

EPOCHS OF CAPITALISM AND THE PROGRESSIVENESS OF CAPITAL'S EXPANSION

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I. INTRODUCTION

THAT CAPITALISM DIVIDES ITSELF into distinct epochs or stages is universally recognized by writers in the Marxian tradition, though there is some variation as to the theoretical explanation for the division. There is considerably less agreement over the characteristics of capitalism in the different epochs. The most important disagreement is over whether capitalism in its advanced stage is "progressive." That is, whether it remains the tendency for capitalism throughout its expansion to destroy pre-capitalist social relations and transform those social formations into capitalist formations. This "progressive" tendency is sometimes narrowly stated as the tendency for capitalism to develop the forces of production. It is argued that insofar as advanced capitalism contains within itself this tendency, it is a progressive force on a world scale; insofar as this tendency has been lost, capitalism is reactionary.

The issue of the progressiveness of advanced capitalism is central to the theory of imperialism, and some have taken the view that capitalism's revolutionary overthrow is justified only if the development of the productive forces has come to an end.¹ Questions concerning the progressiveness of capitalism have appeared prominently in the debate over revolutionary strategy in

underdeveloped countries; they are closely linked to the issue of class alliances and whether a "two stage" revolution is called for. This paper addresses itself to these general issues. In Section II, the periodization of capitalism is treated and the most important characteristics of capitalism during each epoch are outlined. In Section III, the question of the progressiveness of capitalism is considered, and it is argued that conclusions on this issue derive from one's theory of capitalist competition. While this analysis has implications for political strategy, these are not pursued in this paper.

When one thinks of the periodization of capitalism, the most prominent source that comes to mind is Lenin and his famous pamphlet, *Imperialism*. Indeed, it is frequently argued that one of Lenin's most important contributions to Marxian theory was the specification of capitalism's two stages or epochs: the stage of competitive capitalism and the stage of imperialism. We find the first such conceptual division of capitalism in Volume I of *Capital*, with Marx's distinction between the "stage of manufacture" and the "stage of modern industry." It is clear from Lenin's early work that his periodization of capitalism derives from Marx's division based upon the internal dynamic of the accumulation process.² Marx argued that in its first epoch, "manufacture," the accumulation process is based upon the extraction of absolute surplus value; and in the second, "modern industry," the production of relative surplus value dominates the accumulation process.

Much of the literature on imperialism has stressed the "worldwide, strategic character of imperialist penetration."³ This literature includes debate over the strategy of the bourgeoisie in imperialist countries *vis-à-vis* ruling classes in oppressed countries, the possible contribution of the bourgeoisie in oppressed countries to national liberation struggles, and other central issues of revolutionary praxis. What follows does not address itself directly to these crucial questions, though it is integrally related to them. Rather, an effort is made to identify the historical tendency of capital's development. The most important issue at this high level of abstraction is the question of capital's tendency to transform precapitalist social formations into capitalist forma-

1 A famous passage from Marx would seem to support this: "No social order is ever destroyed before all the productive forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society." Karl Marx, *A Contribution to the Critique of Political Economy* (New York, 1976), p. 21.

2 V.I. Lenin, "On the So-Called Market Question," *Collected Works, I* (Moscow, 1972).

tions. If this is the major tendency, then capitalism is said to be "progressive." This does not imply that *capitalists* in advanced or backward countries are progressive. That question lies at a more concrete level of analysis. While the nature of capital's development and the strategy of the imperialist bourgeoisie are related, the two are not mechanically linked by abstract logic. Rather, their relationship is mediated by the concrete history of each country.

But while the abstraction to capital as a whole moves one far from the analysis of conjunctural circumstances, it provides a number of fundamental insights which allow for a rigorous consideration of the concrete. The most general and basic conclusion is that the fundamental nature of capitalism does not change as capitalism matures, but rather that those aspects which were latent in immature capitalism come to dominate. In particular, this analysis rejects the "monopoly capital" school of thought which argues that developed capitalism is characterized by different laws of operation than those operative in the previous stage.³ The most important of these is the competitive contradiction, which the "monopoly capital" school sees as disappearing in modern capitalism. While the implications of the "monopoly capital" view are not pursued, they are seen as the implicit basis for much of the theorizing about the causes of underdevelopment in the imperialist epoch.

II. EPOCHS OF CAPITALISM

A. Stage of Manufacture

Capitalist production is based on the separation of producers from the means of production. This separation involves as its most important aspect the forcible expulsion of labor from the land. Once this separation occurs ("primitive accumulation" Marx called it), the necessary conditions for capital's birth are present. In the "freeing" of labor from the land, capital is set free by allowing money to be a claim on wealth in general. Once labor is no longer in possession of the means of production, it can only be united with those means of production through the

initiative of capital. This point is shown by reference to the circuit of capital, given below.

$$M \text{ — } C \xrightarrow{MP} \dots P \dots C' \text{ — } M'$$

M — money capital
 C — productive capital, means of production (MP) and labor power (LP)
 P — moment of production
 C' — commodity capital
 M' — expanded money capital

The capitalist epoch dates from the domination of the work process by capital. Prior to this domination of production, capital existed in extremely restricted form as merchant's capital. Merchant's capital had the basic form of capital, buying in order to sell ($M \text{ — } C \text{ — } M'$), but it did not exert its control over the production process. It is the control of the production process by capital which not only characterized a new historical epoch, but made capitalist society dynamic and progressive compared to previous epochs. Marx characterized this initial control of production as the "formal subsumption of labor to capital." The division of labor within the production process in the period of manufacture reflected the social relations and technology which evolved within artisanal production. The dynamism which capital generated was the result of the new social relations of wage labor.

