Marx's *Capital* and the global crisis

by John Smith[1]

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Introduction

Far from being in post-crisis 'recovery mode', global capitalism is in the early stages of the most profound crisis in its history, from which there is no peaceful capitalist way out. A decades-long economic depression, increasingly punctuated by wars and revolutions, is now unavoidable. There are two possible outcomes: either humanity resumes the transition to socialism inaugurated by the Russian Revolution one century ago, or it will descend into barbarism.

These conclusions flow from analysis of neoliberal globalisation's greatest transformation, which is not to be found in excessive risk-taking, the spectacular growth of aggregate debt, lack of government regulation and other developments in the world of finance—these are symptoms, not causes—but in the global shift of production processes to low-wage countries. Thus the low inflation, low interest rates and low volatility that encouraged excessive risk-taking and inflated credit bubbles have their roots in the recycling of hard currency surpluses by so-called 'emerging' nations who now host the bulk of global manufacturing, driven there by the efforts of capitalists in imperialist nations to slash production costs and boost profits by substituting relatively high-paid workers at home with low-wage workers abroad. The 'financial excesses' blamed by mainstream economists for causing this crisis, this paper argues, are in fact side-effects of the contradictions of capitalist production and of capitalists' ultimately futile efforts to escape from these contradictions.

Marx's *Capital* is a prime source of wisdom about capitalism's contradictions, yet this towering work does not contain ready-made formulae which can be directly applied to the contemporary reality. Marx's subject was capitalism in general, whereas our object of analysis is its modern, fully-evolved imperialist stage of development. In *Capital* Marx analysed in detail two ways in which capitalists can increase the rate of exploitation: by lengthening the working day or by reducing necessary labour time through introducing labour-saving machinery (he called these *absolute surplus value* and *relative surplus value* respectively). He makes several fleeting references to a third, e.g. describing the "reduction of wages below their value" as "one of the most important factors in stemming the tendency for the rate of profit to fall." Yet he excluded this from his theory, because "it has nothing to do with the general analysis of capital." [2] Marx also excluded the possibility that the value of labour-power may be forced down in one country but not in another: "[t]he distinction between… different national levels of exploitation of labour are completely outside the scope of our present investigation." [3] Expanded super-exploitation of southern low-wage labour cannot be reduced to either of the two ways to increase surplus value analysed in *Capital,* and instead corresponds to the third form of surplus value increase which Marx mentioned but excluded from his theory of value. As a result of these two abstractions, the theory of value in *Capital* no longer immediately connects with the capitalism of today.

Part 1 presents the results of empirical analysis of neo-liberal globalisation's key transformation, namely the global shift of production to low-wage nations, and identifies its key feature: imperialist super-exploitation; Part 2 seeks a theoretical definition of this, looking first to the debate in the 1960s and 70s between exponents of dependency theory and their 'orthodox' Marxist critics, then to Lenin's theory of imperialism, and uses the result of this review to inform a critical re-reading of Marx's *Capital,* in so doing lays the foundations for comprehension of the nature, dynamics and possible trajectories of the global economic crisis.

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2 Marx, [1894] 1991, *Capital, Volume III.* London: Penguin, p342.

3 Ibid., p242

Part 1—Neo-liberal globalisation's key transformation: the global shift of production to low-wage nations

The globalisation of production is the most significant, dynamic and transformative development of the neoliberal era. Its fundamental driving force is what some economists call 'global labour arbitrage': the efforts by firms in Europe, North America and Japan to cut costs and boost profits by replacing higher-waged domestic labour with cheaper foreign labour, achieved either through emigration of production to low-wage countries ('outsourcing', as used here; otherwise known as 'offshoring') or through immigration of workers from those countries. Reduction in tariffs, removal of barriers to capital flows and advances in telecommunications and transport technology have facilitated the migration of production to low-wage countries, but militarisation of borders and rising xenophobia have had the opposite effect on the migration of workers from low-wage countries—not stopping it altogether, but inhibiting their flow and reinforcing their vulnerable, second-class status. As a result, factories freely cross the US-Mexican border and pass with ease through the walls of Fortress Europe, as do the commodities produced in them and the capitalists who own them, but the human beings who work in them have no right of passage. This is not globalisation but a travesty of globalisation—a world without borders to everything and everyone except for working people.

Global wage differentials, in large measure resulting from suppression of the free movement of labour, provide a distorted reflection of global differences in the rate of exploitation (simply, the difference between the value generated by a worker and what s/he receives in wages). The southwards shift of production processes signifies that the profits of firms headquartered in Europe, North America and Japan, the value of all manner of financial assets derived from these profits, and the living standards of the citizens of these nations have become highly dependent on the higher rates of exploitation of workers in so-called 'emerging nations'. Neoliberal globalisation must therefore be recognised as *a new, imperialist stage of capitalist development*, where 'imperialism' is defined not by its territorial form but by its economic essence: the exploitation of southern living labour by northern capitalists.

Part 1 begins with a panoramic view of the global shift of production and the accompanying transformation of the international working class, arguing that migratory flows from low-wage countries to Europe and North America and class stratification within countries must be understood within this broader context. It then identifies and analyses the prime driver of these processes, capitalists' desire to profit from wide global wage differentials, and singles out two of their most important features and trends for special attention: labour's falling share of national income, and growing wage inequality within nations. As a result, widely-touted statistics on per capita GDP and average wages obscure the reality of increasing vulnerability and deteriorating social conditions endured by a growing majority of working people on both sides of the North-South divide.

1.1 The globalisation of production… and of the producers

The globalisation of production is reflected in an enormous expansion of the power and reach of transnational corporations (TNCs), in their great majority owned and controlled by capitalists resident in imperialist countries. UNCTAD (United Nations Conference on Trade and Development) estimates that "about 80 per cent of global trade (in terms of gross exports) is linked to the international production networks of TNCs." [4] This heightened activity takes two basic forms: in-house Foreign Direct Investment (FDI), and 'arm's-length' relations between 'lead firms' and their formally-independent suppliers. South-North trade as a whole must be thought of not so much as 'trade' but as a manifestation of the globalisation of production, and this in turn should be seen not as a technical rearrangement of machinery and other inputs but as an evolution of capitalism's defining social relation, the relation of exploitation between capital and labour, which increasingly takes the form of a relation between northern capital and southern labour.

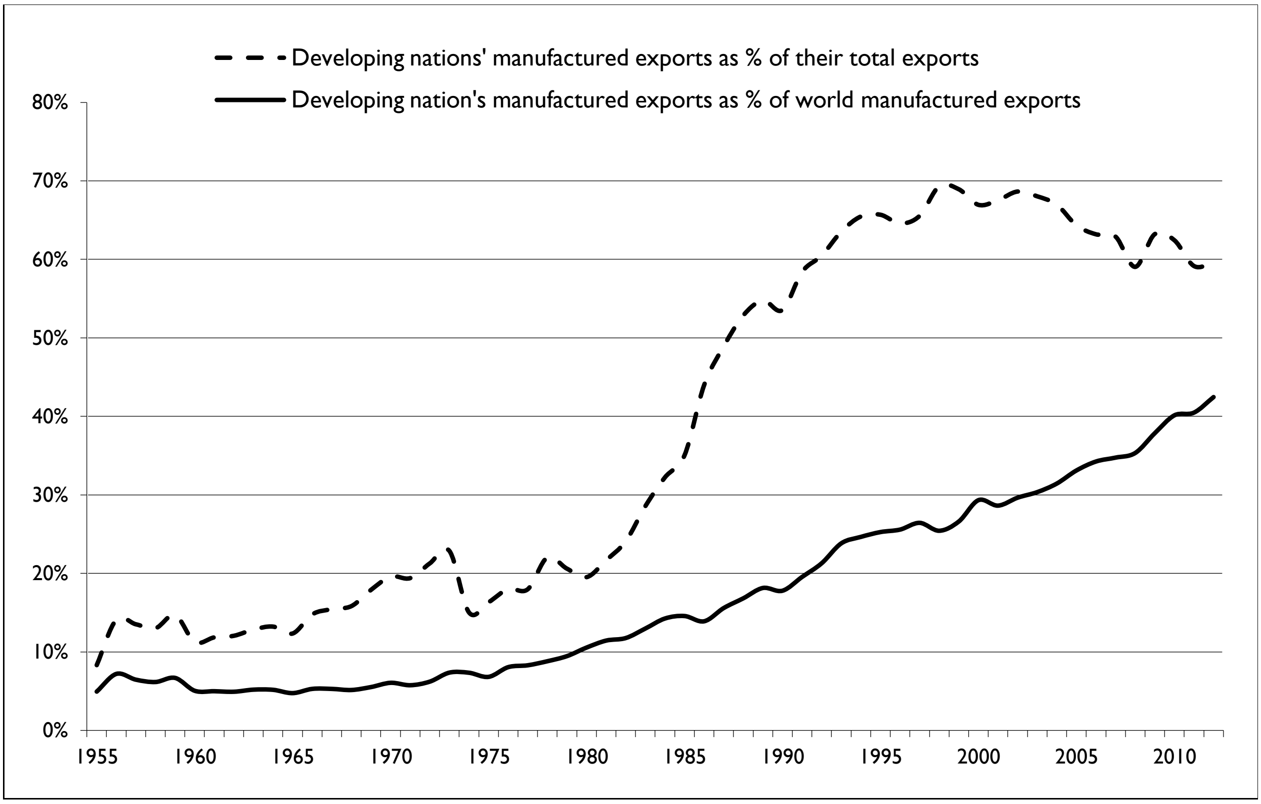
[4] UNCTAD, *World Investment Report 2013*, p135.

Export-oriented industrialisation: widely spread or narrowly concentrated?

Export-oriented industrialisation (EOI, or 'outsourcing' when viewed from a northern perspective) is the only capitalist option for poor countries not blessed—or cursed—with abundant natural resources,[5] yet it is a widely held view that growth in the South's industrial proletariat is highly concentrated in China and a handful of other low-wage countries. Thus Ajit Ghose, a senior economist at the ILO, argues that "what appears to be a change in the pattern of North-South trade is in essence a change in the pattern of trade between industrialised countries and a group of 24 developing countries," with the rest facing "global exclusion."[6] Yet these 24 developing countries include nine of the ten most populous nations in the global South, home to 76 per cent of its total population, while many smaller nations host manufacturing enclaves that exert a powerful and distorting influence on their national economies.

'Developing nations' share of global manufactured exports began its long ascent in the 1970s (see Figure 1), rising from around 5 per cent in the pre-globalisation period to close on 30 per cent by the beginning of the new millennium. Figure 1 also shows that the share of manufactured goods in their total exports tripled in barely 10 years, stabilising in the early 1990s at more than 60 per cent. Figure 2 shows this dramatic transformation from the perspective of imperialist countries. In 1970, barely 10% of their manufactured imports came from what was then called the Third World, by the turn of the millennium, this share—of a greatly expanded total—had quintupled.[7]

