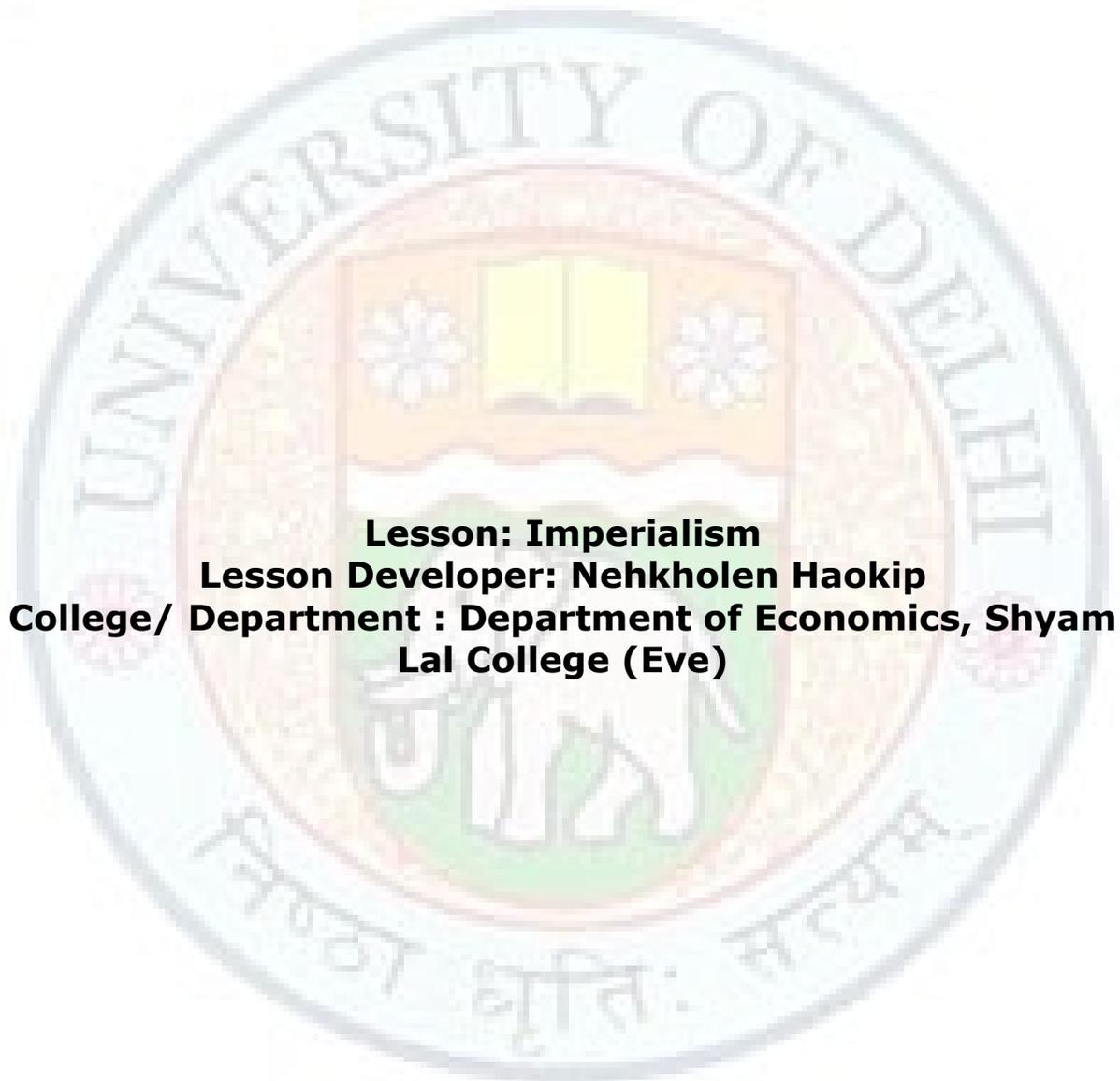


# Imperialism



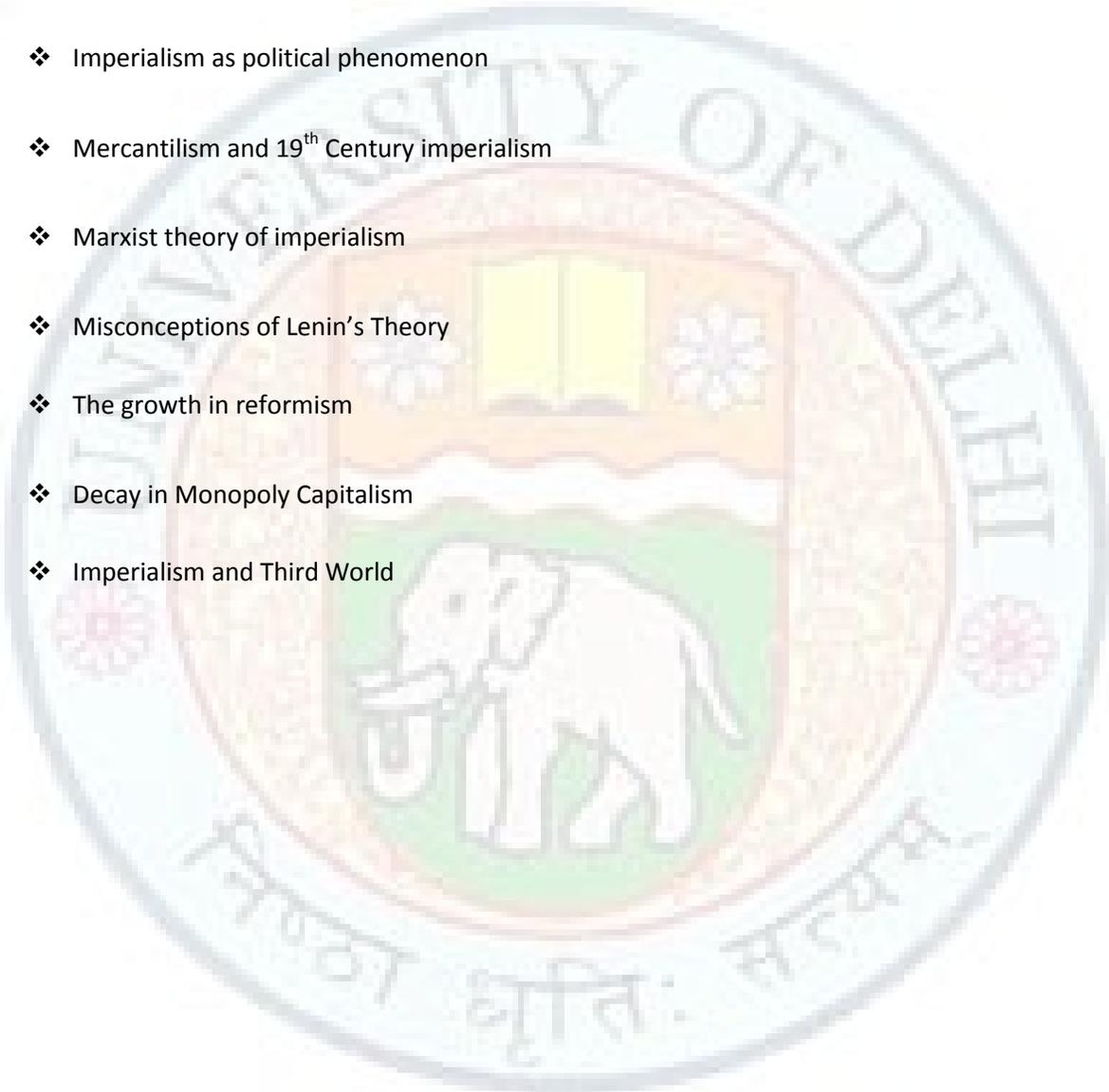
**Lesson: Imperialism**  
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# Imperialism

## Learning Objectives:

After reading this lesson, the reader will be able to understand the following:

- ❖ Meaning of economic imperialism
- ❖ Imperialism as political phenomenon
- ❖ Mercantilism and 19<sup>th</sup> Century imperialism
- ❖ Marxist theory of imperialism
- ❖ Misconceptions of Lenin's Theory
- ❖ The growth in reformism
- ❖ Decay in Monopoly Capitalism
- ❖ Imperialism and Third World



# Imperialism

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6. Theory of External Constraint.

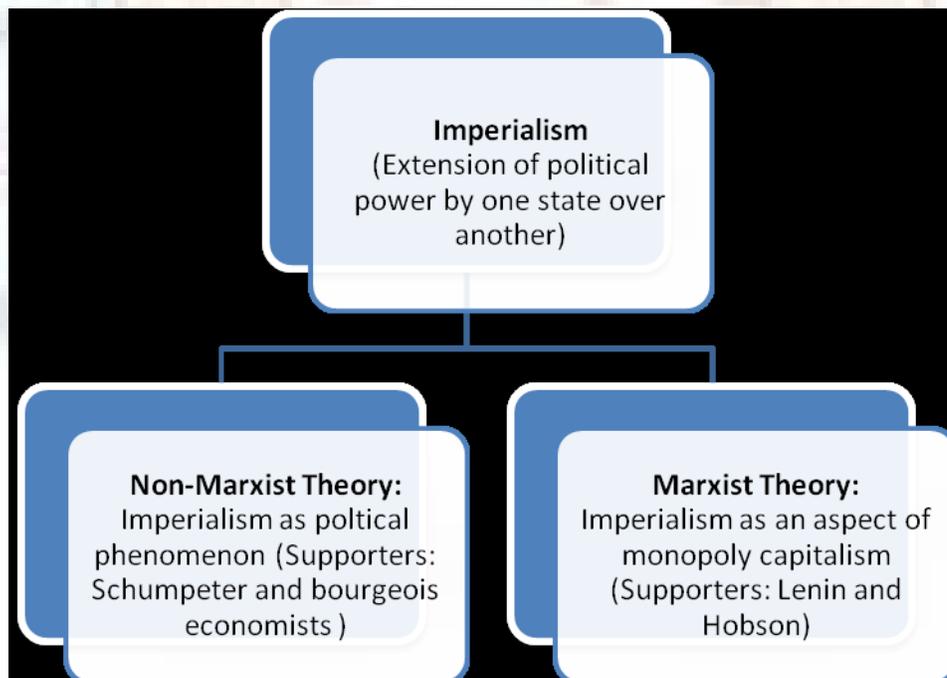
# Imperialism

## IMPERIALISM

### Section A: Meaning Of Economic Imperialism

#### 1. INTRODUCTION

There is still no consensus on the definition and meaning of economic imperialism. Still, there are number of phenomena associated with imperialism such as plunder of raw materials, capture of colonies or territory, enslavement of local people, nationalism, militarism, racism to the present day activities of multi-national corporations (MNC). However scholars looked at imperialism in two different ways. The first view associated imperialism with the economic, social and political process while the second one associated it with the process or logic of accumulation. The non-Marxist view dissociates imperialism from capitalism and states that the logic of capital accumulation should do away with imperialism. The Marxist scholar on the other hand emphasized on the accumulation aspects of imperialism.



We will look at the two theories of imperialism in the context of the expansion in Europe from 1880 to 1914.

# Imperialism

## 2. the first theory of imperialism

(Imperialism as a political phenomenon)

Schumpeter was the proponent of imperialism as a political phenomenon. He dissociates capitalism from imperialism and defines imperialism as “a heritage of the autocratic state and against the inner logic of capitalism”. He sees imperialism as the outcome of pre-capitalist forces which the autocratic state has re-organised. The inner logic of capitalism consists only of free trade and where free trade prevails no class has an interest in forcible expansion. The citizens and goods of every nation are free to move in any parts of the world under free trade. Connor believes that Schumpeter has been proven wrong. The ‘new mercantilism’ by Joan Robinson points to this case.