In this first stage of capital's development, the sources of expanded accumulation were the concentration of capital and the raising of surplus value absolutely. Because of the artisanal nature of the production process, the possibilities for raising productivity were extremely limited. Machinery was largely a product of craft workshops, expensive and limited in supply. In part due to this technological limitation, individual capitals expanded by concentrating more workers into workplaces, rather than by transforming the production process. In such conditions, surplus value was raised primarily by lengthening the working day and increasing the intensity of work. Marx called this the production of absolute surplus value.

3 P.A. Baran and Paul Sweezy, *Monopoly Capital* (New York, 1966).

Capital's reliance on the production of absolute surplus value was dictated by the primitive state of capitalist social relations even more than by technological constraints. In the period of manufacture, the progressive tendencies of capitalism manifested themselves not primarily in the development of productive forces, but in the destruction of anachronistic social relations. Particularly important was the credit system, underdeveloped and oriented to the needs of merchant's capital. Achieving dominance over the credit system was perhaps the single most important task for industrial capital in order to make the transition to "modern industry."

The accumulation of capital is achieved by the conversion of surplus value into new capital — additional means of production and labor-power. For capital as a whole, the rate of accumulation depends upon, and its upper limit is set by, the mass of surplus value which is realized as profit. In the period of manufacture, individual capitals tended to be similarly limited, with their expansion based upon the surplus value produced in the individual production processes. This reflected the underdevelopment of the credit system. In effect, the institutional framework of capitalism was too primitive to allow for the redistribution of surplus value among capitals, which is the function of banking or financial capital.⁴ Limited to their own profits, individual capitals could not undertake the large investments which the revolutionizing of the means of production required.

These limitations on the accumulation process gave the period of manufacture its particular character. Competition was restricted to struggles within branches of industry by relatively large numbers of producers. First, with the credit system underdeveloped, more efficient capitals were constrained in the rate at which they could expand and eliminate weak competitors. Second, this same credit constraint made it difficult for capital in one branch of industry to invade other branches. To use Marx's term, this was the period of the concentration of capital (growth of individual capitals), with little scope for the centralization of capital (redistribution of existing capital among fewer capitals). This implies that in the period of manufacture "capital as func-

4 See John Weeks, *Capital and Exploitation* (Princeton, 1982), Chapter V.

tion" (capital's productive aspect) dominated over "capital as ownership" (capital's distributive aspect).

It is this early and primitive stage of capitalist society that bourgeois economists eulogize as the golden age of competition. This view is both romantic and ahistorical. What appears as "free competition" was *constrained* competition, competition in embryonic and primitive form. The bourgeois theory of "perfect competition" is merely an ahistorical abstraction from a brief and fleeting moment of capitalism's youth. To treat this primitive period of capitalism as the theoretical basis of commodity-producing society is to invert reality, for the major tendencies within accumulation remain latent in this stage.⁵

At this point it is useful to elaborate what is meant by "latent," since this concept plays an important role in the analysis. Obviously capitalism has changed over time, and its appearance in the twentieth century is quite different from its appearance in the late eighteenth century. One can account for this in two ways. One way would be to treat capitalist society as affected by forces related to but separable from capitalist social relations themselves, such as technical change, and to argue that capitalism adapts itself to a new environment or is transformed by that environment. The approach here is different. It is argued that capital in its incipient form contained within itself contradictory elements, and the progressive resolution of these contradictions gave rise to the subsequent concrete manifestations of capital's reproduction. To be specific, the rapid process of centralization of capital and the union of financial and industrial capital which occurred at the end of the nineteenth century was not an alteration in the nature of capitalist accumulation, but the realization of contradictions which had been present in capital's reproduction one hundred years before. At some risk, we can venture an analogy with an acorn: the growth of a great oak tree represents not adaptation or change in response to the environment, but a process latent in the acorn itself (though obviously the environment has a quantitative effect on its growth).

The early stage of capital's development should now be considered; in this manufacturing stage capitalism is clearly progres-

5 I refer to the process of the centralization of capital, production of relative surplus value, and the two tendencies that arise from these: the tendency of the rate of profit to fall and the countervailing tendencies to the falling rate of profit.

sive within its own domain. The progressiveness of capitalism is the consequence of capital seizing control of the production process (moment C . . . P . . . C' in the circuit of capital) and through accumulation bringing more and more people into wage labor. In the stage of manufacture, the progressiveness manifests itself at different levels of abstraction. First, the growth of capitalist production is the growth of the proletariat, which lays the basis for the struggle between the two great classes of modern society. Second, capitalist social relations have a liberating effect on the development of the productive forces, heralding a new epoch in man's mastery over nature. Third, what Marx called the "necessary illusion" of equal exchange between capital and labor transforms the ideological context in which the exploitation of labor occurs. The ideology of capitalism is based on the formal equality of capital and labor in exchange, and in the political sphere this manifests itself in the bourgeois concept of individual freedoms. These freedoms functioned in the early stage of capitalist development to liberate capital from feudal constraints. One necessary aspect of this liberation of capital was the separation of labor from the means of production—a process that freed workers from extra-economic coercion in order that they might be made available for capital.

