Late Imperialism

By john Bellamy Foster

(continued from the last issue)

The new phase of imperialism that arose at the very end of the twentieth and the beginning of the twenty-first century has been described by Amin and various authors associated with *Monthly Review* as a system of global monopoly-finance capital or a capitalism of "generalized mono-polies." In this more integrated imperialist system, five hundred corporations account for nearly 40 percent of world revenue while most other firms in the world economy are entangled in the webs of these giant firms and exist as mere subcontractors. Production and circulation are now organized in the form of global commodity chains, serving to highlight the different roles of center and periphery within these commodity chains. This is in line with the global labor arbitrage, which serves to promote the intensified exploitation/expropriation of labor in the global South, leading to the capture of much of this extra value by the North. The heightened imperialist controls of global finance and communications are inherent parts of this process without which the globalization of production would not be possible.

The late 1970s and '80s saw the growth of neoliberal globali-zation, which sought with consi-derable success to subordinate states, particularly in the global South, to the rules of a world market where, by definition, the financial center rules. Late imperialism can thus also be seen as the period in which economic stagnation, financialization, and the planetary ecological crisis all emerged as widening, irreversible fissures, inseparable from the system of monopoly-capitalist accumulation itself and finding its ideological justification in neoliberalism.

A distinguishing feature of globalized production and finance in the current century is the systematic exploitation of low unit labor costs in the South, a product of the fact that wages are kept at levels far below those of the North due to: (1) the enormous global reserve army located primarily in the South; (2) restrictions on the movement of labor between countries, and particularly from poor to rich countries; and (3) the force of imperialist pressures past and present. As economist Tony Norfield, former executive director and global head of foreign exchange strategy in a major European bank, explained in 2015 in "T-Shirt Economics: Labour in the Imperialist World Economy," everybody knows that workers in developed capitalist countries are paid more than those in poorer countries. However, the divergence in average wages can nevertheless be surprising: not just 20 percent or 50 percent, but more like a factor of 2, 5, 10 or 20 between the richer countries and the poorer countries. Mainstream economic theory explains this—and justifies it—by arguing that workers in richer countries are more productive than in poorer ones, because the former are more educated and skilled, working with higher levels of technology. Yet this explanation does not sit well with the reality that many manufacturing employees in poor countries are employed, directly or indirectly, by major corporations, and working with technology that is often comparable to that in the richer country.

Production by (or contracted out by) foreign multinationals in poor countries relies on the same or near to the same technology utilized in the rich economies, leading to comparable levels of productivity. The result, combined with extremely low wages, is that unit labor costs in manufacturing in the so-called emerging economies of China, India, Indonesia, and Mexico in 2014 were only 46, 37, 62, and 43 percent, respectively, of U.S. levels. This generates vastly inflated gross profit margins for multinationals located in the North. The total production cost (reflected in the export price) for a T-shirt produced in 2010 through a

subcontractor in Bangladesh working for the Swedish firm Hennes & Mauritz (H&M) was 27 percent of the final sales price in Europe, with the workers in Bangladesh receiving a mere pittance for their labor. One worker at the factory received €1.36 for a ten to twelve hour day. The price markup (or gross profit margin) on an iPhone assembled in China in 2009 was over 64 percent. The widening gross profit margins associated with the global labor arbitrage have led to a rapid globalization of production, with the world share of industrial employment located in developing (including emerging) economies rising from 52 percent in 1980 to 83 percent in 2012.

Today, a large and rapidly growing portion of production is outsourced to the periphery in the form of arms-length contracting or what is known as the non-equity modes of production (such as leasing, licensing, franchising, and management-service contracts), constituting a kind of middle ground between foreign direct investment by multinationals and actual trade. In 2010, the non-equity modes of production generated over $2 trillion in sales.

Still, not all value-chain production exploiting low unit labor costs in the global South takes the form of subcontracting or the non-equity modes of production. Much of it occurs in the form of more traditional foreign direct investment by multinationals. In 2013 alone, U.S. receipts from investments abroad in foreign companies, equities, bonds, etc., amounted to $773.4 billion, while U.S. payments on its liabilities from investments that foreigners made in the United States added up to only $564.9 billion, resulting in a net gain of some $209 billion (equal to about 35 percent of total U.S. net private domestic investment for that year). This only accelerated problems of surplus capital absorption. As Baran and Sweezy wrote in 1966 in *Monopoly Capital*, "foreign investment, far from being an outlet for domestically generated surplus, is a most efficient device for transferring surplus generated abroad to the investing country. Under these circumstances it is, of course, obvious that foreign investment aggravates rather than helps to solve the surplus absorption problem."