Figure 1— 'Developing nations' trade in manufactures



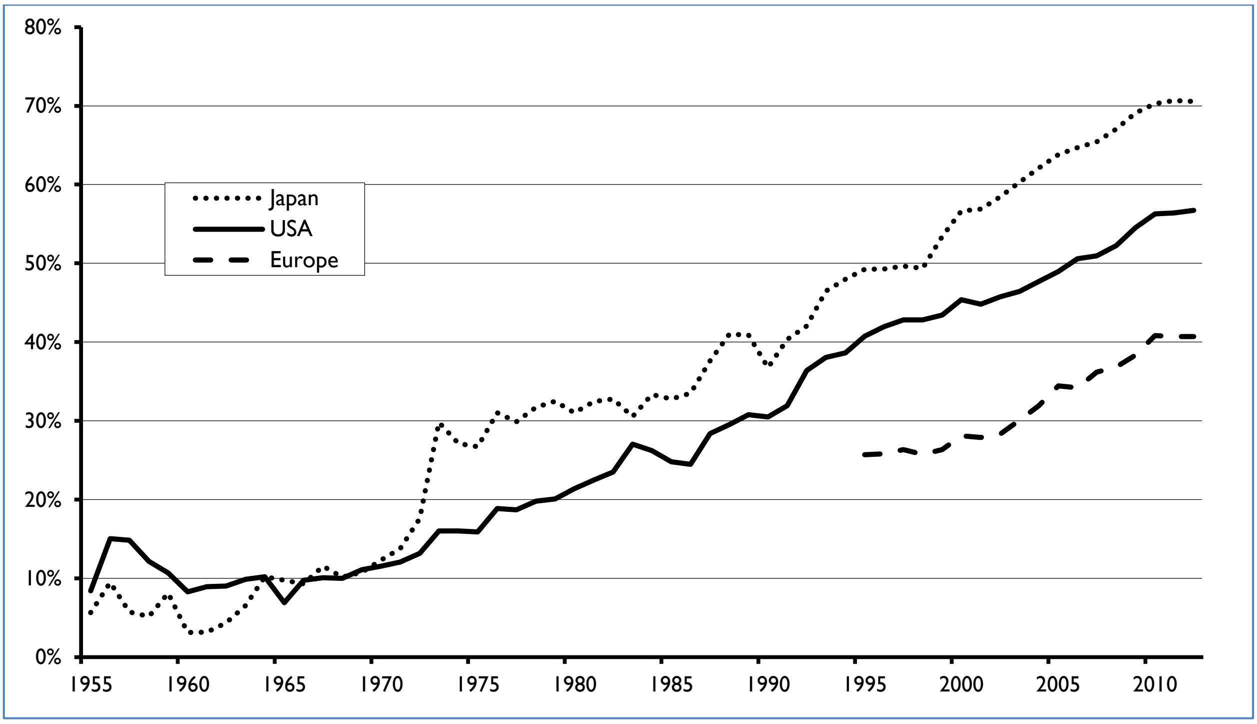
5 Cuba, whose revolution has survived more than half a century of economic warfare, terrorism and subversion, proves the existence of a socialist option. The Cuban people have paid a high price for their defiance of successive US governments, yet they enjoy a higher life expectancy and lower infant mortality than their northern neighbours. For an excellent account of the Cuban revolution's staying-power, see Emily Morris, 2014, 'Unexpected Cuba', pp5-45 in *New Left Review* 88 (http://newleftreview.org/II/88/emily-morris-unexpected-cuba). President Obama's December 2014 decision to free Cubans jailed for infiltrating Miami-based terrorist gangs and to reopen diplomatic relations with Havana is a major victory, yet the trade embargo, which has caused enormous economic damage, remains in force.

6 Ajit K.Ghose, 2005, *Jobs and Incomes in a Globalizing World*. New Delhi: Bookwell, p14

7 The trace for Europe, generated by subtracting intra-EU manufactured imports from the EU total, begins in 1995 because data is only continuous since the EU enlargement in that year with the accession of Austria, Finland and Sweden.

Source: UNCTAD Statistical Handbook

Figure 2— 'Developing nations' share of 'developed nations' manufactured imports



Source: UNCTAD, Statistical Handbook

The US auto industry provides a vivid illustration of this—in 1995 it imported four times as much automobile-related value-added from Canada as from Mexico, just 10% more in 2005, and by 2009, the latest year for which data is available, Mexico was the source of 48% more value-added than the USA's northern neighbour.[8] The relocation of production processes to low-wage countries has been at least as important to European and Japanese firms as to their North American rivals. A study of EU-Chinese trade concluded that "the possibility of offshoring the more labor-intensive production and assembly activities to China provides an opportunity to our own companies to survive and grow in an increasingly competitive environment,"[9] while "Japanese electronics companies continue to flourish in American markets precisely because they have moved their assembly lines to China." [10]

The essential feature of the 'globalisation of production' is therefore its southwards shift, and this has resulted in a highly peculiar structure of world trade—in which northern firms compete with other northern firms, including a race to outsource labour-intensive production processes to low-wage countries, while firms in low-wage countries fiercely compete with each other, all seeking to exercise the same 'comparative advantage', namely their surfeit of cheap, unemployed workers desperate for work—but *northern firms do not compete with southern firms*. This is obviously true of relations between parent companies and their wholly-owned subsidiaries (that is, of FDI), but it also applies to the increasingly favoured 'arm's length' relationship: between Primark and H&M and their Bangladeshi suppliers, and between General Motors and the Mexican firms who manufacture more and more of its components, the relationship is complementary, not competitive, even if it is highly unequal. Important exceptions can be identified, and indeed this peculiar structure is riven with contradictions, but the overall pattern is clear: there is North-North competition, and

8 Data from the OECD's 'Trade in Value Added' database. This reports the value of exports net of imported inputs, therefore providing a much more accurate reflection of trade between nations.

9 Ari Van Assche, Chang Hong & Veerle Slootmaekers, 2008, *China's International Competitiveness: Reassessing the Evidence*. (http://www.econ.kuleuven.ac.be/licos/DP/DP2008/DP205.pdf, accessed 14/09/2009) p15

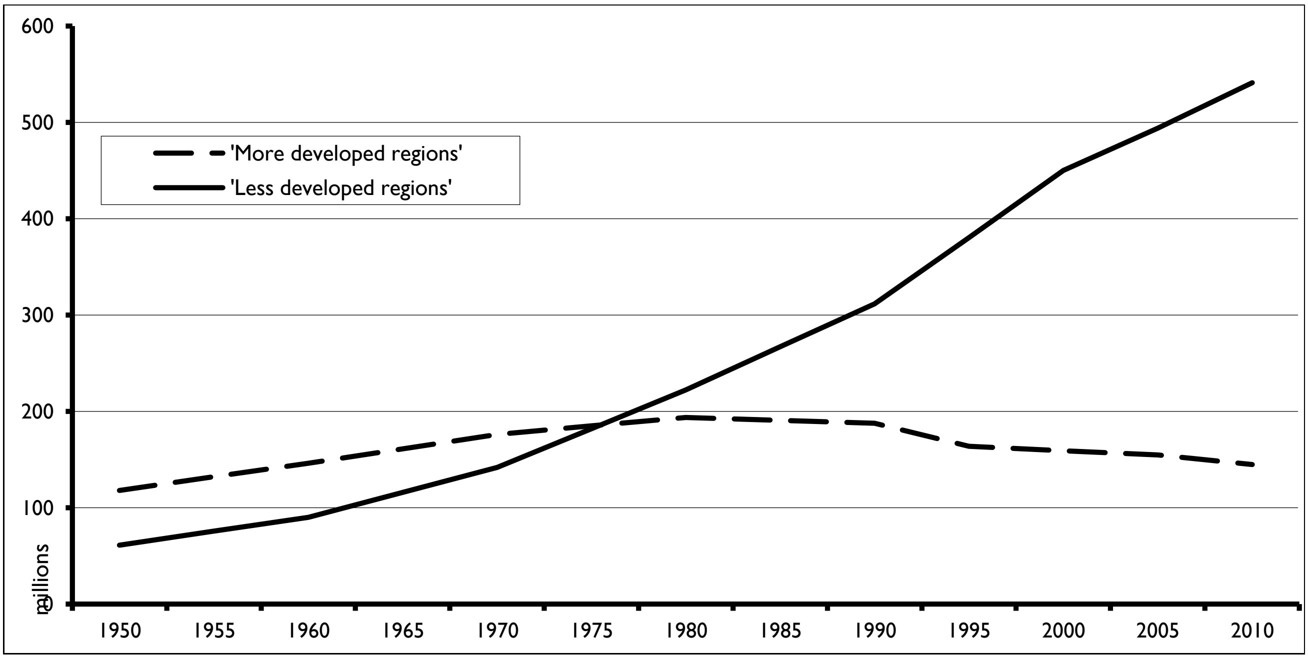
10 The Economist, 2007, 'The great unbundling', in *The Economist*, Jan 18th 2007.

cut-throat South-South competition reaching race-to-the-bottom proportions, *but no North-South competition*—between firms, that is, if not between workers, who face heightened competition across the global divide, facilitating wage repression and an accelerating decline in labour's share of GDP in all countries. As we shall see in Part 2, this is of tremendous significance for any attempt to understand how Marx's theory of value applies to today's global capitalist economy.

The southwards shift of the industrial working class

The globalisation of production has transformed not just the production of commodities but social relations in general, and especially the social relation that defines capitalism: *the capital-labour relation,* which is increasingly dominated by the relation between northern capital and southern labour. The enormous growth of the industrial workforce in 'developing' nations is portrayed in Figure 3, which reveals that, in 2010, 79 per cent, or 541 million, of the world's industrial workers lived in 'less developed regions', up from 34 per cent in 1950 and 53 per cent in 1980, compared to the 145 million industrial workers, or 21 per cent of the total, who in 2010 lived in the imperialist countries. This quantitative growth reflects a qualitative transformation: the industrial workers of the global South are not only more numerous, they are more integrated into the global economy, now producing for the world market rather than protected domestic markets as in the pre-neoliberal era.

Figure 3 ***Global Industrial Workforce***



Sources: ILO, n.d. *Population and Economically Active Population;* ILO/KILM 5th, 6th and 8th editions.

In absolute terms and as a share of the global industrial proletariat the South's industrial workforce has seen spectacular growth since 1980, but its share of the South's total workforce has been more modest, rising from 14.5 per cent in 1980, to 16.1 per cent in 1990, 19.1 per cent in 2000, to 23.1 per cent in 2010 (by contrast, industry's share of total employment in imperialist nations declined from 37.1 per cent in 1980 to 22.5 per cent in 2010). With the partial exception of China—a special case because of its 'one-child' policy and its extraordinarily rapid GDP growth, and its as-yet incomplete transition from socialism to capitalism—no economy has grown fast enough to provide jobs to the millions of young people entering the labour market and the millions of migrants fleeing rural poverty. Tacitly acknowledging the failure of the EOI development model, senior ILO economist Nomaan Majid observed that "the commerce sector… is the main employment growth sector in both low and middle-income groups [… this] shows that the expectation on manufacturing leading employment growth is unwarranted"[11]—and this was his verdict on a period of exceptionally robust economic growth in 'low and middle-income' countries! The result of this failure is structural unemployment, misery and destitution for an immense multitude, enormous downward pressure on the wages of those able to find work, and greatly increased migratory pressure.

1.2 'Global labour arbitrage'—key driver of the globalisation of production

By uprooting hundreds of millions of workers and farmers in southern nations from their ties to the land and their jobs in protected national industries, neoliberal capitalism has accelerated the expansion of a vast pool of super-exploitable labour. Suppression of the free mobility of labour has interacted with this hugely increased supply to produce a dramatic widening of international wage differentials which, according to World Bank researchers, "exceed any other form of border-induced price gap by an order of magnitude or more."[12] This steep wage gradient provides two different ways for northern capitalists to increase profits—through the emigration of production to low-wage countries, or the immigration of workers from those countries. The International Monetary Fund (IMF) made the connection between outsourcing and migration quite precisely: "[t]he global pool of labor can be accessed by advanced economies through imports and immigration," significantly observing that "[t]rade is the more important and faster-expanding channel, in large part because immigration remains very restricted in many countries."[13]

Bangladesh provides a particularly vivid example of how, during the neoliberal era, outsourcing and migration have become two aspects of the same wage-differential driven transformation of global production. According to the International Organisation for Migration, in 2012 5.4 million Bangladeshis worked overseas, more than half in India, with the rest spread between Western Europe, North America, Australasia and the Middle East, Saudi Arabia in particular. As Tasneem Siddiqui notes, "the continuous outflow of people of working-age… has played a major role in keeping the unemployment rate stable." [14] Some $14 billion of remittances flowed into households in Bangladesh in 2012, equivalent to 11 per cent of Bangladesh's GDP. In the same year, Bangladesh received $19 billion for its garment exports (80 per cent of its total exports), but this includes the cost of imported cotton and other fabrics, typically 25 per cent of the production cost. In other words, net earnings from garment exports in 2012 approximately equalled total remittances from Bangladeshis working abroad. And while only a small fraction of export earnings are paid out in wages, remittances flow directly into poor households. The World Bank reports that, in 2013, Britain's 210,000 Bangladeshi migrant workers sent home an average of $4058. In comparison, even after a 77% wage rise in November 2013 won by waves of strikes and street protests, average garment workers' wages in Bangladesh were $1380 per year.[15] Thus each Bangladeshi working in Britain remits in one year what it would take his (most Bangladeshi migrant workers are male) wife, sister or daughter three years to earn from working in a garment factory.

