not adequately get at the dynamic of the system, both 'geopolitically' and above all in terms of the international class struggle. For what we are living through is a potential passing of the 'baton' of empire from the US to Asia, quite analogous to the shift from British to America-centred world accumulation between 1914 and 1945 (the latter being the true stakes of the wars, depressions and social upheavals of those years).

We further note that just as the previous world imperial system 'cracked', just after World War I, there occurred from 1917 to 1921 the biggest revolutionary offensive in the history of the world working class, and we can say with guarded optimism that the 'cracking' of US world hegemony confronted with the rise of Asia (a transition whose success is far from assured) just might witness a still bigger working class offensive, hopefully with happier results. That, underneath all appearances, is what is at stake today, and the success of such an offensive is obviously opposed by both the declining US hegemon and by a constellation of forces from China to Latin America by way of the Taliban coalescing under the banner of 'anti-imperialism'.

Finally, just as the weakening of British (and secondarily French) world domination in the early 20th century frayed and finally broke on the 'weak link' Russia and its two (1905, 1917) revolutions, so today the fault line of the contemporary 'game for the world' lies along the borders of Russia and China from the Baltic to Korea and Japan, and it will be in the looming confrontation between Asia and the US that the future working class upsurge will emerge and either triumph or be crushed under the emergence of a new centre of world accumulation.

But to see the true dimensions of the contemporary stakes, let's get down into the 'deep' economic questions. None of the preceding would be fully intelligible without being connected to the crisis of world capitalist accumulation underway since the early 1970s.

Contemporary sceptics and willful amnesiacs who question whether imperialism has any meaning today throw Rosa Luxemburg's *Accumulation of Capital* into the same historical dustbin as Lenin's book. Whatever her minor flaws (to be discussed momentarily), she was absolutely right about the permanence of primitive accumulation – what much of imperialism and the contemporary world is about – in capitalism. Primitive accumulation means accumulation that violates the capitalist 'law of value', i.e. non-exchange of equivalents, beginning with the emptying of the English countryside in early modern history (16th to 19th centuries) by what would today be called 'economic reforms'. [1]

Much of the Marxist ‘economics’ (an oxymoron for the Marxist critique of political economy, an undertaking having a different ‘object of study’ than any ‘economics’) of the 1970s and even some authors today focus on the mathematical formulas in the first part of vol. III of *Capital* to adequately describe the root cause of capitalist crisis. And as important as these chapters on the rate of profit are, they make the big assumption that the concrete processes of social reproduction to which they refer are in fact being reproduced. (Social reproduction, in a nutshell, means replacing if not expanding used up machinery, materials and infrastructure, on one hand, and permitting today’s working population to raise a future generation of people capable of working with contemporary technology on the other.)

Luxemburg, in her *Anti-Kritik* rebuttal to critics of her 1913 masterpiece (and on this I follow her 100 percent) argued that the issue here is not a matter of mathematics, but one of concrete analysis of real processes. When Western capital sucks Third World labour power, whose costs of reproduction it did not pay for, into the world division of labour, whether in Indonesia or in Los Angeles, that’s primitive accumulation. When capital loots the natural environment and does not pay the replacement costs for that damage, that’s primitive accumulation. When capital runs capital plant and infrastructure into the ground (the story of much of the US and the UK economies since the 1960’s) that’s primitive accumulation. When capital pays workers non-reproductive wages, (wages too low to produce a new generation of workers) that’s primitive accumulation too. Lenin never discussed these things (if I recall, he rarely mentioned social reproduction) but Rosa Luxemburg wrote a whole book about it. To critics who want to dismiss these ‘old’ ideas with a complacent wave of the hand, I can only say that it’s their loss.[2]

The problem is that the contemporary international left has inherited from the years just before and after World War I a theoretical framework, which is now mainly a highly problematic ‘mood’, in which Lenin’s wrong-headed view, vulgarised by decades of further distortions by Stalinism, Maoism, Third Worldism and now by ‘alterglobalism’, has largely if not totally eclipsed Luxemburg’s, particularly in its portrayal of the working class of the advanced capitalist sector (to my mind still the main force capable of positively superseding capitalism) as a quantité négligeable among the international forces for positive change.

