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Capitalism and Underdevelopment

1 Introduction

The analysis considered in Part II focused upon the functioning and transformation of advanced capitalism. Each theory sought to provide an explanation of the 'long boom', understand the contradictions which would ultimately undermine it, and thereby account for the passivity of the working classes in the West, as well as locating the basis for any future radicalisation. In all cases the economic structures of backward areas and their relationship to those of developed countries figured hardly at all. Only Baran and Sweezy thought them to be significant, and even in Monopoly Capital they were of secondary importance. The forces of stability and change in the heartlands of capitalism were seen to operate primarily through the reproduction and growth of the major capitalist economies.

Backwardness elsewhere, however, became increasingly evident after the Second World War. By then per capita incomes in the advanced countries were over four times higher, on average, than those of less developed areas, whereas in the mid-eighteenth century they had been approximately equal, and 200 years earlier many non-European countries had been richer. Moreover, as a political force Marxism progressed mainly in undeveloped areas, and Marxists naturally felt the need to link this to backwardness. In itself this was not new. As volume I of this book documents, Russian Marxists considered this issue at length. What was novel in the post-war theories which emerged was the argument that backwardness was a result of a process of underdevelopment, in which advanced capitalist economies had distorted the economic structures of backward areas so as to preclude their development. Marxists, of course, had always taken the view that imperialist exploitation contributed to the economic growth of leading capitalist nations. But before the 1920s they had also considered that the impact of the West encouraged economic development on a world scale. Marx and
Engels, Kautsky, Luxemburg and Hilferding, along with Lenin, Bukharin and Trotsky, all believed that imperialism fostered capitalist economic development generally.2

To be sure, it was never a pronounced theme in the work of these Marxists, which was highly Eurocentric. Even their use of the term ‘imperialism’ reflected this. Lenin, for example, used it as a synonym for the monopoly stage of capitalism, while Hilferding and Luxemburg considered imperialism to be equivalent to a ‘struggle for economic territory’. The domination and exploitation of undeveloped countries by advanced economies, which has become its principal meaning in the post-war years, was certainly not the prevailing reference before 1917, or even in the inter-war years. Only Kautsky and Luxemburg came close to it, and they would have sharply resisted the political associations of the new usage, in which it was frequently held that ‘class struggle’ now meant a conflict between exploited and exploiting nations (see section III below).

The responsibility for initiating the revision of established theories of imperialism falls on Paul Baran, who, in the early 1950s, formulated most of the main economic propositions in the analysis of underdevelopment.3 Anticipations of his ideas can be found, including no less an authority than the Comintern programme of 1928 (see Chapter 11 below). Occasional statements of Stalin, Trotsky and other Russian Marxists in the inter-war years also pointed towards Baran’s work.4 There was clearly a basis for the new theory in Lenin’s claim that capitalism had ceased to be a progressive force and, since he relied heavily upon Hilferding and was close to the views of Bukharin, in their writings too (see Chapter 13 of volume I of this book). After 1920 the Third International elevated the importance of anti-imperialist struggles in the colonies, and this no doubt also provided an impulse conducive to the reformulation of the theory.5 Nevertheless, only with Baran’s work did there occur a clear break with traditional Marxian views about capitalist economic development in backward countries. For the first time a comprehensive economic theory of underdevelopment was formulated, explaining why development outside the strongholds of advanced capitalism was impossible without the intervention of socialist revolution. Furthermore, although Baran’s ideas were subsequently extended by André Gunder Frank, Immanuel Wallerstein and the ‘dependency theorists’, they seldom improved upon Baran (see sections III and IV below). Consequently, Baran may claim a place in modern Marxian theories of imperialism analogous to that of Hilferding earlier in the century. He provided the principal concepts and the main ideas, while leaving enough space for additional considerations to be introduced by other theorists.

The main influence on Baran may well have been Paul Sweezy. An enduring friendship between the two began in 1939, and Sweezy’s Theory of Capitalist Development, published in 1942, briefly pointed towards Baran’s ideas of a decade later.6 However, Sweezy increasingly moved towards an
'exchange perspective' which was not clearly manifest in Baran's own work (see section I of Chapter 11 below). Raúl Prebisch and other radical development economists may also have provided some of the ideas which Baran used, together with the terminology of the 'centre' and 'periphery' which would become the hallmark of the new theories of imperialism. But Baran emphasised neither the structural rigidities which (they claimed) inhibited the growth of backward economies, nor the deteriorating terms of trade which supposedly followed from these inflexibilities. Instead he stressed underdevelopment as a result of the very nature of capitalism itself. The contrast provided by the economic transformation of the Soviet Union clearly impressed Baran, as did the extension of the command economy to Eastern Europe and China. It led him to repudiate reformism: no matter how radical, a reformed capitalism would be inferior to the potential offered by central planning, the very nature of which required a socialist revolution. Together with decolonisation, the dramatic rise of national liberation movements, and the Soviet Union's need for allies and trading partners, this Stalinist aspect of Baran's theory was responsible for the warm reception which his ideas received from Maurice Dobb and from Soviet spokesmen.

