

**THIRD-WORLDISM**

**Marxist Critique of Imperialist Political  
Economy**

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Red Zone Publishers, 2013  
Second Edition

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All articles originally published 2011-2012 by Nikolai Brown, edited 2012-2013.

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## INTRODUCTION

This volume is meant to definitively answer the question of whether or not it is possible, in Marxist terms, for some workers to benefit materially from imperialism to the point where they are divorced as a class from the proletariat. More specifically, can some workers be paid wages that exceed the value of labor, thus enabling them to exist as net-exploiters who capture a greater portion of the social product than they create?

At first glance, the notion that some workers could also be exploiters appears to stand Marxism on its head. Yet, as we will see, this can only be the case when labor power itself is priced unequally as part of the structure of unequal economic exchange and social relations. Ironically, it is Marxism (despite its warped image due to First Worldism) which is best able to explain the concept of net-exploitation.

This present volume would not be possible without the work of others. Obviously some credit goes to those associated with *Monthly Review*, its current editor John Bellamy Foster, and writers such as Samir Amin and Paul Baran, for informing my views. Likewise, credit is owed to the late Henry Park, whose pioneering work as part of the Maoist Internationalist Movement deserves more attention today. Similar sentiments could be expressed regarding J.

Sakai and his significant work, *Settlers, the Mythology of the White Proletariat*. The cadre of the Maoist International Ministry of Prisons deserve much owed respect for their accounting of many of these ideas in their ongoing practice. And Zak Cope deserves acknowledgment for providing a historical and empirical background to these developments in his recent book, *Divided World Divided Class*. I would also like to thank Antonio Moreno and Terryn Assunder, people who have spent countless hours editing early and final drafts of many of my essays.

This volume is not meant to be a final word or total summation of all phenomenon associated with imperialist parasitism. Rather, I hope it is a worthy contribution to a growing discourse on a topic in great need of serious re-evaluation. Likewise, I hope this re-evaluative discourse is part of a broad rectification of the 'revolutionary left' and a broad re-alignment of its political priorities and strategies away from narrow economism and towards revolutionary internationalism.

I realize this volume may not be accessible to many people interested in radical social change. As an introduction to the following articles, I recommend Pierre Jalée's *How Capitalism Works* (a good introduction to the basic ideas of Marx's critique of capitalist political economy) and Teresa Hayter's *The Creation of World Poverty* (an accessible introduction to dependency theory and the

'development of underdevelopment'). Immanuel Wallerstein's *World-Systems Analysis: An Introduction* (along with the authors and works listed in the acknowledgements) offers a more thoroughgoing analysis of the imperialist world-system in which such net-exploitation is situated.

Lastly, I must stress, this is merely an initial volume meant to demonstrate the hypothetical possibility of net-exploitation. While this present work does include some historical analysis and historiography on the topic, my intent is was not to venture too far into these areas. Moreover, the empirical demonstration of such net-exploitation can, I believe, be easily made (and already has, in part, by Henry Park, Gernot Köhler, and Zak Cope). My hope is to release in the future a second, far more complete volume which includes my own contemporary empirical analysis.

## Preface

In *Analysis of the Classes in Chinese Society*, Mao opens with the questions, “Who are our enemies? Who are our friends?”

Mao was speaking on class terms. What followed was a detailed yet concise empirical account of the social and economic conditions of China's various classes as they related to the revolutionary movement he was part of. Eschewing commonly-held 'Marxist' conclusions and applying Marxist methodology, Mao saw China's poor peasants as the main ally of revolution in China. This was not simply another dogma. Mao proceeded to shape the politics (its tactical priorities, strategies, and aims) of the Chinese Communist Party to the reality of the revolutionary struggle in China.

This was in 1926. In the following 23 years the strategy developed, in part by Mao, was successful in defeating both foreign and domestic reactionaries and establishing socialism in China.

So while the specific conclusions reached by Mao when he asked, “Who are our enemies? Who are our friends?” may not align with reality today, the questions themselves are still a fundamental aspect of Marxist methodology.

So, who are our enemies, and who are our friends? If

our vision of the future is not simply 'anti-capitalist' but also radically egalitarian, then we must question not only the realities of current inequality but the social nature of such inequality as it relates to the struggle against it.

There is, in my opinion, a certain naivety in the notion that oppressors will consistently struggle against forms of oppression from which they benefit. This is especially so without the consistent challenge of such oppression from the oppressed themselves.

The question remains, how can we qualify benefits received by some workers as it relates to imperialism? To what degree are First World workers removed from their numerically-superior proletarian counterparts in the Third World? Is it possible for some workers, as a class, to be functional exploiters within the larger system of imperialist economics?

As we will see, the phenomenon of net-exploitation is not simply feasible according to a Marxist analysis: under imperialism, a working petty-bourgeoisie has necessarily developed as part of the very mechanisms and processes (i.e., the structure) of capital accumulation. As such, net-exploitation by the workers of First World economies is part of the very process of super-exploitation of workers in Third World ones.

Again, this volume is not intended to present a definitive outlook on the topic, merely to demonstrate the



hypothetical possibility (and thereby beginning to extrapolate the actuality) of the division of working populations into exploiter and exploited factions. As this is merely an initial contribution to the topic, it is admittedly short on prescriptive analysis (i.e., the sort of advice for revolutionary policies which might be implied by such an analysis; more definitive answers to Mao's questions). This as well will hopefully be offered in a future, more full-length work.

## **PART 1: Review: 'Some Theoretical Implications,' Paul Baran**

The July-August 2012 issue of *Monthly Review* (1) centers around the publication of one of two missing chapters of *Monopoly Capital: An Essay on the American Economic and Social Order* (2) by Paul Baran and Paul Sweezy. I earlier wrote on Anti-Imperialism.com about this issue, suggesting that individuals who are interested in the topic of class under imperialism read it. This particular issue of the *Monthly Review* is especially illustrative of the phenomenon of net-exploitation in the world-economy and, along with Zak Cope's *Divided World Divided Class*, (3) has made 2012 a notable year for shedding additional light in this area of study.

The following review of "Some Theoretical Implications" by Paul Baran will be the first of three reviews of essays in this *Monthly Review* issue. Part two will be on Samir Amin's essay, "The Surplus in Monopoly Capital and the Imperialist Rent." Part three will be on "The GDP Illusion: Value Added versus Value Captured" by John Smith.

While I won't be reviewing John Bellamy Foster's Introduction, it is highly recommendable as well. He describes the ideas illustrated in the missing chapter, particularly that of "economic surplus" (as distinct from "surplus value"), to be "revolutionary" in helping expose the

“irrational and deeply exploitative character of accumulation at the center of the world economy.” (4)

“Some Theoretical Implications” is the title of one of the two chapters omitted from the final 1966 publication of *Monopoly Capital: An Analysis of the American Economic and Social Order*. (5) Though the book was a product of the joint work of Paul Baran and Paul Sweezy, this missing chapter mainly reflected the ideas of the former. However Baran died before its publication, and Sweezy was left to finish to manuscript. Rather than delving into a full history of why the chapter did not make the final cut, this particular essay will deal strictly with the ideas presented therein.

Baran’s missing chapter centers, in part, around the concept of “economic surplus.” Throughout their book, Baran and Sweezy set out to demonstrate the qualitative differences between *competitive capitalism*, described by Karl Marx, and *monopoly capitalism*, which had fully developed by the 1960s. In many ways, this missing chapter and the corresponding notion of economic surplus formed the keystone of their argument regarding this difference.

“Some Theoretical Implications” opened with the question of when exactly capitalism ceased to be a progressive force and its social relations became a fetter. According to Baran, this meant not that growth and innovation of the productive forces had come to a halt, but

rather indicated the degree to which the realization of possibilities for growth and development are inhibited by the given framework of social relations. (6) This is as relevant today as when it was written. Humanity has the productive means to ensure a reasonable quality of life for every person, yet such is prevented from taking root due to a system predicated on the search for profit. This gap between what *could be* and what *is* grows over time according to Baran. (7)

Though Baran stated, “the precise timing of any such transformation of an economic and social order [from progressive to reactionary] is hardly possible” to infer, (8) he nonetheless located this change in the 1870s. (9) In the United States this decade marked the end of Reconstruction, and world-wide this decade saw the “beginning of the powerful wave of trustification and monopolization of the capitalist economies of a number of countries, the bourgeoisie of those countries not only shed what was left of the progressive, iconoclastic posture of its revolutionary youth, but joined forces with its still powerful former feudal... adversaries.” (10) This is the period of transition between the classical stage of mature competitive capitalism to the monopoly capitalist or imperialist stage of today. (11)

It was in this period, Baran suggested, that “what has now come to be called ‘economics’ turned rapidly into

apologetics for a more and more retrograde social and economic order.” (12) (13)

One such apologia for capitalism Baran cited is by John Bates Clark:

“where natural laws have their way, the share of income that attaches to any productive function is gauged by the actual product of it. In other words, free competition tends to give labor what labor creates, to capital what capital creates, and to entrepreneurs what the coordinating function creates.” (14)

Baran rightly explained this is mere tautology: 'the value produced by a function equals the income it generates.'

Established Marxist doctrine explained long ago that, under capitalism a) labor is the source of all value and b) workers (as a group) receive less in remuneration than the value they produce through labor. This latter aspect-exploitation- is the difference between the price of labor power (what workers receive in income) and the value of labor (that produced solely through labor). Under classical Marxism, this difference is termed “surplus value” and is assumed to be the portion of value which capitalists appropriate as profit.

While such ABCs of Marxism need not be expounded more fully just yet, it is worth noting that a similar misconception as Bates Clark is pervasive among the First World 'left.' The false assumption is frequently made that

the share of value countries produce naturally attaches itself in the form of national incomes and GDP measurements. In reality, just as a capitalist does not create the wealth he commands nor does the worker's income fully reflect the value she creates, a given country's GDP, though representing a share of the social product captured, does not necessarily reflect the proportion that was created through labor applied within its borders. (15)

According to Baran, the era of monopoly capitalism, which is qualitatively different than the competitive capitalism of Marx's time, coincides with the raising of the value of labor power for some workers consistently above "an irreducible magnitude." Under such conditions, profits can be made "by deduction" in arenas not within the production process but increasingly in the process of circulation. (16)

The growing wages of a minority of workers corresponded with another shift: the growing importance of the sales effort and circulation for the *realization* of value.