Other factors as well enter into the transfer of value from developing countries, including capital flight from the global South estimated at more than a $1.7 trillion dollars in 2012. Indeed, every single form of financial transaction between the global North and South includes an element of what Marx called "profit upon expropriation" or simple robbery, reflecting the uneven power relations. As Norfield writes, finance "is a way for rich countries to draw income from the rest of the world economy." A 2015 report by the Centre for Applied Economics of the Norwegian School of Economics and the United States-based Global Financial Integrity estimates that net resource transfers, many of them illicit, from developing countries (independent of the hidden transfers associated with unequal exchange) amounted to $2 trillion in 2012 alone—rising to $3 trillion if estimates of same-invoice faking are included.

A number of studies have been carried out to estimate the extent of the hidden value transfers due to unequal exchange relations between global South and North, whereby the latter gets "more labour in exchange for less." One approach, pioneered by Canadian economist Gernot Köhler, utilized purchasing power parity (PPP) data to show how labor incorporated into export products from the global South—given the difference between nominal and real exchange rates—failed to reflect what that labor would be worth in terms of local purchasing power in the emerging economy. In the words of Jason Hickel in *The Divide*:

Köhler's method is to calculate the difference between nominal exchange rates and real exchange rates (i.e. corrected for purchasing power) for goods traded. For example, imagine a nominal exchange rate between the US dollar and the Indian rupee of 1:50. Now imagine that India sends R1,000 worth of goods to the US, and receives $20 in return. That would be a perfectly equal exchange. Or at least so it would appear. The problem is that the nominal exchange rate isn't exactly accurate. In India, R50 can buy much more than the equivalent of $1 worth of goods. For instance, perhaps it can buy closer to $2 worth. So the *real* exchange rate, in terms of

purchasing power, is 1:25. This means that when India sent R1,000 worth of goods to the US, it was really the equivalent of sending $40 worth, in terms of the value that R1,000 could buy in India. And yet India received only $20 in return, which in real terms is worth only R500. In other words, because of the distortion between real and nominal exchange rates, India sent $20 (R500) more than it received. One way to think of this is that India's export goods are worth more than the price they receive on the world market. Another way is that India's labour is underpaid relative to the value that it produces.

Köhler's empirical results, relying on PPP, could thus be seen as a rough measure of the transfer of value generated in the South (non-Organization for Economic Cooperation and Development [OECD]) countries, but credited to the North (OECD) countries, via what economists call unequal exchange. In this way, he was able to estimate that such value transfers in 1995 alone amounted to $1.75 trillion, representing losses equivalent to almost a quarter of total non-OECD GDP. Although such empirical estimates are open to question in a number of respects, there can be little doubt about the underlying reality or the order of magnitude of the "imperialist rent."

As John Smith argues, "the vast S-N flows of value" associated with unequal exchange are "rendered invisible in statistics on GDP, trade, and financial flows" precisely because the value generated in the South is "captured" in the North. All sources of income, whether wages, profits, rent, or interest, arising from the enormous gross profit margins on Southern production are simply booked as value-added in the global North, contributing to Northern GDP.

The huge profits from outsourcing and other means of global value capture further exacerbate problems of surplus capital absorption. Much of this imperialist rent ends up in tax havens and becomes a means of amassing financial wealth concentrated in a small number of corporations and wealthy indivi-duals, while largely disconnected from the ongoing and increasingly problematic process of production, investment, and growth in the United States and other imperialist nations. This then worsens the overall problem of stagnation, characterized by excess capacity, underemployment, slow growth, rising inequality, and periodic financial bubbles and crises.

Amin argued that imperialist rent had two distinct components. The first was the rent derived from the imperialist exploitation of Southern labor. The second was the draining of natural resources from the South and violations of its sovereignty in this respect by multinational corporations and imperialist states. Although the first form of imperialist rent was, at least in principle, measurable in value terms, the second form of rent, since it concerned use values (and capital's appropriation of free gifts of nature), rather than exchange values, was not. Nevertheless, Marx, he insisted, had provided ways of perceiving ecological contradictions and ecological imperialism.

