

Notes on Political Economy

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Preface to **"Notes on Political Economy"**

(October 1999)

In 1995 the Central Committee of the Revolutionary Communist Party, USA commissioned its standing bodies to conduct research into the objective situation. "Notes on Political Economy" is the product of that investigation. It went through several drafts and was finalized in May 1998. The paper was studied and discussed throughout the ranks of the party and has been slightly edited for publication.

The purpose of "Notes on Political Economy" is really three-fold: to look back on and assess the strengths and weaknesses of the party's analysis of global political and economic trends in the 1980s; to present a comprehensive, though still developing, analysis of the changes and transformations that have taken place in the imperialist world economy and in interimperialist relations since the end of the "cold war"; and to broadly identify key issues for further research and deliberation, while offering some initial thinking on these issues.

The heart of the paper is the analysis of the current world situation, but these other two aspects are very important to the party's theoretical work and understanding. For this published version of the manuscript, a brief postscript has been added that discusses recent developments in the world economy.

Here it might be helpful to highlight some of the key conclusions that "Notes on Political Economy" reaches about the current world situation as well as some key new elements and trends in the situation with which the paper is grappling.

"Notes on Political Economy" analyzes that the collapse of the social-imperialist Soviet Union and its bloc in 1989-91 represented a particular form of resolution of world contradictions that were coming to a head in the 1980s. What resulted from this resolution, interlinked with other factors gone into in the paper, was a certain restructuring of world capitalism, and a certain overcoming of the global crisis of accumulation of the 1970s and 1980s.

The paper identifies a specific dynamic of imperialist accumulation in the 1990s: slow growth and persistent instability in an increasingly globalized world economy marked by intensifying economic rivalry. It is a situation in which the U.S. has emerged as the sole

imperialist superpower yet is unable to play the same kind of "locomotive of growth" role in the world economy that it did in the post-World War 2 period.

The paper surveys an "intensely mixed" state of affairs in the world imperialist economy. There is some expansion as well as areas of high growth; there are new patterns of capital investment; there is greater economic integration. But there is crisis in significant parts of the world. There is deepening suffering and immiseration throughout much of the world.

In the imperialist countries, economic recoveries and expansion have not translated into the kind of "concessionary" social spending that surged in the post-World War 2 period; and in the more rapidly growing U.S. economy, there has been extensive dismantling of "welfare state" programs. Harsh and life-threatening austerity has swept through the Third World.

"Notes on Political Economy" identifies what it considers to be significant new elements and trends in the world situation. But it locates these phenomena within the same basic framework—and sees them as marked by the same fundamental contradictions—of imperialism analyzed by Lenin in *Imperialism, the Highest Stage of Capitalism*. Lenin's conceptualization of imperialism is elaborated upon in important ways in *America in Decline*, a book that is an important reference and discussion point in this document.

A major development of the last 15 to 20 years, accelerating in the 1990s, is that an increasingly integrated "global cheap-labor manufacturing economy" has been evolving alongside and in connection with high-technology poles of accumulation. Billions of people face the prospect of being more intensely exploited and/or being pushed to the "margins." Significantly, growth in the world economy has been accompanied by high levels of unemployment and underemployment, a phenomenon that "Notes on Political Economy" suggests may actually express a longer-term trend of accumulation in this stage of imperialist development.

Technology in the imperialist world economy is developing and being applied in ways that are heightening global inequality and social polarization. Imperialist globalization is leading to vast displacement of populations, extensive ruination of subsistence agriculture, and widespread destruction of natural resources and damage to planetary ecosystems.

In short, the present state and functioning of the imperialist world economy is creating tremendous dislocation, upheaval, and suffering on a vast scale throughout the world, particularly in the Third World.

"Notes on Political Economy" reaches the important political conclusion that we are living in a "period of transition with potential for great upheaval." The nature and larger strategic implications of this "transition and upheaval" are addressed in a beginning way in the paper. But this much must be stressed here: in the present world situation, national and class contradictions are intensifying. There is, as the paper emphasizes,

"plenty of basis for revolutionary advance—for protracted people's wars to further develop and for new ones to be launched in the oppressed nations; for revolutionary struggles and revolutionary preparations to be carried out in the imperialist countries; and for more favorable conditions to be created worldwide through struggle."

The RCP is publishing "Notes on Political Economy" as a contribution to discussion, debate, and theoretical work about the world situation and the prospects for fundamental change. With the new millennium upon us, we think the paper[TEMPCODE]takes on particular relevance. Many people are reflecting about the "future of humanity," while the ideologues of imperialism spew out their hype about the wonders of free markets, imperialist-dominated technology, and globalization.

We welcome comments, criticisms, and suggestions—both to aid us in carrying this work forward and to stimulate broader dialogue, and further grappling by others, about these questions.

NOTE: Most of the articles from the *Revolutionary Worker* that are referenced in the text can be accessed on the newspaper's web site: www.mcs.net/~rwor. *Revolution* and *A World To Win* magazines can be obtained from Liberation Distributors, P.O. Box 5341, Chicago, IL 60680.

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Our Analysis of the 1980s, Issues of Methodology, and The Current World Situation* Introduction

At its last meeting, the Central Committee of the Revolutionary Communist Party, USA (RCP) delegated the standing bodies to oversee research into the objective situation. It is now possible to report back on the status of that research and to share some working but still developing theses with comrades.

Clearly, crucial questions have posed themselves since the collapse of the Soviet Union. Was there a resolution of the spiral that had been coming to an explosive head in the 1980s? What about the question of the crisis of the world economy? What are the defining contours of imperialist rivalry in the world system? Are there new or qualitatively more pronounced features of capitalist accumulation that bear significantly on world development? And what does all this suggest about revolutionary prospects?

Digging into these questions necessarily entails critical reflection on the analysis and projections we made about the 1980s. Our view was that the principal contradiction in the world in the 1980s was the interimperialist contradiction. This contradiction was

concentrated in the form of two rival and colliding imperialist blocs, one led by U.S. imperialism and the other led by Soviet social-imperialism.^{**} Our view was that this acute and intensifying contradiction, interacting with other contradictions, would lead to world war unless prevented by revolution in large and/or strategic parts of the world.

Plainly, this was not how things worked out. We have the responsibility of understanding why we reached certain incorrect conclusions, at the same time that we affirm what was correct about our analysis.

In revisiting this analysis of the 1980s, we also have to examine the theorization of the laws of motion of the imperialist world system in *America in Decline (AID)* by Raymond Lotta with Frank Shannon (Chicago: Banner Press, 1984), since that theorization very much informed our thinking and projections.

We believe certain weaknesses in *AID* can, especially in the light of what happened in the world in 1989-91, be discerned. But our assessment is that the weaknesses in our conceptualization of the motion and development of the world imperialist system and in our specific analysis of the situation in the 1980s were secondary to the strengths. It was not wrong to sound the alarm about the danger of world war. Nor have events called into question the essential theoretical framework of *AID*.

AID represents an important contribution to Marxist-Leninist-Maoist political economy. With and on the foundation of Lenin's *Imperialism, The Highest Stage of Capitalism*, *AID* furnishes the analytical tools with which to understand the complex processes at work in the world economy and world imperialist system. Taking it together with RCP Chairman Bob Avakian's pathbreaking and ongoing "conquer-the-world" insights,^{***} we have deep knowledge of the dynamics of this era.

We have also developed some theses that are guiding our inquiry into the current world situation. Of particular salience, Bob Avakian has conceptualized this period (worldwide) as one of *major transition with the potential for great upheaval*. This question of "transition and upheaval," and its implications for the party's work, has been addressed from different angles by him in recent writings—see, for instance, the 1997 series "A Time of Major Transitions" in the *Revolutionary Worker* (Nos. 901-906, 909-910); and *Preaching From a Pulpit of Bones: We Need Morality but not Traditional Morality* (Chicago: Banner Press, 1999).

What follows is a distillation of key methodological, theoretical, and empirical points that have come out of several rounds of investigation and synthesis, and out of response and commentary that this distillation stimulated. Several major theses for consideration are advanced, and more specific issues to be more thoroughly researched are highlighted.

One thing that has become apparent, both in reviewing our past theoretical work and in analyzing the present situation, is the need to make further ruptures with "Third International methodology." By this we mean notions of linear and preordained, or what we have sometimes called "typical," development—that is, history obeying fixed or

always recurring patterns. This methodology also involves notions of "absolute thresholds"—development having a fixed end-point or reaching a point past which this or that *has* to happen. This methodology, which guided much of the theoretical work of the Third International of communist parties in the 1920s and 1930s, cuts against understanding the real dialectical process of social development and the dynamic role of conscious, revolutionary practice.

In carrying forward with this investigation, we want to share results with others and learn from and get input from others, in and outside the party. On a more general level, these notes should help delineate the objective context in which we are carrying out our revolutionary work and struggle.

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Part 1

Our Analysis of the 1980s and the Current World Situation

Some Methodological Points

Theory is a complex and ordered structure of abstractions that is drawn from reality, which has different levels of determination, and it enables us to more deeply know and change reality. Human society, like other processes, is dynamic, changing, and full of contingency (chance, accident, the role of unpredictable developments and events, etc.). But the development of human society is regulated by laws and is knowable—although these laws do not operate mechanically and in a straight-line way but rather as tendencies. With *AID*, we were seeking to identify the "structural dynamics" of the world imperialist system—building on, applying, and extending Lenin's systematization.

A major way in which we extended Lenin's theory of imperialism was this: Lenin emphasized the law of uneven development as it expressed itself through interimperialist rivalry, shifting balances of strength, and a compulsion at particular times to forcibly redivide the world. We saw this as part of a larger dynamic, of what we have called "spiral/conjuncture" motion. We analyzed the ways in which crisis and rivalry interact with each other. We linked interimperialist rivalry and war with the destruction and restructuring dialectic of capital. And we sought to identify a characteristic (but not "typical" or always recurring) motion bound up with these processes.

AID develops this theory of "spiral/conjuncture motion" in considerable depth (see pp. 127-37, 148-49, and 162-69). Here we will briefly summarize it. Spiral/conjuncture motion refers to a particular motion of the working out of world contradictions in the era of imperialism and proletarian revolution.

A *spiral* of world development is a stage or period in the development of the contradiction between socialized production and private appropriation, which is the fundamental contradiction of capitalism.

Each spiral is shaped by a specific set of contradictions and factors on a world scale—involving in particular, thus far in the history of imperialism, the relations among the imperialists (mainly their struggles over the division of the world) and the relations between the imperialists and the forces opposed to them. A spiral is also an international framework within which capital accumulates.

So, for example, a spiral of development was set in motion by the outcome of World War 2. The U.S. came out on top of the imperialist dungheap. The world economy was reorganized on the basis of the settlement of World War 2, and the U.S. was the prime mover and prime beneficiary. At the same time, the forces of revolution had been strengthened: the then-socialist Soviet Union had survived the war, the Chinese Revolution would soon claim victory, and national liberation struggles were spreading in the Third World. These were among the key factors conditioning development in the post-World War 2 period.

At certain points in the development of spirals, the contradictions of the world system become intensely heightened and tightly interwoven, leading to violent explosions (such as world wars and revolutions) or dramatic shifts (such as the collapse of the former Soviet Union). These are world-historic *conjunctures* through which the contradictions characteristic of a particular spiral are resolved (though only temporarily and partially). These conjunctural resolutions bring about a qualitative recasting of world relations. Twice in this century, world wars were the nodal, or key turning, points of spirals.

Imperialism has developed through this spiral/conjuncture motion. And the development of the world proletarian revolution has so far taken place as part of this underlying motion of imperialism, while at the same time reacting back on it.

In developing this theory, were we proceeding from an investigation of material reality, utilizing abstractions and concepts drawn from reality to more deeply grasp it? Or were we proceeding *a priori*, that is, starting from certain categories and imposing them on the world to make it fit a formal model that suppressed contrary evidence? Assuming we were "engaging" reality, were we making a justified leap from analyzing particular historical phenomena to identifying general dynamics of development? In short, was the theoretical construction capable of generating scientific explanations and anticipating likely outcomes in the real world?

Our view is that *AID* was not only a valid undertaking but was also validly undertaken in the main. We based ourselves on the laws of capital, as they assert themselves and interact with the class struggle in the imperialist epoch. We based ourselves on concrete historical developments. Chapter 2 of *AID* represents an initial application and test of the theory; and this theory was applied further through analysis of the post-World War 2 period.

