The modernity of backwardness

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Abstract

This paper revisits one of the classic debates on world capitalist development – the 'transition to capitalism' debate framed in Robert Brenner's classic critique of World Systems and Dependency Theory.

It was originally presented to the July 2007 conference of the International Confederation for Pluralism in Economics (ICAPE) and in a slightly modified form, to the September 2007 conference of the UK Political Studies Association.

The paper argues that the 1970s discussion was founded on an deeply flawed understanding of the mechanisms by which modern capitalist production relations produce what is termed 'backwardness'.

Economics has failed to develop an adequate explanation for the most persistent phenomenon of the modern world – the polarisation of the world's national economies, grouped within two great and remarkably geographically stable blocs.

The reason, I argue in this paper, is the general equilibrium paradigm which predicts that modern capitalist production, left to its own devices, must necessarily even out national differences in productivity, wages, and profits over time. However the reverse happens, and development theory is deprived of an adequate explanation for national differentiation in terms of the ordinary mechanisms of the capitalist market.

This loss is compounded by parallel failure within Marxist value theory. The paper locates the origin of this failure within the systematic replacement of this theory by an equilibrium re-interpretation of it, converting it into a variant of the very orthodoxy to which it was supposed to offer an alternative.

The paper assesses the skewed character which results, in contemporary accounts (both within and outside economics) of development, dependency, inequality and imperialism. These are driven to assign inappropriate weight to 'political and 'cultural' mechanisms or to classify the economic circumstances of the poor nations as in some sense exceptional or abnormal for capitalism. The idea that underdevelopment – 'backwardness' – is a failure to catch up or an *absence* of modernity, has thus become the conceptual framework for discussing the national difference *produced* by modernity.

This is particularly clear in the evidently symbiotic and mutually conditioned development of slavery in the USA and the Industrial Revolution (with Cotton at its centre) in theUK. Antebellum slavery, once the economic mechanisms are clarified, can be understood not as a backward survival from a precapitalist era, but a product of modern capitalism itself.

This principle is a general one. 'Backwardness', I argue, is a disguised outcome of the most modern of all economic processes – the constant technical revolutions that characterise industrial capitalism.

Keywords: Brenner, World Systems Theory, Dependency Theory, Development, Globalization, TSSI

The modernity of backwardness

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The persistence of backwardness

This paper is about development. It deals with three widely separated discussions, in each of which people seem to ask the same question: why do things which their age calls 'backward' coincide with, and indeed outstrip in extent, the things they call 'modern'? What, for example, was responsible for the slave trade? Why is poverty not history? What leads supposedly liberal nations to construct despotic empires? Why is every war more barbaric than the last? Where did the Holocaust come from? Such events call into question such basic enlightenment ideas as progress and modernity.

Two different answers keep surfacing. One – without which 'underdevelopment' loses any real meaning – is that backwardness is a survival, arising from the absence or late arrival of modernity. A very different idea comes forward during great upheavals: that backwardness is a *product* or feature of modernity, something it brings in its wake or indeed, constructs in order to survive.

Why return now to issues which have not been discussed for thirty years? Because backwardness is back. Wars of conquest and occupation are fast becoming standard policy. Quaint 19th century practices like imperialism, racial segregation, and torture are being reconsidered, and values established by the enlightenment itself are in question: religious toleration, fair trial, and equality under the law.

Such ideas are advanced in the most self-proclaimed 'modern' world powers – yet they come from the past. At the top of the civilised world's agenda we find practices which, only decades ago, it treated as relics. Modernity is, in short, calling its own credentials into question. Time to revisit, therefore, those previous occasions on which these credentials were last studied critically.

This paper revisits three such debates: the Dobb-Sweezy-Brenner-Wallerstein controversy on the transition from feudalism to capitalism, the 'dependency' debate of the 1970s, and a debate which both determined the reality of the 20th and shaped its thought, on the origin and cause of the 19th century European empires. I have three aims. The first is to suggest behind the persistence of the question of backwardness, there lie real material causes. I propose re-opening an old enquiry, initiated by Marx and pursued by writers as diverse as Weber, Schumpeter, Spengler, and Rostow: are there, despite all differences between ages, *general historical laws* governing the evolution of society and its *transition* from one state to another?

My second aim is to demonstrate just such a law, and show that economists have lost sight of the forces behind world history by their refusal to acknowledge this law. The law is that capitalist development is driven by the pursuit of *surplus profit* – a profit *above* the average, and not, as maintained by all equilibrium-based theories including modern academic Marxism – by the pursuit of an average or ideal equilibrium profit.

Surplus profit is the mechanism that has placed the labour of the periphery at the service of the capital of the metropolis. Contemporary history can be understood, I will argue, as an organised battle to monopolise particular sources of excess profit – mercantile, technical, and financial – for the benefit of blocs or alliances of capitalists. This situates, and largely explains, not only the persistence of backwardness in the periphery but the history of pre- and postwar relations between the great powers.

My third aim is to reinstate the role of the state in transition. A particular feature of modernity is the separation of economics from politics and the emergence of two complementary institutions: the world market, transcending all state boundaries, and a system of national states. The way social formations develop, early thinkers and particularly Marx stressed, depends on the way these interact. Events now show that the globalisers have prematurely shelved this classical conception, which is also disconcertingly absent from the recent debate, from which this paper begins, on the transition from feudalism to capitalism.

Probably the three most important immediate determinants of Europe's transition to capitalism were the Dutch, English and French revolutions. Equally, the defining events of the economic shape of late modern times were the formation and overthrow of the European empires. In present times the same role is played by the government of the United States of America. I do not think we can understand how the world is evolving without recognising that every decisive transition is accomplished by a reorganisation of the system of national states as a whole, which the globalisers have mistaken for their abolition. Moreover at such times, conscious intervention affects whether the world emerges better or worse from such convulsions. Historical choices exist: it is hence critical to understand the economic laws which shape them.

Space does not permit me to address a fourth issue of equal importance which I hope other contributors will address. This is the alternation of prolonged periods of rise and decline in the world economy. This takes the form of periodic surges in new sources of surplus profit, alternating with periodic long declines driven by falling profit rates – another phenomenon not explicable within an equilibrium framework. The interaction of these two general economic laws with political institutions gives rise to the convulsive reorganisations of the system of national states which we perceive as transitions: each produces the new forces of human potential which each age calls modernity, yet at the very same time unleashes on the majority of humans the ever greater heights of barbarity, brutality, and suffering which we call backwardness.

The debate on transition

This paper revisits Brenner's 1974 critique of Wallerstein's *Modern World System*, a critique extending to a current usually called the 'dependency school', notably Gunder-Frank and Emmanuel.[1] This recent discussion deals with the most distant moment in history, namely, the transition from feudalism to capitalism. However it also served as a proxy for a more modern debate on the causes of third world economic backwardness. Brenner objects to two linked (though in principle separable) theses which he finds in the works of these writers:

(1) that capitalism was made possible in Europe only by its domination of the world market and its exploitation of the colonies.

(2) that 'underdevelopment' outside Europe arose not from a lack of capitalism, but from exposure to it.

For Wallerstein and Frank, capital industrialised Europe by barbarising the rest of the world. Reserving the economic benefits of trade for itself, and reorganising the social structure of its colonies to complement its own, European capital laid the foundations of its own modern industry. But to do so, it imposed in the colonies property and labour relations such as slavery, peonage, and dynastic landownership which, under the banner of the enlightenment, it was busily eliminating from its own heartlands.

Brenner characterises this as 'neo-Smithian Marxism'. He means, or rather alleges, that these writers view a world market as sufficient for capitalism to develop, even if the goods sold on it are not produced by capitalists. Capitalism, he counters, is more than the sale of goods; It is also a way of producing them. It exists only when everything used in production comes itself from the market, including labour power, sold for money wages, and means of production, purchased with money capital. At this point, direct 'forced labour' is not needed to extract surplus value from labourers, because the market itself compels them to provide it in order to secure a wage.

He also seems to identify capitalism 'proper' with a further development: with innovation and constant revolutions in technique.[2] From this he deduces, if I understand right, that with modern industry, capitalists need not force workers to work longer in order to increase their profits: they can innovate instead. This does not prevent backwardness – in this context, forced labour – but severs it from any causal connection to modernity. In the context of the debate on transition, this leads Brenner to conclude that European industrialisation was *autonomous* from colonial backwardness. Each had its own dynamic but neither was 'caused by' the other. This idea, repeated in many places, is summarised in this passage:

> Wallerstein['s]…entire theoretical edifice is designed to buttress a fundamental conclusion: that capitalist development and underdevelopment are the opposite sides of the same coin. The logic of this position, as Wallerstein is fully aware, is that capitalist underdevelopment is as much the cause of capitalist development, as capitalist development is the cause of capitalist underdevelopment. Such an argument is not compatible with the view of capitalist economic development as a function of the tendency toward capital accumulation via innovation, built into a historically developed structure of class relations of free wage labour. For from this vantage point, neither economic development nor underdevelopment are *directly* dependent upon, caused by, one another. Each is the product of a specific evolution of class relations, *in part* determined historically '*outside'* capitalism, in relationship with non-capitalist modes. To take the view that development and underdevelopment are indeed directly mutually *determining*, Wallerstein resorts to the position that both development in the core and underdevelopment in the periphery are essentially the result of a process of transfer of surplus from periphery to core. He must thus end up by essentially ignoring any *inherent tendency* of capitalism to develop the productive forces through the accumulation of capital, in favour of a view which sees such development in the core as a result of a 'primitive accumulation of capital' extracted from the periphery, and which sees underdevelopment as a result of 'lack of capital'. Capitalism thus appears to be essentially one more system based primarily on the extraction of what we have called absolute surplus labour. Brenner (1974:pp60-61)

Brenner thus appears to argue that capitalism triumphed when and because it could innovate. All 'unfree' labour relations, he implies, are doomed once capital makes this discovery. The first and second industrial revolutions therefore sound the death knell of all previous classes, property relations and ways of organising production.