Under monopoly capitalism, wants, often perfunctory, are more and more created via the sales effort rather than simply satisfied by the production process. Likewise, the physical qualities of products are increasingly adapted to this sales effort. (17) (To give a modern example, fruits and vegetables grown for export in the global South are often picked before they are fully ripe and coated with a thin layer

of wax in order to extend their shelf-lives and transportability.) While the generation of surplus value or realization or profit under competitive capitalism corresponded to the satisfaction of some human want, under monopoly capitalism the wants which are satisfied are more and more artificial and thus tend “to bear a diminishing relation to the requirements of human welfare.” Moreover, “a large and growing share of total human efforts [becomes] directed towards waste and destruction.” (18) Baran saw this growing irrationality as a hallmark of imperialism:

As an important proportion of the total human effort is devoted to the production of goods the demand for which is artificially generated by profit-seeking corporations, the rationality and productivity of the effort itself can no longer be taken for granted.” (19)

Under monopoly capitalism investment is increasingly geared not towards the development of productive forces but instead “towards advertising and the build up of trademarks, towards construction of sumptuous palaces housing the executive offices of giant corporations, towards the development of marketing and production variety,” as well as “ever new factories producing the means of mass destruction.” (20) Thus, monopoly capitalism is not just directly against the class interest the proletariat but gradually becomes a system increasingly at odds with the

long-term interests of humanity in general and specifically against the very conception of humanity set forth under capitalism: that of individual free agents.

Under the pre-monopoly capitalism that Marx devoted his life to studying, we could speak of aggregate surplus value as being the difference between the total socially necessary cost of production (the price of wages or value of labor power, paid at the cost of reproduction of the class of laborers, along with fixed capital expenditures- themselves the product of past labor) and the total value of sales (i.e., the value of the product of labor). Under this system, things such as policing, state budgets, rents, personal consumption of capitalists, and merchant costs were basic operating costs or assumed deductions of surplus value from profit. Under monopoly capitalism, as Baran described, these fields of economy activity have taken on lives of their own. (21)

Such irrationality corresponding to circulatory functions manifests in other ways as well. Services which once existed merely within the context of bourgeois privilege (i.e., haircuts, massages, etc), various state functions, and aspects of the sales effort have increasingly become enlarged, commodified, and integrated in the world-economy. More specifically, while these have developed as part of the process of accumulation by monopoly capitalist centers, they reflect another form of



decadent irrationality.

The fact that retailers in core-zone countries can sell enough shoes, for example, to the point where many workers in these countries end up purchasing and owning multiple, unused pairs does nothing to advance society as a whole at any level.

Or to provide another example, grocery stores in the First World typically stock more fresh produce than they expect to sell and in fact count on throwing away a significant portion of it. This is done because consumers are more likely to purchase food when there is an appearance of abundance and selection. Of course, selling more fresh vegetables to First World consumers and counting the waste as part of necessary cost does little to feed people generally. In fact, one could argue it accomplishes the opposite since hunger, malnutrition, and starvation continue today as endemic problems. This level and type of irrationality, Baran noted, is specific to monopoly capitalism. (22)

The irrationality of monopoly capitalism also corresponds with growth of “economic surplus” and its importance in the world-economy. As Baran stated, the “difference between what we call ‘economic surplus’ and aggregate surplus value is the result of the ascendancy of monopolistic enterprises and of the historical rise in the level of wages, leading to the incorporation in wages of a

‘surplus’ element.” (23) That is to say that surplus is larger than aggregate surplus value.

During capitalism’s competitive phase (and in regards to the capitalist economies of many Third World countries), wages were paid at levels which maintained reproduction of labor and little else. In this case, the economic surplus of the social product was almost entirely captured by the ruling classes and could simply be treated as surplus value. Under monopoly capitalism, an increasing proportion of surplus find its way into the wages of core-zone workers, whose wages are at once far above a global comparison and artificially depressed in 'real' terms through “profits by deduction” made by sales of consumer products and over-valued basic commodities.

Under monopoly capitalism and as it relates to surplus, less and less labor is devoted towards producing the basic requirements of reproducing labor. Baran termed waged work which occurs outside of basic production as “surplus labor.” Such surplus labor does not increase the total product of social labor. Instead it is a draw from the product of social labor. This surplus labor is often directed towards circulation and employed to realize a portion of this surplus as surplus value for individual firms. Whereas these workers may be integral to realizing a surplus value for their employers, they themselves are not the producers of value (and hence neither produce surplus value.) (24)

To illustrate this phenomenon, Baran had earlier laid out the following numerical sketch in *The Political Economy of Growth* and reproduced it in the footnotes of "Some Theoretical Implications,"

"Assume that in period I, 100 bakers produce 200 loaves of bread, with 100 loaves constituting their wages (one loaf per man), and 100 loaves being appropriated by capitalists as surplus (the source of his profits and his payment on rent and interest). The productivity of the worker is two loaves per man: the share of the national income is 50 percent, and so is the share of labor. Now consider period II in which the productivity of the baker has increased by 525 percent to 12.5 loaves and his wage has risen by 400 percent to five loaves per man. Assume further that only 80 bakers are employed in baking, producing altogether 1,000 loaves while the remaining 20 are engaged as follows: five men are commissioned to continually change the shapes of the loaves; one man is given the task of admixing with the dough a chemical substance that accelerates the perishability of the bread; four men are hired to make up new wrappers for the bread; five men are employed in composing advertising copy for bread and broadcasting same over the available mass media; one man is appointed to watch carefully the activities of other baking companies; two men are kept abreast of legal developments in the antitrust field; and finally two men are placed in charge of the baking corporation's public relations. All of these individuals also receive a wage of five loaves per man. Under these new circumstances, the total output of 80 bakers is 1,000 loaves, the aggregate wage of the 100 members of the corporation's labor force is 500 loaves, and profit plus rent plus interest are 500 loaves. It might seem at first that nothing has changed between period I and II except for the increase of the total volume of output. The share of labor to national income has remained constant at 50 percent, and the share of surplus does not appear to

have varied either. Yet such a conclusion, though self-evident from the inspection of customary statistics, would be wholly unwarranted and in fact would serve to demonstrate how misleading such statistical inferences can be. For the statistical fact that the shares of labor and capital have not changed from period I to period II is irrelevant so far as our problem is concerned. What has happened, as can be readily seen, is that a share of the economic surplus, all of which in the earlier period was available to the capitalist as profit and for payment of land rent and interest, is now used to support the costs of a non-price-competitive sales efforts, is- in other words- wasted.” (25)

According to Baran, the wages of the 20 non-productive workers (in this case 100 loaves of bread) are part of the economic surplus whilst its function is to realize the full value of the 500 loaves into surplus value for the capitalist. These worker are engaged in selling costs disguised as productive activities and are not, according to Baran, “productive workers who produce surplus value.” (26)

Even blue collar workers engaged in producing superfluous consumer products or that with no value for humanity (such as manufacturing weapons or constructing lavish corporate offices) receive wages drawn from this “economic surplus” while realizing surplus value for this or that parasitic enterprise at the core. For Baran, this amounted to a contradiction “between rational utilization and waste, between productive and destructive

employment.”(27)

Baran also tied economic surplus to the growth of militarism. Those engaged in economic activity geared towards maintaining structural dominance through standing armies and weapons of mass destruction produced nothing of use for humanity generally. Therefore, those engaged in military-tied economic activity are involved in the circulation and re-appropriation of surplus, not the production of value. Today this point has growing salience. For example, the US ‘defense’ budget, the largest in the world by an excessively wide margin, stands at nearly 690 billion US dollars. From this vast sum, various wages are paid out not just to military personnel but also to private contractors engaged in a wide variety of duties. This sum also covers the wages of people who work in weapons factories and military engineers as well. However, no one employed with this \$690 billion is engaged in productive labor and hence no one produces surplus value. Rather, the wages which are necessarily part of this vast sum of money are necessarily drawn from surplus and are in multiple senses a hindrance for society at large. For Baran, such irrational and destructive labor was both a drain on society and that which would be better not expended at all. (28)

While Baran’s notion of surplus sheds light on its destructive misuse of under capitalism-imperialism, it also helps us conceptualize socialist and communist futures. The

same productive technologies which have enabled monopoly capitalist to extend the demographic and temporal scope of its parasitism can also be used to liberate the masses of people. Rationally directed for the democratic equitable allocation of use values, the productive forces generated under monopoly capitalism can be utilized for the collective betterment of humanity, freeing the proletariat from perpetual toil and allowing for a reasonable, sustainable, and notably better lifestyle for the 80% of humanity which currently finds itself on the brink of abject poverty.

Furthermore, not every wage drawn from surplus need be abolished. Teachers and other school faculty, for example, are paid through surplus. Yet one could imagine the continuation or reintegration of educational institutions into post-revolutionary society even though almost no value is actually produced on a school campus. In many ways, socialism is the expansion, democratization and socialization of the allocation of surplus in a way that promotes the creation of a system based on equality and abundance. Thus, only parasitic economic activity which occurs at schools need be abolished. For example, financial aid counseling, negotiating contracts with vending machine operators, or those jobs related to the marketing of the school to potential students would all find no place in a socialist society.

While mainstream Marxism since Marx (with some exceptions) has been unable to keep up with the development of capitalism through today, Baran's missing chapter of *Monopoly Capital* offers those who understand the importance of the question of global class an interesting and rich analysis on which to build. Analyses like those presented by Baran not only illuminate new difficulties and old problems which revolutionaries will likely encounter, they help reveal what is at stake and what is to be gained through class struggle itself.

Third Worldist intellectuals and activists have long challenged the a priori belief held by the 'left' that Amerikan workers deserve more. We have been among the few that have consistently declared that as part of the struggle for socialism and communism the level of material consumption by First World workers must be reduced. "Some Theoretical Implications" adds another bit of efficacy to this analysis. Baran's notion of economic surplus provides an additional way of looking into these questions, illuminating not only the existence of a large property-less First World petty-bourgeoisie class but also demonstrating more precisely its role within the world-economy.

Though capitalist-imperialism is increasingly decadent, parasitic, irrational, destructive, and illegitimate, these facts alone will not bring it to an end. Nor will awareness of these facts among academics provide

immediate impetus for the creation of a new system. It is up to revolutionary parties, organizations, and movements, informed with the best understandings possible, to develop effective strategies which enable humanity to bridge past this wasteful and detrimental system, towards a new one based on the rational, sustainable, and equitable distribution of the world's social product.

Notes:

1 Monthly Review. Vol. 64, No. 3. July-August 2012.

2 Baran, Paul A. & Sweezy, Paul M. *Monopoly Capital: An Essay on the American Economic and Social Order*. Monthly Review Press. 1966.

3 Cope, Zak. *Divided World Divided Class: Global Political Economy and the Stratification of Labor Under Capitalism*. Kersplebedeb. 2012.

4 Bellamy Foster, John. "A Missing Chapter of Monopoly Capital." *Monthly Review*. Vol. 64, No. 3. July-August 2012. p 20.

5 Baran, Paul. "Some Theoretical Implications." *Monthly Review*. Vol. 64, No. 3. July-August 2012. p 24-59.

6 Ibid. P 26.

7 Ibid. p 27.

8 Ibid. p. 26.

9 Ibid. P 28.

10 Ibid.

11 Cope, Zak. *Divided World Divided Class: Global Political Economy and the Stratification of Labour Under Capitalism*. 2012. Kersplebedeb. p.43.