On a world scale manufacturing capitalism was limited by the same underdevelopment that restricted accumulation to the production of absolute surplus value. Because of the rudimentary character of the credit system, the export of both money capital and productive capital could not be easily achieved. The term "export of money capital" is used to designate lending by financial institutions, usually in the form of state or private bonds, to other countries, developed or underdeveloped. "Export of productive capital" refers to the setting up of productive enterprises in other countries (plantations, factories, railroads, mines) under the direct operating authority of foreign capital.

The existence of pre-capitalist social relations left little scope for such export to Africa, Asia, Latin America, and Eastern Europe in the nineteenth century. Pre-capitalist societies are not predominantly commodity-producing, though they may be drawn into capitalist exchange. As long as labor-power is not a commodity, or is available only to a limited extent, capital lacks the basis for its unique system of exploitation. That is why the

first export of productive capital was for mining and plantations, which were outside the pre-capitalist economy and produced for the overseas capitalist market.

One needs no special theory to account for the predominance of the export of commodity capital in the stage of manufacture, and certainly no underconsumptionist argument. Capitalist production recognizes no national boundaries, and the export of commodity capital is the consequence of commodity production itself. To a certain extent, the export of commodity capital was stimulated by the need for raw materials required from pre-capitalist formations. But the theoretical issue is not why commodity capital was exported in the stage of manufacture, but why money capital and productive capital were not. The explanation lies in the nature of capitalist society on the one hand, and of pre-capitalist formations on the other.

B. *Stage of Modern Industry*

The process of accumulation in the stage of manufacture concentrates the working class into larger productive units, laying the basis for the development of working class power. This power asserted itself in a struggle over the conditions of work and control of the labor process. The most decisive aspect of this struggle was the conflict over limiting the working day, or, more precisely, the struggle over who would determine the length of the working day, capital or labor. The victory of the working class in establishing limits to the degree to which capital could dictate the length of working day ushered in the stage of modern industry.⁶

Once the working day was no longer unilaterally set by capital, the scope for raising surplus value absolutely reached its limit. While this form of increasing the surplus was not eliminated, it ceased to be the major element in the competitive struggle among capitals, giving way to what Marx calls "relative surplus value." This requires that in a given working day the "necessary labor time" be reduced relative to the "surplus labor time." The primary method for achieving this result is the introduction

6 For an excellent discussion, see Ben Fine and Lawrence Harris, *Re-Routing Capital* (London, 1979). See also Lawrence Harris, "Periodization of Capitalism," in Tom Bottomore (ed.), *A Dictionary of Marxist Thought* (Oxford, 1983).

of technological improvements into the production process. The emergence of relative surplus value as the dominant basis for accumulation did not end oppressive methods of intensifying labor on the shop floor; i.e., capitalism did not mellow its exploitative character in the stage of modern industry. To the extent that work became less oppressive, this resulted (and results) from the continuous struggle of the working class over hours, conditions, and intensity of labor, not as a result of rising productivity itself.

The development of the credit system provided the additional money capital necessary for the expansion of the scale of production which greater use of machinery required. The need to marshal large amounts of money capital led to the growth of financial capital, with profound consequences for the nature of the capitalist system. In Marx's words, it represented the ascendancy of capital-as-ownership over capital-as-function; or as Lenin put it, the domination of industrial capital by finance capital. Lenin's emphasis on finance capital has been commonly interpreted to imply the decline of competition in the stage of imperialism. In recent years, a growing school of theorists rejects this interpretation of Lenin's writings and the argument that competition declines.⁷

Rather, the truth is that the development of the credit system and finance capital intensifies the competitive struggle. In the stage of manufacture competition tended to be restricted to what bourgeois economists call the "product market," price competition among existing capitals. With modern industry capitalist competition develops to a higher level, manifesting itself in the flow of capital between branches of industry, and eventually between countries. Like so many aspects of capitalism, the tendency for competition to intensify is obscured. The movement of capital can at times result in capitals monopolizing markets. This tendency increases as capitalism develops, but it is a manifestation of capital's competitive contradiction, not the elimination of competition.⁸

7 See footnote 24, and John Weeks, *The Limits to Capitalist Accumulation: The Industrialization of Peru, 1950-1980* (Boulder, 1984), Chapter 1.

8 Marx put this well: "In practical life we find not only competition, monopoly, and the antagonism between them, but also the synthesis of the two, which is not a formula, but a movement. Monopoly produces competition, competition produces monopoly. . . . The synthesis is such that monopoly can only maintain itself by continually

While all production is social, production in the stage of modern industry becomes socialized to a qualitatively advanced degree. Capitalist production appears to be atomized, isolated production, the sum of the production of many capitals. In the stage of manufacture, this appearance somewhat corresponds to reality, since exploitation is to a great extent achieved by the domination of individual capitals over their workers — the extraction of absolute surplus value. In the stage of modern industry, exploitation is socialized; the relationship is between capital as a whole and the working class. Raising the rate of exploitation depends upon the rate at which the integrated system of production can raise productivity generally and thereby reduce necessary labor time (the value of labor-power). In such an advanced phase of capitalist development, one capitalist increases exploitation of labor insofar as all do." Marx called this the development of "social capital."

The age of modern industry facilitates the export of money capital and later productive capital. Again, no special theory of capital export is required, for the tendency to export money and productive capital arises from developments internal to the capitalist mode of production. Once financial capital achieves maturity, it seeks out profitable fields, including those in pre-capitalist formations. This interpretation implies that while it is not erroneous to periodize capitalism in terms of the forms that the export of capital takes, it is imprecise analytically to do so. Periodization based on the form in which capital is exported can be misleading in two ways: 1) it stresses the differences between the epochs of capitalism rather than their basic continuity; and 2) it suggests that the stage of modern industry should be divided into a period in which the export of money capital is primary and a further one in which the export of productive capital is primary. The second point we develop below.