This raises the central question of the transition discussion: if industrial capitalism laid the basis for abolishing all prior labour relations, why did they, apparently, become more extended at the very same time that capitalism takes shape? Both Wallerstein and Brenner are exercised to explain institutions such as Latifundism, what Wallerstein terms 'enforced cash-crop production', the 18th Century 'refeudalisation' of Eastern Europe, and not least, slavery.

The debate on development

The above constitutes the formal, textually apparent content, of the debate. Yet as the protagonists state, this discussion was a proxy for a contemporary discussion: the 'dependency' debate of the 1970s.

Brenner's intervention on this matter, which is mostly in his conclusion, takes the form of a debate on revolutionary strategies which, thirty years on, lends it a faintly surreal air. He supports Wallerstein and the 'Annales' school of historians in seeking to escape the sterility of the 'stages' theory of history promulgated at the time by official Marxism. But, he argues, the dependency school's theories will lead to the the class struggle in the periphery separating off form that in the metropolis, autarky as the solution to underdevelopment and, more dangerous still, nationalist sentiments will be exploited to further degrade conditions in the third world:

> [S]o long as incorporation into the world market/world division of labour is seen automatically to breed underdevelopment, the logical antidote to capitalist underdevelopment is not socialism, but autarky. So long as capitalism develops merely through squeezing dry the 'third world', the primary opponents must be core versus periphery, the cities versus the countryside—not the international proletariat, in alliance with the oppressed people of all countries, versus the bourgeoisie. In fact, the danger here is double-edged: on the one hand, a new opening to the 'national bourgeoisie'; on the other hand, a false strategy for anticapitalist revolution.
>
> True, bourgeois revolutions are not on the agenda. International capitalists, local capitalists and neo-feudalists alike have remained, by and large, interested in and supportive of the class structures of underdevelopment. Nevertheless, these structures have kept significant masses of use value in the form of labour power and natural resources from the field of capital accumulation. Until recently, of course, the class interests behind 'industrialization via import substitution' have not, as a rule, been strong enough to force the class structural shifts that would open the way to profitable investment in development. However, with contracting profit opportunities in the advanced industrial countries and the consequent drive for new markets and cheap labour power, potentially available in the underdeveloped world, such interests may now receive significant strength from unexpected quarters. Should a dynamic of 'development' be set in motion as a consequence—and that is far from certain—it could hardly be expected to bring much improvement to the working population of the underdeveloped areas, for its very *raison d' être* would be low wages and a politically repressed labour force. But this would in no way rule out its being accomplished under a banner of anti-dependency, national development and anti-imperialism.

History is full of surprises. The actual outcome of the period was the opposite of what Brenner feared. 'Significant masses of use value' of the third world were indeed seized on by the metropolis, not through an autarkic and nationalist process but its opposite, the 'neoclassical counterrevolution', evangelical globalisation, and twenty-five years of neoliberal policies. Still it is worth noting a continuity, however unintentional, between the theoretical position which Brenner himself outlines, and the views of the evangelical globalisers – not a few of which, it should be noted, came from the left. If in fact industrial capitalism is a *sufficient condition* to eliminate backwardness, it makes a great deal of sense to propose to backward countries that their best hope lies in the maximum possible exposure to it, by the fullest possible integration into the market, the greatest possible penetration of private capital into protected state industries, and the greatest freedom of access to global capital markets.

Conversely, if Brenner's basic thesis is correct, *ceteris paribus* one should expect that such policies *would* lead to development and most important, a reduction of backwardness, measurable as the gap between the most advanced and the least advanced in terms of productive capability. The problem is, as we shall see, is that exactly the opposite has happened. The recent irruption of global capital markets into the third world more than doubled the disparity between the two parts of the world. Consequently, though the policies of the globalisers were of course not proposed by Brenner, the outcome of their policies constitute important empirical evidence against his thesis, which is one of the important reasons to revisit it. We shall return to this point also.

The underlying issue in the debate of the time can nevertheless be detached from the somewhat doctrinal discussion in which it was embedded, and rescued for our present less revolutionary times: it concerned the *contemporary* class structure and economic position of the periphery.

There were two standpoints in the dependency debate. The dominant view saw underdevelopment *was a lack of modernity* As the word itself suggests, it is primarily a failure to keep up: a failure to industrialise, a failure to abandon pre-capitalist class relations, a failure to integrate into the world market. The dependency school held, in one way or another, that underdevelopment *was an imposition of modernity*, a condition imposed by development in the metropolis, succinctly expressed in the title of Gunder Frank's (1969) *Development of Underdevelopment*.

It is striking that neither side in the debate saw any real problem in applying, as if directly historically relevant, the experience of the most distant period of capitalism to its most recent state. This suggests that they considered, in fact took for granted, that the same causal factors were at work over the whole of this time. Thus they were really discussing was not merely one rather distant period of capitalist history or even two widely separated periods, but forces and processes governing the whole of the evolution of capitalism

This makes it very odd that neither side refers to the main thing that happened between these two periods, namely imperialism. From about 1870 onwards all European powers turned to world conquest, completely dividing the world's territories between them and definitively establishing the class structures of the four-fifths of humanity now known as the 'global south'.

The significance for both dependency and transition should be obvious, since it happened after one of them and before the other. Might it not shed some light on the nature of early capitalism? Might it not offer some explanation of colonial structures today? The reader returning to this debate cannot but be struck that both Brenner and Wallerstein write as if the world order passed directly from the early 17th century feudalism to late 20th century modernity without the theoretically inconvenient interregnum created by dividing the world, fighting two wars over it, and fascism.

This leads us to consider the third, loudly silent debate of the exchange: empire, by which I mean neither Wallerstein's 'world empires' of antiquity and pre-modern times, nor the colonialism of early modernity, nor Negri and Hardt's eponymous but fictitious empire of today, but the modern constructions that were actually called by that name: those of the age of imperialism.

The debate on Empire

The irruption of empire drew a final line across all existing enlightenment projects. It lead to the death or marginalisation of European liberalism, opening the way to

Nazism; it led to the collapse and complete restructuring, under Russian leadership, of the Marxist movement, and finally, it led to the two great movements that actually shaped the twentieth century, namely Bolshevism in Russia and Wilsonian Liberalism in the USA.

In order to draw useful conclusions it is exceptionally important to wrench this past debate free of all doctrinal preconceptions. I think the best way to do this is to understand it primarily as an enormous crisis of the enlightenment at every conceivable level.

In a very real sense, both modern marxism and modern liberalism have their origin *not* in the enlightenment or the heyday of capitalist industrialisation, but in the attitudes and response of both marxists and liberals to an unparalleled and – for both of them – totally unexpected phenomenon.

From any simple teleological standpoint espousing 'linear progress' – the view that dominated nineteenth century liberalism just as much the early workers' movement – empire was a great conundrum. It completely contradicted the idea that *economic* modernisation must bring *political* modernisation in its wake – most notably civil freedoms, national sovereignty, and constitutional democracy. Why, if capitalist progress had launched the world on a yellow brick road to liberty and emancipation, with only the *ancien regimes* and prejudices of a bygone age in the way, were the greatest industrial powers busily constructing a world polity from which all these values were absent for all but a tiny privileged minority?

This is why, I think, the debate of that time is relevant today. The problem with approaching it objectively is if anything that it is still too near. Many of the ideas still current today are little more than fossilised remnants of the huge theoretical and doctrinal edifices which the people of the time used to understand their situation.

The outcome was a radical three-sided debate, lasting from 1870 to the present day. The strongest initial contenders in this debate were the imperialists themselves, for whom empire was essential for the survival of European civilisation and, somewhat as an afterthought, the best way to introduce the 'backward' remainder of the world to its benefits. An awkward difficulty arose from an inability to decide which of several empires was best suited to these tasks, leading to two wars and the embarrassing if hopefully temporary substitution of Nazism for European civilisation.

The intensely racist *Weltanschauung* which emerged was that the non-European peoples of the world, with the possible exception of at least some of our American cousins, were by their nature too barbaric for self-government. In its most developed form, this idea, which is now returning, was extended via the concept of 'race' to include populations in the metropolis itself.. This, we should note, extends the conception of backwardness far beyond the limits of nineteenth-century enlightenment values since it essentially sees the non-industrialised peoples as inferior humans, as biologically incapable of civilisation. This pre-existing backwardness meant that civilisation had to be imposed, rather than merely offered. It went further, however: it justified the brutal practices of empire (and eventually the genocidal targeting of ethnic groups in the metropolis itself) on the grounds that the brutalised were not themselves fit for any other treatment, were not truly human. Civilisation became, from this standpoint, the privilege of a biological elite rather than the universal right of all humans.

