The economic foundations of imperialism

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Many aspects of imperialism

- Modern imperialism is primarily an *economic* mechanism and not a *political* mechanism. Its basic aim is not political dominance but economic exploitation. The former is a means to achieve the latter and not a cause.

The long-term appropriation of surplus value

- By *economic imperialism* we mean the *long-term international appropriation of surplus value* by the imperialist countries from dominated countries.
- In the appropriation of surplus value, the level of technological development plays the central role. Imperialism refers first to the appropriation of surplus value by high technology *companies* from low technology *companies* in different countries. But imperialism refers also to flows of value between *countries*.
- So *imperialist countries* can be defined as those with a *persistent* high number of high technology companies *as measured by their high national average OCC* and thus whose average technological development is higher than the national average of other countries, which are thus economically dominated on this account.

Stratification of imperialism

- Imperialist countries tend to form blocs around themselves.
- Both the imperialist and the dominated countries are stratified. There is a hierarchy of imperialist countries (based on the hierarchical structure of the OCCs) and a hierarchy of dominated countries.
- Most countries, including the US as *the* hegemonic imperialist nation, are *both* expropriators and expropriated of surplus value by virtue of the structure of their technological development.
- ***The difference is that the imperialist countries are net appropriators of surplus value for long periods, due to their persistently higher level of technological efficiency, especially in the high technology sectors.***

Focus on the transfer of surplus value

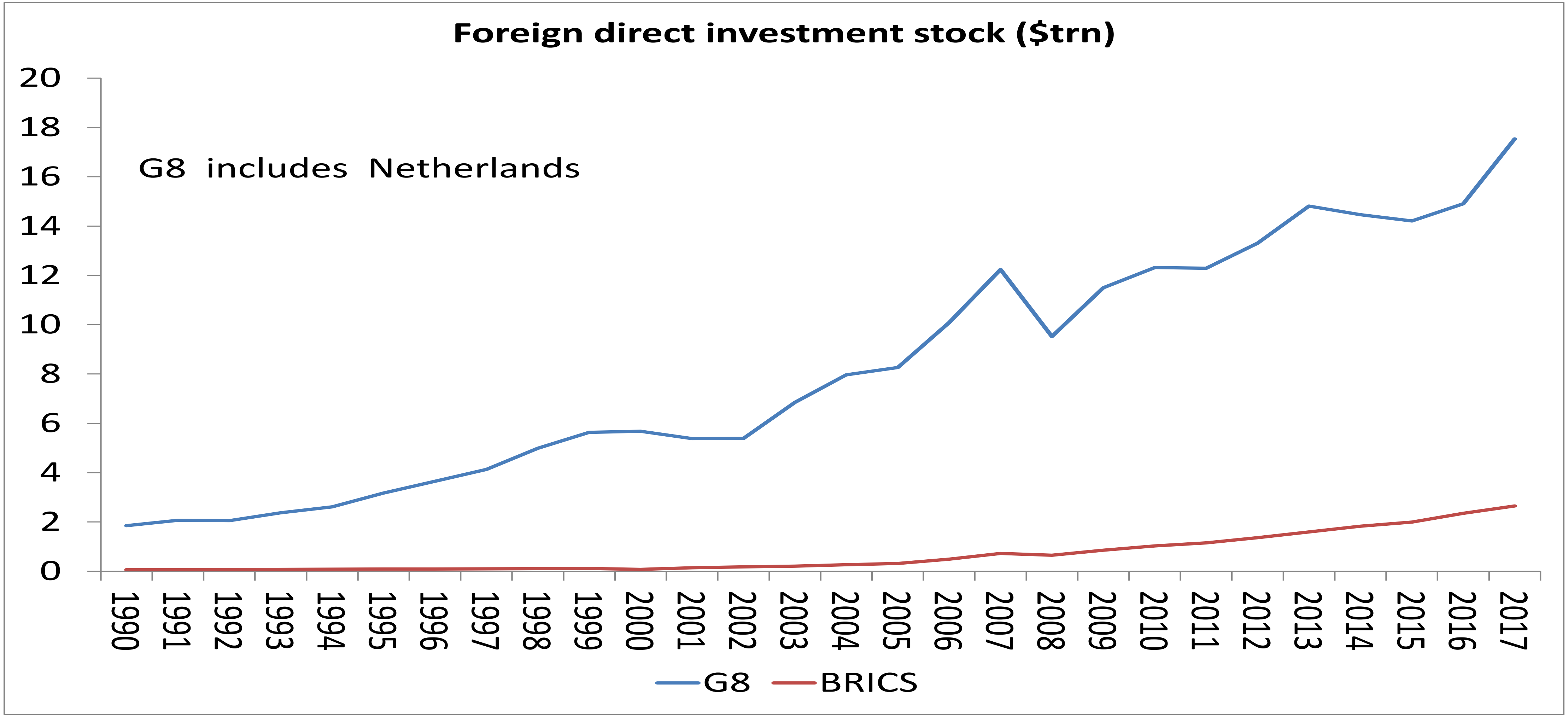
Its economic exploitation mechanism (international value transfers) works via capitalist competition.

Surplus value flows from the dominated countries to the imperialist countries in a number of ways.