What the IMF calls 'accessing the global labour pool' others have dubbed 'global labour arbitrage', whose essential feature, according to Stephen Roach, is the substitution of "high-wage workers here with like-quality, low-wage workers abroad" (Roach, 2004). Roach, then a senior economist at Morgan Stanley responsible for its Asian operations, argued that "a unique and powerful confluence of three mega-trends is

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11 Nomaan Majid, 2005, *On the evolution of employment structure in developing countries*. Employment Strategy Papers 2005/18. Employment Analysis Unit, Employment Strategy Department. Geneva: ILO, pp3-4

12 Michael Clemens, Claudio Montenegro, & Lant Pritchett, 2008, *The place premium: wage differences for identical workers across the US border*. Background Paper to the 2009 World Development Report. Policy Research Working Paper 4671. New York: World Bank.p33.

13 IMF, 2007, *World Economic Outlook, April 2007*.

14 Tasneem Siddiqui, 2003, *Migration As A Livelihood Strategy Of The Poor: The Bangladesh Case*, Refugee and Migratory Movements Research Unit, Dhaka University, Bangladesh, p2. http://r4d.dfid.gov.uk/PDF/Outputs/MigrationGlobPov/WP-C1.pdf

15 This is just 19% of what is needed to provide a worker in Bangladesh, her/his partner and two children with the basic necessities of life (see http://www.cleanclothes.org/livingwage/living-wage-versus-minimum-wage)

driving the global arbitrage." These are "the maturation of offshore outsourcing platforms… E-based connectivity… [and]… The new imperatives of cost control."[16] Of these, 'cost control'—that is, lower wages—is "the catalyst that brings the global labor arbitrage to life." The first two mega-trends, in other words, merely provide the necessary conditions for the third—profiting from ultra-low wages—to express itself. Expanding on this, Roach explains that,

> In an era of excess supply, companies lack pricing leverage as never before. As such, businesses must be unrelenting in their search for new efficiencies. Not surprisingly, the primary focus of such efforts is labor, representing the bulk of production costs in the developed world… Wage rates in China and India range from 10 per cent to 25 per cent of those for comparable-quality workers in the US and the rest of the developed world. Consequently, *offshore outsourcing that extracts product from relatively low-wage workers in the developing world has become an increasingly urgent survival tactic for companies in the developed economies*. [17]

This is a much sharper and richer description of neoliberal globalisation's driving force than the one offered above by the IMF's technocrats. We might ask, though, why Roach says 'extracting product' instead of 'extracting value'—capitalists, after all, are not interested in the product of labour but in the value contained in it. The answer, we suspect, is that 'extracting value' would make it even more explicit that these low-wage workers create more wealth than they receive in the form of wages, in other words *that they are exploited*—a heretical notion for a mainstream economist. Nevertheless, Roach's emphasis on the 'extraction of product' from low-wage workers contrasts with the general rule in academic and business literature, which is to obfuscate this most important point and treat labour as just one factor of production among others, making glancing, desultory references to wage differentials as one of many possible factors that influence outsourcing decisions. UNCTAD's 'Inward FDI Potential Index' is a typical example: the index is a composite of 12 variables, including GDP per capita; real GDP growth rate; exports/GDP; inward FDI; telephone lines and mobile phones per 1000 inhabitants; spending on research and on tertiary education.[18] The criterion most closely related to the price of labour is GDP per capita—but this is included to indicate the size of the potential market for the firm's products, not the cost of hiring labour.

Low wages are not the only factor affecting outsourcing decisions, but they are pre-eminent. William Milberg comments, "[t]he irony is that precisely at the moment computerisation has led to a revolution in the mechanisation of production, the ability to outsource has reasserted the importance of the labour component of production costs. Instead of being inconsequential as the result of technological change, labour costs are now an important determinant in the production location decision."[19] What's especially ironic is that instead of replacing labour with machines, capitalists are using new technology to replace labour with cheaper labour, thereby prolonging the life of obsolete production processes. Profiteering from low wages is not only a reactionary impediment to increasing labour productivity, it also allows corporate profits to be diverted into speculation in financial assets, thereby feeding the financialisation of the imperialist economies, adding new contradictions and deepening the tendency towards systemic crisis.

The GDP Illusion

Roach's observation also begs the question—exactly how do 'companies in the developed economies' 'extract product' from workers in Bangladesh, China and elsewhere? The only visible contribution of these workers to the bottom line of firms in 'developed economies' is the flow of repatriated profits from FDI, but in the case of the increasingly favoured form of outsourcing—'arm's length', contractual relations with independent suppliers—there is no sign of any contribution to TNC profits. Not one penny of H&M's or General Motors' profits can be traced to their Bangladeshi or Mexican suppliers; all of it appears instead as

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16 Stephen S. Roach, 2003, *Outsourcing, Protectionism, and the Global Labor Arbitrage*, Morgan Stanley Special Economic Study, http://www.neogroup.com/PDFs/casestudies/Special-Economic-Study-Outsourcing.pdf p6

17 Ibid., p6, my emphasis.

18 UNCTAD, 2007, *World Investment Report 2007—Transnational Corporations, Extractive Industries and Development.* Geneva, UNCTAD, p31fn

19 William Milberg, 2004, 'Globalised production: structural challenges for developing country workers', pp1-19 in *Labour and the globalisation of production - causes and consequences of industrial upgrading,* New York: Palgrave Macmillan, p10

value added by their own activities. This conundrum, inexplicable to mainstream economic theory and therefore ignored, can only be resolved by redefining value-added as *value captured*; in other words, a firm's value-added does not represent the value *it* has produced, but the portion of total, economy-wide value it has succeeded capturing in the marketplace, including value extracted from living labour in far-flung countries in distant continents. There is, therefore, no necessary relationship between the value a firm produces and the value it captures—banks, for example, generate no value but capture a great deal of it. Since a country's GDP is nothing else that the sum of the value-added of all its firms, GDP data contained an inherent distortion which diminishes the real contribution of southern nations to global wealth and exaggerates the real contribution of the 'developed' countries, thereby veiling the increasingly parasitic and exploitative relationship between them. I call this *The GDP illusion*.[20]

Growing wage inequality

To bring international wage differentials into focus, account must be made of two other outstanding features of the neoliberal era: the declining share of wages in national income in both North and South, and the increasingly unequal distribution of this declining share. The ILO calls growing intra-national wage inequality "one of the most important developments in recent years," adding that "on average, wage inequality is higher in countries with a lower GDP per capita." [21] Freeman and Oostendorp also find that the poorer the country, the higher the wage inequality, a fact already "well known from more limited country comparisons." [22] This increasing trend is being driven especially by falling wages of the lowest-paid workers, in contrast to rich countries where the driver is the increasing wages of the highest-paid. These represent two distinctly 'different types of increase in wage inequality. The first—the "collapsing bottom"—refers to the situation where wage inequality is growing as a result of deterioration in the lowest wages. The second—the "flying top"—presents the opposite case, where top wage earnings are increasing faster than in other wage groups.' Comparing 1995–2000 with 2001–06, the report found that "the more developed countries … mainly fall into the category of 'flying top' wages… The countries from developing regions are predominantly close to the scenario of 'collapsing bottom' wages… [i.e.] growing inequality between the median and lowest wages."[23]

Super-wages, bonuses and share options received by employers and managers falsely counted towards as labour income partially explain the increase in wage inequality and exaggerate labour's share of national income. Anne Krueger, former World Bank chief economist, provides a striking example: "[i]f the owner of the Chicago Bulls, Jerry Reinsdorf, were to pay [basketball star] Michael Jordan an additional $20 million, and reduce his own salary by an equivalent amount, labor's share would be unchanged because both are counted as employees of the Bulls." [24] Luckily for Jordan, he didn't have to rely on Reinsdorf's generosity—in 1998 Nike paid him $45m in 'wages' for appearing in their adverts, enough to pay the annual wages of around 30,000 of the Indonesian workers who produce the famous brand's shoes.

20 John Smith, 2012, 'The GDP Illusion' (2012), in *Monthly Review*, 64:3, 86-102 http://monthlyreview.org/2012/07/01/the-gdp-illusion.

21 ILO, 2008, *Global Wage Report 2008-9*. Geneva: ILO, p29.

22 Richard B. Freeman, & Remco Oostendorp, 2001, 'The Occupational Wages Around the World data file', *International Labour Review*, Vol. 140, No. 4, 380-401., 2001, p392.

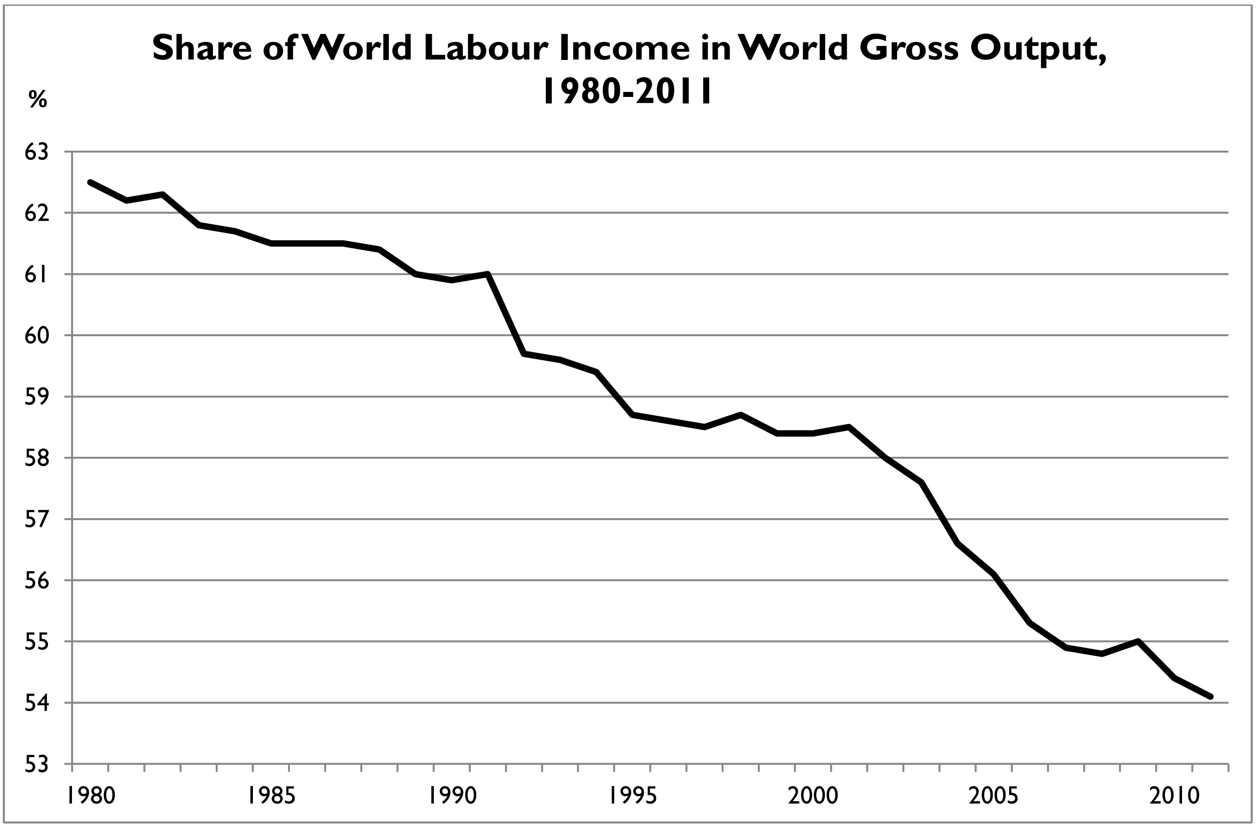
23 Ibid., p26

24 Anne O. Krueger, 2002, *A New Approach To Sovereign Debt Restructuring,* International Monetary Fund, p46. Krueger was appointed Assistant Treasury Secretary for Economic Policy by President Obama in March 2009.

Falling labour share of national income

All income can be divided into income to labour—wages and the 'social wage', and income to capital—profit streams from financial assets.[25] This provides the basis for an important metric: *labour's share of national income*, defined as the ratio of total employees' compensation (pre-tax wages and salaries plus national insurance and other social contributions) to total national income. Self-employed workers are also considered to be owners of capital; the convention is to split their income into two parts, income to capital and income to labour. The IMF bravely assumes that these "categories of workers earn the same average wage as employees,"[26] an especially problematic assumption when applied to 'developing' nations, where a much higher proportion of the economically active population is classified as self-employed, often subsisting on a small fraction of the paltry wages paid to those in employment. Wages are recorded pre-tax because it is assumed that workers receive benefits in exchange for the taxes they pay to the state. As a result, most of the 'state's share' of GDP is counted towards labour's share, even that part of it spent servicing sovereign debt, waging foreign wars and tooling up police to attack picket lines. It is little surprise, therefore, that "[i]ncreasing government spending is associated with an increase in labor shares, for both rich and poor countries."[27]

Figure 4



Source: UNCTAD, 2013, *Trade & Development Report, 2013*, Chart 1.4.

