Imperialism, Globalisation and the Decline of Capitalism

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If Marx's model of the capitalist cycle is still sufficient to explain modern day crises, what is the significance of Lenin's analysis of imperialism in the age of globalisation? This article examines the contemporary applicability of imperialism theory and argues that it remains essential for an understanding of capitalism's past development and future prospects.

Writing some 50 years after the first publication of volume one of *Capital*, Lenin was in a position to study capitalism after numerous repetitions of the capitalist cycle. His principal conclusion was that the cumulative effect of these repetitions had been to bring about a qualitative change in capitalism. From being a mode of production in which competition between capitals, despite the barbarism and exploitation that this involved, was a driving force which ensured an overall increase both in productivity and in society's total product, it had become one in which the dominance of monopolies produced a tendency to restrict further development. As we shall see, this did not mean for Lenin that all development had stopped but that, by comparison with the age of the "free market", capitalism had now entered into its historical decline.

There is no reason to doubt, given the circumstances in which Lenin wrote during the First World War and its revolutionary aftermath, that he expected this "age of decline" would, or at least could, be brought to an end relatively swiftly by socialist revolution around the world. Now, almost 100 years later, it is legitimate to ask whether capitalism's subsequent history has falsified both his analysis and his conclusion. This article examines key elements of Lenin's theory and concludes that, while the defeat of the revolutionary movement in the 1920s certainly allowed the survival of imperialism, and the scale of destruction in the Second World War allowed the system a new lease of life, more recent developments prove that it has been unable to overcome its historical limitations.

Moreover, "decline" of an entire mode of production has to be understood as entailing the development and maturation *within it* of the forces that will form the basis of the next mode of production. Imperialism's extended lifespan has reproduced not only inequality, poverty and environmental damage, but also a more highly integrated global economy, and a still greater contradiction between the highly socialised system of production and ever more narrowly concentrated private ownership.

Lenin's definition of imperialism

Although the most immediately obvious feature of imperialism is the subordination of the majority of the world's countries and peoples to a handful of the most powerful states, this was not, for Lenin, its most fundamental and defining character. Rather, he argued that it was the development of capitalist monopolies to the point where they dominated production that was fundamental, "The supplanting of free competition by monopoly is the fundamental economic feature, the *quintessence* of imperialism."[1] Monopolies themselves grew directly out of the preceding "free trade" stage of capitalism: "It is highly important to have in mind that this change was caused by nothing but the direct development, growth, continuation of the deep-seated and fundamental tendencies of capitalism and production of commodities in general." [2]

Indeed, this idea originates in Marx. Referring to the formation of joint-stock companies, the earliest examples of the share-issuing public limited companies of today, Marx observed that they represented, "Abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-dissolving contradiction, which prima facie represents a mere phase of transition to a new form of production. It manifests itself as such a contradiction in its effects. It establishes a monopoly in certain spheres and thereby requires state interference. It reproduces a new financial aristocracy, a new variety of parasites in the shape of promoters, speculators and simply nominal directors; a whole system of swindling and cheating by means of corporation promotion, stock issuance, and stock speculation. It is private production without the control of private property."[3]

Marx also described how joint stock companies and credit act as a transitional phase from capitalism to a system based on socialised property:

"The stock company is a transition toward the conversion of all functions in the reproduction process which still remain linked with capitalist property, into mere functions of associated producers, into social functions."[4]

Monopolies represented the most advanced form of capitalist organisation and could only arise in highly developed capitalist economies where their strength in the "home market" immediately allowed them to take control of the most important sources of raw materials. Equally, the development of monopolies was a precondition for the fusion of banking and industrial capital to form finance capital, which was the material base for the banking oligarchy that came to dominate each advanced capitalist country. Together, these aspects of "monopolisation" ensured the transformation of the old "colonial policy", the "free grabbing of territories", as Lenin called it, into the monopoly possession of territory and resulting struggles to divide and redivide the world.

If, as Lenin insisted, monopoly is the "economic essence" of imperialism, then a clear understanding of his analysis of monopoly is similarly essential to an understanding of his analysis of the epoch. While clearly recognising and delineating the immense power of a monopoly, he also emphasised that "it inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and, further, the economic possibility arises of deliberately retarding technical progress."[5]. Thus, just as free trade created its own negation in the form of the monopoly, so monopoly not only represented the most advanced elements within capitalism but also tended to negate the driving force, competition with other capitals, which promoted capitalism's economic progress. As soon as a powerful firm can corner the market in raw materials and safeguard its profits

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[1] V. I. Lenin: Imperialism and the split in socialism (1916) (emphasis in original). He gives a similar summary of the definition of imperialism in the plan of an article (see V. I. Lenin: Plan of the article "Imperialism and our attitude towards it." In CW, volume 39 (Notebooks on imperialism)

[2] V. I: Lenin: Introduction (1915) to N. Bukharin: Imperialism and world economy

[3] Marx, K Capital, Vol 3 p.568

[4] Marx, ibid

[5] V I Lenin, Imperialism , the Highest Stage of Capitalism, Moscow 1968, p 93

by monopoly pricing, it is no longer under the same pressure to find more efficient methods of production.

At the same time, it is necessary to note that Lenin is here talking about a tendency, not an absolute barrier to further progress. Particularly on a world scale, "monopoly" should not be taken absolutely literally to mean a single producer in any particular economic sector. Rather, Lenin was referring to a handful of giant corporations in each of the most advanced capitalist countries that could, and did, fix prices between themselves but he did not think even these cosy arrangements could eliminate competition completely, particularly on the world market. Expanding on the relationship between monopoly and economic progress he said, "certainly the possibility of reducing costs of production and increasing profits by introducing technical improvements operates in the direction of change. But the tendency to stagnation and decay, which is characteristic of monopoly, continues to operate, and in some branches of industry, in some countries, for certain periods of time, it gains the upper hand."[6]

In Lenin's conception of capitalism in the epoch of imperialism, then, there is a constant tension between the dynamics of economic growth, the development of the productive forces, and the tendency to decline but this should not be understood as an equilibrium in which one force, at least over time, balances out the other. On the contrary, the defining features of imperialism, according to Lenin, "compel us to define it as parasitic or decaying capitalism." [7] Nonetheless, "it would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the whole, capitalism is growing far more rapidly than before; but this growth is not only becoming more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital".[8] When he was writing, Lenin explicitly referred to Britain as an example of this but, as we shall see, the same can now be said of the USA.

This fundamental relationship between capitalism’s capacity to expand production and advance the productive forces and its inevitable creation of monopolies which stifle that capacity forms the conceptual framework within which to understand Lenin’s famous summatory definition of imperialism as:

“(1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this "finance capital", of a financial oligarchy; (3) the export of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.” [9]

For Lenin, this analysis yielded clear conclusions regarding the historical classification of imperialism, namely that he sees it as the highest and final stage of capitalism:

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[6] ibid
[7] ibid, p.116
[8] ibid.
[9] Ibid. p.83

"It is clear why imperialism is *moribund* capitalism, capitalism in *transition* to socialism: monopoly, which grows *out of* capitalism, is *already* dying capitalism, the beginning of its transition to socialism. The tremendous *socialisation* of labour by imperialism (what its apologists, the bourgeois economists, call "interlocking") produces the same result." [10]

This last point is also of the greatest importance; in its highest and most developed stage, capitalism not only restricts further development of the productive forces but it also raises the socialisation of production to the highest degree, raising to an unendurable pitch the tension between the social power of the monopolist bourgeoisie to hamper economic development to safeguard their own profits and the need of a globally integrated working class to take control of production in order to ensure its own physical survival. In another article, Lenin expresses this point absolutely unambiguously: "The epoch of capitalist imperialism is one of ripe and overripe capitalism that faces collapse and is ripe to make way for socialism." [11]

This identification of imperialism as the stage of capitalism in which its own development had not only begun to hamper economic advance but also generated the social forces that would overthrow it, had already been established by Bukharin, with whom Lenin collaborated while in exile. "Present-day society, while developing productive forces to a gigantic degree, while powerfully conquering ever new realms, while subjugating nature to man's domination on an unprecedented scale, begins to choke in the capitalist grip. Contradictions inherent in the very essence of capitalism, and appearing in an embryonic state at the beginning of its development, have grown, have widened their scope with every stage of capitalism; in the period of imperialism they have reached monstrous proportions. Productive forces in their present volume insistently demand new production relations. The capitalist shell must inevitably burst." [12]

Similarly, when reviewing the contributions of Marx and Lenin on the subject of capitalism's overthrow, Preobrazhensky also drew attention to both the economic and social ramifications of the decline that is characteristic of the imperialist epoch:

"Lenin had to analyse the capitalist world economy not only at the beginning of its fall and disintegration, but to investigate capitalist society as a whole in the epoch of its decline...Lenin conducted an analysis of the state and with that the analysis of the capitalist state in the period when the disintegration of the whole capitalist system began...Conversely, Lenin lived in the period of capitalism's disintegration, in the epoch when the proletarian revolution began…" [13]

Implicit in this is another characteristic of the analysis of imperialism that was adopted by the Communist International and was particularly stressed by Trotsky and Bukharin - the importance of the world market. In order correctly to understand imperialism and the direction of its development, it is indispensable to understand it as a political and economic *world* system because the political and economic relations in each country can never, from a Marxist point of view, be derived simply from internal factors. Imperialism does not constitute a collection of autonomous national states and

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[10] V. I. Lenin: Imperialism and the split in socialism (1916) (emphasis in original).
[11] V. I. Lenin: Opportunism and the Collapse of the Second International
[12] Nikolai Bukharin: Imperialism and world economy (1915), Imperialismus und Weltwirtschaft (1915), Berlin 1929, p. 190f.
[13] Evgenii Preobrazhensky: Marx und Lenin (1924); in: Eugen Preobrazenskij: Die sozialistische Alternative. Marx, Lenin und die Anarchisten über die Abschaffung des Kapitalismus, Berlin 1974, p 134ff. [Translated for this article.]

economies. [14] Rather, it is the world economy and world politics, which act as a melting pot for national factors and form an independent totality, raised above and imposed upon the national states, that are the decisive driving forces. The combined and uneven development of world capitalism encounters the given local peculiarities of a country and fuses with the specific national dynamic of the political and economic relations of that state. As Trotsky explained it:

"Marxism takes its point of departure from world economy, not as a sum of national parts but as a mighty and independent reality which has been created by the international division of labour and the world market, and which in our epoch imperiously dominates the national markets." [15]

The capitalist mode of production, the process of production and reproduction of capital on higher levels, embodies a dynamic yet crisis-ridden and fragile equilibrium marked by explosive inner contradictions. This equilibrium must be understood in the dialectical sense as a temporary unity of opposites whose development must cause them to blow apart and resolve themselves at a higher level. Friedrich Engels regarded this as a general truth: "All equilibrium (is) only *relative* and *temporary*." [16]

This means that as capitalism expands, so do the internal antagonisms that drive it into crisis. Bukharin's striking phrase seems especially relevant in 2008, as globalisation's debt-fuelled boom and uneven global expansion is pitched into crisis:

"From this point of view then, the process of capitalist reproduction is not simply a process of expanded reproduction of capitalist production relations: *it is at the same time a process of expanded reproduction of the contradictions of capitalism*." [17]

To speak of imperialism as the epoch of capitalism in decline does not mean that it has become incapable of improving and developing technology or the productivity of labour. But the system has an inherent inability to transform technological innovations and economic growth into generalised social progress for humanity. Monopolisation ensures that, notwithstanding growth and innovation in some sectors at some times, overall there is a decline in dynamism that expresses itself in falling rates of growth, instability and systemic vulnerability to crises in both the economic and political spheres.

Imperialism is an epoch of fierce clashes of the fundamental contradictions of capitalism. At a certain point, such clashes necessarily and inescapably lead to open explosions like wars and revolutions. Clearly the theory of imperialism was developed and elaborated in just such a period and, therefore, the epochal features of imperialism coincided with its immediate appearance. However, what later generations of Marxists have had to deal with is the analysis of imperialism when the immediately explosive conjuncture has been resolved not by proletarian revolution but by capitalist counter-revolution, the resolution of the contradictions of imperialism to the advantage of the capitalists.