Lenin’s theory of imperialism and its bastard offspring reached the peak of their influence in the 1960s and ‘70s, when various national liberation struggles (Algeria, Indochina, Angola, Mozambique) and the Cuban Revolution constituted a ‘tricontinental’ constellation that seemed to be fulfilling the prediction that ‘socialism’ was the only way forward for the underdeveloped world. This ferment had taken off from the 1955 Bandung (Indonesia) conference of the ‘non-aligned’ (non-aligned in the Cold War) nations, with the cachet of such early anti-colonial figures as Nkrumah (Ghana), Sukarno (Indonesia), Nehru (India), and Nasser (Egypt). Unfortunately, the bureaucratic development regimes that triumphed in the ‘tricontinental’ countries were not socialist, and the western working class, which could have removed the weight of imperialism from their path, was absent at the rendez-vous. The Third Worldist ‘tricontinental’ world view was in shambles circa 1978-79 when Cambodia, Vietnam, China and the Soviet Union which had all at various times claimed the ‘anti-imperialist’ mantle, came close to going to war... with each other. What followed hard on this debacle was the past three decades’ triumph of the neoliberal ‘Washington consensus’ in which the state centred development based on the old model was proclaimed unviable. During the high tide of the ‘Washington consensus’ the world has witnessed both an assault on the working class everywhere as well as on the old ‘anti-imperialist’ bloc, seriously reshaping both.

[Hyland Crop](#)

During this post-1977 period, the old lines of division between the ‘advanced’ and ‘developing’ world have blurred considerably. In the years of the ‘Washington consensus’ China and more recently Vietnam (from a very low base) have grown at rates unprecedented in the history of capitalism; India (from a similarly low base) has recently embarked on a similar path; ‘new industrial countries’ such as Korea and Taiwan have appeared; ‘flying geese’ countries such as Malaysia and Thailand, perhaps now Bangladesh (lowest wage country in the world, but now a textile power) have been pulled into the Asian boom; the Soviet bloc has collapsed and the European Union has absorbed most of its former Eastern European colonies; international labour migration to the West from Africa and Latin America has reached unprecedented levels, and Middle Eastern oil producers have been investing more of their revenues in regional development.

But most importantly, the bedrock of the world economy has shifted from the post-1945 North Atlantic connection between the US and Europe to the Pacific connection between US ‘consumers’ and Asia’s producers, and above all China’s. China’s boom has in turn, through a frenetic demand for oil and raw materials, set off commodity booms in Latin America and parts of Africa.

At the same time, first the American and more recently the European working classes, which from 1965 to 1977 carried out the most sustained period of wildcat strikes in history, have been rolled back by a relentless combination of de-industrialisation, outsourcing and high-tech induced unemployment.

And while most of the past 30 years appear in capitalist terms to have been a ‘boom’ period, they have in fact been years of a steadily spreading precariousness for workers, peasants and marginal populations everywhere (even booming China has lost 20 million industrial jobs in the past decade). Accompanying the glitz of new ‘creative classes’ from California to London to Warsaw to Shanghai and Mumbai, a huge upward shift of wealth has occurred. And the key to the whole period is, once again, fictitious capital.

Let us see how this is the case. I have invoked the good name of Rosa Luxemburg as the theoretical framework closest to my interpretation of Marx primarily because of her focus, inside and outside the pure capitalist system (cf. below) on the problematic of reproduction and non-reproduction. But, as indicated earlier, my framework differs somewhat from hers, and clarification imposes itself here. As will be seen, her framework has everything to do with the phenomena of imperialism and ‘anti-imperialism’ in the post-World War II era.

IMPURE CAPITALISM

Let’s review what I consider some basics, which are not always self-evident. In this way we can go from contemporary history to abstract theory and back, and see the present in a new way. But to do so requires an examination of some basic ideas of Karl Marx.

Vol. I and most of vol. II of Marx’s *Capital* are a phenomenology of a closed capitalist system in which there are only capitalists and wage labourers, and most of the focus is on the single firm. When, in the last section of vol. II, Marx shifts to the ‘total social capital’ and expanded reproduction, he is moving beyond that heuristic model.[3]

