Observations on the Leninist Theory of Imperialism

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(excerpts)

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Question 1: Does an imperialist country export significant amounts of capital to neocolonial countries such that, over the long run at least, the result is a net positive transfer of surplus value back to the imperialist country?

Question 2: Does an imperialist country enjoy a net positive transfer of surplus value in relation to all sources (i.e., both imperialist and non-imperialist countries combined)?

Question 3: Must an imperialist country have an economy with an "overripe" development of advanced capitalism across the board (i.e., high labor productivity linked to a high organic composition of capital [OCC] in most or all of its leading industries)?

Let me now try to sketch out answers to these questions.

Answer to Question 1

Does an imperialist country export significant amounts of capital to neocolonial countries such that, over the long run at least, the result is a net positive transfer of surplus value back to the imperialist country?

Yes.

The exploitative economic relations established between an imperialist country and the more economically backward countries it oppresses are the very foundation of the Leninist conception of modern imperialism. On this foundation arises states and a state system (or geopolitics), which then "react back" on the economic foundations, reinforcing and helping to further define them in a dialectical manner. For Marxists, exploitation has a very concrete meaning, which is essentially reduced to "surplus extraction" (under capitalism, surplus *value* extraction). Over the long run, an imperialist country will receive a net transfer of surplus value back from the colonial and semi-colonial/neocolonial countries to which it exports capital.

Two caveats are necessary.

First, although this relationship is quantifiable in theory, it is difficult to make the categories of bourgeois economics serve Marxist value analysis. So we have been relying on one particular crude measure (foreign direct investment [FDI]) as the least-bad, rough measure we have to hand. Yet even within the framework of bourgeois economics the measure of FDI presents problems when it comes to determining the true size of capital export, and of Russian capital export in particular. This study from 2005 (http://www.utu.fi/fi/yksikot/tse/yksikot/PEI/raportit-jatietopaketit/Documents/Vahtra_92005.pdf) observes that misreporting, the pre-existence of (former Soviet) Russian-owned foreign subsidiaries, the use of off-shore entities in Cyprus and other factors lead to "dramatic" undervaluation of true Russian capital investments abroad. Since the undervaluation is not necessarily uniform, Russian OFDI into Belarus, for instance, may appear to be larger than Russian OFDI into Ukraine, when the latter is likely the larger figure.

Second, taking a snapshot of the quantitative relationship at any given moment in time must be integrated into a historical analysis of that relationship in its concrete *development*, or it descends into bourgeois empiricism. Moreover, understanding the development of the economic relationship must, itself, be approached from the standpoint of the *totality* of a mode of production, or it becomes marred by one-sidedness and reductionism.

Answer to Question 2

Does an imperialist country enjoy a net positive transfer of surplus value in relation to all sources (i.e., both imperialist and non-imperialist countries combined)?

Not necessarily.

Just because an imperialist country will over the long run enjoy a net positive transfer of surplus value from the ensemble of its colonies and neocolonies does not mean that it will enjoy a net positive transfer of surplus value from the world as a whole (though if it remains in a negative situation for an extended period of time there will be a tendency for it to become a subordinated country). In our 19 June 2013 contribution, Barbara [Dorn] and I cited the *World Investment Report 2012* showing Russia to be a global net exporter of FDI flow since 2009, and we noted that some countries that we all agree are imperialist are net importers of FDI, e.g., Belgium, New Zealand. (Barbara and I also noted that there are some non-imperialist countries that are net exporters, and that there is no consistent pattern for "petro states," e.g., Saudi Arabia is a net importer.) There may be several reasons why an imperialist country will be a net importer of surplus value, but one reason is that a small or economically weak imperialist country can enjoy a net transfer of surplus value back from the non-imperialist countries it exploits while at the same time being the recipient of more investment from other imperialist countries (thus transferring more surplus value to them), since imperialist countries export more capital to each other than they do to non-imperialist countries. There are first-tier, as well as second-tier and third-tier, imperialist countries. (Moreover, the caveats mentioned above about must be kept in mind here as well.)

Answer to Question 3

Must an imperialist country have an economy with an "overripe" development of advanced capitalism across the board (i.e., high labor productivity linked to a high organic composition of capital [OCC] in most or all of its leading industries)?

No.

It is necessary to distinguish between levels of analysis—that which applies to the system/epoch as a whole, and that which applies to individual countries within that system. The two levels are obviously dialectically connected, but they are distinct, and failure to distinguish them can lead to wrong conclusions.