Besides creating the material conditions for a century of 'wars and revolutions' this provoked an intense intellectual reconsideration, tightly bound up with the principal successful political opponents of European imperialism. Twentieth century thought is dominated by two anti-imperialist views, each seeking, successfully as it turned out, to finish off the 19th century empires. These were as radically opposed to each other as they were to their common enemy. For the Russian Bolsheviks, imperialism was the 'highest stage' of capitalism, an inevitable result of it, and essential to its survival. Bolshevism found its mirror image in Woodrow Wilson's liberalism. American capital saw the European empires as an antiquated device to deprive non-Europeans of the economic benefits of capitalism. The true antidote to empire – not to mention Bolshevism – was therefore the most advanced form of capitalism, namely the American form, itself born of a colonial revolt.

We can thus see that the basic issue was posed, in the long and conveniently forgotten discussion on empire, in the same manner as in the recent debates on development that we have just discussed – but with an important twist. For both sides, the European colonial system was a backward institution to be eliminated. But for the Wilsonians, the problem was the failure of the rest of the world (including Europe) to raise itself to American standards.[3] For the Bolsheviks, the imperial system was a natural and barbaric creation of capitalism itself, and would hence inevitably re-emerge in a different form until capitalism itself was abolished.[4]

Empire thus not only created the immediately preceding material circumstances of the 'development' debate – in the sense that it gave rise to the world order under discussion – but created its intellectual context. The question of empire dominated all early twentieth-century debates about policy in all nations and all spheres, to an extent which modern-day thinkers pay remarkably little attention, not only taking their theoretical heritage for granted but, as the Brenner-Wallerstein debate shows, assuming it has been handed down directly to them from the 19th and earlier centuries.

Nevertheless imperialism places a fundamental question mark over Brenner's most basic assertion, which is that with advent of specifically industrial capital, and the generalisation of 'innovation as a means of accumulation', capital no longer needed 'pre-capitalist' or labour relations. The hallmark of colonial relations during the imperial epoch was the ever and ever more intense degradation of labour conditions. Empire consolidated a world division of labour in which the colonies specialised in cheap raw materials and foodstuffs, and the metropolis specialised in innovation. One has only to read the writings of Rhodes and Chamberlain or for that matter the King of Belgium to understand how directly and nakedly this was understood.

Small wonder that the overwhelmingly predominant theoretical response, from Hobson to Hilferding to Lenin, was that *industrial* capital was not primarily responsible for it, that it was the outcome of an alien outgrowth, either financial capital as such, or some ghastly zombie takeover of industrial capital. Small wonder that late nineteenth century liberalism collapsed in on itself giving way to the aimless amorality of its Nietzsches, the philosophical cynicism of its Heideggers, the morbid historicism of its Spenglers and the mechanical anti-humanism of its Hayeks.

Moreover, the great powers achieved this specialisation with the most barbaric labour practices known to the time. Imperialism was backward in two, linked senses. It was a backward political form, consciously structured around the political forms of antiquity,[1] and consolidated a backward economic division of labour. This gives rise to an obvious question. If European industrial capital had no need of technically backward production methods or formally backward class relations, why did it impose them on four-fifths of the world?

Three debates and one question

Three apparently distinct debates – on 18th century transition 19th century empire, and 20th century development – address the same underlying question: Is backwardness an outcome of modernity or is it the rest of the world dragging its feet?[5] This recurrence, despite enormous changes, is compelling. It suggests a hypothesis: that there is a general law of capitalist development covering all these periods, which causes this question to recur.

Some caveats are required. Though the same question does recur, each time it takes a new form. Is the similarity a mere resemblance, phenomenon with no underlying noumenon? Is this resemblance vacuous – without empirical content? Is it superficial – without theoretical substance?

Although the discussions are abstractly similar, the concrete issues at each point in history are distinct. The twenty-first century world market is *not* that of 1914. Marx's radicalism was his understanding that the economic reality of 1848 could not be addressed using the political theories of 1789. In turn, underlying Bolshevik radicalism was their understanding that the economic reality of 1917 could not be addressed with the political theories of 1848.

The economic reality which emerged from 1945 was again different, and in many senses the postwar development debate may be seen as an attempt to escape an analytical framework of 'stages of history' which served the Bolsheviks adequately but no longer explained the social formations of a world made up of nations already organised by capitalism, employing ever more backward techniques of capitalist production combined with the social weight of huge landed classes comprising, essentially, either small producers or rural proletarians.

All attempts mechanically to apply a historically outdated doctrine give rise to a positively reactionary programme: Proudhonism in 1848, social democracy in 1914, and not a few Lost Bolshevik Tribes after World War II. It would be equally dangerous, to solve the problems of 2007 with the policies of 1917. Historical specificity is, however, no excuse for a failure to learn from the past. The problem is to determine whether, behind the superficial resemblance of the questions posed, there lies an underlying reality of capitalism as a whole, over the whole of its history, which forces the question to recur at all its critical junctures. The first task of this enquiry is to look at the evidence.

The backwardness of modernity

The separation of the study of economics from the rest of the social sciences has produced the odd result that economists no longer feel themselves called upon to account for history. This is I think wrong: I don't see how any body of knowledge which claims to seek objective truth can accept as valid a theory which wrongly

[1] Late Victorian coins even carried a legend, surrounding the queen's portrait, proclaiming her empress of India in Latin.

predicts a fact, whether or not that fact 'belongs' to the narrow set of issues that the theory is supposed to address. If a theory gives rise to a prediction then it must stand judged by it, whether or not its practitioners choose to apply it for this purpose.

Economic theories give rise to predictions about history, and should be judged by them. Neoliberal theory clearly predicts that the opening of the global south to world markets – notably capital markets – should have led to a rise in the rate of growth of world output, and a reduction in world inequality.

Brenner is less definitive, but his argument strongly suggests that the principal obstacle to the dominant trend of innovation-driven capital accumulation – an unambiguous, if uneven, development of all the productive resources of the planet – is the existence of pre-capitalist or non-capitalist labour relations.

The last twenty-five years, constitute, I think, a test of both theses.

The period 1982 witnessed the greatest triumph of the market and capitalist organisation of production generally which has been seen in history. Capitalist relations of production cover the globe. The world market – including the world market in capital – is more developed than at any time ever. In the process, 'pre-capitalist' production relations, most notably those based on Brenner's and Wallerstein's 'forced labour' have become a marginal and inconsequential feature in capitalist development.

Thirty years on from the 'Dependency' debate, it is almost impossible to find any part of the globe (outside of countries in which significant *post*-capitalist formations persist or are being constructed) which is not organised by capital and in which the capitalist mode of production does not prevail. Production, outside of state and a variety of cooperative institutions, is either organised by bringing together means of production owned by private capitalists, and labour power which is sold on the market, or by small owners (including a very large number of peasant landowners) who work with their own property and sell their produce on the market. It is reasonably fair to say that the world of today is the most wholly capitalist that it has every been.

The outcome of the last 20-25 years therefore provide a significant empirical test of both the Neoliberal thesis and the various views expressed in the Brenner-Wallerstein debate.

In the last twenty-five years also, data on the world economy has improved immeasurably, making it possible to construct reasonably robust measures of the relative and absolute performance of the world economy over the past 40-50 years based on data from virtually all countries.

With the release of two databases in September 2006 – the IMF's September 2006 World Economic Outlook (WEO) and the World Bank's World Development Indicators (WDI) – data now exists covering 75 per cent of the world's population for as far back as 1960. The two datasets together offer a long-run overview of the world economy for nearly half a century.

I have produced a detailed analysis of WEO data, going back to 1970, for which the reader is referred to Freeman and Kagarlitsky (2004). Further more recent material is available on request. The additional data provided here takes the analysis back to 1960 and updates it to the most recent information available at the time of writing.

Using this categories of the IMF itself permits a simple division of the world into two categories: those that the IMF labels 'advanced' and those that it does not. The basic facts are as follows.

First, the division of the world into these two great 'camps' is remarkably persistent. The Bolshevik classification of the world into the small group of 'robber baron' countries and the entire remainder, is virtually untouched today. Since the early twentieth century, and probably since the middle of the nineteenth century, the economy of the world has kept its countries divided into two great groups. The first group comprises what is now termed the Euro Area, North America, and Japan. It has been joined, since the second World War, by about 80 million people living in South Korea, Singapore, Malaysia, and Taiwan. (Together with Japan, Australia and New Zealand, this latter comprise a group which this report calls 'Advanced South-East Asia'). These constitute the only truly 'peripheral' additions to the territories of the advanced countries.

This group is in the process of being joined, probably definitively outside of some unprecedented systemic crisis, by an enlarged population of the Euro Area, adding from Wallerstein's 'semi-periphery' another 100 million people. The improvement can be considered slightly larger if one chooses to consider countries such as Greece or Portugal to have previously been semi-peripheral, a judgement which is moot at least in the case of Portugal since until the 1970s it was the only remaining European country still possessing a significant empire.