II  Paul Baran and The Political Economy of Growth

Baran first outlined his theory of underdevelopment in an article 'On the Political Economy of Backwardness', which was published in 1952, having been presented as a paper to the American Economic Association two years earlier. This was followed by a more extended account in The Political Economy of Growth in 1957, the main ideas of which had been the subject of a lecture series delivered in 1953. During the 1950s and 1960s Baran also wrote articles on various aspects of underdevelopment, some of which were collected together in The Longer View, published (posthumously) in 1970. At the same time he was cooperating with Paul Sweezy in writing Monopoly Capital (see Chapter 6 above). This text was almost wholly concerned with the economic structure of advanced capitalism, but, given the nature of Baran's thesis on backwardness, it formed an integral part of his theory of underdevelopment.

The central idea in Baran's treatment of imperialism is more classical than Marxian. Economic growth is the result of the size and utilisation of the surplus product. Economies grow by allocating the surplus to productive investments, and the more surplus is accumulated the faster is growth. Economic stagnation occurs either because the surplus is insufficient to expand the productive forces or, if adequate, is wasted in unproductive consumption. Thus the divergent economic histories of the centre and periphery - in which the development of the means of production is concentrated in the centre, and development is inhibited in the periphery -
hinges on the division of the world's surplus between different regions and the way in which it is used within them.\footnote{11}

According to Baran the divergence originated in the sixteenth century, when Western European countries began a process of colonial expansion and primitive accumulation. While the domestic surplus was also increasingly being invested at home, it was supplemented by using the surplus of other economies outside Europe. This transfer of surplus undermined the economic development of Latin America, Africa and most of South East Asia. Baran claimed that the seeds of autonomous capitalist development could be discerned everywhere (or, at least, everywhere in Asia) in the sixteenth century, when it had been feasible for accumulation to have occurred over the whole globe. In the event it was concentrated in Western Europe only because European domination of other areas thwarted incipient bourgeois revolutions there, and restructured their economies in the interests of the imperial centres.\footnote{12} A small initial advantage possessed by Western Europe at the dawn of modern history was thereby turned into an enduring benefit and gave rise to cumulative divergence.

To support this thesis Baran pointed to the industrial development of India prior to its conquest, and showed how the Indian economy was then distorted by colonial administrations for the benefit of British manufacturers. Established industry was undermined and the surplus produced by the Indian economy was siphoned off by the imperial power. Baran also contrasted Indian experience with the fate of Japan, which had successfully escaped colonisation and consequently preserved its industry intact, carried out its own bourgeois revolution, and used the surplus for its own productive investments.\footnote{13} More generally, according to Baran, what determined whether a country developed or became underdeveloped was its incorporation into an imperial economy or the retention of independence.

There is no doubt that Baran exaggerated his case. To assert that all of Asia was on the verge of bourgeois revolution was absurd.\footnote{14} Baran concentrated his attention upon the forces of production and failed to perceive the strength of pre-capitalist relations of production which characterised many areas outside Europe. However, his claim that colonisation did undermine the existing productive forces and plunder the surpluses of the colonised is well established.\footnote{15} At least in part, the speed of accumulation in Europe was a function of the exploitation of the periphery. Whether this brought about underdevelopment, though, is a more contentious issue. If the peripheral areas were backward at the outset — as Marx himself believed — restructuring their economies for the benefit of the imperial power does not itself constitute evidence of underdevelopment. Rather, it may be a necessary condition for sustained later growth.

Aside from issues of historical development, the really controversial issue is whether or not the process continued to operate after decolonisation. Baran claimed that it did, and here he supplemented his analysis with more
obviously Marxian elements, including theories of monopoly capital and underconsumption. He dated the emergence of monopoly capital to the late nineteenth century and thus opened the possibility of interpreting his own theory as an extension of Lenin’s.\textsuperscript{16} Baran’s analysis of the functioning of monopoly capital, however, is very different from that of Lenin. For Baran inter-imperialist rivalry plays no role, and it is underconsumption which brings about a tendency towards stagnation. Investment outlets are insufficient to absorb an ever-larger surplus, and modern capitalism thus ceases to be a progressive force, even on its home ground. Instead of sustaining a rapid expansion of the productive forces, as did competitive capitalism, it dissipates surplus in wasteful activities (see Chapter 6 above).