For such a counter-revolution to give imperialism a new lease of life in which its tendency to stagnation is overcome for a long period, three things are necessary:

- an historic defeat of the working class that lowers the price of the commodity labour power on a qualitative scale,

[14] This false understanding was a feature of social democracy and later of Stalinism, on the basis of which the latter developed the theory of socialism in one country in 1924.
[15] Leon Trotsky: Introduction to the German edition (1930) of The Permanent Revolution, London 1962, p.22
[16] Friedrich Engels: Dialektik der Natur; in: MEW 20, S. 511f, (Hervorhebung im Original).
[17] Nikolai Bukharin: Economics of the transition period (1920), Ökonomik der Transformationsperiode (1920), S. 148. (emphasis in original)

- the destruction of superfluous capital on a similarly vast scale
- the establishment of a new world order under the undisputed hegemony of an imperialist power (in the 19th century this was Britain, after 1945 it was the USA).

After the First World War it took two decades and ultimately a Second World War to create such conditions but the post-war boom of 1948 – 1973 was such a period. During this time, the productive forces by no means stagnated; rather there was a tremendous upswing. Technological innovations led to overall social progress and the living standards of the majority of the working class were raised.

The post-war boom of 1948-73 was such a period. The massive destruction of capital in the war enabled new technologies to be introduced and new products produced while a mass of available cheap labour was applied in new enterprises. During the long boom, the stagnation of the productive forces was temporarily overcome; there was a tremendous global upswing. Profit rates were higher than average, crises and recessions tended to be shorter and shallower while the upswing of the cycle tended to be stronger. The overall period had an expansionary dynamic. Technological innovations led to overall social progress and the living standards of the majority of the working class rose.

But capitalism re-entered a period of crisis at the end of the 1960s, when the contradictions intensified and the tendency to stagnation reasserted itself, apparently vindicating both Marx's crisis theory and Lenin's theory of imperialism. The period 1973-91 saw the overaccumulation of capital constrain development of the productive forces: a strong stagnatory trend emerged in all the advanced economies. Crises and recessions tended to be deep and longer-lasting; cyclical upswings were weak and anaemic. This period lasted until 1992 when the collapse of the Soviet bloc and the restoration of capitalism in China, allied to the effects of Reagan and Thatcher's neoliberal attacks on working class living standards and liberalisation of finance and trade, gave rise to the new period we know as globalisation.

We will argue that these victories have not returned the world economy to a period such as the post second world war boom. We will examine later the specific characteristics of globalisation as the latest phase of the imperialist stage of capitalism, how under globalisation the frantic development of new 'emerging economies' took place alongside continued powerful trends to stagnation and parasitism in the advanced imperialist powers, and how these contradictions will usher in a new phase of crisis.

Imperialism today

In the following section we will examine various aspects of the continuing tendency of capitalism to decline: declining growth; a tendency towards monopolisation and stagnation of productive forces; and the growth in speculation and debt. Of particular importance in this is to trace the *meta-cyclical* impact of the contradictory forces we have identified within imperialism, i.e. their cumulative effects over a period of time covering several industrial cycles. Although each cycle ends with a downturn in which "surplus" capital is destroyed, if that destruction is not sufficiently thoroughgoing then the following cycle will tend to have a generally higher organic composition of capital than its predecessor and, if that is repeated over several cycles, this will create a structural over-accumulation of capital which means that capitalists confront increasing difficulties in effecting sufficient valorisation in production. As we will now show, this is the most important feature of the period of globalisation, which is not capitalism resurgent but a period of imperialism characterised by the same processes that led Lenin and others to argue that it was moribund, or capitalism in transition.

One of the most common techniques of capitalism's apologists and propagandists is to focus on isolated countries or particular short periods of time in order to "prove" that capitalist globalisation has been a boon for humanity. They will often cite for example the recent growth of China or specific conjunctures in the US economy. However a Marxist analysis of the position of international capitalism cannot just focus on a particular temporal or spatial conjuncture, one country or a short period of time. As Lenin emphasised we have to comprehend all the most fundamental worldwide factors. This means to aim to grasp the totality of global development:

"In order to depict this objective position one must not take examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always possible to select any number of examples or separate data to prove any proposition), but *all* the data on the *basis* of economic life in *all* the belligerent countries and the whole world."[18]

The statistical data available have to be treated with a degree of caution. Some of the most influential statistical series are those produced by major institutions such as the International Monetary Fund, the World Bank or the central banks of different countries. Precisely because their statements and projections concerning national or international economic developments can themselves become factors in economic activity, such institutions have an interest, at the very least, in not contributing to any "loss of confidence" and, therefore, a tendency to play down any negative trends in their figures.

Quite apart from any such potential bias, however, the categories and concepts used in economic analysis by even the most conscientious economists embody the ideological weaknesses of bourgeois economic science. Profits, for example, can be measured in several ways: pre-tax, post-tax, after depreciation, with capital consumption, retained and so on, all of which obscure the inconvenient fact that they are derived from unpaid labour. In addition, substantial changes can occur in the reporting of profits as a result of technical, legal, regulatory and accounting changes relating to taxation, valuation or the calculation of depreciation.

At a more general level, the most widely used measure of national economies and their growth, Gross Domestic Product (GDP), illustrates the fetishised character of bourgeois economic categories. Whereas Marxism views an economy as a system which produces goods and services whose values are ultimately determined by the amount of necessary labour time required to produce them, bourgeois economics sees it as a system for the exchange of goods and services, regulated by price. As a result "GDP" is calculated either on the basis of the total cost of purchasing all the goods and services or, alternatively, on the basis of the income generated by providing the total volume of goods and services. Moreover, the volume of goods and services, and their costs, are measured by methods of sampling and surveying, allocating different "weightings" to the various sectors of the economy. This means that figures for GDP cannot be directly correlated with Marxist categories. They cannot establish, for example, whether all the value produced has been realised or changes in the value content of commodities as a result of changes in production techniques.

Nonetheless, since approximately the same methodology is used to produce series of statistics over a variety of timescales, variations in GDP and similar indices can be taken to indicate real variations in economic activity which, taken together with other available statistics, provide a basis for charting the relative growth and dynamism of any given economy.

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[18] V I Lenin: Preface to French and German editions. Ibid. P.8. Emphasis in original.

Falling Growth of Outputs

Now let us turn to our concrete examination of the world economy. We begin with empirical evidence that the rate of growth of production has been falling. First, we take the growth rate of world GDP, which includes annual output from industry, the service sector and agriculture. Tables 1 and 2 present the information first decennially and then as a comparison of twenty year periods. The overall picture is then presented graphically for the period 1970- 2006.

Table 1: Growth rate of world gross domestic product (in percent per annum) [19]

1971-1980	+3.8%
1981-1990	+3.2%
1991-2000	+2.6%
2000-2005	+2.7%

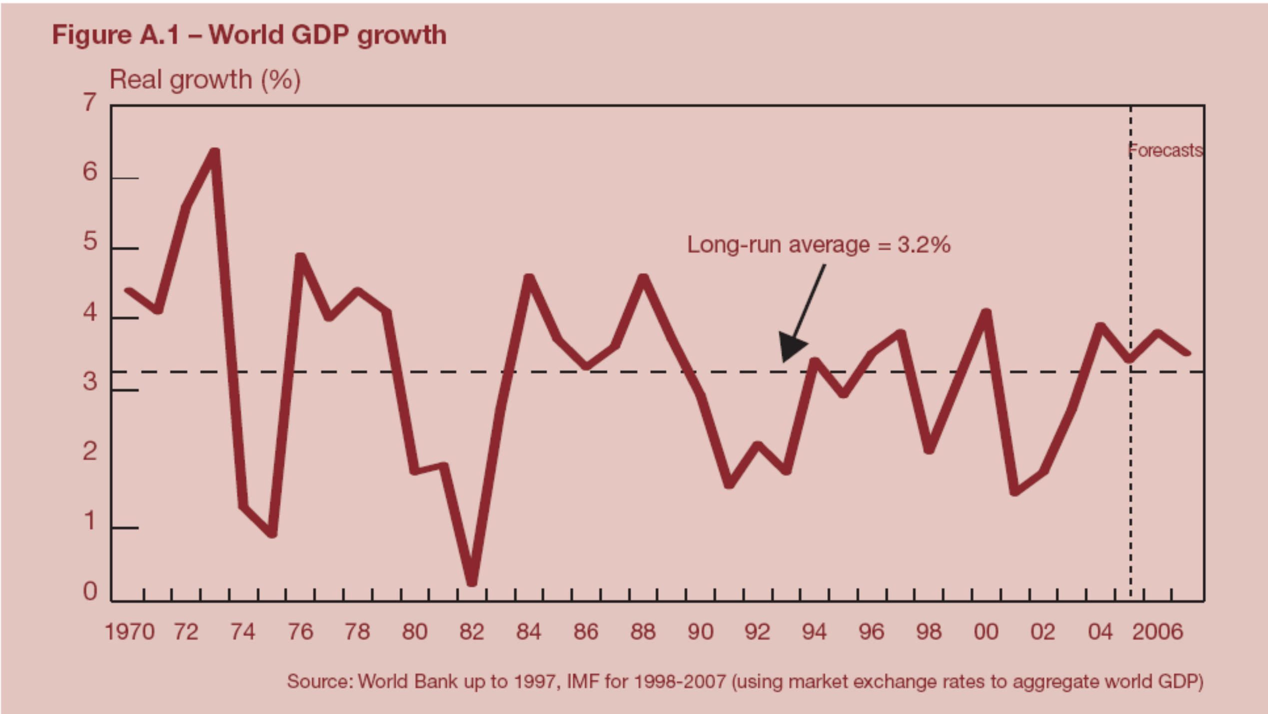
Table 2: Growth rate of world gross domestic product – comparing 1960-1980 and 1980-2000 (in percentages per annum)[20]

1960-1980	+4.7%
1980-2000	+3.0%

[19] For 1971-2000 see World Bank: Global Economic Prospect 2002, p.234; for 2000-2005 see United Nations: World Economic Situation and Prospects 2007, p.2. The figures between 1971-2000 are based on the World Bank calculations of GDP at constant 1995 prices and exchange rates. The figures for 2000-2005 are based on the UN calculations of GDP at constant 2000 prices and exchange rates. The 2.7% is the arithmetic mean for the figures for the years 2001-2005: 1.6%, 1.9%, 2.7%, 4.0% and 3.5%

[20] World Bank: Global Economic Prospect 2007, S. 3; http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2006/12/06/000112742_20061206155022/Rendered/PDF/381400GEP2007.pdf

Graph 1: Growth rate of world gross domestic product 1970-2006[21]



The picture of declining growth rates is even clearer when we view GDP in relation to population. The International Labour Organisation has calculated that GDP per capita in the 1960s rose by 3.7% but that the rate of growth has fallen steadily ever since. In the 1970s it fell to 2.1%, the following decade to 1.3% and in the 1990s, the first decade of globalisation, to 1.1%. In the first three years of this century it averaged 1.0%. [22]

If we now examine world capitalism by dividing it into its two essential sectors, the imperialist metropoles and the semi-colonial countries, we see that, notwithstanding all the differences, the general long term trend is the same. Using weighted averages, the UN World Economic and Social Survey in 2006 found that per capita GDP growth was at its highest in the late 1960s at 3.5%, declined to some 2.7% in the 1970s, 2.0% in the 1980s and 1.7% in the 1990's. The corresponding figures for "developing countries" did not follow precisely the same course but the trend is the same; 3.7% in the late 1960s, 1.8% in the 1970s, 2.0% in the 1980s and 1.7% in the 1990s.[23]

The same trend can be found in the heart of surplus value creation: industrial production. World Bank figures show the same steady decline in worldwide industrial production growth rates from 3.0% in the 1980s to 2.4% in the 1990s and an average of 1.4% up to 2004. [24]

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[21] PricewaterhouseCoopers UK Economic Outlook March 2007, p. 33

[22] ILO: A Fair Globalisation : Creating Opportunities For All. (2004) p.36

[23] United Nations: World Economic and Social Survey 2006. Diverging Growth and Development, p. 9

[24] World Bank Indicators, 2005, http://www.worldbank.org/data/wdi2005/wditext/Section4.htm and World Bank Indicators, 2006, http://www.devdata.worldbank.org/wdi2006/contents/Section4.htm

Let us now look more closely at the imperialist states, where the great mass of world capital is based. Table 3a deals with GDP as a whole for the major imperialist powers while 3b focuses on the key index of the rate of growth of industrial production.