The combined population of the advanced countries, so defined, was 1,070 million in 2005 and 760 million in 1960. The population of the countries that have actually joined this group from the periphery therefore constitute less than ten per cent of it and from the semi-periphery, 10 per cent. This should be compared with a natural growth of 20 per cent. These same additions to the advanced territories constitute precisely 3.4 per cent of the population of the non-advanced countries. In sum, the total population of the territories that have 'developed' were, in 2005, less than 3 per cent of the people of the world.

This is a huge historical constant of late modernity, the elephant in the dining room of development analysis. To put it as bluntly as possible, since the consolidation of the European system, the victory of the North in the Civil War, and the emergence of Japan as a proto-industrial power, *development has not happened*. Almost no demographically significant part of the 'developing' world joined the developed world.

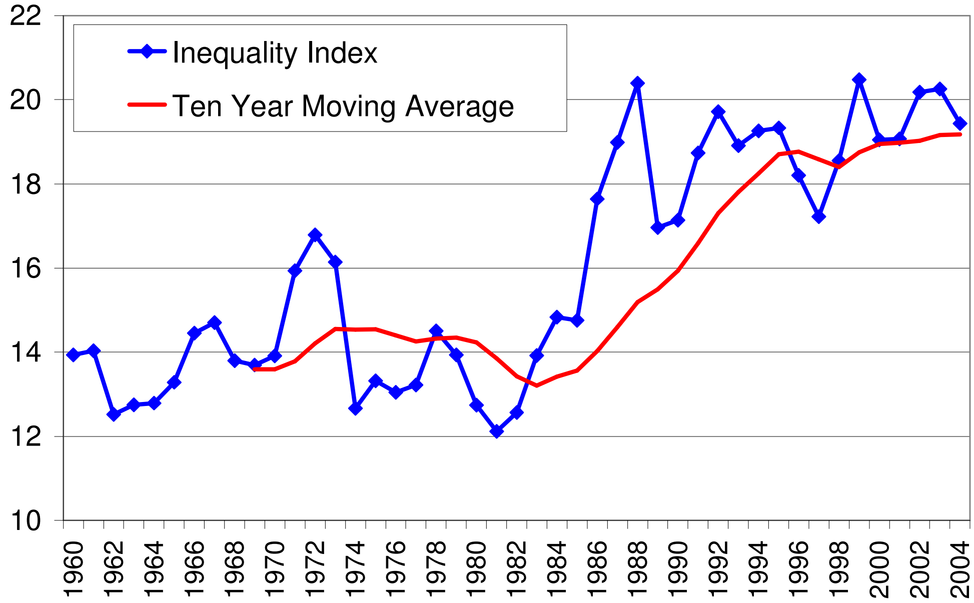
This fact is systematically ignored – one hesitates to say 'concealed' – by its division, in contemporary research, into a hundred small pieces, raising up one 'great white hope' after another as evidence of an impending breakthrough. Essentially what this involves is the construction of arbitrary boundaries – looking at one particular country, or comparing one small group of countries, or ignoring boundaries altogether, instead of starting from the actual, very stable, general territorial structure which modernity has created. This is the economic equivalent of declaring a dying man free of the plague on the grounds that his left foot is free of buboes.

The next question to consider is whether, despite this persistence of two parallel worlds – imperial and colonial, 'advanced' and 'developing', first and third, or North and South – the names change but the division remains – there has been an economic closing of the gap, a coming together of the two worlds.

The evidence against this hypothesis is compelling. First of all there is a considerable body of cliometric research pushing back the boundaries of accurate measurement of disparity well into the mid-nineteenth century, and concerned with what is known as the 'great divide' (cf Pritchett, Maddison, etc)

Has this got worse, or better, in the thirty years since the debate in question? Chart 1 exhibits an indicator which I call the world inequality index. This is the GDP per capita of the advanced countries (as defined above) divided by the GDP per capita of the rest of the world. During the period of globalisation[6] this took a step jump upwards. In 1982 the ratio was 12:1, and over two pre-globalisation decades hovered, as the trend line shows, around 14:1. By 1988 it had risen to 20:1 and by the end of globalisation reached a long-term average of 19:1. Depending on the start and end dates of the comparison, world inequality has risen by at least 50% and possibly by as much as 100%.

Chart 1: world Inequality index



Ratio of GDP of the advanced countries to the GDP per head of the rest of the world, current dollars at market exchange prices

Source: IMF and World Bank

By way of comparison, Maddison has calculated that in 1900, the GDP per capita of the richest nation and the poorest, was in the ratio of 7:1. That is, average global inequality in modern times was already twice as great as the *maximum* inequality of imperial times. A fair comparison with this 1900 figure is provided by the ratio between the GDP per capita of India and that of the USA, which in the year 2004 had reached 60:1.

There is also very strong evidence that this *relative* divergence, because it is took place in a context of generally low world growth and stagnation, brought with it a considerable extension of *absolute* pauperisation. The figures in tables 1, 2 and 4 are supplied by CEPAL, the United Nations research agency dealing with Latin America. 'Pobreza' is defined as being unable to purchase a basic basket of goods. 'Indigencia' is defined as being unable to purchase a meal every day.

Table 1: poverty and indigence in Latin America under globalisation

	Latin America					Venezuela		
	1980	2000	2002	2003		1981	1994	1999
Whole population								
Poverty %	40.5	42.5	44	44.3		19.5	47.1	53
Indigence %	18.6	18.1	19.4	19.2		5.5	17.1	n/a
Urban population								
Poverty %	29.8	35.9	38.4	38.9		25	48.7	49.4
Indigence %	10.6	11.7	13.5	13.7		8.8	19.2	21.7

Table 2: Unemployment in Latin America under globalisation

País	1980	1990	2000	2004
Argentina	2.6	7.4	15.1	13.6
Barbados	...	14.7	9.2	9.8
Bolivia	...	7.3	7.5	8.5
Brasil	6.3	4.3	7.1	11.5
Chile	11.7	9.2	9.2	8.8
Colombia	10	10.5	17.2	15.4
Costa Rica	6	5.4	5.3	6.7
Cuba	...	...	5.5	1.9
Ecuador	5.7	6.1	14.1	11
El Salvador	...	10	6.5	6.5
Guatemala	2.2	6.3	...	4
Honduras	8.8	7.8	...	8
Jamaica	...	15.3	15.5	11.7
México	4.5	2.7	3.4	5.3
Nicaragua	5	7.6	9.8	9.3
Panamá	9.9	20	15.2	14.1
Paraguay	4.1	6.6	10	10
Perú	7.1	8.3	8.5	9.4
República Dominicana	...	...	13.9	18.4
Trinidad y Tabago	...	20.1	12.2	8.6
Uruguay	7.4	8.5	13.6	13.1
Venezuela (República Bolivariana de)	6	10.4	13.9	15.3
América Latina y el Caribe	6.2	5.8	10.4	10.3

The calculation of unemployment in Latin America almost certainly significantly underestimates its extent because it tends to exclude mendicants and persons in very precarious and marginal occupations. Indigence is often a better guide to economic marginalisation. These figures point to something beyond mere poverty: they signal the exclusion from involvement not just in consumption, but production, of somewhere between a fifth and a half of the population

It is exceptionally hard to reconcile these very persistent *longue durée* trends, and most of all their acceleration under the greatest extension of the capitalist world order in history, with any idea other than that there is an exceptionally powerful force, coming from within capitalism itself, which does indeed 'develop underdevelopment' – which manufactures backwardness out of modernity.

The modernity of backwardness

On the basis of this strong evidence that backwardness is alive, kicking and growing in very recent times, it would seem advisable to revisit the evidence as it relates to the original discussion about the transition to capitalism

Brenner, in his choice of evidence, is at great pains to establish the independence of industrial capitalism from Eastern European re-feudalisation and in this, makes a strong and knowledgeable case. However neither Wallerstein, nor any informed commentator on the basis for West European industrialisation, advances the strong thesis that it was primarily an outcome of developments in Eastern Europe, so the case that 'development produces underdevelopment', that there is a mutual relation between industrialisation in the metropolis and the barbarisation of the periphery, is not proven or disproven in this way.

Rather, the decisive causal issue concerns relations in the periphery itself, in the colonies and (in the particular debate under consideration here) in the Americas.

What should count as decisive evidence? Within the Americas themselves matters are complicated by the 'early' construction of many Latin American institutions. South of the Rio Grande, most of America was colonised by the 'mercantile but pre-industrial' powers Spain and Portugal. This makes the construction of empirical tests more difficult. On the one hand some apparently genuine' pre-capitalist labour relations were without doubt transplanted from the Old World – in particular quasi-dynastic systems of landownership – and more importantly, a direct relation did not exist between the capitalist development of the Holland and England, and the colonial empires of Spain and Portugal. Rather the relation was an indirect one, the influx of wealth from the Americas furnishing purchasing power for the Iberian aristocracies (including their fratricidal and ultimately self-destructive wars) which provided the crucial impetus for the Lowlands to become, for two centuries, the workshop and epicentre of European capitalist development.