For Baran there is no discontinuity in the economies of the periphery, since neo-imperialism effortlessly replaced colonial control and engendered sustained underdevelopment. Surplus continues to be drained off, principally through the repatriation of profits from foreign investments. This intensifies the surplus absorption problem in advanced economies, but cannot be alleviated by extensive investment in the periphery itself because this would threaten the entrenched monopoly positions of foreign corporations. Baran maintains that this is reinforced by the class structures of peripheral societies, themselves the product of imperialist or neo-imperialist domination. Whatever surplus is retained by the ruling classes of backward economies cannot be productively employed there, because the extreme inequality which prevails precludes profitable investment in industries catering for mass consumption, which Baran held to be essential for capitalist industrialisation. The periphery also suffers from a heritage of colonisation, which establishes a social structure dominated by a \textit{comprador} (client) bourgeoisie and remnants of feudalism. Any attempt by Third World governments to encourage autonomous development engenders intense opposition and brings the threat of external intervention by the states of advanced capitalism, and especially by the United States. Monopoly capital has no more interest than colonial administrations in genuine economic development in the periphery.\textsuperscript{17}

Baran’s argument for the continuance of underdevelopment in the post-war years, and that of many of his followers, may thus be summarised as follows. First, the causes of Third World backwardness are exogenous rather than endogenous: that is, their poverty is due to relations with the West, not because of purely internal barriers to economic growth. Second, these contacts result in underdevelopment rather than development since the rich capitalist countries have both a strong incentive to block growth and (by creating relations of dependence) the power to do so. They have an incentive to perpetuate backwardness because this makes it more profitable to export capital to, or to engage in commodity trade with, the periphery.

Harry Magdoff, and other disciples of Baran, have added some orthodox Marxian considerations to his thesis. Underdevelopment entails a lower
organic composition of capital, a larger rate of exploitation and thus a
greater rate of profit than is available in the developed countries. It also
means higher prices for manufactured exports from the metropolis, lower
prices for imported raw materials from the periphery, and a correspondingly
greater share of the gains from trade. This is why relations of dependence
are profitable. They are sustained through the exercise of both political and
economic power. Formal colonial rule gave way to ‘neo-colonialism’ or
‘neo-imperialism’ (see section 1 of Chapter 4 above) and is buttressed by
several types of economic influence. Direct ownership of assets is only one;
no less important are monopoly control over modern technology and the
growing indebtedness of Third World states, which renders them unable to
resist the dictates of imperialist institutions like the International Monetary
Fund and the World Bank.

Against Baran and his followers it has been objected, with considerable
justice, that wealthy areas yield higher profits than poor ones, and that the
supposed incentive for blocked development is therefore illusory. Before
1914 capital was exported not to the most backward parts of the globe but to
the ‘regions of recent settlement’ in America and Australasia, where living
standards were exceptionally high. Again, in the post-war years US capital
exports were directed more towards Western Europe than to the Third
World. After 1945 trade, too, grew more rapidly between the advanced
capitalist economies, with metropolis-periphery exchange lagging well
behind. Thus rich regions appear to offer more lucrative markets, and
more profitable investment opportunities, than poor countries and Western
capital had no obvious incentive to block economic development in the
backward areas. Its power to do so was also less than Baran had claimed.
There have been many examples of political and military intervention by
advanced capitalist states in the internal affairs of Third World countries.
But, at the same time, decolonisation was not purely cosmetic; at least the
larger of the newly-independent states won a significant measure of genuine
independence. No more than Brazil and Mexico are India and Nigeria mere
puppets of imperialism.

The evidence for economic dependence is stronger, but its implications are
not straightforward. The extent of indebtedness is notorious, and very much
greater than it was in Baran’s day. But, by itself, the geographical location of
asset ownership is entirely irrelevant to questions of development and
backwardness. The central issue is not who owns the surplus but where it
is invested. If this were not the case how else is it possible to explain the post-
war backwardness of Spain and Portugal who were the first, and very
substantial, plunderers of the New World and Africa? Analogously, a
periphery remains backward not because it is exploited by a centre, but
because the surplus is invested elsewhere. And, while peripheral economies
continue to rely technologically on the West, it is not clear why this should
preclude development. In fact technological dependence has provoked two
completely incompatible complaints: that the Third World is denied access to the most modern techniques, and that the use of these inappropriate methods of production has profoundly damaged their development.22