That demarcation of the interaction of the ‘pure system’ (capitalists and wage labourers) with, on one hand, the vast modern population of unproductive consumers who live off surplus value and do not produce it, i.e. the FIRE (Finance-Insurance-Real Estate) sector, state civil servants, managerial strata, the military sector, the law enforcement/prison sector, and, on the other hand, with nature and with petty producers (today found primarily in the Third World), is fundamental for clarity. These strata in

the advanced sector are dominated today by the same ‘creative classes’ mentioned above. None of the latter populations are present in vols. I and II of Marx’s *Capital*, except for some interesting asides and the important chapters in the middle of vol. II dealing with insurance, bookkeeping and other ‘faux frais’ (false costs) of production (the latter having today burgeoned beyond belief relative to Marx’s time). Capital is a circuit, (in vols. I and II), with simple reproduction, (i.e. an abstract assumption of ‘zero growth’) and is a spiral in expanded reproduction. A commodity, whether from Dept. I (what Marx designated as the production of machines) or II (consumer goods) which does not complete the circuit, i.e. is not productively consumed in Dept. I (new means of production) or Dept. II (new labour power) ceases to be capital.[4] These definitions, which have been laughed out of the mainstream theories of ‘economics’ and which get surprisingly little attention even from some self-styled Marxists, allow us to reconceptualise the contemporary world economy and make clear distinctions between real wealth and costs that are merely costs of maintaining the status quo.[5]

Rosa Luxemburg also had the great merit of emphasising capitalism as a transitional mode of production between European feudalism and socialism. This may seem a truism, but it is much more than that. In her survey of the rise and fall of classical political economy from the Physiocrats to the Ricardian school, she points out that only a socialist (i.e. Marx) could solve the problem of the source of profit and of expanded reproduction. To wit: capitalism must be seen as a necessarily incomplete, transient mode of production, which lives in part off the pre-capitalist modes it looted and continues to loot, and whose full crisis is only visible to someone seeing ‘beyond’ it to a higher mode. Capitalism is therefore a system in which no practical viewpoint, either of an individual capitalist or of the total social capital, or finally of labour power as a commodity (the class-in-itself) can be ‘concretely universal’, that is capable of practically acting on real problems. All viewpoints on capital ‘within’ the system, including ‘class-in-itself’ struggles of individual groups of workers, are ‘negation of the negation’ viewpoints, and only the perspective that looks prior to and beyond capitalism can be a ‘self-subsisting positive’ with a universal (class for itself) programme. From the Italian pirates of the 11th century to the slave labour in the Dominican Republic or Brazil today, capitalism has never stopped its ‘looting’ of labour power and resources ‘outside’ the closed (vols. I and II) system of exchange of equivalents. Thus the ongoing presence of capital’s initial looting of non-capitalist sources of wealth, for Luxemburg, also points to the possibility of its barbaric end (of which interwar fascism was more than a foretaste), if it is not positively superseded by proletarian revolution.

Next, and this is fundamental, capital does not appear to capitalists as ‘self-expanding value’ or a ‘social relationship of production’ (bedrock terms of Marx having no practical meaning or even existing from the ‘negation of the negation’ viewpoints of central bankers, hedge fund managers or trade union bureaucrats within the system); it appears to them as titles to wealth, namely to profit, interest and ground rent, whose value is determined over the course of a business cycle not by the fine points of the opening chapters of *Capital* vol. III but as a capitalisation of anticipated future cash flow. Marx, of course, only introduces such titles to wealth – stocks, bonds, leases – after first presenting the heuristic pure system, setting it in motion in the final chapters of *Capital* vol. II (expanded reproduction), and then discussing the determination of price and the rate of profit in the opening sections of *Capital* vol. III. Capital as capitalists know it, up to and including all the new ‘financial products’ of the past 25 years such as derivatives and hedge funds, are ‘liens’ on the total cash flow representing, ultimately, the total surplus value produced in the ‘pure system’ AND supplemented by LOOT (non-reproductive exchange) outside and eventually inside the system. We know very well that over long periods of a capitalist cycle these ‘liens’ can depart widely from the price/value determinations that ultimately regulate the cash flow on which they draw, until they are deflated in the periodic crash.

But the source of that total profit/total surplus value is an empirical question, not to be settled by abstract resort to different takes on the ‘transformation of value into prices’ (an important but overplayed debate among Marxist academics) or possible flaws in the reproduction schema of *Capital* vol. II. Are capital plant (means of production, infrastructure) and labour power being reproduced or not? Does the ‘consumption’ of an electronic battlefield or a new prison or a yacht expand or contract social reproduction? Such a question immediately takes us from the realm of pure theory (however fundamental) to the concrete historical operation of the system.

The relationship between the value of the myriad capitalist titles to wealth and the surplus value and loot on which they draw is, of course, not an arbitrary one.

Let’s go back to the pure system, only capitalists and workers, no banks, no other distorting ‘titles to wealth’. Let us further imagine that the entire world is capitalist and that everything exchanges at its value. In such a world, with rising productivity over time, a greater and greater mass of capital is set in motion by a smaller total amount of living labour, the exploitation of the latter being (for Marx) the source of all profit. Hence (with many ups and downs along the way) the rate of profit capable of sustaining all those titles, unless adequately supplemented by what I have called ‘loot’, declines historically.

