



The development of capitalism in the 3rd World

Since Marx, Lenin and Trotsky wrote their classic works, the world has changed. In particular, the former colonies have won independence, and, especially since the early 1960s, the industrial working class in the Third World has expanded massively. Martin Thomas surveys the facts and some of their implications.

FAMINE in Africa has brought the plight of millions in the Third World sharply to our attention.

It brutally exposes the pettiness of the various versions of the left 'Alternative Economic Strategy'. How can socialists content themselves with discussing plans for rejigging Britain's national economy, behind protective walls of import controls and exchange controls, while outside those walls millions are starving? How can they fall for the argument that more capitalist investment in Britain is a supreme goal of socialist policy, while capitalist investment abroad is bad? Are there any national solutions to the evils of capitalism? Can nationally-focused policies deal with an international system?

Marxist critics of 'AES' politics have stressed the need for an internationalist and anti-imperialist content to socialist policies. Yet even those who criticise the politics and economics of 'Socialism in one country' as applied to Britain often fall into exactly the same shallow semi-socialist ideology when they come to discuss the Third World.

One striking example was Socialist Action's initial coverage of the famine in Ethiopia. An article by Jude Woodward (November 2, 1984) presented the whole affair as "created by" the US and British governments in some sort of conspiratorial fashion. The conclusion was angled much more to support for the Ethiopian regime in the diplomatic conflicts surrounding the famine than to the famine itself. "Socialists ... should demand the unconditional sending of any aid demanded by the Ethiopian government, in any form that it decides". Too bad for the peoples of Eritrea and Tigre who are fighting wars for independence against the Ethiopian government...

'Neo-colonialism'

The workings of the world capitalist system are thus reduced to the evil designs of some governments against others: the job of socialists is reduced to supporting the 'anti-imperialist' governments against the 'imperialist' ones.

The same line of thought was noticeable in the attitude of the Left on the British-

Argentine war of 1982. It was, of course, necessary to campaign against Britain's war; but most of the Left also positively supported Argentina's war, as being somehow part of the struggle of the Third World against imperialism.

Argentina, so the argument ran, is a 'semi-colonial economy'. Facts about poverty, the large foreign debt, and the big role of multinationals in Argentina's manufacturing industry, were cited to prove this. Therefore Argentina has no true independence; and the war against Britain was in essence, whatever the details, a fight for national liberation.

Two Argentine Marxists have summed up the problems with this sort of theory of 'neo-colonialism':

"The theory of 'neo-colonies'... seeks to equate the financial and diplomatic dependence of politically independent countries and of semi-colonies by giving overwhelming priority to certain economic features, in particular the role of direct foreign investment by transnational companies. Direct foreign investment, associated with other forms of 'penetration', is supposed to turn the different countries into semi-colonies, although it is never clear which are to be included in this definition. (Would it apply, for example, to countries like South Africa,

Canada or Spain, or only to 'Third World' countries?)

"According to this line of reasoning, bourgeois nation states would be progressive and anti-imperialist merely by opposing foreign investment, increasing customs duties and reducing the balance of external trade, or by linking themselves economically to the 'Socialist Bloc'. Marxism, however, regards such 'anti-imperialism' and such 'defence' of the principle of national self-determination as nothing more than an attempt to cover up competitive manoeuvres by capitals of different national bases, particularly by 'weak' monopoly capitals".

(Dabat and Lorenzano, p.8).

For the Third World, in other words, this ideology defines socialism essentially as the most extreme and thorough-going nationalism. The goal is national development; the obstacle is the external economic connections of Third World countries; the answer is to break these countries from the world economy; the merit of socialism is that it can do this while more moderate capitalist nationalism cannot.

This ideology is constructed by combining a few ringing phrases from Lenin on imperialism and national liberation with a crude version of more modern but less satisfactory Marxist theories of imperialism. For many tendencies on the Left, the influence of these more modern theories is probably in large part unconscious — derived not from reading the basic theoretical texts, but from agitational popularisations which have sunk into the Left's conventional wisdom.

An examination of that conventional wisdom in the light of current reality and of the Marxist classics is thus timely.

"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black skins, signalled the rosy dawn of the era of capitalist production."

(Marx, Capital vol. 1, p.751)

The ascent of commercial capitalism in Western Europe from the 16th century went together with the creation of a huge new system of world trade and the *pre-capitalist* exploitation (plundering) and ruination of other areas of the globe.

"The shift in the centre of nascent European mercantilist capitalism from the Mediterranean to the Atlantic also caused a crisis in Africa. This shift tolled, in the 16th century, the knell of the Italian cities, and at the same time it brought ruin to the Arab world and to the Black African states of the Sudan-Sahel zone. A few decades later the representatives of Atlantic Europe made their appearance on the shores of Africa."

(Amin, p.50)

Handicraft industries were ruined — even in India, which had been the world's greatest centre of manufactured exports for centuries. The European colonial powers allied with local *pre-capitalist* ruling classes, and turned *pre-capitalist* modes of production (in modified forms) to the needs of capitalist profit making. The mass of the people suffered the combined evils both of capitalism and of the *pre-capitalist* forms.

Export of capital and capitalist development in the Third World

In the 19th century, Britain (from early or mid-century) and other West European powers (from later in the century) began to export capital on a large scale.

The division of the international economy into a Third World beset by poverty and a relatively prosperous core area in Western Europe (and later North America) was not, however, created by that export of capital. The mould was set in the 16th century. The export of capital actually promoted capitalist development in the Third World.

It did so to a limited extent. International inequalities were not levelled out but reproduced on an increasing scale.

Western capital went overwhelmingly into strictly limited spheres: railways, public utilities, plantations, mining. The colonies were generally restricted to one or two export industries: cash-crops or minerals. The Western capitalists made good profits from those industries with relatively little investment and without training workers in many modern skills. Often *pre-capitalist* forms of exploitation were used until quite recent times.

To step onto a higher level of capitalist development in the Third World countries required vigorous action by the state. But those countries did not have their own state power: they were colonies. For the metropolitan powers, a vigorous policy of capitalist development in the colonies would be politically risky, expensive and probably in the short term harmful to the interests of metropolitan industrialists. They remained content with relatively primitive methods of exploitation, and siphoned out the profits to the metropolis.

The effect of the 1930s slump

But there was some capitalist development. Its character changed significantly after the great slump of the 1930s, when the world trade system went into deep crisis and trade contracted sharply. Third World countries — or at least the more developed ones — turned to 'import substitution'. Mainly, light industries developed, producing the consumer goods previously imported from the West.

This economic development created the bourgeois and petty-bourgeois classes which led the successful national independence struggles after World War 2 (and the nationalist/populist movements in Mexico, Brazil, Egypt, Argentina, Bolivia, etc.). Working classes were also expanded, but (mainly thanks to Stalinism) remained as a tail to bourgeois or petty bourgeois movements.

The cause of de-colonisation was generally supported by the US, which had become the world's 'super-imperialism' after World War 2, and which wished to secure free access to the areas colonised by the now second-rate West European capitalist powers. And the independence of the former colonies has severe limits, in that they remain weak and (all but a very few) small units in a competitive capitalist world economy in which, as in capitalist economy generally, the strong are constantly elbowing aside or subjugating the weak.

Substantial remnants of the former colonial-type economic relations continue. And a few Third World countries — some in Central America, some former French colonies in Africa — are still subject to such domination by a particular advanced capitalist country as to put them in the same category as the semi-colonies of the first half of this century.

All that said, it would be wrong to underestimate the winning of national independence by some hundreds of millions of people.