Table 3a: Growth rate of GDP in the imperialist states (in percentages per annum)[25]

	Growth rate of GDP (in percentages per annum)							
	Imperialist states		**USA**		**Japan**		**EU-15**	
	GDP	*GDP per head*	*GDP*	*GDP per head*	*GDP*	*GDP per head*	*GDP*	*GDP per head*
1960-1969	+5.1%	+3.8%	+4.6%	+3.3%	+10.2%	+9.0%	+5.3%	+3.5%
1970-1980	+3.4%	+2.5%	+3.2%	+2.1%	+4.4%	+3.3%	+3.0%	+2.6%
1980-1990	+3.0%	+2.3%	+3.2%	+2.2 %	+4.1%	+3.5%	+2.4%	+2.1%
1990-2000	+2.5%	+1.8%	+3.2%	+2.2%	+1.3%	+1.1%	+2.0%	+1.7%
2000-2005	+2.2%	--	+2.8%	--	+1.3%	--	+2.0%	--

Table 3b: Growth rate of industrial production in the imperialist centres (percent per annum)[26]

	Growth rate of industrial production (percent per annum)		
	USA	**Japan**	**EU-15**
1961-1970	+4.9%	+13.5%	+5.2%
1971-1980	+3.0%	+4.1%	+2.3%
1981-1990	+2.2%	+4.0%	+1.7%
1991-2000	+4.1%	+0.1%	+1.5%
2001-2005	+1.4%	-0.1%	+0.1%

[25] For the years 1970-2000: OECD - Understanding Economic Growth (2004), http://213.253.134.29/oecd/pdfs/browseit/1104011E.PDF, p.18f. The statistics are for the 24 member states of the OECD. They therefore include not only imperialist countries but also states such as Hungary, the Czech Republic, Slovakia, Mexico and New Zealand which are semi-colonies. In recent years these countries had a growth rate which was higher than the average for the imperialist economies. Therefore, to the extent that they affect this OECD average it is to raise it. Nonetheless these OECD figures are useful approximations because the semi-colonial states within the OECD do not weigh heavily in comparison to the imperialist countries. The figures for 2000-2005, with the exception of those for the EU, are drawn from World Bank: World Development Report 2007, page 295. For the years 1960-1969 we have quoted the OECD statistics from: Robert Brenner, The Boom and the Bubble. The US in the World Economy, London 2002, p. 47. Figures for the imperialist states in this source are based on the G7. The figures for the EU-15 for the years 1960-1969 are based only on Germany. The figures for the EU-15 for the years 1999-2005 are those for the 11 EU states that belong to the Eurozone and are drawn from: European Commission: the EU Economy 2006 Review, p.61, http://ec.europa.eu/economy_finance/publications/european_economy/2006/ee606_en.pdf

[26] European Commission: Statistical Annex of European Economy Autumn 2006, p.52. Because there are no figures for the EU-15 for the years 1961-70 and 1971-80 in these EU statistics, for these years we have used the arithmetic mean of the figures for Germany, France, Great Britain and Italy. Similarly, because the figures for the USA and Japan in the EU statistics only go up to 2003, we have used figures from the following sources: for the USA 2001-2005, Economic Report of the President 2007, p. 290. For Japan, World Bank: World Development Indicators 2006, Table 4.1 where the data for the years 2000-2004 are given. http://devdata.worldbank.org/wdi2006/contents/Section4.htm

We therefore see, overall, a declining growth rate in the imperialist economies, although this is clearly a less dramatic trend in the USA, particularly since 1990, than in the other imperialist states (the reasons for which we will examine further below). The longer term effect of this can be seen in Table 4 that demonstrates a slowing in the rate of growth of capital accumulation. This is the inevitable consequence of the fact that successive downturns have not destroyed sufficient capital to revitalise the system as a whole and is a worked example of how measures taken to stabilise capitalism when it is threatened by the social and political consequences of the cycle only serve, in the longer run, to accentuate its fundamental problems.

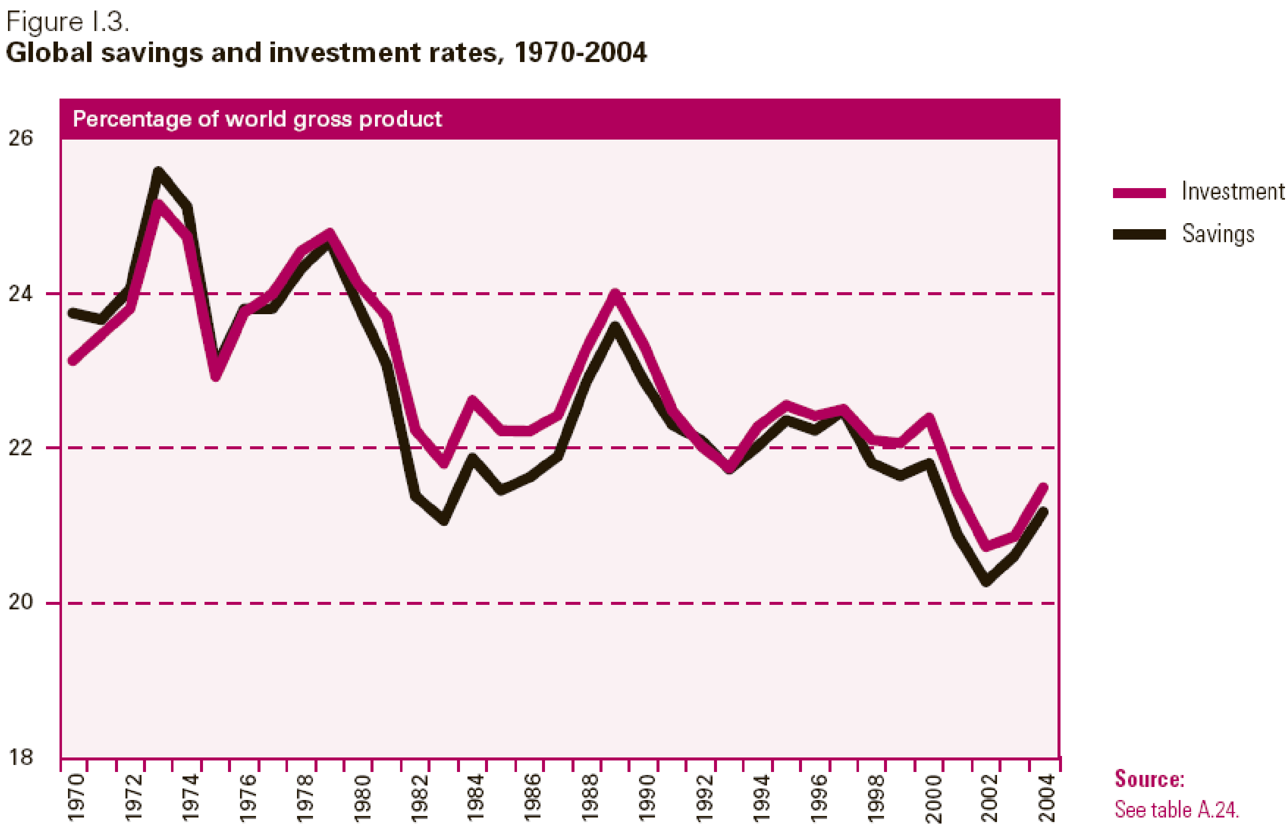
Table 4: growth rate of world wide capital accumulation (in percent per annum)[27]

1980-1990	+3.9%
1990-2000	+3.2%
2000-2004	+1.2%

This trend is also very clearly seen in the figures for savings and investment rates presented in graph 2.

[27] World Bank: World Development Indicators 2004, p. 220, World Bank: World Development Indicators 2006, Table 4.9 http://devdata.worldbank.org/wdi2006/contents/Section4.htm

Graph 2: Global savings and investment rates as a proportion of GDP, 1970-2004[28]



Finally, we will examine capital accumulation in specific countries and the bourgeois statistics that come closest to the Marxist category of fixed constant capital: investment in plant and machinery.

[28] United Nations: World Economic Situation and Prospects 2006, p. 15

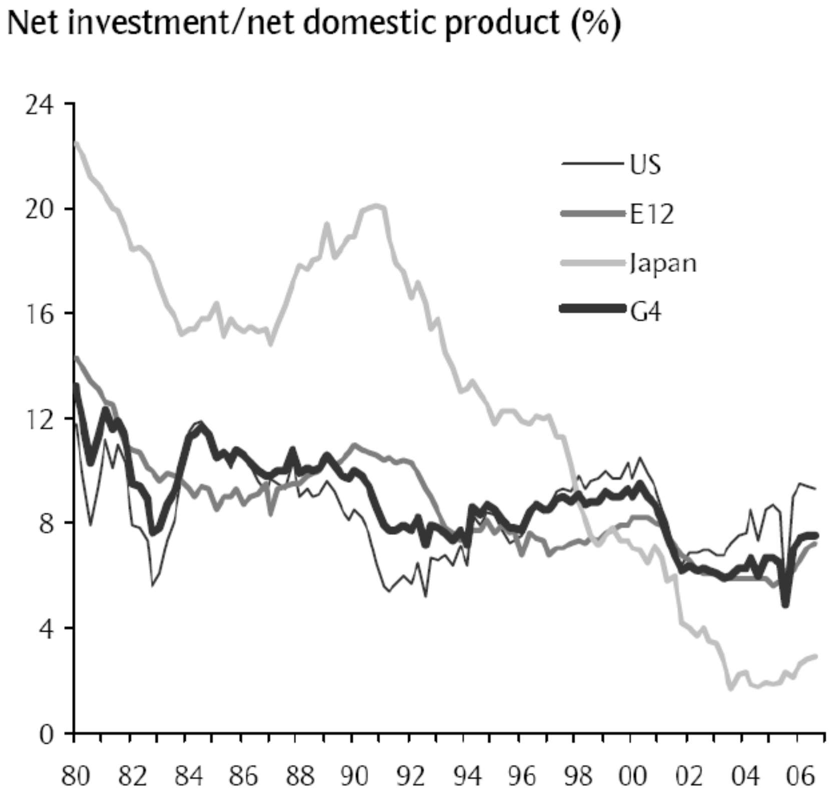
Table 5: Proportion of total gross asset investments and of investments in plant and machinery to GDP, 1970-2004[29]

	Total rate of accumulation (Proportion of total gross asset investments to GDP)					Accumulation rate of investments in plant and machinery (Proportion of GDP)				
	1970-1980	*1981-1990*	*1991-2000*	*2002*	*2004*	*1970-1980*	*1981-1990*	*1991-2000*	*2002*	*2004*
USA	19.8%	19.9%	18.4%	18.3%	19.3%	11.3%	11.9%	11.1%	10.1%	10.4%
Japan	33.7%	29.5%	26.4%	24.2%	24.0%	17.6%	16.8%	16.1%	14.4%	15.3%
Germany	24.4%	22.5%	22.4%	18.6%	17.3%	--	--	12.8%	11.0%	10.4%
France	24.6%	21.6%	19.4%	19.4%	19.5%	13.5%	12.4%	11.5%	11.5%	11.1%
Great Britain	19.8%	18.7%	16.7%	16.4%	16.9%	3.2%	3.0%	2.8%	2.6%	2.5%
Italy	25.3%	22.2%	19.0%	19.8%	19.3%	14.4%	12.3%	11.3%	12.1%	11.3%
India	16.1%	20.7%	22.2%	21.9%	22.7%	1.6%	3.4%	6.8%	4.9%	4.0%
China	27.3%	29.0%	34.6%	40.1%	44.9%	--	--	--	--	--
Brazil	22.4%	24.6%	20.1%	19.0%	18.2%	--	--	--	--	--

The same picture can be seen when we look at the falling rate of investment in expansion – net investment. By net investment is meant the total investment minus that part that only serves to replace existing capital. In other words, net investment reveals the extent to which the capital base is being expanded. The particular significance of the growth rate of net investment is that it expresses the actual rate of the *expanded* reproduction of capital. In this context, Graph 3 shows particularly clearly how Japan was hit by the measures taken to resolve the recession of the early 1990s that opened the period of globalisation.