It is possible to take issue with other aspects of Baran's analysis: his characterisation of Western economies in terms of 'monopoly capital'; his underconsumptionism, his rejection of the possibility of export-oriented industrialisation in the Third World, and his identification of US foreign policy with the immediate economic interests of capital. The theory of monopoly capital has been criticised in Chapter 6 above, and problems in the associated theory of underconsumption were exposed by Tugan-Baranovsky nearly a century ago (see Chapters 9 and 10 of volume I of this book). If there was a justification for emphasising the importance of the internal market in the early 1950s, it has certainly been weakened by the liberalisation of the world economy since then. After Baran's death in 1964, it has become clear that industrialisation can be based upon exports (see Chapter 11 below). A stable world hierarchy of income levels and rates of economic growth, which Baran's theory predicts, has been undermined. Even in the years immediately preceding The Political Economy of Growth events did not conform to Baran's thesis. The Marshall Plan provided large-scale aid from the United States explicitly in order to facilitate the recovery of Western European economies.23 There was no attempt to 'block' development here, but Baran did not mention this important counter-example, and instead characterised 'aid' as invariably a transfer of resources from the centre to the periphery in order to sustain underdevelopment.24 Of course, the transfer of resources to Europe under the Marshall Plan might be explained by the strategic objective of countering Soviet power, which operated to qualify the deeper interest in limiting development, but the possibility that the trade-off could run the other way did not enter Baran's analysis. Nor did he consider the likelihood that US intervention in the Third World which inhibits development might stem from political objectives, and lack any economic interest in sustaining backwardness.

Baran was aware that growth had occurred in at least some peripheral economies. However, he characterised this as dependent development, which was the creation of advanced capitalism in the centre, lacking any autonomous impulse, and was in consequence 'distorted'.25 This argument proved popular with some Japanese Marxists, who alleged that under US domination Japan's economic development had been subordinated to the needs of American capital. The phenomenal success of Japan over the last 40 years has made this thesis less and less convincing, although it lingered on into the 1960s as part of the Japanese Communist Party's doctrine.26 Elsewhere, too, the concept of 'distorted development' continued to be popular, especially among the dependency theorists of Latin America.27 But no more than Baran have they provided criteria by which an autonomous development might be distinguished from a dependent one. When other
economists have done so, in order to test the hypothesis that dependent development characterises Third World countries while that of the centre is autonomous, they have found no evidence in its favour. The most obvious counter-example is Canada, which by many indices is economically, politically and culturally dependent upon the United States, yet enjoys a per capita income only slightly below that of the United States itself.\textsuperscript{28}

The belief that economic backwardness could be eradicated only by following Soviet practice was exceptionally widespread in the 1950s, and extended well beyond the ranks of orthodox communists. Baran’s treatment of the issue is nonetheless notable for being wholly uncritical. Stalinist repression received no more than a passing reference in his work, and the possibility that it might be intimately related to the Soviet mode of production went unrecognised.\textsuperscript{29} The fact that Soviet practice frequently flew in the face of the most secure propositions of classical economics, which Marx himself had accepted, was regarded as a strength rather than a weakness (see Chapters 11 and 18 below). Baran ignored everything but the mobilisation of the surplus for rapid accumulation in capital-intensive processes based on heavy industry.\textsuperscript{30} His treatment was therefore very similar to that of Maurice Dobb, and Dobb himself was very favourably disposed to Baran’s analysis.\textsuperscript{31}

In the final years of his life Baran displayed doubts about the Soviet route to socialism.\textsuperscript{32} His friends in Russia during the 1920s – who included Preobrazhensky – and his association with the Frankfurt School in the 1930s, meant that he could have had few illusions about the extent of the repression under Stalin. But, like Paul Sweezy and Isaac Deutscher, and before them Otto Bauer and Theodor Dan (the leader of the emigre Left Mensheviks in the 1930s), Baran believed that Soviet authoritarianism would ultimately yield to the liberating potentialities opened up by economic development.\textsuperscript{33} According to this view, Stalin was preserving socialism in the only way that was practically possible. In doing so he had used barbaric means, but they were employed primarily to eliminate barbarism itself; economic modernity would prove to be incompatible with totalitarianism, and must inevitably bring substantial democratisation. Coupled with the collectivist property forms protected by Stalin, the socialist project would return to classical conceptions. As the evidence accumulated against this rather vulgar form of historical materialism, Baran became increasingly uncomfortable with the pro-Soviet stance which he had taken in The Political Economy of Growth. Nevertheless, by the time of his death in 1964 he was still unwilling, or unable, to offer an alternative model of development, and there is no evidence that he repudiated his theory of underdevelopment.