But, as Luxemburg points out in her *Anti-Kritik*, the falling rate of profit does not prompt the capitalists to ‘hand the factory keys over to the working class’. Her framework enabled her to see how capitalism could ultimately destroy society – barbarism, in her words, or the ‘mutual destruction of the contending classes’ as the *Communist Manifesto* put it in 1847 – by being required to turn more and more to primitive accumulation and non-reproduction, a prophecy we see materialising before our eyes today.

[Hyland graph](#)

Capital, for Marx, (and here we open up a dimension not discussed by Luxemburg) through the pursuit of profit by a myriad of individual capitalists, ultimately destroys itself, becomes a barrier to itself, by pushing the productive forces to a point where the socially necessary time of reproduction, based on the reproductive value of labour power, can no longer serve as the ‘numeraire’, the common denominator, for the daily functioning of the system. Capital requires living labour to exist, and for labour power’s value to be the numeraire, and it simultaneously, through innovation, expels living labour from the production process and undermines the numeraire. That is the pure model’s fundamental contradiction.

Of course, the pure model of capitalism has never existed and never will exist. As we know, titles to wealth (profit, interest, ground rent), central banks regulating the markets of such titles, and a state enforcing such titles all pre-existed the full blown triumph of capitalism, i.e. the transformation of means of production and labour power into commodities as the dominant source of wealth.

Once we add titles to wealth to the pure model, as Marx does in the middle and concluding sections of vol. III of *Capital*, we see a different picture. It is precisely because of these titles and because of capitalism’s ability to loot non-capitalist populations and nature that we do NOT, over long cycles, see any mechanical fall in the capitalist rate of profit. Such titles tend to correspond to the underlying value, or fall below it, mainly at the end of one cycle (through deflation) and the beginning of the next one. The deflationary crisis acts as a form of ‘retroactive planning’ that re-equilibrates the capitalists’ titles to wealth with the underlying rate of profit generated within the pure system. This was obvious

in the 19th century, when such a crisis occurred every ten years or so (1808 – 1819 – 1827 – 1837 – 1846 – 1857 – 1866 – 1873, etc.) It is less obvious in the period since 1914 when the state has much more actively attempted to preserve capitalist valuations against devalorisation by techniques usually associated with ‘Keynesianism’. We are of course, in 2007, in the midst of probably the biggest fictitious credit bubble in the history of capitalism. What we have been living through, particularly since the early 1970s, has been a huge operation of credit pyramiding, managed by the world’s central banks, aimed at PRESERVING the paper value of existing titles to wealth, and a significant transfer of working class wages and capital not invested in either plant or infrastructure to help prop up those titles. That latter phenomenon is what I call the ‘self-cannibalisation’ of the system when the ‘primitive accumulation’ mechanism turns inward, i.e. non-reproduction, as referred to above.

Luxemburg of course did not live to see either the post-1933 American or German versions of quasi-permanent military production, supported by the taxation of the working class, and still less the post-1944 Bretton Woods system, in which the US financial markets and the US State acquired the ability to tap wealth from every part of the capitalist world (until recently, minus Russia and China) through dollar seigniorage (the latter referring to the ‘free lunch’ acquired through the US’s ‘maintaining empire through bankruptcy’).[6] And quite obviously, credit has increased a thousand times in significance since Luxemburg’s time, as a way of temporarily prolonging business cycles, while changing nothing of the fundamental contradictions in play.

The implicit final stage of this process is, once again, the self-cannibalisation of the system, if and when the sources of loot outside the ‘closed system’ are exhausted. We have not yet seen this in dramatic form in the case of the era of US world hegemony. But history does provide the example of the Nazi period in Germany, when Hjalmar Schacht, Hitler’s finance minister, ran up a huge debt pyramid to finance German rearmament in the 1933-1938 period, while holding real wages at 50 percent of 1929 levels. The difference between Germany then and the US today is that Germany had been shorn of most of its external sources of loot after its defeat in 1918, and hence had to seize some new ones militarily after 1938.

Something similar could happen in the US-centred system if and when the US loses its ability to tap wealth throughout the world with dollar denominated accumulation, and one can, without exaggeration, see US foreign policy today as a worldwide extension of the underlying dynamic of German expansion under Hitler, minus the total internal implosion of American society – so far.