[29] United Nations: World Economic Situation and Prospects 2006, p. 158

Graph 3: Net investment as a proportion of net domestic product in the imperialist economies, 1980-2006[30]

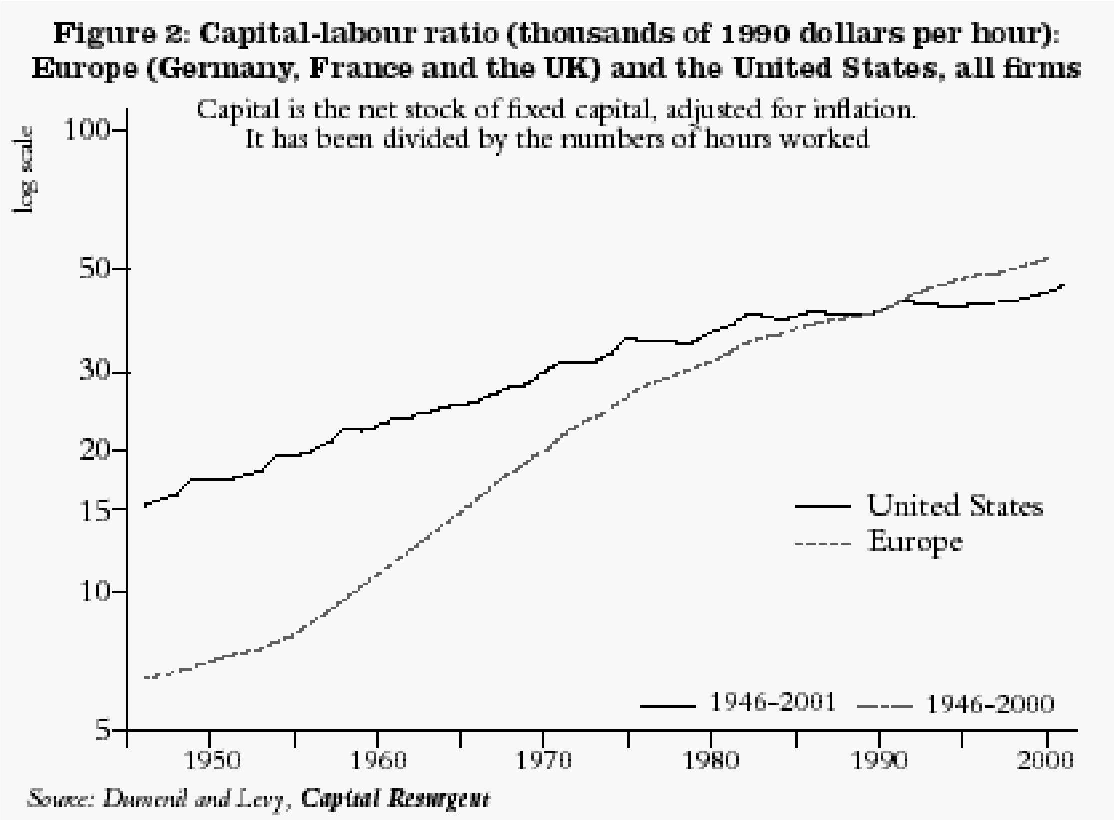


Growing organic composition of capital

Despite the slowing growth of capital stocks in the imperialist metropoles, investment per worker is growing and this can be seen from the following graph. Although this is not directly analogous to the organic composition of capital, the trend is unmistakeable.

[30] Barclays Capital (2006) "Global Outlook: Implications for Financial Markets", Economic and Market Strategy, December 2006, p. 17

Graph 4: Ratio of constant capital to labour (in dollars per working hour), 1946-2001[31]



The declining rates of growth in production and in investment are the consequences of this rise in the organic composition of capital that leads, ultimately, to a decline in the rate of profit. We emphasise that we are dealing here with a long term tendency, not a continuous, year by year fall. In part, the capitalists can succeed in offsetting the tendency, as we shall see below but, nevertheless, the tendency is clear.

First let us look at the development of the net profit rate in the core imperialist states since the beginning of the post war boom in the late 1940s.[32]

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[31] Gérard Duménil/Dominique Lévy: Capital Resurgent. Roots of the Neoliberal Revolution (2004), abgebildet in: Chris Harman: Snapshots of capitalism today and tomorrow, International Socialism Journal (ISJ) 113, http://www.isj.org.uk/index.php4?id=292&issue=113

[32] The net profit rate, unlike the gross profit rate, is calculated on the basis of net capital value, that is, after the deduction for annual depreciation of fixed capital.

Table 6: net profit rates in non-financial sector in USA, Germany and Japan, 1948-2000[33]

	USA	Japan	Germany
1948–1959	14.3%	17.3%	23.4%
1959–1969	15%	25.4%	17.5%
1969–1979	10.3%	20.5%	12.8%
1979–1990	9.0%	16.7%	11.8%
1990–2000	10.1%	10.8%	10.4%

Now let us consider the development of the profit rate in the USA, the greatest imperialist power, since the end of the Second World War and the beginning of the boom period. Since the late 1980s there has been a debate between Marxist analysts about the decline of the US economy in general and the question of profit rates in particular. Although contributors such as Robert Brenner, Fred Moseley, Tom Weisskopf, Doug Henwood, Levy and Dumenil and others have used different approaches and methods, there is a consensus that the 1950s and 1960s saw profit rates at an all time high and that, thereafter, there was a steep decline to the recession of 1973-5. The next high point came in 1993-96 but this did not reach the heights of the 1950s in anybody's calculations. Tables 7 and 8 present figures from Fred Moseley and Doug Henwood that illustrate the overall trend.

Table 7: Development of the profit rate in the US economy 1947-2004

[34]

1947	22%	**1967**	19%	**1987**	14%	**2004**	19%
1952	21%	**1972**	16%	**1992**	15%		
1957	18%	**1977**	12%	**1997**	18%		
1962	20%	**1982**	11%	**2001**	14%		

[33] Robert Brenner : "After Boom, Bubble, and Bust: Where is the US Economy Going?" in Worlds of Capitalism: Institutions, Economic Performance, and Governance in the Era of Globalization (2005), p.204. The data for Japan begin in 1952, those for Germany, 1950. The figures for the USA and Japan are based on the non-financial corporate sector, those for Germany on the non-farming corporate sector.

[34] Fred Moseley: Marxian Crisis Theory and the Post War U. S. Economy, in: A.Saad-Filho (ed.), Anti-Capitalism: A Marxist Introduction, (2003) p. 212 and Fred Moseley: Is The U.S. Economy Headed For A Hard Landing? http://www.mtholyoke.edu/courses/fmoseley/HARDLANDING.doc. Moseley's calculations of profit rates relate to the entire economy and include the profits of both the non-financial and the financial sectors.

Graph 5: Development of the profit rate in the non-financial sector, USA 1952-2002 [35]

We see that imperialist capital in the post war period is affected by the tendency of the rate of profit to fall. US capital succeeded in offsetting this trend somewhat, albeit at a price and by methods that cannot be generalised and that are not of a lasting nature, of which more below.

Countervailing measures

At the beginning of the 1980s, the imperialist bourgeoisie began a rollback, a concerted offensive against the social and political gains of the working class and the oppressed peoples that had been made during the years of the "long boom". Their goal was to increase exploitation and, thereby, profits, and their policy, "neoliberalism", included the following main points:

- privatisation of state property
- dismantling of education and social services
- flexibilisation and precarious working conditions in order to lower the cost of labour power
- increasing racism against, and exploitation of, immigrants
- limitation of democratic rights
- massive export of capital
- the militarisation of foreign policy.

These were the measures that opened the road to "globalisation".

One of the most visible successes of imperialism in this period was the defeat of the Soviet Union and the destruction of the post-capitalist property relations in the former Eastern Bloc states as well as in China and Vietnam. There, since the beginning of the 1950s, planned economies, despite the deadening effects of rule by a Stalinist bureaucracy, had not only brought real social progress for their populations but also greatly restricted capital's scope of operations globally. With the reintroduction of capitalism, the bourgeoisie succeeded in an enormous geographical expansion after it had been

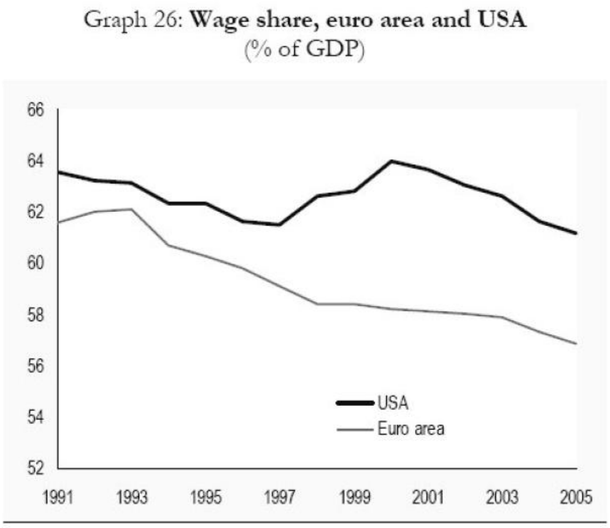
35 Doug Henwood: After the New Economy, New York 2003, S. 204; see also http://www.leftbusinessobserver.com/NewEcon.html

excluded from these regions for decades and strengthened itself internationally in relation to the working class and oppressed peoples.

The attack on the working class at the economic level

Capital attempts by all available means to reduce wage costs, including the social wage, to increase the amount of surplus labour and surplus value. This is a happening today in all capitalist countries. It can be seen very clearly in the two following graphs that show that wages are a diminishing proportion of total income both in the USA and in the EU and this is the counterpart of an increasing proportion of the value created going to profits.

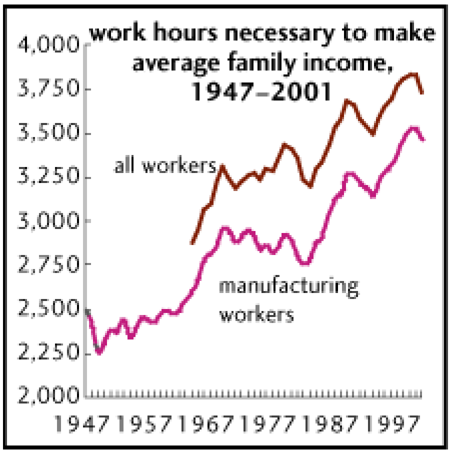
Graph 6. Development of the unadjusted wage share in the EU and USA, 1991-2005 [36]



In the USA, one can see the redistribution from wages to profits particularly clearly. Whereas in the period 1947-1979 the family income in all layers of the population grew relatively similarly (between 94% and 120%) in the period 1977-1994, and even more in the late 1990s, family income fell for the majority of the population. The US economist Doug Henwood has estimated that the real wage of the average worker in the USA, between 1973 and 1996, fell by some 14.1%. At the same time, the richest 1% of the population was able to record a dramatic increase of 72%. Today, this richest 1% of the population owns 40% of the entire social wealth, a proportion that has only been achieved once before since the First World War, in 1929, the year of the stock exchange crash. At the same time, as the following graph shows, American workers also have to work ever longer hours to earn the average family income.

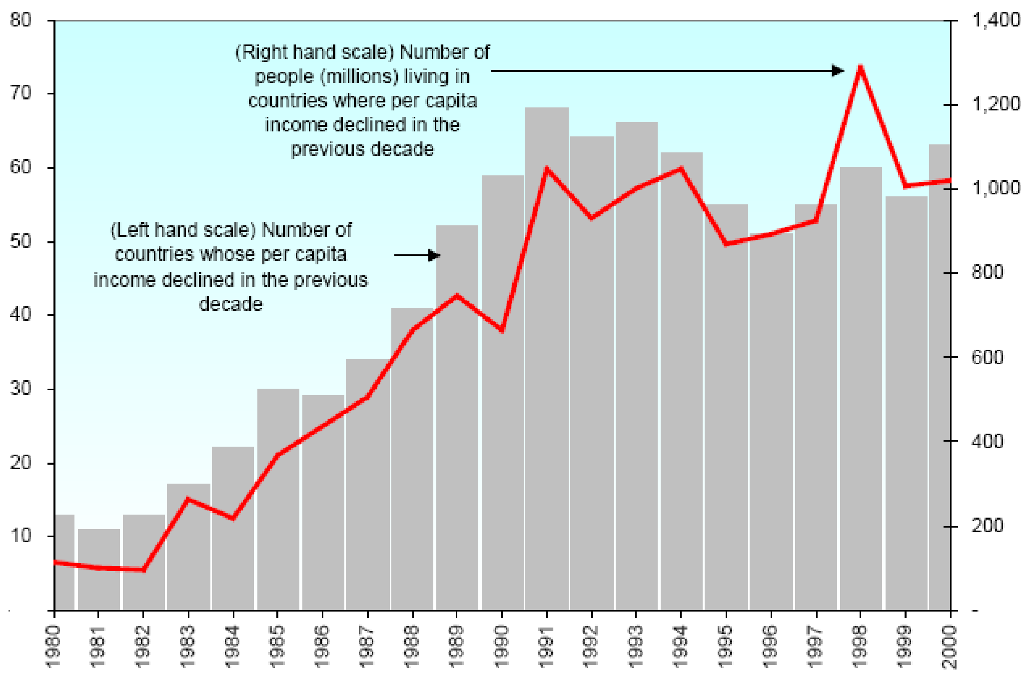
[36] Labour market developments in the euro area, in: Quarterly Report on the Euro Area 3/2006, p. 28. By "unadjusted wage share" is meant the growth in the share of wages in national income without reference to changes in the total number of wage earners.