The main argument behind Schumpeter and other bourgeois economists is that it is not possible for exploitative economic relations between advanced capitalist countries and backward nations to survive in a world of politically independent countries. There are three reasons why they dissociate capitalism from imperialism which are as follows:

1. Their criteria of distinguishing and identifying the relationship between imperial and colonial nations are only on political grounds and not economic.
2. They do not consider capitalism as an exploitative economic system.
3. Historically, imperialism has contained certain features identified with expansionism which are not uniquely associated with any given economic and social system

### Non- Marxist View of Imperialism (Schumpeter)

1. Imperialism is a political phenomenon which is a heritage of autocratic state

2. Reasons for dissociating capitalism from imperialism

(a) Only political relationship between imperial and colonial nations

(b) Capitalism is not exploitative system

(c) Imperialism is associated with expansionism

3. Pre-capitalist versus capitalist societies

(a) Economic expansion was irregular and unsystematic in Pre-capitalist societies. In Capitalist societies, foreign trade and investment are engines of economic growth.

(b) Economic gains in pre-capitalist societies are windfall gains compare to Profits from overseas trade in capitalist societies

(c) Plunder has no effect on home economy in pre-capitalist societies while exploited territories are fragmented and integrated in capitalist societies

(d) Pre-capitalist societies debate whether to expand or not while capitalist societies debate what is the best way to expand.

(e) Colonialism is the mode of control in pre-capitalist societies while it acquired more complex forms in capitalist societies

## Imperialism

Thus they conclude that imperialism predates capitalism and imperialism is essentially an anachronistic system. In connection with economic expansionism, the pre-capitalist societies differ with the capitalist societies in five general ways:

- ❖ In pre-capitalist societies economic expansion was irregular, unsystematic and is not integral to normal economic activity. Whereas in capitalist societies foreign trade and investment are considered to be the engines of economic growth. Expansion is necessary to maintain the rhythms of economic activity both at home or in metropolitan economy. Economic expansion also has orderly permanent character in capitalist economy.
- ❖ The economic gains in pre-capitalist societies are windfall gains usually taking the form of sporadic plunder. In capitalist societies profits from overseas trade are an integral part of national income.
- ❖ In pre-capitalist societies the home economy is left relatively unaffected by the plunder acquired in the course of expansion as they are consumed in the field by conquering armies. In capitalist societies exploited territories are fragmented and integrated into the structure of the metropolitan economy.
- ❖ In pre-capitalist societies the ruling class discusses and debates whether to expand or not. In capitalist societies the debates of the ruling class revolves around on what is the best way to expand.
- ❖ The pre-capitalist and capitalist societies differ fundamentally in relation to colonialism. In pre-capitalist societies colonialism (land seizure, colonial settlement or both) was the only mode of control through which the metropolitan power could effectively exercise over the satellite region. The capitalist societies have alternative, indirect and more complex forms of control over other regions.

The definition of colonialism common to both pre-capitalist and capitalist societies is: monopolistically, regulated trade and investment at higher rates of profit than those existing in the home economy. Throughout the course of history of capitalism businessmen have followed the rule of extracting capital from areas where the cost is lowest and invest where anticipated returns are highest.

# Imperialism

## 3. Mercantilism Versus 19<sup>th</sup> Century Imperialism

Mercantilism is the mode of exchange where merchant capital as distinct from productive capital is prominent. The imperialism in 19<sup>th</sup> century is also known as 'neo-mercantilism'. The mercantile capitalist societies differ from 19<sup>th</sup> century imperialism in the following ways:

- ❖ The first important difference between mercantilism and imperialism lies in the vehicle of expansion-merchant capital versus Multi-national companies (MNCs) which have a stake in trading and productive activities.
- ❖ The second difference lies in the charter of trade. The early mercantilism was commercial capitalism in its purest form where middleman exchanges goods for goods. Trade wars (such as the Anglo-Dutch wars of 17<sup>th</sup> century) often occurred during this period. In the 19<sup>th</sup> century imperialism, apart from finished goods, capital goods came into being. Capital goods are financed by foreign loans and investment. There was exchange of foodstuffs and industrial raw materials.
- ❖ In order to minimize physical and commercial risks along uncertain and distant route, mercantilist formed monopoly trading company .The east India Company was dissolved and the principle of free trade was adopted. This open up new possibilities of trade based on competitive advantage of different nations.
- ❖ While both mercantilism and imperialism relied on active state participations in the direction, organisation and character of trade, the nature of state policy was fundamentally different. The imperialist state policy revived old techniques of

### Mercantilism versus 19<sup>th</sup> Century Imperialism

1. Mercantilism is the economic doctrine which emphasise government control of foreign trade to ensure military security of the country. It dominates economic policy in Western Europe from 16-18<sup>th</sup> Century.

#### 2. Differences between Mercantilism and 19<sup>th</sup> century Imperialism

- (a) Vehicle of expansion
- (b) Charter of trade
- (c) Monopoly trading company versus free trade
- (d) Nature of state economic policy
- (e) National versus international ruling class
- (f) Primitive technology versus advanced technology
- (g) Defensive versus aggressive state
- (h) Different aims and goals

#### 3. Contradictions in Imperialism

- (a) National power elites seek to advance the economic interests of their respective countries
- (b) Multinational Corporation extend their operations in all the countries in which they were based

#### 4. British Empire after 1815

- (a) M.Barrat Brown: expansion was based on the need to need to conquer and secure markets for British goods and to keep the trade routes opened.
- (b) Fieldhouse: Military security and administrative efficiency was the main reason behind the acquisition and defence of these colonies.

