



Expansion or Crisis of Capitalism?

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Third World Quarterly, Vol. 5, No. 2, Africa: Tensions and Contentions. (Apr., 1983), pp. 361-385.

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Expansion or Crisis of Capitalism?

Capitalist expansion in the Third World: the return to bourgeois ideology

When the very possibility of socialism has been rejected before capitalism has completed its historical task of developing the productive forces, one is forced to reduce what is happening in the Third World to being exclusively the expression of capitalist expansion, without bothering to recognise its possible specific characteristics and contradictions. This proposition is only true at such a high level of abstraction that it is then without political bearing.

The bourgeois vision of 'development' can content itself with this type of abstraction since it does not propose to change the world but to enjoy it. In effect, capitalism develops the productive forces, but in its own way, and to speak of 'stagnant' and 'blocked' capitalism does not have much meaning. But who really said that? The bourgeois apologists for capitalist expansion content themselves, therefore, with saying: (i) that the 'under-developed' world is the site of capitalist expansion as the economic growth rates and the rhythms of industrialisation bear witness; (ii) that this expansion is not different from that which the developed countries experienced and know; (iii) that the insertion in the international division of labour is a factor for the acceleration of development by putting capital and efficient technologies at the disposition of the Third World countries; (iv) finally, that this expansion, based on both the internal market and on the insertion into the world market, is synonymous with cultural progress, improvement in the standards of living, etc.

This bourgeois vision reduces social reality to economic, quantitative, global and simple measurements alone; the specificities of the local classes and their insertion in the global system are obliterated; one 'industry' is as good as another since they bring in profits, one form of exchange is as good as another since those who exchange both apparently gain by so doing. Bourgeois thought's claim to Universalism leads it to reject that which is beyond the limits of the analysis of its 'reality', which itself is reduced to mere economics, the political factor, the national factor, and so on. Within this frame of thought, there is no room for imperialism; it is a universal political fact ('the strong dominate'). The doctrinaire even claim that imperialism is a vestige of the past, in contradiction with the 'spirit of capitalism'! The refusal of peoples to submit to the requirements of 'development' is, therefore, always a conservative reaction of backward peoples who reject the progress being offered to them. A hint of racism comes to the surface here and there.

It is true that the labour movement has at times shared this viewpoint with its bourgeoisie as regards Asia, Africa and Latin America. The Second International

has at times sung the praises of the civilising mission of colonisation; the Third International began by reacting more radically; thereafter, it withdrew here or there to meet the requirements of the politics of Moscow. In its bursts of condemnation, it has even sometimes 'simplified' by saying, for example, that capitalist expansion was finished! More commonly, it gave to Lenin's analyses concerning imperialism (as to the other 'classical' texts) an absolute and dogmatic meaning. But the specific contradictions of capitalist expansion are a reality of the type such that the peoples in the Third World, invited to subject themselves to the inexorable law of profit—for their greatest good!—rose *en masse*. Thus, for half a century struggles of national liberation stirred millions of combatants. Some of these struggles—in China, and Vietnam—were led by political forces which proclaimed themselves Marxist and which effected social transformations which—the least that one can say of them—did not enter into the simple logic of world capitalism! Others did not go as far, and the bourgeoisies which inherited power found their place, or tried to find it within the world system. For thirty years, therefore, the left-wing forces in the world were invited by these struggles to consider their own analyses; why was the national liberation struggle led by communists here and by non-socialist forces there? What were the specifications of this capitalist expansion which put this 'curious' transgression of less developed capitalism on the agenda for the proclaimed transition to socialism? This favourable situation produced positive effects: people dared to think, dared to act—dared to go further than the cold text of Moscow suggested. But also, and it was very normal, it nurtured new illusions based on simplifications: that the expansion of capitalism was finished; that the socialist transition was 'ensured'; sometimes, even that the 'anti-imperialist' bourgeoisie had rallied the socialist camp. In the heat of battle, strong expressions such as those introduced by André Gunder Frank came to light, like the 'development of under-development', 'imperialist domination or revolution', 'lumpen-bourgeoisie, lumpen-development', etc. Set in their context, these expressions have a meaning which their critics today do not seem capable of understanding.

For suddenly here we are, back to the flattest, bourgeois interpretation of reality. Bill Warren's book, *Imperialism, Pioneer of Capitalism*, which we take here as an example, is evidence of this fantastic retreat of revolutionary Marxism. The description which Warren gives us of capitalist expansion, his enthusiastic tone, the 'realities' which he presents, and those which he does not mention, produce what can be read every day in the current right-wing press, as Alain Lipietz¹ notes, amused by the publicity given to the book by the *New Left Review* (who described it as 'iconoclastic'!). The 'New Left' here joins forces with the commonplace Right. Dudley Seers² moreover had already noted this 'convergence' of views.

The thesis is simple: (i) capitalism, even when it has been effectively introduced from the exterior by colonisation must destroy all the archaic pre-capitalist forms

¹ Alain Lipietz, 'Marx or Rostow', *New Left Review*, (132) 1982.

² Dudley Seers, *The Congruence of Marxism and Other Neoclassical Doctrines*, UNU, mimeographed, 1978.

and substitute in their place the capital-labour relationship; (ii) the accumulation of capital is synonymous with progress, and the constant improvement in the living conditions of the greatest number. In order to prove this, there is strictly nothing further than the growth rate of the GDP and of industrial production! If one replaces the term 'capitalist' in the book in question by the more neutral one of 'development', Bill Warren's book becomes a carbon copy of a World Bank report.

Warren does not ask the question: Why, despite the principle asserted, has the capital-labour relationship not taken the place of pre-capitalist relationships more frequently over the past century? The specificities of capitalist expansion here or there do not interest him. Curiously, Warren and his students (like Sheila Smith³), who are constantly declaring the need to be 'concrete', are never 'concrete' themselves. They do not discuss the actual works which attempt to explain why things are not what they 'ought to be', according to the 'general' principles of capitalism. Here is one example: when one looks concretely at subtropical Africa, one cannot fail to be struck by the different forms of the extraction of surplus labour—by means of which capital establishes its domination. One of our studies attempted to analyse specifically those forms of exploitation of labour (by the 'trade' economy (*économie de traite*); the economy of the 'reserves'; and, that of the trading monopoly companies), which enables us to understand why capital has an interest, in certain circumstances, in maintaining pre-capitalist forms, or even in creating them in its pay (slavery in America, Bantustans in South Africa, etc.). Warren simply ignores all the works of this type. He does not quote a single one!

In order to prove that the expansion of capitalism today in the Third World is the same thing as the expansion of capitalism yesterday and today in the West, one has to remain in abstract generalities. For even at the level of economic analysis alone, a concrete understanding would demand that one take a close look at the nature of the activities in expansion: mines, plantations and food crop agriculture, luxury goods industries or mass consumption ones, basic industries and technology, services and tourism, etc. are not identical. By remaining on the level of the overall growth rates, Warren wipes out thirty years of effort to go further in concrete analysis.

Finally, Warren's apologetic prejudice in favour of capitalism is so strong that he feels himself obliged to indulge in acrobatics to prove that the distribution of income is developing in the Third World in favour of the masses!

He is not alone in attempting to 'demonstrate' in this sphere the opposite of the truth. Jonathan Schiffer⁴ has the advantage of presenting his criticism as a 'refutation of Marxism'. Like Bill Warren, to whom he explicitly refers, he wishes to demonstrate that 'socialism is not the only means of ensuring the material and cultural progress of the Third World', that, on the contrary, the capitalist

³ Sheila Smith, 'The Ideas of Samir Amin: theory or tautology', *Journal of Development Studies*, October 1980, and 'Class Analysis versus World Systems; critique of Samir Amin's typology of underdevelopment', *Journal of Contemporary Asia* 12 (1) 1982, pp 7-18.