Hundreds of millions of people were

drawn into modern politics, and became aware of their own dignity and their own ability to change the world, for the first time. It is not merely a sham. The economic influence of the former colonial power has declined sharply in the ex-colonies. They have carried out extensive nationalisations, they pursue foreign policies often quite at odds with the former colonial power. No-one supposes that Algerian policy is dictated from Paris these days, or Ghanaian policy from London, or Libyan from Rome.

Following decolonisation, and the nationalist/populist movements in South America and the Middle East, a new phase of capitalist development has opened in the Third World. Most Third World countries have begun to develop their own manufacturing industry, some have done a great deal more than begin.

Manufacturing output in the Third World has grown around 6% per year, and output per head at around 3 to 4% per year, since 1950. This growth is twice as fast as the growth of British manufacturing industry in the 19th century, slightly faster (per head) than the advanced capitalist countries since 1950.

As late as 1960 the Third World made only 5% of the capitalist world's steel. By 1980 it produced 15%. Manufactured goods are rapidly overtaking traditional raw-material exports in the Third World's trade.

The resources put into education and health by Third World governments are almost everywhere smaller than those put into the armed forces. Nevertheless they are far greater than those invested by the colonial regimes.

At independence only one child in five in India got any primary education. Now 76% do. In Nigeria, 70+ years of British rule produced 15% adult literacy by independence in 1960. 20 years of independence raised the literacy rate to 34%.

Land reforms have been proclaimed practically everywhere in the Third World. They have been effective more rarely.

Nevertheless, several countries — from South Korea through Egypt and Algeria to Mexico — have seen dramatic changes in their structure of landholding. Elsewhere, capitalist relations in agriculture develop more gradually but nonetheless inexorably.

Together with this development in the Third World goes a continuation and even an intensification of social misery. The development, like all capitalist development, is extremely uneven. Whole groups of countries are stagnant or even declining. In the fastest-developing countries, vast areas of poverty remain — and even increase, since recent development in countries like Brazil and Mexico has gone together with a sharp increase in inequality. The development is punctuated by crises, and since 1980 some of the faster-developing underdeveloped countries have been in their worst crisis for decades.

Most Third World states are still relatively small, weak units in a devil-take-the-hindmost world dominated by the big multinationals and international banks based in the West. Most still have a heavy heritage of *pre-capitalist* economic structures. Most, as a result of these features, are still ripped off by the richer capitalisms.

Within capitalism, moreover, 'nothing succeeds like success'. The stronger capitalist countries, and a select few Third World countries, have the large and expanding markets, the good communications, the relatively healthy and educated workforce,



High technology in the Far East

and the stable administration which attracts new capitalist development. Most Third World countries do not.

But that development is accompanied by increasing misery does not mean that it is not development. What Lenin wrote against the Narodniks on the question of the development of capitalism in Russia is very relevant.

"A large number of errors made by Narodnik writers spring from their efforts to prove that this disproportionate, spasmodic, feverish development is not development..."

"...whether the development of capitalism in Russia is slow or rapid, depends entirely on what we compare this development with. If we compare the pre-capitalist epoch in Russia with the capitalist (and that is the comparison which is needed for arriving at a correct solution of the problem) the development of social economy under capitalism must be considered as extremely rapid. If, however, we compare the present rapidity of development with that which could be achieved with the general level of technique and culture as it is today, the present rate of development of capitalism in Russia really must be considered as slow. And it cannot but be slow, for in no single capitalist country has there been such an abundant survival of ancient institutions that are incompatible with capitalism, retard its development, and immeasurably worsen the condition of the producers, who 'suffer not only from the development of capitalist production, but also from the incompleteness of that development'..."

(Lenin, Development of Capitalism in Russia, p.597, 600)

"...there is nothing more absurd than to conclude from the contradictions of capitalism that the latter is impossible, non-progressive, and so on — to do that is to take refuge from unpleasant, but undoubted realities in the transcendental heights of romantic dreams..."

(Lenin, Development of Capitalism in Russia, p.58)

'Sub-imperialism'

In some underdeveloped countries this recent development has reached the point that they have their own relatively integrated industry, their own finance capital, and their own multinationals. They have become big powers, not on a world scale, but in their regions.

The term 'sub-imperialism' was coined to describe this development by Ruy Mauro Marini, analysing Brazil after the 1964 coup.

"The Brazilian military", he wrote, "has expressed the intention of becoming the centre from which imperialist expansion in Latin America will radiate."

It would be a junior partner to the USA, but a junior partner with its own interests and plans.

The military organised a huge influx of foreign capital (much of it in joint enterprises), and industrial expansion, on the basis of a brutal increase in the rate of exploitation. The mass of the workers and peasants were unable to provide a market for this industrial production. But the military organised a big push to win export markets, and also developed a limited local 'consumer society',

"created through a transference of income from the poorest strata to the middle and upper strata, in order to guarantee the market for a high-technology industry which is becoming more and more divorced from the real needs of the great masses..."

(An example is the government's measures to develop a local market for cars, with cheap fuel, etc).

Brazil as an example of sub-imperialism

The state itself was also a major market for this new industry, particularly with military expenditures.

"The militarisation of Brazilian capitalism is neither accidental nor circumstantial. It is the necessary expression of the monstrous logic of the system, just as Nazism was for Germany of the '30s. And just as with Nazism, war must be the result." Finally:

"Brazilian capitalism is carrying out its agrarian reform, and it is not in the least idyllic. The accelerated extension of capitalist relations to the countryside has the same inhuman and brutal character which defined it in England in the 16th and 17th centuries, and more precisely in Tsarist Russia as described by Lenin".

In the course of the 1970s, this theory of 'sub-imperialism' became quite widely accepted among Marxist economists. Frank (CITW) lists seven economies as sub-imperialist: Brazil, Mexico, Argentina, India, Iran, Israel, South Africa; and analyses each one.

The whole theory is questioned by the French writer Pierre Salama, with two arguments (Salama, p.77-79). The first argument Salama himself describes as "not fundamental": that Marini and others accept too easily the 'super-imperialist' status of the USA, without sufficiently

examining the rivalries with Japan, the EEC, etc. The second argument is that the drive to conquer markets comes principally from balance of payments problems caused by the policy by the governments (Salama refers to Argentina, Brazil and Mexico) of permitting large-scale repatriation of profits.

"This export policy is thus necessary — to the extent that it flows precisely from the attitude of these governments in relation to foreign investments — but it is not vital for the reproduction of the system."

This objection is unsound. The balance of payments problems of Third World countries are endemic, and have deeper causes than one episodic policy decision. Moreover, the point about Brazilian exports is not just that they have increased — though they have — but that they have changed in composition and direction.

In 1960 Brazil's exports were overwhelmingly dominated by coffee: only 3% were manufactured goods. By 1982, 41% of its exports were manufactured. In 1960, 13% of Brazil's exports went to other Third World capitalist countries; in 1982, 34%.

The 'conventional wisdom' of the left

The common view on the left is different from the actual facts as presented above. It presents the world as sharply divided into three camps: the 'socialist' (or degenerated and deformed workers' states); the underdeveloped countries, usually described as semi-colonies or oppressed nations, or exploited nations; and the imperialist nations. It asserts that the underdeveloped countries are all dominated by neo-colonialism and experience practically no development. If some development is admitted, it is defined away as being in some way spurious or not real development. National liberation for the underdeveloped countries still remains a central question.

Now our assessment of this ideology has to depend somewhat on who is expressing it.