Graph 7: hours of work necessary to achieve average family income 1947-2001



The capitalist offensive was not of course limited to the USA. Globally there has been a massive redistribution of wealth to the bourgeoisie and an increase in inequality. The following graph, 8, demonstrates that in recent decades inequality in incomes was reduced in only a tiny minority of countries, in which only 5% of the world population live, while in the great majority inequality increased.

Graph 8: Number of people whose income was reduced between 1980 and 2000, and countries with a sinking GDP per head.



More evidence of growing inequality can be obtained from the Gini coefficient, which measures inequality on a scale between zero and one, the higher the figure the greater the inequality. Phillip O Hara in his *Growth and Development of Global Political Economy* estimates Gini coefficients as follows:37

Table 9

	1970s	1980s	1990s	early 2000s
United States	0.39	0.40	0.46	0.44
UK	0.26	0.29	0.32	0.36
Brazil	0.55	0.56	0.61	0.63
China	n/a	0.20	0.28	0.45

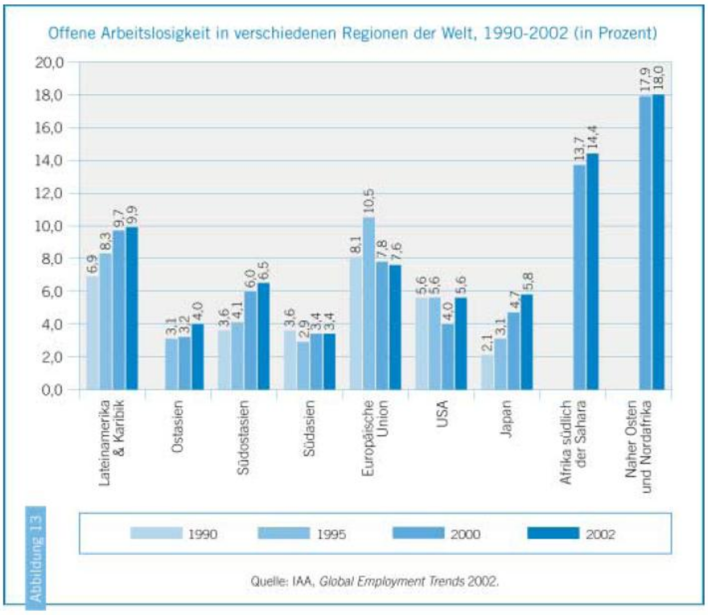
Clearly this shows that in the imperialist heartlands neo-liberalism has created greater inequality while in developing countries, Brazil and China being two of the world's most lauded for their development, society is becoming more divided as growing wealth is concentrated into fewer hands. Over the past decade, globalisation has not delivered benefits to the masses of the world; rather they have been subjected to greater exploitation and greater impoverishment.

A further consequence of the overaccumulation of capital and the attempt by employers to raise labour productivity through rationalisation is the worldwide increase in unemployment. Even while global employment rises, so does unemployment and in percentage terms the employment rate has remained constant at around 62 per cent in the current period. This has prompted many economists to talk about "a jobless boom" or the "low impact of growth on job creation" where the boom up to last year actually did not create jobs on a world scale.38 Of the people in work, it is estimated that, even after the boom of 2004-05, 43.5 per cent were on poverty rates of below $2 a day, down from 50 per cent in 2002. Yet the International Labour Organisation says: "There are still 486.7 million workers in the world who do not earn enough to lift themselves and their families above the US$1 a day poverty line and 1.3 billion workers do not earn enough to lift themselves and their family above the US$2 a day line. In other words, despite working, more than four out of ten workers are poor."39

And this figure does not include the hundreds of millions in the informal economy and unemployed. The ILO goes on to argue that for global poverty to be reduced, it would be "essential that periods of high growth are better used to generate more decent and productive jobs." However, as we have already shown, in capitalism the profits and fruits of growth go to the speculators and the rich. Capitalism therefore cannot raise the standard of living of the mass of people; it is failing to develop the most important of the productive forces: labour.

[37] Phillip Anthony O Hara, Growth and Development of Global Political Economy, Routledge 2006, p57
[38] See International Labour Organisation, Global Employment Trends, January 2008
[39] ibid

Graph 9: Mass unemployment is rising in most regions of the world



Monopolisation of capital and globalisation

As we have seen, Lenin saw the growth of monopolies as the most fundamental defining feature of imperialism. This process of monopolisation advanced dramatically in the period of capitalist globalisation. Thus, in the last 25 years, there has been a massive increase in mergers and acquisitions in the banking and industrial sectors.

Even more remarkable, however, has been the increased importance of multinational corporations, that is, globally active monopolies. Today, these firms, together with their affiliates, control two thirds of world trade. The 300 biggest companies own one quarter of all productive assets worldwide and control more than half of the world market in consumer durables, steel, airlines, electronics, oil, computers, media, aerospace and cars.

One of the most important characteristics of the present period is the rapidly advancing monopolisation process at a global level. The immanent process within capitalism of the concentration and centralisation of capital and the formation of monopolies does not take place only at the national level but also, and especially, on the world market. It is against this background that we should understand the increases in world trade and even more in capital export which have been far above the rate of growth of production in recent decades. Taking 1975 figures as an index of 100 for world GDP, the volume of world trade and the flow of capital, figures from the IMF and the German Bundesbank show that, by the turn of the century, GDP had increased to an index of some 230, trade to 400 – and capital flows to more than 3,000. [40]

The monopolies are driven to greater internationalisation by falling profit rates in their home markets, and such a high mass of capital accumulation that national markets alone are too small for them. This

[40] See: http://www.miprox.de/Wirtschaft_allgemain/Derivate.html

is because the huge investments in the ever bigger production facilities required by competition themselves require an ever bigger market in which to realise profits. This also drives them to the outsourcing of parts of production to the export markets and the cheapest labour on the planet. Modern technology and cheap transport costs help in this process. The forcing open of markets across the world goes hand in hand with this. The result of this development is that, in the last 25 years, the export of capital has become massively more important both in the imperialist states and in the semi-colonial world. Table 10 shows this increasing importance of foreign capital, foreign direct investment (FDI) both on a global scale and within the "developed world" that is, the imperialist states, the "developing countries" or semi-colonies, and the countries of the former Soviet bloc (CIS).

Table 10: Globalisation and capital export. The increased importance of FDI.[41]

		Annual FDI as a share of gross investment				**FDI stock in relation to GDP**			
		1981-1985	1993	1998	2005	1980	1990	2000	2005
World	*domestic*	2.3%	4.3%	11.1%	9.4%	4.9%	8.5%	18.3%	22.7%
	foreign	2.1%	4.4%	11.5%	8.3%	5.4%	8.6%	20.6%	23.9%
Developed countries	*domestic*	2.2%	3.5%	10.9%	8.0%	4.7%	8.2%	16.2%	21.4%
	foreign	2.7%	5.2%	14.8%	9.5%	6.4%	9.6%	22.8%	27.9%
Developing countries	*domestic*	3.3%	7.1%	11.5%	12.8%	5.4%	9.8%	26.3%	27.0%
	foreign	0.4%	1.2%	2.4%	5.1%	0.9%	4.3%	13.4%	12.8%
South East Europe and CIS	*domestic*	--	--	--	17.0%	--	0.2%	15.9%	21.2%
	foreign	--	--	--	6.6%	--	0.3%	5.4%	11.1%

It should be noted that we are dealing here only with those aspects of capital export related in one form or another to the production and circulation process of capital (that is with foreign direct

[41] Data compiled from: UNCTAD: World Investment Report 1995, p. 411ff. and 421ff., UNCTAD: World Investment Report 2000, p. 306ff. and 319ff., UNCTAD: World Investment Report 2006, p. 307ff. The figures for South East Europe and the states of the former Soviet Union (C. I. S.) are only partially complete because in the earlier UNCTAD statistics these countries were grouped together with those East European states which entered the EU in 2004 and this distorts the statistics. With regard to FDI, "permanent" should be understood as the totality, often accumulated over a long period of time, of invested capital in, or from, a country. By contrast, "flow" refers to FDI newly invested in a given year. "Domestic FDI" refers to the share of imported FDI in total fixed investment or GDP of the country concerned. "Overseas FDI" refers to the exported FDI as a proportion of gross fixed investment or GDP of the country from which the FDI is exported.
The UNCTAD categories "developed countries" and "developing countries" are clearly very problematic and express imperialist arrogance at the conceptual level. In general, the category "developed country" refers to the imperialist states and "developing country" means semi-colonial. However, in this respect there is a not unimportant limitation: UNCTAD includes the semi-colonial countries of Eastern Europe which joined the EU in 2004 and in which FDI plays an important role in capital accumulation, with the "developed countries" in its latest "World Investment Report". The UNCTAD tables are also weakened by the fact that they include the states of South East Europe and the former Soviet Union as a separate category from the other countries. In reality, however, all these countries, with the exception of Russia, are semi-colonies. By contrast, Russia is an imperialist state.

investment). However, later we will see that the greater part of the worldwide export of capital consists of credit and speculative business.

Capital export takes place both from the imperialist states into the semi-colonies and, on a much bigger scale, between the imperialist states. The increased capital export to the semi-colonies is the result of the declining profit rates in the imperialist centres and the attempt by capital to counter this through investment and trade with less developed capitalist economies. This accounts for the scale of investment in the "emerging economies" such as South-east Asia in the nineties or China and India today.

Capital export between the imperialist states serves above all the advance of monopolisation. This takes the form of the accelerated centralisation of capital through the increased collaboration between, or the taking over, of monopolies by monopolies. Therefore, an important part of FDI between the imperialist states is not new investment or expansion but serves only to finance the takeover of other corporations.

Let us look then at the development of the distribution of capital exports between the imperialists and the semi-colonial states in the last 25 years.

Table 11 Distribution of world foreign direct investment by state and region [42]

Distribution of world foreign direct investment, stock								
	Domestic stock				Foreign stock			
	1980	1990	2000	2005	1980	1990	2000	2005
USA	14.8%	22.1%	21.7%	16.0%	37.7%	24.0%	20.3%	19.2%
EU	42.5%	42.9%	37.6%	44.4%	37.2%	45.2%	47.1%	51.3%
Japan	0.6%	0.6%	0.9%	1.0%	3.4%	11.2%	4.3%	3.6%
South-, East-, and Southeast Asia	8.8%	8.5%	17.2%	13.8%	2.5%	3.4%	9.3%	7.8%
Distribution of world foreign direct investment, flow								
	Annual inbound flow				Annual outbound flow			
	1980	1990	2000	2005	1980	1990	2000	2005
USA	23.8%	31.5%	24.0%	12.6%	39.7%	13.6%	15.9%	15.7%
EU	39.1%	40.3%	46.0%	40.7%	44.8%	50.6%	64.4%	54.6%
Japan	0.4%	0.04%	0.8%	0.8%	4.9%	19.7%	2.6%	4.9%
South-, East-, and Southeast Asia	6.7%	10.0%	10.7%	18.4%	0.6%	5.1%	5.0%	7.7%

From this table we can draw two *particular* conclusions: first that the greater part of FDI flows between the imperialist metropoles, even if partially as means of payment for the takeover of monopoly capital by competing monopoly capital. Secondly, particularly since 1990, the beginning of the new phase of globalisation, an increasing proportion flows from the imperialist centres into the semi-colonial

[42] UNCTAD: World Investment Report 2006, p. 7

countries. Thus, capital attempts to counter the tendency of the falling profit rate through increased monopolisation and capital export.