For his part, Paul Sweezy did sever his commitments to the Soviet Union in the late 1960s, proclaiming instead the appropriateness of a Maoist strategy toward socialist development.\textsuperscript{34} Mao himself actually designated
the Soviet Union under Khrushchev as a form of capitalism, and accused it of acting in an imperialist manner. Some East European communist parties may have sympathised with this view after their own experiences of Soviet imperialism, and they like China frequently resisted incorporation into a ‘socialist division of labour’ based upon comparative advantage. In the West the Maoist critique was extended by Charles Bettelheim, who sought to document the degenerative tendencies in Soviet history from the earliest days of the revolution. In doing so he echoed many of the arguments articulated by theorists of bureaucratic collectivism and state capitalism (see Chapter 3 above). But Bettelheim ultimately explained the degeneration in terms of the absence of a supreme leader who could maintain ideological purity, and counter ‘economic’ concerns for the development of the productive forces as opposed to the creation of new socialist relations of production through continued class struggle.

Like Sweezy and Bettelheim, many disillusioned communists and fellow-travellers shifted allegiance to other socialist states during the 1960s and 1970s, and they were joined by a younger generation in the New Left. Baran’s enthusiasm for the Cuban revolution suggests that, had he lived, he might have done so as well. Russia was a rather unsuitable role model for his theory of underdevelopment, which corresponded more closely to the Third World revolutions led by national liberation movements, and which dominated the writings of Mao, Guevara and Debray. After all, if Baran was correct there was no possibility of proletarian revolution in the periphery, and some other agency was required. However, his traditional Marxist contempt for the peasantry, and his Stalinist allegiance to heavy industry might have inhibited any such reorientation.

III Frank’s Revisions

Baran found it exceedingly difficult to publish in the 1950s, and his position at Stanford University was threatened after his outspoken support for the Cuban revolution. But The Political Economy of Growth had an immense impact upon radicals. It coloured the thinking of innovative development economists like Raul Prebisch, Dudley Seers and Keith Griffin, and was greatly admired by Marxist activists such as Salvador Allende, Che Guevara and Regis Debray. Even Mao’s challenge to Soviet hegemony had elements which were also recognisable in Baran’s thinking. At the same time it provided the foundation for a school of Marxist economists concerned with the theoretical comprehension of underdevelopment. The works of dependency theorists like André Gunder Frank and Theotonio Dos Santos represent extensions of Baran’s analysis, while the journal Monthly Review (edited by Paul Sweezy and Harry Magoff) became identified with the overall perspective. But orthodox Communists such as
Maurice Dobb were sometimes equally enthusiastic, as were Trotskyists such as Ernest Mandel. Nor was Baran's influence confined to political economists and revolutionaries, since the historiography of Fernand Braudel and Immanuel Wallerstein drew heavily upon his general theoretical viewpoint (see section IV below).\textsuperscript{42}

During the 1960s Frank proved to be the most important Marxist writer to extend Baran's ideas, especially in his \textit{Capitalism and Underdevelopment in Latin America}.\textsuperscript{43} In large part this book was no more than a restatement of Baran's original thesis, applied to Latin America. Indeed, it was in Latin America that Baran found his most receptive constituency, and Frank's works were the chief medium. Nevertheless, Frank did revise Baran's analysis in various ways, and these modifications have had an enduring influence. He dispensed with some of Baran's weaker arguments, introduced additional material designed to strengthen others and, most important, outlined a new perspective which sought to generalise Baran's treatment of colonialism and monopoly capital.

Frank did not repeat Baran's claim that incipient bourgeois revolution and autonomous capitalist development were world-wide phenomena in the sixteenth century. He accepted instead that most of the globe was genuinely undeveloped, and that the 'development of underdevelopment' was a process of reconstruction to meet imperial needs rather than a reversal of prior development. Nor did Frank employ Baran's irritating and wholly inappropriate references to the rule of Reason as a justification for Stalinism, although he too saw the emulation of Soviet practice as the solution for underdevelopment.\textsuperscript{44} While retaining the importance attributed to monopoly, Frank concentrated upon its effect in the periphery, and did not emphasise tendencies towards stagnation in the centre. He also provided many more historical illustrations of the process of underdevelopment, and explicitly confronted the neoclassical theory of international trade, prominent theorists of 'modernisation' like Rostow, and more radical structuralists who emphasised the importance of rigidities and economic dualism in peripheral societies.\textsuperscript{45}