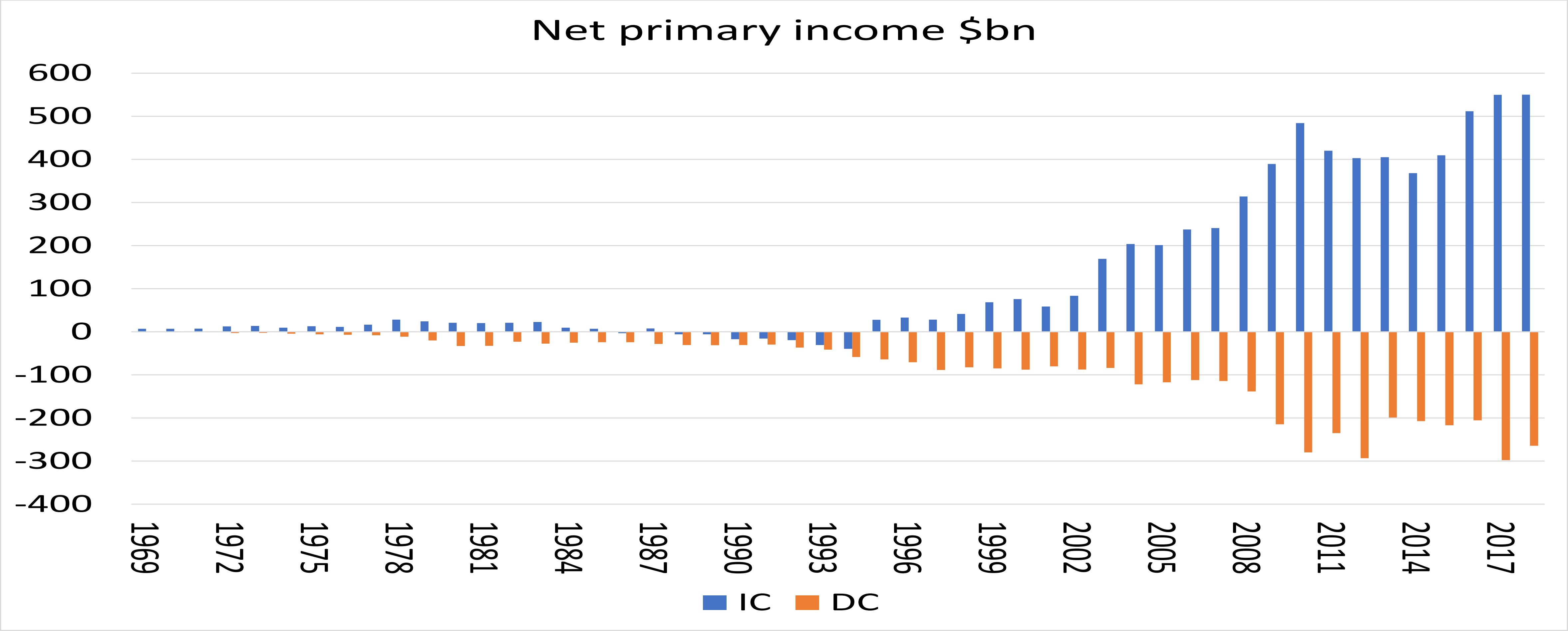
Ways to transfer surplus value

- *INDIRECT: Capital flows* (FDI inflows and portfolio investment flows)
- Factor *income flows* (primary income from debt, equity and property)
- *Seignorage* (dollar is king)
- Global *value chain flows* (transfer pricing) within multi-nationals and outsourcing
- *Unequal exchange* through international trade