Finally, to periodize capitalism by the forms of capital export is to accept a criterion based on the sphere of circulation. Basing arguments on circulation is not a *prima facie* sin of analy-

entering into the struggle of competition." Karl Marx and Frederick Engels, *Collected Works*, Vol. VI (New York, 1976), p. 197.

9 This follows from the manner in which surplus value is raised *relatively*. See Karl Marx, *Capital*, Vol. I (London and Moscow, 1974), Chapter XIII; and Weeks, *Capital and Exploitation*, Chapter III.

sis. However, most Marxian theorists would agree that phenomena of circulation are derivative from the sphere of production.¹⁰

III. THE EXPORT OF CAPITAL AND ITS EFFECTS

A. *Export of Commodity Capital*

As already noted, capitalism from its birth engaged in the export of commodity capital (C' — M'). Observation of this fact gave rise to an early critique of capitalism based on an underconsumptionist theory and denying the progressiveness of capitalism. Early writers to take up this position were Sismondi and Proudhon, who argued that the development of wage-labor relations, by destroying the peasantry and artisanal classes, reduced the "home market" for commodities. The analytical shortcoming of this school of thought is that it fails to recognize the circulation of commodities as the circulation of capital, as Lenin cogently argued.¹¹

The expansion of commodity production in the capitalist homeland transforms society through the ruination of the independent petit-bourgeois producer — a ruination that appears to take place through the "civilized" form of price competition. In the periphery direct force is applied to non-capitalist formations by the bourgeois state (what Marx referred to as "so-called primitive accumulation").¹² It has been often pointed out that com-

10 Marx wrote: "The structure of distribution is completely determined by the structure of production," and "the intensity of exchange, its extent and nature, are determined by the development and structure of production." Karl Marx, *Grundriss* (New York, 1973), pp. 93, 139.

11 Lenin wrote: "Do we deny that capitalism needs a foreign market? Of course not. But the question of a foreign market has *absolutely nothing to do with the question of realization*, and the attempt to link them into one whole expresses . . . the romantic inability to think logically." Lenin, "A Characterization of Economic Romanticism," *Collected Works, III* (Moscow, 1972), p. 162, emphasis in original. I have dealt with this issue in John Weeks, "On the Issue of Capitalist Circulation and the Concepts Appropriate to Its Analysis," *Science & Society*, Vol. XLVII, No. 2 (Summer, 1982).

12 "Direct force, outside of economic conditions, is of course still used in nineteenth century Britain, but only exceptionally. . . . It is otherwise during the historical genesis of the capitalist production. The bourgeoisie, at its rise, wants and uses the power of the state to 'regulate' wages, i.e., to force them within limits suitable for surplus value making, to lengthen the working day and to keep the laborer himself in the normal degree of dependence. This is an essential element of the so-called primitive accumulation." Karl Marx, *Capital*, Vol. I (London, 1973), p. 689.

modity capital export frequently had the effect of destroying pre-capitalist production in underdeveloped areas, particularly artisanal production. Some writers state that this generated capitalist transformation or created the conditions for such a transformation.¹³ Whatever validity such conclusions might have, it is essential to note the central place of force in early capitalist development and the role of the bourgeois state in the violent process of "primitive accumulation." Historical evidence suggests that exchange alone is insufficient to generate capitalist relations; it does so only when active steps are taken to generate bourgeois social relations out of the destruction created by exchange and competition.¹⁴

For the most part the pre-capitalist countries and territories invaded by commodity capital lacked a bourgeoisie. Moreover, the export of commodity capital was not controlled by the industrial bourgeoisie, but by merchant capital. Merchants of the capitalist center generally traded with pre-capitalist ruling classes in the underdeveloped areas, and as a consequence, the production of commodities in the latter region maintained its pre-capitalist character. As trade expanded, there often was a tendency for the pre-capitalist relations to be strengthened, not weakened. The pre-capitalist ruling classes simply extracted a larger surplus product through the intensification of existing forms of exploitation.¹⁵

The rapid growth of world trade in the stage of manufacture reflected the progressive development of wage-labor relations in the capitalist countries, but in the underdeveloped world it strengthened the rule of pre-capitalist exploiting classes. The emergence of a bourgeoisie in the underdeveloped areas was thus retarded by an alliance between foreign merchant capital

13 For example, John G. Taylor, *From Modernization to Modes of Production: A Critique of the Sociologies of Development and Underdevelopment* (London, 1981), Chapter 11.

14 "The particular functions of money . . . point, according to the extent and relative preponderance of the one function or the other, to very different stages in the process of social production. Yet we know by experience that a circulation of commodities relatively primitive suffices for the production of all of these forms [of money]. Otherwise with capital. The historical conditions of its existence are by no means given with the mere circulation of money and commodities." Marx, *Capital*, Vol. I, p. 167.

15 This is developed in more detail in John Weeks and Elizabeth Gore, "International Exchange and the Causes of Backwardness," *Latin American Perspectives*, VI, 2 (Spring, 1979), pp. 81-84.

and local pre-capitalist exploiting classes, the latter controlling the state.¹⁶ The dynamic growth of capitalism in a small part of the world engendered its opposite in the rest of the world.