But the actual unfolding and resolution of contradictions in the 1980s did not conform to our expectations and predictions. Two imperialist blocs were on a collision course toward world war. But one of these two blocs got off the collision course. The Soviet Union, under Gorbachev, "retired" from the contest and ultimately collapsed. Why were we caught short in anticipating this possibility? Three explanations present themselves:

(A) Our theoretical model was wrong.

(B) Our theoretical model was and is in an overall sense correct, and the emphasis on the danger of war was also correct. But there were some secondary errors in methodology, as reflected in the specific application of this model, as well as some secondary weaknesses in the model itself. This prevented us from allowing for and recognizing certain possible resolutions short of, or other than, world war.

(C) The theoretical model was correct, the predictions were justified, the methodology suffered no real flaws. But things just didn't turn out as anticipated for various reasons of historical accident or contingency.

Our "provisional conclusion/strong inclination" is that (B) is correct. A spiral of development was headed toward violent resolution.

The late 1970s and the decade of the 1980s were conditioned by a real compulsion to go to world war. This was manifested in various ways. There were the actual strategic-military preparations for war. There was a mutually conditioned calculus of geopolitical interests and stakes that each bloc could not allow the other to compromise or undermine. On the U.S. side in particular, this resulted in a forwardly aggressive stance aimed at blocking further Soviet advances and rolling back past advances. The drive to war influenced how contradictions were being managed in each of the two blocs.

Now the way that the conjuncture of 1989-91 actually did get resolved—the collapse of the Soviet bloc—cannot be understood apart from certain historically specific factors and contingencies. And these could not all be known in advance. But the complexity of reality, which theory can never fully capture, is *not* a sufficient explanation for why our analysis was off. Our view is that certain errors in our approach prevented us from recognizing other possible forms of resolution. And as we further applied, propagated, and popularized our analysis of the 1980s, these errors tended to get compounded.

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Taking the Self-Criticism Further: Against "Typical Motion" and Absolute Thresholds

The analysis *AID* develops of a historically specific framework and trajectory of development coming to violent recasting, a framework and trajectory that cannot go on

indefinitely (although how long cannot be predetermined), is correct. It reflects the actual dynamics of the era in which the bourgeois mode of production is dominant in the world and the force of anarchy its principal form of motion. (Force of anarchy refers to the competitive, expand-or-die interaction of capitals.)

Several conclusions flow from this. First, *not until imperialism is overthrown can the possibility of interimperialist wars be eliminated*. This possibility is part of the mix of imperialist relations—and even if the imperialists recognize the potentially self-destructive costs or results of war, this does not rule out the outbreak of such wars. Second, at times of conjuncture, this possibility of war grows more acute, finding expression in a tendency toward the formation of bipolar (two contending) war blocs.

But *the phenomenon of two blocs going to all-out military confrontation is not an inevitable, invariant feature of spiral/conjuncture motion*. At times we imply or suggest such a thesis in *AID*.

Spirals do in fact reach a stage where violent resolution becomes necessary. World war has until now represented the most thorough resolution of the contradictions defining a particular spiral. And the imperialists do recognize and act on this necessity—in some form or another, at some level of consciousness or another, as expressed in policy as well as in intra-ruling-class struggle.

But the compulsion toward war need not lead only to all-out war, or to advances of the world revolution that qualitatively alter the matrix. Other pathways or outcomes are possible: trade and economic wars that grow more intense and enveloping, geopolitical maneuvering, proxy wars, cold wars, etc. In short, *underlying compulsion does not always lead to the same results*. But, to be clear, there is motion toward convulsive resolution, and twice in this century world war has been the form this has assumed . . . and this was a likely form of resolution of the contradictions of the 1980s.

Our analysis of the world situation in the 1980s correctly grasped that the structure of international relations was straining against certain limits and could not maintain itself indefinitely. There was an objective compulsion toward the violent recasting of these relations. The preparations and drive toward war had the effect of putting the two imperialist blocs under greater economic, political, and military pressure. This reinforced the compulsion toward war.

Something major had to give and change, and war was the most likely outcome of the contradictions that were converging. It is our sense that if a Gorbachev and what he had unleashed had not materialized, then war probably would have ensued. War, however, was not the only possible outcome. But we did not foresee any other possibility except revolution. The point of our self-criticism is that we should have. And the question is: why didn't we?

A methodological aside is in order. As indicated earlier, objective laws of human society—and such laws regulate the functioning and reproduction of a given social system—

operate *tendentially*. Countertendencies and intervening determinations exist in dialectical relation to these tendencies and influence and modify their operation. For example, the tendency toward the decline in the rate of profit is counteracted by colonial investments—but these investments do not erase the underlying tendency and they grow out of the imperatives of profit-based accumulation.

Correctly grasping the tendential character of laws cuts against notions of "absolute barriers" or "absolute thresholds" and models based on "typical motion." We have understood this and we have, as mentioned, theoretically argued against "Third International methodology" (see, for instance, "The Comintern Legacy: The Theory of General Crisis," chapter 3 of *AID*).

There were, however, some problems in our analysis of the 1980s that reflected the continuing influence of some of this wrong methodology.

We veered in the direction of saying that when certain elements appear, war *must* take place. Historically, world war has emerged out of the turmoil and knot of intensifying global contradictions (rivalry and crisis interacting with political and revolutionary struggles, etc.). But we tended to see this historical pattern, which did reflect underlying dynamics, as the only one. We tended to identify a pattern that would necessarily repeat itself (even though we emphasized the particularity, the "nontypicality," of specific spirals and their resolutions). In other words, there was a secondary tendency to make reality conform to our model, rather than applying a model drawn from reality and deepening and enriching it through engagement with reality (the spiral of practice and theory and of perceptual and conceptual knowledge).

Now it is true that when certain elements are present, things are *likely* to go in a certain direction. At times in *AID*, we speak in these terms; for example, "thus far" in the development of spirals this or that has happened, world war has played a certain role, etc. (see p. 148). We talk about phenomena other than war that might occur in a conjunctural period, such as revolutions and other upheavals. We indicate that major revolutionary initiatives or upheavals might in fact be the turning points of particular spirals (see p. 129). And we emphasize that there is no predetermined course of these spirals (see pp. 130-31). But at other times, we say "world war *does*" this or that, implying that world war is the *only* possibility, that is, it serves a necessary function and thus must occur. In some passages it is formulated that "only" war can provide the "requisite" recasting and adjustment when contradictions have come to a head (see p. 145).

We correctly stressed the role of politics and power relations, as opposed to seeing the "classical" capitalist cycle as the principal determinant of major leaps and transformations. We correctly analyzed the need of rival imperialisms to break out of a constricting framework of world relations.

But there was a tendency to view things mechanistically: a certain threshold or limit is reached and war must follow, that is, "x" amount of crisis and tension leads to "y" (war). We were confounding objective factors—contradictory dynamics, compulsion/constraint,

specific frameworks—with the idea that war automatically "kicks in" when a certain preexisting point is reached. In fact, we cannot determine in advance what such a threshold is. A major reason is that there is the factor of human intervention, which affects the specific way that compulsion plays itself out (a point to which we will return). Still, underlying compulsion is real and will assert itself.

There was insufficient recognition of the particularity of this spiral/conjuncture and its manifestation in the military sphere. Going to war is always a big gamble for the imperialists. But all-out interimperialist war is now a *qualitatively different* kind of gamble. It involves, with war-making capability so bound up with nuclear weapons, an unprecedented level of destruction and dislocation. We mainly emphasized how imperialist reckoning with the consequences of nuclear war would not in and of itself deter the outbreak of war. This was and is correct—in the sense that imperialist consciousness cannot guarantee that the imperialists will not go to war.

But we tended to operate with the understanding that there could be "no pulling back." We did not grasp how this particularity of the destructiveness of nuclear war, flowing out of the compulsion to go to war, in fact introduced *another* material compulsion. This was the need of the imperialists to deal with the difficulty of achieving victory in a recognizable and viable form—not just in direct military terms but in grand strategic terms as well. *This* compulsion became part of the dialectic; and as the situation further developed, these compulsions changed places. The compulsion of having to deal with the difficulty of achieving victory in a recognizable sense—that is, having to cope with the destructiveness of nuclear war—became principal, at least for the Soviets, notably in the form of the Gorbachev program.

This suggests that the world situation had more play in it than we had analyzed. There was more room to maneuver and there was more of a role than we had analyzed for the conscious factor of imperialist policy and decision-making. The imperialists are (imperialist) capital personified; this is principal. But they have conscious initiative. And in this particular situation, they had to choose one course or another—each flowing from and bounded by the objective compulsion to go to war.

With these points in mind, we return to the problem Gorbachev was seeking to solve.

The all-out military struggle with the U.S. to achieve global supremacy did not present itself to the Soviet ruling class as a winning program (victory in recognizable form). Gorbachev embodied objective necessity: to find some way out other than war. How conscious this was is not clear, but clearly this attempt to avoid war arose from material factors.

The logic of Gorbachev's program was two-fold: to buy time and delay the outbreak of war, and to reinvigorate the economy and reconfigure an empire (*perestroika* and *glasnost*). But *perestroika* (restructuring) could not meet the needs of empire (too much was at stake) and, relatedly, there was insufficient material basis (given the scale of crisis) to carry it through.

Gorbachev embarked on a high-stakes strategy that ran the risk of unraveling an empire. And that was its effect. The conscious efforts to extricate Soviet social-imperialism from a certain dynamic and framework became part of the mix and led to something unexpected and qualitatively different happening: the collapse of the Soviet Union and its social-imperialist bloc. (See Appendix to Part 1, "Looking Back at the Soviet Collapse.")

So we can identify a specific dialectic to this conjuncture. There was a real "coming to a head" of contradictions. But any resolution would be problematic owing to the qualitatively different character of world war prosecuted on a nuclear foundation.

On the one hand, the most thorough resolution of interimperialist antagonisms and systemic contradictions—all-out world war—would lead to destruction and chaos with devastating long-term effects (and it was not human slaughter that mainly worried the imperialists). In other words, the most thorough resolution, all-out war, would not be . . . the most thorough.

On the other hand, the resolution that was achieved, precisely on the basis of at least one bloc (led by the Soviets) wanting to avoid that destruction, and the other bloc (led by the U.S.) allowing that retreat from showdown, would also not be a thorough one.

[Why the U.S. allowed Gorbachev to back off and did not push him to the wall is something we have to investigate.]

Looking back at the strengths and weaknesses of the party's analysis in the period of the 1980s, we might consider using a meteorological metaphor. It was correct for the party to issue a "tornado *watch*"—to call attention to the fact that conditions were highly conducive to the development of a tornado, of war. It was wrong, however, to issue a "tornado *warning*"—to declare that a tornado (war) was definitely coming unless prevented by revolution.

[A point for further elaboration. We have to demonstrate that the motion of things actually was toward world war. The counterargument, dominant on the left at the time, was that for all the saber rattling, war was never really in the cards. In answering this, we can't leave the matter at the level of asserting that war would have happened had it not *not* happened.]

The above analysis throws up an unsettling issue. If the resolution of acute interimperialist antagonism could be achieved through relatively "peaceful" means, does this call into question basic Leninist theses about this era? Does the fact the imperialists faced the need to avoid all-out war mean that Khrushchev was right after all about the "three peacefuls" (peaceful transition to socialism, peaceful coexistence between social systems, peaceful competition)? In particular, does this mean that a prospect for peaceful transition from capitalism to socialism opens up?

The emphatic answer is: NO. We have discussed a historically specific *interimperialist* compulsion to avoid world war in the 1980s. But in relation to the basic *class antagonism*, the imperialist ruling classes do not face an equivalent compulsion. The defense and

preservation of their class rule involves a qualitatively different contradiction. They do not face the necessity to voluntarily step aside and relinquish their class rule. The violent seizure of power remains necessary for resolving the fundamental class antagonism.

Nor does it follow from this account of the resolution of this particular interimperialist antagonism that Karl Kautsky has been vindicated about "ultra-imperialism"—the theory that the major powers could essentially manage their differences peacefully. There can be no more or less "permanent truce" among the imperialists. Even if they might avoid all-out nuclear war for a prolonged or indefinite period of time, there will continue to be imperialist wars of various kinds, including "indirect" military conflicts among the imperialists. For example, there are "proxy wars" in which the imperialists fight each other indirectly by means of client regimes, or movements they dominate or manipulate.

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A Spiral Is Not an Extended Cycle: Understanding War's Purgative Function

Some clarification about the relationship between cycles and spirals and the way in which war promotes capitalist restructuring is necessary. World war has represented the most thorough means by which the imperialist system has temporarily overcome its political and economic contradictions. Further, there is a dynamic interplay between crisis and rivalry, each intensifying the other and the drive to war.