Sometimes it expresses the progressive protest of Third World bourgeois and petty bourgeois democracy. Then our main job is not to dwell on the scientific inexactitude of the analysis, but to argue that the dominated, subordinate position of weaker but politically independent nations cannot be remedied on a national basis but only by international working class socialist revolution.

Pretty often, however, this account is used for their own purposes by bourgeois demagogues and Stalinists, against working class internationalism.

Now the national question is not finished in the Third World. In many areas the artificial frontiers inherited from colonialism are a major problem, needing to be replaced by larger, more rational units (Socialist United States of the Middle East, of South & Central America, etc).

Nevertheless, the colonial revolution — the fight for independence from the former colonial powers — is finished. Like all bourgeois revolutions, it has been finished incompletely, unsatisfactorily, and will be followed by supplementary revolutions. But the era when the winning of political independence from the colonial powers was the centre of politics is past.

The bourgeois demagogues and Stalinists try to keep national independence centre stage by redefining it. National independence is re-defined as independent econ-

omic development — something which under capitalism is as utopian as labour money. The — real enough — facts of the rapacity of the advanced capitalist countries' multinationals are pointed to as evidence that this national independence is not yet to be won. And so the working class is called to rally to a 'national' effort to win it.

Often enough it is said that socialism is the only way to win this national independence. But such rhetoric does not indicate any break from Stalinism or bourgeois nationalism. For bourgeois nationalism in the Third World often paints itself as socialist; and Stalinism no longer relies rigidly on its classic 'stages' theory. It is well enough content to patronise the socialist pretensions of Third World state capitalisms, and to promote such socialism as the way to 'national independence'.

The pioneer Russian Marxist George Plekhanov defined his difference from the Narodniks by writing that for the Marxist,

"he is convinced that not the workers are necessary for the revolution, but the revolution for the workers."

(Plekhanov, p.384)

Likewise, for the Marxist, national independence (and all other bourgeois democratic rights) are necessary for the workers; for the left nationalist, the workers are necessary for the national independence struggle. Now 'national independence' is defined in a mystified form so that the only rational form of the struggle for it is the various efforts at national self-assertion. And these are presented as a first step to socialist struggle, as an elementary form of 'anti-imperialism'.

The tactical conclusion of this line of argument is the 'anti-imperialist united front'. Now even when the national question is still central, this *united front* is a trap for the workers. Practical agreements with bourgeois nationalist forces for specific actions will be necessary: long-term political blocs can only leave the workers swindled by their bourgeois allies or perhaps by petty-bourgeois Stalinist forces.

When political independence has been won, the call for an anti-imperialist united front is simply a call for the workers to rally behind the 'anti-imperialist' gesturing of the local bourgeoisie and petty bourgeoisie. Iran should have taught us this lesson.

'Anti-imperialism', fully-developed, means working class socialism. But used as something distinct from socialism, it means only the fight for political independence. 'Anti-imperialism' today is rather like 'anti-fascism' in the '40s: the universally accepted 'progressive' cause in the name of which class questions are obscured.

To the millions of workers and peasants who today define themselves politically as 'anti-imperialist', as to the millions who considered themselves 'anti-fascist' in the '40s, the task of Marxists is of course not to bring pedantic critiques but to try to show the way to a working-class programme. But the precondition is that the minds of the Marxists themselves are clear — free from the use of 'anti-imperialist' rhetoric to smear over class questions and to present bourgeois nationalism and proletarian socialism as simply more or less militant versions of the same 'anti-imperialism'.

This is doubly important because of the role of the sub-imperialist powers and the USSR as oppressors of nations.

Portugal was the last west European state to release its colonies. The reason was not Portugal's strength, but its weakness. It was not strong enough to maintain its position purely by economic means.

For similar reasons, the 'sub-imperialist'

powers — and some underdeveloped countries which can scarcely rank as sub-imperialist — are today more apt to seek direct political domination of subject nations than are the imperialisms of the big advanced capitalist countries. Iran, Turkey, Ethiopia are examples. So are Israel and South Africa, though other factors enter there.

But by far the greatest oppressor of nations today is the USSR. The reason why the Kremlin relies on such brutal, direct political repression is, surely, the fact that the bureaucracy does not have the solidity and the historic role of a ruling class. The bureaucracy's antagonism to its economic base differentiates it from imperialism (i.e. capitalist imperialism). It does not make the national oppression inflicted by the bureaucracy any less reactionary.

The difference between the USSR and imperialism is important in some circumstances: but, under the pressure of the strong influence of Stalinism on the Trotskyist movement since World War 2, it has often been crudified.

Trotsky's own answer to the question, 'Is the USSR imperialist?', was a lot nearer 'yes, but' than 'no'.

"Can the present expansion of the Kremlin be termed imperialism? First of all we must establish what social content is included in this term. History has known the 'imperialism' of the Roman state based on slave labour, the imperialism of feudal landownership, the imperialism of commercial and industrial capital, the imperialism of the Tsarist monarchy, etc. *The driving force behind the Moscow bureaucracy is indubitably the tendency to expand its power, its prestige, its revenues.* This is the element of 'imperialism' in the widest sense of the word which was a property in the past of all monarchies, oligarchies, ruling castes, medieval estates and classes. However, in contemporary literature, at least Marxist literature, imperialism is understood to mean the *expansionist policy of finance capital* which has a very sharply defined economic content. To employ the term 'imperialism' for the foreign policy of the Kremlin — without elucidating exactly what this signifies — means simply to identify the policy of the Bonapartist bureaucracy with the policy of monopolistic capitalism on the basis that both one and the other utilise military force for expansion. Such an identification, capable only of sowing confusion, is much more proper to petty bourgeois democrats than to Marxists."

(Trotsky, In Defence of Marxism, p.33-4)
(First emphasis added)

The inadequacy of 'anti-imperialism' as a basis for politics

Since Trotsky wrote the above works in October 1939, the Moscow bureaucracy has given repeated proof of its rapacity in striving to "expand its power, its prestige, its revenues". In 1946 the Fourth International raised the call for the withdrawal of the USSR's troops from Eastern Europe, even though the comrades regarded the East European states as capitalist and considered that a prolonged USSR occupation might result in the replacement of those capitalist relations by systems on the model of the USSR. In April 1948 the Fourth International felt obliged to clarify what "Defence of the USSR" meant. The comrades proposed "Defend what remains of the conquests of October" as a more precise formulation and emphasised:

"It will be necessary to continue this revolutionary class struggle consistently and uninterruptedly in the case of the occu-



Leon Trotsky

pation of any given country by the Russian army, even though the revolutionary forces clash with the Russian army, and also in spite of the military consequences which this might entail for the Russian army in its operations against the imperialist military forces...

"It would be the gravest mistake to apply the strategy of the 'defence of the USSR against imperialism' to the different tactical diplomatic or military manoeuvres of the bureaucracy..."

(FI: 'The USSR and Stalinism')

If the issue at stake in a given conflict is "what remains of the conquests of October" — the nationalised property relations — then the distinction between the USSR and capitalist imperialism is important. But to extrapolate from "defence of the USSR" to considering the subjugation of people by the Kremlin — as in Afghanistan — as an 'anti-imperialist' alternative, at any rate to be preferred to the risk of imperialist domination in the area, is to subordinate the struggle for emancipation of oppressed peoples to the empty phrases of 'anti-imperialism'.

To say that self-determination is supportable only as an anti-imperialist demand is to deny support to the most oppressed people today. To try to evade the problem by saying that those peoples oppressed by the USSR or by underdeveloped countries are 'really' oppressed by imperialism, the Kremlin or the bourgeoisie of the underdeveloped countries acting only as an agent of imperialism, is plainly absurd in some cases (Iran, Yugoslavia's struggle for independence from the USSR in the 1940s), and confining ourselves to a distorted one-dimensional view in others (Israel/Palestine).