B. *The Competitive Contradiction*

With the transition of capitalism to the stage of modern industry, international economic relations assumed a new character. Within capitalist formations the socializing tendency of commodity production reached full expression, and internationally capital assumed its imperialist character.¹⁷ In the stage of modern industry not only does the export of money and productive capital become possible, but the character of the export of commodity capital is transformed. Merchant capital, an anachronistic survivor of the mercantile period, becomes subservient to the interests of financial capital, which itself is based upon industrial capital. At this point capital begins to be internationalized in all of its forms, and the capitalist transformation of pre-capitalist formations becomes an immanent tendency.

Before considering the contradictory nature of this tendency, it must be stressed that the export of money capital and productive capital (and the continuing export of commodity capital) should not be conceived as only involving capitalist countries and pre-capitalist formations. Put another way, imperialism is not simply a relationship between the developed and underdeveloped worlds.¹⁸ A primary aspect of capitalism's international

relations in the stage of modern industry has been the export of capital to advanced capitalist countries and the resulting competitive contradictions between the ruling classes of those countries.¹⁹ The relationship between advanced capitalist countries and underdeveloped countries in the age of modern industry is thus a component part of the internationalization of capital, not its definitive aspect.

The theory of imperialism has three interrelated aspects: 1) inter-capitalist rivalry, 2) the impact of capital export on social formations in underdeveloped areas, and 3) the "national question." It is the second aspect, sometimes called "the articulation of modes of production," that involves the issue of the progressiveness of capitalism in the modern epoch. The decisive question is: does the internationalization of capital tend to break down pre-capitalist relations and engender capitalist relations of production?

Since the end of World War II, the most widely accepted answer to this question by writers on the left has been that provided by what is called "dependency theory." Writers in this school differ in their analytical premises, but they generally agree that the export of capital has blocked, and continues to block, capitalist development in underdeveloped countries. At the same time, however, they argue that most underdeveloped countries are predominantly capitalist.²⁰ This apparently inconsistent argument rests on the concept of "dependent" or "distorted" capitalist development, in which accumulation possibilities exist but are extremely limited.

While dependency theorists use an eclectic range of arguments to support the concept of "dependent capitalist development," the key element in the theory is that the world economy is characterized by monopoly, not competition among capitals.²¹

16 See Robert Brenner, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism," *New Left Review*, 101 (July-August, 1977).

17 Marx comments: "With the development of social production the means of production cease to be means of private production and products of private production and can thereafter be only means of production in the hands of associated producers. . . ."

However, this expropriation appears within the capitalist system in a contradictory form, as appropriation of social property by a few." *Capital*, Vol. III, p. 440. In the same vein Lenin writes: "Capitalism in its imperialist stage leads directly to the most comprehensive socialization of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of new social order: a transitional one from complete free competition to complete socialization." *Collected Works*, Vol. 22, p. 205 (from *Imperialism, The Highest Stage of Capitalism*).

18 Lenin criticized Kautsky for defining imperialism as the relationship between developed and underdeveloped areas. He wrote of Kautsky's definition: "[His definition is] of no use at all because it is one-sided, i.e., arbitrarily singles out only the national question. . . . The characteristic feature of imperialism is precisely that it strives to annex *not only* agrarian territories, but even most highly developed regions. . . . [A]n

essential feature of imperialism is the rivalry between several great powers. . . ." Lenin, *Collected Works*, Vol. 22, pp. 268-269.

19 The overwhelming majority of productive capital export is to advanced capitalist countries. For example, in the late 1970s seventy-five percent of the overseas assets of North American corporations were in advanced capitalist countries; in the late 1950s, the percentage had been less than sixty percent. See John Weeks, *The Limits To Capitalist Accumulation*, Chapter 2.

20 For a typical presentation, see Ernesto Laclau, "Imperialism in Latin America," *New Left Review*, 67 (May-June, 1971).

21 See John Weeks, *Limits to Capitalist Development*, Chapter 1.

Indeed, this is a consistent argument. If modern capitalism has lost its competitive contradiction, in effect evolving into what Kautsky called "a single world trust," then further development of capitalism anywhere is blocked. If competition has been eliminated, then the pressure to revolutionize the productive forces is absent, and the world economy tends toward stagnation (rather than cyclical crisis), as Baran and Sweezy argued in the 1960s, specifically for the North American economy.²² One's view concerning the progressiveness of capitalism in the modern epoch derives from one's conclusion about competition.

Earlier in this paper it was argued that competition intensifies as capitalism develops. It follows from this analysis that the "monopoly capital" view of the world economy confuses the form in which competition manifests itself and the underlying cause of competition. While competition must necessarily manifest itself in the form of many capitals in conflict, the cause of competition resides in capital as a whole. The monopoly capital school, in common with bourgeois theory, treats competition only in its most concrete form, in the interaction of individual capitals. Marx, by contrast, dealt with competition at this level hardly at all.²³ He argued that competition is part of the inner nature of capital as a social relation, and its manifestation in the interaction of many capitals derives from the internal dynamics of capital as a whole. At issue is not whether individual capitals compete; this is an empirical matter, and concerns only the form of competition. The basic question is whether capitalist society subsumes within itself a competitive contradiction.