⁴ Jonathan Schiffer, 'The Changing Postwar Pattern of Development or the Accumulated Wisdom of Samir Amin', *World Development* 9 (6) 1981, pp 515-37.

industrialisation of the post-war Third World constitutes the solution to the problem of 'under-development' and that his industrialisation, based on the expansion of the home market, has already given remarkable results in terms of improvement in standards of living! Schiffer therefore rejects the four sectors model, and declares that the contemporary industrialisation of the Third World is based, as it has been in the West, on the enlarging of the market for mass consumption.

Unfortunately for Schiffer, as for Warren, the fact is that the reality is not in keeping with the image which they wish to give of it. We have never claimed that imperialism implied the Third World's 'stagnation' since, on the contrary, we wished to analyse the transformations in the international division of labour which were the outcome of the victory of the national liberation struggles led by the Third World bourgeoisie, transformations which are the very basis which enabled the stage of the industrialisation in question. However, it can be noted that this industrialisation was accompanied by an emphasising of inequality in the distribution of income, and that the wages and income of labour have not increased here parallel to productivity. This is not a gratuitous declaration posed *a priori*: on the contrary it is the outcome of the conclusions to numerous studies.⁵ For example, in Brazil, the base for the enlarging of the industrial market was created by the fall in salaries and the opening of a middle class market as F H Cardoso has shown; Patrick Clawson notes that, in Iran, 'the enlargement of the home market was accompanied by a fall in the share of the workers' (*Oil and the Class Struggle*, 1981 p 162). R K Sen, (quoted in Barratt Brown, *The Economics of Imperialism*, 1974, p 321) points to the increase of inequality in India since 1930, and demonstrates that half of industrial consumption goes to one-fifth of the population, while the ECLA studies show that the 5 per cent of the population in Latin America which earns one-third of the income consume the main part of industrial production. See also our findings regarding the contemporary Arab economies. It is also noted that, in the concrete conditions of this industrialisation, the gap between the (relatively strong) progression in industrial product and the (weak) progression of industrial employment is considerably more emphasised than it was in the conditions of industrialisation of the West. Finally, one notes that when the hegemonic dominant bourgeois bloc has been brought round to reforms such as agrarian reform, the latter remains limited, even in the most radical cases (see our studies on Egypt, Syria and Iraq where we show that these reforms have modified the distribution within the rich half of the farmers, but not between them and the poor half).

The examples could be multiplied *ad infinitum*. All such realities that are neglected by Schiffer, Warren and others mean that the industrialisation of the

⁵ The list of the latter is very long. We quote here: Fernando Henrique Cardoso, various works; Patrick Clawson, *Oil and Class Struggles*, London: Zed Press, 1981, p 162; Barratt Brown, *The Economics of Imperialism*, Harmondsworth: Penguin, 1974, p 321; A G Frank, various works, and amongst our studies at least on Egypt (*L'Egypte Nassérienne*), North Africa (*L'Economie du Maghreb*), *The Contemporary Arab Economy*, Syria and Iraq.

Third World does not reproduce the model of that of the developed world: W W Rostow's thesis of the stages of growth, to which these authors finally rally, remains a superficial illusion.

It is interesting to note that the World Bank—which, nevertheless, is not particularly inclined to speak ill of capitalism—was forced to remark, through its chief expert, Hollis Chenery, that in the Third World the general tendency is to an aggravation of inequality. If the World Bank is right, then, of necessity, the industries which aim at this home market are aiming at 'luxury' consumption—the term is obviously relative). Schiffer's statistical acrobatics cannot prove the opposite. Warren attempts to get out of the difficulty by appealing to one of Chenery's colleagues at the World Bank, Ahluwalia, who is attempting to attenuate the Bank's conclusions. Ahluwalia then concludes that the tendency to increasing inequality is 'transitory'!

If, therefore, as has been proved, the trend in the expansion of capitalism in the peripheral areas is to increasing inequality (if the wages of labour do not rise here with productivity), and to the subjection of pre-capitalist modes rather than to their radical destruction (and the two things go together), then specific political conditions are created on the side of the exploited classes. At least, as long as these tendencies operate. To say that they are transitory (valid for another 50 years? Warren does not say), is precisely to eliminate the political dimension from the discussion. For the political attitudes of classes and social forces result from their real situation and their outlook on the visible historical horizon, not from the theoretical outlooks (which are not proved in any event) on an invisible horizon.

While the positive exposé of Warren's thesis gives only rather meagre results, his way of rejecting the position opposed to his is even more strikingly lightweight. In a few pages, he rejects the 'three theses' of his opponents.

Firstly, he says, there is no absolute drainage of surplus from the peripheries towards the centres because investment creates income! Visibly, here Warren is only aware of nominal incomes and market prices, ignoring that the transfer of value is in-built in price structures. Doubtless, Warren, like many others, is a disciple of Sraffa rather than of Marx and rejects the theory of value, contenting himself with reasoning in terms of prices. But then, he has not replied to our question, he has eluded it.

Secondly, Warren reduces the question of the international division of labour to the effects of the elasticities of demand and the prices which control the latter. On this basis it is easy for him to refute other bourgeois theories; that of Myrdal on the vicious circles of poverty, for example—but he is not answering our question.

Thirdly Warren, hampered by the persistence of archaic modes of production integrated into the capitalist system, contents himself with saying that this is 'provisional'. Indeed, this has been provisional for four centuries and not even a science fiction writer would dare to say that this provisional stage will cease in the century to come!

Finally, Warren attempts to explain how these 'non-Marxist' positions (according to which the expansion of capitalism in the peripheral areas has

different economic and political characteristics from its expansion in the centre) came to light, and he can find only one responsible source for that—Moscow. One can certainly accuse Moscow of many things: of having resolved the question of the relationship between the development of the productive forces and social relationships as Stalinism did (by over-exploitation of the peasants, the destruction of the alliance between the workers and the peasants, and the construction of a despotic State); of having backed up opportunistic strategies in the Third World (the so-called ‘non-capitalist’ pattern) for reasons which have nothing to do with socialism, and so on. But how can one accuse the Third International and the Leninism of the 1920s of being responsible for the failure of the revolution which was expected in the West? On the contrary, we must today come to the conclusion that Lenin, being too cautious in his estimation of the Western working-class tradition, had underestimated the extent to which the working classes in the West had rallied the hegemony of their imperialist bourgeoisies.

To sum up, the nature of Bill Warren’s analysis is that it is so abstract that it is of no political use for anyone who wishes to act in the interests of the exploited; on the contrary, it is a unilateral apology for capitalism. In order further to reinforce its apologetic nature, Warren is forced not only to ignore the most blinding facts of the real history of capitalism (the persistence of indirect forms of exploitation of labour), but even to falsify the present realities (by claiming, in the face of all reality, that the development of capitalism in the peripheral areas of the system improves the fate of the people!). It is, therefore, a frankly reactionary analysis, despite its pseudo-Marxist disguise. Alain Lipietz, a critic who is more severe than we are, says that this frankly ‘disgusting’ philosophy is the finest present which the degeneration of so-called Marxism could have made to the fundamentalist religious uprisings of our times. The accusation is not libellous, since Warren effectively takes a position against the anti-capitalist uprisings in the Third World by describing them as reactionary Utopias. Warren here forgets the main point: (i) that capitalism indeed develops the forces of production, but, as Marx himself specified, at the cost of true wealth: the producer and nature; (ii) that there are other means of developing the forces of production in our times, which are objectively possible (that can be done better: China does better than India) and which make the capitalist pattern not only avoidable, but useless; (iii) that the forces of progress are not those aligned on the sides of the requirements of capitalist accumulation, but those which are combatting it.

Warren’s book would not have deserved so much attention if it were not so completely characteristic of a ‘rising’ trend in ‘Western Marxism’. Also, it is not the only one: Emmanuel Arghiri’s poor defence of the multinationals’ technology⁶ is another example.