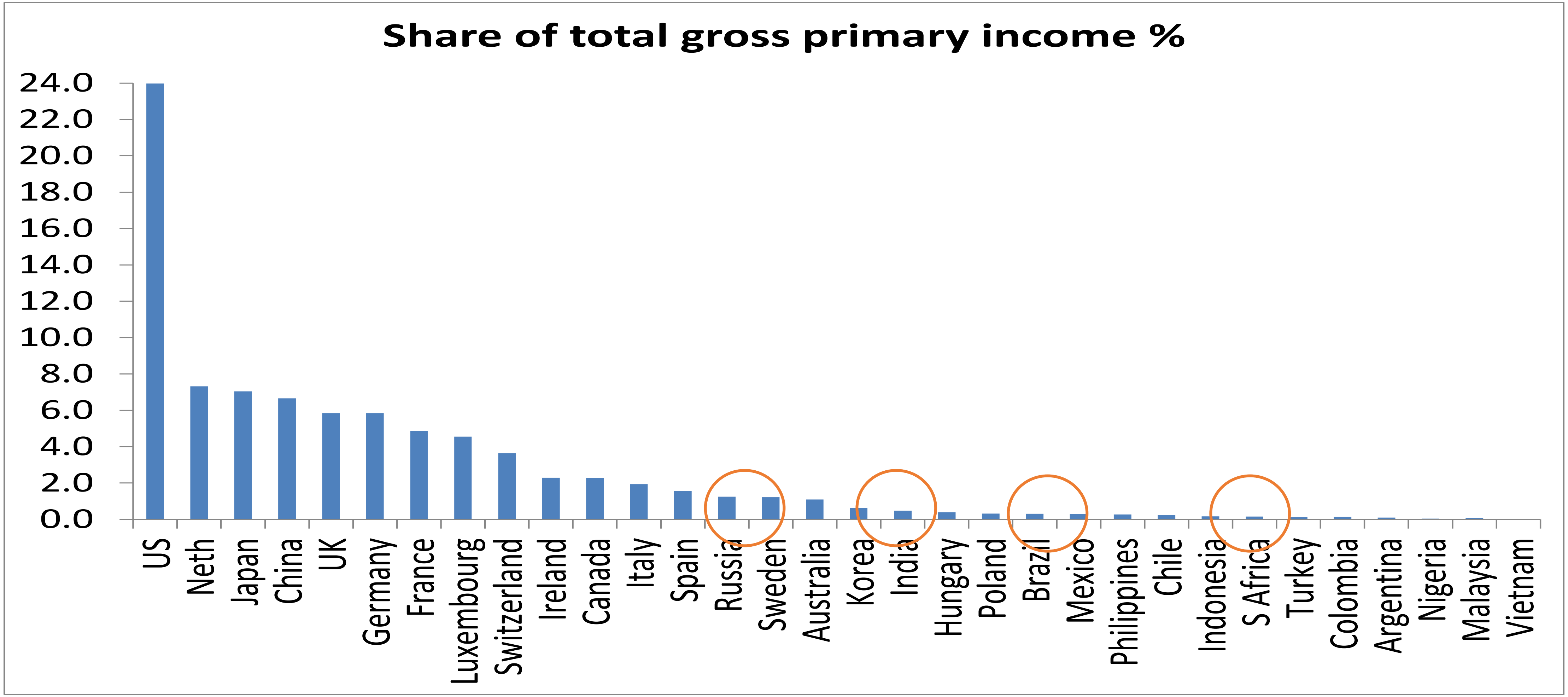
Imperialism owns the assets



Net primary income flows



US: the hegemonic economic power



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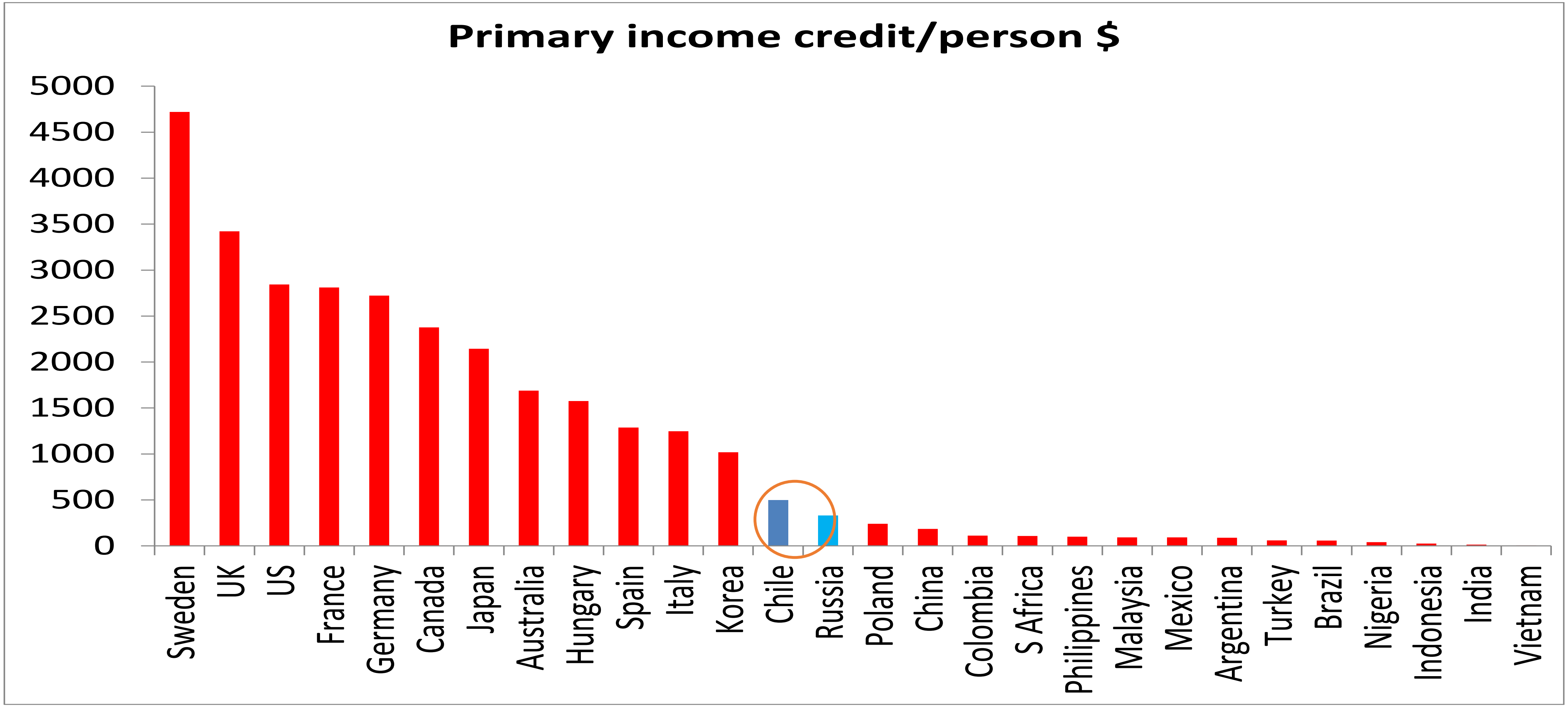


Unequal exchange (UE)

One third of trade between companies in different countries is internal through affiliates within companies and outsourcing - UNCTAD

But *the main way* to appropriate surplus value for imperialist countries from the periphery is still through unequal exchange in international trade.

UE is the gain/loss of value when the producers sell *at internationally determined production prices.* If the market price deviates from the international production price, there is a *further* loss/gain of value.