Figure 4 dramatically depicts the global decline in labour's share of the wealth it produces. The trajectory of the graph reveals an *accelerating* trend—labour's share declined as much between 2000 and 2007 as it did in

25 Adam Smith argued that "the whole annual produce of the labour of every country […][is] parcelled out among different inhabitants of the country, either as the wages of their labour, the profits of their stock, or the rent of their land." (Adam Smith, [1986] 1776. *The Wealth of Nations, Book I,* Harmondsworth: Penguin Books, p155). 'Land' stands for the feudal aristocracy, which since Adam Smith's day has been absorbed into the capitalist class.

26 IMF, 2007, op. cit. p182.

27 Ann Harrison , 2005, *Has globalization eroded labor's share? Some cross-country evidence.* Munich Personal RePEc Archive, p2. http://mpra.ub.uni-muenchen.de/39649/1/MPRA_paper_39649.pdf., p29.

the previous two decades—and remember, the true extent of this is masked by increased wage inequality and by falsely accounting income to capital as labour income.

How much of a distortion the super-wages received by the top decile of wage-earners can make is illustrated by analysis of US wages by Elsby et al.[28] The results are staggering. A 3.9 per cent decline in the share of all employees in national income becomes a 14 per cent decline when the highest-paid 10 per cent are excluded, their share falling from 42 per cent of national income in 1980 to 28 per cent in 2011. In other words, the share of national income received by the lowest paid 90 per cent of the US workforce during these years fell by a third, explaining how the USA could have grown richer while the majority of its workers haven't.

This is a global trend: in its 2011 *World of Work Report*, the ILO noted that since the early 1990s, 'the share of domestic income that goes to labour… declined in nearly three-quarters of the 69 countries with available information. The decline is generally more pronounced in emerging and developing countries than in advanced ones' (ILO, 2011, p.58). The decline in labour's share in low-wage countries were very steep—the wage share in Asia fell by around 20 per cent between 1994 and 2010; moreover, "[t]he pace of the decline accelerated in the past decade recent years [sic], with the wage share falling more than 11 percentage points between 2002 and 2006. In China, the wage share declined by close to 10 percentage points since 2000."[29] Africa's toilers saw their share of national income decline by 15 per cent in the two decades from 1990, again "with most of this decline—10 percentage points—taking place since 2000. The decline is even more spectacular in North Africa, where the wage share fell by more than 30 percentage points since 2000."[30] Latin America experienced the lowest decline, its wage share has falling by 'only' 10 per cent since 1993. Meanwhile "[t]he wage share among advanced economies has been trending downward since 1975 [but] at a much more moderate pace than among emerging and developing economies—falling roughly 9 percentage points since 1980."[31] These estimates take no account of sharply-increasing inequality between skilled/professional and unskilled workers or of income to capital masquerading as income to labour, effects which are likely to be at least as large as those reported above for the USA.

Global wage differentials

More than any other type of data, statistics on wages between nations must be treated with great caution, not only because they count taxes as labour income and ignore growing intra-national wage inequality, but because they often cover only those in the formal sector, because governments and employers have many reasons and opportunities to embroider the facts, and because of huge problems of data coverage and comparability. In addition, the conversion of wages into purchasing power parity dollars—necessary if real wages in different countries are to be compared—introduces biases and distortions large enough on their own to swamp the weak trends in real wages that we are trying to observe.

As we have seen, average wages veil sharply increased wage dispersal between high-skilled and low-skilled occupations. One way to exclude this effect is to consider international wage differentials *within* occupations, as did Freeman and Oostendorp, who surveyed wages during 'early' and 'late' periods of globalisation (1983-89 and 1992-99) for 137 occupations across 135 countries. The 'key result' of their research was that "inequality of wages across countries in the same occupation increased over this period despite globalisation, which should have reduced the inequality."[32] Textile workers' wages are amongst the most readily available of global wage data, and serve as a strong indicator of wage differentials between nations for other non-professional occupations. Werner International, a management consultancy serving the garment industry,

28 Michael Elsby, Bart Hobijn & Ayşegül Şahın, 2013, *The Decline of the U.S. Labor Share*, Brookings Papers on Economic Activity, Fall 2013.

29 Ibid., p58.

30 Ibid., p58.

31 Ibid., pp.56-7.

32 Richard B. Freeman & Remco Oostendorp, 2001, 'The Occupational Wages Around the World data file', *International Labour Review*, Vol. 140, No. 4, 380-401, p400.

finds no sign of the much-trumpeted convergence in wages between rich and poor countries. On the contrary, "[t]he wage gap between developed and developing countries is increasing and the range from the lowest hourly cost to the highest hourly cost is showing an ever increasing expansion" [33] This finding was confirmed by the Worker Rights Consortium: '"[o]ver the past decade… apparel manufacturing in most leading garment-exporting nations has delivered diminishing returns for its workers. Research conducted…on 15 of the world's leading apparel-exporting countries found that between 2001 and 2011, wages for garment workers in the majority of these countries fell in real terms."[34] They found that in 5 of the top 10 sources of US apparel imports—Bangladesh, Mexico, Honduras, Cambodia, and El Salvador—garment workers' wages declined in real terms between 2001 and 2011 by an average of 14.6 percent. Real wages also fell over this period in Guatemala, the Philippines, and Thailand. Garment workers in Mexico, the Dominican Republic, and Cambodia saw the biggest falls, real wages in these countries falling by 28.9 percent, 23.74 percent, and 19.2 percent, respectively. Real wages rose in four of the top 10 exporters—in China by 124 percent, Indonesia by 38.4 percent, Vietnam by 39.7 percent, Peru by 17.1 percent and India by 13 percent.

Finally, underlining the vulnerability of all but the most aristocratic layers of the working class in times of crisis, the ILO reports that 'whereas in times of economic expansion wages are less than fully responsive to changes in GDP per capita, during the economic downturns wages tend to become overly responsive and fall faster than GDP', adding that "in many of the countries that suffered from an economic crisis in the late 1990s (in particular some South Asian and Latin American countries) real wages have not fully recovered to pre-crisis levels despite significant economic recovery over recent years." [35]

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33 Werner International, 2012, *International Comparison of the Hourly Labor Cost in the Primary Textile Industry*, Winter 2011, p3.

34 Worker Rights Consortium, 2013, *Global Wage Trends for Apparel Workers, 2001–2011*, p2. www.americanprogress.org/wp-content/uploads/2013/07/RealWageStudy-3.pdf

35 ILO, 2008, op. cit. p15.

Part 2—theories of exploitation and super-exploitation

> We have yet to see a systematic theory of imperialism designed for a world in which all international relations are internal to capitalism and governed by capitalist imperatives. That, at least in part, is because a world of more or less universal capitalism… is a very recent development. [36]
>
> - Ellen Meiksins Wood

2.1 Dependency theory and international differences in the rate of exploitation.

The rise of Stalinism in the mid-1920s decapitated the communist movement, with the exception of tiny groups gathered around the International Left Opposition.[37] Further developments in the theory of imperialism and new recruits to the revolutionary movement awaited developments in the class struggle—these arrived in the form of the anti-colonial and anti-imperialist struggles that swept through Africa, Asia and Latin America following World War 2. This revolutionary wave inspired the emergence of a diverse and heterodox set of theoretical schemas, bracketed collectively as 'dependency theory', whose most influential texts deployed stripped-down concepts borrowed from Marx and Lenin to offer rival explanations for the persistence of the imperialist division of the world following the attainment of formal independence by the former colonies. Theoreticians of 'new imperialism' have almost completely ignored this chaotic but extremely rich body of literature. Here we have space only for a brief reflection on the significance of 'dependency theory' to our investigation into the globalisation of production processes.

The direct relevance of the dependency debates to analysis of contemporary imperialism is limited by one fact: it rose and fell in the period prior to neoliberal globalisation and the globalisation of production, a time when international trade still consisted of raw materials and finished goods and the globalisation of production was still in the egg. Ironically, the hatching of this egg—the rapid exported-oriented industrial development in South Korea, Taiwan Hong Kong and Singapore in the 70s (the so-called NICS, or 'Newly Industrialising Countries') partly explains why, in Gary Howe's words, "dependency theory itself began to flounder"—since these early instances of industrial take-off appeared to refute the dependentistas' insistence that imperialist domination blocked industrial development in the South.[38] Nevertheless, the debate sparked by dependency theory in the 1960s and 1970s was the first and last time that the theory of imperialism has engaged with Marxist value theory, one reason why it remains an important reference point for attempts three decades later to return to theories of imperialism and exploitation. The meeting-place was the debate on 'unequal exchange', the *thesis that trade between rich and poor nations (North-South trade) systematically results in the transfer of value from poor to rich nations,* whose most influential exponents were Fernando Henrique Cardoso, a social-democratic economist who became a neoliberal Brazilian President (succeeded in 2002 by Luis Inacio 'Lula' da Silva), Arghiri Emmanuel and Samir Amin.

Dependency theory's relevance hinges upon its perception that the wide and growing differences in wages and living standards between workers in imperialist nations and neocolonial southern nations is reflected in a higher rate of exploitation of workers in the oppressed nations and a mitigation of the rate of exploitation in the imperialist countries; the 'dependent' nations losing and imperialist nations gaining because the former 'exchange more labour for less labour'. Cardoso and Emmanuel's thesis in different ways argued that North-South wage differences resulted in prices of production which redistributed value from Third World exporters to western consumers. The implication, that higher wages in the North *cause* unequal exchange and increase exploitation of the South—and its corollary, that socialist revolution in the imperialist countries is

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36 Ellen Meiksins Wood, [2003] 2005, *Empire of Capital.* London, Verso, p127.

37 A discussion of the elements of discontinuity as well as continuity between the Left Opposition and Lenin's theory of capitalism's imperialist stage, and their partial reversion to Eurocentric revision of Marxism, sowing the seeds of the later degeneration of what calls itself the Trotskyist movement, is beyond the scope of this work.

38 Gary Nigel Howe 1981, 'Dependency Theory, Imperialism, and the Production of Surplus Value On a World Scale', pp82-102 in *Latin American Perspectives*, 8:3/4. (p88).

indefinitely postponed—aroused resistance from 'orthodox' Marxists based in Europe and North America, but instead of analysing the significance of higher rates of exploitation in the oppressed nations, dependency's 'orthodox' Marxist critics, as we shall shortly see, attempted to theoretically prove they weren't higher.

With the increasing flow of N-S FDI yet to turn into a flood, international outsourcing yet to take off and the Third World debt yet to achieve its mountainous proportions, the dependency theorists' claims of systemic north-south exploitation crucially depended on making the theory of unequal exchange stand up, i.e. to successfully operationalise the law of value, by developing the theory of 'unequal exchange' into a theory of global capitalist production. Their failure to develop a rigorous critique of the dominant bourgeois definitions of value, value-added, profit, rent etc and to creatively apply Marxist value theory to new problems presented by the imperialist evolution of world capitalism resulted in their various theories of unequal exchange being built on sand, and made them an easy target for those who could and should have assisted them: 'orthodox' Marxists based in Europe and North America.