To make 'anti-imperialism' a basic principle of our politics is at best to make our theory a set of empty phrases to be tagged onto conclusions reached for reasons having nothing to do with theory; at worst, accommodating to the bourgeoisie of the underdeveloped countries and to Stalinism.

'Anti-imperialism', 'anti-fascism', even 'anti-capitalism', are not concepts with the precision necessary to serve as a basis for Marxist politics. Our job is to work out the real tendencies of development, the real possibilities that the working class can fight

for, to formulate a positive programme. Arguing against P. Kievsy (Pyatakov), who wanted to replace the 'self-determination' demand by 'negative slogans' such as 'get out of colonies', Lenin wrote, aptly I think:

"There is not, nor can there be, such a thing as a 'negative' Social-Democratic slogan that serves only to 'sharpen proletarian consciousness against imperialism' without at the same time offering a positive answer to the question of *how* Social-Democracy will solve the problem when it assumes power. A 'negative' slogan unconnected with a definite positive solution will not 'sharpen' but dull consciousness, for such a slogan is a hollow phrase, mere shouting, meaningless declamation".

(Lenin, p.51)

So much for the politics of the conventional wisdom. The direct influence of Stalinism in forming that conventional wisdom is clear. An indirect influence has been through a whole school of academic Marxist writers on imperialism.

The basic idea of this school is that the fundamental division within world capitalism is between the 'centre' (US, Western Europe, etc.) and the 'periphery' (the Third World). The centre develops by looting and 'underdeveloping' the periphery.

The first major text of this theory was Paul Baran's 'The Political Economy of Growth'. Although Baran was not an orthodox Stalinist, he makes his attitude plain by citing Stalin favourably as a Marxist authority and referring to the Stalinist USSR as a model of development. Many of the writers that have followed Baran, however, are non-Stalinist or even vocally anti-Stalinist. They have produced a lot of valuable work: it seem to me, however, that the core idea of their whole school is flawed.

and even in the advanced capitalist countries today. Nevertheless, Baran's ideas have had a great influence — and particularly the idea about the drain of surplus.

This idea is not very satisfactory theoretically. No-one contests that there is a substantial flow of profits from the underdeveloped countries to the advanced capitalist countries, nor even that this flow is generally greater than the reverse flow of capital export. But capitalist exploitation is not simply a system of plunder of existing resources, but rather a process of self-expansion of value. Suppose there is foreign capital to the amount of 1,000 invested in a country, and (through exploitation of labour) it expands by 20% a year. Then an outflow of 200 per year and an inflow of 100 per year can mean 10% growth per year.

But if the 200 did not flow out, then growth would be faster? It is not so simple. *Why* does the 200 flow out? The capitalists' lust for profit is no explanation. If local opportunities for investment are the best going, then lust for profit dictates not bringing the 200 out, but reinvesting it. Conversely, if opportunities for investment are better elsewhere, then the most national of capitalists will seek to direct their funds to the other place rather than investing in the underdeveloped country in question.

In reality investment patterns are not simply determined by profit maximisation in this way. The classic case for 'drain of surplus' is where foreign interests own a plantation or a mine in the underdeveloped country. The foreign capitalists are not very interested in diversifying into other industries in the underdeveloped country; the necessary infrastructure, trained workforce, etc., do not exist, and the home market in the underdeveloped country itself is small.

They are not even very interested in investing in new technology in the plantation or mine: abundant supplies of cheap labour make it unnecessary. They prefer to bring their money home to the advanced capitalist country and invest it there. When the underdeveloped country takes over the plantation or mine, however, it is likely to use the profits to build up infrastructure and heavy industry in the underdeveloped country.

Gunder Frank on 'centre/periphery'

But here the 'drain of surplus' is what is to be explained, not the explanation. It is an effect of 'underdevelopment', not the cause.

Frank argues that:

"...external monopoly has always resulted in the expropriation (and consequent unavailability to Chile [and the same argument goes for other underdeveloped countries]) of a significant part of the economic surplus produced by Chile and its appropriation by another part of the world capitalist system... [an] exploitative relation... in chain-like fashion extends the capitalist link between the capitalist world and national metropolises to the regional centres (part of whose surplus they appropriate), and from these to local centres, and so on to large landowners or merchants who expropriate surplus from small peasants and tenants, and sometimes even from these latter to landless labourers exploited by them in turn. At each step along the way, the relatively few capitalists above exercise monopoly power over the many below... Thus at each point, the international, national, and local capitalist system generates economic development for the few and underdevelopment for the many".

(CULA, pp.7-8)

There is thus a chain of metropolis-satellite relations, in which the drain of surplus from satellite to metropolis is simultaneously the cause of development of the metropolis and underdevelopment of the satellite.

For Frank this set-up is the major defining feature of capitalism, and he considers Latin America to have been integrated into a capitalist world system since about the 16th century. Imperialism, for him, therefore, is more or less synonymous with capitalism, and extends back into the 16th century.

The problem with this line of theory is shown, I think, in the way that in the excerpt above the relations of country to country, region to region, landlord to tenant, and peasant to landless labourer, are all placed under the same heading of *monopoly power*. This common feature does of course exist. But to focus on that is surely to miss out the *specific* features of the capitalist-worker relation — and the revolutionary implications which those specific features are held by Marxist theory to have.

The image of surplus being drained by a million threads from periphery to centre is a powerful one. But it is not a very satisfactory explanation of development/underdevelopment. Consider the capitalist/worker relation. For Frank this is an example of a centre/periphery relation. But does it make sense to say that this relation means development for the capitalist, underdevelopment for the worker? No. The relation means riches and power for the capitalist, poverty and alienation for the worker, and also *development of the capitalist/worker relation*. Accumulation of capital means increase of the proletariat, as Marx put it:

"Along with the constantly diminishing number of the magnates of capital, who usurp and monopolise all the advantages of this process of transformation... grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production itself".

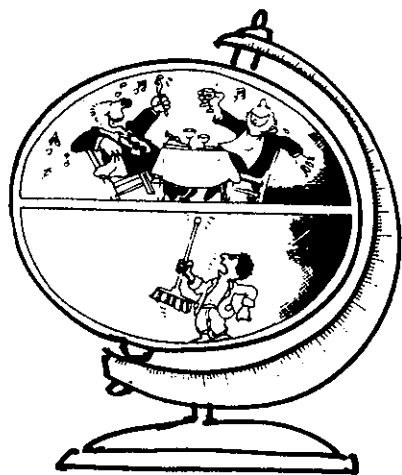
(Marx, Capital vol. 1, p.763)

Put it another way. What happens to the surplus when it finally drains through to the metropolis of metropolises — some US multinational HQ? It is not simply consumed by the bosses of the multinational. No: they seek to expand their capital still further — i.e. to *develop* the whole web of relations that brings them the surplus.

The image of the periphery/centre drain of surplus points to an explanation of why the workers and peasants are thrust into poverty. It does not point to an explanation of underdevelopment.

Plunder of the weak by the strong is a feature of all history since primitive communism. The centre/periphery theory essentially focuses on this feature. It really is a common feature. But Marxism focuses on the *differences* between, for example, the exploitation of peasants by feudal landlords (who directly consume most of the surplus) and the exploitation of wage-workers by capitalists (who use the surplus mainly to expand capital), for a good reason. It is in the differences that we can find the unfolding of the internal contradiction, the emergence of *new* elements, the potential of revolutionary change. Without that focus it is difficult to point to any reason why the plunder of the weak by the strong should be more likely to be overthrown today than 400 years ago.