The expansion of capitalism in peripheral areas: the questions raised by real history
Hence, Warren’s thesis does not discuss the specificities of capitalist expansion in

⁶ Emmanuel Arghiri, *Technologie Appropriée ou Technologie Sous-développée?*, PUF, 1981.

the Third World, but there are specificities, and to discuss the most serious arguments relating to them, we must begin by briefly recalling them. Let us, therefore, remind the reader of the main aspects of our opinions on these questions, which are:

(i) in the capitalist mode of production, the value of labour power (in empirical terms, real wages) depends on the development of the productive forces (the productivity of labour); but, in the world capitalist system, the prices of labour power are distributed unevenly around this value, being higher in the centre and lower in the periphery. The system of prices, which is the outcome of this structure of the distribution of the prices for labour power, controls a special international division of labour and trade; this can be termed uneven in the sense that the system of prices on which they are based integrates a transfer of value from the peripheries to the centres;

(ii) the world expansion of capitalism has been based on this uneven fashioning of formations integrated into the world system in the making, then into continuous development. This fashioning is not the outcome of a simple 'external' balance of forces (the imposition on backward societies of the political control of the advanced capitalist societies) but is the outcome of the patterns and social means by which capital penetrates, then dominates, the former. These patterns and means, which can be termed the 'transnational' organisation of alliances and class oppositions (at the scale of the system and not *uniquely* of the formations which go to make it up), fashion specific modes of exploitation of labour: in the centres, the dominance of the direct exploitative relationship of capital-waged labour: in the peripheries, the persistence of relationships of exploitation which operate through the reproduction of pre- or non-capitalist relationships. The diverging dynamics of the price of labour power (real wages, real income of the petty market producers integrated into the system) referred to, is the outcome of this real form of expansion: in the centre, there is parallel growth of wages and productivity, and in the periphery this parallelism is absent. In this sense, the formations in the centre can be termed auto-centred, in that their external relationships are subject to the logic of an internal, autonomous accumulation (but not autarkic, and therefore partly fixed by these external relationships), while the rhythm and forms of accumulation in the peripheral formations are fixed to a much greater extent by the external constraints to which the local system attempts to reply by adjusting itself.

(iii) the social system of world capitalism is, as a result, formed not by a bourgeoisie-proletariat duo in simple expansion, but by a more complex set of central bourgeoisies—peripheral bourgeoisies along with other exploiting classes ('feudal lords', 'chiefships' etc.)—middle classes which have risen on uneven world development—exploited peasants—segmented proletariat, etc; the positions of these classes in relation to one another must be grasped in this global framework which is the complement of the national and local frameworks.

(iv) if the division of the system into centres and peripheries goes back to the very origins of the formation of capitalism, the nature of this division has evolved with the stages of accumulation; what is new since the end of the nineteenth century are

the following: a) until then, it was possible for a new bourgeoisie to crystallise on the national level by slotting into the world system: there was no contradiction between the emerging of new centres and the world expansion of the system. Since there has been such a contradiction, the power of the domination of monopoly capital forces the new bourgeoisies to slot into the logic of the global strategy of capital as *comprador* partners; b) the reinforced positions of capital in the centres of the system have enabled the 'social democrat alliance' of capital with the major part of the local working class, the latter giving up its project for a classless society (this alliance does not exclude the division of the working class, the exclusion of women and of immigrant workers deprived of their rights, etc.). These positions have also enabled a considerable numerical development of the 'middle' classes (which have outnumbered the working class) whose very existence is linked to the dominant positions occupied by the centres in the world system; c) in the periphery, the development of the productive forces operating in this national and global social framework brings in its wake the confrontation of specific contradictions: between the rising working class and local and world capital, between the exploited peasants and the forms of its 'feudal', mercantile, and bureaucratic exploitation, between the middle strata and the *comprador* political power, between some sections of the bourgeoisie and foreign or *comprador* capital, and so on.

(v) the real mode of expansion of capitalism has therefore postponed to a later date the outlook for a 'socialist revolution' in the developed centres, and created the conditions for a potentially revolutionary explosion in the peripheries. One could describe this mode of expansion as a transfer of the fundamental contradiction of capitalism from its centres to its peripheries; this contradiction opposes capital's growing capacity for production to the capacity of absorption which tends to be limited by the domination of capital; in social terms, it opposes unequally capital to all the classes which it exploits in various forms; as a result of its transfer being linked to the reproduction of indirect form of exploitation of labour, this contradiction takes on specific and ambiguous forms. The real world expansion of capital has therefore put on the agenda a forms of 'transition' to another social system which was not forecast: a series of 'national liberation' revolutions in the weak links of the periphery where elements of bourgeois revolution are inextricably linked with elements of socialist revolution. The outcome of this 'transition' cannot be forecast because it depends on the political struggles which determine its course; this outcome may be socialist (in the sense of the abolition of classes) or statist (in the sense of the 'revisionist' model magnified by contemporary Soviet reality), or even be only a transition towards a higher stage of capitalist development. The question of 'delinking' results from this historical situation; it is not possible for the forces which aspire to advancing the outcome of the contradictions in a socialist direction to subject themselves, by too strong an insertion into the world system, to the influences of the logic of capital.

(vi) one may regret that this transition is not 'pure socialist', but there is no other possible on the visible horizon fixed by the real social forces fashioned by capitalist

development such as it is. However, one can say that capitalism is not like this and, like Warren, make of it a 'pure' abstraction, which is tending to do what it has never done to date, either in the seventeenth and eighteenth centuries, nor in the nineteenth century, nor today; that is, homogenising the world on the basis of the direct relationship between capital and waged labour.

Anthony Brewer, in a less partisan work than that of Warren concerning the Marxist theories of imperialism⁷ nevertheless attempts to question the analysis of capitalist expansion in terms of the opposition between centres and peripheries.

To this end, Brewer claims that this dichotomy is based on a false theory of wages. In effect, according to him, in the capitalist mode of production, wages do not depend on the productivity of labour. The reason is that profit is not invested solely in the production of consumption goods, but also in that of production goods. But what can production goods be used for, if not to produce consumption goods? Not at all, says Brewer, returning explicitly to Tougan Baranowsky's 'roundabout' thesis: the production of production goods can be used indefinitely to produce other production goods. This proposition remains, in our opinion, absurd.

The model which we have constructed illustrates this necessary relationship between the value of labour power and the level of development of the productive forces. This seems obvious if the following conditions are fulfilled: (i) that the moving equilibrium must be reached *within a time limit*, for example, a cycle of *n* years during which the production goods available are finally used to produce consumption goods which must find an outlet; (ii) that the wages distributed are used for consumption and the profits for accumulation (or that a given proportion of income be used for 'saving'); (iii) that technology is given.

Tougan Baranowsky's roundabout does not function in a capitalist system for, if the consumption goods do not find an outlet within a given time, the investment goods in their turn become unsaleable and there is a crisis (which is precisely that). This perpetual roundabout could only work if the unique owner of profit (for example, the State) decided to invest indefinitely in the production of production goods, without bothering about final consumption, the growth of which would then be indefinitely postponed. The fragmentation of capital makes this type of moving equilibrium without crisis impossible if wages do not rise in relation to productivity. And this is why we refuse to reduce the stasis mode to a variant of capitalism.