12 Baran. P 29.

13 Drawing from Immanuel Wallerstein, I might add that such bourgeois apologetics is a main component of most humanities fields, and that the very division of knowledge into categories such as economics, political science, sociology, history,



international relations, ethnic studies, philosophy, et. al. is itself an obfuscation and hence means by which such apologetics and justifications of capitalist-imperialism occur.

Wallerstein, Immanuel. *World-Systems Analysis, An Introduction*. Duke University Press. 2004.

14 Baran, p. 29

15 This specific topic will be dealt with in more fully in part three of this series in a review of John Smith's essay, "The GDP Illusion: Value Added versus Value Captured."

16 Baran. p 54.

17 Ibid. P 41.

18 Ibid. p 424

19 Ibid.

20 Ibid. p 44.

21 Ibid. p 57.

22 Ibid. p 43.

23 Ibid. p 55.

24 Ibid. p 57.

25 Ibid.

26 Ibid.

27 Ibid. 43.

28 Ibid p 58.

## **PART 2: Review: 'The Surplus in Monopoly Capital and the Imperialist Rent,' Samir Amin**

Over the course of my study into the class structures of modern imperialism, I have inferred that the general rate of exploitation has increased. This has stabilized and prevented the rate of profit from falling while giving a minority First World section of the working class access to incomes above the abstract value of labor. The July-August 2012 issue of *Monthly Review*, featuring a missing chapter of *Monopoly Capital* and several complimentary essays, provides an additional dimension of understanding within this line of inquiry. (1)

In "The Surplus in Monopoly Capitalism and the Imperialist Rent," Samir Amin considers this expanded rate of exploitation through two particular categorical differentiations: imperialist rent and Department III. (2) Drawing on Baran's work and his own, Amin demonstrates the means by which these categories' magnitudes grow over time. Department III results from the difference incurred as the rate of social productivity increases faster than workers' incomes. This leads to a glut of surplus which gets consumed as part of realization or maintenance processes. Imperialist rent is superprofits gained through monopoly advantage, resulting practically in maldevelopment within vast peripheral and semi-peripheral

economic zones and the “pauperization” of large sections of its population. (3)

Amin himself is one of the more lucid writers dealing with political economy in a radical fashion today and has for decades been at the forefront of critical inquiry into exploitation under imperialism. He is a pioneer in dealing with unequal exchange and imperialist rent and has long-championed the creation of a progressive anti-imperialist Fifth International. (4)

Baran, Amin, and myself, all in our own fashions, have sought to start from and go beyond Marx to understand and explain the fundamental processes which frame modern life and ongoing shifts within the capitalist system. Summarizing and explaining the significance of Baran's work, Amin states:

“Paul Baran and Paul Sweezy dared, and were able, to continue the work begun by Marx. Starting from the observation that capitalism’s inherent tendency was to allow increases in the value of labor power (wages) only at a rate lower than the rate of increase in the productivity of social labor, they deduced that the disequilibrium resulting from this distortion would lead to stagnation absent systematic organization of ways to absorb the excess profits stemming from this tendency.

“This observation was the starting point for the definition that they gave to the new concept of ‘surplus.’ Baran then extended Marx’s analysis of the dynamic of capital accumulation in volume two of *Capital*, restricted to the two Departments of Production of means of production and of consumption goods respectively, by introducing a surplus-

absorbing Department III.

“I have always considered this bold stroke a crucial contribution to the creative utilization of Marx’s thought.” (5)

In regards to Baran and Sweezy’s analysis, Amin goes on to state, “The surplus at issue is the result of growth in the productivity of social labor exceeding the price paid for labor power.”

Rather than showing up directly as profit or surplus value for capitalists, the surplus is tied to the development of a “surplus-absorbing Department III.” And as time goes on, this surplus-absorbing Department III tends to take up a greater proportion of the total economy. (6)

Amin goes on to trace the history of the growth of surplus under capitalism,

“Initially, that is, until the 1914 war, surplus amounted in practice merely to tax-financed state expenditures of at most 10-15 percent of GDP. It was a matter of spending to maintain the sovereign (public administration, police, armed forces) expenditure, linked to the public management of some social services (education and public health), and the installation of some infrastructural elements (roads and bridges, ports, railroad lines). [...]

“We can thus estimate that without risk of major error that the ‘surplus’ (Department III) accounts for half of GDP or, in other terms, has grown from 10 percent of GDP in the nineteenth century to 50 percent in the first decade of the twenty-first century. So if- in Marx’s day- an analysis of accumulation limited to consideration of Departments I and II made sense, that is no longer the case.” (7)

Amin notes that not everything included in Department III should be condemned as parasitic, but rather that the rational and democratic utilization of such surplus would be of increasing importance under socialism. (8)

Though Amin doesn't go into a full-length analysis, he implicates the manner in which the utilization of surplus being transferred from public to private hands creates more opportunities for the realization of value under imperialism, especially at its core or for those who otherwise enjoy some monopoly advantage. He concludes that much of the activity that is part of Department III is in fact parasitic and inflates the GDP while reducing its significance as an indicator of real wealth. (9)

Amin counterposes the growth of Department III with the supposed transformation of capitalism into a "knowledge economy." He rejects the idea that this so-called "knowledge economy" is a progressive leap in capitalism and goes on to state, "in reality, the realization of capital, necessarily based on the oppression of labor, wipes out the progressive aspect of this development." (10)

Delving more deeply into the so-called knowledge economy, a recent essay translated by Matthijs Krul notes, "Every single good that is used in the so-called 'knowledge economy' still has been made somewhere, by means of old-fashioned industrial processes. However, the elephant in the room is that this production has by and large been

moved to Third World countries.... [T]he historical shift to a ‘services sector’ is in reality more like a historical shift of production to China, India, the Philippines, Taiwan and so forth. While we pretend here that producing stuff is a funny and outdated concept, eight year old girls manufacture our jeans and cellphones in Manila or Phnom Penh.”(11)

Amin critiques the notion that Department III is the kernel of tomorrow’s society and states “socialism is not a more adequate form of capitalism, doing the same things but only better and with a fair income distribution.” Rather, socialism is a “governing paradigm” involving the “socialization of management over direct production of use-values.”(12)

As part of the highlight of the essay, Amin sets up the following hypothetical demonstration of the means by which the magnitude of imperialist rent and Department III rises over time:

	Center	Peripheries	World
<b>Year 1</b>			
Gross Product	66	33	100
Wages	33	17	50
Profits	33	16	50
<b>Year 15</b>			
Gross Product	132	68	200
Wages	56	17	73
Profits	56	17	73
Department III	20	—	20
Imperialist Rent	—	34	34

[Table 2. The Surplus (Department III) and Imperial Rent] (13)

In Amin's demonstration, wages and profits in the core grow at a slower rate than the productivity of social labor, and in the periphery these two components are largely stagnate whilst overall productivity grows at the same general rate. The difference is made up by the surplus-absorbing Department III in the core and imperialist rent in the periphery. Amin notes that while not all imperialist rent is directed back to imperialist countries, a majority proportion of it is. Thus, "the share of imperialist rent transferred from the peripheries to the centers" contributes to the center's opulence and "forms an additional factor swelling the surplus to be absorbed." (14)

Baran's analysis of economic surplus and Amin's interpretation and synthesis with the category of imperialist rent offer an additional way to understand a) how imperialism extracts wealth from peripheral and semi-peripheral zones and b) the functional role of surplus-absorption within core zones. While not as direct as stating that the primary contradiction is between exploited peoples and the exploiter First World, the analysis presented by Amin does nonetheless add a degree of depth and nuance to this understanding.

While Amin does understand the economic function of imperialist rent and surplus to some regard, he underestimates the manner in which these have formed into a historic bribe which has co-opted the peoples,

classes, and dominant nations of core-zone economies into oppressor bulwarks of the imperialist system.

The phenomenon of imperialist rent and economic surplus has not merely transformed a portion of the First World working class into a global *labor aristocracy*. Rather, the term *property-less petty-bourgeoisie* better suits a class of people whose income is derived both through their own labor but also the labor of others. This property-less petty-bourgeoisie may act in different direction depending on the situation. Yet the fact nonetheless remains: as a class it cannot play a leading role in anti-capitalist revolution. Moreover, economic demands of this class often correlate with demands against the interests of the proletariat at large. Those members of the First World property-less petty bourgeoisie who do side with the revolutionary interests of the broad masses are struggling for what has been described as ‘class suicide.’ (15) Despite this relative deficiency in Amin work, he has been instrumental in bringing forth the requisite knowledge which allows for a fuller appreciation of this sub-division of classes under imperialism.

Third Worldists have long sought to better understand the structural connection between imperialism and the lack of revolutionary struggle in core-zone First World countries. As implicated by Paul Baran and Samir Amin, First World workers are less likely to struggle for revolution because



their wages are enlarged with the proceeds of imperialist rent and in many cases supplemented or supplied by surplus. That is to say that First World workers have a material interest in preserving the overall balance of forces present today if not strengthening 'their own' monopoly capitalists' advantage over others and the proletariat in general. This helps explain the cause behind the unrelenting chauvinism in core-zone societies and the philistine attitudes displayed proudly by members of the property-less petty-bourgeoisie class. Imperialist rent and surplus have ideological functions as well as structural ones.

Despite these material prohibitions towards proletarian incentives for class struggle, First World workers themselves are hardly in a stable position and depending on the situation may have plenty of reasons to side with and struggle for socialist revolution. Oppression is one. The same structural/ideological mechanisms of national oppression and sexism which bind the proletariat to toil in the Third World operate to some degree even within First World societies. As well, a long-standing history of national oppression directed towards Blacks, Natives, and Mexicanos/Chicanos still plays out in the United States, resulting in disproportionate rates of incarcerations, extra-judicial 'race-motivated' killings, and general social disadvantage vis-à-vis dominant national groups. Moreover, the general alienation from humanity and nature, especially

accentuated in imperialist societies, may provide cause for some to look for alternatives (and this generally has given rise to bourgeois movements centered on environmentalism, animal rights, 'peace,' localism, etc). As of yet, these structural incentives (though tertiary to the clear and present 'bread and butter' motivations which inhibit a natural, material impulse towards anti-capitalist, anti-imperialist class struggle in First World countries) have gone underutilized in the cause of proletarian struggle. This has been due in part to a general mis-framing of questions of class in the First World by contemporary 'Marxist' and 'revolutionary' ideologies.

Revolutionary theory is what informs revolutionary practice. At the same time, revolutionary practice informs revolutionary theory. The lack of success of revolutionary movements in imperialist countries should be enough for revolutionaries the world over to take pause and recalibrate their theories. Third-Worldism is the movement to re-frame these theoretical and practical positions accordingly: to understand the world so as to change it.

For various reasons, a large portion of nominal 'Marxists' and 'radicals' choose to ignore the obvious facts surrounding the development and impact of imperialist rent and surplus. In reality, this can only obstruct the development of a revolutionary practice, as such can only be derived from a firm theoretical understanding of the

world. While some of these nominal 'Marxists' will undoubtedly be won over in time, it is up to those who understand these questions to blaze forward with corrective discourse and to implement these understandings as practice.