Consider an analogy. Women's oppression is a feature of all societies since the matriarchy. It is possible to write its history



Baran's theory of the 'drain'

Posing the problem of why underdeveloped countries were underdeveloped, Baran answered that the main reasons were parasitism within the underdeveloped countries and the drain of surplus to the advanced capitalist countries.

Now in fact the level of productive investment in the underdeveloped countries is generally high, as compared to earlier periods in the advanced capitalist countries

in terms of a single, for-all-times concept of 'patriarchy'. But then why expect patriarchy to be overthrown today rather than 2,000 years ago or 2,000 years into the future? The reason why Marxist feminists focus on the *specific differences* of women's oppression under capitalism (e.g. the specific nature of housework under capitalism, quite different from previous societies) is that such a focus best identifies the *new possibilities* of revolutionary change.

Frank does write about contradictions, but really there is no internal, dialectical movement in his concepts. Brewer puts it like this:

[Wallerstein's analysis] "seems to me to amount to little more than a series of definitions and phrases together with his overall generalisation. What is lacking is a level of theory that would connect the two."
(Brewer, p.167)

Thus the comment of the 'centre-periphery' theorists on post-colonial development in the Third World is usually that not much has changed. The plunder of the weak by the strong remains. Only the forms are different. The point is, however, that the difference in forms is very important for class politics.

Clearly elements of the colonial-type set-up still exist — are still perhaps decisive in some countries. But overall to analyse modern imperialism in terms of 'neo-colonialism' — and that, I think, essentially, is what the centre/periphery theory does — seems to be to be misleading in roughly the same way as analysing capitalism as 'neo-feudalism'. Clearly feudal remnants exist, and may even be decisive in some societies. Clearly many common features are shared by feudalism and capitalism. But again, from a revolutionary point of view, surely what we should focus on is what is new, what is changing, where the potential is for further change.

The commonest criticism of the 'centre-periphery' theory — and one pretty widely accepted since it was first suggested by Laclau — is that it fails to focus on relations of production, instead looking mainly at relations of exchange. In essence this is the same point as I have argued above. The argument and its political implications are summarised by Brenner:

"Thus so long as incorporation into the world market/world division of labour is seen automatically to breed underdevelopment, the logical antidote to capitalist underdevelopment is not socialism, but autarky. So long as capitalism develops merely through squeezing dry the 'third world', the primary opponents must be core versus periphery, the cities versus the countryside — not the international proletariat, in alliance with the oppressed people of all countries, versus the bourgeoisie. In fact, the danger here is double-edged: on the one hand, a new opening to the 'national bourgeoisie'; on the other hand, a false strategy for anti-capitalist revolution".

(Brenner, p.91)

"Most directly, of course, the notion of the 'development of underdevelopment' opens the way to third-worldist ideology. From the conclusion that development occurred only in the absence of links with accumulating capitalism in the metropolis, it can be only a short step to the strategy of semi-autarkic socialist development. Then the utopia of socialism in one country replaces that of the bourgeois revolution..."

(Brenner, p.92)

In the periphery/centre view, nationalist, autarchic moves by the bourgeoisie of the underdeveloped countries appear as limit-

ed, initial forms of the struggle of the periphery against centre — which struggle, of course, ultimately, fully developed, is the struggle for socialism.

Socialism, in other words, appears as the broadest and most radical form of nationalism! Take as an example Peter Evans' intelligent and useful book on Brazil: he discusses different "definitions of nationalism", ranging from the Brazilian military's ("limited to elite local capital and the state"), through the more populist version of Mexico's rulers, to...socialism.

The periphery/centre view thus necessarily smears over class distinctions. This is shown strikingly, I think, by the contradictions in Frank's own writings.

He developed his theories in specific and vehement opposition to the Latin American Communist Parties and their strategy of supporting the nationalist bourgeoisie:

"The historical mission and role of the bourgeoisie in Latin America — which was to accompany and to promote the underdevelopment of its society and of itself — is finished. In Latin America as elsewhere, the role of promoting historical progress has now fallen to the masses of the people alone...To applaud and in the name of the people even to support the bourgeoisie in its already played-out role on the stage of history is treacherous or treachery."

(CULA, p.xvi-xvii)

Yet throughout his writings are scattered approving references to nationalist segments of the bourgeoisie as "progressive". For example this comment on Brazil before the 1964 coup:

"The progressive forces, including Brazilian nationalist business interests, had offered (president) Goulart an alternative... (but) Goulart again tried to put off demands of the progressive forces".

(UR, p.346-7)

Baran's book, which is the original source of many of the ideas of the centre/periphery theory is fairly explicitly moulded by Stalinism. In essence he advises those forces seeking development in underdeveloped countries, whichever class they may come from, to follow the model provided by 'socialism in one country' in the USSR. Many bourgeois and petty-bourgeois forces in underdeveloped countries have followed this advice, with state-capitalist or Stalinist results.

Frank's political conclusions

Frank is sharply opposed to the Communist Parties. Yet, it seems to me, in the end he is tied by the same neo-Stalinist framework. As Brewer points out, he argues for socialism not by identifying a revolutionary class that can create it, but by indicting capitalism for its lack of capitalist development.

"The classical Marxists assumed that each country must go through successive stages of development; the capitalist stage performed the historic task of creating a proletariat and laying the material basis for the succeeding stage of socialism. Lenin and Trotsky argued that the bourgeoisie in Russia (then a relatively backward country) was too weak to carry through the political tasks of the bourgeois revolution, so that the proletariat had to take the lead and could then carry straight on to the socialist revolution. The evolution of a relatively backward country differed from that of the more advanced centres. This argument, however, still presupposes the existence of a proletariat adequate to the task, and thus a certain degree of capitalist development.

"However, in the first half of the 20th century, there were few signs of capitalist development in underdeveloped countries, and many Marxists came to argue a position almost diametrically opposed to that of the classics. Where it had been argued that capitalist development had to create first the *possibility* of a socialist revolution, it was now argued that the absence of capitalist development made socialist revolution *necessary*. Frank is the leading exponent of this view, summed up in the title of one of his books, *Latin America: Underdevelopment or Revolution*. This shift of perspective entails a shift to a more voluntaristic concept of politics and to treating the peasantry or lumpenproletariat, rather than the industrial proletariat, as the revolutionary class. This trend in political thinking, was encouraged by the success of the Chinese and Cuban revolutions."

(Brewer, p.286)

For Marxists, the nature of socialism, derives from the nature of the agent of socialism, the working class. But Frank identifies no particular agent. So how is socialism defined? By what the Stalinists call "actually existing socialism". The forces fighting for development, whoever they are, are advised to follow that model.

The corruption of the theory of permanent revolution within the Trotskyist movement

Under the influence of centre/periphery theory and populism, many argue: a) national independence is central; b) it can be fully achieved only by socialism; c) the path forward is therefore through an anti-imperialist struggle, of which the most primitive form is bourgeois nationalism and the highest form socialism.

This ideology can be transformed into something resembling the Trotskyist theory of permanent revolution just by adding some insistence on the need for working class leadership for the socialist culmination of the anti-imperialist struggle. But the resemblance is deceptive.