Parasitism, speculation and debts

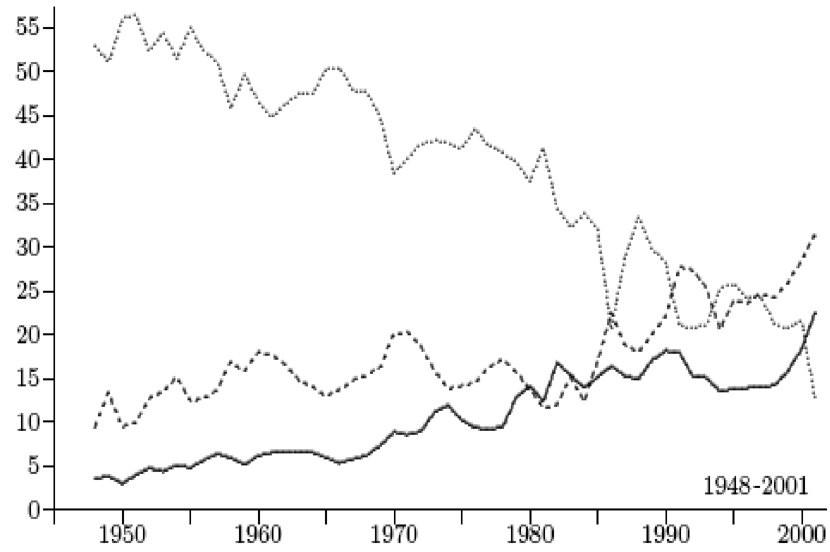
Nonetheless, the success of the bourgeoisie in raising the rate of exploitation has not overcome the problem of declining growth rates or rates of profit in the productive core of the economy. On the contrary, the tendency towards speculation and the flight to unproductive financial investments has increased in the period of globalisation. This process is strengthened through the worldwide opening of markets, including financial markets, to imperialist capital. Just on the global currency markets alone, a value of $1900 billion is handled daily, a trebling in comparison to 1989. Between 1980 and the beginning of this century, the value of foreign holdings trebled, in many countries, from an average of 36% of GDP to 100%.

The flight into speculation has in the meantime achieved such astronomical values that the term "casino capitalism" has come into common use. Henwood has calculated that in the USA the relationship of the total financial holdings in relation to GDP between 1952 and 2003 grew from approximately 400% to almost 850%, having reached its highest point in 2000 at over 925%. While the GDP for the USA amounted to $12 trillion, the market for derivatives reached $128 trillion, more than 10 times as much. This shows not only the far-reaching separation of the speculative market from production but also the enormously destabilising potential of casino capitalism. As in 1929, a collapse in the financial markets could lead to a crash in the entire economy.

Correspondingly, the importance of speculative money capital within capital as a whole has grown. Between 1994 and 2000, the speculative financial sector was responsible for three quarters of the entire increase in profits. In general, that part of profits generated not in real production but in the speculative financial sector has grown dramatically and this can be seen in graph 9.

Graph 9 Development of the share of the three components in total profit, 1948 2001: Manufacturing, financial, foreign-earned

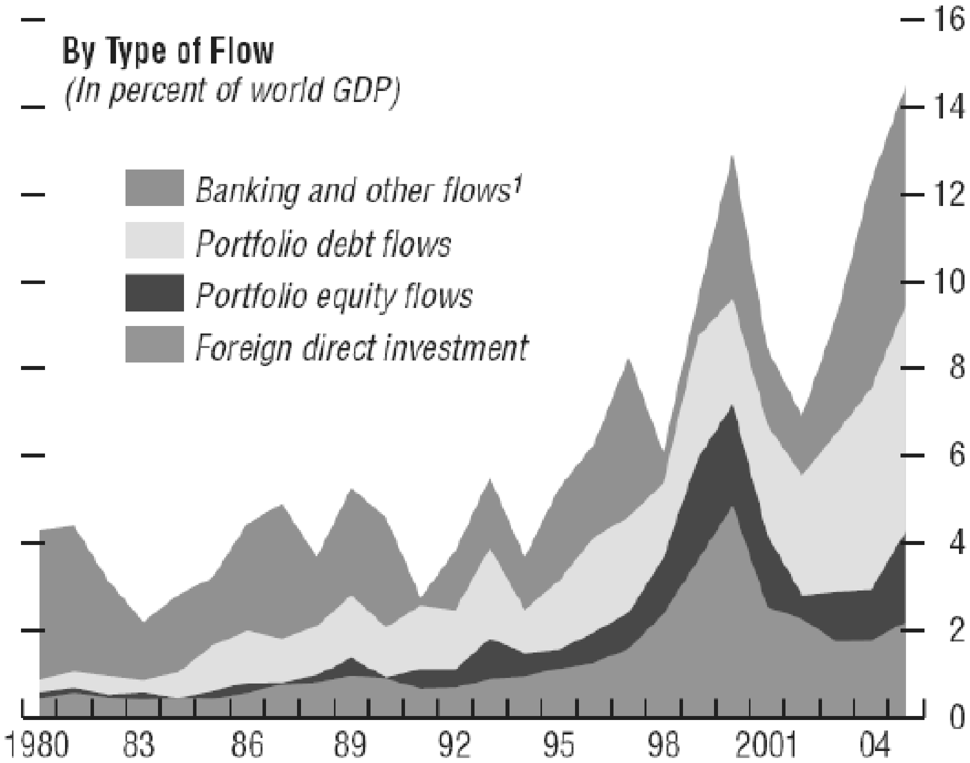
Figure 9 Share of three components of the total profits of corporations in the US (%)



Rest of the world: (——); Financial sector: (-----); Manufacturing: (·········)

The growing role of speculation is also seen, as mentioned above, in the international movements of capital. Here too, money capital appears to have emancipated itself more and more from the immediate production process. The following graph, 10, shows that today only a seventh of all international capital flows are direct investment. The other six sevenths are related to banking or speculation.

Graph 10: composition of international capital flows 1980-2005[43]



Indebtedness has also grown massively in recent decades. Capital tries to maintain the accumulation process by increased advances of money capital and the reduction of circulation costs through credit. In this, the objective role of credit is two-sided. On one hand, it accelerates the circulation of capital but on the other, in times of crisis, it accelerates bankruptcy. Marx made precisely this point when he wrote, "the credit system hence accelerates the material development of the productive forces and the creation of the world market, which it is the historical task of the capitalist mode of production to bring to a certain level of development, as the material foundations for the new form of production. At the same time, credit accelerates the violent outbreak of this contradiction, crises, and with these the elements of the dissolution of the old mode of production."[44]

Increasing indebtedness is found at every level, from private households, through firms of all sizes to the state itself, as can be seen from the following tables.

[43] IMF: Global Financial Stability Report (April 2007), p.65
[44] K.Marx, Capital, Volume 3, Harmondsworth 1981, p.572

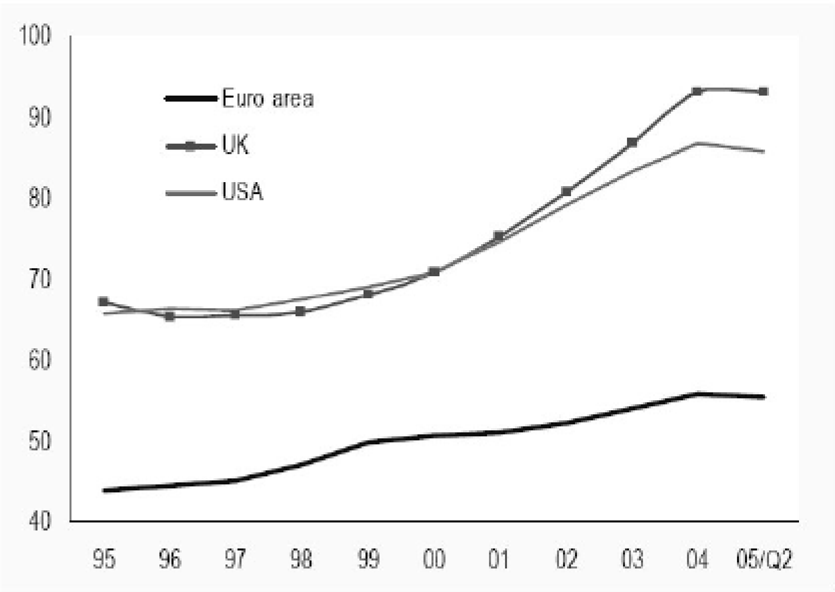
Table 12: Mortgage debts of households as a percentage of disposable income 1993-2003

	1992	*2000*	*2003*
USA	58.7%	65.0%	77.8%
Japan	41.6%	54.8%	58.4%
Germany	59.3%	84.4%	83.0%
France	28.5%	35.0%	39.5%
Italy	8.4%	15.1%	19.8%
Canada	61.9%	68.0%	77.1%
Great Britain	79.4%	83.1%	104.6%
Spain	22.8%	47.8%	67.4%
Holland	77.5%	156.9%	207.7%
Australia	52.8%	83.2%	119.5%

The following graph shows the long-term increasing indebtedness of private households in the USA.

Graph 11 Indebtedness of private households in the USA and Western Europe

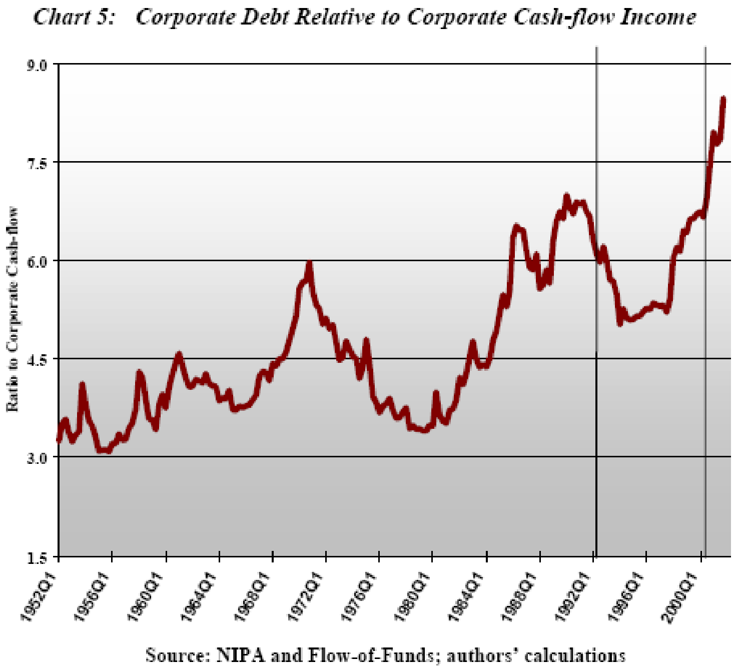
Graph 22: **Household debt, euro area, UK and USA**
(Ratio to GDP in % – 1995 2004) (1)



(1) Euro-area data do not include EL, IE and LU.
Source: Commission services, US Federal Reserve System.

However, it is not only private households that are increasingly indebted but also firms, as can be seen from graph 12.

Graph 12: Corporate debt in relation to profits in the USA



In summary, we can say that in the years leading up to the credit crunch of 2007, indebtedness achieved a historically high level and capitalism was increasingly living from credit. The rising credit intensity was itself ultimately a product of capital's inability to overcome the long term decline in productive labour.

Increased plundering of the semi-colonial world

The capitalists of the imperialist countries have also greatly increased their subordination of the so-called Third World, the formally independent but economically and politically dependent states that Marxists call semi-colonies.

Globalisation has witnessed a massive penetration of the semi-colonial countries by the monopolies and a process of imperialist plundering. This often took place under the guise of Structural Adjustment Programmes through which the World Bank and International Monetary Fund pressured developing countries into neo-liberal reforms such as cutting welfare services, privatising health and education and opening up their markets to powerful multinational corporations. Through massive capital export in the form of credits, direct investment, speculative investment and so on, the bourgeoisie created the preconditions for massive gains in their corporate profits, interest rates and the returns on bonds.

The outcome is an enormous net transfer of capital from the semi-colonial countries to the bourgeoisie of the imperialist countries and the scale of this over a 10 year timespan is shown in table 16.

Table 13: Net transfer of financial resources in development countries and former Stalinist states. [45]

	1995	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*
Africa	5.9	–5.5	–4.7	15.6	4.2	–27.7	–16.8	–6.7	–21	–35	–63.4	–95.3
East and South Asia	21.8	18.8	–31.9	–128.4	–137.6	–119.1	–115.6	–146	–170.7	–162.1	–230.5	–244.7
West-Asia	20.1	10.6	12.6	34.8	7.7	–29.7	–23.8	–18.4	–43.3	–69.8	–125.9	–194.7
Latin America	–1.7	0.6	23.4	44.3	9.8	–1.6	4.3	–31.6	–60.6	–80	–105.2	–123.1
Developing countries as a whole	46.2	24.4	–0.6	–33.8	–115.9	–178.2	–151.9	–202.7	–295.6	–346.8	–525	–657.7
Former Stalinist states	–2.7	–6.3	2.8	3.6	–23.7	–49.4	–29.1	–26.1	–33.7	–54.6	–86.8	–125.1
Developing countries and former Stalinist states together	43.5	18.1	2.2	-30.2	-139.6	-227.6	-181.0	-228.8	-329.3	-410.4	-611.8	-782.8

Added together, just for the period 1995 to 2006, this shows a net transfer of $2,895.7 billion from the semi-colonial countries to the imperialist centres. In order to give a picture of the scale of this financial leeching by the imperialist finance capitalists, let us look at the following calculation: in 2005, the combined GDP of these regions was $9,454.5 billion. The drain of $578.9 billion in that year therefore accounted for some 6.5% of the GDP of the semi-colonial world. It should be noted that this figure does not represent all of the profit of imperialist capital, a good part of which was either consumed in the country itself or went into capital accumulation to secure more profits, the figure deals exclusively with the sum that was directly plundered from the semi-colonial world.