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export promotion and import restriction with the aim of maintaining a favourable balance of trade with the world as a whole and not any specific trading partner.

- ❖ The national rivalries in the late 19<sup>th</sup> century were seen in the form of the struggles between fully integrated corporations based in the metropolitan countries. In the mercantilist era, it was impossible to imagine an international ruling class. However an international ruling class is an accomplished fact in imperialist period.
- ❖ The industry used primitive technology in mercantilist era. It is small-scale and not vertically integrated. In imperialist era, technology was advanced and cooperation exists between integrated corporations.
- ❖ Under mercantilism colonialism was defensive in nature requiring passive state presence whose sole purpose was to mitigate the hazards of trade and preservation of monopoly control. Imperialism exhibited an aggressive character which required active state participation with the aim of opening up new possibilities for trade and investment.
- ❖ The central goal under mercantilism was to ensure maximum inflow of bullion and hence less importance was given to development of commercial relations and conquests of territory. Under imperialism expansion of output and creation of employment became the central goals of state policy. Hence bi-lateral trade regime gives rise to multi-lateral trading pattern.

There are certain **contradictions** inherent in the nature of imperialism. On one hand the national power elites seek to advance the economic interests of their respective countries, on the other hand the integrated multinational corporation extend their operations irrespective of the interests of the countries in which they were based.

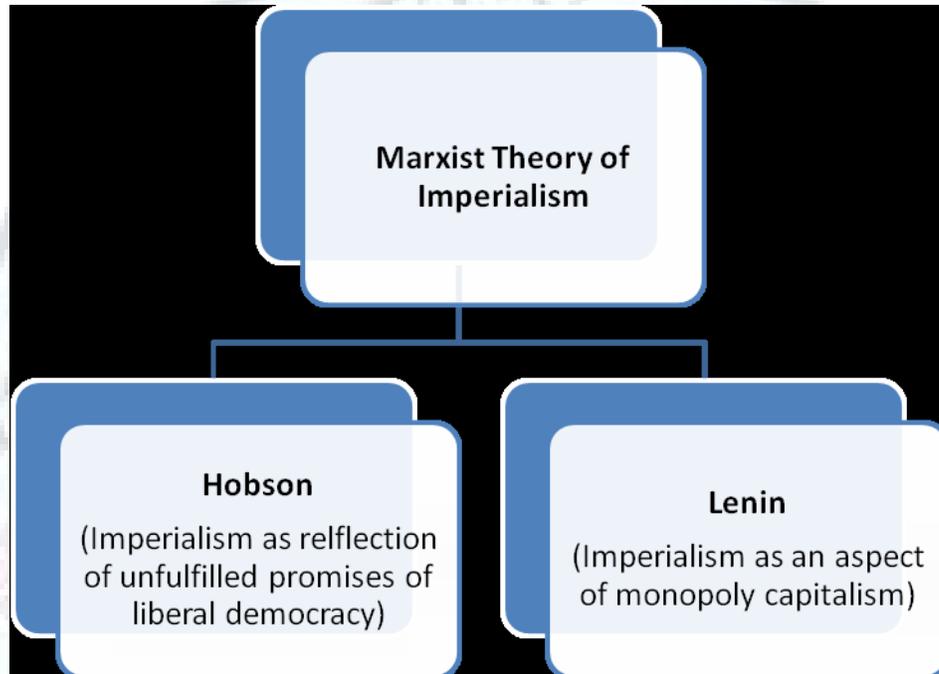
The decades after 1815 saw the expansion and consolidation of the British Empire. According to **M.Barrat Brown** this expansion was based on the need to need to conquer and secure markets for British goods and to keep the trade routes opened. **Fieldhouse** however claimed that military security and administrative efficiency was the main reason behind the acquisition and defence of these colonies.

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## 4. The Second Theory Of Imperialism

(Imperialism as an aspect of Monopoly Capitalism)

Imperialism as an aspect of monopoly capitalism is basically a Marxian viewpoint. According to this viewpoint, monopoly capitalism, imperialism and colonialism are basically the same phenomenon. Commodities that are produced under conditions of high labour productivity and sold in countries where labour productivity is low will command an abnormally high rate of profit.



The European expansionism or imperialism in the late 19<sup>th</sup> and early 20<sup>th</sup> century was the most important and significant economic-political phenomenon of the time. Hobson and Lenin try to explain in two different ways.

### (c) Hobson's Theory of Imperialism

Hobson view imperialism or colonialism as the reflection of the unfulfilled promise of liberal democracy. The British working class suffered from unequal distribution of wealth. This in turn hampers the productive capacity of workers which affected industrial output. There was lack of profitable investment outlets in Britain. This forced the British capitalist to go abroad mainly to underdeveloped countries in search of profitable investment outlet and markets. Thus the capitalist economy has no option but to conquer and colonized new areas to bring about redistribution of income and development in their home economy.

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Therefore foreign investment becomes a major component of British investment. According to Hobson, British overseas investment rose from 785 million pounds in 1871 to 3500 million pounds in 1911. The net foreign investments were greater than gross domestic fixed investment. The political struggles between major European nations stem basically for their search for profitable investment outlets. Britain acquired colonies as a dumping ground for surplus capital. He causally linked foreign investment with the acquisition of colonies.

## (d) Lenin's Theory of imperialism

He argued that the main cause of capital exports was the excess supply of capital in the metropolitan countries especially Britain and down played the role of demand for capital in underdeveloped regions. He also linked foreign investments with the acquisition of colonies.

Lenin (along with Hobson) equated imperialism with colonialism by making colonialism as the focal point. Thus they did not recognize the significance of the imperialism of free trade which was used to describe British economic expansion from 1840-1880.