However a striking aspect of the discussion is that, perhaps as a result of Brenner's chosen specialisation, he dedicates little space to slavery, surely a relevant issue if considering the relation between capitalist and pre-capitalist institutions in early or indeed later modern times. In the case of slavery the above complications do not exist. The industrial revolution and the slave trade are directly connected and, therefore, this connection provides a much stronger empirical test of the actual relation between industrialisation and backwardness. We have the direct and *simultaneous* appearance of the most advanced industrial techniques in the world, and the most barbaric labour practice history had yet produced, side by side and in an intimate relationship.

Marx's own view was clear and succinctly put:

> Whilst the cotton industry introduced child-slavery in England, it gave in the United States a stimulus to the transformation of the earlier, more or less patriarchal slavery, into a system of commercial exploitation. In fact, the veiled slavery of the wage-workers in Europe needed, for its pedestal, slavery pure and simple in the new world. (Capital Volume I ch 31)

The facts support this view. Tables 3-5 below relate to the growth of the cotton industry in England and the USA[7]

Table 3: The British and US cotton trade between 1701 and 1800.

Year	UK Exports £000 (source 1)	UK Imports '000 lbs. (source 1)	Date	UK Exports £000 per year (source 2)	% total UK exports	Date	US cotton production bales (source 3)
1741	21	1,645					
1751	46	2,976					
1764	200	3,870					
1780	355	6,766	1784-86	255	6.0		
1790	1,662	31,447	1794-96	1,131	15.6	1790	3,135
1800	5,406	56,011	1804-06	5,290	42.3	1800	73,145
			1814-16	6,247	42.1	1815	208,986
			1824-26	5,626	47.8	1825	532,915
			1834-36	7,466	48.5	1835	1,060,711
			1844-46	8,612	44.2	1845	1,804,223
			1854-56	11,636	34.1	1855	3,217,417

Table 4: Employment in the Lancashire cotton industry, 1801 to 1861.

Date	number of workers in industry	% of working population
1801	242,000	35.9
1811	306,000	36.9
1821	369,000	35.0
1831	427,000	31.9
1841	374,000	22.4
1851	379,000	18.6
1861	446,000	18.3

Table 5: composition of the population of the USA

Census Year	Slaves	Total US population
1790	697,681	3,929,214
1800	893,602	5,308,483
1810	1,191,362	7,239,881
1820	1,538,022	9,638,453
1830	2,009,043	12,860,702
1840	2,487,355	17,063,353
1850	3,204,313	23,191,876
1860	3,953,760	31,443,321

Most US analyses focus for understandable reasons on the relation between the institution of slavery and the politics and economics of the USA. Conversely, analyses of the industrial revolution focus on its role in Europe. In consequence, the relation between the two processes has got less attention than it deserves. There is great sensitivity in the US to the idea that slavery was economically profitable, arising from the legitimate fear that this could lead to condoning and apologising for the institution.[8] But there is a reverse side to this coin. This is not whether slave production was profitable for *Americans* but whether it was profitable for the *British* in the heyday of the revolution in British productivity. The equal and opposite danger to condoning the 'particular institution' is to condone and indeed, conveniently on the anniversary of abolition, underplay and conceal British complicity in it.

Brenner's argument is that, once capital has can increase its profits by innovating, it no longer needs other means of doing so. In the debate on transition, the argument is that forced labour is economically defunct in the age of industrial revolutions. To judge this question empirically, it is essential to study the real extent of interdependence between British industrialisation, and North American slavery.

The issue is to get a grip on the scale of the process and the relative role of the two forms of labour comprising it. One has to begin from an understanding that the plantation economy of the South, and the industrial economy of Lancashire, formed in effect a single integrated economic system whose input was plantation cotton and whose output was manufactured cloth.

Thus by 1840, 60 per cent of the world's cotton cloth was made in Lancashire and by 1860, cotton exports from the USA accounted for two-thirds of world supply. As early as 1780, 72 per cent of the exports of the Lower South and 82 per cent of the outputs of the Upper South were to Britain.

We can make a crude estimate of the structure of its labour force, that is, the direct labour inputs involved in producing cotton cloth starting with the plantation and ending with the cloth, using tables 4 and 5. As a first estimate, we suppose that the great majority of slave labour was engaged in the production of cotton. This is certainly excessive, but two figures suggest it is not markedly so. This is the estimate of productivity provided by the US department of agriculture, which states that in 1820, the average number of bales per slave per year was 0.2 and in 1860, 1.[9] This figure which must have been rounded down since it appears to be an overestimate: applying it to the last column in table 3 yields a direct labour input, to the production of US cotton, of 1,700,000 which is greater than the recorded number of slaves in the USA at the time (1,538,000) according to table 5. It yields a direct slave labour input of 3,953,000 which matches the slave population recorded by the Bureau of the Census (3,837,000). This suggests that it is not qualitatively misleading to take the slave population of the USA as a proxy, at least in those two years, for the direct slave labour input into the cotton producing process.

Let us suppose that, in accordance with the proportion of US cotton exports consumed by Lancashire in 1840, 60 per cent of this direct labour was involved in the production of the final exported product of Lancashire industry. This yields table 6

Table 6: labour composition of the cotton goods produced by Britain

Year	Number of slaves in the USA	Direct slave labour inputs	Number of cotton workers in Lancashire	Total labour force of the global cotton industry	Proportion of slave direct labour in the global cotton industry
1820	1,538,000	923,000	369,000	1,292,000	71%
1860	3,953,000	2,372,000	446,000	2,818,000	84%

From this very approximate estimate it appears that:

(1) certainly more than two thirds, and perhaps as much as four fifths of the labour inputs to the British cotton industry, during the heyday of its industrial supremacy, was slave labour.

(2) This proportion appears if anything to have increased during the process of industrialisation.

If the plantation economy had been located in, say, Yorkshire, it would be impossible to sustain the argument that 'capitalist' (in Brenner's sense) and 'pre-capitalist relations excluded each other. Even the cotton barons of nineteenth century Lancashire would have found it intellectually challenging to explain away the presence of three million slaves on their doorstep; it is hard to avoid suspecting that the literature on European industrialisation would have been somewhat different. But *economically* this is just how the system functioned, and hence also, historically. The only difference is geography, viz, the Atlantic. Because of the colonial and post-colonial geographical organisation of the world economy, the underlying global reality escapes notice, and is indeed denied. Far from 'displacing', or leading to the economic withering away of 'pre-capitalist' or backward labour inputs, the cotton industry was completely bound up with it and moreover, over nearly a hundred years of 'accumulation by innovation', the proportional role of slavery, in terms of quantity of labour, was the completely dominant form of labour organisation.

It might be thought that this is of only secondary account because industrialisation was in some sense 'not about cloth' but concerned with coal, engines, steam, machinery, and the like. But textiles in general, and cotton in particular were *the* driver of the two successive industrial revolutions which established British supremacy in Europe, converting it into the 'workshop of the world'. The simple sequence of inventions tells the story. The conventional 'starting point' of the Industrial revolution itself is John Kay's flying shuttle in 1733, followed by Thomas Higham and James Hargreaves Spinning Jenny in the 1760s, leading to Richard Arkwright's more advanced water frame and the first – cotton – 'manufactury' in the Pennines in 1773, followed ten years later by Cartwright's power loom.

By 1802 the industry accounted for between 4 and 5 per cent of the national income of Britain. By 1812 there were 100,000 spinners and 250,000 weavers working in the industry. Production had grown to 8 percent and had now overtaken the woollen industry. By 1830 more than half the value of British home-produced exports consisted of cotton textiles.

The centrality of cotton extended well beyond the first industrial revolution which centred, essentially, on the mechanisation of the production process of cloth: it drove the twin revolutions in motive power (coal and steam) and transport (railways) that determined the nature of the second industrial revolution. One can easily grasp this by beginning from what everyone 'knows' about the second industrial revolution, simply asking 'what was it used for'? Within ten years of Boulton and Watt's steam engine, it was in use as a motive power for Cartwright's loom, probably its first commercial use outside a colliery. By 1850 there were 250,000 power-looms in Britain. The first commercial railway linked Manchester and the Atlantic port of Liverpool, organising centre of the triangle trade. Manchester, of Engels fame, was the pulsating heart of the second industrial revolution, organised for over sixty years (as table 4 shows) around the expansion of the cotton industry giving it the nickname 'cottonopolis'. Manchester was the organising centre of pro-Southern sentiment in the Civil War– in 1861, 55 years after the formal abolition of slavery in the British empire.[10]

It also seems to me that some caution is required before accepting that the plantation economy itself excluded innovation. As noted, productivity measured in cotton bales per person is recorded as having risen by 400 per cent in 20 years. The 'second wave' of plantation expansion was provoked by a machine – the Cotton Gin, permitting the mass production of long-staple cotton that grew in the conditions of the Lower South. Contemporary accounts state that using the Gin, a man could clean fifty times as much cotton as before. The transformation was one of both quality and quantity, and in fact provoked, from the early to mid 19th Century onwards, a further shift away from Indian cotton with its less efficient production techniques.