It is pretty clear from reading Lenin's *Imperialism* that the level of abstraction he uses while discussing the rise of the imperialist stage of capitalism is general-historical: he draws on elements of the development of monopoly capitalism from different countries, tying them together to reconstruct the essential features of the *global epoch as a whole*. It is similar to the method employed by Marx in *Capital*: Marx uses developments in several different countries (above all Britain, the leading capitalist country at the time) to distill the essence of the bourgeois mode of production. In both cases, Marx and Lenin use examples and provide statistics from individual countries (and even discuss differences between them), but they never suggest that every country must possess all of the features they describe at the level of abstraction of "capital" or "imperialism." Actual capitalist societies or imperialist countries will necessarily depart from the general abstraction to some degree, since the abstraction at the general-historical level of analysis is not meant to be some sort of Weberian ideal type used to measure the "fit" of a particular country at a more concrete level of analysis. The latter grows out of the former, but it is not identical to it.

In his 1917 Preface to *Imperialism*, Lenin says that the work was meant to reveal "the economic essence of imperialism," and he laments the fact that due to the Tsarist censor he, while talking about annexations, "was forced to quote as an example—Japan! The careful reader will easily substitute Russia for Japan, and Finland, Poland, Courland, the Ukraine, Khiva, Bokhara, Estonia or other regions peopled by non-Great Russians, for Korea." In his 1915 pamphlet "Socialism and War," Lenin observes that pre-modern "military and feudal imperialism" was a dominant feature of Tsarist Russia, but added: "In Russia, capitalist imperialism of the latest type [i.e., finance capital] has fully revealed itself in the policy of tsarism towards Persia, Manchuria and Mongolia." In an article entitled, "Imperialism and the Split in Socialism" (October 1916), Lenin picks up on the comparison of Tsarist Russia and Japan, situating them within the framework of the theory of imperialism he elaborated in his seminal pamphlet of the same name: "In Japan and Russia the monopoly of military power, vast territories, or special facilities for robbing minority nationalities, China, etc., partly supplements, partly takes the place of, the monopoly of modern, up-to-date finance capital."

In *Imperialism*, Lenin provides the following characterization of imperialism (which we cite as a key passage in the IEC-approved document "On Imperialism"):

> "Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that *a small number of financially 'powerful' states stand out among all the rest*." [emphasis added]

The wording of this formulation might suggest that only those states that are "financially powerful" are imperialist, but this formulation is situated in a section in which the weakness and predominance of foreign ownership of Russian banking are stressed. For instance, Russia possessed only about 1/5 the securities that Britain (then the leading financial country) had (Japan had less than 1/10), while about 3/4 of the "working capital" in the Russian banking system was actually controlled by daughter companies of foreign (mostly French and German) banks. Here we see that the specific features of two *particular* examples of imperialism (Russia and Japan) are clearly *not* a match for the features ascribed to the *epoch as a whole*. It is not even clear that the U.S., Britain and Germany would have checked every box, but the point is that was never the purpose of the analysis provided in *Imperialism*.

In the section of *Imperialism* entitled "Export of Capital," you will note that Lenin refers to "surplus capital" in relation to the tendency toward monopolization. While it is not entirely clear what relationship this has to an OCC-triggered falling rate of profit, Lenin says that monopoly capitalists prefer to invest at least part of their surpluses (i.e., realized surplus value generated at home) in "more backward countries" for "the purpose of increasing profits." He continues:

> "The export of capital is made possible by a number of backward countries having already been drawn into world capitalist intercourse…. The need to export capital arises from the fact that in a few countries capitalism has become 'overripe' and (owing to the backward state of agriculture and the poverty of the masses) capital cannot find a field for 'profitable' investment."

Apart from "the backward state of agriculture and the poverty of the masses," I can't find another concrete explanation from Lenin as to why "surplus capital" is exported to more economically backward countries, though I think it's safe to assume that he had in mind an OCC-conditioned falling rate of profit at the level of general-historical analysis. Lenin himself simply proceeds with an empirical discussion of the amount of capital exported by the leading imperialist powers (Britain, France and Germany). Russia, which could hardly be said to be "overripe" in terms of capitalist development, is described only as a recipient of investment.

In the IEC-approved document on Tsarist Russian imperialism, Tom [Riley] writes:

> "In the latter period of the Romanoff dynasty, Russian capitalists were exporting significant amounts of capital abroad, even as France and other advanced capitalist countries were investing heavily in the creation of Russian factories, railroads and other components of a modern industrial economy. According to Alexander S. Bulatov, a Professor at Moscow's Russian Foreign Trade Academy:
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> > '"Russian firms started to invest abroad in the last decades of the nineteenth century. Capital was exported primarily to China and Persia, as well as to Mongolia. During the period 1886-1914, Russian capital exports amounted to about 2.3 billion rubles (equivalent to $33 billion at 1996 prices).'
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> > -- *Transnational Corporations*, vol. 7, no.1, April 1998"

In the following paragraph Tom cites a conversion rate of US$0.515 to the ruble in 1914, but I can't seem to find a conversion rate to francs, which is what Lenin's table on capital export is denominated in. My guess, however, is that Russian foreign investments ("primarily to China and Persia, as well as to Mongolia," extremely backward countries even in relation to Russia) may have been "significant" while still being dwarfed by British, French and German foreign investments. Certainly they were "dwarfed by the inflow of capital" from those more advanced imperialist countries, as Tom noted in the IEC-approved document on Tsarist Russia. In other words, not only was Tsarist Russia likely a relatively tiny player in the game of capital export compared to the first-tier and second-tier imperialist countries, it was a net *exporter* of surplus value back to those countries.