The following figures show how much the developing economies gave to the rich in 2005-6 in debt, more than a quarter of their GDP, while the high income countries registered no external debt.[46]

Table 14

	External debt as % of GNI	*GDP*	*GNI per capita*
Low income	27.6%	$1.6 trillion	$650
Lower middle income	24.1%	$4.734 trillion	$2,037
Middle income	28.9	$10,049	$3,051
High income	no data	$36,583 trillion	£36,487
World	N/A	$48,224	$7,439

[45] United Nations: World Economic Situation and Prospects 2007, p. 58
[46] World Bank: World Development Report 2007, p. 289

These figures are appalling enough, but they hide the true human misery. The various structural adjustment programmes, world trade rounds and other agreements have destroyed the cohesion of many societies, leading to civil wars, famine, rebellions, and revolutions. The 2000s have witnessed the meltdown of advanced capitalist countries such as Argentina, which erupted in 2002 when its economy was destroyed by IMF diktat. Since then we have seen rebellions against neo-liberalism in Paraguay, Bolivia, Nigeria, Thailand, Venezuela and many more countries. The recent crisis in Kenya can be attributed in part to the worsening economic situation for many people in the country during a period of neo-liberal boom. Imperialism's tendency towards the plundering of the semi-colonies leads to increasing instability and collapse in the greater part of the semi-colonial world, Africa being in the front ranks of this devastating development.

The result of this is the necessity for imperialist powers, above all the USA, to intervene more directly into the semi-colonial world. If the local ruling classes are no longer in a position to maintain the exploitative relations to the advantage of imperialist interests, then imperialism has to take matters into its own hands. The result is an increased reliance of the semi-colonial states on the rich metropoles, whether that is via the direct linkage of the currency ("dollarisation" in Latin America, the Currency Board) or through the worldwide increase in the stationing of imperialist troops in semi-colonial countries (the Balkans, Central Asia, the Philippines, Colombia, Chad), through proxy wars (Somalia) or through the establishment of open protectorates, for example in the Balkans, Afghanistan and Iraq.

These measures may boost profits, but at the same time they exacerbate social crisis anmd class struggle. The continuous attacks on wages and social services, now allied to resurgent global inflation, reduce the purchasing power of the working class and lower middle class and provoke class struggle from below. The increasing squeeze on the semi-colonial world undoubtedly produces great material advantages for imperialist capital, but it just as certainly provokes resistance.

The erosion of US hegemony

We now turn to considering perspectives for the current world order, with a look at how economic and political factors interact and lead to conflict between the major imperialist states.

Engels described the relationship between the economic base and political superstructure as follows: “We regard economic conditions as the factor which ultimately determines historical development... Here, however, two points must not be overlooked: a) Political, juridical, philosophical, religious, literary, artistic, etc., development is based on economic development. But all these react upon one another and also upon the economic base. It is not that the economic position is the cause and alone active, while everything else only has a passive effect. There is, rather, interaction on the basis of the economic necessity, which ultimately always asserts itself.” 47

Thus capital can only develop if the exchange of commodities and the valorisation process of capital is socially governed and organised – legal relations and state power derive from this necessity. Further, capital can only expand if the value-creating commodity labour power is constantly produced and reproduced and new labour power created. This takes place outside of the formal workplace: through the bearing and rearing of children in the home, through the unpaid labour of women.

[47] Friedrich Engels: Letter to Walther Borgius (25.1.1894); in: MEW 39, S. 205 (Emphasis in Original)

Therefore capitalism presupposes not only the production and reproduction of commodities and capital, but also – and of necessity connected with it – the production and reproduction of the general social conditions that make this possible in the first place: "The process of reproduction is not only a process of the reproduction of the material elements of production, but also a process of the reproduction of the production relation itself."48

The maintenance of a contradictory equilibrium of a society torn apart by antagonistic classes would be unthinkable without a finely-woven ideological web that binds the oppressed classes and layers to the ruling bourgeoisie and convinces them to put up with an acceptable level of exploitation and oppression.

Both the dynamic and the fragility of the capitalist production and reproduction process have sharpened in the imperialist epoch in general and in the present period of globalisation in particular. That means that the antagonism between the tendencies of the imperialist economy, imperialist policy and imperialist ideology become stronger, sharper and more explosive. The same is true for the antagonism between the different sectors of the capitalist world market.

The contradiction between the productive forces and the nation state is one of the most fundamental contradictions of capitalism – and in the epoch of monopoly capitalism (imperialism) that is true to a still greater degree.

Trotsky wrote: "The national state created by capitalism in the struggle with the sectionalism of the Middle Ages became the classical arena of capitalism. But no sooner did it take shape than it became a brake upon economic and cultural development. The contradiction between the productive forces and the framework of the national state, in conjunction with the principal contradiction – between the productive forces and the private ownership of the means of production – make the crisis of capitalism that of the world social system."49

From this contradiction flows the life-or-death necessity for imperialism of a *hegemon,* a dominant imperial great power with an associated group of monopolists, who constrain the centrifugal forces of declining world capitalism and try to hold the international flow of production, reproduction and circulation in some semblance of order.

In the period between the two world wars (1914-1945) such a hegemon was absent and this was one reason, along with the historically high level of organisation of the revolutionary workers, for the severe convulsions of capitalism at that time.

Since the Second World War, US imperialism has played the role of the world policeman of the capitalist order. However, beneath the apparent dominance of the USA there are important processes at work that are weakening it globally and in relation to other imperialist powers. Although, during the 1990s, the USA succeeded to a greater degree than its imperialist rivals in stemming the pace of its economic decline and in resisting, to a certain degree, the falling rate of profit, the hegemonic role of US capital has still come under fire in many areas.

First let's look at some core economic data about the USA. As the following table shows, the USA is, now as ever, far and away the strongest economic power in the world.

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[48] Nicolai Bukharin: Economics of the Transformation Period, New York 1971, p. (S. 69) Original emphasis.
[49] Leon Trotsky: War and the Fourth International (1934); in: Writings 1933-4 New York 1972. p. 304

Table 15: A comparison between states: Gross Domestic Product, and GDP per head[50]

Country	*Population (Millions)*	*GDP in $ (bn)*	*GDP, $ per head*
World	6,438	44,385	6,987
USA	297	12,455	42,007
EU-25	459	13,300	28,951
EU-15	385	12,615	32,741
Japan	128	4,506	35,215
Russia	143	764	5,337
China	1,305	2,229	1,709
India	1,095	785	717

So while US capitalism was affected by the general tendency to stagnation of productive forces, the statistics show that US capital in the 1990s succeeded to a greater degree than its rivals in stemming the pace of its economic decline and in turning around, to a certain degree, the falling rate of profit. For this reason, over the last 10-15 years, US capitalism succeeded in checking the efforts of its main competitors, the EU and Japan, to catch up.

Table 16: The development of the economic strength of the EU and Japan in relation to the USA, 1980-2005[51]

	GDP (in % of the USA)				**GDP by working hours (in % of the USA)**			
	1980	*1990*	*2000*	*2005*	*1980*	*1990*	*2000*	*2005*
EU-15	111%	104.9%	94.5%	101.3%	84.9%	88.9%	93.7%	91%
Japan	37.4%	40.3%	33.8%	36.2%	61.4%	71.3%	74.9%	74%

US capital has been more successful than its European competitors in forcing its working class to work more hours per year and more years in their lives for lower wages, and in forcing a greater part of its population into the labour-process. "In Marxist terminology we can see that the advantage US capital has over EU capital is that in the period of globalisation it has had more success in weakening the working class and correspondingly raising the rate of exploitation." [52]

[50] Global Britain Briefing Note, No 45 (6th November 2006): European Union 2005 Prosperity Rankings; World Bank: World Development Report 2007, pp. 289 and. 295. The figures for China do not include Hong Kong.

[51] M. O'Mahoney/B. van Ark (Hrsg.): EU Productivity and Competitiveness: An Industry Perspective (2003), p. 20, Bart Van Ark: Europe's Productivity Gap: Catching Up or Getting Stuck? (2006), p. 10 and World Bank: World Development Report 2007, p. 295.

[52] Michael Pröbsting: „Amerikanisierung oder Niedergang". Widersprüche und Herausforderungen für das imperialistische Projekt der europäischen Vereinigung; in: Revolutionärer Marxismus Nr. 35, S. 33

Nevertheless the hegemonic role of US capital has come under fire in many areas. We have already drawn attention to a clear strengthening of the EU at the expense of the USA with regard to flows of FDI. (See above, Table 16)

A similar picture can be seen when we examine world trade or, more correctly expressed, worldwide exports. While the USA remains an important importer of commodities, as Table 17 shows, its share of world exports is, at 8.9%, lower than ever before since the Second World War, and this is despite the favourable exchange rate of the dollar for export purposes.

Table 17: Share of world trade of states and regions, 1948-2003

Share of world wide exports							
	1948	1953	1963	1973	1983	1993	2005
USA	21.7%	18.8%	14.9%	12.3%	11.2%	12.6%	8.9%
EU	6.8%	11.9%	27.5%	38.6%	30.4%	36.1%	39.4%
Japan	0.4%	1.5%	3.5%	6.4%	8.0%	9.9%	5.9%
China	0.9%	1.2%	1.3%	1.0%	1.2%	2.5%	7.5%
India	2.2%	1.3%	1.0%	0.5%	0.5%	0.6%	0.9%
South America	12.3%	10.5%	7.0%	4.7%	4.4%	3.0%	3.5%
Middle East	2.0%	2.7%	3.2%	4.1%	6.8%	3.5%	5.3%
Africa	7.3%	6.5%	5.7%	4.8%	4.5%	2.5%	2.9%
Share of worldwide imports							
	1948	1953	1963	1973	1983	1993	2005
USA	13.0%	13.9%	11.4%	12.3%	14.3%	16.0%	16.5%
EU	9.6%	12.4%	29.0%	39.2%	31.3%	34.3%	39.3%
Japan	1.1%	1.7%	0.9%	0.9%	6.7%	6.4%	4.9%
China	1.0%	2.9%	4.1%	6.5%	1.1%	2.8%	6.3%
India	3.1%	1.4%	1.5%	0.5%	0.7%	0.6%	1.3%
South America	10.6%	9.3%	6.8%	5.1%	3.8%	3.3%	2.8%
Middle East	1.7%	2.0%	2.3%	2.8%	6.2%	3.4%	3.1%
Africa	7.6%	7.0%	5.5%	4.0%	4.6%	2.6%	2.4%

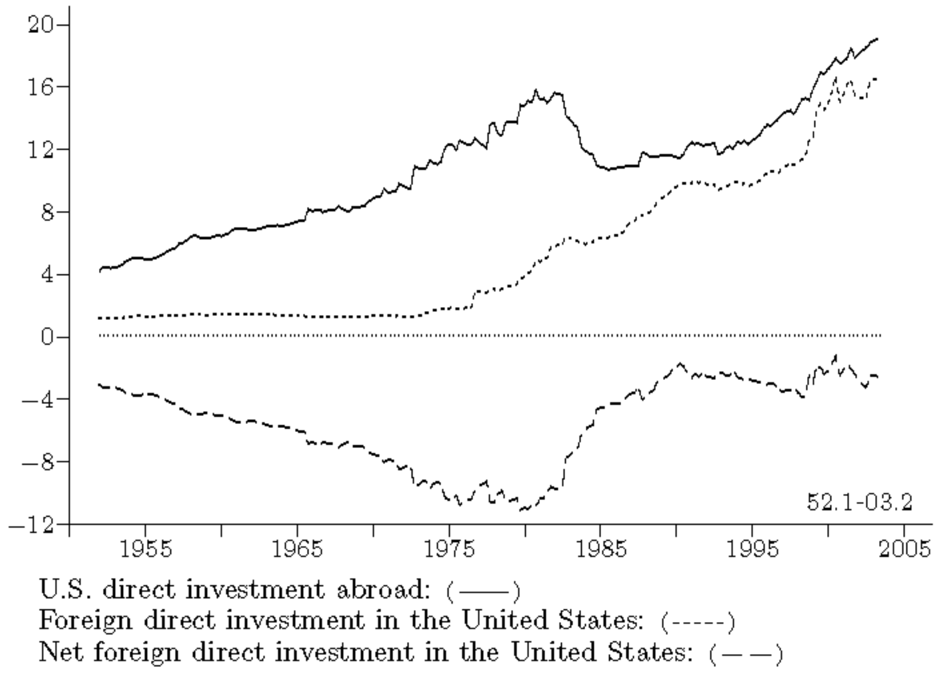
At the same time, the USA, as dominant world power, is falling into ever greater dependence on the world economy and world politics. In order to secure supplies of cheap raw materials and semi-manufactured goods for its own industries, profitable investments for its own capital abroad, and to guarantee interest payments, the USA and the other imperialist powers have to strengthen their grip on the semi-colonial world. For the same reasons they have to force the semi-colonies to open their banks and industries to imperialist capital or to open their markets still further.