Instead, they argued that the much higher productivity of labour in imperialist nations means that, despite their much higher levels of consumption, workers there may be subject to an even higher rate of exploitation than workers in the Third World. Thus, in their 1979 exchange with Samir Amin, John Weeks and Elizabeth Dore argued that "[s]ince it is in the developed capitalist countries that labor productivity is higher, it is not obvious that a high standard of living of workers in such countries implies that the exchange value of the commodities making up that standard of living is also higher" [39] Charles Bettelheim, was less circumspect, arguing in his critique of Arghiri Emanuel's *Unequal Exchange* that "the more the productive forces are developed, the more the proletarians are exploited." [40] Nigel Harris similarly argued that, "other things being equal, the higher the productivity of labour, the higher the income paid to the worker (since his or her reproduction costs are higher) and the more exploited he or she is— that is, the *greater* the proportion of the workers output [that] is appropriated by the employer." [41]

Since this debate first raged, the neoliberal era and its defining transformation, the globalisation of production, has fatally undermined the argument of Marxist critics of dependency theory. As we know—just look at the labels—the consumption goods consumed by workers in the North are no longer produced solely or mainly in the North; to an ever-greater extent, they are produced by low-wage labour in the global South. *Their* productivity, *their* wages significantly determine the value of the basket of consumption goods that reproduces labour power in imperialist countries. The value of labour-power is a commodity and its production has also been been globalised. Despite ubiquitous evidence of this transformation, these arguments continue to be advanced to the present day, thus Alex Callinicos argues that "[f]rom the perspective of Marx's value theory, the critical error [of 'theorists of unequal exchange such as of Arghiri Emmanuel and Samir Amin'] is not to take into account the significance of high levels of labour productivity in the advanced economies;" [42] while Joseph Choonara believes

> it is a misconception that workers in countries such as India or China are more exploited than those in countries such as the US or Britain. This is not necessarily the case. They probably have worse pay and conditions, and face greater repression and degradation than workers in the most developed industrial countries. But it is also possible that workers in the US or Britain generate more surplus value for every pound that they are paid in wages. [43]

This argument rests on the higher productivity of labour resulting from the higher organic composition of capital in 'countries such as the US or Britain'. As we shall show, this is bourgeois economics dressed in Marxist terminology—to anticipate the discussion of this subject a few pages hence, Marxism teaches that the

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39 John Weeks and Elizabeth Dore, 1979a, 'International Exchange and the Causes of Backwardness', in *Latin American Perspectives*, 6:2 62-87, 1979a, p71.

40 Charles Bettelheim, 1972, 'Some Theoretical Comments by Charles Bettelheim', pp271-322in *Unequal Exchange, A Study in the Imperialism of Trade*, by Arghiri Emmanuel, London: NLB 1972 (p302).

41 Nigel Harris, 1986, 'Theories of unequal exchange', in *International Socialism*, 2/33, pp119-20.

42 Alex Callinicos, 2009, *Imperialism and Global Political Economy*. Cambridge: Polity Press, pp179-80.

43 Joseph Choonara, 2009, *Unravelling Capitalism*, London: Bookmarks Publications, p34.

value and surplus value generated by an hour of labour *is wholly independent of its productivity and of the organic composition of the capital it is employed by*.

2.2 Lenin and imperialism

Just as Karl Marx could not have written *Capital* before its mature, fully-evolved form had come into existence (with the rise of industrial capitalism in England),[44] so it is unreasonable to expect to find, in the writings of Lenin and others writing at the time of its birth, a ready-made theory of imperialism that is able to explain its fully-evolved modern form—there cannot be a concrete concept of a system of interaction which is not itself fully concrete and developed. As Ellen Wood points out, "a world of more or less universal capitalism… is a very recent development." Imperialist domination and plunder was a necessary condition of the rise of capitalism in England, but it has taken the whole course of capitalist development for the imperialist division of the world to become internalised, to become a property of the capital relation itself.

The systematic violation of equality between proletarians, a central feature of global capitalism which, as we shall see in the next section, Marx excluded from the 'general theory' of the capital-labour relation developed in *Capital*, derives from the systematic inequality between nations, which Marx also excluded from his theoretical concept. It was, however, a central preoccupation of Lenin, who defined this latest stage of capitalism in extremely sharp and political terms: "the division of nations into oppressor and oppressed forms the essence of imperialism."[45] Here, Lenin was not so much stating a theory as recognising a new fact not anticipated by theory—and in so doing, revealing himself to be the very opposite of the dogmatist his opponents depict him to be.

Lenin's *'Imperialism, the Highest Stage of Capitalism'*, written in 1916, in the middle of World War I, is better understood as a continuation of Marx and Engels' *Communist Manifesto* than of Marx's *Capital.* It was written as a guide to action, a 'concrete analysis of a concrete situation', an attempt to lay bare the reasons why the leaderships of the mass socialist parties in the imperialist countries capitulated on the eve of world war, to show that the war itself was no aberration or accident but an expression of capitalism's nature, of the contradictions internal to it, and to show that the new imperialist stage of capitalism proved the objective necessity of world social revolution and the transition to a communist mode of production. Lenin's theory did what was then possible: it recognised the beginning of a new stage of capitalism's development and it identified those essential characteristics of capitalism's imperialist stage which were evident at its birth, in particular the concentration of wealth and the rise of finance capital, its oppression of and predation on weak nations, its militarism. Lenin could not have included a conception of how value is produced in globalised production processes because this was only incipient, to emerge in a later phase of its development.

These circumstance have resulted in an inevitable disconnection, persisting right to this day, between Lenin's theory of imperialism and Marx's theory of value.

Monopoly capitalism

Most strands of western Marxism, including many claiming adherence to Lenin's legacy, have disregarded Lenin's insistence on the economic and political centrality of the division of the world into oppressed and oppressor nations, dwelling instead on Lenin's argument that 'in its economic essence imperialism is monopoly capitalism."[46] Compounding the problem, neither of these antithetical definitions seem to be

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44 *"No period of modern society is so favourable for the study of capitalist accumulation as the period of the last 20 years... but of all countries England again provides the classical example, because it holds the foremost place in the world market, because capitalist production is fully developed only in England, and finally because the introduction of the free-trade millennium since 1846 has cut off the last retreat of vulgar economics."* Marx, [1867] 1976, *Capital*, *Volume I,* London: Penguin, p802.

45 V.I. Lenin, 1964 [1915], 'The Revolutionary Proletariat and the Right of Nations to Self-Determination', pp 407-411 in *Collected Works, Volume 21*. Moscow: Progress Publishers, p407.

46 V.I. Lenin, 1964 [1916], 'Imperialism, the Highest Stage of Capitalism', pp185-305 in *Collected Works, Vol. 22*, Moscow: Progress Publishers, p266.

consistent with the concepts and categories developed by Marx in *Capital*. Anwar Shaikh is formally correct to point out that,

> Ever since the publication of Lenin's *Imperialism* it has become a Marxist commonplace to assert that capitalism has entered its monopoly stage. Now, in the case of monopoly… the laws of price formation must be abandoned… The focus shifts instead to the domestic and international rivalries of giant monopolies, to their political interaction with various capitalist states, and to the antagonisms and conflicts between these states themselves—in other words, to "imperialism" as an aspect of monopoly capitalism. The law of value, like competitive capitalism itself, fades into history. [47]

The problem with Shaikh's argument is twofold: first, he dismiss facts not consistent with his theory, namely the imperialist division of the world into dominant and subject nations and the different rates of exploitation this makes possible; second, the tension between the rival definitions of imperialism reflects real, objectively existing, explosive contradictions in the global capitalist system itself. Andy Higginbottom has gone furthest in correctly posing the problem:

> Lenin does *not* theorise imperialism with respect to the rising organic composition of capital or the tendency of the rate of profit to fall… This theoretical incompleteness in the study of imperialism is atypical of Lenin, and stands in marked contrast with his own economic analyses of the development of capitalism on Russia, which are firmly based on the categories of *Capital*.[48]

How, then, can we achieve a theoretical concept of monopoly that *is* firmly based on the categories of *Capital*? This is a very large and complex question on which an extensive literature already exists. All we can do here, in the form of some brief notes, is to outline how the phenomenon of monopoly should be analysed and theorised.

Monopoly comes in a multiplicity of forms, and is used quite promiscuously in both bourgeois and Marxist literature to describe phenomena pertaining to production, distribution, brand loyalty, finance, concentration of capital, political and military power and much else. In other words, it is routinely applied both to technological innovations that give one capital a productive edge over its rivals as well as to any and all types of extra-economic distortion or barrier to new entrants. All of them result in above-average profits for certain capitals, but instead of a concept that explains what is common to all of these forms, resulting in a chaotic concept that includes everything and explains nothing, we must instead identify, through analysis of all empirical features of the imperialist global economy, the specific facts that are essential to imperialist character. The result: the source of imperialist profits and 'imperial rents' is not to be found in any form of monopoly but in *super-exploitation*.

How do these observations relate to Lenin's definition of the 'economic essence' of imperialism to be monopoly capitalism? For Lenin, 'monopoly' signifies the concentration of capital into giant corporations, the merging of financial and industrial capital and of both with the state. The imperialists' monopoly power manifests itself in all of the ways listed above—monopolistic control of markets, of advanced technology, of the state and military power and so on—and they must be disentangled if monopoly is to be conceptualised in terms of the law of value. At the time when Lenin was writing, monopolistic control over sources of raw materials was especially important and could be most effectively guaranteed by territorial conquest. Imperialist oil and mining corporations continue to exercise monopolistic control over raw materials and their extraction, but do so now through forming corrupt relationships with the most corrupt and treacherous sections of the national bourgeoisies of the subject nations, cutting them in on the proceeds. This typically involves the intervention of imperialist state power—a classic example being the US/UK-orchestrated military coup in Iran in 1953 which returned the Shah to throne and returned control over Iran's oil to imperialist oil corporations—rather than through their direct subjugation through colonial possession.

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47 Anwar Shaikh, 1980, 'The Laws of International Exchange' pp204-235 in Edward J. Nell (ed.) *Growth, Profits and Property: Essays in the Revival of Political Economy,*. Cambridge: Cambridge University Press, p208.

48 Andy Higginbottom, 2011, 'The System of Accumulation in South Africa: Theories of Imperialism and Capital', pp261-288 in *Économies et Sociétés*, 45:2, p268.

The export of capital

In *Imperialism, the Highest Stage of Capitalism*, Lenin argued that "[t]he export of capital, one of the most essential economic bases of imperialism… sets the seal of parasitism on the whole country that lives by exploiting the labour of several overseas countries and colonies."[49] Lenin's contention that 'the whole [imperialist] country' is parasitical on the labour of workers in 'overseas countries and colonies' resonates powerfully with what is revealed by an examination of the social relations objectified in the iPhone and the T-shirt, where Apple, H&M etc share the spoils of super-exploitation with myriad service-providers and their own employees, with the biggest cut of all is taken by the state.[50] There is, however, an obvious problem with applying Lenin's searing insight to contemporary imperialism. Apple, H&M etc *export no capital* to Bangladesh and China—their iPhones and garments are produced by arm's-length production processes. Export of capital as such comes in three forms: FDI, portfolio investment (i.e. purchases of shares and financial securities which, unlike FDI, do not give the foreign investor a controlling influence) and loan capital. All of these continue to be important but in recent years they have been outpaced by the arm's-length relationship. The riddle can be solved by focusing on the essence of the matter, not the form (the *export* of capital being the form). Lenin's essential point is to be found in the second half of the cited quote, and his argument is not that exploitation of workers in the imperialist country has ceased to take place—even if higher-paid, 'aristocratic' layers of the working class may receive wages are far in excess of the value they produce—but that the accumulated wealth of the imperialist ruling families has reached such proportions that the gigantic mass of surplus value necessary to convert their wealth into capital, i.e. self-expanding wealth, far outstrips the amount of surplus value that can be extracted from its domestic workforce. The imperialists, Lenin argued, were compelled to export part of their capital in order to exploit the labour of workers overseas. Andy Higginbottom explains why Lenin attached such importance to this:

> With his emphasis on the export of capital as a characteristic of the new stage, Lenin has already identified a vital starting point from which to deepen the analysis… The export of capital means that there must be a new type of capital-labour relation, between northern capital and southern labour, it means the *export of the capital-labour relation under terms of national oppression*.[51]

The argument here is that capitalism's evolution, especially since 1980, has provided the imperialists with ways to capture surplus value extracted from low-wage workers without having to 'export' their capital, which is why arm's length outsourcing is now more important than FDI, portfolio investments and debt (the three components of 'capital export').

To conclude this all-too-brief discussion of Lenin's contribution to the theory of imperialism, what is urgently needed is a concept that unites its 'economic essence'—monopoly capitalism, and its political essence—the division of the world into oppressed and oppressor nations; and for both of these to be expressed in terms of the law of value developed by Karl Marx in his towering work, *Capital*; the path to achieving what Andy Higginbottom has called a new synthesis of Marx's theory of value and Lenin's theory of imperialism. To arrive at the necessary starting point for such a synthesis, we now travel back another half a century, now in possession of all that we need, where we will make a secure connection with Marx's great work.