Calculating UE

- **<u>Methods of calculation</u>**
- **The first** uses the World Input Output Tables and works out labour value transfers in trade. This can be converted into current international dollars (Ricci) or left as labour values (Tsoulfidis, Liang and Su).
  UE = the net value transfer in trade for exports in labour values.
- **The second** measures 'exchange rate differentials' or the difference in the market price of commodities traded in dollars and in the national currency of each country. PPP prices
  UE = national market price versus PPP dollar price.
- **The third** uses national accounts to measure the transfer of surplus value in international trade based on equalising the national rates of profit to calculate an international production price.
  UE = international production price versus national production price.
- 1) A Ricci, Unequal Exchange in the age of globalisation, RRPE, 2019; L Tsoulfidis, P Tsaliki, Competition and Unequal Exchange, URPE 2019; L Su, J Liang, Understanding China's New "Dual Circulation" Development Strategy in the Face of Reverse Globalization: A Marxian Input-Output Analysis ASSA 2021
  2) J Hickel, D Sullivan, H Zoomkawala, Plunder in the post-colonial era: Empirical estimates of drain from the global South, 1960-2018 ,New Political Economy 2021

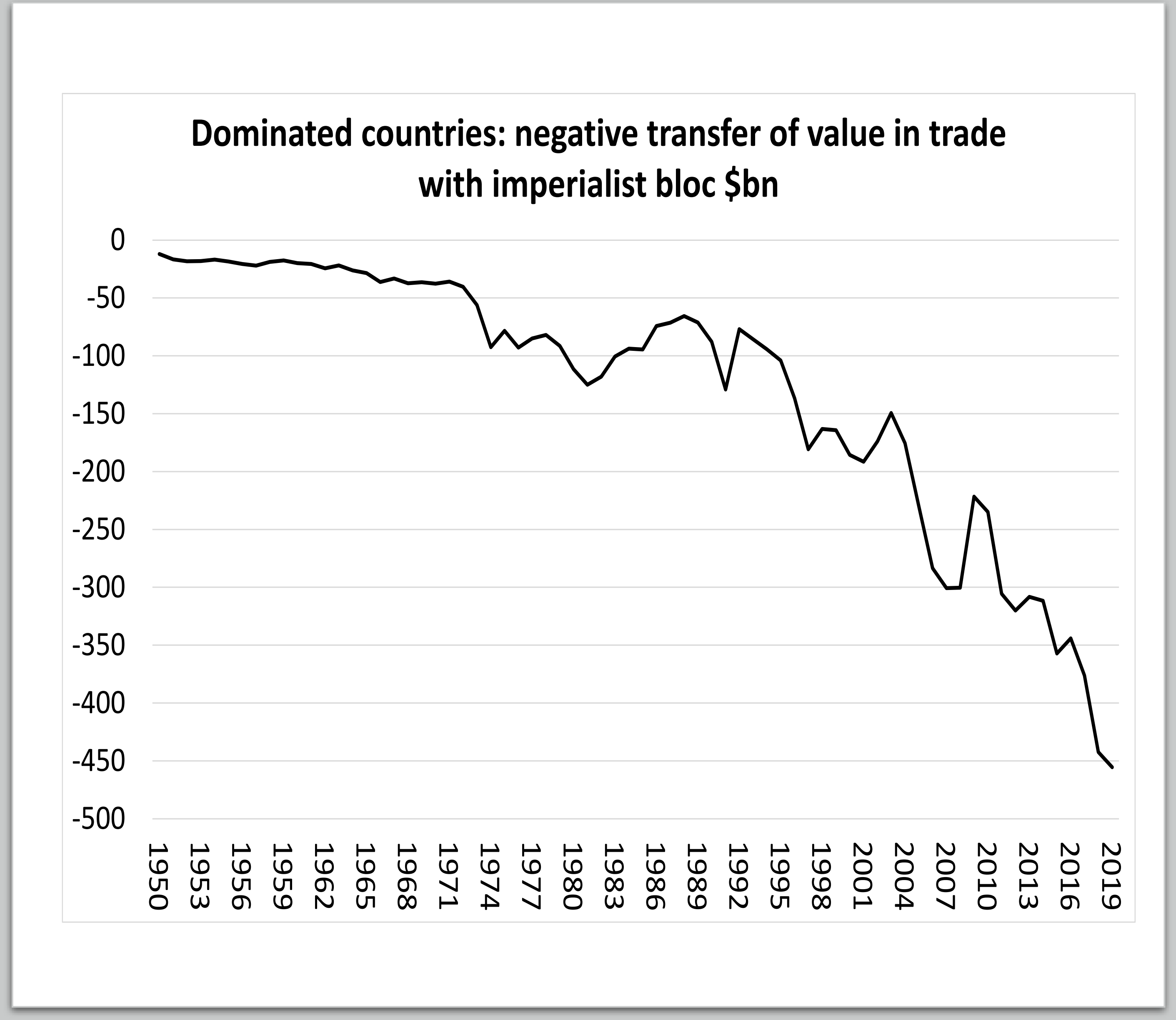
UE methods: advantages and disadvantages

- Method 1: *Advantages:* breakdown into sectors; measures labour values; *Disadvantages*: static simultaneous approach; not in production prices or in money terms (unless relying on PPP)
- Method 2: *Advantages:* shows power of dominant currencies; *Disadvantages*: not Marxian UE but 'use value', relies on 'incompatible' PPP measure
- Method 3: *Advantages*: based on Marxian value theory; reveals relative contributions of technology (OCC) and exploitation (RSV) *Disadvantages*: poor data on labour share and capital stock