The following figures demonstrate the growing dependence of the USA on the world economy and, therefore, also on world politics. The USA is increasingly dependent on a regular inflow of foreign money capital. This is a result of a balance of payments deficit that has grown over many years. By the end of 2006 this deficit had reached a record high of $800 billion, some 6.8% of GDP and roughly equivalent to the total value of net investment in the USA that year. In other words, every day the

USA had to import more than $2 billion in foreign capital, just to cover its consumption and its investments. The greater part of this money comes from the oil-exporting countries, that is, the Middle East, and from East Asia, principally Japan, China and South East Asia.[53] This, of course, throws a very clear light on the motives behind US foreign policy; US imperialism must throw everything into protecting its dominance of the Middle East and East Asia in order to keep the local regimes financing its debts.

And while US holdings of foreign capital are growing, foreign holdings of US capital are growing still faster. This became particularly evident in the course of the credit crunch of 2007 when "sovereign wealth funds" based in Saudi, Dubai, China and other key exporters, mobilised huge volumes of capital to bail out ailing US financial corporations.

Graph 13: US foreign investment, and foreign investment in the USA in relation to US net domestic product, 1953-2003 (%)[54]



The dramatic turnaround in the global position of US imperialism becomes even clearer when we consider the development of its role as creditor and debtor in relation to the rest of the world. Until 1985, the USA was a creditor, but since then the situation has changed radically; today, the USA is the world's greatest debtor. If we balance the USA's liabilities and assets against one another, we obtain a net debt of 25% of GDP! [55] The greater dependency of the USA on the world market is also shown by

[53] Gilles Moëc/Laure Frey: Global Imbalances, Saving Glut and Investment Strike; Banque De France: Occasional Papers No. 1, February 2006, p. 5

[54] Siehe: Gérard Duménil and Dominique Lévy : The Economics of U.S. Imperialism at the Turn of the 21st Century (2004) http://www.cepremap.ens.fr/~levy/biblioa.htm

[55] Siehe: Gérard Duménil and Dominique Lévy : The Economics of U.S. Imperialism at the Turn of the 21st Century (2004) http://www.cepremap.ens.fr/~levy/biblioa.htm

the fact that the USA draws a growing proportion of its total profits from its foreign investments. Whereas US capital made just 10% of its profits abroad in 1978, by 2001 this share had risen to 25.7%.[56]

This short overview makes it clear that US capital is increasingly dependent on its worldwide investments, and on the inflow of capital to finance its investments in its own country. The relative economic success of the USA in the 15 years prior to the credit crunch was based not only on an increased exploitation of the working class at home, but also at least as much on its growing plunder of the world. It is quite obvious that these methods can in no way serve as a model for other capitalist states – if every state conducted such a "successful" plunder, there would be precious little loot left to share. Besides, these are methods that cannot be continued and expanded indefinitely. At a certain point the economic losses will become too great for the other capitalist powers and they will seek to rein in their financing of the USA.

Already a growing pressure is noticeable in many countries not to trade their goods in the US dollar any more, but to switch over to the euro. No wonder, when we observe that in the last four years the value of the euro against the US dollar has risen by more than a half, from 0.87 to 1.34. Should other countries liquidate their dollar denominated currency reserves, and thus no longer export so much capital to the USA, the US economy would suffer a severe blow.

This growing dependence on the world market and world politics also means that US capitalism is ever more vulnerable to worldwide disturbances, instability and of course resistance. Precisely for this reason, US imperialism has to adopt an ever more aggressive, militarist foreign policy, to hold down its competitors and opponents. In the words of the former US Secretary of State Zbigniew Brzezinski the leitmotif for US foreign policy is:

"To put it in a terminology that harkens back to the more brutal age of ancient empires, the three grand imperatives of imperial geostrategy are to prevent collusion and maintain security dependence among the vassals, to keep tributaries pliant and protected, and to keep the barbarians from coming together."[57]

Which imperialist power could replace the USA as world hegemon. The only power with sufficient economic strength even to come into question in this respect is the European Union. All other imperialist states are far too weak to put their stamp on the world.

Nevertheless, it is unrealistic to expect that the EU could become such a leading power in the foreseeable future. First we have to note that, unlike the USA, the EU is not a unified state but a grouping of states in which there is permanent rivalry between states like Germany, France and Great Britain. In the EU itself, there is no clear leading power. There are disagreements between the national rulers over the attempt to form the EU into a more unified and combative block through the adoption of a constitution and the formation of a European army.

If the EU is far from being able to dominate the world market economically, it is even less prepared on the political and military level. Naturally the Franco-German ruling classes want to try to catch up with America but this process will take time and, far more important, the more the EU catches up with the USA, the sharper will competition between them become at the economic, political and, at a certain point therefore, military level.

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[56] On this, see Gérard Duménil and Dominique Lévy : Neoliberal Dynamics: A New Phase? (2004) http://www.cepremap.ens.fr/~levy/biblioa.htm.

[57] Zbigniew Brzezinski: The Grand Chessboard ? American Primacy And Its Geostrategic Imperatives, New York, 1997, p. 40

Conclusion

The last hundred years has witnessed a long run tendency to stagnation driven by rising organic composition of capital and growing monopolisation. We see mounting contradictions within and between the imperialist powers, the undermining of US hegemony and the deepening of global economic and political instability.

Plainly these outcomes fully accord with Lenin’s composite model of imperialism. The monopolist bourgeoisie dominates the units and branches of production with the most advanced technology, the highest organic composition of capital and thus the strongest tendency to decline of profit rate; this overaccumulation drives export of capital, parasitism, and speculation in shares, real estate and financial “derivatives”. Crises of devaluation aggravate inter-imperialist rivalries and the competitive struggle of the imperialist bourgeoisie for the division and re-division of the world, as nation-states jostle to avoid bearing the brunt of devaluation and to pass it on to their rivals and their clients.

If anything, the current period of globalisation has been a further vindication of this model. The most powerful imperialist state was able to take advantage of both its own victories over the working class and the final collapse of the Soviet bloc to reorder the world in its own interests. It was able to mobilise all the “countervailing measures” to try to maintain profit rates and to counter imperialism’s characteristic tendency to stagnation but, as the credit crunch of 2007 and its aftermath are currently demonstrating, it could do no more than temporarily restore its dynamism. Today, the world order looks more like Lenin’s model than it has done for perhaps 50 years. The prospect, then, is certainly one of increased instability, and of a continuation of the “epoch of wars and revolutions” but Lenin’s conclusion should also not be forgotten: “Imperialism is the eve of the social revolution of the proletariat“.[58]

[58] V. I. Lenin: ibid. P. 12

Box: What are productive forces?

How can there be a tendency to stagnation of humanity's productive forces at the same time as economic growth? This question – which bourgeois economists regard as a crushing refutation of Marxism - is based on a simple but important misunderstanding. Bourgeois economic theory equates the very concept of productive forces with production of commodities or accumulation of fixed capital. So when GDP rises by say 2 per cent, or capital stock by 1.5 per cent, these theorists are unable to discern any tendency to stagnation of the productive forces.

In the Marxist theory, however, productive forces include labour and materials, both the material means and results of production. Productive forces are both means of production (such as machines), etc, goods and raw materials, and workers who operate the means of production and enter the social division of labour.

It is self-evident that the means of production and the worker are mutually dependent and, from the capitalist viewpoint, the purpose of applying the worker to the means of production lies in producing commodities which contain surplus value. Productive forces are not, then, simply a collection of material objects, but include also and above all people, their living conditions and nature, which is the object of labour.

Marx argues that social change comes about when the forces of production outstrip the relations of production (how society is organised for the production of surplus). Both he and Engels looked at how pre-capitalist modes of production had grown up and ultimately and been overthrown by capitalism, and because of this they understood that the forces of production should not be equated solely with the specific forms they take under capitalism, such as fixed or variable capital. Labour and nature are key components of the forces of production, not just buildings, technology and outputs as expressed in their growth in GDP figures.

Capital is a social relation, that is a relationship between groups of people (classes). Marx wrote:

"Capital consists not only of means of subsistence, instruments of labour, and raw materials, not only as material products; it consists just as much of exchange values. All products of which it consists are commodities. Capital, consequently, is not only a sum of material products, it is a sum of commodities, of exchange values, of social magnitudes."

In other words: capital and commodities are a relation of exchange values, which manifests itself in the form of use values. It is a dialectical relation between form and content, appearance and essence. Friedrich Engels summarised these ideas as follows:

"Economics is not concerned with things but with relations between persons, and in the final analysis between classes; these relations however are always bound to things and appear as things."

In another passage, Engels points out the contradictory unity of the concept productive forces, comprehensively defined, as well as its broad and full meaning:

"On the one hand, perfecting of machinery... complemented by a constantly growing displacement of labourers. Industrial reserve-army. On the other hand, unlimited extension of production…for every manufacturer. On both sides, unheard-of development of productive forces, excess of supply over demand, over-production here of means of production and products — excess there, of labourers, without employment and without means of existence. But these two levers of production and of social well-being are unable to work together, because the capitalist form of production prevents the productive forces from working and the products from circulating, unless they are first turned into capital — which their very superabundance prevents. The contradiction has grown into an absurdity. The mode of production rises in rebellion against the form of exchange. [The bourgeoisie is shown to be incapable of further developing its own social productive forces.]"

Marx also stressed the central position of the proletariat in the productive forces:

"Of all the instruments of production, the greatest productive power is the revolutionary class itself. The organisation of the revolutionary elements as a class supposes the existence of all the productive forces which could be engendered in the bosom of the old society."

Bukharin (and Lenin with him) also emphasised the importance of human labour power for an understanding of the productive forces in their totality:

"The total labour power of society, in a pure capitalist society the proletariat, is on the one hand one of the two components of the concept productive forces (since the productive forces are nothing other than the sum total of the available means of production and the labour power); at the same time labour power is (…) the most important productive force."

Trotsky too called the labour movement "the most important productive force in modern society".

In the revolutionary Marxist tradition, therefore, capitalism's development is not assessed exclusively in terms of the ups and downs of material output. For sure, this is a meaningful indicator, because the law of value and its evolution expresses itself in the long-term in the production dynamic of exchange values manifested as use values.But the development of the productive forces also expresses itself in the development of the commodity labour power and its conditions of reproduction — in other words, in the social living conditions of the working class. This is not just productivity of variable capital as the vulgar economists would have us believe but concerns the actual wellbeing of human beings: their existence and reproduction. This is an extremely important factor, not only for the workers concerned, but also for the whole future development of society.

The transformation of productive forces into destructive forces

Finally on the issue of productive forces, we come to yet another characteristic of capitalism: their growing transformation into destructive forces.

Marx explained how "These productive forces received under the system of private property a one-sided development only, and became for the majority destructive forces; moreover, a great multitude of such forces could find no application at all within this system."

"We have shown that at the present time individuals must abolish private property, because the productive forces and forms of intercourse have developed so far that, under the domination of private property, they have become destructive forces, and because the contradiction between the classes has reached its extreme limit."

The productive forces have already developed so far that capitalist property relations have not only become a fetter on the complete, free development of the productive forces, but this very development brings in its wake ever more destructive forces. Of course, destructive forces existed before, but only in the epoch of imperialism have they taken on a world-encompassing character, where they have the potential to cast back the whole of humanity countless generations in its level of development, or even destroy it completely.

The dramatic danger to mankind of environmental destruction driven by the goal of profit (global warming, deforestation, exhaustion of natural resources), the danger of nuclear wars with millions dead, show the extent to which under capitalism the development of productive forces is accompanied by the development of destructive forces. This includes the destructive impact of exploitation and the capitalist labour process on the worker. As Marx warned:

"Capitalist production, therefore, develops technology, and the combining together of various processes into a social whole, only by sapping the original sources of all wealth - the soil and the labourer."