⁷ Anthony Brewer, *Marxist Theories of Imperialism, a Critical Survey*, London: Routledge, 1980. Brewer devotes a chapter to our theories. Apart from the criticisms to which we reply here, we shall point out that on p 239 he writes: 'Amin's treatment of feudalism is inconsistent. He describes it as the most developed form of the tribute paying mode' (AWS p 140). We thought we had developed the contrary thesis: that European feudalism is a primitive form of the tribute paying mode, that this primitive character, which is due to the specific combination of the community modes of the Barbarians and the heritage of ancient times, was precisely what constituted its advantage, i.e., the flexibility which opened the way to its being overtaken by capitalism. This is the basic thesis of *Class and Nation*. Brewer bases his development, not on the main aspect of the thesis, but on an incidental sentence; namely, that in some situations (of 'decadence'), the developed tribute-paying mode in decomposing comes closer to feudal forms. Moreover, the error of our model of accumulation on which Brewer insists does not change the findings, as we show in the appendix.

Of course, the moving equilibrium does not imply that salaries must increase at a rate fixed by the progress of productivity in the two classical departments of the analysis if one introduces a third department: luxury consumption, supplied by the expenditure of profit or collective consumption (military or social). The logic of capitalism, i.e. competition, prohibits adjustment by the automatic attribution of excess profits to luxury consumption. On the other hand, the intervention of the State changes the conditions of equilibrium, as Baran and Sweezy have demonstrated, by introducing the concept of surplus which has been so ill-understood by the majority of their critics. Moreover, Brewer rejects this whole contribution of Baran and Sweezy, by confronting them always with the same argument, that of Tougan Baranowsky's roundabout. However, the question set by Baran and Sweezy is real: what are the functions and the dynamics of the growth of public expenditure in advanced capitalism? Brewer remains silent on this question.

Of course, finally, the rigorous relationship required implies that technologies (and their rates of progress) are given. Now, they are not, but are the outcome partly of the strategies of capital in response to the class struggle. We know perfectly well that technologies are not neutral.

We then showed that, because of this, it was impossible to establish a mechanical economic model in which the economic aggregates would be fixed by their mutual relationships alone. This dialectic between the objective forces (the relationship in question) and the subjective forces (the relationship between the class struggle and technology) indicates clearly the frontiers of political economy: the limits from which one has to pass to a richer level of the analysis, defining historical materialism. Sheila Smith does not seem to accept the very existence of these limits and this dialectic, believing she has discovered that at this point our demonstration is tautological. How then does she understand what Marx means by criticism of political economy?

The real question which is set to the schema is, therefore, not to know whether there is a link between the value of labour-power and the development of the productive forces (for this link exists) but at what scale it operates—that of the capitalist nation State, or that of the world capitalist system? If we have opted for the second answer, it is not in virtue of an *a priori* dogmatic theoretic. It is simply because this answer imposes itself on whoever believes that it is necessary to explain reality and not deal with an unreal abstraction. Now, the reality is that the expansion of capitalism, far from homogenising things by generalising the capital—waged labour relationship and by making productivities uniform, has, on the contrary, operated by differentiating the centres (where, in fact—it can easily be observed—real wages do increase with productivity) from the peripheries (where, in fact, the incomes of labour are delinked from the development of the productive forces). The outcome is that the balance in question, which must necessarily be met with once again at the global level, implies that a more rapid progression of wages at one pole has as a counterpart the relative stagnation (or even the deterioration) of the incomes of labour at the other pole. This is the very

meaning of the law of value operating on the true scale of the global system. And this is why the reversal of both the capitalist exploitation relationship in general, and the specific relationship of imperialist overexploitation of the producers in the periphery demands delinking.

The discussion on unequal exchange had the advantage of forcing the participants to be specific as to the exact nature of the consequences of real world expansion of capitalism: differences in wages (and the incomes of labour in general) are greater than differences in productivity between one social formation and another. Because of this, polarisation does not operate within each social formation under consideration on its own in isolation, but within the global system. Obviously, the analysis of the world expansion of the system in these terms, and of the 'transfer of value' which is linked to it, is only understandable if one admits the necessity of going beyond appearances (the nominal prices and incomes of the bourgeois economy) to grasp the essential dynamics of value. An economist who wished to remain at the level of immediate reality—the prices observed—is eluding the question. For him, exchange is always profitable by definition. Now, economists of this type are numerous today in the Marxist camp: all those who have chosen Sraffa and the neo-Ricardian type of analysis, considering that value theory is a 'useless détour'. Brewer is one of these and admits it (p 29). Warren apparently is another, if one is to judge by the way in which he answers (or rather, does not answer) the question of the transfer of value. Sheila Smith has the right, like the others, to be a follower of Sraffa, but probably she does not realise it since she only reasons in terms of prices but is surprised when we write that 'vulgar economics considers that the incomes of each class constitute the measure of their productivity . . . because vulgar economics only knows appearances (prices), not the essence (value) . . .' She purposely rejects the difference between appearances and the essence and even believes that this is an invention of Samir Amin 'to protect himself against criticism'. In these circumstances, it is hardly astonishing that she gets lost in what we have said!

A further precision: the recognition of a transfer of value from the peripheries towards the centres does not imply that the development of the centres is 'due' to this transfer. The progress of productivity in the centre is the principal reality. The transfer of value speeds up accumulation in the centre, slows it down and gives it a different orientation in the periphery, that is all. But it was necessary to say so since Warren and even Brewer and others feel themselves obliged to reject the centre-periphery analysis by attributing to its supporters this over-simple and false idea that 'the under-development of some is the *cause* of the development of others'. This is obviously wrong. But the opposite proposition—that the development of some is the cause of the underdevelopment of others—is true.

It is of course understood that the unequal exchange thus defined is not absolutely specific to the centre-periphery relationships. Sheila Smith wishes to argue from this fact to deny the specificity of the centre-periphery distinction since there are (similar?) differences between the various centres and the various peripheries. In effect, she states that if unequal exchange is the outcome of a gap

between wages which is greater than that between productivities, there could be unequal trade between Britain and the United States, for example, in the same way that there is between the centres and the peripheries. Has Sheila Smith not read what we have already written on this subject? In the long run, between all the countries of the centre, the gaps between wages and productivities tend to be of the same magnitude. The imbalances, which mean that, in effect, trade tends perpetually in one direction or another, are momentary, and can be corrected by the customary bourgeois policies (changes in the rate of exchange, monetary or Keynesian policies, etc.). On the other hand, social dynamics are different in the periphery countries, where the long-term trend is not to the parallel progression of wages and productivities. This is the difference which explains that similar policies, advocated by the IMF for example, have different effects here and there.

But why then does capital not rush from the centres and go to invest massively in the peripheries where the rate of exploitation of labour is higher? This is the question which Brewer rightly asks (*op. cit.*, p 249). One must reply to him very simply: that capital cannot see the various rates of exploitation and decide on the basis thereof. What capital sees is the rate of profit and the latter is equalised because the various rates of exploitation fix a price system—which is the basis on which capital bases itself in order to act—which equalises the profit rate. The transfer of capital to the periphery on the basis of the rate of exploitation which is in force there would, moreover, upset the balance which has to be recovered at the global level. Finally, this transfer is itself limited by the (indirect) forms of exploitation which are the condition of the high rate of exploitation. What Brewer cannot see (because he refuses to rise to the level of values and desires to remain at the empirical level of prices) is that we reach here the limits of political economy and that the question is of the domain of historical materialism and not of political economy.

It was, moreover, our awareness of these limits which led us from *Unequal Development* which was still situated at the level of political economy, to *The Law of Value and Historical Materialism*, and to *Class and Nation*, works which are situated on the more fertile plane of historical materialism.

Brewer, as a result of his desire to remain on the level of political economy, has locked himself in an impasse. Since he has rejected the liaison between the value of labour power and the development of the productive forces, he does not know what to put in its place and admits having no theory of wages (p 30).