Feudal society by its nature stifles competition. When labor is united with the land, the vast majority of products cannot circulate as commodities. As capitalism comes into being, the process of primitive accumulation dispossesses labor, frees it for exploitation by capital, and transforms the concrete labor of individuals into alienated labor. The competitive contradiction arises from the fact that labor-power is a commodity, and its commodity status requires that the products of labor circulate as commodities. This competition manifests itself on many levels: 1) most profoundly, in the competition between capital and labor

over the conditions of exploitation; 2) in the competition among capitalists for labor-power; 3) in the movement of capital among branches of industry to equalize the rate of profit; and 4) in the immediate conflict of capitals within a branch of industry.

In the stage of manufacture, the last of these is most important, due to the relative immobility of capital. As capitalism develops, however, it is the third, the movement of capital (centralization) which defines the competitive struggle among capitals. This movement of capital involves the competition among capitals for labor-power, which itself is possible only because labor has been dispossessed (implying the struggle between capital as a whole and the working class as a whole).²⁴ In the stage of modern industry, the free movement of capital results in periods of violent competitive conflict, such as in the consumer electronics industry today, and periods of subdued struggle, in which capitalists achieve an unstable cooperation among themselves. In the first two decades after the Second World War international competitiveness was relatively dormant due to the overwhelming hegemony of U.S. capital, a hegemony now on the wane. It is no accident that the monopoly capital school and dependency theory flourished during this period of U.S. economic hegemony. However, the period of subdued competition was the calm before the outbreak of a competitive process marked by the centralization of capital on a world scale.

C. *Export of Money Capital*

If one considers capitalism to be characterized by competition, then the expansion of capital follows logically and no further explanation of the movement of capital is required for the concrete case of international capital movements. The dynamism of capitalism in the stage of manufacture generated the export of commodity capital. In the case of underdeveloped areas, this resulted in the blocking of capitalist development through an alliance between merchant capital and local pre-capitalist ruling classes. The transition to modern industry swept away the

²² Baran and Sweezy, *Monopoly Capital*.

²³ For a discussion, see Ben Fine, "Competition," in *A Dictionary of Marxist Thought*.

²⁴ Weeks, *Capital and Exploitation*, Chapter VI, where this argument is elaborated. See also J.A. Ciftton, "Competition and the Evolution of the Capitalist Mode of Production," *Cambridge Journal of Economics*, 1:2 (1977); and A. Shaikh, "Marxian Competition versus Perfect Competition," *Cambridge Journal of Economics*, 4 (1980).

mediating role of merchant's capital in trade and also created the possibility for the export of money capital and productive capital.

In order to understand the consequences of capital export in these two latter forms, let us first consider the movement of money capital in the abstract. Banks lend money on the condition that it be repaid with interest. Whether or not the money is used as capital by the borrower does not alter the fact that to the banker it is self-expanding value, money capital. For example, in a developed country, a bank may lend to a worker, who uses the money to have his house painted, pay medical bills, etc. No productive labor may result, nor even a use value be produced, yet the money is capital for the lender. The same conclusion applies when banks lend money to the capitalist state, which may use the money to pay military salaries or unemployment benefits. Thus the movement of capital need not stimulate capitalist activities even in a purely capitalist society, though most lending is from capitalist to capitalist in bourgeois economies. In this way financial capital is formally symmetrical with merchant capital. Both have the appearance of self-expanding value ($M - M'$ and $M - C - M'$, respectively), and neither requires capitalist production in order to expand its value, at least formally.

There is a major difference between merchant capital and financial capital, however. Merchant capital predated industrial capital, so its independence of bourgeois production has not only a formal but a real basis. Indeed, as merchant capital increasingly traded the products of industrial capital, its importance declined. Financial capital, on the other hand, developed as a consequence of industrial capital, and its independence of bourgeois production is merely formal. It exists everywhere as a partner (perhaps senior partner) with industrial capital.

It is now possible to summarize how capital export operates in the stage of modern industry (imperialism). The export of money capital to underdeveloped countries, beginning in the second half of the nineteenth century on a large scale, was not for capitalist production for the most part. On the contrary, much of it was to governments which represented pre-capitalist states. Therefore, the export of capital tended to strengthen pre-capitalist ruling classes, as the export of commodity capital had done. Lenin's comment on the reactionary nature of imperialism

was an astute assessment of this relationship of financial capital to pre-capitalist classes. However, just as the export of money capital grew qualitatively more important than the export of commodity capital in the mid-nineteenth century, so the export of productive capital assumed precedence over the export of money capital in the mid-twentieth century. Once the export of productive capital to underdeveloped countries reached major proportions, the capitalist transformation of the underdeveloped world was (and is) a necessary consequence. In other words, the major tendency of capitalism in the period of the export of productive capital is the progressive elimination of pre-capitalist formations and the emergence of the industrial proletariat as an economic and political force.

It is this phenomenon which Lenin treated in detail in *Imperialism*, for this form of capital export characterized capitalism's expansion from the 1860s to the First World War. In the nineteenth century money capital moved chiefly among advanced capitalist countries and served as capital in the hands of the borrowers. During the second half of the century, for example, large amounts of money capital flowed from Britain to North America, financing railroads and manufacturing enterprises. On the other hand, most of the money capital export to underdeveloped areas was to governments representing pre-capitalist states or to mercantile interests engaged in overseas trade.²⁵

The effect of the export of money capital to underdeveloped areas was contradictory, reflecting the fact that financial capital is formally independent of industrial capital, on the one hand, but is engendered by it historically, on the other. By lending to pre-capitalist states, financial capital strengthened the rule of pre-capitalist classes in their struggle against the emergence of local bourgeoisies. The alliances forged between financial capital and the landed oligarchy in Latin America were extremely long-lived, persisting to this day in the more backward countries of the region.²⁶

While in the political sphere the export of money capital strengthened pre-capitalist rule, in the economic sphere it was

²⁵ See Lenin, *Imperialism*, and Rudolf Hilferding, *Finance Capital* (London and Boston, 1981).