None of this moved very far beyond \textit{The Political Economy of Growth}, and the really important deficiencies in Baran's thesis remain evident in Frank's work. But Frank also introduced a significant shift in perspective. He defined capitalism in terms of exchange relationships: production for the market, rather than for direct use, made economic activity capitalist. Whether or not property relations involved wage labour or bondage, if outputs were produced for exchange this sufficed to define them as being capitalist. In Frank's view, moreover, all markets were only segments of a single world market, so that every capitalist activity was part of a global division of labour. The different 'modes of labour control'\textsuperscript{46} are simply optimal methods of production in specific circumstances, and all are the result of profit maximisation. It follows that Latin America had been
capitalist since the sixteenth century, when it was first incorporated into the world economy. 47

Frank maintained that monopoly had characterised the capitalist world economy from its inception. The system has always involved ‘chains’ in which surplus is extracted from ‘satellites’ by ‘metropoles’, which may themselves be satellites of higher-order metropoles. These chains operated within countries as well as between them, so there was an extended continuum of exploitative relationships. Frank recognised that important changes had occurred in the five centuries since the capitalist world economy originated, but he claimed that this had been a ‘continuity in change’, with no alteration in underlying structure. 48 This structure was, in turn, frequently presented as a matrix of zero-sum relations, in which the wealth of the metropoles is a direct function of surplus extraction from the satellites. Thus, for Frank, economic development and underdevelopment are exact complements, whose classical expression can be found in early Mercantilist thought. 49

Although it is possible to find allusions to these themes in Baran, 50 on the whole his own viewpoint was markedly different. Baran remained much closer to the original Marxian conception of capitalism as a mode of production defined by specific social relations, and contrasted the centres of advanced capitalism and the periphery more clearly than in Frank’s metropolis–satellite chain. For Baran monopoly capital was a particular stage in capitalist development; while he undoubtedly thought of it as parasitic, he viewed the earlier forms of capitalism as unambiguously progressive, on standard Marxian grounds. Surplus extraction was related primarily to the development of the productive forces, and it was from rapid accumulation through command planning that Baran saw salvation for the Third World.

Frank’s thought is extremely loose, and ambiguities are everywhere. But the real difficulty hinges on his conception of capitalism, into which the continuum of metropole–satellite relations and the zero-sum vision of exploitation fit so neatly. It was precisely this which brought an onslaught of criticism from more orthodox Marxists in the 1970s (see Chapter 11 below). In the 1960s, however, Frank’s revisionism was widely embraced because it dovetailed with the revolutionary theories that were then popular. Peripheries could be located within advanced capitalism, facilitating the identification of the oppressed and marginalised in the First World with those in the Third. At the same time, the incorporation of the Western proletariat could be explained by its relative affluence, which derived from the surplus extracted from these groups. They, in turn, could be regarded as genuine agents of world revolution because it was their suffering which underpinned the whole structure of global capitalism. 51

Towards the end of the 1960s, Frank himself moved beyond Latin American underdevelopment towards the broader subject of the world
VI Wallerstein’s Revision of Frank

The world systems theory of Immanuel Wallerstein is constructed firmly upon Frank’s conception of capitalism as a system of exchange. For Wallerstein the capitalist mode of production is defined by production oriented to the market, in which different modes of labour control are the results of profit maximisation under varying circumstances and where each constitutes an element in the division of labour of a world economy. He often suggests that the system is one of zero-sum surplus transfers, although this viewpoint is not consistently proclaimed, as in the work of Frank, there is considerable ambiguity and apparent contradiction on this and many other matters. Wallerstein also sometimes refers to the existence of a chain of metropolis–satellite relations, but usually emphasises the tri-modal hierarchy of the world capitalist economy. At the apex is a core of rich powerful states, while the base is comprised of most countries in the Third World. In between is the ‘semi-periphery’, whose characteristics are convex combinations of core and peripheral elements. Wallerstein classifies most of Latin America as semi-peripheral, which is not surprising given that per capita incomes here are considerably above those in most backward countries.

This perspective is fleshed out in Wallerstein’s history of the world economy since the sixteenth century, when (he believes) capitalism originated. To date, only three volumes of The Modern World System have appeared, but Wallerstein has already sketched the arguments of the projected fourth and final volume in a large number of articles covering diverse topics in the period since the mid-nineteenth century. The focus is very much on the longue durée, (that is, the very long run), which reflects the influence of Fernand Braudel. And, although Wallerstein recognises various stages of capitalist development, there is again an emphasis on ‘continuity in change’, as with Frank. Wallerstein also claims, however, that his overall vision is very close to the spirit (if not the letter) of Marx, and traditional Marxist themes are indeed more evident in his work than that of Frank. But Wallerstein regards all work on underdevelopment as essentially Marxist, and believes world systems theory to be its culmination, since it expresses in
analytically complete form what Baran and Frank could only approximate.