Though I am aware the issue is very controversial, it does not at all seem to offer decisive evidence that forced labour, as contended by Brenner, is intrinsically incompatible with relative surplus value. There is some evidence – see table 7 – that capitalism in the South did make a more marked turn to innovation when the civil war had removed or reduced the options. This suggests a direction of causation rather opposite to that suggested by Brenner, namely, it is not the case that innovation turns capital away from forced or otherwise 'precapitalist' techniques, so much as that when political or other constraints deny access to these labour methods, the capitalists turn to innovation in reaction.

Table 7: Cotton Gin Patents in the Southern States, 1831-1890

Years	Number of Patents
1831-40	5
1841-50	7
1851-60	53
1861-70	21
1871-80	109
1881-90	156

Left to their own devices, the purely economic mechanisms of industrial capitalism do not appear to have led to any significant diminution in the use of the 'pre-capitalist' relation of slavery, but to the contrary to its extension in direct proportion to the demand emanating from the industrial revolution. Conversely, the competitive advantage which established British supremacy on world markets lasting over a century, was founded on an export product produced by labour of which at least eighty percent was the labour of slaves.

This was the source of Henry Hammond's famous 1858 boast:

> Without firing a gun, without drawing a sword, should they make war on us, we could bring the whole world to our feet... What would happen if no cotton was furnished for three years?... England would topple headlong and carry the whole civilized world with her save the South. No, you dare not to make war on cotton. No power on the earth dares to make war upon it. Cotton is King.

The real question is then why Hammond turned out to be wrong: this is the first indication of what I think is a further decisive missing element of Brenner's critique, and to a lesser extent Wallerstein's own construction – the role of the state in transition. Slavery was not ended by economic forces. Left to their own devices these led to a fifty-year expansion of slave-based cotton production. The downfall of the slave system was the outcome of a political intervention of the most 'advanced' form yet known: the first modern industrialised war.

True, this was the expression of an economic fact: Northern superiority. The point is *through which institution was this superiority demonstrated and imposed?* Not through the market but – just as capitalism proper gained its first real foothold in Europe through three successive revolutions – through the (violent) construction of a particular type of state which carried out the economic transformation, including the expropriation of a large part of the *capital* of the South, which until Abolition took the form of the ownership of slaves.

The laws of capitalist development

Faced with a contradiction between theory and evidence, the first responsible step is to look once again at the theory, and try and see what might have been missed.

In the long citation from Brenner already given, we find the two principal and linked arguments in support of his main idea that development, and underdevelopment, have no necessary connection. These are:

(1) that the advent of modern industry and in particular, the arrival of relative surplus value, capitalism acquires the *option* of dispensing with forced labour, and all methods which increase extraction of surplus other than by innovating

(2) that, in consequence, the outcome of development in any particular geographic location is merely contingent, depending on no underlying economic law of development but only on the class relations which happen to be established. In particular it depends on whether free labour – a proletariat which owns its own labour power and sells it as a commodity – emerges.

Brenner does not argue that the advent of industrial capital, and innovation as a law of development, *compels* all earlier social forms to extinction. His argument, it appears to me, is that the existence of such social forms is *contingent*. Given the development of the USA this is clearly true, but the question is 'contingent on what?' His point of departure is what he considers an erroneous judgement in the Communist Manifesto:

> The bourgeoisie cannot exist without constantly revolutionizing the instruments of production and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in an altered form was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty, and agitation distinguish the bourgeois epoch from all earlier ones. The bourgeoisie . . . draw all, even the most barbarian nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls . . . It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, to become bourgeois themselves. In a word, *it creates a world after its own image*.' Brenner (1974:25-26) citing Marx (*The Communist Manifesto*)

This, he says, does not appear to have happened:

> Many writers have quite properly pointed out that historical developments since the mid-nineteenth century have tended to belie this 'optimistic', 'progressist' prognosis, in that the capitalist penetration of the 'third world' through trade and capital investment not only has failed to carry with it capitalist economic development, but has erected positive barriers to such development. (Brenner 1974:26)

Before examining the premises of this dismissal, one must first ask if it is true. In what sense is this passage 'optimistic', and in what sense has capitalist penetration of the world failed to carry with it a capitalist economic development? Once again, the central question is what is to be understood by development, and more precisely, what is to be understood by capitalism.

If one reads the Manifesto as saying that by the year 2000, the world will look like London or New York in 2000, then it does indeed seem wide of the mark. If however one reads it as forecasting that by 2000 most of the world will look like Manchester in 1848, then it must count as quite close to the mark.

To find an error in the Manifesto's formulation of the laws of capitalist development one must suppose – in a manifesto proclaiming the necessity of Communism – not so much a rosy vision of the future but a rosy vision of the present. One must read into it a laudatory and apologetic conception of the society *in which the manfesto was written,* of the 'image' the world is to be compelled to adopt.

The bourgeois society confronted by the Communists of 1848 included child slavery, a condition of women which the Manifesto describes as slavery and the universal prostitition of the bourgeoisie, a working week generally over 70 hours, the living conditions of the Manchester slums, a real wage rarely rising above subsistence, and a life expectancy little over 50.

The writers to which Brenner refers – and presumably Brenner himself – have read this passage in the manner of Whig Historians, for whom the standard of comparison is *modernity*, that is, the most advanced material and moral conditions to be found in the world today. They read it in a particular, Wilsonian, manner, which understands the 'bourgeois mode of production' as a social formation free of any contradiction other than between worker and owner, a universally advanced state of the whole of humankind in which only the most advanced techniques, working conditions, and living conditions are to be found. Of course, this has not happened. But we should ask whether this is because the Communist Manifesto is wrong, or because Wilsonian Liberalism is wrong.

The passage is only 'optimistic' and 'progressist' if one supposes the Communists identified capitalism with progress and progress with capitalism, that is, if one presupposes that the writers believed nothing except good could come of capitalism in itself, and any weaknesses were the outcome of alien intrusions. In addition, it must be added, one must presuppose that all capitalist production is 'advanced' production in Brenner's sense, that it competes with other capitals by technically innovating, a point to which we will return.

The real issue concerning the accuracy of the Manifesto is a different one. The point of the passage above was to forecast the emergence of a revolutionary class, a worldwide class which would unite worldwide to overthrow emergent capitalism. It is this particular forecast that has run into more difficulties than expected at the time.

The passage is concerned not with the *rise* of capitalism but its *downfall*: it seeks to explain that by generalising itself throughout the world, it would dig its own grave. Obvious misunderstanding will arise if it is supposed the Communists entertained the notion it would do this by making the world into a rose garden.

This now brings us to the central issue, that of the classes which arise as a result of the capitalist penetration of the world. What really puzzled the participants in the dependency debate, befuddled as were two whole generations of historians by the notion that in each country, history would run through the successive stages of pre-feudal, feudal, and capitalist social formations, is that they found in countries apparently penetrated by capital, class relations which *appeared* not to be capitalist and which, therefore, they classified in their minds as 'precapitalist'. Encountering slavery, they saw in it the slave relations of antiquity. Encountering peonage, they saw in it the servitude of early mediaeval times. Encountering latifundistas, they saw manorial barons.

This, I think, entirely misses the point. These classes were introduced by capitalism. Nothing illustrates this more clearly than slavery, which was almost non-existent in North America until its precipitate rise as a direct consequence, and essential element, of the industrial and second industrial revolutions. Above all it must never be forgotten that a slave is a commodity, directly exchanged for money. Slaves in the antebellum South were capital, bought and sold like cattle. It is only if one sees and conceives of capitalism as naturally tending towards perfection by its own standards, viewing it in short through Wilsonian spectacles, that one can easily fail to see that antebellum Slavery was not a pre-capitalist but a capitalist institution.

This leads me to the main theoretical points of this paper.

Precapitalist capitalism?

First, are these allegedly pre-capitalist forms really precapitalist at all? Or are they in fact either specifically capitalist institutions or capitalist adaptations of pre-capitalist institutions? No-one claims that because servile labour is the basis of feudalism, that under feudalism waged labour cannot exist. Why then suppose that simply because wage-labour is the essential foundation of capitalism, it is the only new labouring activity compatible with it?

Capitalism has given birth to many and varied propertied classes beside the cartoon top-hatted mill-owner, from Whig magnates and Wall Street rentiers to mafia barons, impresarios and football club owners. Why should it not also create new labouring classes? Why not recognise its interns, apprentices, and mechanised housewives, along with its colonial indentured servants, share-croppers, peasants and slaves as merely some of the generally varied, frequently oppressive and invariably *modern* labour forms which make up the capitalist mode of production in its totality? Whether these belong to a past or a present era seems to be completely secondary to the real question of what they actually do, how they actually function.

The driver of profits: labour relations or capital techniques?

This leads to the next point: Brenner also makes a rather peculiar distinction, perhaps merely engaging with Wallerstein's own terminology: he distinguishes 'forced labour' from 'free' wage labour as if force did not enter the life of the wage-earner. In Marx, the concept of 'free' labour signifies labour without personal dependency, in a relation with the employer which is severed when the worker leaves the factory. However *in* the factory the manager is every bit as despotic as the baron on the manor and calls on all manner of violence to maintain this despotism. 'Force' as a category of labour relations does not distinguish prior epochs from capitalism.