²⁶ For a brief discussion, see John G. Taylor, "Colonialism," *A History of Marxist Thought*, pp. 84-85.

the leading wedge of capitalist penetration and transformation of pre-capitalist social relations. It is this aspect of finance capital which Lenin stressed.²⁷ Money capital exported to underdeveloped areas was a potential source of financing capitalist enterprises; whether this happened depended upon the extent to which the previous export of commodity capital had generated a dispossessed labor force. In extremely backward areas, such as the interior of Peru, the construction of railroads, financed from abroad, occurred with forced labor. At the same time, capitalist enterprise was restricted to "enclaves" — mining and plantation agriculture — because pre-capitalist Latin America provided extremely restricted markets for commodities. Moreover, in many cases the mining and plantation enclaves strengthened pre-capitalist relations. In Peru, the sugar plantations were first based upon virtual slave labor (Chinese immigrants) and later on the debt-servitude of peasants from the highlands. Mining activity had a history of forced labor from colonial times, and the new mining enterprises of the late nineteenth century were only nominally capitalist in their social relations.²⁸

Thus, the effect of the export of money capital was not a simple matter of reinforcing pre-capitalist states on the one hand while undermining pre-capitalist production on the other. For latent within the export of money capital there was the progressive thrust of productive capital. But since the lingering effect of the export of money capital was to block the development of wage labor, a considerable passage of time was required to link the revolutionizing power of productive capital to the export of money capital. It is an indication of Lenin's deep understanding of capitalism's dynamics that he could see that the export of money capital would necessarily revolutionize social relations in underdeveloped areas. But this insight was in advance of events, and some supporters of Lenin's position were too optimistic about the speed at which pre-capitalist societies would be transformed.²⁹

²⁷ *Imperialism*, p. 243, where Lenin writes, "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported."

²⁸ See Elizabeth Dore, *Crisis and Accumulation in the Peruvian Mining Industry*, Columbia University Ph.D. Thesis (New York, 1981).

²⁹ For example, the Indian Marxist Roy judged India to be predominantly capitalist before the Second World War. M. N. Roy, *India in Transition* (Geneva, 1922).

D. *The Export of Productive Capital*

No Marxist would take issue with defining capitalism as progressive if its expansion tends to break down pre-capitalist formations and in the process generates wage labor relations. Such a judgment is not an endorsement of the capitalist system of exploitation, but reflects the conclusion that the working class is the agent of the overthrow of capitalism and all forms of exploitation. Judging the expansion of capitalist labor relations as progressive is what distinguishes utopian from scientific socialism.³⁰ Therefore, the expansion of productive capital in underdeveloped countries is necessarily progressive, since it means the growth of the proletariat.

This does not imply that the export of productive capital is necessarily progressive. The export of productive capital is a retarding force if it has the effect of not expanding capitalist relations in underdeveloped countries. A necessary but not sufficient condition for this would be that the export of productive capital did not result in the growth of the working class. The growth of the working class necessarily implies the development of capitalism, since it draws labor out of pre-capitalist relations and expands the market for commodities. Capitalism can, of course, break down pre-capitalist relations without a growth of wage labor. This occurs when capitalism eliminates artisanal or peasant production but throws the displaced workers into the reserve army of the unemployed. This may well have occurred during the stage of manufacture in Europe, when the dispossession of the peasantry and the ruination of the artisanal class preceded much more rapidly than the growth of the capitalist employment of labor. A similar decline is occurring in many underdeveloped countries today. But the relevant criterion for judging the development of capitalism is the growth of the proletariat (employed and unemployed), not the condition of the peasantry and artisans, which capitalism necessarily undermines. The destruction of the local capitalist class by foreign capi-

³⁰ Siedman Jones puts it well: "What was designated 'utopian,' according to this approach [Engels' *Socialism: Utopian and Scientific*], was the inauguration of the possibility of total social transformation involving the elimination of individualism, competition and the sway of private property, without a recognition of the necessity of class struggle and the revolutionary role of the proletariat in accomplishing the transition." Gareth Siedman Jones, "Utopian Socialism," *A Dictionary of Marxist Thought*, p. 365.

tal, sometimes called the "denationalization of ownership," is itself largely irrelevant to the issue of the progressiveness of capitalism. What generates a new era in the class struggle is the growth of the proletariat, irrespective of who has ownership of the capital which dominates labor. The issue then is under what circumstances is productive capital exported to underdeveloped countries, and why does it not accumulate once it is in place in those countries?

Dependency theorists argue that this occurs because foreign capital in the age of imperialism is monopolistic. Foreign monopolies presumably enter underdeveloped countries, destroy local capital, and then protect their markets. In the absence of competition, there is no pressure for accumulation and further capitalist development is blocked.³¹ This argument is contradicted by empirical evidence. Throughout the underdeveloped world the proletariat is larger than it was a decade ago, particularly in Latin America. Further, the monopoly view of international capital cannot be sustained theoretically if monopoly is understood to mean the absence of competition. The monopoly argument and its stress on the blocking of the development of national capital has much in common with Sismondi's critique of nationalism made 150 years ago. Just as Sismondi stressed the ruination of the peasantry and saw the expansion of capital and wage labor as impoverishing and weakening society, so dependency theorists stress the ruination of national capital and deny the general expansion of capital.