Method of computing UE

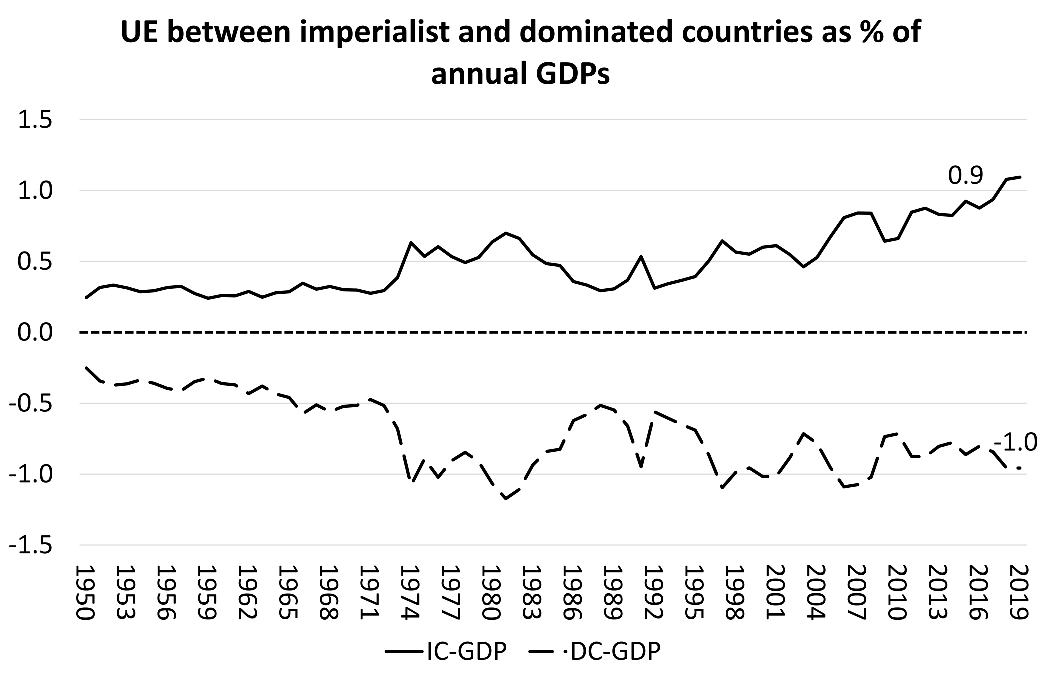
- **Using national accounts provided in the Penn World Tables 10.0 database**
- Market Price (MP) = c + V + S where
- C = Capital stock x depreciation ratio
  = c consumed in annual production
- S = Capital stock x IRR
- V = MP-(c+S)
- Then we adjust for the export sectors only; c +V +S times the *share of exports to GDP* (x) for each country's trade with another. Source: IMF Direction of Trade database
- Then we have cx+Vx+Sx = MPx for each economy's export trade with another.
- We compute the average rate of profit (R) for each economy = total surplus value divided by total capital invested in the export sectors (Sx/(cx+Vx).
- Production price (PP) = total capital invested in export sectors (cx+Vx) + (cx+Vx)*R.
- Thus UE = PP – MP

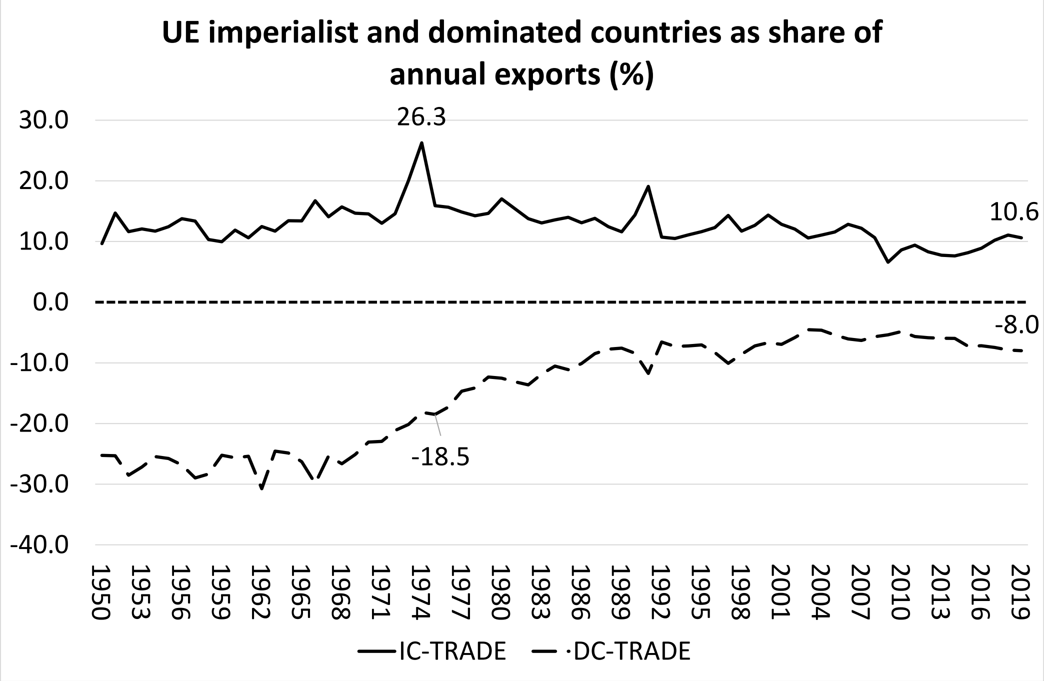
Transfer of surplus value from the dominated bloc to the IC rises from $20bn a year in the 1950s;
to $100bn in the 1970s,
and from the 1990s rises to $450bn now – in constant prices.