2.3 Marx's Capital in the 21st Century

Reading and misreading Capital

Dependency Theory's Marxist critics were termed 'orthodox' because they based their rejection of super-exploitation and the 'unequal exchange' arising from it on passages from Marx's *Capital* that, on a superficial reading, appear to support their view. Marx devotes a short chapter of *Capital I* to 'National Differences in

49 V.I. Lenin, 1964 [1916], op. cit., p277.

50 See Smith, 2012, op. cit.

51 Higginbottom, 2011, op. cit., p268.

Wages' which concludes that even though England's workers receive higher wages than in Germany or Russia they may be subject to a higher rate of exploitation: "it will frequently be found that the daily or weekly wage in the first nation is higher than in the second while the relative price of labour, i.e. the price of labour as compared both with surplus value and the value of the product stands higher in the second that in the first."[52] This is exactly the argument used by Weeks and Dore, Choonara et al to dismiss the possibility that the rate of exploitation is in fact higher in the poor nations, but there are four reasons why Marx's argument does not apply to contemporary North-South relations.

First, what these self-proclaimed disciples of Marx conveniently forget is that each of the nations used by Marx for his comparisons—England, Germany and Russia—were competing imperialist nations, each of them busy acquiring colonial empires of their own. The formally-free nations of the global South of today cannot be regarded merely as 'less developed' capitalist nations, analogous to Germany and Russia in the 19th century. Second, late twentieth century trade between imperialist and 'developing' nations is qualitatively different to late nineteenth century trade between England, Germany and Russia. In Marx's schema not only did each worker consume domestically-produced goods, but also each capitalist consumed domestically-reared labour-power—this was an age before FDI, outsourcing etc. One long century later, the large-scale outsourcing of production of workers' consumption goods to low-wage countries was to become a prime means of lowering the value of labour-power in the imperialist countries—or of containing its rise. The third reason why this passage in *Capital* does not apply to contemporary North-South relations is that Marx's example assumed that English, German etc capitalists competed in the production of similar goods, whereas, as we saw in Part 1, contemporary North-South trade is in dissimilar goods. The great significance of this for the theory of value will be discussed shortly; for the moment it is sufficient to draw attention to this important contrast. The fourth reason is that higher wages and higher rates of exploitation in more advanced England were both made possible by the higher productivity of labour industries producing workers consumption goods. As we saw in Part 1, the neoliberal era is defined by the large-scale shift of these production processes to low-wage countries.

Marx fleetingly returned to the subject of international differences in the rate of profit and rate of surplus value in a remarkable passage in *Capital III*, in the midst of a discussion about the equalisation of the rate of profit between capitals with different value compositions, quoted here in full:

> "In a European country the rate of surplus value might be 100 per cent, i.e. the worker might work half the day for himself and half the day for his employer; in an Asian country it might be 25%, i.e. the worker might work for four-fifth of the day for himself and one-fifth of the day for his employer. In the European country, however, the composition of the national capital might be 84*c* + 16*v*, and in the Asian country, where little machinery, etc is used and relatively little raw material productively consumed in a given period of time, the composition might be 16*c* + 84*v*. We then have the following calculation:
>
> In the European country, the value of the product = 84*c* + 16*v* +16s = 116; rate of profit = 16/100 = 16 per cent.
>
> In the Asian country, the value of the product = 16*c* + 84*v*+21*s* = 121; rate of profit = 21/100 = 21 per cent.
>
> The rate of profit in the Asian country would thus be some 25 per cent higher than in the European country, even though the rate of surplus-value was only a fourth as great."[53]

Marx's purpose here is to illustrate the effect of different value compositions on the rate of profit—in particular, that the rate of profit could be higher in the country A than in country B even if the rate of surplus value was lower in that country. Unlike in the *Capital I* passage just considered, it says nothing about the relative wages, and contrasts two unconnected economies (there is no interaction, e.g. trade, investment between them). The rate of exploitation, is far lower in the less developed country, and this is because necessary labour-time, i.e. the time a worker needs to work to replace the value of her/his consumption

52 Marx, [1867] 1976, op. cit., p702.

53 Marx, [1894] 1991 op. cit., pp249-250. We have already introduced s, or surplus value, and *v*, the capital advanced as wages for living labour. '*c*' denotes capital advanced in payment for dead labour, i.e. machinery and raw materials.

goods, swallows up so much of the working day. There are two possible explanations for this—either the basket of consumption goods purchased by the Asian worker's wage might be many times larger than in Europe, which of course is not what Marx meant, or the basket of consumption goods is *similar in size* in both continents but lower productivity in Asia means that much more labour is required to produce it.[54] This passage does not apply to interaction between imperialist and low-wage nations today for similar reasons to those given in relation to the previous passage, and because the basket of consumption goods purchased by workers' wages in imperialist nations is much larger than in low-wage nations and because a large portion of its contents is produced by workers in low-wage nations.

Marx's *Capital* was tasked with comprehending the capitalist form of the value relation, in order to discover the origin and nature of surplus value, whereas the task before us is to theoretically comprehend its current, imperialist stage of development. The level of abstraction required for Marx's project is evident from this *Capital I* statement: "[i]n order to examine the object of our investigation in its integrity, free from all disturbing subsidiary circumstances, we must treat the whole world of trade as one nation, and assume that capitalist production is established everywhere and has taken possession of every branch of industry."[55] The corollary of this is equality between capitals, whose freedom to decide where and on what to invest their funds promotes the formation through competition of an average rate of profit across the different branches of the economy; and equality between workers, whose free mobility between trades, industries and locations, results in the equalisation through competition of wages.[56] 'Orthodox' Marxist critics of dependency theory accept that profit-equalising value-transfers take place *within* countries—between branches of production with differing organic compositions, and towards the most efficient producers within each branch, and deny that there is anything qualitatively new or different when these are located in countries the degrees of development, different histories, different labour regimes, all inserted into the global economy in different ways. But, as we shall see, a condition of fundamental importance assumed by Marx no longer holds: the equality of proletarians. Equalisation of wages and the equality between proletarians within a national economy is predicated on the free movement of labour, free to sell its creative power to the highest bidder. At an international level, this essential attribute of the proletarian condition is massively restricted by immigration controls and further violated by racism and segregation experienced by southern workers in imperialist nations.

Marx treated divergence of wages as the result of temporary or contingent factors that ceaselessly mobile capital and labour would erode over time, and which could be safely excluded from analysis, as he made clear in this explanation of this method from *Capital III*.

> Important as the study of frictions ['local obstacles' obstructing the equalisation of wages] is for any specialist work on wages, they are still accidental and inessential as far as the general investigation of capitalist production is concerned and can therefore be ignored. In a general analysis of the present kind, it is assumed throughout that actual conditions correspond to their concept, or, and this amounts to the same thing, actual conditions are depicted only in so far as they express their own general type.[57]

This exclusion from consideration of systematic divergences of wages from a common average, implying the exclusion of divergences in the value of labour-power and the rate of exploitation, applies to the whole of *Capital*. Marx's level of abstraction is clearly inappropriate for our task. Study of workers' status in labour markets and their mobility across borders reveals that, in today's imperialist world, the condition of equality

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54 There is a third possibility: the productivity of consumer goods-producing labour in the European country may be so much higher than in China that the basket of goods there may be smaller than in Europe and yet the labour-time is very to produce it (and therefore the value of labour-power) may be higher. There is nothing in this passage to suggest that Marx meant such an interpretation.

55 Marx, [1867] 1976 op. cit., p727fn.

56 *"Even though the equalisation of wages and working hours between one sphere of production and another, or between different capitals invested in the same sphere of production, comes up against all kinds of local obstacles, the advance of capitalist production and the progressive subordination of all economic relations to this mode of production tends nevertheless to bring this process to fruition."* Karl Marx, [1894] 1991 op. cit., pp241-2 This either fails to anticipate or tries to see beyond capitalism's imperialist stage.

57 Ibid., pp241-2

between workers is profoundly and shockingly violated; and, as was indicated in Part 1, global competition has not produced any measurable progress towards the international equalisation of real wages—on the contrary, overall wage dispersion has increased during the neoliberal era. Neoliberal globalisation has greatly relaxed restrictions on the mobility of capital across national borders, but there has been no such relaxation of the free movement of labour—on the contrary imperialist governments are responding to increasing migration pressure by militarising their borders and criminalising migrant workers.

'The third form of surplus value increase'

In *Capital I*, Marx analysed in great depth and detail two ways in which capitalists strive to increase the rate of exploitation. One is by increasing absolute surplus value by lengthening the working day; and increasing relative surplus value by reducing necessary labour time through increasing the productivity of workers producing consumption goods. In several places he briefly describes a third. In the chapter entitled *The Concept of Relative Surplus Value*, Marx writes

> The duration of the surplus labour… [could be extended] only by pushing the wage of the worker down below the value of his labour-power…. Despite the important part which this method plays in practice, we are excluded from considering it here by our assumption that all commodities, including labour-power, are bought and sold at their full value. [58]

'Pushing the wage of the worker down below the value of his labour-power' is again mentioned two chapters later, during a discussion of the consequences for workers when 'machinery… gradually seizes control of the whole of a given field of production," with the result that a "section of the working class… rendered superfluous by machinery… swamps the labour-market, and makes the price of labour-power fall below its value." [59] Here Marx is talking about the episodic, sectoral unemployment arising from the mechanisation of a new branch of industry, but its relevance to the modern era hardly needs stating. A huge section of the working class in the global South has been 'rendered superfluous' by the inability of modern production methods to soak up enough labour to prevent rising unemployment, and this alone, even before we take into account the much harsher labour regimes and political repression prevalent in low-wage countries, exerts a powerful force that makes 'the price of their labour-power fall below its value'. Even before we establish the precise connection between the wage, the value of labour-power and the rate of exploitation, this already constitutes *prima facie* evidence that the value of labour-power has been forced down much more cruelly in southern than in northern nations, *so much so as to force a permanently lower value of labour-power upon these workers*; and is powerful evidence that wage differentials are determined, in part at least, by factors which are quite independent of the worker's productivity when at work, such as absence of social security, structural unemployment, repressive labour regimes.

Super-exploitation is mentioned for a third time in *Capital I*, in the midst of a discussion of ways capitalists can increase the amount of surplus value:

> In the chapters on the production of surplus-value we constantly assumed that wages were at least equal to the value of labour-power. But the forcible reduction of the wage of labour beneath its value plays too important a role in the practical movement of affairs for us not to stay with this phenomenon for a moment.[60]

He follows with a short paragraph heaping deserved sarcasm on calls for wages to be reduced to the barest minimum, before moving on. "A moment" is again the length of Marx's digression. As Higginbottom points out, this moment "has of course turned out to be somewhat longer," and persists to this day.[61]

Not only did Marx leave to one side the reduction of wages below their value, he made a further abstraction that, while necessary for his 'general analysis of capital', must also be relaxed if we are to analyse capitalism's

58 Ibid., pp430-431

59 Marx, [1867] 1976 op. cit., p557

60 Marx, [1867] 1976 op. cit., pp747-8

61 Andy Higginbottom, 2012, 'Structure and Essence in Capital I: extra surplus-value and the stages of Capitalism', pp251-270 in *Journal of Australian Political Economy,* 70, p264.

current stage of development: "[t]he distinction between rates of surplus value in different countries and hence between different national levels of exploitation of labour are completely outside the scope of our present investigation."[62] So, the two necessary elements of a theory of contemporary imperialism—international variations in the value of labour-power and in the rate of exploitation—were explicitly excluded by Marx from his general theory as elaborated in *Capital*. Thus Anwar Shaikh was wrong to contend that "the development of the law of value in Capital contains all the necessary elements for its extension to international exchange." [63] To connect *Capital* to the 21st century, necessary if we are to explain the world one and a half centuries on, we must latch on to the questions that Marx recognised were of the highest importance yet which he put to one side. The outstanding task is to subject fundamental theoretical concepts of the value of labour-power, productivity and the rate of exploitation to the criticism of facts, to re-forge them, to critically develop them to take account of capitalism's imperialist evolution, to sharpen them and use them to analyse and theorise those questions which Marx excluded from his analysis yet which are key to comprehending the imperialist era in general and the 'neoliberal era' in particular as the period of emergence of the imperialist form of the law of value.