The phenomena of imperialist rent and surplus indicate a general growth of exploitation over the past 140 years, yet exploitation that may not entirely be realized as profit. Instead, these phenomena have prohibited a decline of profits while providing the conditions for the existence of the working property-less petty-bourgeoisie class. Amin's analysis in "The Surplus in Monopoly Capitalism and the Imperialist Rent" certainly won't be the last commentary on these developments but it is an excellent and important intellectual contribution.

Notes:

1 *Monthly Review*. Vol. 64 No. 3. July-August, 2012.

2 Amin, Samir. "The Surplus in Monopoly Capitalism and the Imperialist Rent." *Monthly Review*. Vol. 64 No. 3. July-August, 2012. p 78-85. <<http://monthlyreview.org/2012/07/01/the-surplus-in-monopoly-capitalism-and-the-imperialist-rent>>

3Amin, Samir. "World Poverty, Pauperization & Capital Accumulation." *Monthly Review*. Vol 55. No. 5. October 2003. <<http://monthlyreview.org/2003/10/01/world-poverty-pauperization-capital-accumulation>>

4 "Pour une Cinquième Internationale." Le Temps des Cerises, 2006.

5 Amin. 2012. p 78.

6 Ibid. p 79.

7 Ibid. P 80-81.

8 Ibid. p. 82.

9 Ibid.

10 Ibid. p 83.

11 "Economic Clichés: Is There a 'Knowledge Economy'?" *Notes & Commentaries*. Trans. Matthijs Krul. 11 Sept. 2012. .

**12 Amin. 2012. p 83.**

13 Ibid. p 84. <<http://monthlyreview.org/2012/07/01/the-surplus-in-monopoly-capitalism-and-the-imperialist-rent>>

In the original essay, Amin presents two charts. This is the second. In order to demonstrate how the magnitude of surplus and imperialist rent grows over time, I'd like to point out that in Amin's demonstration surplus and rent encompass 10% and 16% of the world GDP respectively during the 15th year. Carrying calculations to the 30th year, they become 19% and 25%; and at year 45, 27% and 29%- growing over time.

14 Ibid. P 85.

**15 Cabral, Amilcar. "The Weapon of Theory." 1966.**

### **PART 3: Review: “The GDP Illusion: Value Added versus Value Captured,” John Smith**

In two earlier reviews, I focused on the notions of economic surplus and imperialist rent as specific categories within the capitalist-imperialist world-economy. The intent was manifold: first, to demonstrate the mechanisms through which wealth is *directed* towards the core-zone First World from peripheral and semi-peripheral economies; second, to similarly demonstrate how this exploited wealth is *saturated* in core-zone economies; and finally, to show how incomes received by workers in core-zone economies are supplemented or supplied from these two categories.

In this final part, I will be covering John Smith’s “The GDP Illusion: Value Added versus Value Capture.” (1) The significance of thmmmis article is that it helps explain how national GDP statistics obscure the transfer of value between countries. Rather than providing any reliable indication as to the amount of value a given country produces, the national GDP better serves to indicate the proportion of value produced in the world-economy that is ‘captured’ (or realized as wages, profits, and state budgets) within a given national territory. The implication is obvious: the national GDPs of First World countries are far larger than the amount of value produced within them, and conversely

the national GDPs of Third World countries are far smaller. As Smith states, the “main symptom” of the “GDP illusion” is “a systematic underestimation of the real contribution of low-wage workers in the global South to global wealth, and a corresponding exaggerated measure of the domestic product of the United States and other imperialist countries.” (2)

Throughout his essay, Smith refers to three archetypal examples of today’s ‘global commodity’: the iPhone, the t-shirt, and the cup of coffee. By looking specifically at these commodities, Smith explains, we can better understand how national GDP statistics serve to obscure the relationship between classes:

“All data and experience, except for economic data, points to a significant contribution to the profits of Apple Inc. and other western firms by the workers who work long, hard, and for low wages to produce their commodities. Yet economic data shows no sign of any such contribution; instead, the bulk of the value realized in the sale of these commodities, and all of the profit reaped by Apple and Starbucks from them, appear to originate in the country where they are consumed... Economic statistics and their standard interpretation also obscure the relation of exploitation in the relations between northern firms and southern producers.... This distortion is the misrepresentation of *value captured* as *value added*.” (3)

I have long stated that value produced in the Third World is realized in the First World, and that this has a qualitative effect on the economic processes and class

relations in both. While Smith, like Baran and Amin, never state so clearly that a substantial portion of First World workers are net-exploiters whose livelihoods are dependent on imperialist parasitism, Smith's essay, like those previously reviewed in this series, implies something similar and adds further weight to this argument.

Smith notes something fundamental. Apple does not own the factories that produce its commodities. Likewise, Starbucks owns no coffee plantations, and few apparel retailers make their own clothes. Thus while it stands to reason that the contribution of Third World workers is a major factor in the profit attained by those who sell these commodities, standard economic extrapolation (which interprets a given commodity's selling price as representative of its value) would lead one to believe that the profits which are supplied to First World corporations are due entirely to labor carried out under their direct control. In reality, Apple and other corporations are able to purchase commodities from 'arm's length suppliers' at prices that are vastly undervalued. The result is a transfer of value from the Third World suppliers to First World distributors masked by purchasing prices. (4)

Smith talks at length about Apple products and makes strong comparisons between different workers involved in their production and distribution. According to

cited research on the 2006 30Gb iPod, Chinese assembly workers working on the iPod made 6 percent of the wages of counterpart US retail workers, 3.2 percent of the wages of US production workers, and 1.8 percent of the wages of US professional workers working for Apple directly. Whereas the production and sale of the model accounted for around 14,000 jobs in the US and 12,250 jobs in China, the total wage-bill for the former was \$719 million and the latter \$19 million. Under these conditions, Apple purchased each iPod from overseas manufacturers for \$144.40 and sold it at retail for \$299. The 52 percent of 'gross profit,' or \$154.60, is divided between the profits of Apple, its distributing costs, and the wages paid to its US workers. More importantly, this \$154.60 is mistakenly accounted as value added within the United States.(5)

As Smith notes, this has a distinct effect for profits in different zones of the capitalist world-economy. In 2010, Chinese corporations producing iPhones made \$2,400 in profits per employee. Apple, which is responsible primarily for designing, marketing, and retailing such products, made \$263,000 per employee.(6) This unequal exchange of value in global commodities results in unequal rates of value *captured* within the world-economy and is partly responsible for the maldevelopment and constant disadvantage of Third World economies vis-à-vis the First World.



Smith makes similar notes regarding t-shirts and Starbucks, concluding that production in the Third World partly explains why First World countries can have retail workers, delivery drivers, managers and administrators, accountants, advertisers, social workers, and a wide range of welfare benefits. "Oppression of workers in poorer countries is a direct economic benefit for the mass of people in the richer countries." (7)

Arguing his points further, Smith restates that what is commonly understood as value *added* is really value *captured*, "and that it does not in any way correspond to the value created through living labor employed within a given firm." (8) He goes on to note that Marxist theory already upholds that some firms, such as those primarily engaged in finance or administration, are engaged in non-productive realization activities "that produce no value at all." (9)

Yet these understandings imply more. If the value captured by a firm does not typically represent the value produced through labor employed by it, it stands to reason that individual wages paid for such labor neither corresponds to a common percentage of total value it produces. (10) Smith agrees with this to the extent that he says, "Chinese, Bangladeshi, and Mexican workers receive in their wages a smaller portion of the wealth they have

generated than do workers in the imperialist countries.”(11) Yet again, I would go further and state that it is entirely possibly and quite likely that even productive workers in First World countries are remunerated *above* the value they create.(12)

In some respects, this should not be controversial. It is already well established that some workers are paid wages as part of realization processes. A bank for example does not make a profit through the value produced by (and exploited from) the tellers, accountants, and security guards it employs. Rather, these workers are paid wages drawn from interest on loans. They are not engaged in the production of value. In technical terms they can not possibly be exploited. The same could be said of those who work in public relations or civil service fields, two professions which produce no value yet still receive a wage. Under classical capitalism, it was still be appropriate to describe people in these occupations as proletarians or ‘semi-proletarians’ because they were typically drawn from and paid wages consistent with that class. Today this is not always the case. Rather, these tertiary sectors have grown exponentially and become a characteristic of parasitic core-zone economies.

Third Worldists tend to uphold that a majority of workers in core-zone countries (such as the US) receive wages that are not simply a greater proportion of the value

they produce, but which are over and above the value they produce (if they produce any at all). This is made possible mainly through imperialist super-exploitation of Third World workers. As follows, First World workers are functionally and fundamentally disunited as a class from the Third World-centered proletariat.

Under abstract capitalism (such that Marx's critique mainly focused on), capitalists are able to extract surplus value from workers because they hold a distinct advantage: the ownership of capital. Out of this situation, a worker, organized under the capitalist and utilizing the latter's capital, produces a given amount of value. From this total value, a proportion is paid to the worker as wages while the rest is realized by the capitalist as surplus value or profit.

Under the today's actual capitalist-imperialist system, because of distinct advantages imperialist countries hold over the world in areas of intellectual property, capital holdings, cultural hegemony (i.e., control over the 'language' of political and social discourse.), exclusive control over advanced technology, monetary hegemony, and military might, they are able to capture for themselves an extra portion of surplus value. This is known as imperialist rent. The process of extracting imperialist rent is a feedback: as imperialists extract rent from exploited countries, the former's general advantage over the latter is

extended. Thus, imperialists are able to secure an even greater rate of rent from exploited countries in the future (at least this is the imperialists' obvious hope).

Imperialist rent has two notable parallel effects: 'pauperization' in the Third World and 'embourgeoisment' in the First World. Imperialist rent maintains the global South in a state of structural poverty and economic dependence on the global North. Conversely, imperialist rent is the main contributor to the opulence and decadence in the First World core. Because of this structure of imperialism, wages above the abstract value of labor can be paid to a minority of workers in the world-economy while individual firms are still able to procure a profit through the realization of value.

As a final note, while GDP is best understood as a measure of value captured and not value added on the *national* scale, the *global* GDP still retains its function as an indicator of the *total* value produced in the world-economy. (13) Hence, the fact that the US contains less than five percent of the world's population yet its economy represents 25 percent of the world's GDP is significant. As reasoned by Smith, 25 percent of the world's value is not necessarily produced in the US, but it is captured there. (14)

An honest conversation about the role of imperialism has been avoided for too long. While academics like John Smith and Samir Amin might back away from the full

implications of their analyses, there is little excuse for this among the wider 'revolutionary left.'

Critics of Third Worldists frequently state that our analysis effectively 'divides the working class.' Yet, First Worldists have held hegemonic positions in the discourse of 'left-wing' and 'revolutionary' politics for the past four decades. Speaking logically, if any paradigmatic 'left-wing' trend has been capable of affecting any division between workers, it has been First Worldism. Third Worldists state the honest truth: imperialist rent and super-wages paid to First World workers provide the material basis for such division.