Spirals, however, are not extended international accumulation cycles. These spirals work themselves out in a qualitatively different way than does the economic or business cycle. The business cycle refers to capitalism's characteristic pattern of growth. Accumulation is marked by economic contractions (or crises) and recoveries/expansions. The cyclical motion of accumulation persists under imperialism, though in modified form. And cyclical motion is subordinated to and conditioned by this larger spiral motion.

War, like crisis, plays a certain purgative role. But war does not perform the role of crisis in a one-to-one equivalent way. A war economy has a purgative aspect of rationalizing production, of weeding out inefficient capitals, of promoting technological upgrading (as occurred in the U.S. during World War 2). There is the destruction and devaluation (the loss or depreciation of value) of capital that is part of and a consequence of war, especially in the vanquished countries.

But the purgative aspects of war, as they affect the structure and composition of capital, become more or less stimulating factors in the context of what is essential: the establishment, on the basis of the redivision of the world, of a new international strategic and economic framework. This involves interimperialist relations, the

distribution of colonies and spheres of influence, etc. In this new framework, it becomes possible to more profitably employ and develop productive forces and new technologies and to carry out reorganization.

AID is correct about this and correct in saying, quoting Marx on crisis, that war represents the "forcible adjustment" of imperialism's contradictions. However, war does this on a whole different level, involving transformations of power relations, than did crisis in the preimperialist era (although that "adjustment" was never purely economic either).

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On the Particular Resolution of This Spiral/Conjuncture

How are we to understand the events and ramifications of 1989-91? How much of a turning point was this?

Four major explanations might be considered:

(A) There was a significant shift in interimperialist relations but this has not resulted in the overcoming of crisis—and thus no conjunctural resolution has occurred.

(B) This was a nodal point/conjunctural resolution, bringing about a breakdown in the "cold war" structure of international relations and a restructuring of the world imperialist economy—but a defining particularity of this resolution is the lack of expansiveness in the world economy.

(C) We are still on the same basic track as before the collapse of the Soviet Union—the alignments among the imperialists and manifold contradictions of the system are compelling violent redivision of the world.

(D) Not only has there been a major shift in interimperialist relations but in relation to this *and* owing to other dynamic factors in the world economy (notably globalization and new technologies), vast new possibilities have opened for capital; the world imperialist economy has, though not without bumps and adjustments, entered into an extended period of expansive accumulation and growth (perhaps even boom).

Our strong inclination is that (B) is correct, and this has been our working thesis. This conjuncture did in fact lead to a qualitative change. *The collapse of the Soviet Union and its bloc represents the most decisive change in interimperialist relations since the end of World War 2.* A new configuration of imperialist relations has been unleashed. World capitalism has undergone a certain restructuring and its geopolitical framework has been altered. *But the specific resolution of contradictions was not very thorough, not very "purgative." This has resulted in certain particularities of this new spiral of development.*

Again, we have to avoid "typical motion" models and explanations. There is an underlying

spiral/conjuncture dynamic propelling the evolution and periodic reconstitution of the world imperialist system. This is not the totality of contradictions and processes in the world, although, as emphasized, so long as the bourgeois mode of production is dominant in the world, this dynamic is going to be very shaping and defining of world developments. However, it does not follow from our understanding of spiral/conjuncture motion that the resolution of interimperialist antagonisms will necessarily lead to the same outcomes.

World War 2 led to a more massive restructuring and global economic expansion than did World War 1. But consider another factor that emerged in the wake of World War 2. A socialist camp came into being. A large chunk of the world was effectively removed from the imperialist orbit. Yet because of the specific, that is, the relatively thorough resolution of interimperialist antagonisms brought about by World War 2, the destruction of capital values, the redistribution of colonies, and the orchestrating and integrating role that U.S. imperialism would now play in the reorganization of the world economy—capital was able to restructure, innovate, and expand . . . in a world that had actually shrunk (for it).

Let's return to the current situation. We are arguing that 1989-91 was a resolution point of the contradictions that were coming to a head in the 1980s and that were driving things toward world war. With this resolution, a new set of factors—a new mix of opportunities, options, problems, and contradictions—has been brought forward. This, we feel, is what is principal.

In other words, the current world situation is not mainly characterized by the same set of problems that existed prior to 1989-91. But owing to the particular nature of that conjunctural resolution, with certain contradictions not getting resolved so completely, some features from the previous period have "carried over" into the current situation. Examples of this are elements of the Third World debt crisis, an unstable and unreconstructed international monetary system, and so forth.

The overall situation brought forward through the conjunctural resolution of 1989-91 is definitely different from the period of 1945-73, which was marked by growth and expansion unprecedented in the history of imperialism. But it is also different from the period of 1973-89, which was marked by global economic crisis, intensifying interimperialist rivalry, and motion toward war.

Here we can say more about the concrete changes in international political and economic relations that took place, and that are continuing to take place, as a result of the conjunctural resolution of 1989-91.

The demise of the Soviet Union. This involves both the unraveling of the specific economic-political structures of Soviet state-monopoly capitalism and the disintegration of the Soviet-led bloc. Geopolitically, especially with respect to interimperialist relations, the demise of the Soviet Union has had a major impact on international relations.

It has greatly influenced the military dispositions and expenditures of the imperialist powers. And Russia's military strength, though it remains considerable, no longer means the same thing internationally, given the collapse of the Soviet empire—although Russia could reemerge as a major imperialist power.

The ending of the global confrontation between the U.S.-led and Soviet-led imperialist blocs has had an enormous effect on global capital flows—on their volume and direction. Capital can move more freely throughout the world. The geopolitical risks to capital investment in the Third World have been reduced. This has given further impetus to imperialist globalization, and to shifts in the international division of labor.

The former Soviet bloc stands in a different relationship to the world economy, and this too is influencing capital flow and trade patterns. The political economy of the world oil industry is likely to change as Western capital penetrates Kazakhstan and the Caspian Sea oilfields. With the U.S. and Germany investing in auto and other sectors in central and eastern Europe, and new linkages between the world market and this region being forged, the import-export structure of the former Soviet bloc countries is changing. Seventy percent of what the East European countries are now selling to the West had not been part of their pre-1991 export mix.

As a result of the breakup of the Soviet bloc, a single Germany with greater-European ambitions has emerged in the world imperialist system. There is now a different framework in which international economic agreements like the World Trade Organization (WTO) and the Multilateral Agreement on Investment (MAI) have gotten hammered out or are being struggled out.

The emergence of the U.S. as the sole imperialist superpower. A tendential tripolar imperialist alignment and division of the world. With the collapse of the Soviet Union, the U.S. has reemerged as the sole imperialist superpower. This is an important change in interimperialist relations. On the basis of its international and military strength, the U.S. can exert leverage and more readily enforce its rules and terms. The Gulf War was a kind of end-of-previous-spiral/beginning-of-new-spiral marker; and an aspect of the war was that the U.S. wanted to reassert and demonstrate its preeminence vis-à-vis the other imperialists.

Another change is that with the dissolution of the former Soviet bloc and the breakdown of the overarching "bipolar" structure of international relations, the three-way rivalry between the U.S., Germany, and Japan, which was emergent within the Western alliance and which involves subrivalries as well, has grown more intense.

To some degree there has been an element of restructuring of the world economy along the lines of this three-way rivalry. One manifestation is a tendency, or drift, toward the creation of distinctive geoeconomic blocs, with the U.S. tightening its economic hold over the Western hemisphere; Japan attempting to forge a dominant position in East Asia; and Germany playing a more assertive role in continental Europe.

There are certain particularities in the situation among the imperialists. Germany and Japan do not have the same global reach, cohesion, and military strength as the U.S.; a high degree of interpenetration exists within and between these emergent blocs (global integration continues to increase); and Russia, in terms of potential shifts in the existing balance of power, destabilizing influences, etc., is still a factor in the interimperialist equation.

Importantly, *imperialist rivalry is not now expressing itself in the forming of war blocs*. Our sense is that the contradictions posed by slow and unstable growth and intensifying economic rivalry in an increasingly globalized world economy are more defining of the interimperialist landscape and world developments in this period than is military-strategic maneuvering.

There are complex interactions here. The U.S. appears to have allowed, or ceded to, Germany the dominant position in East European reorganization, while using NATO and the IMF (for example, loans to Yeltsin) to further its geopolitical interests. At the same time, German and Japanese military power are growing. In the world as a whole, military arsenals are hardly being dismantled. The U.S. is seeking not only to maintain its preponderant military advantage but to upgrade it technologically. But economic and geoeconomic competition are clearly of increasing and, we think, of primary importance now.

In this new international framework, with global economic pressures, jockeying, and interactions playing the kind of role that they are, military power does not yield, or translate into, the same kind of all-round international power as was the case in the 1980s, when the two imperialist blocs were on a collision course. Other imperialisms are not mainly challenging the U.S. on the military-strategic plane. Nor is the U.S. able to use its military strength to prosecute economic rivalry. (It is not about to use nukes, or the threat of nukes, to solve trade contradictions with Japan!)

The new emerging constellation of geopolitical power interacts with an important world economic trend: the shift in the center of global manufacturing to the east Asian side of the Pacific Rim, where Japan holds the largest share of foreign investment (although Japan is heavily dependent on Europe and North America as export markets).

Resolution of "hot spots" and "impasses" in the Third World. On the basis of new interimperialist alignments, it became possible for Western imperialism to broker settlements, to a greater or lesser extent in particular situations, in various "hot spots" in the Third World. These include conflicts in Central America, Palestine, and South Africa.

Significant nonmilitary application of new technology and reorganization of production relations. With the end of the "cold war," Western capital, U.S. imperialism in particular, has acquired a greater ability to apply new computer, information, etc., technologies on a wider scale and to push forward the development of more flexible

systems of production and specialization and more coordinated transnational forms of exploitation and marketing. (These issues are explored in some detail later in the discussion.)

Deepening imperialist penetration and further remolding of national economies in the Third World. IMF and World Bank austerity and "structural adjustment" programs dating back to the 1970s and 1980s are now in effect in about 60 countries. They are interacting with geopolitical changes. As a result of harsh IMF/World Bank measures to "remold" these economies, and with the Soviet collapse, imperialism is mining new investment opportunities.

A whole new generation of export-processing zones is being created in the Third World. These are special areas set up to assemble goods or components (mainly with imported materials) for the world market; tariffs, minimum wage policies, and environmental regulations are "relaxed" or "removed" to serve the needs of foreign capital. Employment in the maquila border factories of Mexico rose from 310,000 in 1988 to about 900,000 in 1998.

A globally integrated cheap-labor manufacturing economy is being forged.

In this new global framework, flows of investment capital to the Third World have become an increasingly important share of total world capital flows. They increased three-fold in the first half of the 1990s and rose from 18 percent of the world's total cross-border direct investment in 1988 to about 40 percent of total flows by 1997. This investment, however, is concentrated in 10 to 12 countries, like Brazil, Indonesia, Mexico, and Singapore. At different points in the 1990s, China has received fully one-third of all manufacturing capital inflows to the Third World.

The Soviet collapse has affected neocolonial relations in the world. Soviet power and influence in the Third World, and its "statist" model of neocolonial domination and development, weak as it was as an alternative to Western imperialism, no longer stand as an impediment.

The situation in India is a good example. The Soviet Union had been India's largest export market and principal supplier of energy (much of which went to enterprises in the state sector). When this relationship shattered, and with remittances from overseas Indian workers cut off by the Gulf War, India found itself facing a severe foreign exchange crisis in 1991. The U.S. imperialists stepped into the breach, pouring huge amounts of capital into India. Within two or three years, U.S. capital inflows to India exceeded the total of U.S. investment in India over the course of the entire preceding post-World War 2 period. U.S. imperialism has a tightening grip on the Indian economy.

There is an interconnection between deepening imperialist penetration of the Third World and intensifying geoeconomic rivalry between the major imperialist powers. This is expressed in struggle over the exact terms of and enforcement authority behind new

international trade and investment agreements (like the WTO). It is also expressed in the vying strategic agendas between the U.S. and Japan in APEC (Asia Pacific Economic Cooperation Forum).

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More on the New Spiral and the World Economy: Lack of Expansiveness and Instability

There has been a recasting of interimperialist relations and a certain restructuring of global capitalism. This has been a stimulus to investment, growth, and further reorganization in the world economy (and the global economic crisis of the mid-1970s and 1980s had unleashed some restructuring of major industries, regions, and labor relations).