"Communism is not a doctrine but a movement; it proceeds not from principles but from facts,"[64] as Frederick Engels said. Analysis of contemporary imperialism must proceed from, and attempt to explain, a fact of transcendental importance: *the systematic international divergence in the rate of exploitation between nations*.

Wage arbitrage-driven globalisation of production corresponds neither to absolute surplus value (long hours are endemic in low-wage countries, but the length of the working day is not the outsourcing firms' main attraction), nor to relative surplus value (necessary labour is not reduced through the application of new technology—indeed, outsourcing is an alternative to investment in new technology). Raising surplus value through expanding the exploitation of southern low-wage labour cannot be reduced to the two forms of surplus value extraction analysed in *Capital*—absolute and relative surplus value. Global labour arbitrage-driven outsourcing is driven by lust for lower unit labour costs, i.e. lower wages and higher output, and therefore corresponds most directly to "reduction of wages below their value" recognised by Marx as a 'most important factor' yet excluded, as we have seen, from his theory of value. This third form of surplus value turns out to be nothing else than the driver of the global shift of production to low-wage nations, i.e. *global labour arbitrage*.

The rediscovery of this third form of surplus value, or rather its disinterment after being buried for so long, is a major breakthrough, providing the key to unleashing the dynamic concepts contained in *Capital*, and this breakthrough was made by Andy Higginbottom in *The Third Form of Surplus Value Increase*, where he comments, "Marx discusses three distinct ways that capital can increase surplus value, but he names only two of these as absolute surplus value and relative surplus value. The third mechanism, reducing wages below the value of labour-power, Marx consigns to the sphere of the competition and outside his analysis," [65]and in *The System of Accumulation in South Africa: Theories of Imperialism and Capital,* where this idea is developed further. Referring to the standard 'orthodox' reading of *Capital*, Higginbottom says,

> It is unclear… why lengthening the working day; and the indirect, unintentional and mediated effect of increasing labour productivity on decreasing the value of labour-power belong to the inner nature of capital, while capital directly decreasing wages does not. All three mechanisms increase the rate of surplus value. Not only is direct wage decrease the mechanism that is crucial to understanding the mode of exploitation of capitalism in South Africa [the subject of Higginbottom's paper]; it is by extension crucial to the analysis of capitalism as imperialism and a world system."[66]

62 Marx, [1894] 1991, *op. cit*, p242

63 Anwar Shaikh, 1980, 'The Laws of International Exchange' pp204-235 in Edward J. Nell (ed.) *Growth, Profits and Property: Essays in the Revival of Political Economy*. Cambridge: Cambridge University Press, p208.

64 Frederick Engels, 1847, *The Communists and Karl Heinzen,* MECW Volume 6. Moscow: Progress Publishers, p291.

65 Andy Higginbottom, 2009, *The Third Form of Surplus Value Increase*, paper to Historical Materialism conference, 2009.

66 Higginbottom, 2011, op. cit., pp282-283.

And he continues,

> The idea of super-exploitation needs to conceptually generalised [sic] at the necessary level of abstraction and incorporated in the theory of imperialism. Super-exploitation is a specific condition within the capitalist mode of production… the hidden common essence defining imperialism. The working class of the oppressed nations/Third World/global South is systematically paid below the value of labour power of the working class of the oppressor nations/First World/global North. This is not because the southern working class produces less value, but because it is more oppressed and more exploited. [67]

This is a new fact not contained in Marxist theory of value. It is the starting point from which, and only from which, it is possible to proceed towards a value theory of imperialism. As Higginbottom concludes, "[e]xperience of modes of oppressive exploitation is so overwhelming that not to include it in Marxism as a theoretical expression of capitalism as a world system would render Marxism itself obsolete. [68]

Why the rate of exploitation is independent of workers' productivity

In a much-discussed chapter in *Capital III*, in which Marx considers six 'counteracting factors' that mitigate the tendency of the rate of profit to fall, he makes another brief reference to this third way to increase surplus value. One of these counteracting factors, the 'Reduction of Wages Below their Value', is dealt with in just two short sentences: "like many other things that might be brought in, it has nothing to do with the general analysis of capital, but has its place in an account of competition, which is not dealt with in this work. *It is nonetheless one of the most important factors in stemming the tendency for the rate of profit to fall.*" [69]

Once again, Marx mentions super-exploitation, i.e. "pushing wages… below the value of labour-power," stressing its great importance—and then excludes it from further analysis. These exclusions were overlooked by 'orthodox' Marxists as they scoured *Capital* for ammunition to use against dependency theory, seizing instead on Marx's comment that higher real wages in England than in Germany and Russia are compatible with a higher rates of exploitation in England, his assumption of a very much lower rate of surplus value in China than in England and a few other scattered comments, and in so doing turned *Capital* itself into an obstacle to an understanding capitalism's imperialist trajectory.

Undoubtedly the most tantalizing of the brief appearances of international differences in the rate of exploitation is contained in *Capital III*, in the midst of four dense paragraphs that make up 'foreign trade', the fifth of six 'counteracting factors' restraining the fall in the rate of profit. Underlining the distance between then and now, Marx discusses a world before large-scale production outsourcing, a time when international trade took place in goods that each capitalist produced at home. In these paragraphs, Marx specifies or alludes to no less than five different ways in which "capital invested in foreign trade, and colonial trade in particular" [70] can increase the average rate of profit in the imperialist country, thus countering its tendency to fall—and the fifth, briefest and most allusive is to the higher rate of exploitation in the subject nations.

The first two counteracting effects are to be found in Marx's explanation that "[i]nsofar as foreign trade cheapens on the one hand the elements of constant capital and on the other the necessary means of subsistence into which variable capital is converted, it acts to raise the rate of profit by raising the rate of surplus-value and reducing the value of constant capital." The rough nature of the notes which Engels assembled into *Capital III* is evident here—this passage can be confusing because the order of the two pairs of cause and effect are

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67 Ibid., p284.

68 Ibid., pp284-285.

69 Marx, [1894] 1991 op. cit., p342, my emphasis. This was also a premise of Marx's analysis of capitalist exploitation in Capital Volume 1: *"I assume that commodities are sold at their value, [and] that the price of labour-power occasionally rises above its value, but never sinks below it. On these assumptions... the relative magnitudes of surplus-value and price of labour-power are determined by three circumstances: (1) the length of the working day, or the extensive magnitude of labour, (2) the normal intensity of labour, or its intensive magnitude, whereby a given quantity of labour is expended in a given time and (3) the productivity of labour, whereby the same quantity of labour yields, in a given time, a greater or smaller quantity of the product, depending on the degree of development attained by the conditions of production."* Marx, [1867] 1976 op. cit., p655.

70 He continues,*"unless monopolies stand in the way," i.e.* when the surplus profit is captured by individual firms and not shared, through competition, with other capitals. Marx, [1894] 1991 op. cit., p345.

reversed— cheapening the price of raw materials ('elements of constant capital') results in the reduction in the value of constant capital, while the cheapening of workers' necessary means of subsistence results in a higher rate of surplus value.

We are already familiar with these first two counteracting effects, but the third counteracting effect of trade on the tendency of the rate of profit to fall,[71] resulting from the ability of firms in "the more advanced country [to] sell its goods above their value," and needs special attention. Marx says this effect of trade is analogous to "a manufacturer who makes use of a new discovery before this has become general," thereby reaping a super-profit because his more technically advanced capital can produce a *given commodity* in less than the average socially-necessary labour time required in the technically retarded country. These extra profits *only arise in competition between capitalists in the same branch*, producing similar goods in direct competition with each other, for example cars, chemicals or clothing, and is the result of capitals with differing costs of production all selling for the same price. It is important to note that, assuming labour of average intensity and complexity (we shall return to the subject of complex labour later), *all* of the labour-power expended by workers employed in the less productive capitals counts equally towards total value, even if a disproportionate part of it is captured by the more productive capitalists. The more productive capitalist's extra profits derive not from their own 'more productive' workers but from surplus labour extracted from workers employed by technologically deficient capitals. Were these capitals to be driven out of production, the average socially-necessary labour time required for the production of these commodities would decline, and with it their price and the surviving capitalists' extra profits. Thus the value generated by productive workers in a given amount of time is independent of their productivity, even if the value-added captured by their employers remains highly dependent on this. This is so fundamental, it must be repeated: a steelworker operating more technologically sophisticated machinery *does not* produce more exchange value, s/he simply allows her/his capitalist employer to capture a larger share of it. It follows that the rate of exploitation (assuming equal wages, intensity of labour etc) is not higher in more productive capitals than in less productive capitals, as Choonara, Mandel et al argue.

Between branches of production, when trade is in dissimilar goods, matters are very different. Producers of entirely different commodities do not confront each other directly, as competitors in product markets, but only indirectly, as capitals competing for new investors. *Between* branches of production, assuming a uniform value of labour-power, relative prices are determined by the different amounts of socially-necessary labour time required to produce each product and by profit-equalising transfers of value generated by differences in the organic composition of capital.[72]

While it is certainly true that workers using advanced technology will produce more use-values, the quantity of value and of surplus value generated by their living labour will be no different than if the same labour was performed in a less advanced firm or a more labour-intensive branch. The apparently higher productivity of workers in capital-intensive branches of production is an illusion created by transfers of value from capitals with low organic composition to those with higher and also by transfers of value from capitals with higher-than-average rates of exploitation to those with lower-than-average rates of exploitation. What the capitalist thinks of as profits magically appearing out of dead labour, i.e. from his machinery and other inputs, is in fact

71 *"The rate of profit does not fall because labour becomes less productive, but because it becomes more productive. Both the rise in the rate of surplus value and the fall in the rate of profit are but specific forms through which growing productivity of labour is expressed under capitalism."* Marx, [1894] 1991 op. cit., p240.

72 'Organic composition of capital': simply, the relative proportions of dead labour and living labour see p220 for more discussion of this term in the different branches. If we assume the organic composition of capital to be the same in all branches and supply and demand to be in balance, the relative prices of two dissimilar commodities would coincide with the relative amounts of average socially-necessary labour time required to produce them, and price would be synonymous with value. In reality, of course, huge differences in organic composition exist, and so the competition between capitals for a share of total profits results in the redistribution of value from labour-intensive capitals to capital-intensive capitals, thereby giving rise to an average, economy-wide rate of profit.

Price formation, or the process of social equalisation of different concrete private labours, is also a process of abstraction from everything that makes these private labours different and concrete—a real abstraction, one that is actually performed through the marketing of the products of these diverse concrete labours, measuring them against all others, comparing them as values.

value created by living labour employed by rival capitalists with lower organic compositions and/or higher rates of exploitation. It follows that, assuming that both labours are of average intensity, and ignoring the issue of qualified or 'complex' labour, the new value generated by a given quantity of living labour *is wholly independent of the organic composition of the capital it sets in motion*. In other words, again assuming both labours are of average intensity and assuming they are paid the same wages, the quantity of value produced in a standard working day by the hamburger-flipper standing in the car-park of a steel factory is the same as that produced during the same time by the steelworker inside that factory.[73] Not only is the relation between the productivity of labour and the exchange-value created by it not direct, as asserted by mainstream economic theory and echoed by Euro-Marxists, they are wholly independent of each other, as Marx emphasised:

> "[b]y 'productivity', of course, we always mean the productivity of concrete useful labour.... Useful labour becomes... a more or less abundant source of products in direct proportion as its productivity rises or falls. As against this, however, variations in productivity have no impact whatever on the labour itself represented in value. As productivity is an attribute of labour in its concrete useful form, it naturally ceases to have any bearing on that labour as soon as we abstract from its concrete useful form. The same labour, therefore, performed for the same length of time, always yields the same amount of value, independently of any variations in productivity. But it provides different quantities of use-values during equal periods of time..."[74]

Belief in a direct relation between wages and productivity is therefore founded on a confusion of use-value with exchange-value, a confusion that wrecks the very foundation of Marx's theory and in fact response to the semblance of the relations of production in the mind of the capitalist. In other words, the 'orthodox' Marxists are in fact promoting bourgeois economists dressed in Marxist terminology.