However there is a **distinctive element** in Lenin's theory which is related to the cause of the surplus of capital. Lenin understood imperialism as a stage of capitalist development and not merely one possible set of foreign policy options among many. He sees imperialism as the monopoly stage of capitalism which exhibits the following five features:

- ✓ The high concentration of production and capital leads to creation of monopolies which play a decisive role in economic life.
- ✓ The fusion of banking capital and industrial capital leads to the creation of financial capital or financial oligarchy.
- ✓ The export of capital (which is different from export of commodities) has become extremely important.

## Marxist Theory of Imperialism (Hobson and Lenin)

1. Defines imperialism as an aspect of monopoly capitalism. Monopoly Capitalism, Imperialism and Colonialism are basically the same phenomenon.

2. Colonialism is the acquisition, maintenance, exploitation and establishment of sovereign power over another colony by metropolitan powers.

3. Hobson view imperialism as the reflection of the unfulfilled promise of liberal democracy in capitalist nations. It is necessary to bring about redistribution of income and development in their home economy.

4. Lenin understood imperialism as a stage of capitalist development. Five distinctive elements of Lenin's theory are:

- (a) High concentration of capital leads to monopoly
- (b) Creation of finance capital
- (c) Export of capital
- (d) International monopolist
- (e) Territorial division

5. Development of Monopolistic organisation

- (a) Centralization of capital
- (b) Seizure of key raw materials
- (c) Financial ties
- (d) Colonial Policies

6. Causes for falling rate of profit

- (a) Trade union and democracy
- (b) Increased organic composition of capital

# Imperialism

- ✓ The formation of international capitalist monopolies who share the world among themselves.
- ✓ The great capitalist powers completed the territorial division of the whole earth.

The key element is the formation of local or international monopolies behind high tariff barriers in the metropolitan countries. There are four ways in which monopolistic organization develops precisely out of free competition.

- ✓ First the concentration (growth in absolute size) of capital leads to centralization (growth in relative size) of capital.
- ✓ The seizure of key raw materials extends and strengthens monopoly capitals.
- ✓ Third financial capital imposes infinite number of financial ties of dependence upon all economic and political institutions of contemporary capitalist societies including non-financial capital.
- ✓ Fourth monopoly has grown out of colonial policy. The new colonialism opposes itself to the order colonial policy of the free grabbing of territories.

The cause of the surplus of capital and capital exploitation, and of monopolistic industry, is the tendency of rate of profit to fall. The following two conditions drive down the profit in metropolitan countries:

- ✓ The rise of trade union and social democracy increased the bargaining power of the workers. The recruitment of workers from country side was done at the going wage rate. This reduces the possibility of exploiting the workers
- ✓ The organic composition of capital increased due to the labour saving innovations. In order to protect the profit margin, monopoly was thus formed. However at the same time the economies of scale of large production (internal expansion) along with external expansion through mergers during periods of economic crises strengthen the pre-existing tendencies towards monopolistic organisation.

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Meanwhile the economically underexploited regions of the world yield a higher rate of return for capital. The colonial economies had cheap supply of labour and needed lower composition of capital. They are rich in minerals and raw materials required for the development of metals, automotive and heavy industries in metropolitan economy. This attracted large amounts of capital in these regions. Consequently investments in colonial economy counteract the falling rate of profit in metropolitan economies. The high profit margins in colonies pull up the average return of capital which enables the capitalist to continue with their exploitation in their countries.

There have been criticisms to Lenin and Hobson theories on the following grounds:

- During the entire 19<sup>th</sup> century, British net capital exports amounted to only 1% during recession and about 6-7% during boom periods
- According to economic historians British economy failed to enter the monopoly phase until the early 19030s. Only Few trusts or cartels existed in Britain in 1900
- The exports of British Capital to Africa were mainly by small scale speculators and not by London Banking houses
- The main reason for outflow of capital was pull factor and not the push factor. Huge amount of capital was needed to finance construction of railways and development of markets for consumer goods.

## Marxist Theory of Imperialism

7. The colonial economies had cheap supply of labour and needed lower composition of capital. The high profit margins in colonies pull up the average return of capital and counteract the falling rate of profit in metropolitan countries.

8. Criticism to Lenin and Hobson Theories:

- (a) British net capital exports was low
- (b) British economy failed to enter the monopoly phase until the early 19030s
- (c) Small scale speculators exports British capital to Africa
- (d) Capital outflow was due to pull factor and not push factor.

# Imperialism

## Section B: Re-Interpreting The Theory Of Imperialism By Lenin

### 1. Introduction

The Theory of imperialism by Lenin is a difficult work because it is a pamphlet and only selectively elucidates his ideas on imperialism. It should be read together with other writings of Lenin. It is hence often misunderstood and misinterpreted. However it is a significant one because it provides an explanation of the origin and nature of the First World War and the collapse of the second international under the impact of social chauvinism. The theory of the Marxism is under question in Europe as its prediction for the collapse of capitalism did not happen. Hence the revisionism of Marxism was necessary. Lenin's theory also provides for the correct theoretical foundation to the developing struggles of the colonial peoples.

The theory of Marxism has to deal with the reformism in the ranks of the proletariat in Europe and the awakening in the colonial countries. Interestingly Lenin's provides an explanation for this twin phenomenon by linking the super profits of the monopoly as derived largely from the colonies. It also consider the freedom movement in the colonies as an integral part of the revolutionary struggle of the proletariat

### 2. Misinterpretation Of Lenin's Theory

Lenin always interpreted imperialism as the monopoly phase of the capitalism. The most common misinterpretations of Lenin's theory are as follows:



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## a. Outlets of surplus capital

People often interpreted Lenin's theory of imperialism as the rivalry between different monopolies who wants to outlet their surplus capital which cannot be absorbed at home. Imperialism is thus defined as 'an economic relationship governed by the necessities for capital exports'. They thus elaborate capital exports as the only explanation of imperialism and capital exports is the reason for annexation of territories.