In this altered geopolitical framework of the 1990s, imperialist globalization has accelerated. Imperialism is able to allocate capital, labor, and technology in more complex and diverse, and in new complementary and cost-cheapening, ways. In these new conditions, new alliances and competitive strategies are being developed.

The field on which the imperialists are scrambling for markets has widened. Hundreds of millions of workers from the former Soviet social-imperialist bloc and from China have become part of a more integrated global labor pool. Growing financial integration and centralization are enabling capital to be more easily combined and rapidly deployed, invested and disinvested, throughout the world.

Major organizational and technological changes have taken place and continue to take place in the operation of world capitalism, as capital seeks to enhance its flexibility, to minimize costs, and to speed up reaction time in response to shifts in world market demand.

These and previously mentioned geopolitical consequences of the collapse of the former Soviet Union and its bloc have had far-reaching effects.

For these reasons, we do not think it is correct to characterize the overall situation faced by the imperialists today as one of "crisis"—or, more particularly, as one defined as the continuation of the same crisis that began in the mid-1970s.

We have used the phrase "structural crisis" to describe the state of the world economy in the 1973-89 period (see Raymond Lotta, "Imperialist Globalization and the Fight for a Different Future," *Revolutionary Worker*, No. 934, November 30, 1997, for a concise account of the origins and manifestations of that crisis). Apart from its more specific

features, a global crisis of accumulation refers to the fact that capital faces impediments and blockages to its profitable reproduction, extension, and reorganization on a world scale.

Crisis is a complex phenomenon. But, as we have analyzed this "structural crisis" of the 1970s and 1980s, an essential component was the emergence of barriers both on the side of the imperialist countries and on the side of oppressed countries. More specifically, this involved the interaction of a base of declining profitability in the advanced countries with disarticulation in the dependent countries.

This crisis was also conditioned by and interacted with interimperialist rivalry, concentrated in the contention between the U.S.-led Western imperialist bloc and the Soviet-led social imperialist bloc. The then-existing division of the world, and the very existence of an opposing bloc, stood as the primary obstacle to the ability of either bloc to resolve the major strands of economic and political crisis to its long-term advantage.

With the collapse of the Soviet Union, a new interimperialist configuration has emerged in the 1990s, and restructuring has been unleashed (and again, aspects of restructuring were in motion in the 1980s). As a result, there has been a certain overcoming of previous barriers. These are barriers such as geopolitical factors that had impeded flows of imperialist capital, as well as the barriers thrown up by past rounds of investment and expansion in a particular global economic and political framework that has now been altered.

So, significant changes have taken place.

On the other hand, the reorganization and restructuring of the world economy have not, in our view, created the basis and produced the conditions overall for what might be called "expansive growth."

Overall, growth in the world economy in the 1990s, especially in the major imperialist countries, has been slow. World output grew at an annual average rate of 3.2 percent in 1990-98; and for the seven major Western capitalist economies, growth since 1993 has averaged only 2.4 percent per year. To put these numbers in perspective, in the 1948-73 period, growth in the world economy averaged about 5 percent per year.

Growth in the 1990s has been highly uneven. China has had very high rates of growth. Asia accounted for two-thirds of the growth in world output between 1990 and 1996. At the same time, overcapacity plagues key global industries, like cars, chemicals, and electronics (and East Asia, an attraction point for global investment in the 1990s, has been the major source of global manufacturing overcapacity).

In addition to sluggish growth overall, the world economy is marked by great instability, as evidenced by persistent financial turmoil.

What is happening in the world economy is not, as we have argued, analogous to the events of the period following World War 2. In the postwar years, global reorganization

was laying the basis for the postwar boom—and growth in the imperialist countries was accompanied by rising levels of government spending and social expenditure. Significantly, current recoveries are not translating into broad, "socially stabilizing" economics. In fact, we see the dismantling of the "welfare state." For huge sections of the masses worldwide, poverty and desperation deepen.

To elaborate more fully on this analysis of the world economy: Western Europe remains mired in slow growth (recent growth has been highly export-oriented). For Germany, the economic dynamo of Europe, the costs and strains associated with the absorption of East Germany proved much greater than anticipated, and German imperialism is facing larger problems of adjustment to international economic conditions.

Russia is going through one of the most brutal economic episodes of the 20th century—economic activity contracted 40 percent between 1991 and 1997, impoverishment has spread, and life expectancy has declined. Vast tracts of the former internal Soviet empire are economic wastelands or are on the brink of economic collapse.

Japan has yet to recover from the financial difficulties and recession of the early 1990s, the steepest in that country since World War 2. The whole institutional fabric of postwar Japanese capitalism is fraying.

The U.S. has experienced the most robust growth of the 1990s relative to the other imperialist economies. This expansion has particular features. A large share of capital investment has been focused in the financial sector, the stock market boom has been a major element of this expansion, and productivity growth has not matched the kind of sustained increases in productivity that marked the 1950s and 1960s (these are things to be investigated more fully).

[A question to look into: why can't imperialism "settle in" and "stabilize" itself at a low level of growth? The answer would seem to have much to do with the expand-or-die imperative of competitive and profitable accumulation, and with the anarchic thrusts and consequences of globalized accumulation. Imperialist capital has, for instance, sought lower costs and higher profits in the more rapidly growing East Asian region—and this has generated particular contradictions.]

A "global jobs crisis" has persisted through the 1990s. About one-third of the world's labor force remains unemployed or underemployed (unable to find full-time work, or working full-time at less than a living wage)—a level not seen since the Great Depression.

In Western Europe, 1 out of 10 workers is without a job. In Asia, Africa, and Latin America, over 800 million people are unemployed or doing jobs that don't pay enough to survive on. In Latin America, an estimated 8 out of every 10 new jobs "created" in the mid-1990s have been in the poorly paying, unregulated (legal and illegal) "informal economy"—which includes day laborers and peddlers, laborers in urban workshops and transport services, and people in all kinds of street and "survival" occupations, etc.

The great expansion of involuntary part-time, "casual," and "informal" work is a worldwide trend. It is linked to the slow and unstable growth dynamic of the world economy, to the distortions arising from imperialist-dominated development in the oppressed nations, and to certain technological and organizational developments (discussed in Part II).

Financial and monetary instability loom as threats in the world economy. Third World debt stands at about \$2 trillion, or twice its level of the early 1980s. The 1990s have seen three major financial disruptions: the European currency crises of 1992-93, the Mexican peso crisis of 1994-95, and, most recently, the Asian financial meltdown. Currency instability is a persistent feature of the world economy. The contradictory role of the dollar as an international reserve currency and as an instrument of U.S. domination will continue to generate tensions, as will shifting yen-dollar exchange rate alignments.

A large share of the world's capital flows are short-term and speculative. In 1971, 90 percent of all foreign exchange transactions involved trade and investment, with only 10 percent going toward speculation. Today, the situation is reversed, with speculation now accounting for 85 to 90 percent of all foreign exchange transactions. This phenomenon seems to be related both to globalization of financial markets and to the slowdown in long-term capital investment.

World capitalism has created all manner of new financial instruments and markets, along with new forms of global financial coordination. One study put it this way: "the financial system has achieved a degree of autonomy from real production unprecedented in capitalism's history, carrying capitalism into an era of equally unprecedented financial dangers."

Huge amounts of fluid capital have the potential to overpower the world financial system. Japan's "bubble economy" collapsed in the early 1990s ("bubble economy" refers to a speculative run-up in asset values, like stocks and real estate, that is way out of line with the underlying performance of the economy), and Japan's financial structure remains seriously weakened. Imperialism also needs to manage increasingly unmanageable levels of accumulated debt.

Still, it would be quite wrong to base our work on the likelihood of a breakdown or collapse like that of 1929-31. The imperialists have learned from history. They have put certain institutions in place, and they will go to great lengths (as the central banks and IMF have done over the last 20 years) to prevent financial panic. But financial disturbances that can whipsaw through the world economy are inherent in the situation. And difficult-to-contain financial jolts will continue to destabilize the system.

The East Asian crisis is very much a phenomenon of the globalizing trends of the 1990s. It is linked to the huge increase in capital flows into parts of the Third World that occurred in this decade. It is linked to the export-oriented growth that marked East Asian dynamism but that became increasingly unsustainable as more countries in the region

were "plugged in" to this dynamic—the result of imperialist capital chasing after ever cheaper production sites. It is linked to the intensified globalization of currency and stock markets and the surge in short-term financial flows across borders.

The U.S. economy has been in recovery and expansion for seven years. This has been a period in which the U.S. has sought aggressively to strengthen its position in international markets. Domestically, the U.S. recovery has been fueled by corpo rate revamping, brutal downsizing, and the adoption of new information and cost-saving technologies; and by the harsh restructuring of the U.S. labor force and labor-management relations (the proportion of workers represented by unions fell from 24 percent in 1980 to 15 percent in 1997).

After a decade of downsizing, large U.S banks and corporations have been merging at a pace and on a scale not seen since the industrial consolidations of the early 20th century. This is one way in which imperialist capital is seeking to take advantage of new global opportunities and to position itself for new global competitive challenges.

With Germany and Japan facing difficulties, the U.S. has regained some competitive economic advantage in the world economy. The dollar has strengthened in relation to other imperialist currencies. The increased competitive strength of U.S. capital has been closely related to a surge in U.S. foreign investment: U.S. foreign direct investment outflows rose from an annual average of \$23 billion in 1985-89 to an annual average of \$88 billion in 1993-97.

[We need to investigate whether there has been a significantly higher rate of U.S. capital formation in the form of capital export relative to domestic investment over the last 20 years and whether overseas profits have been increasing as a share of total profits.]

The U.S. economy is still the strongest in the world. It is more than twice the size of the world's second most powerful economy in Japan. But, in our view, the U.S. is not, even in expansion, able to play the same kind of "locomotive" role in the world economy as it did in the decades following World War 2—a role of stimulating growth and pulling along other national economies.

That "locomotive" capacity was based on the overall structure of international production relations, the U.S.'s commanding position in the world economy, the impact of its national market on world demand, and the role of U.S. government spending and international transactions in stimulating and financing world growth. It was also based on the U.S. geostrategic role, in particular as head of a bloc in a "bipolar" imperialist "face-off."

That situation no longer holds. The U.S.'s global economic strength has declined relative to what it was in the 1950s and 1960s. Its share of world economic output has fallen from 50 percent as late as 1960 to about 25 percent today (and its shares of world trade and world investment have similarly declined). Further, the U.S. came out of the "cold

war" financially weakened. Big trade deficits and the need to curb budget deficits make it more difficult for the U.S. to resort to expansionary government spending and monetary policy.

Today, no other imperialist power is in a position to be the "locomotive," or to play the kind of leading and orchestrating role in the world economy that the U.S. did in the decades following World War 2. This is not to say that a "commanding" or "locomotive" economy is a necessary feature of global reorganization. But the existence of such a "locomotive" will greatly influence development.

The imperialists do have a certain common agenda vis-à-vis IMF/World Bank structural adjustment programs in the Third World, trade and investment liberalization agreements that afford them ease of entry, exit, and ownership in the economies of the oppressed nations, etc. But, as stressed, a key feature of the new situation is intense economic rivalry among the imperialists.

One aspect of heightening geoeconomic competition among the imperialists is the *trend*, also mentioned earlier, toward regionalization and the formation of regional economic blocs. On the one hand, Japanese-led regional integration in Asia and U.S.-led regional integration through NAFTA are part of a process of lowering labor costs and raising profitability. On the other hand, regional integration is part of a strategy by which rival imperialists are forging privileged trade and investment positions from which they can more effectively compete with each other worldwide in a slow-growth world economy.

One reason the U.S. has been bolstering its investment and trade position in Latin America is exactly to strengthen its capacity to compete with Japan worldwide. At the same time, the Asia-Pacific region has been an important arena and battleground precisely because this has (up until recently!) been the most dynamic growth region in a world economy gripped by slow growth.

A decisive factor in the current situation is U.S.-Japanese economic interrelations. The rivalry, trade imbalances, currency alignments, financial flows, and so on between the U.S. and Japan are an all-important hinge and potential faultline of the world economy. Volatility in the financial realm is powerfully interacting with U.S.-Japanese rivalry. At the same time, with the impending creation of a unified European currency, the dollar will have its first real competitor as an international transaction and reserve currency since it took the place of the British pound-sterling 75 years ago.