Thus I would ‘correct’ Luxemburg to the extent that the external relations of the ‘pure system’ are not so much about the sale of a surplus product on the model of the sale of industrial goods to independent farmers or peasants (though that of course also takes place) as the more important circulation of an ever increasing fictitious bubble (fictitious capital) through international loans in exchange for whatever loot can be acquired from petty producers’ labour power or from nature. I argue that this fictitious bubble is initially lawfully generated WITHIN the pure system and is discussed in Marx’s middle chapters of vol. III. This is the NECESSARY, internally generated reason that the system requires permanent primitive accumulation.

Let’s see why this is the case. Back to the closed system, to which we have added capitalist titles to wealth, capitalisations of an anticipated cash flow. These titles of course go together with a capital market, a central bank and a state enforcing them, and ultimately a state debt (again, all vol. III phenomena).

Because capitalism is an anarchic system, (a ‘heteronomic’ system in Kant’s sense) a practical perspective on the total social capital which could keep these capitalisations (most immediately, stocks) rigorously in line with the underlying (current reproductive cost) value of the assets on whose

cash flow they depend is a chimera. Increases in labour productivity, particularly those which ripple quickly through the whole system, such as canal and railroad construction in the 19th century, or the air, shipping and communications innovations of recent decades, are not immediately registered in the capitalised value of all assets. Over time, such innovations create, rather, a fictitious increment 'f' of overvalued capitalisations (titles to cash flow) which must be periodically purged in a deflationary collapse, as we saw in the dotcom frenzy of the 1990's and the dotcom crash of 2000. The actions of the central bank in regulating credit markets aim at preserving at least some of the capitalised titles to wealth from the devalorisation (deflation) demanded by increased labour productivity. The credit markets, the central bank and the state debt are all designed to 'manage' the increasing disparity between total titles to wealth – the fictitious bubble – and their pure system value as long as possible, though official ideology would rarely if ever state the problem so baldly.

I would argue, therefore, that this internally generated, 'pure system' ball of hot air, FICTITIOUS CAPITAL (fictitious relative to the real current reproductive value of assets) is, more than real goods, what is 'exported' in exchange for loot. As long as sufficient loot compensates for the fictitious gap, accumulation can continue. This is my (minor) disagreement with Luxemburg.

The fictitious bubble in the contemporary world is first of all the huge (\$3-4 trillion, at current, conservative estimates) dollar 'overhang', the net US external debt (\$11-12 trillion held abroad, minus \$8 trillion in US assets overseas), held mainly in central banks. Everything, from a capitalist viewpoint, must be done to prevent its deflation. The US government is busy depreciating it by its 'managing empire through bankruptcy', and its foreign creditors fret at the erosion of their holdings. But they re-lend the money to the US government and US financial markets, making possible more domestic US credit, more consumption, and more imports from America's creditors, because for now the collapse of the dollar would be their collapse as well, and they as yet see no alternative.

If the preceding is correct, it constitutes an alternative view of imperialism to that of Lenin (still upheld today by myriad Trotskyists, for starters). The political issue for the left as I see it is not so much imperialism, which I take as a given, but the ideology of 'anti-imperialism', in which a diffuse 'Porto Alegre'/World Social Forum mood today enlists such 'progressive' forces as Hugo Chavez, Hezbollah, Hamas, the Iranian mullahs, the Taliban, the Iraqi 'resistance', and perhaps tomorrow Kim Jong-il; yesterday it included Saddam Hussein. Post-1945 and particularly post-1973 developments have been blurring the lines on the old 'anti-imperialist' road map.

We see US world hegemony disintegrating faster than we generally imagined possible (almost recalling the speed of the collapse of the Soviet bloc). Out of this disintegration, what will emerge? Proletarian revolution? I hope so. But what could also emerge, as the US emerged in 1945 on the ruins of the British empire, is a new centre of world accumulation, most likely, as indicated, centred in Asia.

Suppose, in some yet to be concretised scenario, China and Japan (who, despite the rhetoric, have ever closer economic ties), along with the tigers (e.g. Korea, Taiwan) and the 'flying geese' (Malaysia, Thailand, etc.) manage to constitute an economic bloc, an Asian currency. Given geopolitical realities, and above all US opposition (as evidenced during the 1997-98 Asia crisis, when it nixed the creation of an Asian Monetary Fund proposed by Japan), it's hard to imagine this happening without some equivalent of World War II in whose outcome the US, Russia and India will all have a stake. If this reorganisation became the basis of a new phase of capitalist expansion, comparable to the US centred expansion of 1945-1975, would it somehow be any more 'progressive' than the US dominated phase?