It follows from the foregoing that value transfers to innovating capitals from less advanced capitals *within* a branch of production are the result of *differences in the individual productivities of the individual capitals* within that branch—and result in *divergence* in the rate of profit enjoyed by individual capitals. On the other hand, value transfers *between* different branches are effected by the *different value compositions of the total capital employed in the different branches*—and, in a unitary economy, in which capital and commodities freely flow, this results in *convergence* of the rate of profit between the different branches and the formation of an average, economy-wide rate of profit. Whether trade between countries involves competition between firms trading similar goods or instead involves the exchange of similar goods is therefore of great importance, determining which type of value transfer is predominant. It is therefore highly significant that, as we saw in Part 1, trade between imperialist nations is in similar goods, while trade between imperialist and 'developing' nations are in different goods. We thus obtain this important result: in N-N trade differences in productivity are a prime cause of value-transfers and a prime determinant of above- or below-average profits, but in N-S trade *they are not*; and, for this reason, this particular counteracting effect of foreign trade on the falling rate of profit does not explain the interaction between imperialist and low-wage economies. An alternative explanation is required, one that rests on the central role played by the third form of surplus value extraction, i.e super-exploitation, as discussed above.

Super-exploitation in Marx's Capital

Finally, in the following remarkable sentence, Marx says "as far as capital invested in colonies, etc. is concerned, the reason why this can yield higher rates of profit is that the profit rate is generally higher there on account of the lower degree of development, and so too is the exploitation of labour, through the use of slaves and coolies, etc."[75]

Close examination of this passage reveals not one but two reasons why capital invested in colonies may return a higher than average rate of profit. 'Lower degree of development' refers to low productivity, capital-

73 This assumes that both labours are of average intensity, and ignores the issue of qualified or 'complex' labour, which may amplify the value-producing properties of labour. But this difference does not correlate with organic composition. The important point here is that the value-creating power of a worker *is wholly independent of the organic composition of the capital s/he sets in motion*.

74 Marx, [1867] 1976, op. cit., p137.

75 Marx, [1894] 1991, op. cit. p345.

intensity etc, and extends to the colonies the same unequal exchange effect previously identified in trade between more and less advanced capitalist nations. It is the second part of the sentence that attracts attention. Marx says that "the profit rate is generally higher [in the colonies]… and so too is the exploitation of labour, through the use of slaves and coolies, etc." These few words in this single sentence are the only place in the whole of *Capital's* three volumes and in its 'fourth volume', *Theories of Surplus Value*, where Marx mentions the positive effect on the rate of profit in the imperialist nations of 'higher exploitation' in subject nations.[76]

In continuation, Marx says "[n]ow there is no reason why the higher rates of profit that capital invested in certain branches yields in this way, and brings to its country of origin, should not enter into the equalization of the general rate of profit and hence raise this in due proportion, unless monopolies stand in the way."[77] This short sentence indicates how the theory of value relates to the concept of monopoly—the latter is a second-order phenomenon that affects the distribution of surplus value. In order to arrive at a concrete concept of monopoly, analysis must first of all abstract from it in order to analyse the value relation, as argued above in the discussion of Amin's theory of imperialist rent.

Qualified labour in Marx's theory of value

So far we have shown that, according to Marx's theory of value, and assuming throughout that all labour is of average intensity, the quantity of value objectified in commodities by one hour of living labour is entirely independent of its specific productivity. In other words, workers in firms employing more advanced technology do not themselves produce any more value in a given period of time than workers employed by more backward firms. All of their labour is counted equally towards the total value generated in that branch, and if they are all paid the same wage, i.e. assuming a uniform value of labour-power, they are all equally exploited. We have also shown that the same is true of the living labour performed by workers employed in different branches of production where the organic composition of capital varies. Again, assuming labour of average intensity and a common value of labour power, they are all equally exploited. The 'orthodox' Marxists rejection of the dependency thesis therefore not only fails the test of external validity, i.e. it flies in the face of the palpable reality of the extreme rates of exploitation in Bangladeshi garment plants, Chinese production lines, South African platinum mines and Brazilian coffee farms; it also fails the test of internal validity, i.e. it contradicts the most fundamental principles of Marxist value theory. It further follows that, to the extent that wages and the value of labour-power are much lower in Bangladesh, China etc than in the imperialist nations, a higher rate of exploitation prevails in those countries. And finally, it is clear that this higher rate of exploitation corresponds neither to a higher rate of absolute surplus value or a higher rate of relative surplus value but to what Higginbottom has called the third form of surplus value increase, what Marx called the reduction of wages below the value of labour-power but which we call here, simply, a lower value of labour-power.

There is, however, another extremely important dimension of the problem. While neither the specific productivity of living labour employed by a particular firm nor the average productivity of labour in a particular branch of production affects the quantity of value generated in a given period of time, this assumes that all of this labour is what Marx called 'average labour', i.e., labour which is equally qualified, equally skilled. This is a safe assumption when it comes to comparing the labour of Bangladeshi garment workers or Chinese iPhone assemblers to the labour of workers employed in the transportation and retail of garments and iPhones etc in the countries where these commodities are sold. The huge differences in the value of labour-power between these two regions of the global economy therefore provide a reliable index of the huge differences in the rate of exploitation of those workers. But what does Marx's theory of value say about the value-generating quality of skilled labour vis-à-vis unskilled labour? In *Capital I*, Marx explains that,

76 It is noteworthy that Marx talks about the 'exploitation of labour', not the 'rate of exploitation', and 'labour' not 'labour-power'. That this might be due to the provisional, draft form of the original can be discounted—even in rough drafts, Marx is meticulous in his choice of words. It is more likely that he deliberately chose not to use the developed capitalist form of these categories, because in the colonies, at that time, the commodification of labour-power and the universalisation of the capital/wage labour relation had a way to go. This again underlines the evolutionary distance separating the past three decades from the stage of capitalist development observed and analysed by Marx.

77 Marx, [1894] 1991, op. cit. p345.

> All labour of a higher, or more complicated, character than average labour is expenditure of labour power of a more costly kind, labour power whose production has cost more time and labour than unskilled or simple labour-power, and which therefore has a higher value. This power being of higher value, it expresses itself in labour of a higher sort, and therefore becomes objectified, during an equal amount of time, in proportionally higher values.[78]

To the extent that the higher wages of 'skilled', i.e. more complex, labour reflects the higher cost of its production, the ratio between necessary labour-time and surplus labour-time, i.e. the rate of exploitation, is neither higher nor lower than that endured by 'unskilled', simple labour. As Marx says, in continuation, "[w]hatever difference in skill there may be between the labour of a spinner and that of a jeweller, the portion of his labour by which the jeweller merely replaces the value of his own labour-power does not in any way differ from the additional portion of his labour by which he creates surplus value," a point which he returned to in *Capital III*:

> distinctions, for instance in the level of wages, depend to a large measure on the distinction between simple and complex labour that was mentioned in the first chapter of Volume 1, and although they make the lot of the workers in different spheres of production very unequal, they in no way affect the degree of exploitation of labour in these various spheres. If the work of a goldsmith is paid at a higher rate than that of a day-labourer, for example, the former's surplus labour also produces a correspondingly greater surplus value than does the latter. [79]

It was in this context that Marx stated, as quoted earlier, that "[i]mportant as the study of frictions [impeding equalisation of wages] is … they are still accidental and inessential as far as the general investigation of capitalist production is concerned… it is assumed throughout that actual conditions correspond to their concept."[80]

In the *Capital I* passage cited above, Marx goes on to explain why, in addition to the exclusions already discussed, *he also excluded difference between qualified or complex labour and simple labour* from his 'general theory': "[i]n every process of creating value the reduction of the higher type of labour to average social labour is unavoidable. We therefore save ourselves a superfluous operation, and simplify our analysis, by the assumption that the labour of the workers employed by the capitalist is average simple labour," and he added, in a footnote to this passage:

> The distinction between higher and simple labour, 'skilled labour' and 'unskilled labour', rests in part on pure illusion or, to say the least, on distinctions that have long since ceased to be real, and survive only by virtue of a national convention; and in part on the helpless condition of some sections of the working class, a condition that prevents them from exacting equally with the rest the value of their labour power.[81]

Here, Marx considers the distinction between skilled and unskilled labour within a single national economy, regarding it to be a transient phenomenon, destined to be eroded by competition between workers and by the deskilling of skilled labour as complex, labour-intensive production processes become mechanised and therefore simplified. Attempts to explain the huge divergences in wages and the value of labour power between workers in imperialist and low-wage nations as the result of the distinction between skilled and unskilled labour-power, as do dependency's 'orthodox' Marxist critics, rest, in very large part, on some combination of 'pure illusion' and self-deception. To ignore, as they do, the role of "the helpless condition of some sections of the working class," i.e. those corralled by immigration controls and oppressed by brutal labour regimes in low-wage countries, in forcing down the value of their labour-power, i.e. *ratcheting up their rate of exploitation,* is to use Marx to shield imperialism from criticism.

78 Marx, [1867] 1976, op. cit., p305.

79 Ibid., pp241-2

80 Marx, [1894] 1991, op. cit. pp241-2.

81 Ibid., pp 241-2.

Conclusion

The central finding from our search of Marx's *Capital* for clues, concepts and methodological tools useful for analysing and theorising super-exploitation is that global labour arbitrage is the form taken by what Andy Higginbottom has called the third form of surplus value increase. This provides the only possible solid foundation for a renaissance of Marxism, for the achievement, at long last, of a theory of the imperialist form of the law of value, one which connects with Marx through Lenin and connects with Lenin through Marx and the forging of a revolutionary Marxism-Leninism in place of its Stalinist perversion. This is a huge claim, but one which I am sure will stand against the flightless arrows of sterile Marxist 'orthodoxy'. This central finding also allows us to see the place of the neoliberal era in history. In Grundrisse, Marx comments,

> As long as capital is weak, it still itself relies on the crutches of past modes of production, or of those which will pass with its rise. As soon as it feels strong, it throws away the crutches, and moves in accordance with its own laws. As soon as it begins to sense itself and become conscious of itself as a barrier to development, it seeks refuge in forms which, by restricting free competition, seem to make the rule of capital more perfect, but are at the same time the heralds of its dissolution and of the dissolution of the mode of production resting on it.[82]

Thus capitalism, like any organic system, moves through stages of immaturity, maturity and decay. This bears a startling similarity to Lenin's argument, in *Imperialism, the Highest Stage of Capitalism*, that "capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves in all spheres."[83]

The rise of capitalism depended on the most barbaric forms of 'primitive accumulation', e.g. the transportation of millions of African slaves, opium-trafficking etc, while its relationship with feudalism was not only antagonistic, it fed off it and sucked the life out of it, spitting out only what it could not absorb. When capitalism reached its adult stage and took full control over the production process, competition flourished and the inner laws of capital became expressed most fully. Finally, in its epoch of decay, capitalism increasingly relies on forms other than free competition—monopoly, vastly increased state intervention in all aspects of economic life, 'accumulation by dispossession', imperialism—for its survival, but at the cost of distorting the operation of its laws and erect barriers to the expansion of the productive forces. These three phases are not strictly separated from each other; each succeeding phase contains elements of those that went before; indeed, there is a kernel of truth in David Harvey's argument that 'accumulation by dispossession', or the continuation of 'primitive accumulation' in a contemporary setting, is increasingly important to capitalism's survival. Harvey's great error, as discussed above, is to contrapose this to the super-exploitation of wage-labour in the oppressed nations

How does this chronology relate to the three forms of surplus value increase? In the immature phase of capitalism, absolute surplus value was the predominant form of the capital-labour relation. As capital took control of the production process, relative surplus value became the predominant form, though at all times this depended on the persistence of much more brutal and archaic forms of domination in the subject nations. Now, the capitalist ruling class control a greater portion of world wealth than ever in history and their wealth is growing faster than ever before, while the fraction of it being invested productively has never been lower. Global labour arbitrage, i.e. super-exploitation, i.e. forcing down the value of labour power, i.e. the third form of surplus value increase is now the increasingly predominant form of the capital-labour relation. The proletarians of the semicolonial countries are its first victims, but the broad masses of working people in the imperialist countries also face destitution. The new, youthful and female proletarians of the low-wage countries dug capitalism out of the hole in which it found itself in the 1970s. Now, together with workers in the imperialist countries, it is their mission to dig another hole—to excavate the grave in which to bury capitalism and thereby secure the future of human civilisation.

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82 Karl Marx, 1973, *Grundrisse*, London: Penguin, p651. I am grateful to Walter Daum for pointing out the relevance of this passage.

83 Lenin, 1964 [1916], op. cit., p265.

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