The collapse of the Soviet Union and the breakdown of the "cold war" structure of international relations have brought the resolution of certain contradictions—at the same time that others persist and sharpen, and as some aspects and factors of the new situation already show signs of turning into their opposite, such as the financial turmoil in East Asia.

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Some Summing-Up Points

Two points must be made about the restructuring of the world economy.

First, it is taking its cruelest toll on the masses of the oppressed nations. The living standards for the poorest 2.5 billion people in the world are deteriorating. World Bank/IMF austerity and adjustment programs have led to neglect of infrastructure and social services and widespread malnourishment.

Second, restructuring and growth are creating new strains and disorder in the world system. The speed and ferocity with which the Mexican crisis unfolded is revealing. This was something new, a crisis of a "reformed" and "restructured" economy. In general, the neocolonies are caught in a vise. They are pressed by the "export imperative" of IMF structural adjustment to constantly increase exports in order to repay debt, but they face slow growth and restricted access to the markets of the advanced countries. Third World countries are also subject to the rapid shifting in and shifting out of short-term capital.

Part of what defines the current situation, as Bob Avakian has written, is that "in many Third World countries there is definitely a certain kind of crisis." He describes what he calls a "crazy quilt" pattern of dynamism, stagnation, and destruction in the Third World: "There is a very volatile mix of dynamism and destruction of productive forces. As for destruction of productive forces, at a minimum, many, many people are not employed; but in quite a few ways, there is literally destruction of people widely in the Third World. It is important—very important in fact—to call attention to this destruction, and to adhere firmly to and bring forward the principle that after all the people are the most important and dynamic productive force of all. So destruction of productive forces doesn't mean just destruction of technology—people are being massively killed off or are dying in horrendous conditions.

"In the Third World generally, there is a big phenomenon of `enclaves'—a few highly developed areas, utilizing `high tech,' and so on, in the midst of massive dislocation and poverty and overall disarticulation—and destruction of productive forces, in particular of masses who are outside the `laissez-faire free market.'"

Again, our view is that the conjunctural resolution of 1989-91 and the structural transformations that have accelerated in its aftermath are *not* creating the conditions for sustained and stable global growth. Of course, we have to demonstrate why this is so. We have to explore what it is about the structures and relations of the world economy—the composition of capital, global capital requirements, the weight of debt, etc.—that impedes expansiveness and profitability.

For the advanced capitalist economies to maintain reasonable rates of growth, growth must also take place in the Third World. But such growth (and further restructuring) requires enormous infusions of capital, which appear to be beyond the capacities of the West. It should be emphasized that this is not only a *quantitative* but also a *qualitative* matter. Imperialist investment in the Third World leads to and heightens disarticulation.

And regardless of *how much* capital the imperialists invest, this will not lead, over any prolonged period, to the kind of growth that will enable imperialist capital to sustain long-term expansion and profitability overall.

We have more to analyze about the difficulties confronting the imperialists in achieving global coordination in the world economy and the resulting problems. And we have to factor in the contradictions and apparent unsustainability of Keynesian fiscal economics (fiscal policy refers to government spending and tax measures used to stimulate growth).

Here is a brief reckoning. In nearly half the world's countries, per capita incomes were lower in 1997 than they were 10 or 20 years earlier. Despite the emergence of a few "newly industrializing countries" (targeted for imperialist investment), the gap between the rich and poor nations is as extreme as ever. In 1960, the richest 20 percent of the world's people had 30 times as much income as the poorest 20 percent; by 1997, that proportion had more than doubled, to 74 times as much.

In Africa, economic stagnation, the breakdown of infrastructure, and disease ravage much of the continent. Imperialist globalization is destroying subsistence agriculture in much of the Third World. Some 75 to 90 million people from the Third World are migrant workers outside their homelands.

The world's labor force continues to undergo brutal restructuring. Economic and social inequality, both in the dependent and advanced countries, is deepening. Life-destroying IMF "adjustment programs" have swept through the Third World, accelerating social dislocation in the countryside. Forms of indentured labor and child labor are on the rise in the world. The "welfare state" is under siege in the imperialist countries, while in the richest country of the world, the United States, jails and more jails are being built for larger sections of the "unabsorbable" population.

Ecological devastation is spreading globally. Forests, farmlands, fisheries, and waterways are being pillaged in Asia and Latin America to repay international debt.

In large parts of the Third World, there is a marked drift toward chaos.

This is the world on the eve of the next millennium. This is imperialism in its "normal" functioning.

The world system is not, as a whole, in crisis—nor is there a single world crisis gripping that system. But this is an "intensely mixed" state of affairs. There is some expansion and there are areas of high growth; there are new patterns of capital investment; there is greater economic integration; and there has been recovery in the U.S. But there is crisis in significant parts of the world. There is deepening immiseration and suffering throughout much of the world. Overall, class and national contradictions are intensifying in the world.

It is not the case that the masses suffer only when world capitalism is in crisis (although crisis intensifies that suffering). Nor is it the case that revolutionary struggle must await

the onset of economic crisis—the high tide of revolutionary struggle of the 1960s occurred during a time of expansion.

Bob Avakian has characterized the period we are in as one of "transition with potential for great upheaval." This is perhaps the best capsule description of what is going on. Accumulation on a world scale is tearing at and bringing about great changes in the fabric of economic and social life. It is leading to extreme polarization, to fragmentation, to dislocation, and to all manner of "high-tech" nightmares.

The "new world order" ushered in by the Gulf War and the collapse of the Soviet Union and its bloc is still taking shape. There is much turmoil in the current situation, and there will be more turmoil owing to the kinds of transitions taking place. Whether, how, and at what cost to the mass of humanity the imperialists stabilize things has everything to do with the people's side of the equation.

There are contradictory elements in this new world situation—some more and some less favorable to the people's struggles. But within this situation overall, there is plenty of basis for revolutionary advance: for protracted people's wars to further develop and for new ones to be launched in the oppressed nations; for revolutionary struggles and revolutionary preparations to be carried out in the imperialist countries, where contradictions, including the class contradiction, are sharpening; and for more favorable conditions to be created worldwide through struggle.

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Postscript: **Turbulence in the World Economy**

At the time "Notes on Political Economy" was completed, the financial turmoil in East Asia had only recently broken out. Since then, turbulence and strains have intensified in the imperialist world economy. The party is analyzing the nature and significance of the global economic developments of the last year and a half. This postscript reviews key events.

In the second half of 1998, the economic collapse in what had been the world's fastest-growing region—East Asia—sent a destabilizing and contractionary wave through the world economy. Russia became the focal point of global financial turmoil in August 1998 when it defaulted on \$40 billion in loans from the West. Brazil, with the largest economy in Latin America, was hit next. Investors started a run on its currency, and short-term lenders began stampeding out. Stock markets tumbled, and by January 1999, Brazil's currency, the real, would lose 40 percent of its value.

By September 1998, a grave global financial crisis was looming. Investors were moving huge amounts of capital out of so-called emerging market economies (and net private

capital flows to these economies fell to their lowest annual level of the 1990s). Banks and businesses in Asia, Russia, and Latin America were failing. Prices of raw materials were plunging (in large part because of East Asia's declining demand for industrial inputs). Economies accounting for 35 percent of world output were in or veering toward recession. Imperialist policymakers openly expressed concerns about the potential for a severe global economic slump.

Since the onset of the Asian crisis in the summer of 1997, the Western powers, working principally through the International Monetary Fund (IMF) and with the U.S. leading the way, have pursued a two-track strategy to deal with the situation. One track has involved "crisis containment": emergency intervention involving large-scale "bailouts" to minimize financial panic and protect investors. The other track has entailed deepening "structural reform": forcing distressed economies, as a condition for new credits and inflows of capital, to curb government (especially social) spending and to take other measures to stabilize currencies, and to open up even wider to imperialist trade, investment, and takeover.

The major imperialist powers have thus far (through early fall 1999) limited the spread of financial turmoil. At the same time, the economic expansion in the U.S. has played a dominant role in keeping the world economy moving—to a significant degree the U.S. has been acting as a "market of last resort" for exports from China, Japan, Mexico, Brazil, and Canada. But the U.S. economy is not the "engine" for any kind of vigorous or sustained global growth.

The relatively strong performance of the U.S. economy warrants additional comment. On the one hand, U.S. imperialism has been the main beneficiary of the restructuring of world capitalism, including the acceleration of imperialist globalization, following the end of the "cold war" (as analyzed in "Notes on Political Economy").

On the other hand, the U.S. economy has, in the last two years, derived some economic benefits from global disturbances and difficulties. The devaluation of currencies in East Asia and elsewhere (related to the need to improve export competitiveness) has resulted in lower prices for imports entering the U.S. market. This has helped to keep down production costs and inflation in the U.S. Further, foreign capital fleeing high-risk markets and seeking a "safe haven" in the U.S. is helping to finance trade deficits and investment. At the same time, U.S. transnationals have grabbed up billions of dollars worth of assets, from manufacturing plants to consumer finance companies, at "fire sale" prices in East Asia and elsewhere.

World output grew by only 2.5 percent in 1998 (as compared with a 4 percent growth rate in 1996 and 1997). By mid-1999, there was some recovery in parts of East Asia and some economic revival in Western Europe. But this is shaky, and world growth in 1999 is projected to be less than 3 percent.

There continues to be excess productive capacity (too much potential output from factories, mines, etc., relative to world demand) in some key global industries, like auto.

Low commodity prices were wreaking havoc in many Third World raw materials-producing and commodity-exporting countries through much of 1999. South America is barely growing. China's economy is slowing. Japan is awash in debt as the government tries to stimulate a still-faltering economy. New trade disputes have broken out between the U.S. and Japan and Western Europe. Large and rapid movements of capital in and out of the dollar, yen, and euro (the world's three major currencies) in response to changing economic conditions represent a built-in element of volatility.

For the exploited and oppressed, officially mandated austerity policies and regional crises have intensified misery. Tens of millions have been losing jobs and sinking into deeper poverty in the Third World. In Indonesia alone, there were 20 million newly poor in 1998, and the economic collapse there has contributed to a situation in which at least half of all Indonesian children under the age of two are now suffering from malnourishment. The stark fact is this: in the year 2000, 1.5 billion people, or 1 out of every 4 people on this planet, will be living on less than \$1 a day. The claims of "free market" triumphalism ring more hollow than ever.

"Notes on Political Economy" speaks of this period as one of "transition with potential for great upheaval." A great deal of that upheaval is already manifesting itself.

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Appendix to Part 1: **Looking Back at the Soviet Collapse and** **Gorbachev's Unintended End-Game**

Our analysis of the 1980s recognized the existence of a crisis of the world economy with particular dynamics and features in the U.S.- and Soviet-led blocs. We may have underestimated how deep the economic crisis was in the Soviet Union and its bloc. Different aspects of this crisis have been addressed in various party publications.

In looking back at the crisis of the Soviet bloc, we have to better understand the dialectic between international factors and what might be called the "system-specific" characteristics and distortions of the Soviet capital formation. The international constraints, compulsions, and pressures were principal. But they were filtered through the specific structures of Soviet state-monopoly capitalism (although the evolution of this monopoly capitalism was conditioned in part by the international position of the Soviet Union).

Issues that need to be examined include:

- The Soviet division of the world and the particular nature of the Soviet bloc and the

relations within it. The Soviet-East European trade bloc was marked by an overemphasis on heavy industry and a low level of industrial specialization. The bloc had chronic difficulties raising agricultural productivity. Its trade ties involved subsidies and barter arrangements (goods traded for goods), which limited international economic engagement. And, very importantly, the Soviet social-imperialists had trouble translating geopolitical advances in the Third World into a corresponding economic power and a durable neocolonial alternative to Western penetration.

By the 1980s, Soviet social-imperialism was facing rapidly growing strains and challenges within its bloc and empire. Martial law was imposed on Poland; Soviet occupation forces were bogged down in Afghanistan.

- The effects of global economic developments and the deepening integration of Eastern Europe with the world market on the structure and performance of the bloc.
- The increasingly unsustainable costs of responding to the full-court press by U.S. imperialism.

A central fact underlying the crisis in the Soviet Union was *militarization on a weak economic foundation*. There seem to have been two big problems. There was the sheer size of the military sector—the Soviet Union was spending as much on the military as the U.S., but its economy was half the size. There was also the particularity of linkages to the rest of the economy: military production and research and development seem not to have substantially promoted productivity increases or raised the technical level of the civilian sector.