The question, then, along the way, is how to situate the various world forces in play as the US declines.

Chavez, the latest ‘anti-imperialist’ hero, recently made a world tour that included such... progressive... states as Belarus, Russia, Iran and China. Latin America is booming right now because of exports to China. Parts of Africa, again, are reviving for the same reason. This currently comes back to the ‘indebted US consumer’, and a collapse of the dollar empire would stop the music – for a while. But as a Japanese minister, weary of the growing dollar reserves in the Bank of Japan, said not too long ago: ‘give us 15 years, and we won’t need the US’. With the dollar declining by the day on world exchanges, how much longer will the Chinese, the Koreans, the Japanese, the Middle Eastern oil sheiks, the Russians, the Venezuelans, and the Medellin drug cartel – all major holders of dollars – be willing to hold onto a depreciating asset? And if out of this debacle a new pole of capitalist accumulation does emerge, whether or not it includes ‘old’ imperialist powers (e.g. Japan and Russia), will it be ‘progressive’?

That, to me, is THE question which the theoreticians still working off the Leninist model of ‘anti-imperialism’ have to answer. How much longer can the international left be offering ‘critical support’ or ‘military support’ to the Taliban before it finds itself, as so many times in the past, the ideological midwife of a new reactionary constellation?

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FOOTNOTES

[1]

The ‘law of value’ was part of Marx’s qualitative break with the classical political economy of Smith and Ricardo. All three emphasised the centrality of the social time required to produce a commodity, though Marx’s understanding was also quite different. All agreed in rejecting swindle and arbitrary price markups as an explanation of profit, but against Smith and Ricardo’s inability to explain capitalist profit otherwise, Marx demonstrated that it came from the time the worker had to work each day in excess of the value of his or her labour power (i.e. of the time necessary for simply reproducing the worker as worker). Later theories of ‘monopoly capitalism’, most famously Lenin’s, also threw the law of value and socially necessary labour time out the window as a phenomenon of Marx’s time which capitalism had transcended in their own, in its supposed ‘monopoly phase’, in which cartels supposedly controlled prices and collected ‘super-profits’.

[2]

Some people on other occasions have objected to my use of the term ‘primitive accumulation’ for contemporary capitalism, insisting that for Marx the term meant only the initial separation of producers from the means of production. I would just like to say that if ‘primitive accumulation’ is too specifically linked to that initial separation in the 16th-17th century, then we have to develop another term to describe the forms of capitalist loot (in contrast to profit generated by ‘normal’ exploitation). In addition to Luxemburg, I also take the term from its usage by the Soviet left opposition theorist Preobrazhensky (in *The New Economics*) and his argument for ‘socialist primitive accumulation’ in the 1920s: organising a managed decline of the Russian peasantry through selling industrial goods dear and buying agricultural goods cheap. (Let’s not get distracted by the unhappy outcome of that strategy).

I'll say again that when capital interacts with nature and petty producers outside the wage-labour relationship, and when it pushes wages and capital expenditure below reproductive costs inside that relationship, it is violating the 'exchange of equivalents' which Marx saw as the 'heuristic' framework for separating capitalist profits and accumulation from swindle, monopoly, selling goods above their value, and other wrong headed explanations of profit. And if we don't want to call that non-reproduction 'primitive accumulation', fine, but let's first admit that such phenomena exist, and (since the 1970s) are increasingly important, and moreover indispensable to the system.

[3]

'Expanded reproduction' refers to normal capitalist accumulation, in which a part of the annual surplus is reinvested in new equipment and new labour power, in contrast to the heuristic 'simple reproduction' assumed for most of vols. I and II, in which such expansion is artificially bracketed.

[4]

OK, a tank, a guided missile, a McMansion or a Ferrari belong in neither department, but are consumption of the capitalist class.

[5]

Marx in *Capital* vol. III introduces those factions of the capitalist class which derive their income from the financial markets and from rents, but the masses of people today who are outside the 'pure system' in the capitalist heartland, such as FIRE-sector employees, state civil servants or corporate managerial strata, are for the most part implicit in all of *Capital*. That hardly means that, with their huge unproductive consumption today, they are any less important.

[6]

If the US, for example, compels China to revalue its currency by 10 percent, 10 percent of the Chinese goods its dollar holdings represent become free tribute to the US.

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