The transfer of surplus value from the **dominated bloc** to the **imperialist bloc** is equivalent to:

approx 1% of GDP each year and 10% of bilateral exports



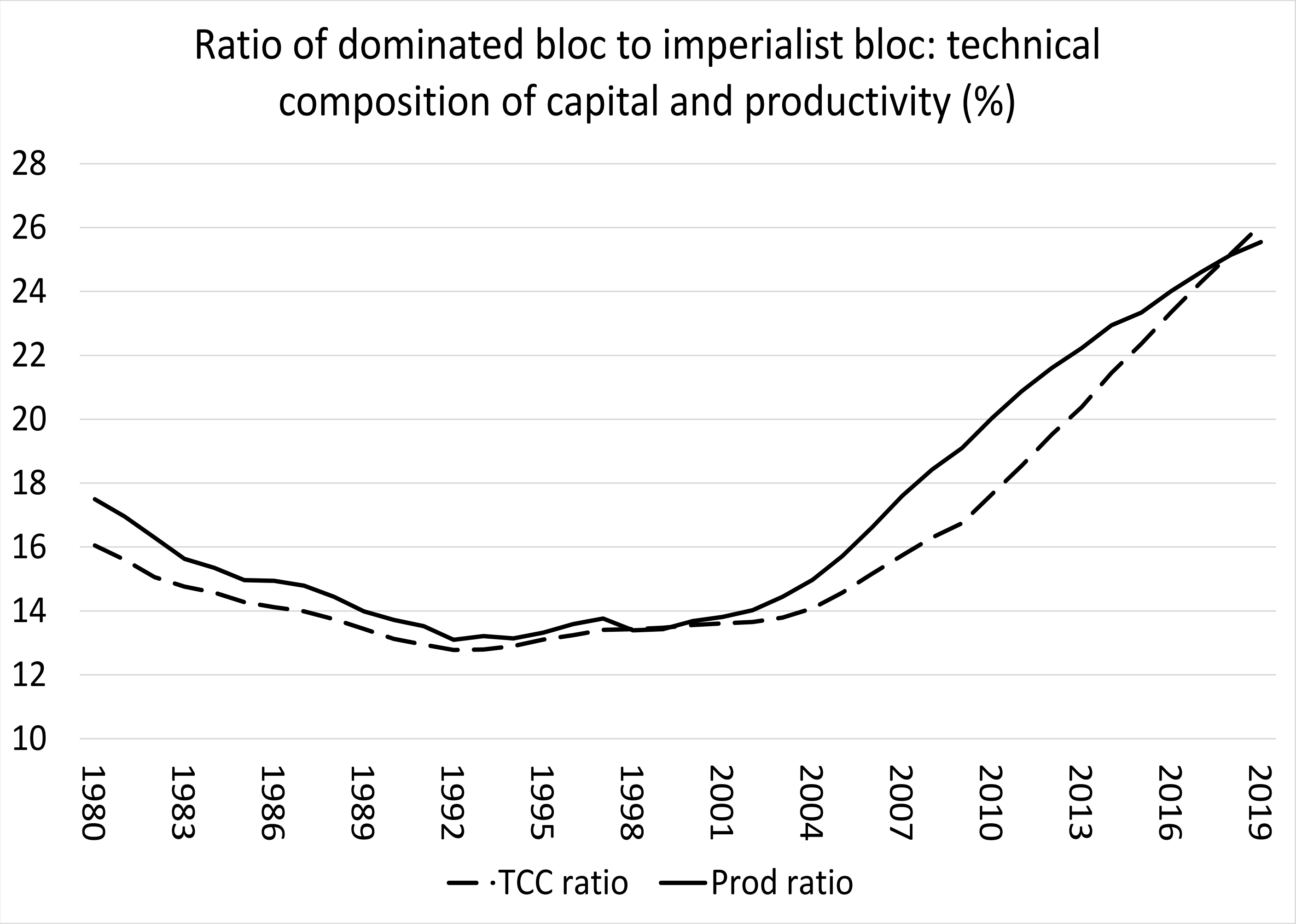


UE surplus value transfers: comparisons

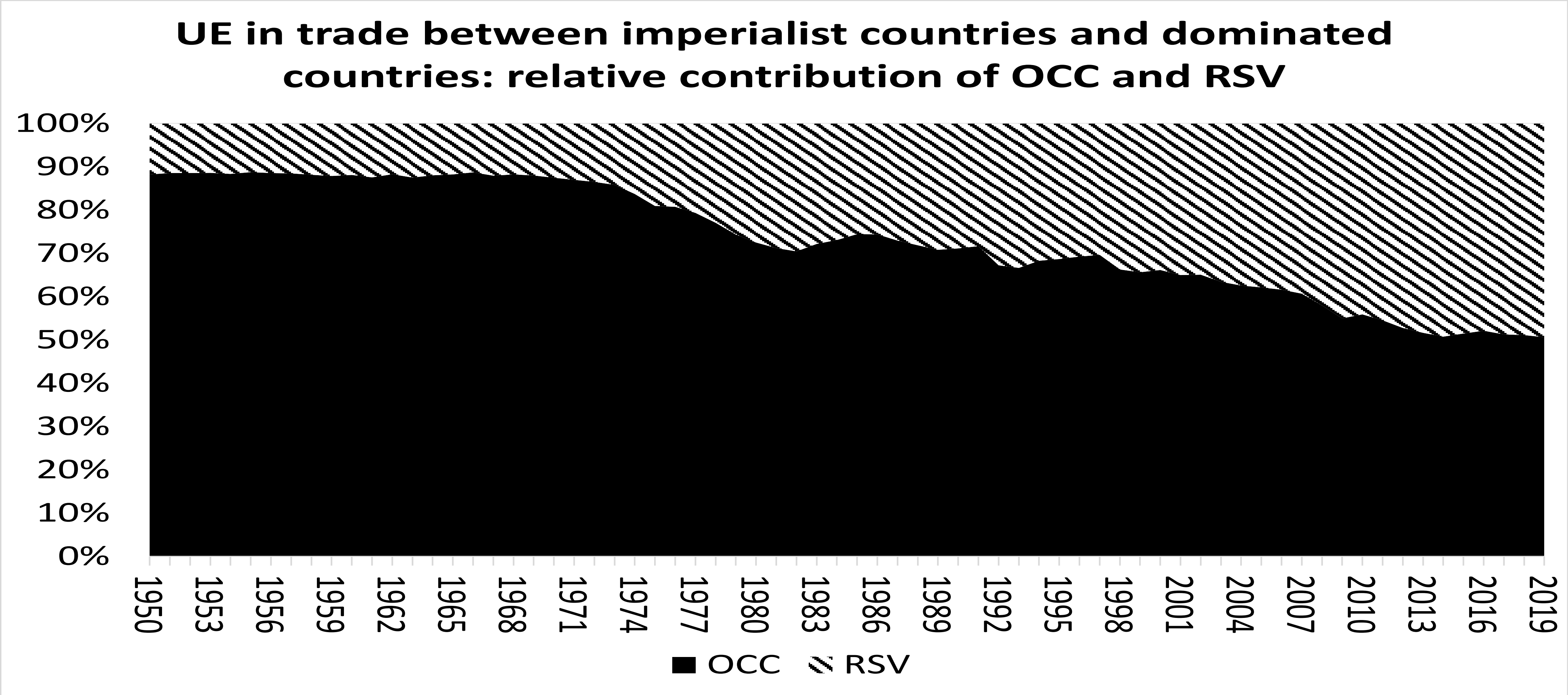
- **Ricci**: $865 billion in 2007 (1.9% of GVA and 9.1% of exports)
- **Liang and Su**: $563bn in 2014 (1.4% of GDP)
- **Carchedi and Roberts:** $600bn in 2019 (1.3% of GDP and 13% of exports) *Transfer of nearly $9trn at constant prices since 1960*
- **Hickel, Sullivan and Zoomkawala:** $2.2trn in 2018 **(**7% of GDP) *or $62trn at constant prices since 1960!*
- <u>*PLUS: Primary income transfers: $600bn in 2017 (1.4% of GDP)*</u>