This is not the correct interpretation of Lenin. According to Lenin, imperialism is monopoly capitalism and that striving for annexations of territories is the direct consequence of the emergence of monopolies. Different rival monopolies compete with each other to undermine their rivals. They annexed territories which are source for raw materials, spheres for profitable deals, concessions and so on. Thus an essential feature of imperialism is the rivalry between great powers in striving for hegemony.

They annexed not only developing countries but even the most highly industrialized nations because they contemplate to re-divide the world to increase their own spheres of influence. Thus the Bolshevik party at the eight party congress in 1919 under the leadership of Lenin defined imperialist wars as "wars for markets, for spheres for the investment of capital, for raw materials and for labour power, that is to say, wars for world domination and for power over small and week nations. So Lenin's theory of imperialism is not merely refuted through references to capital export figures.

## b. Imperialism as the direct outgrowth of monopoly

The Proposition that imperialism is the direct outgrowth of monopoly should not be mechanically interpreted. For instant Lenin dates the origin of monopoly capitalism to the term of the century. So assuming everything that happened before this date is unconnected with monopoly would be wrong. According to Lenin the transition of capitalism to the stage of monopoly capitalism to finance capital is connected with the intensification of the struggle for the partitioning of the world.

### Misinterpretation of Lenin's Theory

1. Outlets of Surplus capital  
(a) Misinterpretation: Only capital exports explain imperialism  
(b) Lenin: Imperialism is due to rivalries among monopolists

2. Direct Outgrowth of Monopoly  
(a) Misinterpretation: No connection between monopoly capitalism and earlier period of capitalism  
(b) Lenin: Imperialism emergences from old capitalism. Different stages of capitalism are connected.

3. Under-Consumption Theory  
(a) Misinterpretation: Under-consumption leads to capital exports  
(b) Lenin: Consumption decline due to monopoly pricing and investment seeking surplus increases. To avoid realization crises, capital is exported to colonial countries.

4. Under-Investment Theory  
(a) Misinterpretation: Under-investment in home economy leads to capital exports.  
(b) Lenin: Monopolist search for higher rate of return leads to capital export.

5. Others aspects of Lenin's Theory  
The monopolist with greater fluidity and 'sphere of influence' would lead to capital exports. Same movement in domestic and foreign investment is not needed for Lenin's theory

# Imperialism

Even after the world is being partitioning by a handful of capitalists, there exist free competition in some places. Lenin sees the rise of various tendencies of imperialist power from the old capitalism. Fundamental questions related to home or foreign policy can only be correctly examined from the point of view of imperialism. However this does not mean that the term of the century gave rise to an “integral imperialism”

## c. Under Consumption Theory

Lenin’s theory has been much misinterpreted on the question of the reasons for capital exports. The theory of under consumption has been used to explain the rise of capital exports. However Lenin does not subscribed to the under consumption theory alone. Lenin highlighted several ways in which the emergence of monopoly from free competition would give rise to capital export. The rise of monopoly result in increased surplus value which the investment opportunities at time could not absorbed. The share of consumption in social products also declined due to the following reasons:

- ✓ The wage of worker decrease in monopoly due to the fixing of higher price relative to money wages.
- ✓ The surplus value is redistributed from monopoly small capitalists who consumed a larger share of it to monopolists who consume a smaller share due to monopoly pricing.
- ✓ The surplus value now accrues to few monopolists even without monopoly pricing.

Therefore the shift in distribution of the monopolists reduces the share of consumption and increased the share of investment seeking the surplus. This growing share of investment-seeking surplus value must spell into capital exports to avoid the occurrence of realisation crises. A variant of this theory says that with the emergence of monopoly, the terms of trade shifted in favour of the manufacturing sector as against the primary producers of the third world countries. This reduced the demand for export and may precipitate realization crises unless capital exports are made to counteract it.

## d. Under-investment theory

Suppose we assumed that there is no under consumption and the share of wages remain unchanged and all capitalists consume the same fraction of the surplus value accruing to them irrespective of its size. Still then the export of capital will take place under monopoly capitalisms. This is because the monopolists would not undertake investment that would not give monopoly rate of profit which is higher than the average rate of profit on their investments. This would Inturn necessitate export of capital in order to fetch a rate of profit which the monopoly capitalist considered worthwhile. Therefore, the export of capital by preventing realization crisis would ensure the monopoly rate of

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profit, and to continue to obtain this rate monopoly capitalists would continue further export of capital.

We have thus seen that the change in income distribution arising from monopoly pricing policies result in export of capital. Even if we assume that there is no such changes, the emergence of monopoly with the associated concentration in banking would necessarily mean that monopoly factor have larger access to funds. With greater fluidity, the monopolist can pick out many more lucrative investment opportunities abroad and hence there would be export of capital. Therefore as long as lucrative investment opportunities exist outside which fetch a higher return at the margin than domestically, the monopolist with greater fluidity would lead to capital exports. The 'spheres of influence' which the monopoly capitalists possessed also help them in creating profitable investment opportunities abroad and the tendency to export capital grows even stronger.

**Thus realization crises can arise even when there is no tendency towards under consumption and capital exports can occur even when there are no realization crises, actual or potential. There exists a direct link between the emergence of monopoly and capital exports which has nothing whatsoever to do with the question of realization let alone under consumption.**

Sometime it is difficult to decide whether it is the 'pull' from abroad or 'push' from home that is responsible for capital exports. However the emphasis is not on under consumption in Lenin's theory. Instead the emphasis in Lenin is on the mobility of capital owing to its concentration, the existence of more profitable investment opportunities abroad and the use of 'connection' to create such opportunities.

The nature of finance capital gives rise to capital exports. The fall in share of wages and relatives impoverishment of the working class is not necessary to validate Lenin's theory. The tendency for capital exports under monopoly capitalism can arise if there is greater certainty about earning it abroad even if the rate of profit abroad are not very high. A classical example is the investment in Indian Railways where the British government ensured minimum rate of return.