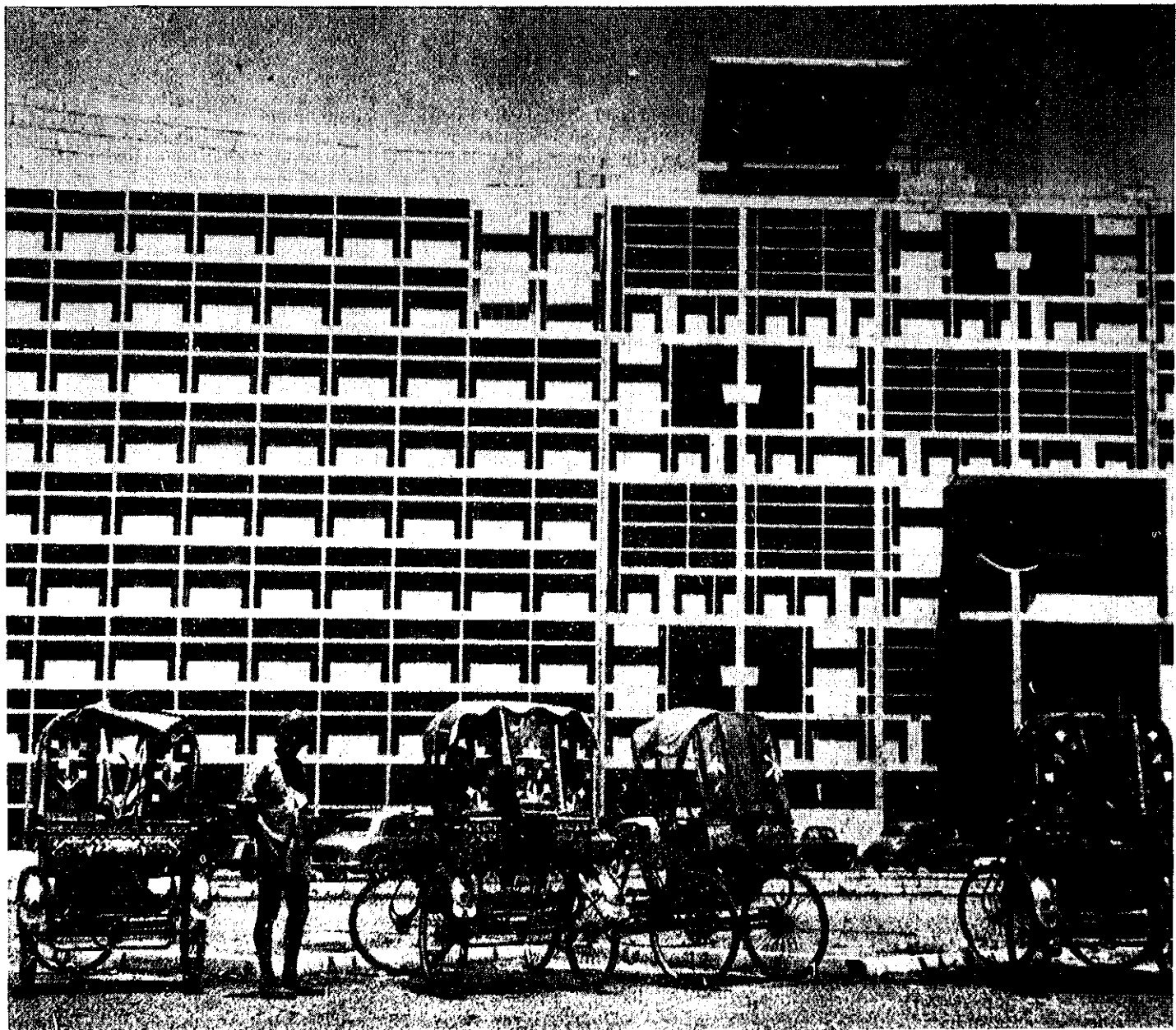
The theory summarised above means accepting 'national independence' — defined not precisely, but in utopian terms of 'independent development' — as central, whereas Marxism demands precise definitions.

It means accepting bourgeois nationalism as the first form of the anti-imperialist struggle, whereas Marxism surely demands counterposing the workers to the bourgeoisie *even in the fight for bourgeois democratic demands*.

It means smearing over the differences between bourgeois democracy and socialism under the general heading of anti-imperialism — *both*, after all, are defined as the fight for independent development — rather than strictly distinguishing.

Scenario thinking: the South Atlantic war and Ireland

Ideas not very different from this seem to dominate many minds in the Trotskyist movement. How else can they arrive at counterposing anti-imperialism to bourgeois democracy? How else can the Argentine invasion of the Falklands be seen as a first step in anti-imperialism, in a process of permanent revolution? How else can the Catholic struggle in Northern Ireland (which I believe, in contrast to the Argentine junta's adventure, has a real, progressive, i.e. bourgeois democratic content) be seen



Combined and uneven development: modern office block amid poverty in Chandigarh, India

as somehow bearing within it the socialism that will solve the problem of Catholic-Protestant working class unity? In both cases events are analysed not for what they are, but from slotting them into a preconceived scenario of escalating anti-imperialism, leading to socialist revolution — and then reading backwards.

This sort of scenario-thinking was established in the Trotskyist movement well before the theorisations of Frank and his co-thinkers:

"One must be prepared first of all to enter the struggle, confident that the logic of its development is infallibly that of the permanent revolution and grasping at the first handle offered by the situation (peasant movements, workers' strikes, or national demonstrations) to go with the masses, demonstrate with them and be the first ones against imperialism. Even though they may cry at the same time, 'Long live King Farouk', 'Long Live Mossadeg', 'Long Live Bourguiba', their second cry will inevitably be against the traitor king, the traitor paschas, the feudal-capitalist traitors, the cry of the Cairo demonstrators: 'War and revolution'".

(Pablo, p.34)

But by being merged with such theory it has been systematised and rationalised.

Trotsky's concept of permanent revolution

Trotsky's formulation of the theory of permanent revolution was quite different.

From the 1890s on, there was a debate between Marxists and Narodniks in Russia about the nature of the coming revolution. The Narodniks said it was socialist. The Marxists said bourgeois. Trotsky's theory started *firmly from the Marxist side*.

"No one in the ranks of the Russian Social Democrats (we all called ourselves Social Democrats then) had any doubts that we were approaching a *bourgeois* revolution, that is, a revolution produced by the contradiction between the development of the productive forces of capitalist society and the outlived caste and state relationships of the period of serfdom and the Middle Ages. In the struggle against the Narodniks and the anarchists, I had to devote not a few speeches and articles in those days to the Marxist analysis of the

bourgeois nature of the impending revolution".

The starting point for Trotsky's variant within the general Marxist analysis was, however, that:

"The bourgeois character of the revolution could not...answer in advance the question of which classes would solve the tasks of the democratic revolution and what the mutual relationship of these classes would be."

(Trotsky, *Permanent Revolution*, p.2-3)

Some years later, on Spain, Trotsky polemicalised against Andres Nin, who interpreted 'permanent revolution' as the assertion that the revolution was socialist:

"...Andres Nin began his broadcast declarations with the following thesis: 'the struggle that is beginning is not the struggle between bourgeois democracy and fascism, as some think, but between fascism and socialism'...The socialist character of the revolution, determined by the fundamental social factors of our epoch, is not, however, given ready-made and completely guaranteed right from the beginning of revolutionary development. No, from April 1931 onward, the great Spanish drama

has taken on the character of a 'republican' and 'democratic' revolution...The problem still remains, and therein lies the whole political task, to transform this hybrid, confused, 'half-blind and half-deaf' revolution into a socialist revolution. It is necessary not only to say what is but also to know how to use 'what is' as one's point of departure."