Higher composition of capital.....

- The imperialist countries have significantly higher organic composition of capital and labour productivity than peripheral economies. Even after the rise of China in the last 20 years, the dominated bloc is only 25% of the TCC (and productivity) levels of the imperialist bloc

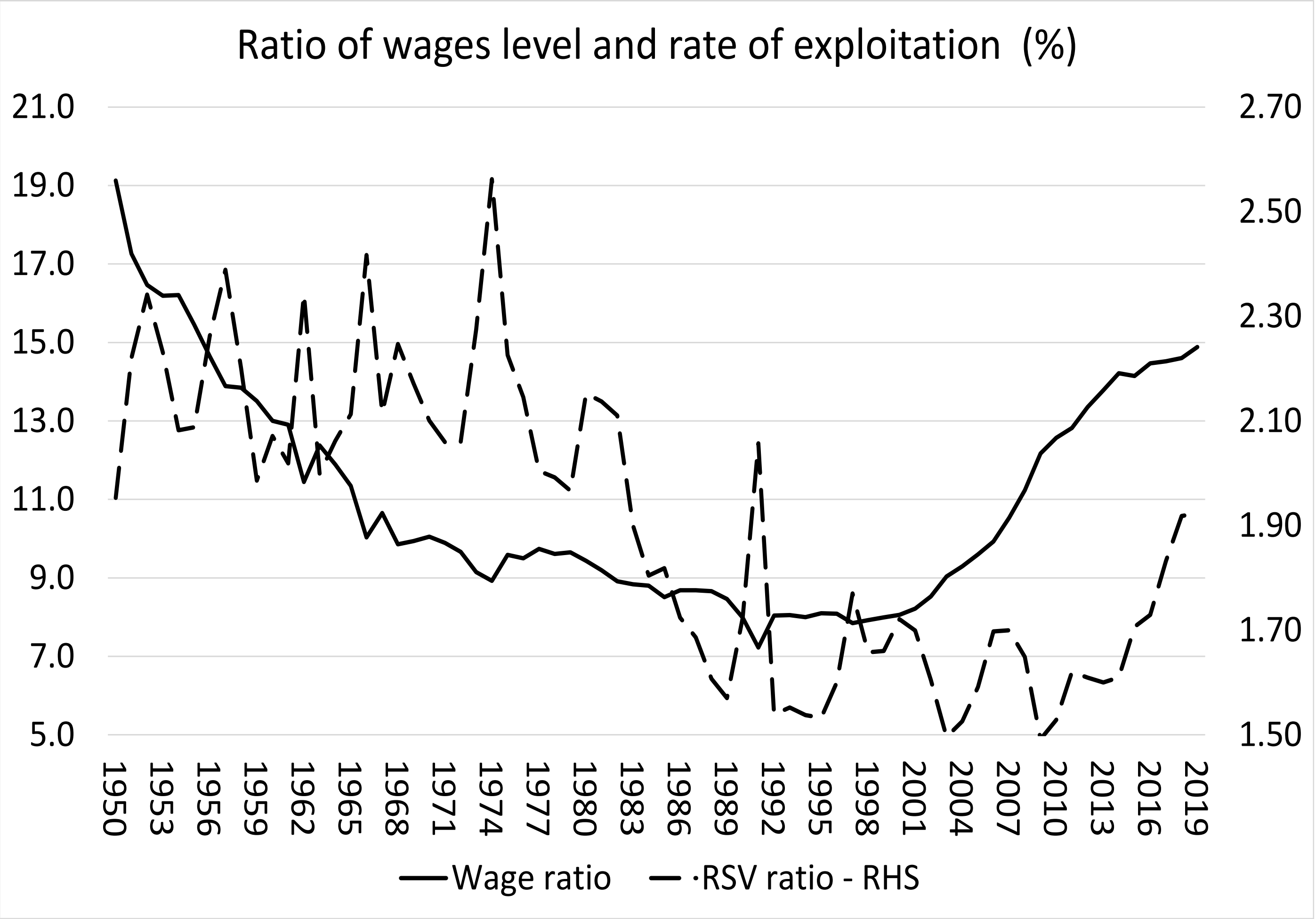


Relative contributions of OCC and RSV to UE surplus value transfer



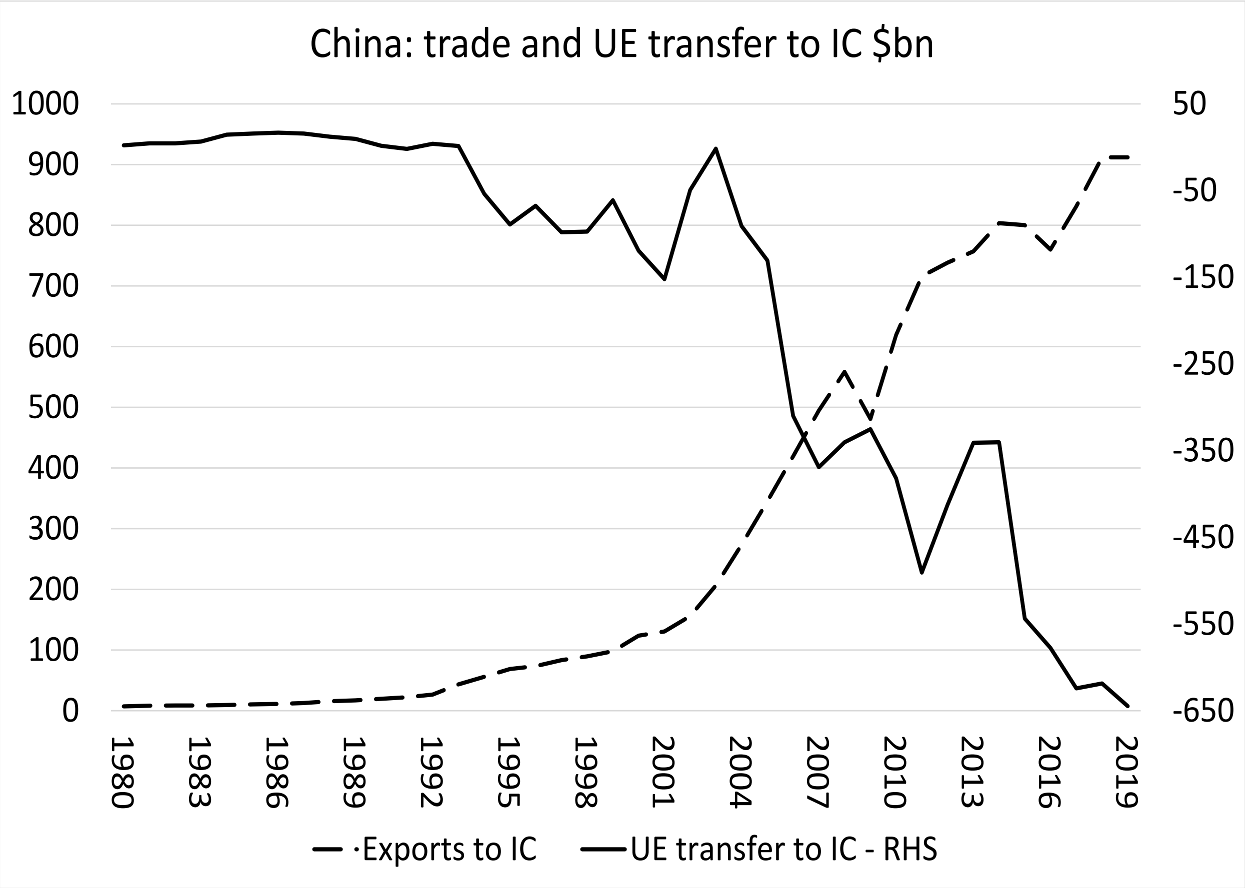
Lower wages, higher rate of exploitation

- Wage levels in the dominated countries are still on average no more than 20% of levels in the imperialist countries and any narrowing of the gap is due to China. The lower wage level increases the rate of exploitation in the dominated countries



China transfers value to the IC in trade

- The imperialist bloc gains surplus value through trade with China *in spite of China's faster economic growth and exports* because China's economy and thus its exports are at a lower level of productivity.



Summary of UE results

- The *productivity of labour* is key to the transfer of surplus value in trade between imperialist countries and the periphery.
- There are two major causes of UE between the imperialist and the dominated countries: *technological superiority and the rates of exploitation.*
- Exclusive emphasis on only one of these two factors is misleading. In the last analysis, *the result depends on whether the ratio of the two rates of surplus value is greater or smaller than the ratio of the two organic compositions of capital.*

Main conclusions: imperialism rules

- The evidence shows that imperialism is an inherent feature of modern capitalism. Capitalism's international system mirrors its national system (a system of exploitation): exploitation of less developed economies by the more developed ones.
- The imperialist countries of the 20th century are unchanged. There are no new imperialist economies.
- China is not imperialist on our measures.
- The transfer of surplus value by UE in international trade is mainly due to the technological superiority of companies in the imperialist core but also due to a higher rate of exploitation in the 'global south'.
- The transfer of surplus value from the dominated bloc to the imperialist core is rising in dollar terms and as a share of GDP.