More poignantly, it is First Worldist dogma, which maintains the existence of a First World proletariat and ignores honest Third Worldist critique, which is fundamentally divorced from the global proletariat masses and their revolutionary struggle, a struggle which is principally (but not exclusively) anti-imperialist.

Marxism is the science of organizing for revolution. It seeks to understand the world in order to change it, not to serve as a rhetorical device for giving First Worldism left cover.

Capitalism today is capitalist-imperialism. Unless Marxism can account for this development in a way that

advances potentials for revolutionary struggle within the explicit context of such a system, it can only be described as 'Marxism' in name only.

John Smith's "The GDP Illusion: Value Added versus Value Capture" along with Paul Baran's "Some Theoretical Implications" and Samir Amin's "The Surplus in Monopoly Capital and the Imperialist Rent" all serve to illustrate that the development of capitalism into monopoly capitalism is a qualitative shift, one which has rendered the division of the world as one increasingly between exploiter classes tied to imperialism and peoples exploited by imperialism. Monopoly capitalism signifies other shifts in capitalism as well: increasing militarism, waste, and decadence; the further erosion of whatever grounds of justification capitalism may have; and the heightened stakes of class struggle generally. Marxism, which is fundamentally based on historical materialism, must rise to understand these developments and provide an illuminating analysis for organizing toward an alternative: the revolutionary movement of society towards communism.

## Notes:

1 John Smith, "The GDP Illusion: Value Added versus Value Capture." Monthly Review. July-August, 2012. p 86-102.

2 Ibid. p 86

3 Ibid. p 86-87

4 Ibid. p 87

5 Ibid. p 88-89

6 Ibid. p 90

7 Ibid. p 92

8 Ibid. p 99

9 Ibid.

10 Instead wages are typically paid at a given rate according to the value it realizes for a firm.

11 Ibid. p 95

12 Brown, Nikolai. "A Model for How First World Wages are Based on Third World Exploitation." Anti-Imperialism.com. May 31, 2012.

13 This is so because total value captured will correspond to the total value produced when considering the world-economy as a whole. However, as Samir Amin suggests, this 'total value' itself may be overinflated due to the prevalence of speculation and parasitism.

14 As an aside, and to restate what I had previously noted in parts 1 and 2 in this series, while the global GDP indicates the magnitude of value produced in the world-economy, under monopoly capitalism this value becomes increasingly detached from fulfilling reasonable necessities and is less and less related to a measurement of 'real wealth.'

## **PART 4: Commodification and Democratization of Bourgeois Privilege Under Imperialism vis-à-vis The Expansion of Personal Services**

Marx defined productive labor as that which produces surplus value, i.e., productive laborers are those who are exploited for profit by a capitalist. Conversely, unproductive laborers (whose work produces no surplus value) are not exploited in any technical sense.

Not so much Marx's error, but that of those who claim his legacy, is to conflate the *realization of value* with the *production of value*.

Whereas Marx was analyzing conditions of 'classical capitalism' in which the two categories often overlapped (and hence the error was easy to make), under imperialism the dislocation of production of surplus through wage labor and the realization of surplus as profit is increasingly accentuated. Thus, it becomes imperative to include the distinction between productive and unproductive labor in any analysis of modern political economy.

In order to demonstrate this distinction between productive and unproductive labor as it relates to the production and realization of value (and to provide a historical materialist sketch of the commodification and democratization of bourgeois privilege), I have drawn out the following situations:

1) Imagine a situation in which a capitalist hires a



maid and pays her a wage directly. Because surplus is not being accumulated by her employer or a third-party capitalist through her labor, Marx would describe this situation as one in which the maid, even in the case in which she is paid a wage consistent with the value of labor power and that typical of the proletariat at large, is performing unproductive labor and not exploited.

But, the above analysis misses another important factor. The money which the capitalist pays the maid must come from somewhere. In this case, the maid's wage is drawn from the surplus value the capitalist has realized from exploitation of workers engaged in productive activity outside his home. The wages which the capitalist pays the maid do not grow his capital, but he nonetheless pays her because he can afford the service. As a capitalist, it is his prerogative.

II) Imagine a situation in which a capitalist hires a maid through an agency. The capitalist pays the agency a fee, a portion of which supplies the wage of the maid and another portion which is realized as surplus by the owners and managers of the agency.

Under this situation, Marx would have considered the maid's labor both productive and exploited because her labor realizes surplus for the owner of the agency.

However, Marx was off.

The above situation still implies that the money the

capitalist paid to secure the service of the maid (i.e., that paid by the capitalist to the agency) was produced and accumulated through his exploitation of productive labor. All that has changed is that an intermediary, i.e. an agency and its owners, have stepped in to secure for themselves a portion of this surplus which the capitalist pays out for the maid's service. The historical growth in the realization of value in relation to its production (i.e., the difference between situation I and II) is visible in the commodification of services associated with bourgeois privilege.

III) Imagine a situation in which some workers ('middle class,' in common parlance), due to advantages substantiated through various forms of oppression, receive incomes which are above both the value of labor power (the cost of reproducing the class of productive laborers) and labor (the average price at which the product of labor is exchanged within the world-economy). In this situation, which Marx never considered, these workers receive a portion of surplus within their incomes which enables a fairly comfortable existence relative to the global proletariat at large.

Imagine that a middle class family uses a portion of their income to hire a family friend as a maid and pays her a wage directly. In this situation (as in situation I), it is safe to say that the maid produces no surplus value and hence is not exploited. But, the questions still arises: from where

originates the money which supplies the maid's wage?

In this case, the middle class family, while not directly engaged in the exploitation of productive labor (such as a capitalist is), is invested with enough surplus in their own income to expend a portion of it towards hiring the unproductive labor of a maid. This reflects the democratization of bourgeois privilege to include the 'middle classes.' In situation I and II, the capitalist, which was engaged directly in the exploitation of labor, was able to devote a portion of his exploited wealth towards purchasing the unproductive labor of a maid. In this situation, because their wages also include a portion of surplus generated out of the productive labor of others, the 'middle class' family is able to do the same.

IV) Finally, imagine a situation in which a 'middle class' family hires a maid through an agency. Again, surplus included in the middle class family's income enables them to spend a portion on the services of a maid. However, in this case the money is supplied to an agency, which takes its cut of surplus from what is paid to the maid. As in example II, it may appear that the maid is engaged in productive labor because her work secures for the employment agency a portion of surplus. Again however, we must consider the distinction between the production of value and its realization.

In situation IV, there is still an occurrence of

realization of surplus, not its production. The maid's services, which are hardly necessary for the literal reproduction of the middle class family, are in no manner accessible to the proletariat at large. Instead, the maid's services are an expression of the commodification and democratization of bourgeois privilege within the context of imperialism.

### **Expansion of bourgeois privilege in history**

The above situations, presented rigidly to highlight the distinctions and similarities between classically-described unproductive labor and that which serves to realize surplus, traces the historical expansion of bourgeois privilege under imperialism.

The service of a maid, once the exclusive privilege of the ruling classes, is now accessible to the property-less petty bourgeoisie. The property-less petty bourgeoisie owes its existence to imperialism. They receive income which includes both the full value of their own labor and the surplus labor of others. The facilitation of bourgeois privilege for this class has been expanded as a distinct parasitic sector of the capitalist-imperialist world-economy.

Moreover, it is not simply an amorphous middle class which is consigned to the conceptual and functional distinction of property-less petty-bourgeoisie.

In the above situational sketch, the maid may well belong to this category as well. Her wage, after all, is sourced from the capitalist's exploitation of others in situation I and II and from the surplus invested in the middle class family's income in situation III and IV . The only question left to ask is whether her wage is the above or below value of labor, i.e. how her wages compare to the proletariat at large.

This expansion of bourgeois privilege under capitalist-imperialism is not only represented by the services of maids. Paying someone else for a haircut, paying someone else to prepare one's meal, paying for a massage, giving someone a dollar for holding a door or handing you a towel, and having someone else drive you places were all original domains of the bourgeoisie and other ruling classes. All of these services are now available to the property-less petty-bourgeoisie. These services, not normally available to the proletariat at large, do not produce value. Rather, under conditions of monopoly capitalism in which wealth is exploited from the Third World and realized in the First, such services are a means of value realization by individual enterprises in imperialist countries.

Consider, for example, lawns of grass, which have not always been an eternal fact of life for everyone but are prevalent throughout the United States and other First World countries. Their original purpose being aesthetic and

to provide a comfortable surface on which to carry out leisure, they too were originally the domain of the classical bourgeoisie. In the 20th century and especially in the U.S., lawns became a regular characteristic of the 'middle class' property-less petty-bourgeoisie.

In this modern case, the lawn's main purpose is not to reproduce labor (such that might be accomplished by a garden in place of the lawn) but to demonstrate status. Moreover, a wide range of products and services catering to this middle class privilege of grass lawns have been created with the aim of realizing value (i.e., 'lawn technicians,' landscapers, etc). The increasing devotion of labor and capital toward fulfilling frivolous privileges occurs at the expense of the general well being of the proletariat (i.e., private landscaping does little to advance the satisfaction of general wants). It is an indicator of the growing irrationality associated with monopoly capitalism (imperialism) and the massive property-less petty-bourgeoisie it spawns.

### **Expanded bourgeois privilege versus the socialization of use-values**

There is a tendency, especially among First Worldists, to think of socialism as simply a further democratic expansion of bourgeois privilege for a more broadly-construed middle class. According to this line's implication,

everyone should be able to live even better and have more access to bourgeois privilege than a middle-class Amerikan does today. Not only is this conception of socialism impossible in ecological terms (if everyone on the planet consumed at the level Americans do now, humanity would need over four Earth's worth of resources). It is highly utopian and opportunistic.

The real nature of socialism includes both the democratic control over production and the increasing egalitarian expansion of use-values. In contradistinction to modern bourgeois privilege in consumption, which occurs at the expense and exclusion of the proletariat at large and is a hallmark of the growing irrationality of capitalist-imperialism, the socialization of use-values aims to efficiently raise the standard of living of the proletariat at large while altering the very nature of production and distribution. Presently the petty-bourgeoisie and other net-exploiter classes have a monopoly over individual consumption of things bourgeois privileges. The socialization of use-values is part of the economic revolution away from a tiered capitalist society to an equitable communist one.

Instead of the private consumption and use of cars and passenger vehicles, there would be an expansion of infrastructure associated with public and alternative transportation as well as changes in patterns of commuting.

Meals, rather than prepared through unpaid labor or purchased as a commodity, would be prepared and distributed socially in a rational and egalitarian manner. Labor and resources once dedicated to maintaining plush lawn would be spent in part on restoring much of the damage caused under capitalism to biospheres and the Earth's natural metabolic processes. Released from the irrationality and waste associated with monopoly capitalism, the potential of human labor is boundless.