("The Spanish Revolution, p.294-5)

And in the Transitional Programme Trotsky summarised permanent revolution with great conciseness:

"As a primary step, the workers must be armed with this democratic programme [agrarian revolution, national independence, constituent assembly]. Only they will be able to summon and unite the farmers. On the basis of the revolutionary democratic programme, it is necessary to oppose the workers to the 'national' bourgeoisie. Then, at a certain stage in the mobilisation of the masses under the slogans of revolutionary democracy, soviets can and should arise. Their historical role in each given period, particularly their relation to the National Assembly, will be determined by the political level of the proletariat, the bond between them and the peasantry, and the character of the proletarian party politics. Sooner or later the soviets should overthrow bourgeois democracy. Only they are capable of bringing the democratic revolution to a conclusion and likewise opening an era of socialist revolution."

What is the difference between this and the vulgarised version of permanent revolution described above? The Trotskyist theory says: this is a bourgeois revolution. Organise the working class to fight for bourgeois democratic tasks in opposition to the bourgeoisie: on that basis win workers' power. The vulgarised theory says: this is a process of permanent revolution. Support the bourgeois nationalist first stage of it. Develop it.

It will 'grow over' into socialist revolution. Bourgeois democratic issues — like freedom of trade unions, political parties, etc. — are not very important here since socialism is higher than bourgeois democracy.

Permanent revolution 45 years on: the letter and spirit of Trotsky's theory

In the summary of 'The Permanent Revolution', Trotsky wrote:

"With regard to countries with a belated bourgeois development, especially the colonial and semi-colonial countries, the theory of the permanent revolution signifies that the complete and genuine solution of their tasks of achieving democracy and national emancipation is conceivable only through the dictatorship of the proletariat as the leader of the subjugated nation, above all of its peasant masses". (PR, p.152).

Following this, some comrades seem to argue that the underdeveloped countries must 'stand still' with respect to bourgeois transformation — the elimination of pre-capitalist survivals — until the proletarian revolution. To admit that the colonies have won national independence, for example, is to deny Trotskyism.

I think this is wrong. Trotsky always wrote on a short time-span. He was concerned about the revolutionary possibilities for the next period, not about what would happen if those revolutionary possibilities were defeated, a world war happened, and 35 years of capitalist development followed.

On Russia, Lenin repeatedly argued that

there were two alternatives for the country's bourgeois transformation:

"With the present economic basis of the Russian Revolution, two main lines of development and outcome are objectively possible:

"Either the old landlord economy, bound as it is by thousands of threads to serfdom, is retained and turns slowly into purely capitalist, 'Junker' economy...Or the old landlord economy is broken up by revolution, which destroys all the relics of serfdom, and large landownership in the first place..."

(Lenin, DOCR, p.32)

The first alternative — the 'Prussian road' — surely also applies to the countries Trotsky was referring to. In the 'Third International After Lenin', (TIAL, p.134) Trotsky refers to the possibility of the 'bismarckian way'.

To use the passage cited at the beginning of this section as a basis for assessing underdeveloped countries today would seem to Trotsky, I'm sure, as wrong as using Marx's writings on permanent revolution in Germany in 1848 to assess Germany in 1900.

Whatever else capitalism can do, it cannot stand still. If the working class proves unable to take the lead — as, mainly due to Stalinism, it did in the 1920s, and '30s and '40s — then the bourgeoisie will transform society in its own way. The variant is mentioned by Trotsky in passing:

"Then the struggle for national liberation will produce only very partial results, results directed entirely against the working masses". (PR, p.132).

Those results now exist. They are the reality we have to deal with. The job of socialists is to analyse and base ourselves on the class contradictions within that reality.

A final word is necessary on the theories of 'the end of imperialism'. The theories arguing that imperialism ended with decolonisation appear, at first sight, to be the radical opposite of 'centre-periphery' theory. In fact they are fundamentally offshoots of that theory.

Bill Warren launched an assault on standard radical thinking about imperialism with an article, in 1973, presenting facts on capitalist development in the Third World. I think it is undeniable that this initial article, despite its exaggerations, had a healthy impact in forcing Marxists to re-think their 'conventional wisdom'. But the further theorisations by Warren — a member of the British Communist Party and then of a Stalinist-Kautskyist sect, the British and Irish Communist Organisation — were not very useful.

Warren's argument is completely trapped by the thesis he is arguing against. On point after point he says no where the 'centre-periphery' theorists say yes, yes where they say no. This makes his account a contradictory jumble.

Example: 'centre-periphery' theorists say that colonialism hindered the development of the colonies, also that the removal of formal colonial rule has not removed those hindrances. Warren replies that colonialism helped the development of the colonies — and that the end of colonialism helped even more!

Example: 'centre-periphery' theorists attack the social and cultural effects of colonialism and imperialism. Warren responds with a vigorous defence of the historically progressive role of bourgeois culture — yet has little but scorn for a major example of that progressive role, the self-

assertion of the ex-colonial peoples through bourgeois national struggles.

Example: 'Centre-periphery' theorists say that imperialism generates underdevelopment — using 'underdevelopment' as a term to cover both lack of capitalist industry, and unevenness of industrial development, and mass misery within that development. Warren replies that imperialism generates development — meaning growth of capitalism, and increasing evenness of development, and increased social welfare.

If 'centre-periphery' theorists in some ways parallel the Narodniks in pre-revolutionary Russia, Warren parallels the Legal Marxists. Like them he paints the development of capitalism in the most glowing colours, not only recognising it (as Marxists must) but effectively praising and advocating it.

Everything that points to capitalist progress in the Third World is played up, the other side of the picture is played down. For example: Warren notes briefly that "Agriculture has failed..." in the Third World (his book, p.236), but rapidly moves on to *speculations* about favourable prospects for Third World agriculture in the future.

If you read closely, there are qualifications and reservations. But the drift of Warren's argument is that the world is moving towards more even development, with imperialist relations of economic domination being weakened. Yet capitalist development is in fact becoming *more* uneven. The economic domination of big states and international companies remains strong.

We may see major reshufflings in the imperialist hierarchy and the emergence of new imperialisms. The 'end of imperialism' is not foreseeable, this side of the socialist revolution.