A secondary factor bound up with the Soviet collapse, and also related to militarization, involves the functioning of planning structures and mechanisms and systems of incentives. The Soviet planning system was marked by systematic misreporting and hoarding of materials by enterprises and by the unwillingness of managers to "take risks" in terms of change and innovation. Bound up with all of this were certain characteristics of capital accumulation in the Soviet Union. There were the effects of what has been described as "extensive growth"—an emphasis on increases in the volume of production on a *relatively nondynamic* technical foundation. But to what extent this is true is not clear.

Soviet growth was strong in the 1950s and 1960s—and Soviet militarization was quite functional from the standpoint of consolidating and extending empire. How all this turned into its opposite and appears to have produced barriers to the development and diffusion of advanced technology has to be understood better. Global crisis and restructuring were imposing new cost-efficiency and technological imperatives on the Soviet bloc, and the Soviet Union had difficulty adjusting. By the early 1980s, Soviet steel production required two to three times the amount of energy per unit of output as was the norm in the West. And global rivalry was imposing additional burdens.

Clearly, significant fetters emerged in the Soviet capital formation—"the waste of the West without its affluence," as one scholar put it. Perestroika was an expression of the need to overcome these fetters, but it failed.

In examining and "weighting" some of the "system-specific" factors bound up with the collapse, we have to be careful about how we treat state-monopoly capitalism. It is not the case that state capitalism is "less capitalist" or "less suited" to capitalist accumulation. And there is no necessary evolution of state capitalism toward more juridical (legal-institutional) private forms.

Nor is it the case that the "husk" of state-monopoly capitalism is a particular barrier to "high frontier" technology. For one thing, the U.S. was not so unencumbered by bureaucracy relative to the Soviet Union, and the U.S. was not all that efficient in the 1970s relative to West Germany and Japan. For another, if the Soviets had had a bigger division of the world, then some of these inefficiencies and distortions would not have been as much of a drag.

How then to explain the "marketizing" features of perestroika? These seem to be linked to efforts to overcome particular fetters and to cope with the dominant position of Western capitalism and its "private-monopolistic" institutional structures in the world. Gorbachev thought he could carry out economic reforms without undermining the fundamental position of the state and party in the economy—although there were efforts to "decouple" state/party structures from some economic activity.

By the late 1980s, the situation the Soviet ruling class confronted was this: they couldn't go to war and they couldn't carry forward with perestroika, the failure of which had the effect of actually accelerating economic decline and disorder. Nor was glasnost—"openness" aimed at revitalizing the mechanisms of governance and the means by which the ruling class exacts "consent" and compliance from the population—performing its intended function under these circumstances.

One outcome of the situation was the emergence of a "legitimacy crisis." This crisis developed as a result of what Gorbachev set in motion, although its roots lay in the underlying material contradictions predating Gorbachev's assumption of leadership. This legitimacy crisis interacted with the economic crisis and other phenomena. And it was a major factor behind the rapidity of the collapse.

It's important to note that a "legitimacy crisis" is not the same as social discontent. A legitimacy crisis arises when the prevailing social and political assumptions that have been promulgated by a ruling class no longer act as an ideological glue—including the glue of ruling-class consensus—and when attempts to craft new legitimating norms and assumptions also fail.

Part II. **Issues and Controversies for**

Deliberation and Research

In what follows, we broadly identify key issues for further research and analysis, while offering some initial thinking on these issues.

Reserves

The question of imperialism's "reserves" poses itself rather directly. Just what kind of "play" is there in the objective situation? When we speak of "reserves," we are referring to the strengths of empire, more specifically the ability of imperialism to withstand jolts, manage particular outbreaks of crisis (such as that in Mexico or in East Asia), and preserve stability in the empire.

Very importantly, the reserves of imperialism (here we are mainly talking about U.S. imperialism) involve the ability of the ruling class to secure stable rule at home—through structures of employment, "concessionary" programs and policies (like social welfare), and an ideological "framework of expectations." We have had this understanding for some time, and it has been a dimension of our research into the political economy of imperialism (not to mention our strategic assessments).

This capacity to withstand and manage difficulties stands in contrast to a situation in which the options before the ruling class are so narrow and conditions so acute that every move the ruling class undertakes to save the system only makes matters worse. And, as we have also emphasized, the question of "reserves" has to be grasped dialectically, as opposed to seeing this in linear, quantitative terms.

Our analysis is that the situation today is markedly different from that of the period of the late 1940s through the early 1970s. The U.S. imperialists have maneuvering room but it is constricted, as compared to what the U.S. imperialists were capable of in the 25 years following World War 2. And this has real ramifications for us.

Domestically, the break-up of the postwar "social contract." The term "social contract" (or "social compact") refers to the dominant program through which the ruling class simultaneously controls and obtains some degree of "cooperation" from the dominated classes in society. This "arrangement" between classes, institutionalized by the ruling class, typically involves a specific structure of labor-management relations and forms of social legislation.

The postwar "social compact" in the U.S. has had two components. The "New Deal" aspect (social security, unemployment insurance, etc., instituted during the 1930s and, in the late 1940s and 1950s, home loan assistance, etc.) is aimed at the majority of the waged and salaried population—the broad middle classes. It is linked to forms of "Fordist regulation."

This is a term coined by a school of French political economists. It derives from Henry Ford's original vision of assembly line workers being able to buy consumer goods, raise

their living standards, and gain a stake in the system. Through and after World War 2, this situation became more generalized and was bound up with unionization (which Ford opposed) and industry-wide union agreements. With the expansion of mass production industries and mass consumption after World War 2, a "social contract" took hold: the corporate promise of stable employment and rising wages in exchange for rising productivity and acceptance of employer mandates by workers.

The other aspect of "concessionary regulation" took hold later; this was the Great Society of the 1960s. An array of antipoverty programs and income maintenance measures (Food Stamps, Medicaid, expanded Aid to Families with Dependent Children) were aimed at pacifying those on the bottom.

Both the New Deal "social contract" and the Great Society programs rested on Keynesian "state management" policies—government expenditure to maintain aggregate demand and to smooth out the business cycle—which in turn rested on an expansive global economy and the dominant place of the U.S. within it.

All of this is now coming apart. Why?

On the one hand, these forms of social stabilization no longer conform to ruling-class capabilities and needs. They are more difficult to underwrite, owing to global economic trends, international competition, and the need to curb deficits. And they stand in contradiction to the ruling class's need to drive down larger sections of the population.

On the other hand, the "social contract" is breaking up and coming under attack because of the removal of a certain necessity: (a) the end of the "cold war"—New Deal social guarantees and Great Society measures to deal with inequality were promulgated in part as "capitalism's answer to socialism," including the promises of the "phony socialism" of the post-1956 Soviet Union; (b) the decline of New Deal strata (like the better-paid and unionized workers); and (c) the increasing unemployability, from the standpoint of capital, of vast sections of the lower strata (Black youth, etc.).

To periodize what has been happening a bit more: in the postwar period, the U.S. imperialists could pay high wages to low- and middle-skilled workers (those with no more than a high school education). By the late '60s, things began to turn but opportunities were still expanding, and the bourgeoisie was able to build up buffer layers of the Black middle class. Through the late 1970s and early 1980s, the observable trend was toward the lopping off and pushing down of layers of better-paid workers. But a still substantial, if declining, core of workers maintained their bourgeoisified position.

Through the 1980s, the rate of increase in social spending slowed and particular programs and agencies were targeted for cuts. From the late 1980s through most of this decade, there was massive downsizing in the U.S. economy (as relocation, outsourcing, and job-displacing technologies spread). This wave of downsizing peaked in 1993, when the largest U.S. companies laid off 600,000 workers, but continued ferociously through 1996, that is, with the economy in recovery. In this same period of expansion, there has

been a massive assault on New Deal and Great Society social welfare programs and guarantees. All this has been hitting those on the bottom and wider sections of the middle classes.

A particularity we have emphasized is that Keynesian spending programs and monetary expansion do not have the same stimulative effects as in earlier periods. Imperialist states are reluctant and unable to embark on that trajectory because of the weight of budget deficits, worries about igniting inflation, etc. At the end of World War 2, federal debt in the U.S. stood at 110 percent of gross domestic product (GDP). With the rapid growth of the 1950s and 1960s, federal debt fell to 24 percent of GDP. But with the onset of crisis in the mid-1970s and the war buildup of the 1980s, the percentage rose to well over 50 percent and remained at that level through most of the 1990s.

[We have to further analyze and popularly explain why massive budget deficits and the strains they created increased the vulnerability of the U.S. economy and limited its maneuverability internationally. At the same time "deficit reduction" has its own contradictions, both the risk of social instability that government cutbacks carry and economic contradictions in terms of how the needs of capital, such as for job training, are being met.]

An important reserve of U.S. imperialism is to be found in the existence here in "a first world country" of a large superexploitable section of proletarians whose conditions of life and employment have a distinctively "Third World-like" character. In fact, the restructuring of the U.S. economy, especially but not only on the West Coast, has been very much bound up with the ability to tap this reserve, particularly immigrant workers. But this is also a highly explosive element for U.S. imperialism and one strategically favorable for revolution.

International: the contradictions of empire. The 1994-95 Mexico crisis is a graphic illustration. This crisis threatened to cause instability on several fronts. A collapse of the Mexican economy could set off social explosion in Mexico and send social and political tremors through Mexico and the U.S. A collapse would have feedback effects on the strength of the dollar, on U.S.-Japanese economic rivalry, on growth and investment in the rest of Latin America (which were in fact adversely affected by the crisis), etc.

So, on one hand, there was great necessity to arrange the peso rescue package, and the ruling class was able to carry through with it. The loan cobbled together by U.S. imperialism was the largest single financial aid package since the Marshall Plan for economic recovery that the U.S. sponsored in Western Europe after World War 2.

On the other hand, this "bail-out" was fraught with difficulties. Sharp debate within the U.S. ruling class and differences among the imperialists did, for a time, jeopardize a timely bail-out. Even with the bail-out, there was, and still is, the danger of a crisis spiraling out of control. And the IMF's financial capabilities have themselves been weakened.

The strains and contradictions will mount, now that Thailand, South Korea, Indonesia, and other countries must be rescued, requiring an even larger loan package than was extended to Mexico. There is the additional problem that Japan, the largest lender to these countries and the second greatest contributor to the IMF, is itself in financial distress and unable, given its economic slowdown, to absorb the level of exports from these countries that would be necessary for them to repay loans and debt, reattract foreign capital, and regain lost market share.

In terms of the Mexican situation: just as important to our understanding of reserves is the fact that the mechanisms locking Mexico in to repayment have been fundamentally premised on more severe restructuring and more savage austerity. The result has been growing misery—the numbers in poverty increased from one-third to one-half of the population since the 1995 peso crisis—and continuing social and political crisis in Mexico.

Capital will seek to take advantage of these situations (as is happening in Mexico), but these measures are also intensifying contradictions . . . and the potential for social upheaval. In other words, the imperialists will take the necessary steps to prevent such crises from growing uncontrollably acute and will try to recoup what they can. But their options are not comparable to those they had in the boom phase of the post-World War 2 period.

There is ever greater necessity to "recycle" problems downward and outward—putting smaller and less efficient capitals under greater pressure, further undermining middle strata, stepping up attacks on the "real proletariat" (the lower, more oppressed sections of the working class) and, in the Third World, imposing austerity, unleashing "cost-efficient" state terror, or simply adopting a policy of "let them die or kill each other off."

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Privatization and Restructuring of State Activity

Why is privatization and the restructuring of state activity a worldwide phenomenon? There are several factors involved:

- The maintenance of high levels of state expenditure is a legacy of the New Deal, the postwar organization of world capitalism, and the anti-crisis measures of the 1970s. But under conditions of slow growth, there are pressures to reorganize and scale down some aspects of state activity—particularly those aspects less directly related to augmenting the profitability of capital—and to increase the pool of capital available for private investment.

Privatization is a form through which state activity is being restructured at the same time that state intervention is being subjected to more direct cost-effectiveness criteria. This also serves as a cover and rationale for social cutbacks.

- There seem to be some contradictions between the existing forms of state intervention and newly evolving forms, or modalities, of capital. In particular, capital requires greater labor and workplace "flexibility." Traditional social protections now come under assault from the state.