The synchronous movement in home and foreign investments is not necessary for the validity of Lenin's theory. In other words, when home investment is low, capital exports need not be necessarily higher. Indeed both may followed similar cyclical fluctuations. When investment opportunities at home are poor, investment opportunities abroad may be equally poor. Thus capital export alone does not explain Lenin's theory though they played an important role in his theory. Lenin also linked the possibility of bribing the labour leaders and upper section of labour aristocracy to the enormous super profit from capital exports.

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## 3. The Growth Of Reformism

The work of Hobson influenced Lenin in his analysis of the link between capital export and the growth of reformism. The rise of opportunism due to bribery of workers aristocracy and income from usury is the factors behind the success of imperialism.

The so-called pre-war prosperity and the growth of others imperialists' nation arise due to the massive volume of invisible earnings by the world's greatest leader Britain. The other imperialist nation run heavy deficit due to their import of primary products from under developed countries. They met their deficit by exporting manufacturing goods to Britain. Meanwhile Britain earned enormously from shipping and other services and colonial markets like India was made to absorb large magnitude of British goods to keep the multilateral payments system intact. So despite the absence of investment income in domestic economy the imperialist countries need not squeeze their domestic wages or curtail their growth rate. This makes the soil for growth of reformism much less futile.

There were several earning avenues for the imperialists' powers apart from the capital exports. The direct political tribute from the colonies namely the home charges from India and the deteriorating terms of trade for primary products against manufactured goods are two such examples. The cheap cost of primary products boosted the real wages of workers in imperialists' countries.

There has been an argument that there was no evidence to support any secular decline in the terms of trade for primary products. This may be somewhat true for 1900-70; however more recent experiences of primary product prices except petroleum support the conclusion regarding a secular deteriorating. The net barter terms of trade for primary products vis-a-vis manufactures decline for the six to seven decades up to Second World War.

There are two additional factors that should be noted in the context.

- There is an asymmetry in the impact of booms and slumps upon commodity producers. Favourable terms of trade for

### The Growth of Reformism

1. The work of Hobson analyse the link between capital exports and the growth of reformism
2. Bribery of workers aristocracy and income from usury are factors behind the success of imperialism
3. Imperialist countries need not squeeze their domestic wages or curtail their growth rate due to huge earnings from colonies. So the growth of reformism is much less futile
4. Direct political tributes from colonies (Home Charges) and deteriorating terms of trade for primary products are other earning avenues for imperialist powers
5. There is an asymmetry in the impact of booms and slumps upon commodity producers.
6. The increase in productivity need not lower prices as the monopolist imparts downward rigidity of price of manufactured goods
7. If the primary producing countries could come together and raise their prices, the ability of the monopolists to manage its internal conflict would be reduced.

# Imperialism

primary products need not be necessarily benefited by the producer because it is the monopolist who controls the trade. A secular decline however would squeeze the primary producers even greater.

- The increase in productivity need not lower prices as the monopolist imparts downward rigidity of price of manufactured goods. The growth of productivity in manufacturing sector gave much larger surplus value to the monopolist capitalist and the workers may bid away only a part of it. Thus the benefit of increased productivity is not reaped by primary producing colonies and underdeveloped countries.

The monopolists may even succeed in even bribing section of workers to concede higher wage demand in organized manufacturing sector. So even with stable terms of trade the monopolists has the ability to control the working domestic class. Therefore if the primary producing countries could come together and bargain, they can raise their prices and the ability of the monopolists to manage its internal conflict would be reduced.

## 4. Decay In Monopoly Capitalism

There has been much misinterpretation on Lenin's remarks on the tendency to decay in monopoly capitalism. The tendency for technical stagnation and decay which is characteristic of monopoly has gain upper hand in some countries. However it would be a mistake to preclude that this tendency to decay precludes the rapid growth of capitalism. The point is this growth is becoming more and more uneven even in Britain.

The general tendency towards stagnation in monopoly capitalism and the slowing down of introduction of innovations did not simply amounts to decay the monopoly capitalism. Lenin's conception of decay also did not intend to convey moral opprobrium. Instead the concept was used to convey that imperialism marks the beginning of the end of capitalism. In other words, it conveys the fact that capitalism is in transition or more precisely as moribund capitalism.

## Decay in Monopoly Capitalism

1. It does not mean to signify the tendency for technical stagnation and decay in monopoly.
2. It precisely means that capitalism is in transition or more precisely as moribund capitalism
3. The growth in capitalism is becoming more and more uneven even in Britain.
4. Imperialism raises revolutionary consciousness and prepares the ground for revolutionary crises
5. The war and its aftermath also drew the people in the colonial world for revolution.
6. Lenin linked the concept of decay and moribund nature of capitalism to wars and post-war revolutionary crises
7. Lenin interprets the decay of capitalism not only as an economic collapse per se but in its increasing predatoriness leading to wars and revolutionary crises.
8. The general crises did not only mean economic stagnation but prolonged period of revolutionary transformation.

# Imperialism

According to Lenin, imperialism brings revolution on the agenda of the day by opening the eyes of the workers to its true nature and raising their revolutionary consciousness. This prepares the ground for revolutionary crises. The aftermath of the war opened the eyes of the working people. The decay of German imperialism led not only to a republican but even to a socialist revolution. The people of victor nations including Britain and France now knew that they are ruled by imperialist predators in the guise of democracy. The treaty of Versailles in reality signifies the bankruptcy of the entire imperialist world.

The war and its aftermath also drew the people in the colonial world. The imperialist use the colonial peoples fight its wars and teach them to use arms. Thus the imperialist help them to revolution. The revolutionary crises due to enhanced consciousness had its economic roots. The enormous increased in the cost of living had made the economic position of the masses became intolerable even in advanced capitalist nations; leave alone the people in colonies.