Which leads to a third point: Marx himself disagrees with Brenner on the relation between absolute and relative surplus value, and this is not merely a doctrinal but a real and relevant question. In Volume I of *Capital* one finds, first the section entitled 'Absolute Surplus Value', then the section entitled 'Relative Surplus Value' and finally a third section entitled 'Relative and Absolute Surplus Value'. Both here and on the section on machinery in *Theories of Relative Surplus Value*, Marx is at pains to stress that with the arrival of machine production, one sees the historically greatest extension of the working day ever. It was *industry* that worked children to death in coal mines and created the conditions of Dickens' Britain, not agriculture. It was *industry* that introduced three-shift working, the production line, and the ten-hour day. In fact, prefiguring again the question of the state, the forces that reduced this oppression were not economic but political: the Factory Acts, and two centuries of class struggle and legislation.

The reason is, as Marx points out, is that once the era of permanent innovation begins, the clock starts ticking for the capital investment. As soon as the capitalist out-innovates her rivals, someone else, somewhere else, out-innovates her in turn. The machine depreciates morally; its value is reduced all the time even if no use is made of it, because machines of the same type or with the same function are being produced elsewhere for less and less, and her competitive advantage is inexorably innovated away. Every capitalist is in a race to realise the value of the invested capital before it is innovated out of existence by the next in line. With the arrival of machinofacture begins the drive to keep the machine idle for as little as possible, and with it the corresponding drive to lengthen the working day.

In conclusion it is a mistake to conceive of absolute surplus value as 'competing' with relative surplus value, or of one form of labour organisation 'competing' with another. Competition is in the age of innovation is always competition between *techniques*, whether this is Lancashire cotton mills versus village handicrafts, pocket calculators versus abacuses, or GM pharmaceuticals versus subsistence horticulture.

To summarise, the decisive distinction in the capitalist era between the economically backward and the economically advanced is no longer the *form of the labour relation* and certainly not the degree of despotism, but the *level of technique*. There is no particular reason to suppose that, for a given type of machinery, the capitalists will prefer any particular form of labour relation, given only that they can find on the market, or retain under their control, the labour force that will work on that type of machine.

Cheaper wages – who gains?

It is not deniable that wage labour, in long-term competition with other property relations involving labour, does eventually predominate. What the facts call into dispute is whether this is an automatic economic process requiring no political intervention, and the time-scale of the process – to both of which we will return. In what in fact *does* reside the economic superiority, for capitalism, of waged labour over all other forms?

The main reason is well known: it is that the factory owner does not need to feed his workers. He needs only buy them, and they have to feed themselves. The difficulty facing the property owner in all labour relations with a persistent personal bond, whether of loyalty as in family retainers, or dehumanising ownership as in slavery, is that the property owner has to feed the worker. That which Marx calls the 'marvellous peculiarity' of the wage relation is the reserve army of labour, which on the one hand holds wage demands in check, and on the other provides the capitalists with an seemly inexhaustible fund of further labourers.

But what determines the level of the wage? On this it seems to me that Brenner is not so much in error as off beam. He writes almost as if the innovating capitalist was entitled thereby to pay his workers less wages. In point of fact, the course of history is generally the opposite – as Henry Ford's well-known invention clearly shows.

In discussing any evolutionary process involving capital, it is always necessary carefully to distinguish between the eventual social outcome of any change, with its own specific rationality, and the individual outcome for the capitalist. The typical dynamic of competitive capitalism is that one particular individual, enterprise, or even class fraction will benefit from some change, so that it is *individually rational*, but the eventual social effect is counterproductive either for capital as a whole or for society as a whole.

Why does 'relative surplus value' open a new age for capital? Fundamentally because it permits the capitalist class as a whole, without expanding the labour force, to increase its profits by cheapening the labour required to reproduce that labour force.

Nonetheless, this is a social or indirect benefit to capital. The inventor of a better mousetrap does not, the next day, obtain privileged access to cheaper cheese. The reduction of *wages* arises from a relatively complex process involving several stages of indirection taking a great deal of time – for example via petrol engines to tractors to harvesters to corn, bread, and sandwiches. Moreover it is offset by the class struggle. Empirically, in the metropolitan countries, the rate of exploitation – the share of total labour appropriated by capital – is surprisingly constant, which is what lies behind the general tendency of real wages to 'chase' prices.

Cheaper foodstuffs, and cheaper means of subsistence – most of which are world market goods except for highly perishable goods or goods like restaurant meals at the last stage of the chain – create the potential a lower wage for all capitalists, not just for the innovating capitalist. It is mistaken, therefore, to infer that a country in which the capitalists innovate reaps the benefits of a lower wage in the form of some kind of competitive advantage, as if the high-tech country could pay lower wages. What actually happens is quite the reverse: it is in the low-tech countries that the wage falls, so that what actually arises is the precise division of social organisation which Emmanuel and other theorists of unequal exchange accurately describe.

But what is the outcome of cheaper wages or, more generally, cheaper subsistence goods? It is precisely that techniques of production can survive, by paying much lower wages, which would otherwise be competed out of existence. Alongside a range of techniques, there emerges a range of wages.

The geographical separation of the workforce, and above its political separation by the establishment of a system of nation states, greatly intensifies this. In a single country, the 'moral and historical' element of the wage is established not just by ethical standards but by combinations of workers, by legislation, and by free movement of labour, education, general social intercourse, and so on. The division of the world into nations, and above all the hardened separation of the core from the periphery, historically buttressed by the 20th century empires, solidifies a *double system of wages*: on the one hand the conventional wage of the metropolis, and of the middle classes of the periphery who aspire to global standards, and on the other the 1-5 dollar-a-day wages, forty to fifty times below this level, of the great mass of third world persons.

But this separation out of a dual wage system, maintained by rigid and racist restrictions on labour mobility, is yet another element in the perpetuation of an entire range of 'backward' techniques in the periphery. Beside the dual system of wages emerges the dual system of technology which some critics term 'global apartheid': cheap-wage-lo-tech in the periphery, hi-wage-hi-tech in the metropolis.

The doctrine of equilibrium and the reality of technical change

Pulling all these elements together brings us to a critical point, probably the central issue in the economic analysis of technical change.

Brenner and his chosen adversaries alike, sadly, never won access to the central theoretical point about innovation. When, at any given moment, a capitalist introduces a new cost-saving technique, it is true that this brings an increase in profits without any increase in labour time – for *this* capitalist. For the other capitalists (or other users of labour) the effect of an innovation elsewhere is exactly the opposite. If we consider an Indian producer of cotton cloth faced with competition from Lancashire, what she or he immediately faces is the ‘heavy artillery of prices’ – a steady, and during *Sturm und Drang* periods, dramatic – drop in the value and market price of the cotton cloth.

It is a tremendous error to suppose that the Indian manufacturer will or can react by employing Lancashire techniques. There are three options: go bankrupt, cut wages, or make the employees work harder and longer. Generally speaking the course of history is follows these options in reverse order, using the threat of each to impose the other. Further, insofar as this modifies general conditions in India, it alters the moral and historical value of the *Indian* wage and *Indian* labour. It generally depresses the wage, generally raises the working week, and generally worsens all the conditions of labour. *T*he introduction of superior, more modern technical conditions in one place, *simultaneously* degradates them elsewhere. Technnical backwardness is an inevitable product of tecnnical advance. The process of innovation does not produce an equalisation of profit rates, a convergence of technique and a homogenisation of social conditions but a dispersion of profit rates, a divergence of technique, and a heterogenisation of social conditions.

Why, then, is this point not recognised – with the sole exception, as far as I can tell, of Ernest Mandel – by the participants in the dependency debate? Because the very same inheritance which blights the evolution of economics as a whole, has equally taken hold of the inheritors of Marx’s own economic theory: namely, the doctrinal creed of equilibrium.[11]

According to the equilibrium view, divergences in techniques, in wages, and in profit rates can be treated as if they do not occur. They can be ignored and have no impact on the long-run course of history. This idea is theoretically absurd and empirically false, which is why adherence to it can only be characterised as theological.[12] Everything we have discussed so far illustrates its inapplicability to any rational discussion of development.

Innovation itself requires investment, that is, capital. Brenner himself defines the process as ‘accumulation by innovation’. The divergence in conditions, precisely because it does not equalise profit rates,[13] concentrates exceptionally high rates and volumes of profit in the hands of the innovators and in the industries and geographical regions – and above all, nation states – in which they reside. These industries and regions re-invest the surplus in further innovation, further widening the gaps. Finally the decline of wages in the areas where low technology prevails further extends the life of backward – that is, less productive – technologies, not just for years but for decades and in fact centuries. The cheap labour of great masses of people, just like the slaves of the Antebellum South, are placed almost in their entirety at the disposal of the innovating industries of the North, from which great masses of profit are extracted – way above what would be achieved were world prices to equalise out at the theoretical equilibrium – that are used to maintain and extend this advantage in perpetuity, or until such time that the social and political contradictions this generates call a halt to the process.

This is a well-understood dynamic process termed positive feedback, and guarantees not only that equilibrium will never be attained, but that the actual path of evolution followed will systematically diverge ever and ever farther from the hypothetical equilibrium of the economists.