The analysis of the world expansion of capitalism in terms of centres and peripheries has, for the past few years, become the object of a growing rejection, which one cannot refrain from associating with the general crisis which began about ten years ago, and with the 'anti-Third World' reactions which it has brought in its wake in the West. This is why the majority of these critics, like Warren, when they do not frankly join forces with the imperialist bourgeoisie, extol the virtues of returning to the fold: either in the Trotskyist tradition, the spell-like repetition that the working classes of the developed world are still the only bearers of the socialist future; or, in the tradition of the Third International, the

withdrawal to the Soviet Union which is gratuitously said to be on balance 'globally positive', and the friend, moreover, of the Third World peoples, without taking the trouble of analysing Soviet society, or of situating the nature of its conflict with the United States and therefore of its strategies. These critics are therefore generally content with reprobations, the analysis in question being described as 'circulationist' or 'dependency-ist' or 'Third World-ist, (finally 'nationalist, bourgeois', etc.) on the fragile basis of an amalgam, and from an extrapolation based on the terms used by one or other of the authors criticised; these terms being arbitrarily interpreted and often even assigned a meaning which is the exact opposite of that which they have in their context.

A rapid overview of the critics under consideration shows that the latter have usually not read the works they are referring to. In effect, many of these critics are campaigning against a term without bothering with the meaning assigned to it.⁸

The word 'distortion' thus gives rise to endless, senseless developments. It is true that it could suggest that there is a 'model' of 'true capitalism' which would moreover be in substantial contradiction with the idea that centre and periphery are the right and wrong side of the same phenomena: the development of capitalism. Sheila Smith indulges in this futile type of exercise. She does not realise that it is simply a question of semantics, and that the term in the context of its usage in our work means specificities which are the outcome of the connection between certain structures and local class struggles and insertion into the global capitalist system. A second word, 'marginalisation', gives rise to the same facilities. People pretend to think that it is a question of exclusion outside the system and then complain about the scandal of dualism: whereas, they ought to grasp the fact that we are referring to indirect forms of exploitation, which are not immediately visible (compare, for example, our studies on the role of the 'reserves', and the Bantustans in the reproduction of the labour force in Africa). There is the same false interpretation of the term 'blocking' which is interpreted as synonymous with the everyday meaning of the word 'stagnation' (nothing changes). The model of 'blocking' which we present, (even if the term is not a very good one) is that of a series of rapid growth phases, whose impetus comes from without and of crises which arise precisely through the lack of an internal transmission relay. The history of the Third World is full of concrete examples of this type of crisis (which are different from the crises in the centre—compare above). A lucid observer like Patrick Clawson gives a concrete example of this in Iran where 'accumulation is limited by the external resources' (*op. cit.*, p 158); nevertheless, he thinks it useful to campaign against the 'theory which says that capitalism in the periphery can *only* develop when the links with the world market are broken, as Samir Amin says!' (p 169). These crises in the model of the expansion of capitalism in the periphery are precisely the points at which the project for national bourgeois development, desired for a moment, breaks down and gives way to a 'recompradorising' of the local bourgeoisie.

⁸ Unfortunately, this is frequent. Academic competition at times forces authors whose positive contribution is non-existent to attempt to 'make a name for themselves' only by criticising others!

This type of critic facilitates his task with fanciful inventions like 'dependency-ism theory' or 'Third World-ist theory' which is then attributed to X or Y without bothering to see whether what X or Y said is in keeping with these 'theories'. This is the well-known process of amalgamation.

Therefore the analysis which is described as 'dependency-ist' or 'Third World-ist' is the analysis of the concrete specificities of capitalist expansion, which is precisely the reason why development at the periphery does not reproduce the history of development in the centres. Thereafter, 'dependency-ism' or 'Third World-ism' is described as the ideology of the national bourgeoisies. And the trick has been taken. It is all the more easy because there is obviously neither 'dependency-ist theory', or 'Third World-ist theory', but only extremely varied authors who have thought about the specificities of capitalist expansion here or there and have sometimes generalised a few propositions, but nothing more.

Bill Warren defines a 'dependency-ist theory' in this way, a theory which effectively would not hold water, simply because the question of the mechanisms (the causes) which are at the origin of the aforementioned 'dependency' are not mentioned. Now it is by asking this question that one approaches the fundamental subject of classes, the class struggle, and of international class alliances and oppositions; the social democratic alliance in the countries of the centre, the possible merging of the struggle for national liberation and of the revolutionary worker-peasant bloc in the countries of the periphery etc. If one removes this essential part from the analysis, it becomes obvious that one can contrast the so-called 'theory' which takes no account of class and puts nations in their place (Sheila Smith obviously takes up this accusation), with 'Marxism' which is based on class analysis. As for the term 'dependency' itself, it is extremely commonplace, and it is difficult to see why one should not allow oneself to see that the economy of Guatemala 'depends' on that of the United States. This banality does not amount to a theory, as we have written regarding the so-called Latin-American 'dependency-ist' tendency. We have specified that while Canada is obviously dependent on the United States, this does not mean that it is 'peripheral', because in Canada, as in the United States, wages and productivity go along with each other. Barratt Brown (*op. cit.*, p 276) says the same thing about Australia. Bill Warren doubtless is not aware that we had answered this question beforehand. Thus when he writes (*op. cit.*, p 118): 'Why are American investments not imperialist in Europe, whereas in Guatemala they are?', our answer is: 'Because the wages in Guatemala are not the wages in Europe!'

The question of 'de-linking' also gives rise to unreal interpretations which have no relation to the thesis which we are defending. We are surprised to see 'de-linking' considered a bourgeois strategy (for example, by Clawson, *op. cit.*, p 145).

This is exactly the opposite of what we wrote: the bourgeoisie in the Third World cannot conceive of development other than through its insertion in the global system; on the contrary, de-linking is a demand for national construction by the people, the two aspects being inseparable. It is because the hegemonic blocs of the so-called 'progressive' Third World countries were not, or are not, specifically 'of

the people' that they cannot seriously envisage this strategy. Of course, the de-linking option effectively implemented in situations of radicalisation (USSR, China, Vietnam, etc) is not 'the end of the story'; it does not settle the question of the outcome of the struggle between the socialist pattern and the revisionist pattern; and it is obvious that, when the second pattern imposes itself, there is a reinforcement of the tendency to wish to reintegrate the world system, but in a position which is no longer that of the subordinate one of the countries dominated by imperialism and the *comprador* bourgeoisie.

Finally, the recognition of the political aim of this 'criticism' comes when Sheila Smith rebels against our political conclusion, which is that 'de-linking' is one of the necessary conditions in any serious attempt to develop the productive forces better and otherwise than by compradorised capitalism. 'Fortunately,' she writes, 'Mozambique, Angola and Zimbabwe are not thinking of it.' Unfortunately, the 'semi-socialist' experiments in the Third World (Nasser's Egypt, for example) did not de-link and that was the reason for their failure later on (the return to 'compradorisation' in Sadat's Egypt in this instance). And, if the Soviet Union and China have managed to build themselves into autonomous forces in our world (whatever the social nature of this construction and its future may be), it is effectively because they have de-linked. Who is supporting the Third World bourgeoisie: us, or Sheila Smith?

We could give an infinite number of examples of this type of criticism focused on the analysis of the world expansion of capitalism in terms of centres and peripheries. We even find elements of this type of criticism distributed at random in concrete studies which are often interesting. Generally speaking, these superficial observations add nothing to the study of the question, but, on the contrary, are in contradiction with what comes out of the concrete analysis.

Conclusion: political economy or historical materialism?

Therefore, according to the criticisms considered in this study, there are two visions of the problem of the world expansion of capitalism: one, according to which the inequalities in this development are due to causes internal to the society (their class structures and modes of production), and the other, according to which these inequalities originate in the action of external forces (external domination). The second set of theories (centres-peripheries, dependency-ism, etc.) were gradually formed on the basis of Lenin's *Imperialism* which is considered a minor work, and had its apotheosis in the 1960s; the first position, symbolised amongst others by Warren's vision of the problem, pretends to be a return to the orthodoxy of Marx. Brewer (p 16) sums up the situation in this way. This presentation of the situation is skewed from the outset. It has been demonstrated here that the 'theory of internal causes' was based on the narrowest interpretation of Marxism, and the most unilateral interpretation of the progressive role of the development of the productive forces by capitalism. This is a theory of the fundamentalist, economicist type which eludes the questions posed by life. Because of this, it has no

political scope in the sense that it has nothing to offer the exploited; they have to wait.