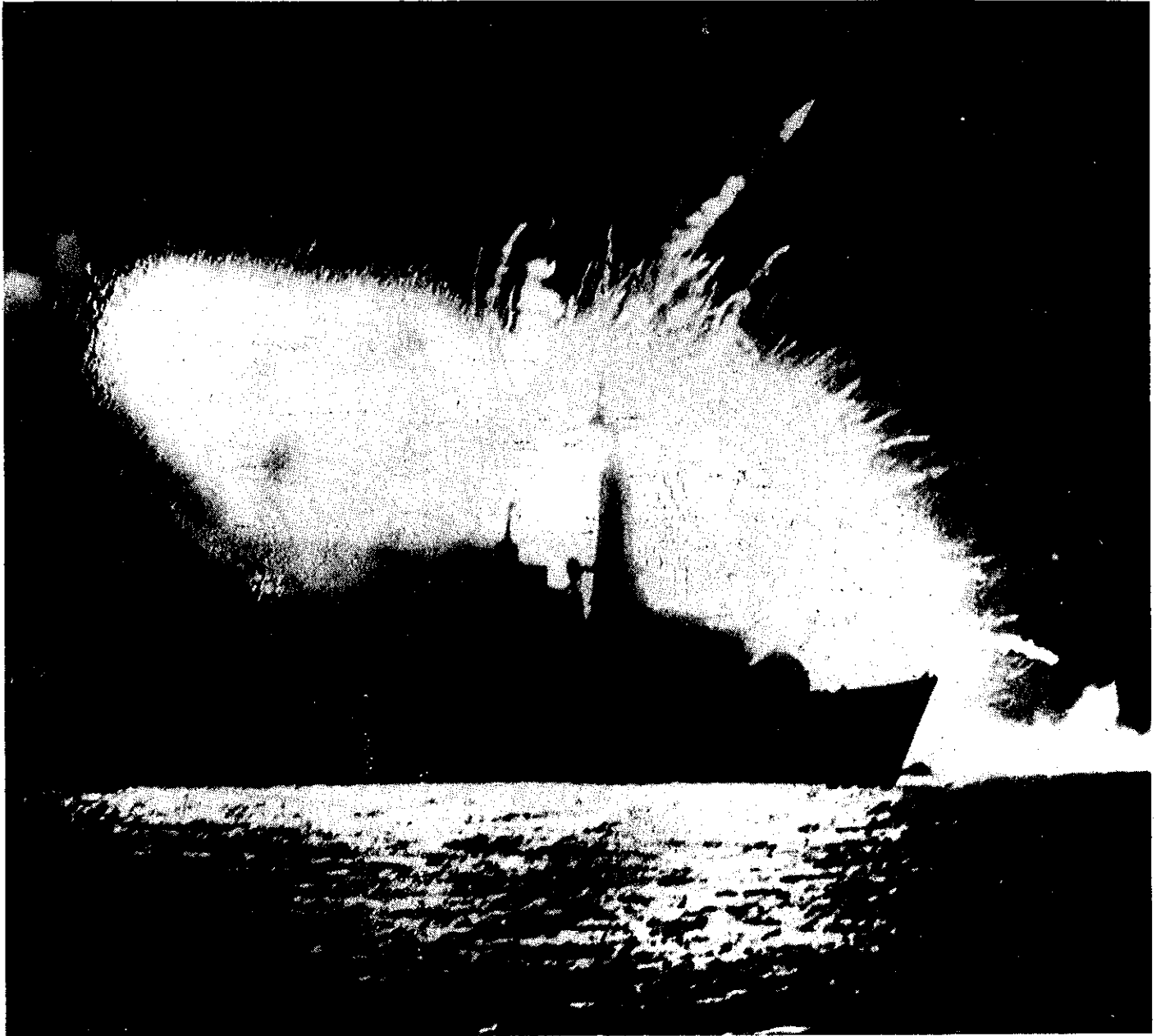
Another 'end of imperialism' argument, entirely different from Warren's, has been developed within, or on the periphery of, the Trotskyist movement.

Michael Kidron, of the International Socialists (now Socialist Workers Party) argued in the early '60s that imperialism was the 'highest stage but one' of capitalism. The SWP has since distanced itself from this view, but it was an organic part of a coherent overall theory — embracing state capitalism in the USSR and the 'permanent arms economy' in the West — which has not been renounced.

In 'western capitalism', Kidron argued, the permanent arms economy acts as a stabiliser. The original version of this thesis was, as Kidron himself points out, "heavily Keynesian". Implicitly accepting the Keynesian view that the fundamental cause of capitalist crisis is lack of market demand (due to insufficient psychological drive to consume and to invest at a given level of income), it proposed that the demand created by the state through military spending would (to some extent, for some time) fill the gap.

Later the permanent arms economy theory "underwent a marxist conversion" (Kidron 1977; and for a critique of the Marxist version, see Semp). But it was the 'Keynesian' version that linked in with the argument on imperialism.

The economic function of imperialist export of capital was interpreted fundamentally as providing a 'drain' for capital that would otherwise be surplus in the advanced capitalist countries. With the permanent arms economy providing an alternative drain, such export of capital was no longer necessary for the system.



The South Atlantic war: HMS Sheffield explodes. A blow for national liberation?

The Third World was also less and less important to the advanced capitalist countries as a source of raw materials, because of new technologies, use of substitutes, etc.

In short, imperialist exploitation of the Third World was no longer necessary for the West, and that explained decolonisation. However, Third World countries were left crushed and battered in the world of military competition between nation-states.

"The societies maimed and shattered by the imperialist explosion of the last century are again being maimed and shattered — by the growing economic isolationism of the west (an imperialist implosion as it were)..." (Kidron, WC, p.10)

The conclusions were similar to those of the standard 'centre-periphery' argument on the underdevelopment of the 'periphery' — with one modification. Rather than China, Cuba, etc. being pointed to as examples of development to contrast with the general underdevelopment, it was argued that they shared in the underdevelopment. In such countries there had been a process of 'deflected permanent revolution', whereby petty bourgeois groups presented themselves as the banner-bearers of socialism but actually installed state

capitalism — which, within the capitalist world economy, could offer no way out.

The idea that imperialism is fundamentally about providing a 'drain' for surplus capital is wrong. It is wrong whether the term 'imperialism' is used to mean capitalist imperialism in general, dating back to the 16th century, or in Lenin's narrower sense, to refer to specifically *monopoly-capitalist imperialism* since around 1898-1902.

Kidron and his 'drain' theory

In the earlier phases of capitalist imperialism there was no export of capital: on the contrary, as Marx put it, "treasures captured outside Europe by undisguised looting, enslavement and murder flowed back into the mother-country and were turned into capital there". When export of capital to the Third World did begin, it was not an *overflow*. Capital does not necessarily exhaust all domestic openings for investment before turning abroad. Capitalism is not a system composed fundamentally of national units, with flows between those units generated only by the excesses and imbalances within them.

In any case, capital can be 'surplus' in a Third World country as well as in an advanced capitalist country. Capital becomes surplus, not because of the absolute level of development of an economy, but in relation to its tempo of capitalist development.

High levels of capital export from a country may be associated with low investment in that country — or, equally, with high home investment.

Capital has a drive to expand, to seek new fields of operation, to press outwards, which is inherently insatiable. One new field of operation only produces new profits which in their turn become capital and press for further new arenas.

Thus the argument that export of capital is no longer necessary for the West falls down. And in fact export of capital to the Third World in recent decades has been pretty rapid. (There are figures showing an apparent declining importance of foreign investment in the Third World: but that is only because export of capital between advanced capitalist countries has grown even more rapidly).

Magdoff argues in detail that Third World sources of raw materials are still important for the US (especially for arms



production). But the 'oil crises' of the 1970s surely settle this debate anyway.

In any case, *why* — in Kidron's view — does state capitalism offer no way out of underdevelopment? Crucial here is Kidron's argument that modern capitalist competition is primarily military competition between states — the argument that is central to his thesis that the USSR is state capitalist.

This argument that military competition defines a world of state capitalisms leads to the conclusion that no social revolution is possible unless it happens simultaneously in at least a large chunk of the world. Revolutions in the Third World (and perhaps in advanced capitalist countries?) are bound to end, under international pressure, in state capitalism.

This fatalistic conclusion is completed by a rejection (more or less out of hand, with references to Trotsky) of the notion of bourgeois revolutions in the Third World. Fortunately it is not necessary: military competition between states has been a feature of many different states over many centuries; it was a major factor in the era of the absolute monarchies, for example; it is quite distinct from specifically capitalist competition; and clearly it does not entirely determine, although it influences, the internal social relations of the competing states.

The political problems with Kidron's theory were expressed most dramatically in a celebrated controversy in the '60s. Commenting on the ex-Trotskyist LSSP's partici-

pation in a bourgeois coalition government in Sri Lanka, Kidron deplored the LSSP's action but said that unfortunately there was nothing much that socialists could do in countries like Sri Lanka anyway. Some leading IS/SWPers (then under considerable pressure from the Workers' Fight tendency within IS) sharply dissociated from Kidron. But he had the logic of their common theory on his side.

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