- Both of the above are linked to the dismantling of the imperialist "welfare state," which has gone furthest and fastest in the U.S. The need to shrink the welfare state (and social-democratic guarantees in Western Europe are now under heavy attack) is connected to the fact that there is not the same kind of robust growth as occurred during the 1945-73 period, when government spending greatly increased and was both promoting growth and being underwritten by that growth. At the same time, the adoption of "leaner and meaner" social policy is part of imperialism's arsenal for gaining competitive advantage. In sum, the traditional welfare state is no longer compatible with the imperatives of expansion and rivalry. What has been called "competitive austerity"—imperialist policies of downsizing, cost-cutting, and slashing of social spending to keep competitive with rivals who have already done so, or to preempt them—is now part of the dynamic of global capitalism.

- There is an ideological role played by "anti-state," "let the market decide" rhetoric. The notion that the state is an obstacle to economic growth and efficiency and must therefore "disinvolve" itself serves a two-fold function. As mentioned, it is a cover for attacks on social expenditure. It is also a mobilizing banner for the ruling class: Keynesianism was the form of economic engineering associated with the postwar expansion, and since it isn't working, what do you do? . . . fire the old coach and hire a new one.

- Some of this deregulation and privatization may be linked to the explosion of international (cross-border) financial flows, which tend to elude regulation.

However, the state is still central to accumulation (in the U.S., it accounts for about one-quarter of GDP), and this is a structural feature of monopoly capitalism. The state's repressive role is being bolstered, not diminished, both in the restructured capitalist and restructured neocolonial economies. And these policies of deregulation and privatization are actually being initiated and overseen by the imperialist state!

The state is not retreating from economic intervention or regulation. What we are seeing is a shift in the direction, a restructuring, of state activity. And certainly conditions and circumstances requiring that the state take over or bail out enterprises and sectors could quickly develop.

In the Third World, three interrelated forces seem to be driving the privatization and deregulation that are proceeding with a vengeance:

•In the post-World War 2 period, a *certain form* of "dependent accumulation" had taken hold in many Third World countries. This was a situation in which the neocolonial state figured prominently as producer and employer and played an important regulating role in the economy; in which the comprador and bureaucrat-capitalist classes were able to extract revenues from the circuits of the world economy through the expanding operations, for instance, of state-managed raw materials firms; and in which the neocolonial state had been able to count on large pools of "foreign aid" to help finance many public works projects. These arrangements were also conditioned by the U.S.'s need to fortify strategically situated anti-Soviet regimes.

This situation has changed. For example, since the 1980s, foreign aid from individual imperialist states has declined sharply. Privatization and deregulation are in some ways an expression of and a response to the contradictions generated by this form of dependent development in the Third World, by this kind of interaction of the neocolonial state with the world market.

•Privatization and deregulation of the economy are bound up with "globalization," with the trade and investment "liberalization" imposed by imperialism, allowing for the more wholesale domination of these economies by transnational capital.

•Privatization and deregulation are part of the whole package of IMF/World Bank "structural adjustment"—the sell-off of state assets to imperialist capital at cheap prices; the forcing down of wages (wage compression); the ending of state subsidies for food, education, and health; and so on.

In short, privatization and deregulation are means by which imperialism carries out even more intense superexploitation and squeezes these countries for debt repayment.

A final point. The contradictions built into capitalism are exacerbated by this wave of privatization and deregulation. Capitalism's horizons grow shorter—"fast and faster capitalism" looking for profits and angling for advantage—while its long-term requirements (to improve decaying infrastructure and increase its ability to bail out failing firms and economies) multiply and its long-term impacts on its very conditions of existence (such as environmental degradation) grow ever more destructive. And world capitalism ever more rapidly accumulates pools of impoverished people who have no stake in the continued existence of the system.

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Globalization, the Nationality of Capital, and the Imperialist Nation-State

In the imperialist era, the circuits of capital become internationalized—and accumulation grows ever more global in reach and process. But imperialist capital remains anchored to

national markets and national state formations. In *AID* we analyze that this is a profound contradiction of the epoch. But do the leaps in and new forms of globalization call this thesis into question?

Many theorists of "globalization" argue that the territorial-national foundation of capital has lost much of its relevance ("capital has no country"). Their argument is that vast flows of capital across national borders, the emergence of the "global assembly line," and the "transnationalization" of financial markets have led to a "footloose" capital whose structures operate outside the grip or authority of nation-states.

In seeking to maximize profits, capital, according to these theorists, has no loyalty to any state. And in globalizing its operations, capital has gained leverage over national states and undermined the ability of the national imperialist state to regulate and manage economic affairs. In short, capital mobility and the globalization of financial markets are eroding national state formations as basic units of the imperialist world economy and rendering the nationality of capital less meaningful.

There is no question that globalization is accelerating. On an average day, the volume of foreign exchange transactions is about \$1.5 trillion; flows of new foreign direct investment in 1990 were ten times what they were in 1975, and increased by more than two-and-a-half times between 1990 and 1995; 40 percent of the total assets of the 20 largest U.S. transnational corporations are foreign assets. So how would we answer "end of nation-state" arguments?

For all its mobility, *capital has neither detached itself from its moorings in a (home) national market, nor detached itself from the superstructural and institutional expression of these moorings*—the imperialist national state. Why?

- The most significant portion of assets and operations of individual, internationalized capitals tend to be based in, and their profits generated in or repatriated to, their "home base," their respective national markets.

Huge concentrations of fixed capital (factories, energy and power facilities, etc.) are "sunk" in national markets. This is not a post-industrial world, or a post-physical-asset society. Capital cannot so easily pull up its stakes and dart from country to country. The "home market" is where research and development and corporate command and control operations of globalized capital are strategically based.

- The "home base" remains vital to the activity of internationalized capital—more so, in fact, in an era of heightened global competition. This is true even though there is a growing trend toward large transnational corporations entering into various cross-country alliances.

A growing domestic market is a source of strength and international competitive advantage. Key firms based in the home market can exploit economies of scale (lowering costs by producing on a larger scale for a large market). They develop strategic networks of customers, suppliers, and subcontractors. They gain cost savings from complementary

clusters of industries that provide inputs and supplies and raise the overall technological capabilities of the national capital. Japanese capital has institutionalized interindustrial networks in what are called *keiretsu*.

There is both alliance and rivalry among the different units of national capital and within these arrangements, but the material existence of an integrated "home base" lends coherence and competitiveness to a national capital.

Global companies are still strongly attached to their home markets. When total sales decline, home markets tend to be protected at the expense of foreign ones; when firms expand abroad, they continue to rely heavily on home-country suppliers; foreign firm takeovers of key industries and sectors of the economies of particular imperialist countries tend to be challenged. It is hard to find an example of a global company in which the majority of shares are held outside the home country.

- Capital requires that the national-imperialist state act economically and superstructurally to guarantee the *general conditions under which production and exchange can occur*. These general conditions include physical infrastructure (harbors, communications systems, etc.) and basic inputs (like energy); education, job training, and skills upgrading for the labor force; management of the economy (through budgetary expenditures, deficit policy, etc.); central banking systems; and so forth.

Capital could not function as internationalized capital without these props and supports. For instance, the postwar expansion of Japanese and German capital was inseparable from the roles played by the Japanese Ministry of Trade and Industry and the German Bundesbank.

- The imperialist state remains the indispensable guarantor of capitalist production and social relations—through coercion, suppression, and cooptation. Capital must maintain and fortify itself in its home base. Indeed, stability in the national market is a necessary condition for internationalized activity, which normally entails greater risk—and national capitals tend to pay more attention to stability in their home market than elsewhere.

At the same time, capital requires an apparatus (the imperialist state) and the military wherewithal (which means a military industry) to secure the international environment within which it can globally thrive. Individual capitals by themselves cannot generally obtain these conditions of domination—whether they involve austerity programs, counterrevolutionary terror, or both (as in Peru), or direct engagement in war, as in the Persian Gulf.

- The imperialist state is the guardian of the interests of capital as a whole: arranging bail-outs from bankruptcy, negotiating treaties like NAFTA, seeking to resolve disputes between capitals, and forging class consensus above individual interest.

Imperialist states develop "strategic" trade, industrial, and technology policies to enhance or protect the international competitiveness of national capitals. Key industries, like aerospace and high tech, are promoted and safeguarded. Modern financial

institutions, for all their rapid, cross-border, electronic money transfers, remain tied to particular national states and their central banking systems (like the Federal Reserve Bank) as "lenders of last resort."

The material reality of distinct national markets to which individual capitals are anchored has another important consequence. National capitalists will seek directly and indirectly to influence policy direction, issues of governance, and so forth within their home national state in a qualitatively different way than they do in other countries (although there are certainly famous cases of companies, like United Fruit or the oil giants, dominating the state in oppressed nations).

For the above reasons, national capital formations and states will tend to be reproduced. It is possible for individual capitals to detach themselves from a base in a particular country and national market. But: (a) other capitals (newly generated or migrating inward to the national market) will take their place; and (b) those detaching themselves from one base and state will, for all the reasons cited above, have to seek the umbrella of another national state (rooted in another national market).

Now if the process of individual capitals detaching themselves from a national base were to continue on a massive scale, then a particular capital formation might well disintegrate—but globalization as such is not dissolving national capitals and national states.

- There are no global institutions that are the functional equivalents of "international" states—with corresponding authority, resources, and power. There are no global institutions that are "supranational" (above imperialist nations). The International Monetary Fund, for instance, does not assume or take over the overall functions of the imperialist state. It performs more limited and specialized functions (although as instruments of imperialism, the IMF and World Bank do become what amounts to economic governing boards in many oppressed nations, especially in their capacity to impose sweeping conditions when they grant loans to Third World countries).

The IMF is not in its essence an institution "above nations," or one in which imperialist capitals have become effectively blended together. Rather, it represents an "operating fraternity of imperialists," in which one national capital, U.S. imperialism, is dominant. The World Trade Organization (WTO) is a vehicle for forging and regulating imperialist trade and investment rules. But the WTO is also an arena of interimperialist rivalry.

The argument being made here is not that globalization is without significance vis-a-vis national capital formations and states. Production, trade, and finance are more footloose. There is a contradiction between national "regulation" by the imperialist state and the global economic organization of transnational corporations.

In a world economy that has grown more "globalized," and that compels national economies to adjust and reorganize to maintain fitness and competitiveness, imperialist-state economic policy is subject to various global pressures and constraints. Its scope of

effectiveness may be reduced. (Of course, the institutional control exercised by the imperialist state over the national economy is only relative; social production is not truly regulated.)

On the other hand, the world imperialist economy does not possess regulatory institutions commensurate with and adequate to its scope and complexity.

In short, the anarchy bound up with global processes of capitalist development creates new problems of "control." The contradiction between internationalized accumulation and the national character of capital, far from being transcended, is intensified.

The imperialist world economy is a "differentiated unity"; it is not a homogeneous world capitalist economy. Capitalist accumulation is internationalized. Capital export is the leading edge of the search for profitability. Capital competes on a global plane: through the competitive introduction of new technologies in internationalized branches of production, through the competitive movement of capital from one country to another within the same branch of production, through the competitive movement of capital from one branch of production to another branch across national boundaries.

As a result, there are tendencies toward global norms of production (to stay competitive, capital has to produce at a certain level of efficiency) and toward the formation of average world values and international prices of production, that is, toward the "universalization" of social labor (value), the establishment of socially necessary labor time on a global scale. But these tendencies are not fully realized. They have not led to the creation of a single, global capital formation, in which national markets have no significant particularities, or to a single value/price system—although there are complex global processes by which value formation takes place on a world scale.

Why is this so? Because of qualitative differentiation within the world imperialist economy, because of barriers and divisions that are reproduced, because of the very "modes of existence" of internationalized capital.

In *AID*, we show that accumulation proceeds through *monopoly*, specifically the leading and activating role of finance capital and the existence of global monopolistic power relations in technology, finance, control of natural resources, communications, and armaments. It proceeds through *rivalry*, among corporations, banks, etc., and among national imperialist states. And accumulation proceeds through the *division of the world into oppressor and oppressed nations*.

These three "proceeds throughs" are not historical leftovers of imperialism's or capitalism's beginnings. They are integral to the structure and functioning of internationalized capital—even as capitalist production grows more globalized. World accumulation is inseparable from power relations.

The world imperialist economy is far from being homogeneous through and through. There is significant diversity in national and local conditions. The world economy's production relations are differentiated—semifeudalism and precapitalist relations still

exist within the world economy, labor power is reproduced under different conditions, and imperialism utilizes all this. In the capitalist sector globally, production conditions and productivity, labor conditions and wage payments, and so on, vary, especially as between the economies of the oppressor and oppressed nations.