Disguised in a 'purist' Marxist costume and, pretexting that classes constitute the fundamental social reality, it decrees that only social classes grasped at the immediate level in their local (or national) environment constitute the 'internal forces' which activate and determine the movement.

On the other hand, the analyses produced in the framework of the so-called global problematic have supplied answers, or at least elements of answers, to the real questions set by history. The critics of these analyses have been forced to be systematically unjust in order to get rid of their arguments. The global analysis does not exclude that of local and national forces, it includes it without difficulty.

In this respect, Brewer's presentation of Wallerstein's and Frank's work is completely unjust. The amount of space given to the 'refutations' of Frank by Laclau and Brenner is distorting. Are we adding anything by calling the mode of exploitation of labour in colonial America 'feudal'—was it not sometimes even slavery? We are not adding much if we bear in mind that this mode was hitched to rising capitalism, just as in the middle of the nineteenth century in the United States slavery was still hitched to the mature British capitalism, and as Rey's 'colonial mode' functioned in the middle of the twentieth century. The fact that nevertheless has to be explained is that capitalism went as far as 'creating' modes of exploitation of labour which appeared archaic. The discussion on the 'modes of production' which Brewer mentions at length has nothing 'decisive' about it, no matter how interesting the contributions to it may have been (and they were). It does not refute the need to discuss questions of the integration of these modes as a whole into a world system which can only be termed capitalist.

In this very respect, the critique of the Latin-American 'dependency-ist school' is unjust. It forgets to point out that the dominant ideology at the time was *desarrollismo*, according to which capitalist development (with foreign capital and technology, under the control of the local bourgeoisies), was to 'resolve the problems' of the continent's backwardness, to raise the standard of living of the greatest number, to enable the development of democracy, etc. As can be seen, it was an ideology very close to that of Warren. Now, the facts contradicted this ideology: inequality was growing and democracy was not coming. The reaction in response to these facts was to discover that the development of capitalism functioned here on a different basis from that on which it had been constituted elsewhere, and that, amongst other things, imperialist domination outruled the interpretation of history in terms of analogous stages simply staggered over time, as per W W Rostow (and Warren). Whatever the simplifications, even the errors, of the two sides in these analyses may have been, they did pinpoint a problem. They can be overcome, which is, moreover, what has happened and which Warren does not know; as Lipietz recalls 'one cannot go backwards'.

The same could be said of the injustice done to the Lenin of *Imperialism*. True, this was a 'pamphlet', on top of which it borrowed too easily from Hobson and Hilferding (*Finance Capital*, for example). But, all the same, Lenin had pinpointed

realities, one of which was decisive at the time—the conflict between the Powers, even if this conflict was to be attenuated thirty years later, after 1945. The other is still dominant today: the rallying of the working class in the West. But the Leninist thesis of ‘the parasitism of the nations in the West’, while its form is debatable (the people living on share income) retains a meaning; as a result, precisely, of the unequal international division of labour, is there not in these societies a ‘tertiary’ sector which would be impossible without it, and which turns the working class into a minority?

Is the Britain of today not ‘parasitical’ as a result of its capital being invested elsewhere, rather than in the renewal of its industry? Could one not aptly describe the monopolising of the natural resources of the whole world for consumption by this minority, thereby making it impossible to generalise this very mode of living to the whole world as parasitism? One can criticise Lenin, as Arrighi has done, on the question of the inter-imperialist conflict. One can go further than Lenin regarding the question of the dichotomy between the centres and the periphery which does not suddenly appear in 1870, even if it does take on a new dimension (the contrary of what Warren presumes) as from the end of the last century; but one cannot reduce *Imperialism* to its shortcomings.

Moreover, the ‘theory’ which rejects the analysis of capitalist expansion in terms of centre and periphery stops at the threshold of the real questions. Barratt Brown, after having posed the crucial question (Can the under-developed countries today become fully developed, in the context of capitalism, as the countries in the West are?, p 307)—observes that Warren has not demonstrated that the most dynamic Third World countries had become autonomous centres for accumulation (p 272), and recognises that the association of local capital with transnationals creates a new *comprador* capital, even if it is industrial (p 269). Brewer can very well declare ‘that he can see no reason why an independent capitalist class could not be constituted on the basis of industrialisation for export and imitation of technologies’ (p 289); the question is to know whether a class of this type does exist or is being formed somewhere. The questions which our critics do not ask (Is the Third World bourgeoisie *comprador* or not?) are the real questions set by history.

There are certainly two schools of thought, but they cannot be described as they are by our critics. We see one school of thought which does not go beyond political economy, the other which has the much more ambitious aim of transporting the analysis to the level of historical materialism. We know that linguistic usage is different in Britain from what it is on the continent of Europe. In Britain, Political Economy (in opposition to Bourgeois Economics) is synonymous with historical materialism.

‘Economics’ is a false science, not in the sense that its propositions are ‘false’, but in the sense that it presents the reflection of social contradictions as forces external to society (the ‘Economic Laws’), similar to the forces of nature. Marx makes the fundamental criticism of this in *Capital*; that is to say, he demonstrates precisely that. And the dialectic appearance-essence, price-value, is essential to this demonstration. We do not see how one can be Marxist by refusing this criticism,

and, therefore, all that it implies. But, in the last resort, whoever wishes to describe himself as Marxist has a right to—there is no Pope to refuse it to him—but one also has the right to have a different opinion of it. This criticism which has been made is an invitation to go further and not to remain on the terrain of economics—even if it is Political Economy in the sense of criticism of Economics. Historical materialism is, in this sense, richer and likely to be perpetually enriched; the concepts discovered by Marx (the modes of production, the social classes which correspond to them, the Nations, the superstructural forms of societies etc.) relate to the societies known by him in his times.

Understood in this way, Marxism is not political economy, but synonymous with historical materialism. It then becomes a method and not a doctrine; a 'theory' amongst others, that is to say, which enunciates the findings of research. Marxism is only a guide for this research. Sheila Smith doubtless refuses this distinction. Although she declares herself a Marxist, she refuses to distinguish between essence and appearance, value and price, the dialectic of objective forces (economic laws) and subjective forces (class struggles), and claims that these are processes used by Samir Amin enabling him to 'vaccinate himself against critics'! But does she realise that this criticism is the one which bourgeois economists make of Marxism in general? Why does she refuse to see Marxism as a *method* (which enables us to know whether the reality is *A* or *not-A*), and not a *doctrine* (which asserts that reality is *A* or *not-A*)? Why does she refuse to see that this method is located on the level of historical materialism, and not on that of political economy? Is the reduction of the first to the second simply evidence of the determining power of empiricist positivism in the British tradition, which Sheila Smith has not got rid of? In fact, therefore, she is taking us to task for not seeking economic determinants independent of the class struggle, as the vulgar economists do (this is Marx's word and not Samir Amin's!).⁹

The historical materialism point of view enables us to pose the problems which our opponents specifically elude. For example, this fundamental question of compradorisation. Only a concrete *political* and economic analysis will enable us to ask the question concerning the real differences between 'developed' and 'under developed' capitalist societies. It was on the basis of this concrete analysis that consideration developed later on as to the nature of the Third World bourgeoisie in question, its limited capacity to fulfil the historical functions which the bourgeoisie has fulfilled elsewhere; in a word the question of compradorisation, a question which obviously neither Warren nor his students ask.