After the Second World War, the disintegration of pre-capitalist formations, particularly in Latin America, was succinctly advanced to elicit the export of productive capital on a large scale. With this development, the revolutionizing impulse of capitalist relations, an impulse which had largely exhausted itself in the advanced countries, became the dominant tendency in the underdeveloped world. In the last three decades Lenin's

³¹ This argument is quite old, going back to the nineteenth century utopian critics of capitalism (See Lenin, *Collected Works*, Vol. 1). After the Second World War, it was revived by Baran and more recently offered again by Dietz, Paul Baran, *The Political Economy of Growth* (New York, 1957); and James L. Dietz, "Imperialism and Underdevelopment: A Theoretical Perspective and a Case Study of Puerto Rico," *Review of Radical Political Economics*, 11: 4 (Winter, 1979), p. 28.

far-sighted prediction of the rapid development of capitalism throughout the world has been realized.

IV. CONCLUSION

The theory of periodization developed here is based on the internal dynamics of the accumulation process. The major foundations of capital's history are the production of absolute surplus value and relative surplus value. Other writers who use the same theoretical basis propose a third stage. Fine and Harris call this stage "state monopoly capitalism," and Mandel uses the term "late capitalism."³² While these writers provide important insights into the changing character of capitalist institutions, it has not been established that they have defined a separate stage of development.

Because capital can be exported in three forms, it is tempting to draw the conclusion that capitalism passes through three stages. The different forms of capital export certainly represent three ways (or even stages) in which capitalism penetrates pre-capitalist formations, but these are stages in the disintegration of those formations, not necessarily stages in the development of the capitalist system as a whole. Many changes have occurred within capitalism in the last one hundred years which are profound, but they do not therefore signal a new stage of capitalism's development.

The theory of periodization presented here shows that the export of capital to underdeveloped areas first strengthens pre-capitalist rule (export of commodity capital), later continues to do so in a contradictory way (export of money capital), and finally acts to destroy pre-capitalist social relations and construct capitalist ones in their place (export of productive capital). Using the term "progressive" in its strict Marxist sense, the conclusion follows that capitalism is progressive in the stage of modern industry (imperialism), though more than one-half century passed before the progressive tendency clearly emerged.

The fact that the export of capital tends to develop capitalism in the underdeveloped world does not imply that accumula-

³² Fine and Harris, *Re-Reading Capital*; and Ernest Mandel, *Late Capitalism* (London, 1975).

tion in those countries will be continuous or that they will eventually enter the ranks of the advanced capitalist countries. The manner in which capitalism develops in the underdeveloped countries, and in particular the limits to accumulation in the context of underdevelopment, though an issue of major importance, is not considered here. But its consideration must be based on the recognition of the progressive expansion of capital in underdeveloped countries, not on a "monopoly" analysis that denies that expansion.

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Errata

An editorial slip led to the omission of the italicized words in the following passage in John Bellamy Foster, "Sources of Instability in the U.S. Political Economy and Empire" (SESS, Summer 1985, p. 169):

Aside from the years immediately after the Second World War, which were in many ways atypical, the highest rates of capacity utilization and profit in the quarter-century of the long postwar boom occurred during the Vietnam War.

In "Socialist Societies and the World System Theory: A Critical Survey," by Zeev Gorin (SESS, Fall 1985), p. 362, two lines were inadvertently omitted from the bottom of the main text. They should read: "It is not irrelevant to refer here to the view often expressed by the world system analysis that even if all societies were social!"

We regret the errors.

THE POLITICS OF EPISTEMOLOGY: GEORG LUKÁCS AND THE CRITIQUE OF IRRATIONALISM

GEORGE SNEDEKER

HISTORY AND CLASS CONSCIOUSNESS¹ is the canonical text of Western Marxism. In it Georg Lukács opposed the mechanistic materialism of the Second International through the articulation of a Hegelian Marxism. The radical feature of *History and Class Consciousness* was its insistence upon the methodological primacy of the concept of totality and the centrality of culture to politics. Although this analysis was transformed by the Frankfurt School and the later disciples of Critical Theory into the critique of domination, the emphasis upon culture remained the key paradigm for Western Marxism.

With the exception of specialists in literary criticism² contemporary discussions of Georg Lukács typically praise the theoretical contribution of *History and Class Consciousness* to Western Marxism but deny any significance³ to his writings after 1930 — accepting Isaac Deutscher's opinion⁴ that Lukács had become a philosophical defender of Stalin's policies. *The Young Lukács and the Origins of Western Marxism* by Andrew Arato and Paul Breines is a clear example of this point of view.⁴ For Arato and Breines revolutionary Marxism received theoretical expression in the 1920s in the writings of Georg Lukács and Karl Korsch and in the 1930s and 40s by the Frankfurt School and the French existentialists. This view of Lukács has its explicit origin in

1 Georg Lukács, *History and Class Consciousness* (Cambridge, Mass., 1971), first published 1923.

2 Fredric Jameson, *Marxism and Form: Twentieth Century Dialectical Theories of Literature* (Princeton, N.J., 1971), Ch. 3.

3 Isaac Deutscher, *Marxism in Our Time* (Berkeley, Cal., 1971), pp. 283–93.

4 Andrew Arato and Paul Breines, *The Young Lukács and the Origin of Western Marxism* (New York, 1979).