In the IEC-approved document on Tsarist Russia, Tom sums up:

> "The Russian bourgeoisie was not impelled on its imperialist course as a consequence of having reached the monopolistic 'highest stage of capitalism' but rather because it was stunted by Tsarist autocratic rule in the foreseeable future, and was too weak and cowardly to follow the example of the French bourgeoisie of the 18th Century."

Despite the shaky economic foundations of Tsarist Russian imperialism, its integration into the imperialist world system as an independent state participating (on a smaller scale and with considerable subordination to the more advanced capitalist powers) in capital export to more backward countries made it imperialist in the modern sense. Tom writes:

> "Russia was an imperialist country in 1914—the predatory role played by Russian finance capital in China, Persia, Manchuria, Mongolia et al was essentially identical to that of the more developed imperialists. Unlike the Chinese ruling strata, the Russian state authorities had considerable room for maneuver."

All of this is to say that at the more concrete level of analysis of a *particular* country (Tsarist Russia), we can see that the capitalist social formation was marked by combined and uneven development (and very real elements of neocolonial subordination to more advanced imperialist states), but that the dominant features of the society taken as a whole allowed Russia to participate in the *imperialist world system* as an independent player and exploiter of weaker countries. It was backward (although not in an absolute sense) *and* imperialist (in the modern finance-capital sense).

In other words: a country need not have a high OCC across the board and globally competitive products in several leading industries in order for it to be imperialist in the Leninist sense. It will, of course, have at least some of the features of "advanced capitalism" (and it will, of course, benefit from exploitative relations, established through capital export, with semi-colonial countries). But the point is that imperialism does not equate to a high overall OCC, or high labor productivity or competitive commodities, etc. A qualitative analysis, and not simply a quantitative accounting of one measure, is required to establish the true role played by a country in the global capitalist system.

In his March 10 reply to Dave [Watts], Tom talks about the immense accumulation of surpluses in modern-day Russia through the sale of oil and natural gas in the 2000s (which is the basis for much of the foreign investment that Russia then engaged in), but dismisses this as having "nothing in common with Lenin's discussion of the economic content of the historical process of capital accumulation which launched the imperialist epoch." In fact, Lenin explicitly discusses cartelization and monopolization in the natural resources sector ("particularly coal, iron and potassium") and the resulting accrual of high profits through sales as key moments in the development of imperialism in the U.S. and Germany. But the point Tom is really making is captured in the following statement: "Contemporary Russia has a relatively low organic composition of capital and it is unable to produce commodities (beyond resource extraction) that are saleable on the world market." Citing an earlier document—which actually shows that Russia is internationally competitive in "Information Technology (IT) and some financial sector activity in the former Soviet states," and has a comparative advantage in "hydrocarbons and some other raw materials [such as precious metals and timber]," as well as in "military equipment, nuclear reactors and other power generating machinery"—Tom continues that it is "hard to overstate the significance of the fact that Russia is behind Brazil, India and Turkey in terms of global competitiveness" in "higher value-added industrial activities" (the ownership structure of which we are not told). In a previous contribution to the debate, entitled "For a 'Concrete Analysis of the Concrete Situation'," Tom writes: "None of the sources Decker/Dorn cite treat Russia as an 'advanced capitalist' [i.e., the bourgeois euphemism for imperialist] economy.")

Tom is certainly not the only Nimp who appears to be operating with a theoretical framework different than that we find in Lenin. In his 12 March document, Christoph, for instance, writes:

> "If we agree that large parts of the Russian economy are non-competitive, that labor productivity is low and that technological innovation is lacking, and if we agree that the high value sector in Russia has high percentages of foreign investment while Russia's GDP largely comes from energy export, how can we place it in the same category as the US? We cannot unless we change the category of what an imperialist country is."

What's so peculiar about these assertions is not only that they stand in stark contrast to the approach we see in Lenin's *Imperialism* (where economically backward Tsarist Russia is treated as imperialist in the modern sense), but that they are a throwback to the kind of arguments Tom previously employed when he was still insisting, against Lenin and Trotsky, that Tsarist Russia was not imperialist. Having formally come back to Leninist-Trotskyist orthodoxy on the *characterization* of Tsarist Russia as imperialist (acknowledging the backwardness and even "semi-colonial" features of the country), Tom and other Nimps seem to want to maintain the *flawed theoretical framework* that had earlier led them astray, at least when it comes to assessing modern-day Russia's imperialist status.