## **Conclusion**

Imperialism has led to the democratization and commodification of bourgeois privilege and to the creation of a parasitic economic sector geared toward the facilitation of such privilege. Such bourgeois privilege is largely inaccessible to the proletariat at large. Instead, a largely First World property-less petty-bourgeoisie, whose wages are invested with surplus, through partaking in such privilege in commodity form, recirculates this surplus as realized profit for largely First World firms. Hence, not only is this First World property-less petty-bourgeoisie the social base of First Worldism and modern social chauvinism, it also plays a fundamental component in the concentration of capital within imperialist countries.

First Worldism, which is ignorant or evasive on the



issue of class and class struggle under imperialism, and Third Worldism, which opposes such opportunism and social-chauvinism, offer two very different visions of socialism. First Worldism is a reformist program which merely represents an idealized further expansion of bourgeois privilege. Third Worldism promotes a revolution in the relations and means of production and distribution. For Third Worldists, socialism aims for an expansion of use-values such that radically transforms the everyday lives and character of humanity at large.

## **PART 5: What is Net-Exploitation?**

The term “net-exploitation” refers to the manner in which high-wage workers benefit through exchange with low-wage workers.

At minimum, net-exploitation happens when a given income exceeds the value of labor, i.e., when the remuneration a worker derives from an hour of labor can purchase on the market more than the product of an hour of socially average (or abstract) labor.

To illustrate this is to state the question plainly: can a worker in a First World country purchase, with income from one hour of labor, commodities which embody more than an hour of abstract labor?

Earlier this week, I went into H&M, a popular urban retail clothing store in the heart of empire. I purchased a plain t-shirt for around \$6 and a pair of plain shoes for around \$24.

If my wage is about \$10 an hour, and if everything was being paid at its full value (i.e.: what I purchased; and my own labor which supplied the income for my purchase), I would expect the t-shirt and shoes to embody three hours of labor: from spinning the threads; to drawing together the shirt and shoes; shipping the finished commodity to the US; displaying them at the retail outlet; the few seconds the cashier spent interacting with me; and the managing

aspects of all of this.

That might be the case. But if so, I am not exploited because the wages from three hours of my labor can purchase three hours of labor on the market. I'm breaking even. If there is exploitation happening in this system, it is not occurring directly at my expense.

A more likely scenario is that the t-shirt and shoes represent more than three hours of labor, part of which is conducted by Third World workers under slave-like conditions for near-subsistence wages. If, for example, the t-shirt and shoes embody four hours of labor, then I am a net-exploiter because my wages enable me to purchase more labor (in commodity form) on the market for less than I expend myself.

Let's look at it another way.

Let's say I 'earn' ten dollars for every hour of labor power I sell. Conversely, let's imagine a Third World worker receives five dollars for every hour they sell.

After an hour of us each working (assuming no other intervention of exploitation), the product of both of our labor is valued at \$15, or stated abstractly as \$7.50 an hour.  
(1)

When I work three hours in this situation, I receive \$30 in wages, the equivalent of four hours of abstract labor.

For the Third World worker to purchase a set of commodities whose value is also four hours of abstract

labor, they would need to work six hours. In essence, an unequal exchange is occurring through pricing. Whereas commodities other than labor are bought and sold on the open market at an average or abstract rate, labor power itself is valued differently. This allows for the better paid worker, myself in this situation, to benefit at the expense of a hypothetical Third World worker.

Obviously the world is more complex than this. Not everyone is either a First World or Third World worker, and various exploiting classes exist which skim surplus value. As well, this fairly straightforward model does not presuppose an underlying logic, function, or manner of maintenance for this process of unequal exchange. These are topics which have been covered elsewhere not only by myself but by a wide variety of authors.

My hope in making the above demonstration is to illustrate clearly and in the most succinct and accessible terms what is meant by net-exploitation. Understanding that First World workers are themselves net-exploiters is not only relevant but fundamental for understanding the central dynamics shaping the world. For those who desire revolutionary change, firmly acknowledging the existence of net-exploitation via imperialism is a basic question of determining which classes and social forces can be lined up for revolution and which can only oppose and obstruct it.

(1) For the purpose of clarity, the abstract example makes a few generalizations which do not conform to reality. First it assumes that the ratio between the price of labor power between First and Third World workers is 2 to 1. In reality, it is closer to 30 to 1. Likewise, it assumes that the ration of First to Third World labor is 1 to 1. In reality, the ration of First to Third World labor is something closer to 1 to 5 or 1 to 8. If these adjustments were made, it would reveal an even greater degree of parasitism than is explained in this abstract example.

For the sake of clarity in expressing how unequal exchange results in the creation of a class of net-exploiting workers, the intervention of exploitation and the realization of value by capital-holders and other purely-parasitic classes is ignored here.

## **PART 6: A Model of How First World Wages are Based On Third World Exploitation.**

Days before his first trip to Cuba, Pope Benedict XVI stated, “Marxist ideology in the way it was conceived no longer corresponds to reality.”

'Left'-leaning commentators were dismissive: “Says man in giant hat who speaks to invisible cloud people,” they concluded in an internet meme.

Thought it is easy for leftists to write off the his archaic religious views and supposed authority, the pope’s criticism shouldn’t be dismissed outright. He wasn’t attempting to express any religious insights. He was merely expressing a view that is common: Marxism as it was expressed in the 1800s does not correspond to the material or social conditions of today. The pope didn’t need god to tell him what most people realize: there are significant deficiencies and dogmatisms in mainstream 'Marxism' today, and much of what is called ‘Marxism’ does not fully represent today’s reality.

At its core, Marxism is a methodology, not a fixed set of conclusions. As such, the outlook offered through Marxism changes along with shifts in material conditions and class struggle.

In much of mainstream Marxism, there is consistent disregard for the significance of the relationship between

rich over-developed countries and poor maldeveloped countries. (1) Given that this global divide is so basic and long-standing and the fact that many contemporary 'Marxists' continue to overlook this disparity, it is understandable how someone like the pope could address such 'Marxism' for not corresponding to reality.

So the question remains, how can the gap between a handful of wealthy countries and a majority of poor countries be accounted for under a Marxist paradigm? How can Marx's methodological approach account for the world today?

In some ways, coming to a Marxist understanding of the global wealth gap requires us to toss out much of Marx's specific conclusions. While some mainstream 'Marxists' resist this, it is necessary if we are to realistically grasp and explain current phenomena.

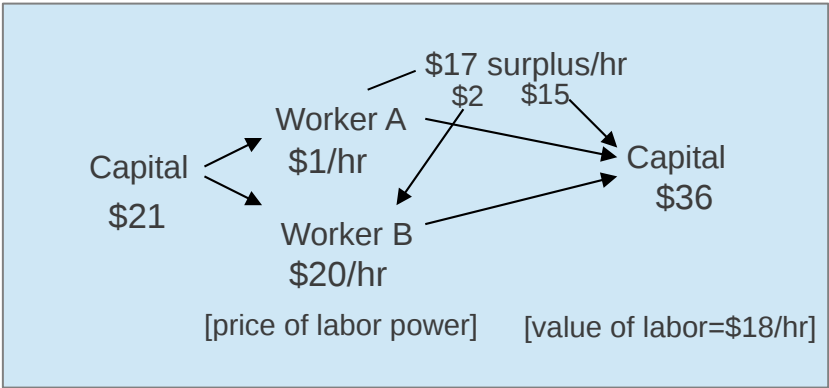
A long-held conclusion in mainstream 'Marxism' is that workers are necessarily exploited under capitalism. This is one of the conclusions which must be re-evaluated if Marxism is to come to terms with the world as it actually is today.

## The Numbers

The following examples provide an abstract model, based on the labor theory of value, of the mechanism by which

value can be transferred between workers. What is shown is how some workers can earn above the value of labor through part of their wages being drawn from the exploitation of others' labor.

**Example I, Simple Aggregate Model:**



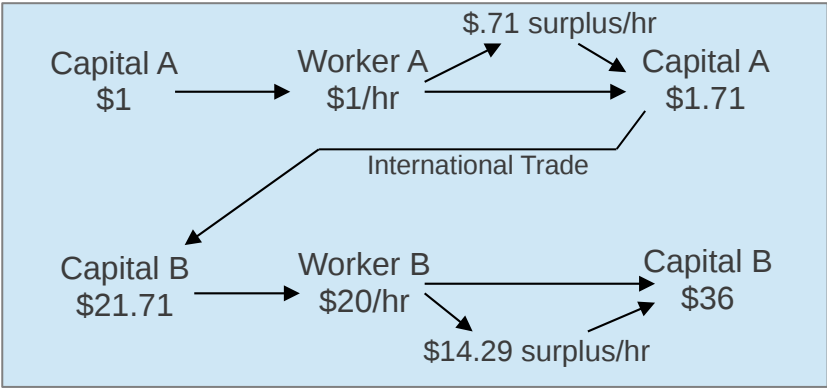
This model is the easiest way to demonstrate aggregated capital accumulation under conditions with steeply tiered global labor markets. For the sake of clarity, fixed capital is ignored in most of these equations. In example I, a capitalist takes \$21 to pay for one hour of labor power from worker A at \$1/hr and one hour of labor power from worker B for \$20/hr. The end result is a commodity which the capitalist sells for \$36 dollars, yielding a profit of \$15. In this case, labor in its abstract (or 'socially necessary') form creates \$18/hr in value [the full value of the commodity (\$36), divided by the two hours which produced it], and this



represents the full value of labor.

In this example, worker B is paid \$20 for an hour of labor power: a price higher than the value of labor itself. Thus, in this hypothetical example, for one hour of work worker B is able to purchase 1.11 hours of abstract labor. Consequently, worker A must work 18 hours to purchase the one hour of abstract labor. To clarify further: in this example, \$17 in surplus value is exploited from worker A [the abstract value of labor (\$18) minus the price of labor power paid as wages (\$1)]. Of this \$17, \$15 is kept by the capitalist and \$2 is handed to worker B on top of the full value of labor. Functionally, worker B is an exploiter.

**Example II, Simple (Disjointed) Segment Model:**

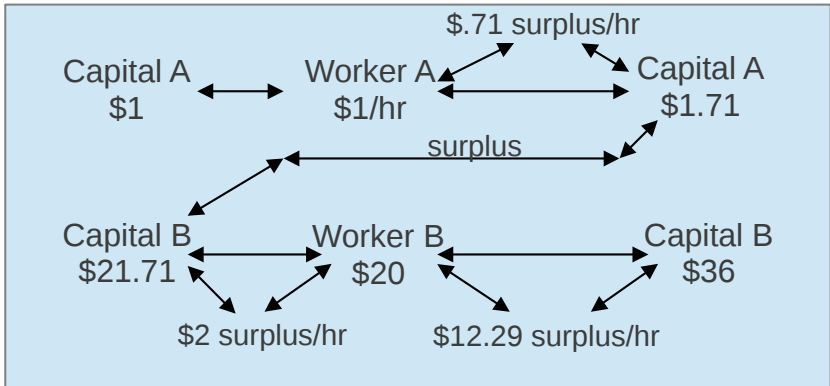


This example demonstrates how the system operates at the single-enterprise level, and how it appears to operate from the standpoint of individual capitalists who are directly

employing one or the other worker.