Imperialism engages in an enormous struggle for the control of strategic resources. It has been estimated that the U.S. military spends approximately 16 percent of its base budget on directly safeguarding global oil supplies alone. It is difficult to exaggerate, as Magdoff emphasized, the extent to which military and natural resource interests are interrelated. Military hegemony plays a key role in all issues of securing economic territory and strategic resources.

Multinational corporations are inextricably tied to the financial and political-military power of the particular states in which they are based, without which they could not exist for a moment, and on which their ability to engage effectively in international competition depends. In the case of the top hundred nonfinancial corporations in the world, three quarters have their home in just six countries: United States, United Kingdom, France, Germany, Japan, and Switzerland. According to Norfield, what distin-guishes an imperialist *company* is not its size or competitive success, or even its global importance as a major producer of goods or services, although it will often be a big company given the advantages it enjoys. What distinguishes it is the backing it receives from a powerful nation-state in the world economy, and any advantages it gets because it

is located in and identified with that imperialist state. Likewise, what in economic terms distinguishes an imperialist *state* is its ability to exert power in the world economy on behalf of its "national" capitalist companies."

End Times

Imperialism today is more aggressive and boundless in its objectives than ever. In the present period of declining U.S. hegemony, as well as economic and ecological decline, the dollar-oil-Pentagon regime, backed by the entire triad of the United States/Canada, Europe, and Japan, is exerting all of its military and financial power to gain geopolitical and geoeconomic advantages. The goal is to subordinate still further those countries at the bottom of the world hierarchy, while putting obstacles in the way of emerging economies, and overthrowing all states that violate the rules of the dominant order. Intercore conflicts within the triad continue to exist but are currently suppressed, not only due to the overwhelming force of U.S. power, but also as a result of the perceived need in the core to contain China and Russia, which are seen as constituting grave threats to the prevailing imperial order. In China and in Russia, for different but related historical reasons, global monopoly-finance capital lacks the dominant combination with the national capitalists within their political economies that is present in the other BRICS countries. Meanwhile, the European Union is in disarray, experiencing centrifugal, as opposed to centripetal tendencies, arising out of economic stagnation and the instability generated by imperial blowback emanating from adjacent regions, particularly the Middle East and North Africa.

Under these circumstances, global value/supply chains, along with energy, resources, and finance, are more and more viewed in military-strategic terms. At the center of this interlocked, globalized world order is the unstable hegemony exercised by Fortress America over both Europe and Japan. The United States today is pursuing a strategy of full-spectrum dominance, aimed at not only military, but also technological, financial, and even global "energy dominance"—against a backdrop of impending planetary catastrophe and economic and political disarray.

In these deteriorating conditions, neofascist tendencies have reemerged once again, constituting monopoly-finance capital's final class-based recourse —an alliance between big capital and a newly mobilized reactionary lower-middle class. More and more, neoliberalism is merging into neofascism, unleashing racism and revanchist nationalism. Anti-imperialist peace movements have waned in most of the capitalist core, even in the context of a revival of the left, raising once again the question of social imperialism.

There is a sense, of course, in which much of this is familiar. As Magdoff noted, centrifugal and centripetal forces have always coexisted at the core of the capitalist process, with sometimes one and sometimes the other predominating. As a result, periods of peace and harmony have alternated with periods of discord and violence. Generally the mechanism of this alternation involves both economic and military forms of struggle, with the strongest power emerging victorious and enforcing acquiescence on the losers. But uneven development soon takes over, and a period of renewed struggle for hegemony emerges.

Late imperialism, however, represents a historical end point for the capitalist world order, presaging either planetary catastrophe or a new revolutionary beginning. Today's Earth System emergency gives new urgency to the age-old collective struggle for "freedom in general."[67] The wider human struggle must build on the continuing revolutionary resistance of the workers and peoples in the global South, aimed first and foremost at overthrowing imperia-lism, as the global manifestation of capitalism. Labor in core nations cannot be free until labor in periphery nations is free and imperialism is abolished. What Marx called socialism, a society of sustainable human development, can only be constructed on a universal basis. All narrow, invidious, exploitative relations must go, and humanity must at last confront with sober senses its relations with its kind and its unity with the earth.

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