In fact 'underdevelopment' and 'dependency' are displaced from centre stage in Wallerstein's work, and are overshadowed by his recognition of a general interdependence between all the elements in the world economy. Moreover, while there always exists a hierarchy of core, semi-periphery and periphery, there is also socio-economic mobility. For Wallerstein the location of particular countries has varied over time; in particular, there have been movements in and out of the semi-periphery from both directions. Wallerstein analyses the changes in *The Modern World System* and recognises the complex forces at work. As a general rule, however, he regards the active role played by state organisations to be pivotal. Unlike Baran and Frank, therefore, Wallerstein recognises the importance of political independence as a prerequisite for overcoming underdevelopment. Since he also views each state as the agent of a national bourgeoisie (broadly understood in accordance with his definition of capitalism, in which the specific social relations of traditional Marxian definitions do not figure) his system has sufficient flexibility to incorporate Lenin's notion of uneven development and inter-imperialist rivalry, as well the 'super-imperialism' of the United States.

At the same time Wallerstein devalues the significance which Baran and Frank had both assigned to the Soviet route to socialism. Indeed, he maintains that there is no way in which an individual country can break free from the world capitalist system. Wallerstein regards as pointless most of the debate over the nature of the Soviet Union in terms of the concepts of degenerated workers' state, bureaucratic collectivism and state capitalism, because it presumes that internal social relations are crucial, and any analysis in terms of the 'betrayal' of the revolution is thought to be naive. However, he considers the Soviet Union to be state capitalist for the same reasons as Cliff (see Chapter 3 above): the law of value rules the Soviet economy through the pressures of military and economic competition from other states. Quite independently of the intentions of the revolutionaries, the Bolshevik revolution proved to be an example of a more general phenomenon whereby state power is rejuvenated and the economy restructured in order to lift a country from the semi-periphery into the core.

Wallerstein has complete sympathy with the aims of the original Bolsheviks, and believes that the movement which they led represented a genuine 'anti-systemic' force. So too did the Chinese Communist Party, and Wallerstein is particularly impressed with Mao's efforts in the Cultural Revolution to resist the pressures of the capitalist world economy by continuing the class struggle against bureaucratisation and 'capitalist roaders'. Nevertheless, in his view there is no way that either revolution could have been successful; the capitalist world system is simply too powerful, and ultimately dominates all units in the global economy. Wallerstein explains
the Sino-Soviet conflict since the 1950s in terms of the different positions which the two countries occupy. Russia had succeeded in attaining core status while China remained in the periphery, and the logic of surplus appropriation had to assert itself.53

Neither the Russian or Chinese revolutions, nor those of other national liberation movements in the periphery since the Second World War, however, are regarded as twentieth-century replicas of the ‘Prussian road’ to capitalist modernisation (on which see Chapter 11 of volume I of this book). They represent the beginnings of the world anti-systemic movement which, Wallerstein believes, will triumph during the next two centuries. He adheres to a version of the revolutionary scenario described at the end of section III above, and maintains that his economic analysis alone can explain the apparently diverse movements which have embraced Marxism.64 Only by recognising capitalism as a world system, and interpreting the concepts of Marxian political economy in these terms, can it be appreciated how Marx’s ‘proletariat’ has come to designate the oppressed and exploited generally. Here Wallerstein’s argument has close affinities with the heterodox views of Frantz Fanon and Herbert Marcuse. More traditional versions of Marxian thought, which take the social relations of national units as the basis from which to define modes of production, are completely impotent when it comes to accounting for the multitude of revolutionary movements which seek to overthrow capitalism under the banner of Marxism.65

Despite reincorporation into the capitalist world economy, Marxist revolutions have been progressive. They have eradicated the social relations of bondage and, although they have failed to achieve socialism, socialist ideals live on in the official ideologies.66 Anti-systemic revolutionary movements will continue to arise elsewhere in the world system and, while they too will be unable to break free of capitalism, they will operate in the same progressive manner. Ultimately the contradictions of capitalism will bring about the unification of anti-systemic forces on a world scale, and socialism will then emerge triumphant.67