For a bourgeoisie to crystallise into a dominant national force capable of

⁹ The English Marxist historian of Greek Antiquity, G E M de Sainte Croix writes: 'Many of the Marxist works on (ancient history) published on the Continent are as foreign to the English reader in their intellectual and literary idiom as in their actual language; they tend to take for granted a whole range of concepts to which most of the people in the English speaking world are not accustomed and which they find largely unintelligible. The word "jargon" is often used in this context, if not always by those who have earned the right to use it by refraining from a different jargon of their own'. (G E M de Sainte Croix, *The Class Struggle in the Ancient Greek World*, Cornell University Press, 1981, p 23). The judgement seems to me to apply to my critics, especially Sheila Smith.

developing the forces of production with a minimum of autonomy, it must be capable of controlling the national reproduction of the labour force (therefore the relationship between agriculture and industry), the technology, the market and the circuits for collecting capital etc. If it does not succeed, it is compradorised and is thereby rendered incapable of fulfilling the historical functions which are expected of it.

These questions must be debated on this terrain which is, amongst others, that of our concrete studies of a certain number of experiments in modern peripheral capitalist development, and of our concrete studies of the strategies of the Third World bourgeoisie (NIEO etc.). Warren and his students refrain from doing so. Sheila Smith who denies *par excellence* the concrete analysis which she quotes as a reference, claims, contrary to any elementary objectivity, that we refuse concrete analyses! (see in this respect the reply which Foster Carter makes to her indirectly in the introduction to our works as a whole).¹⁰ On the contrary, we take the concrete discussions on this question of compradorisation very seriously. For, if our present position has to be slightly amended, modified, completed or abandoned, it is on this terrain of historical materialism, and on this terrain alone, that consideration must be pursued.

Historical materialism enables us to pose political problems—which is essential for those who understand Marxism as a means for changing the world and not as an academic discipline. For example, take the problem of ‘nationalism’. According to our critics, nationalism is, in all circumstances, the enemy of socialism. I agree that the support afforded by the parties claiming to be Marxist to the local Third World bourgeoisies in the name of ‘national anti-imperialist unity’ is the enemy of socialism. But we did not wait for our critics to teach us this, having denounced this opportunism long since and shown that, contrary to what they claim, this opportunism leads to facilitating the subjection of the endlessly compradorised local bourgeoisie to monopoly capital. On the other hand, when these parties refused this strategy to engage the struggle against the bourgeoisie in the name of both socialism and nationalism, they managed to radicalise the struggle for national liberation, and to give it a wider and stronger dimension. Are not China and Vietnam examples of this? True, this struggle is not the end of history, but it opens up a new chapter in the struggle between socialism and, if not capitalism, at least the revisionist impasse.

But one must go further. The problem known as ‘cultural’, for lack of a better term, is not a false problem since it is a social and a historical reality. This problem must, therefore, be integrated into the analysis of historical materialism. This task probably remains, entirely, or almost entirely, to be completed. But this is what we mean when we said that ‘if Mexico was to become a developed province of the United States, the contradiction would probably be transferred to the political and cultural level’, a sentence which astonishes Brewer (p 250). How is it possible not to see the importance of the question? In his serious study on Iran, Patrick Clawson,

¹⁰ Foster Carter in Introduction to Samir Amin, *The Contemporary Arab Economy*, London: Zed Press, 1982.

whom I have already quoted, believes that this country can become a 'West Germany' (p 165). The parallel between the economic reality of the Shah's Iran and that of Venezuela, which is also presented in the same book, is striking. But, in Iran this reality sparked off the Islamic revolution as we know; in Venezuela, the European-ness of the population means that the same prospect is received with almost total enthusiasm.

This is the reason for which we consider that the dialogue with the anti-imperialist forces of the people in the Third World is more than ever necessary. And, in fact, since these forces are confronted with real problems, their criticisms are often more relevant than those reviewed here.

Appendix on the Model of Autocentred Accumulation

1. In his book *Marxist Theories of Imperialism: a critical survey* (London 1980), Anthony Brewer discovered a mistake in our model of accumulation (published in *Imperialism and Unequal Development*, part 5, Monthly Press 1975). And, indeed, by equating the amount of surplus value generated during a phase with the value of the equipments invested to ensure the production of the following phase, we did confuse gross and net incomes. Brewer rightly shows that equilibrium is obtained only through a devaluation of capital. In what follows, we correct the model, using the same notations as previously.

1:1. We write the two equations which define each of Department 1 (production goods) and Department 2 (consumption goods) as follows:

$$1 \quad e + a = pe$$

$$2 \quad e + b = qc$$

in which e represents a unit of equipment, a and b respectively the quantities of direct labour which operate this unit, and p and q the quantities of equipment and consumption goods produced.

The two couples of parameters a, b and p, q define the technological system. They determine the equilibrium prices e and c of the units of equipment and consumption.

Technical progress is defined by parameters λ and γ (inferior to 1) which describe the productive system in the following phase:

$$1 \quad e + a\lambda = pe$$

$$2 \quad e + b\gamma = qc$$

With a global quantity of labour $a\lambda + b\gamma$ inferior to $a + b$ the same physical production is obtained, through an appropriate use of the equipments. This is defined by the proportions n and $1 - n$ in which equipment is distributed between the two departments.

The productive system, in a dynamic equilibrium defined by the rates of progress λ and γ , is described as follows:

Phase 1	Equipment	Wages	Surplus value	Product
1	$n_1 e_1$	$+ n_1 a S_1$	$+ n_1 a (K - S_1)$	$= n_1 p e_1$
2	$(1 - n_1) e_1$	$+ (1 - n_1) b S_1$	$+ (1 - n_1) b (K - S_1)$	$= (1 - n_1) q c_1$
Phase 2				
1	$n_2 e_2$	$+ n_2 a \lambda S_2$	$+ n_2 a \lambda (K - S_2)$	$= n_2 p e_2$
2	$(1 - n_2) e_2$	$+ (1 - n_2) b \gamma S_2$	$+ (1 - n_2) b \gamma (K - S_2)$	$= (1 - n_2) q c_2$

in which S_1 and S_2 represent the nominal wages (in the price system e, c), the factors K the corresponding net incomes (wages + surplus values).

1:2. Equilibrium in dynamics assumes:
the equality between the supply and the demand for consumption, which is:

$$\text{Phase 1} \quad n_1 a S_1 + (1 - n_1) b S_1 = (1 - n_1) q c_1$$

$$\text{Phase 2} \quad n_2 a \lambda S_2 + (1 - n_2) b \gamma S_2 = (1 - n_2) q c_2$$

the equality between the supply and the demand for equipment which is:

$$\text{Phase 1} \quad n_1 p e_1 = e_2$$

$$\text{Phase 2} \quad n_2 p e_2 = e_3$$

This last couple of equations corrects the previous and mistaken one.

1:3. From those two couples of equations, the prices and the proportions n can be deducted as follows:

$$\begin{aligned} e_1 &= a/p - 1 \quad c_1 = \frac{a + b(p - 1)}{q(p - 1)} \\ e_2 &= a\lambda/p - 1 \quad c_2 = \frac{a\lambda + b\gamma(p - 1)}{q(p - 1)} \end{aligned} \quad n_1 = n_2 = \frac{\lambda}{p}$$

1:4. Parameters are arbitrary, provided, of course, that $p > 1$ (if not, the price e would be negative). If so, $n < 1$.

1:5. Therefore, the nominal wages S can be expressed as functions of the parameters.

$$S_1 = \frac{(1 - n) [a + b(p - 1)]}{(p - 1)[an + b(1 - n)]}$$

$$S_2 = \frac{(1 - n)[a\lambda + b\gamma(p - 1)]}{(p - 1)[a\lambda n + b\gamma(1 - n)]}$$

with $n = \lambda/p$.