In this example, capitalist A buys one hour of labor power from worker A at a price of \$1/hr. Capitalist A then sells the commodity to capitalist B for a price of \$1.71. In this segment of the capitalist process, it *appears* the capitalist drew .71 cents of surplus value and the total value of labor for worker A is \$1.71. However, the commodity which passes through the initial (capitalist/worker A) circuit necessarily passes through a second (capitalist/worker B) circuit. In the second segment, worker B is paid by capitalist B \$20/hr to further handle (e.g., transport, market, account, repackage, shelve, draw up a receipt for, etc) the commodity, after which it is sold for a final price of \$36 (which ostensibly represents the approximate full labor value embodied in the commodity). In this case, the final price of the commodity (\$36) includes both the 'raw material' provided at a price of \$1.71 and \$34.29 (which *appears* to be the full value contributed by worker B), and it *appears* \$14.29 is the surplus extracted by capitalist B from worker B. This example illustrates, how under conditions of vast disparities between wages, rates of segmental exploitation can remain fairly constant throughout. This is a narrow view also encapsulated by much of what is currently thought of as Marxist class analysis.

### Example III, Aggregated Segment Model:



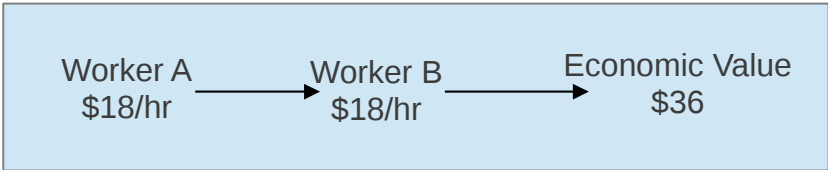
This model fully demonstrates the links between the first two models, and how the surplus derived from the exploitation in one segment can be transferred through the entire process via the structuring of prices.

What is not evident in Example II, and what is essential of an accurate understand of modern political economy, is the precise structural function of the disparity in price in labor power between First and Third World stratas of workers. Price itself does not necessarily reflect value. Instead price is a mechanism through which value is circulated. This disparity between prices of labor power does not magically happen. It is historically formed, deeply part of the modern system, and militantly enforced by imperial and neo-colonial regimes. This divide is structurally significant. It effects class alignments and the development of class struggle.

Where example II falls in demonstrating the process of capital accumulation as disjointed segments of labor, not concrete forms of labor abstracted within a general aggregated process. It fails to define abstract labor within the context of an interconnected historically-formed global economy. There are not multiple separate economies and societies under which production and accumulation are happening ignorant of each other. In the model, the roles that circuit A and B play represent historically-created power relations within a larger system of general capital accumulation. Indeed, capital can move around the world with little restriction whereas borders merely serve to prohibit Third World workers from attaining the status of the hypothetical worker B.

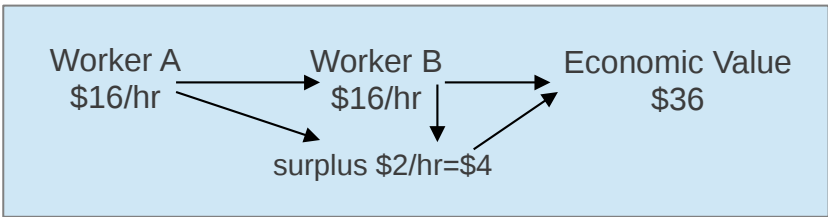
In example III, worker A is paid \$1 to work for an hour for capitalist A. From this labor, \$17 is rendered as surplus. Capitalist A, in selling the commodity to capitalist B for \$1.71, keeps only \$.71 of this surplus. Capitalist B pays worker B \$20 for an hour of labor power then sells the final commodity on the market for \$36. Part of the surplus drawn from worker A goes towards paying worker B \$2 above the value of labor, and the remaining \$14.29 of surplus is kept as profit by capitalist B. This is the same thing example I illustrated. Example III more clearly reveals the hypothetical setup as an aggregate of two connected processes.

**Example IV, Socialist Revolution:**



In this example, the capitalists have been done away with and exploitation no longer exists. Worker A and B both work for a hour to produce a commodity with a value of \$36. In this case, each worker keeps the full value of labor (\$18). Yet curiously, for worker B this amounts to a \$2 decrease in pay from the previous examples.

However, it is unlikely that under socialism workers will retain all the value they produce. Some surplus would be set aside for future development, defense, care for the sick and those unable to work, etc. Socialism will more likely look like this:



In either case, socialist revolution, whether conceived of as the full or partial allocation of value to workers, while being a boon for worker A, would result in a depreciation of the material standard of living for worker B.

## Conclusion

This abstract model is significant for a few reasons. First, it shows that in a system of drastically disparate wages, some workers can actually receive wages based on the exploitation of others. Insofar as the hypothetical worker B actually benefits from the system of accumulation, its class interest is different than that of worker A. The demand of worker A to end the system of exploitation implies a lowering of the price of labor power for worker B. The higher wages demanded by worker B would necessarily be drawn from the surplus value created by worker A, even if it appears to come from the pocket of capitalist B.

The reality of global disparities between workers, its significance for class struggle, and the subsequent questions it raises are things Marxism must account for if it is to remain relevant and incisive today. Dogma and “Marxist ideology” explain little about the modern world. However, the methodological approach based on Marx’s own has not ceased to be paramount for understanding and changing the roots of today’s reality.

### Notes:

1 That is not to say all Marxists have been silent or ignorant on this contemporary phenomena, but generally, mainstream Marxism has not included a serious evaluation of this phenomena.

## **PART 7: Remarks on Marx's Economic and Philosophic Manuscripts of 1844**

### **Wages and class struggle**

Karl Marx's opening line in the first chapter of *Economic and Philosophic Manuscripts of 1844* states that, "wages are determined by antagonistic struggle between capitalist and worker." (p. 19)

This opening line is often cited by nominal leftists as explanation for exorbitantly high wages of many workers in the United States and throughout the First World. The explanation they reach is First World workers have secured such high wages as historic concessions due to past class struggle. But this view is narrow and has quite specific limitations.

Obviously, the first problem with this viewpoint is it is chauvinist. According to this viewpoint, struggles carried out by Native Americans, Blacks, and peoples of various Third World countries 'do not count' as effective class struggle because they have not produced the same results. The manifold problems which are implicit in this line will not be delved into more deeply here.

To propose a counter-argument to the First Worldist claim that 'wages are determined by class struggle': high wages of First World workers, made possible in the first place through imperialism, *are* the result of class struggle,

*but* not necessarily their own.

More realistically, raising of wages for a limited number of workers, i.e. those mainly in the First World, was a measure to counteract, not merely their own class struggle, but that of the international proletariat, including the proletariat of countries like the Soviet Union and People's Republic of China (along with many other insurgent states in the 20th century). Super-wages on one hand and super-exploitation on the other have the social-political effect of dividing workers of the imperialist First World from the international proletariat and oppressed masses. (1) This has had a three-fold effect. First, it has inhibited the development of mass revolutionary class struggle in the First World. Second, it has inhibited the development of the immediate possibility of world-wide socialist revolution (which can not sufficiently occur outside the breaking down of this division). Thirdly, it has caused much 'left,' including nominal Marxists, to traverse toward ideological and practical dead-ends.

For First World workers (specifically those from the trilateral imperialist bloc), world-wide socialist and national liberation struggles provided the primary social-political impetus in determining their rising wages. The tacit and real support of the First World 'working-class' was key, after all, for the defeat of the first major wave of communist revolution. It is not surprising, therefore, that First World



wages rose the greatest in the periods in which the capitalist-imperialist saw itself as threatened by international class struggle (e.g., the 1920s and 1950s Red Scare, the revolutionary upsurge centered in 1968).

### **What does the proletariat look like?**

In *Economic Manuscripts*, Marx offers a basic sketch of the condition of the worker under capitalism: “The worker has neither ground rent nor interest on capital to supplement his industrial income.[...] The worker need not necessarily gain when the capitalist does, but he necessarily loses when the latter does,” and, “The whole of society must fall apart into two classes- the property owners and the propertyless workers.” (p. 19, 21, 69) Marx is talking about an abstracted model of capitalism, along with abstracted workers and abstracted capitalists functioning as distinct classes. Nonetheless, his description of both the fundamental workings of the system and its symptoms are salient today.

In many ways the vast majority of the workers of the First World exist outside the proletarian archetype Marx set forth. Historically, for example, most legal workers in the U.S. receive some portion of their income in the form of interest on savings or own appreciable capital assets. (Gallup) Throughout the 20th century, the standard of living for most Americans along with the growing extension of

their global supremacy.

It is when we extend our scope and envision “society” as the entire globe that Marx’s vision begins to make more sense. Few throughout the world gain any income on rent or interest on capital, and thus most are forced to live solely through the sale of labor power. As well, the material status of the global population has barely risen over the past 100 years, reaffirming the idea that workers “need not necessarily gain when the capitalist does.” Instead, the value of Third World labor power (i.e., wages sufficient for their own physical livelihood and reproduction as a productive class) has been suppressed to the lowest amount possible, and starvation and malnutrition remain a persistent problem for many Third World workers and those part of the unemployed ‘reserve army of labor.’

### **Stratification of classes internationally**

Marx saw the world in 1844 as dividing into two largely monolithic blocs of propertied capitalists and property-less proletarians. In some respects, if looking internationally, this has largely been the case. We can find increasing disparity both in individual capitalist countries, but more importantly between international capitalists and the global working class.

Yet at the same time, there have been some

mitigating factors which have thus far inhibited this division of the world into two distinct classes. The most important of these is the growth of the 'middle class' mainly in First World countries over the past 150 years. That is to say an international division of labor has developed in which one small portion of the global labor supply is elevated above the rest. This trend of the separation of First World workers from the global proletariat was noted early on by different radical thinkers.

In the 1915 essay entitled "African Roots of War," Black intellectual WEB DuBois was the first to note that,

"The white workingman has been asked to share the spoil of exploiting 'chinks and niggers.' It is no longer simply the merchant prince, or the aristocratic monopoly, or even the employing class, that is exploiting the world: it is the nation; a new democratic nation composed of united capital and labor. The laborers are not yet getting, to be sure, as large a share as they want or will get, and there are still at the bottom large and restless excluded classes. But the laborer's equity is recognized, and his just share is a matter of time, intelligence, and skillful negotiation.

"Such nations it is that rule the modern world. Their national bond is no mere sentimental patriotism, loyalty, or ancestor worship. It is increased wealth, power, and luxury for all classes on a scale the world never saw before. Never before was the average citizen of England, France, and Germany so rich, with such splendid prospects of greater riches. Whence comes this new wealth and on what does its accumulation depend? It comes primarily from the darker nations of the world — Asia and Africa, South and Central America, the West Indies and the islands of the South Seas."