Lenin linked the concept of decay and moribund nature of capitalism to wars and post-war revolutionary crises. This marked a radical departure from the terms of the debate prevailing among the Marxists till then. The need to reinterpret Marxism was felt by Bernstein and others since the prediction of breakdown of capitalism and the emergence of socialism did not happen. Lenin broke this tradition by interpreting the decay of capitalism not only as an economic collapse per se but in its increasing predatoriness leading to wars and revolutionary crises. The general crises did not only mean economic stagnation but prolonged period of revolutionary transformation.

## 5. Imperialism And The Third World

The analyses so far have seen how Lenin was often misinterpreted on various occasions. The fact that capitalism has entered into a general crises of revolutionary does not absolve Marxists from the responsibility of analysing the economic performance of monopoly capitalism. The Marxists need to explain the extraordinary rapid growth and technical progress of the post-war years.

There have been two opposite view on the effect of imperialism on the third world countries.

- The first view sees imperialism as an impediment for the development of third world countries. They locate the fetter on development in the third world in the operation of imperialism and colonialism.
- The second view hold that imperialism is over and no longer a fetter on the third worlds' progress. The lack of development in the third world is due to its internal structures alone. Both these approaches one-sidedly emphasize the external or internal constraints and the dialectic link between them is not looked upon.

## 6. Theory Of External Constriant

# Imperialism

The theory of external constraint has recently been strengthened by a new version of the concept of 'unequal exchange' developed by Emmanuel. According to this theory, the mobility of labour and capital would lead to equalization of wage-rates and profit rates and the international prices of commodities would be identical with their prices of production. However we find that there are immense differences in wage-rates between developed and underdeveloped countries while the profit rates are more or less equal. This is due to international mobility of capital and immobility of labour. The wage difference gets reflected in the commodity prices. The prices at which commodities are exchanged are different from the price of production.

The exchange between the developed and the underdeveloped countries is thus an unequal exchange. The wage differences are not eliminated due to absence of free mobility of labour and the wage differences widen over time. So, the working class in capitalist countries benefited from preventing free labour mobility. The relationship between workers is exploitative based on unequal exchange.

However the assumption that free mobility of capital can only equalize the rate of profit while free mobility of labour is necessary for equalizing wages is erroneous. It is possible that free mobility of capital alone can equalize both the rate of profit and the wage rate. This is because if there is only wage differences, capital will move from high wage to the low wage country to produce the same commodities. For instance, if there is free capital mobility between England and India, the capital flows will not only equalize the rate of profit between the two but will keep shifting textile manufacturing itself to Bombay until Bombay wages become equal to the Lancashire wages. Therefore free mobility of capital can ensure both the equalisation of the rate of profit and wages.

However if wage differences persist then it is because we do not have free mobility of capital. If capital had genuine free mobility across all countries the problem of underdevelopment will soon disappear. Most importantly if there is free trade and unrestricted competition between third world manufacturing products and those of advanced countries, then the lower wages in the former would enable it to supplant the latter. The reason this did not

## Imperialism and the Third World

1. The Marxists need to explain the extraordinary rapid growth and technical progress of the post-war years.
2. The effect of imperialism on the third world countries
  - (a) Imperialism impedes the development of third world
  - (b) Imperialism is over and no longer a fetter on the third world

## Theory of external constraint

1. Immanuel: Differences in wage-rates between developed and underdeveloped countries (profit rates equal) is due to mobility of capital and immobility of labour
2. Theory of unequal exchange is erroneous. Free mobility of capital alone can equalize both the rate of profit and the wage rate
3. If capital had genuine free mobility across all countries the problem of underdevelopment will soon disappear.
4. Wage differential exist only with insufficient mobility of capital and coercive measures imposed upon low wage country
5. The widening of wage gaps is due to the benefits of productivity growth not being received by third world countries
6. Class struggles of both developing and developed world are linked.

# Imperialism

happen under colonial rule or imperialism is that there are number of coercive measures imposed by capitalist countries ranging from discrimination against local capital and its exclusion from any position of importance in the local capital, financial and administrative spheres to protection against third world products in first world markets.

Therefore wage differential can exist only under conditions where there is insufficient mobility of capital and where coercion and constraints are deliberately imposed upon the local capital of the low wage country. The wage differential between two nations cannot be sustained by trade union pressure or labour immobility if these two conditions are not met. The initial wage differences would tend to disappear over time due to capital mobility and absence of coercive measure imposed upon third world countries. Thus wage differences through unequal exchange are not the cause of underdevelopment, but on the contrary they are symptomatic of a colonial and dependent relationship.

While the existence of wage differences is one thing, their widening over time is another issue. The initial wage differences need not widen between high wage countries specializing in manufacturing and low wage countries in primary production if the benefits of productivity growth are passed on in the form of price decreases. Indeed throughout the nineteenth century until the seventies, the terms of trade between manufacturing and primary production moved against the former due to cheapening effect of productivity growth. However the monopolists imposed price inflexibility in downward direction and accrued most of the profit. The workers being more organized than the primary producers could reap away the benefits which widen the disparity between the two.

The workers in advanced capitalist countries could bargain for their wage increase when the prices of commodities have gone up and could snatch away apart of extra profits on account of productivity growth. Thus it is not the workers of capitalist countries but the monopolists who exploits one group of workers and squeeze the other. The increased bargaining power of third world producers would surely increase the class conflicts in the advanced capitalist countries. Therefore the class struggle of the backward countries are closely linked with the later strengthening the former. For instance, the Vietnam War impacted the capitalist world in various ways.

## Sample Questions

1. Explain the two theories of imperialism in the light of the European expansion from 1880 to 1914.
2. The class struggle of the backward countries is closely linked with the class conflicts in the advanced capitalist countries with the former strengthening the later. Elaborate.
3. Discuss the various misconceptions about Lenin's Theory of imperialism.

# Imperialism

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