Wallerstein is exceedingly vague about the economics of this process, but it seems to involve an underconsumptionism reminiscent of Rosa Luxemburg joined to the cyclical theory of Kondratieff and Schumpeter.68 He summarises his views as follows:

It has been the case over the history of the capitalist world-economy that the system’s growth or ‘development’ has not been constant, but has occurred in wavelike spurts of expansion and contraction ... As production is expanded in the individual search for accumulation, there regularly come points where the amount produced throughout the world-economy exceed[s] the effective demand resulting from the existing distribution of world income ... The consequent periods of stagnation
both reduce overall production and lead to class struggles which force a redistribution of world income to lower strata within the world-economy. This redistribution expands the market, at least in the core zones, and this can be most effectively compensated for, in terms of the interest of the upper strata, by the incorporation of new zones within the world-economy, adding a new component of ultra-low-income-receiving direct producers. 69

According to Wallerstein the contractionary phases do not threaten the existence of capitalism because there is a mechanism which regularly brings about a reversal. However, he does believe that the capitalist world economy has entered a 'long crisis', which began early in the twentieth century. Expansion of the outer boundaries of the system, and the proletarianisation of direct producers, which are the methods by which effective demand recovers, are nearing their limits. Politically, this is reflected in the rise of anti-systemic movements. 70 One effect of proletarianisation (in the normal Marxian sense of this term, which Wallerstein adopts in this context) is to reduce the differentiation within and between these movements, allowing their unification on a world scale. They will then be able to attack capitalism as a whole, rather than being limited to the national struggles of the past, which were bound to fail in breaking free of capitalism. In other words, the closer does capitalism (as Wallerstein understands it) approach capitalism (as Marx understood it), the nearer is genuine socialist liberation. Stalin, Baran and Frank all believed that socialist societies could co-exist with capitalism, in rivalry with it and progressively expanding at its expense. This, however, is an illusion. According to Wallerstein capitalism is a world system, and it must be overthrown at that level; socialism can only be realised on a world scale. 71

Wallerstein therefore returns to a theme of Marx himself, but his route is very different. Despite the manifold ambiguities in the writings of Marx and Engels, they are nothing as compared with those of Wallerstein. Indeed, one of the most frequent charges levelled against world systems theory, as well as against the ideas of Frank and the dependency theorists, is the lack of conceptual precision and analytical rigour. This is particularly acute at the very heart of their economics: the notions of surplus, and surplus transfer. Unlike Baran, who sometimes explained his ideas on these matters at length, Wallerstein is particularly opaque. He refers constantly to monopoly, but not only does he use the term in very different ways, he also seems to regard it as a synonym for unequal exchange. At several points, however, he refers for support to the theory of Arghiri Emmanuel, 72 and it is this analysis which will be critically examined in the next chapter, before we consider in Chapter 11 the critics of underdevelopment theory.
Notes

5. Claudin, *Communist Movement*.
10. See n.3 above, and Ch. 6 above.
11. Baran, *Political Economy of Growth*, Chs 1 and 2; see also Ch. 6 above.
17. Ibid, pp. 120, 237, 300ff, 337ff, 358ff, 364ff, 404, 410ff.


30. Ibid, Ch. 8.

31. Dobb, Economic Growth; see also Ch. 2 above.


34. Ciecak, Radical Paradoxes, Ch. 5.


37. See the articles by Bettelheim in P. Sweezy and C. Bettelheim, On the Transition to Socialism (New York: Monthly Review Press, 1971), and also C. Bettelheim,
New Theories of Imperialism

38. Cleck, Radical Paradoxes; D. Cauter, The Fellow Travellers: Intellectual Friends of Communism (New Haven, Conn.: Yale University Press, 1988), Part III.
41. King, Economic Exiles, p. 176.
42. Ibid., p. 177; Griffis and Gurley, 'Radical Analysis'; Blomström and Hetnæ, Development Theory; Cleck, Radical Paradoxes.
46. The phrase is Wallerstein's, but the concept is Frank's; see section IV below.
56. Wallerstein, Capitalist, pp. 223, 292; Wallerstein, Historical Capitalism, pp. 28ff.


61. ‘Super-imperialism’ denotes the dominance of one imperialist power over all the others. It should be distinguished both from (classical) notions of imperialist rivalry and from Kautsky’s concept of ‘ultra-imperialism’, which refers to stable collusion between imperialist powers. See R. Rowthorn, *Capitalism, Conflict and Inflation* (London: Lawrence & Wishart, 1980), pp. 48–78.


68. For an outline of the ideas of Kondratiev and Schumpeter see Ch. 1 above, Ch. 18 below, and Ch. 15 of volume I of this book.