The systematic and long-term dispersal of social conditions, and the polarisation of the world into two great blocs, is therefore completely explicable given only two or perhaps three theoretical premises. The first is not really a premise at all but the removal of a dogmatic non-premise which stops us realising what is really happening: we must completely abandon the idea that any equilibrium will establish itself, or that the moving hypothetical equilibrium bears any relation to the real long-term process, and study the actual dynamic process. Given this – a leap which few are prepared to make – we need only suppose, first that the speed at which innovation spreads geographically is slower than the speed at which new innovations are applied industrially and, second, that the political division of the world into distinct nations with distinct general conditions of labour, will keep the polarisation of wages in line with the consequent polarisation of average productivity.

Unequal exchange revisited

(Final section to be completed)

Ghandi summarised India's economic status as follows:

1. You English buy Indian cotton in the field, picked by Indian labour at seven cents a day, through an optional monopoly.
2. This cotton is shipped on British bottoms, a three weeks journey across the Indian Ocean, down the Red Sea, across the Mediterranean, through Gibraltar, across the Bay of Biscay and the Atlantic Ocean to London. One hundred per cent profit on this freight is regarded as small.
3. The cotton is turned into cloth in Lancashire. You pay shilling wages instead of Indian pennies to your workers. The English worker not only has the advantage of better wages, but the steel companies of England get the profit of building the factories and machines. Wages; profits; all these are spent in England.
4. The finished product is sent back to India at European shipping rates, once again on British ships. The captains, officers, sailors of these ships, whose wages must be paid, are English. The only Indians who profit are a few lascars who do the dirty work on the boats for a few cents a day.
5. The cloth is finally sold back to the kings and landlords of India who got the money to buy this expensive cloth out of the poor peasants of India who worked at seven cents a day. (Fisher 1932 pp 154-156; Source TBA)

This is merely the political consolidation of a form which the world economy naturally produces. A disparity of 20-40 in GDP per head means, concretely, that the labour of the south exchanges with the labour of the north, *ceteris paribus*, in this proportion. That is, the product of 60 Indian labourers exchange on average with the product of 1 US labourer. One has only to suppose (the calculation can be done) that imported raw materials actually attained their theoretical equilibrium price or, in a Marxist framework, their world labour value, to grasp the extent of the subsidy that arises to the North. Marx quotation on this. Intensity of labour an insufficient explanation – this is not less intense or even much less skilled labour, which is shown by two things (1) immigrants are never worse than 50% less productive and frequently more productive (2) when hi-tech is properly transplanted to the third world accompanied by training or the use of a skilled section of the labour force (as eg in China) it immediately outcompetes.

Hence this is primarily an economic law and not a political imposition. What, then, is the role of politics? On the one hand the forms of the state are products of the underlying economic laws, in the sense that these laws determine the range of options that are practical. This the real content of the debate about transition in Russia. On the other hand, determined action by the state clearly affects the course of development which is why the decisive moments in capitalist evolution are all political events:

The separation of the economic from the political

With the arrival of capitalism, the 'market' separates out as a distinct institution from political forms. From this moment on it becomes nugatory to attribute to a merely political form the capacity to hegemonise social life. To the contrary the most successful political forms are those that adapt to the economic reality. History becomes the history of the interaction of territorial states with the world economy.

The history of revolutions: why there were no regicides between 1649 and 1789. The classical form of the political struggle of 1700-1789 was the liberal battle for 'constitutional monarchy', the creation of a specifically capitalist monarchy. Why did it not take the form of republicanism? Republicanism was not a doctrine but a politically-imposed necessity.

The history of empire

The history of US hegemony

Summary of final part to be presented verbally

The Dutch, English and French revolutions and the US war of independence; the true 'transition to capitalism'

The Prussian unification of Germany makes it an expansionist industrial world power

Civil War the instrument of the defeat of the South and the rise of US to world power status

Battle on the working day: imposed by state.

The formation of the great empires; competitive imperialism. Consolidation of social states in Europe financed by empire.

The Russian revolution, collapse or quasi-dissolution of the European Empires.

The German response and the final defeat of German and Japanese expansionism. Deprived of expansion, Germany and Japan specialise in hi-tech, in technical superprofit.

Removal of China from the sphere of operation of great power capital

Postwar reconsolidation of anticommunist bloc under US industrial, financial and military hegemony; economic redivision of the world by the great powers (the losers, technical superprofit, the winners, commercial and financial superprofit. Conversion of the UK into a vassal state,

Long boom; superiority economic superexploitation over empire leads to decolonisation as world norm. Triumph of Wilsonian liberalism.

End of boom and long period of decline arising from the falling world profit rate

The erosion of US supremacy under the impact of the end of the boom and the rising productivity of the 'technical superprofit' powers

Turn and economic reconstruction of China; the 'chinese model' emerges.

US conteroffensive: destruction of the USSR, neoliberal offensive, financial exhaustion of the sources of world growth by US debt

Ultramodernism, hyperextension and the Bush/neocon wardrive

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[1] Cf Brenner (1974), and the references to Wallerstein Frank, and Emmanuel in the bibliography of this paper. The 'dependency school' – sometimes pejoratively (alsd unjustly and misleadingly) referred to as 'neo-Marxists' is not limited to these authors (including for example Amin, Palloix, Dos Santos and indeed Enrique Cardoso, but it is they to whom Brenner addresses his critique. The debate on the transition from feudalism to capitalism began in the 1940s with an exchange between Dobb (1946,1950) and Sweezy (1950)

[2] In Marx's terminology this is the production of *relative surplus value*, which increases surplus value by lowering the time required to produce inputs, instead of *absolute surplus value,* increasing surplus value by raising the time of labour. Absolute surplus value can arise either by extending the time that an individual worker spends at work, or by increasing the size of the labour force – during times of transition, by converting previously non-capitalist activities like serf demesne labour into capitalist activities by alienating the land (turning it into capital) and separating the labourer from the means of production (turning her or him into a wage labourer).

[3] In short, American liberalism accepted the *economic* premise of European imperialism (the pre-existing economic backwardness of their subject peoples) but denied its political conclusions (their unpreparedness for liberal democracy).

[4] In many senses, a major mistake made by historians of left and right alike, in passing judgement on the Bolshevik tradition and of the USSR, is not to understand that its primary objective, and the driving force of its evolution, was imperialism, rather than capitalism. If the Bolshevism and its successors are judged by the standard 'Did they achieve the defeat of European Imperialism' (in which one must include the defeat of Nazism) instead of 'Did they achieve socialism' then their achievements become somewhat more impressive. In April 1945 there was little doubt left in the minds of any European as to how much of their civilisation would have survived, had the USSR not existed.

[5] This has a quantitative dimension too: is backwardness a diminishing or an increasing aspect of modernity? From the Bolshevik point of view, under capitalism it was fated to be the condition of the *majority of humanity*: capitalist modernity was consequently intrinsically dictatorial on a world scale. The democratic principles proclaimed by capitalism could only therefore be achieved by replacing it with something else.

[6] I define the 'period of globalisation' as the period of financial deregulation and world market integration which opened with the debt crisis of 1982 and continued with the transformed role of the International Financial Institutions and the reconstruction of the WTO into agencies of international governance, and which came to an end in the early 2000s with the new foreign policy of the Bush administration.

[7] I have referred to a variety of sources for the material published here but any errors are my own. Sources consulted include: Cecil Gray, History of Agriculture in the Southern United States to 1860, vol. 2 (Gloucester, MA: Peter Smith, 1958), 1026. United States Department of Agriculture, Atlas of American Agriculture, V, Sec. A, Cotton, Table IV, p. 18. ;Wahl, Jenny. "Slavery in the United States". EH.Net Encyclopedia, edited by Robert Whaples. August 15, 2001. URL http://eh.net/encyclopedia/article/wahl.slavery.us;William H. Phillips. "Making a Business of It: The Evolution of Southern Cotton Gin Patenting, 1831-90," Agricultural History 68 (1994): 82.; Phillips, William. "The Cotton Gin". EH.Net Encyclopedia, edited by Robert Whaples. February 11, 2004. URL http://eh.net/encyclopedia/article/phillips.cottongin, US census bureau URL http://www.census.gov/population/documentation/twps0056/tab01.xls, UK spartacus schools project www.spartacus.schoolnet.co.uk/TEXcotton.htm

[8] Cf the debate provoked by Vogel and Engerman's controversial *Time on the Cross* See also the summary by Wahl, op cit.

[9] A rate of change which rather contradicts Brenner's apparent view that forced labour was inimical to productivity revolutions.

[10] It is also noteworthy that British support for the Confederacy centred on Free Trade, to be defended against the backward, mercantilist, and protectionist Union

[11] For Marx's own views, which were virulently opposed to the equilibrium approach, see the growing literature form the Temporal Single System Interpretation, in particular Freeman and Carchedi (2000), Freeman, Kliman and Wells (2001) and Kliman (2007). The one major theoretician in the dependency debate who insisted on the absence of equilibrium, the centrality of surplus profit, and the unevenness of development, to whom this paper owes a great debt, was Ernest Mandel, notably in his outstanding *Late Capitalism* (Mandel 1978). Carchedi, G(1991) is the only modern writer I know of who has further developed this issue

[12] This argument is developed fully in Freeman (2007)

[13] The empirical evidence for this is vast. See for example Wells (2001), and Well's subsequent PhD Thesis