In Russia the same year, Nikolai Bukharin published *Imperialism and World Economy*, which also noted the emergence of a 'labor aristocracy' in regards to imperialism: "The colonial policy yields a colossal income to the great powers, *i.e.*, to their ruling classes, to the 'state capitalist trust.' This is why the bourgeoisie pursues a colonial policy. This being the case, there is a possibility for raising the workers' wages at the expense of the exploited colonial savages and conquered peoples." (p 165)

A few years later Lenin developed this idea further, specifically as it affected the proletarian movement internationally. He stated in the preface to the German and French editions to *Imperialism, the Highest Stage of Capitalism* that,

"This stratum of workers-turned-bourgeois, or the labor aristocracy, who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook, is... the principal *social* (not military) *prop of the bourgeoisie*. For they are the real *agents of the bourgeoisie in the working-class* movement, the labor lieutenants of the capitalist class, real vehicles of reformism and chauvinism."

During the same period, in 1920, Chinese Marxist Li Dazhao put forth his thesis that China had been rendered a "proletarian nation" by the aspirations of various imperialist powers, with the implication that the latter were 'bourgeois nations.' The implication was also nationalistic: virtually all in China could unite in a common struggle against foreign monopoly capital, and this struggle was objectively part of

the global proletarian movement. (Meisner p. 188)

It is notable that these observations came forth independently during the same period between 1915-20. It was during this period in which the reality of the global division of labor and its implications became too apparent to ignore.

### **Emergence of non-productive labor in the process of capital accumulation**

These early radical views on imperialist parasitism are today insufficient regarding the role of the development of non-productive sectors.

During the period in which WEB Dubois and Lenin (among others) were writing, these unproductive sectors had only begun to develop. They could still easily be missed within the larger picture of imperialism. Today such non-productive sectors dominate the world-economy in terms of value circulation even though they may not be involved in any way in the production of value.

The non-productive sector of the economy at minimum includes those employed by the state (including the police, military, judiciary, clerks, civil and public service, and social workers), those employed as managers, those involved in advertising and customer service, those employed in security, and those employed by financial

sectors. At the most it includes all those whose labor is employed, not to create the fundamental physical elements of commodities, but to facilitate their circulation. In addition to the above occupations, this includes workers such as cashiers, retail workers, waiters, drivers (taxi, bus, etc), charity workers, people in the non-profit sector, etc.

Marx's general assumption was that non-productive labor does not create value itself. Instead, non-productive labor facilitates the greatest potential realization of value. Insofar as non-productive laborers were an insignificant portion of the 19th century working class whose social conditions approximated the proletariat rather than the capitalist, Marxists have tended to group them with the former.

Another line of thinking is upheld by David Harvey. In his video lecture series, *Reading Capital*, he bundles all labor together as 'socially necessary' and hence 'productive,' insofar as it facilitates and regulates the distribution of surplus and the accumulation of capital generally. (Lecture 10)

This is broadly in line with the concept of organic capital accumulation, i.e. the unproductive sector serves to fully realize and rests upon value created by the productive sector. Under this schema, which simplifies calculations quite a bit, we can treat virtually all work as 'socially necessary labor' for the full realization of value under

modern capitalist-imperialism.

However, this concept elevates income, i.e., remuneration for such 'social necessary' labor, as the main indicator of a worker's relationship to the process of capital accumulation.

### **Division of labor power under capitalism**

Insofar as we can treat all economic transactions as 'necessary' under capitalism, we can find an average value of labor in this commodity exchange system. Once we have found this abstract value of labor, we can definitively answer the question of whether or not it is possible for the price of labor power (i.e., income) to exist for some workers above the value of labor (i.e., the product of abstract labor).

For example, if it takes one hour of Third World [TW] labor paid \$1 and one hour of First World [FW] labor paid at \$20 to realize \$36 [above the cost of consumed fixed capital] at final exchange, we would find that the average total value [wages plus surplus] produced by each abstract hour of labor is \$18.

Here is the math to outline the above situation with additional clarity:

{one hour FW labor power(\$20)}+{one hour TW labor power(\$1)}  
 +{surplus appropriated by capital(\$15)}=\$36={value produced  
 by 2 hours of 'socially necessary labor'}

{value produced by labor(\$36)/2hours}={value of labor(\$18)/1  
 hour}

In this example, the FW worker's hour of labor power is paid at an amount larger than the value produced by a socially necessary (i.e. abstract) hour of labor. The FW worker is remunerated \$20 for an hour of labor power, or \$2 above the value produced by an hour of abstract labor. Thus the FW worker, with the income supplied through a single hour of labor, may consume the product of over one and one-tenth hours of abstract labor.

To state this more mathematically:

{ \$20(price of one hour of FW labor power) } = { 1.11\*\$18(11%  
 more than the value produced by one hour of abstract labor) }

This \$2 is necessarily drawn from and part of the surplus exploited from the TW worker. Were it not for the employment of TW labor at a rate such as it is, this \$2 above the value of abstract labor yet included in the FW worker's wage could not exist. Whereas each hour of



*abstract* labor yields \$18 in total value, under this schema, we can see how an FW worker can be paid above this rate, but only so long as their labor is part of a process also involving that of poorly paid TW labor. Thusly, super-exploitation of TW workers provides for super-wages for FW workers

Even while disregarding the notion that unproductive labor doesn't itself produce value but is entirely drawn from the surplus created through productive labor, we can demonstrate, at least hypothetically, how wages can be drawn in part from the exploited labor of workers elsewhere within the production process.

This is all allowed for in Marx's ideas and methodology, which does not assume prices necessarily correlated with value. Rather, according to standard Marxist theory, prices help shift value around through different sectors of the economy. Moreover, under Marx's conception of capitalism, capitalists are not the only people who can absorb surplus value. Landlords, for example, are not part of the process of the creation of value, yet they receive surplus value through charging rent to both capitalists and workers (i.e. they absorb surplus value as part of an extant process of value circulation). In a similar manner and via the tiered structure of prices for labor power which accompanies imperialism, it is possible for some nominal workers, who could not be accounted for in detail by Marx

during the 1800s, to be transformed into consumers of surplus value.

This proposal on the development of a property-less net-exploiter section of the working class offers a mitigating factor that weighs against Marx's idea that the world was dividing into two great classes (i.e., the bourgeoisie and proletariat) and helps explain the contemporary class structure we see today. Instead of the world dividing into merely two great classes, it fractured principally into four: the masses of the world's workers which forms the proletariat; a minority of global workers concentrated in imperialist countries which constitutes an international 'labor aristocracy' paid over the value of abstract labor, who are net-exploiters and a social appendage of ruling class; the international bourgeoisie, which dominates the world and is the chief holder of capital; and its native agents in the Third World, the comprador bourgeoisie.

## **Further considerations**

This analysis can and should proceed further.

We have hypothetically demonstrated, in line with Marx, how value created by one sector of the economy can be appropriated by another, including by nominal workers themselves. On the empirical level, such a phenomenon has been demonstrated by authors in the dependency theory

and unequal exchange schools of thought. Authors such as Walter Rodney, Teresa Hayter, Samir Amin and Arghiri Emmanuel have detailed how little of the value created in the Third World is retained there. Instead, value produced in the Third World is exported to the First World, and the world-economy is structured for such purpose.

In a recent essay published by Monthly Review, John Bellamy Foster and Robert W. McChesney describe in empirical terms modern working conditions and wages which might fit the above model of super-exploited Third World and net-exploiter First World workers:

“In 2008 Chinese manufacturing workers on average, according to the U.S. Bureau of Labor Statistics, received only 4 percent of the wage compensation of manufacturing workers in the United States. Hence, the added margin of profit to be obtained by producing in China (with the same technology) instead of the United States or other developed countries can be enormous. Chinese workers that assemble iPhones for Foxconn, which subcontracts for Apple, are paid wages that only represent 3.6 percent of the final total manufacturing cost (shipping price), contributing to Apple’s huge 64 percent gross profit margin over manufacturing cost on iPhones, according to the Asian Development Bank.”

We can say that capital accumulation happens in two united manners. Value is primarily produced in the Third World under conditions of super-exploitation typical of capitalism. Surplus value, on the other hand, is primarily channeled into First World economies where it is further

appropriated in a manner ordered along a similar processional form of capitalism. That is to say, whilst most value and nearly all surplus is created through the super-exploitation of the Third World proletariat, it is also distributed and realized through further economic processes often ordered along capitalistic lines.

I imagine this general line of thought will be contested by noting that all wages are relative to the value of labor-power (the correspondent value necessary for the reproduction of labor in the sense of basic subsistence), which is generally higher in the First World. To this I would note that the value of labor-power is historically and socially constructed. On one hand, through increasing efficiency and productivity, the basic necessities of life become cheaper to produce and hence does the value of labor power. On the other, the effective value of labor power can rise through the general want, demands, and expectations of the working class (in the case of a portion of the working class being co-opted by the bourgeoisie). It is more accurate to note that labor power itself is purchased according to its given price (not its objective or abstract value) and hence can form another mechanism for the circulation of surplus value from the Third World to the First.

Contemporary class structure is far more complex than Marx originally envisioned. During the process of colonialism, structures of super-exploitation of the Third

World by First World emerged, which allowed for the initial creation of a labor aristocracy among the workers of imperialist centers. Due to class struggle internationally, it became all the more expedient for capital to expand and detach this First World labor aristocracy from the global proletariat. This labor aristocracy offers implicit support for the system and acts as a “social prop” of the bourgeoisie in exchange for wages which encompass a portion of surplus value wrung from the exploitation of the global proletariat, whom are always paid around the value of labor power (the minimum required for reproductive subsistence).

### **Concluding remarks**

What can we say about the preceding analysis and the relevance it bares on the future?

Obviously, these structural developments inhibited the division of the world into two homogeneous classes. However, this occurred in a context of general capitalist-imperialist expansion. Marx tended to look at capitalism in its abstract form, as a total system free from externalities. As the world increasingly becomes saturated by capital (i.e. 'smaller' via the process of 'globalization.') and with less opportunity for capitalism to expand, it may increasingly conform to Marx's original vision. With diminishing ways for capital to grow, the prospects of maintaining First World

workers in such aristocratic positions may become less tenable over time.

It may be the case that the labor aristocracy is losing some of its structural and social foundation, and hence the prospects of Marx's conclusion that "the whole of society must fall apart into two classes" may increasingly bare resemblance to fact. However, if this does occur, it will happen as part of an entirely different social context and historically-informed social background, along with the additional theoretic knowledge drawn from the 160 years of struggles since Marx's writing.

#### Notes:

(1) The period of imperialist bribery based on the consolidated ruled of the Third World (1890-today) should be understood as distinct from the period of settler-colonial relations which marked classical capitalism (1800-1890), though the former is obviously founded on the latter.

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