We define real wages $S'_1 = \frac{S_1}{c_1}$ and $S'_2 = \frac{S_2}{c_2}$

which are:

$$S'_1 = \frac{(1 - n)q}{an + b(1 - n)}$$

$$S'_2 = \frac{(1 - n)q}{a\lambda n + b\gamma(1 - n)}$$

It is verified that $S'_2 > S'_1$ since the numerator does not change while the denominator decreases from a phase to the following.

2. Hence, the first main conclusion to which we had arrived stands correct: the equilibrium in dynamics assumes increasing real wages, the rate of this increase being defined by a combination of the rates of progress of productivities λ and γ .

2:1. We consider now the numerical examples which were stated in the table, for the first five cases with the same coefficients a, b, p, q, λ and γ ; the prices e and c being also those indicated in the table. In the limit case 6, we consider $\lambda = 1$ and $\gamma = 1/2$.

In this case 6, we hence have:

$$e_1 = e_2 = 4/29$$

$$c_1 = 120/174 \quad \text{and} \quad c_2 = 62/174$$

Here follow the results with respect to the proportions n and the wages for each of the 6 cases:

Case		1	2	3	4	5	6
Proportion n		1/6	1/6	3/20	1/10	1/6	1/30
Nominal Wages	S_1	5/4	25/22	17/16	9/8	5/4	1
	S_2	5/4	25/22	187/172	63/58	25/22	1
Real Wages	S'_1	5/4	25/22	51/40	27/20	5/4	174/120
	S'_2	5/2	25/11	102/43	378/203	30/22	174/62

2:2. The illustrative numerical models which are to be found in the previous text were correct. A proportion multiplicative coefficient which depends on the factors K should be considered for the prices e and c .

We had for instance the first following model:

	Equipment	Direct Labour	Product
Phase 1			
Department I	20 <i>e</i>	80 <i>h</i>	60 <i>e</i>
Department II	10 <i>e</i>	40 <i>h</i>	60 <i>c</i>
Total	30 <i>e</i>	120 <i>h</i>	
Phase 2			
Department I	40 <i>e</i>	80 <i>h</i>	120 <i>e</i>
Department II	20 <i>e</i>	40 <i>h</i>	120 <i>c</i>
Total	60 <i>e</i>	120 <i>h</i>	

This model obviously describes a progress of the productive forces. With the help of the equipment produced during Phase 1 and used during Phase 2, the same quantity of direct labour makes possible the production of twice as much of consumption goods.

Equilibrium is achieved, with a rate of surplus value of 100 per cent if the price of a unit of e is 2, that of a unit of c , 1, the hour wage 0.50 during Phase 1 and 1 during Phase 2. Indeed, we have, in values:

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	Equipment		Wages		Surplus value		Product
Phase 1							
Department I	40	+	40	+	40	=	120
Department II	20	+	20	+	20	=	60
Phase 2							
Department I	80	+	80	+	80	=	240
Department II	40	+	40	+	40	=	120

The wages distributed during Phase 1 (60) allow for the buying of all the production of consumption goods offered during this phase (equally 60). The equipment goods produced during Phase 1 (120) are bought by the capitalists to operate during Phase 2 (value of the equipments used during Phase 2: equally 120). These equipments are used for half of their value to reproduce the productive capacity of Phase 1, and for the other half (financed by the surplus value generated during Phase 1, i.e., 60) to establish additional capacity. The real hour wage is doubled from one phase to the following, as well as the production of consumption goods.

One should observe here that the equipments produced during a given phase have not the same use values as those which have been used to produce them. With the 20e used during phase 1, 60e are produced which are not identical but which are of a new type. For instance, with the help of fuel power engines what is produced is not more similar fuel power engines but electric motors. If not, one would not understand how the same type of equipments could have a higher efficiency in the following phase. If equipments were unchanged, they would have the same efficiency, i.e., the ratio of equipment to direct labour would be stable. If the same quantity of direct labour can operate twice as much equipment in value and produce twice as much of the final product, this is because new equipments are different and more efficient than previous ones. We already had mentioned this point in an unpublished correspondence with Brewer.

The other models described in the previous text, in which the organic compositions and the rates λ and γ were different, illustrate the same main conclusion, i.e., that the equilibrium assumes the increase of the real wage. As for the curiosity of the limit case 6, which was a result of our mistake, it disappears.

3. Rosa Luxemburg's question was not where is the market for the product, but at which conditions, realisation (that is the anterior transformation of the production into money) was possible. We thought it was possible to answer to this question by introducing the mechanism of credit. This answer stands. We only need here to substitute in the original writing 'the advance of the value of equipments produced in Department I' for 'the advance of the surplus value'.

In the example selected above, the argument would flow as follows: the credit system advances to the capitalists of Departments I and II, at the start of Phase 2, respectively 80 and 40 (dollars) with which they buy the requested equipments from those sellers which have indeed produced equipments for a total value of 120 (dollars). These have hence realised their product, surplus value included. At the end of this second phase, the amounts borrowed are refunded but new credits are required to buy the equipments to be used during Phase 3, and so on.

4. It is quite obvious that successive phases with an unchanged real wage, or even a decreasing one, could be imagined, provided that equipments are used for further production of equipments in an increasing proportion from one phase to the fol-

lowing. We did give an illustration of this case, as imagined by Tugan Baranowsky, and explicitly referred to this author in our previous writing. But we did also reject this solution on the ground that it is an absurd one, in consonance with J B Say's law of markets, i.e., that a crisis is impossible because production generates automatically its own market. This solution on paper contradicts the essence of capitalism, i.e., that equipments must find their buyers in a limited time horizon, which is defined in last resort by the capacity to consume. We do know that this observation will be qualified by some people as a 'theory of underconsumption'. Our answer is that the question is not to qualify the theory (which theory of underconsumption is it?), but to find if the reasoning is correct and in consonance with reality or not. To qualify a theory ('underconsumptionist' or 'circulationist', for instance) is not to refute it, it is only to substitute anathema for argument, hence to show one's own dogmatism.

Curiously, had we said that Tugan Baranowsky's solution, which is absurd in real capitalism, might well be operative in a planned statist system, in which the horizon of consumption could be indefinitely pushed into the future, while in capitalism the final demand commands the profitability and hence the decision to invest. Is not Baranowsky's solution the case in the Soviet system?

But Brewer, in order to reject our thesis, goes back explicitly to Baranowsky. In fact, it is not our error which is his arguments, but Baranowsky's thesis.

Brewer then expresses some astonishment and writes that 'some errors have an amazing capacity to survive' (p 252). To us, it is the opposite; it is only natural that contradictory theses would survive in the social sciences. This is precisely the difference between the so-called laws of society and the laws of nature. If not one would hardly understand why Marxism, Ricardianism and neo-classicism could continue to coexist As for the error of judgement in question, it might well be that of Brewer . . .

5. Brewer observes also that 'high wages in the centre and low wages in the periphery makes average wages on the whole for the system'. Obviously; and this 'average wage' is precisely in our model, the one which defines the value of the labour power, a concept which has no meaning but on the global level of the world system, just as value in general. At the level of the various social formations of which the system is composed, we only have unequal prices of the labour power, the average of which is precisely its value.

In the centres, prices of the labour power are usually actual wages; in the peripheries, the matter is much more complicated. Over-exploitation of labour implies here the maintaining or even the creation of pre- or non-capitalist relations. Hence, the price of the labour power is not always embodied in a wage relation. This is the case only for a minority of workers. For the majority, the remuneration of labour is embodied in relations which appear as relations of petty producers (peasants and artisans).

What we call 'unequal international division of labour' is derived from this analysis of the determination of the value and the prices of the labour power. This expression is a short cut for a long periphrase which could be formulated as follows: the specific characteristics of an international division of labour resulting from the differences in the structures of global local demands, these being themselves differentiated through the fact that the gap between the various levels of remunerations of labour is wider than the gap between the various levels of productivities of that labour.