These are all reasons why, despite the existence of a world market, national imperialist economies have relative cohesion and exhibit significant variations. This is why, despite the circulation of capital goods and labor itself across the globe, there is no equalization of wages and rates of exploitation. The minimum wage in Manila in the Philippines is about \$5 per day; in the U.S., it is over \$5 per hour. There is no way to explain the phenomenon of superexploitation in the Third World if globalization, the movement of capital and labor, etc., have flattened differences.

Globalization has obviously not eradicated these differences. Moreover, the differentiation of national circuits of capital is superstructurally reinforced. For instance, privileges are granted to sections of the labor force in the imperialist countries, while there is IMF-mandated wage cutting in the oppressed countries.

The global expansion of capitalism is not a simple process of homogenization. It involves equalization and differentiation (of production processes, etc.) and disintegration and preservation (of precapitalist modes of production and so forth). Capital constantly seeks to exploit, while it also engenders new differentials—this is part of its dynamism, its flux, and its violence.

On the meaning and significance of globalization. With the rise of imperialism, the circuits of money, commodity, and productive capital became internationalized under the dominance of finance capital. But during the last 20 to 25 years there has been a substantial increase in the degree of integration of the world economy, in particular in the integration of internationally dispersed production activities.

This "functional integration" turns on tightly woven production and trade networks and is facilitated by global financial markets, new production and transport technologies, and leaps in "real-time communications" capabilities. This greater ability to break down, scatter, and link production processes and serve different markets, to diversify production worldwide, and to seek out "least-cost" locations for specific products and exploit comparative regional advantages—this ability to undertake a kind of "global scan" in pursuit of the most profitable deployment and redeployment of capital—is a trend of qualitative significance.

More so than ever, the capitalist labor process is being integrated, cheapened, and transformed on a global scale.

One measure of what is happening is that changes in the international division of labor are resulting in a shift of the center of gravity for production activities of some global industries toward the oppressed nations. (It has been said that Sao Paulo is Germany's second biggest industrial city.) Only a generation ago, most of the global shifting of

manufacturing activity was in apparel and consumer electronics. Now a much wider spectrum of manufacturing, agricultural, and service activities is globalized. U.S. car companies, for example, can attain the same levels of productivity and quality at their Mexican plants today as in their U.S. operations (while paying Mexican auto workers one-seventh of what workers are paid in the U.S.).

Globalization has accelerated in the wake of the Soviet collapse and has been promoted through imperialist treaties, agreements, and policies. There is a global push toward deregulation and liberalization. There is the "intellectual property rights" juggernaut, with monopoly making its "proprietary" claims over everything in sight—technology, agricultural inputs and seed varieties, pharmaceuticals, and now genetic material.

There are three elements of the globalization process: intensified globalization of production, which is the key element; intensified globalization of finance; and globalization of "macroeconomic policy" in the oppressed nations (the virtual takeover of the national management of Third World economies by the IMF and the World Bank and the imposition of neoliberal policies and restructuring).

Globalization is a more recent development than *internationalization*. But it does not represent a new stage of capitalist development (as imperialism did for capitalism). It is not obliterating rivalry between monopolistic firms or between national-imperialist states, or the division of the world into oppressor and oppressed nations. Rather, globalization represents the heightening of some of the most essential features of imperialism.

Many theorists of globalization suggest that the "new global economy" is subject to the conscious control of the transnational corporations. We, however, see a world economy in which the contradiction between the organization of production at the private ownership level and the anarchy of social production overall is intensifying on a world scale.

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Technology and Changes in the Labor Process and Organization of Production

Background. In developing the analysis and argumentation of *AID*, we had to settle accounts with various "techno-determinist" schools of thought (both mainstream and Marxist-oriented). Among the most influential are those that hold that technological breakthroughs set in motion long growth cycles that turn into long downswings when these technologies and their economic applications exhaust themselves.

These theories isolate technology or technological "fixes" as the primary determinant of capitalist development and reorganization. As opposed to this approach, we give priority

to the international structure and relations of world capitalism. We view this dynamically, and situate the contradiction between the forces and relations of production in that framework.

However, it has become apparent that we have to take fuller account than we have in the past of the more specifically technological dimension of world accumulation. Our understanding of the nature of the technological change that has been taking place over the last two decades and its economic, social, and (for us) strategic impacts has not been adequate. Only more recently have we begun to more all-sidedly grapple with these issues, particularly in relation to the masses of Black people in the U.S. (see, for instance, Bob Avakian, "A Time of Major Transition and Upheaval: The Impact on Black People," *Revolutionary Worker*, No. 909, May 25, 1997; and Bob Avakian, "From Negative Vanguard to Positive Vanguard," *Revolutionary Worker*, No. 887, December 22, 1996).

Two particular aspects of this question have engaged our attention and research: the role played by new technologies in capitalist restructuring (the reorganization of production processes, the manufacture of new products, and revised market strategies) as capitalism seeks to boost profitability and competitiveness; and, projecting ahead, the longer-term effects of new technologies on the labor process, job creation, and social-economic stability.

The so-called third technological revolution—electronics, telecommunications, and computer technologies; biotechnology; robotics; and new materials technologies—is in fact having profound effects on world economic development.

On the one hand, these new technologies open up vast new technical-production possibilities. On the other hand, owing to the underlying dynamics and compulsions of capitalist accumulation, the application of these technologies is causing, and will continue to cause, dislocation, destruction, and suffering on an order of magnitude unseen in human history. All this is part of the ongoing world-historic upheaval of capitalism.

Important trends. Jeremy Rifkin's book *The Future of Work* contains observations and insights that merit study (he is what might be described as a "social-democratic futurologist"). He argues that the *skills-intensive and labor-displacing* bias of new technology is rendering an increasing portion of the world's labor force superfluous, and that the very meaning of work has to be rethought.

The trends he and other such theorists take note of include the increasing mechanizing/automating out of existence of low-skill and middle-skill jobs, the increasing domination of agriculture in the Third World by high-tech/high-efficiency agribusiness, and an increasingly significant division of economic activity between the "formal" structures and circuits of the world economy and a rapidly growing "informal" economy outside the framework of formal business and labor arrangements. New technologies are destroying more jobs than they create. There is, then, a crisis of work. Various aspects of this argumentation are discussed below.

To be clear, the proletariat is not disappearing. It is the rising class on a world scale, including in absolute numbers. In the Third World, the number of industrial workers alone increased from 285 million in 1980 to 400 million in 1994. Human society in all its complexity is inseparable from socialized production; and capitalism is not eliminating its own need for a class of laborers to exploit.

But there is in fact a global "jobs crisis" or "jobs dearth," and several interrelated factors are contributing to it. In the advanced capitalist countries, old-line industries like auto and steel have shed huge numbers of workers through two decades of crisis and reorganization. Total employment in the U.S. steel industry fell by two-thirds between 1979 and 1997—from 450,000 to 150,000 workers. Employment in auto declined by almost 45 percent in the same period—from 700,000 to 400,000 workers. And what we have seen in the imperialist countries in the 1990s is that these industries are not, even in cyclical expansion, significantly adding to their workforces. Automation has resulted in unprecedented levels of output with *permanently* "downsized" staffing (and technological displacement is in evidence in some industrial sectors of the Third World as well—although, as indicated, the industrial proletariat is growing in the Third World).

With respect to the new, expanding, and dynamic sectors, such as the high-grade information industries, their labor requirements and rate of expansion are not compensating for aggregate job loss—and there is no indication that these industries will be doing that in the long run either. On top of this, the governments in the imperialist countries, squeezed by deficit pressures, are not playing their traditional Keynesian role as "employers of last resort."

The world economy's lack of expansiveness and ever intensifying competition are accelerating the trends, which exist in many parts of the world, toward job displacement and "jobless growth"—growth side-by-side with high levels of unemployment and underemployment (not that absolutely no new jobs are created).

All this poses serious social challenges for world capitalism. The world's total labor force is expected to grow from 2.7 billion in 1995 (this includes unemployed and underemployed) to 4 billion in 2020. In the Third World, 47 million new job seekers enter the labor market each year.

In the Third World, the kind of "dependent industrialization" taking place, which generates and thrives on an impoverished and surplus population, is not absorbing the vast flood of peasants expelled from the countryside. Some analysts have projected that hundreds of millions of peasants will be driven off the land in the next few decades, the result of further imperialist penetration and the technological transformation of Third World agriculture. Far-reaching technological advances in plastics, synthetic fibers, food chemistry (for example, substitutes for sugar), etc., are adversely affecting traditional raw materials and commodities production in the Third World.

In short, the mechanisms of the capitalist world economy and the kinds of technologies "coming on stream"—innovation is actually intensifying amidst slow growth—are leading

to a situation in which billions of people face the prospect of being more intensely exploited and/or being pushed to the "margins."

There's more for us to understand about these issues.

Is a historic transformation underway in what Marx called Department I (the sector producing means of production) and its dynamic role in economic development? Many of the new industries, like electronics and information technology, are tremendously dynamic and innovative. But much of this dynamism is tied up with product innovation; these industries do not seem to be having the same kind of large-scale impact on capital formation and jobs creation as did steel, railroad, auto, and other industries in earlier stages of capitalist development. Computers and peripheral equipment represented less than 5 percent of the total capital stock of U.S. business in the mid-1990s.

Is there a significant or even qualitative shift away from material production in the imperialist countries—as capital relocates industry; expands its global marketing, transport, and communications networks; and seeks to secure monopoly through "intellectual property rights" over software, high technology, production designs, research and development, etc.?

How are we to understand "intellectual labor" (and the "social production of knowledge") as a vehicle for accumulation under modern capitalism? What portion of this activity is productive (in value terms)? To what extent are these trends an expression of heightened parasitism? On a world scale, the gulf between mental and manual labor seems to be widening. And there is no question that the seal of parasitism is being more deeply etched in the imperialist countries.

Flexible production and flexible labor. The Fordist production systems of the postwar period began to run up against certain limits by the early 1970s. (Fordist production refers to the assembly line processes and fragmentation of tasks that permitted the production of large volumes of standardized products.) In particular, these systems were proving to be too "rigid" relative to shifts in demand and world market conditions and pinched profitability. This mainly applied to the U.S., as Japanese capitalism was actually pioneering more flexible systems of production and labor organization as part of its economic challenge to U.S. imperialism.

One of the most striking features of the structural and organizational changes taking place in world capitalism is the premium capital places on flexibility and adaptability . . . again, "fast and faster capitalism." Flexibility is essential to obtaining efficiency and competitive advantage.

Flexibility has two interrelated dimensions: the creation of a more mobile/flexible/disposable global labor force (flexible employment) *a n d* the enhancement of capital's organizational ability to respond quickly to changes in market conditions (flexible production).

The first condition of flexibility involves wide-ranging changes in the labor process—in

the direction of multiple tasking, less rigid demarcation between jobs, constant skills acquisition, and strict management control and use of work teams to pressure workers.

It also involves the increasing polarization of the labor force between a diminishing number of "core" employees with high skills and some job security, and a growing army of downgraded, subcontracted, and short-term workers with little job security and poor labor conditions. Labor is taken on and cast off, deployed and integrated into production chains, flexibly. Attacks on unions and the retreat from social legislation augment labor market flexibility, as does the expanded flow and control over immigrant labor.

The second condition of flexibility—shifting quickly and efficiently from one level of output, or product configuration, to another—turns on small-batch (product variety at lower volume) production, more flexible use of fixed capital, low inventories, and other "just-in-time" manufacture and delivery systems. This is linked to what has been called the "externalization of risk"—keeping strategic research and design and key production operations within the direct orbit of the major corporations while "outsourcing" other activities (relying on outside suppliers and subcontractors, as a company like Nike does). In this way, capital lowers costs and pushes risks outward.

There is a trend toward the decentralization of production, around the globe and inside individual countries. We see an organizational shift away from large firms obtaining flexibility by means of *vertical integration*—directly owning different phases of the production process, from raw materials and processing up through manufacture, etc. Increasingly, flexibility is obtained through *coordination* of far-flung activities, through networks of firms. The large automobile firms subcontract with dozens of technologically sophisticated smaller suppliers to keep up with competitive pressures. Corporate centers monitor and instruct globally dispersed units (often small-scale) by making use of new computerized manufacturing and management information technologies.

The growing importance of "post-Fordist" *economies of scope* relative to "Fordist" *economies of scale* is a complex phenomenon. *It was a capitalist adaptation to the crisis of the late 1970s and 1980s, and it is part of capitalism's continuing structural evolution.* (Economies of scope involve the organizational, technological, and financial coordination of complex and flexible production systems, and the ability to reorient production from one type of product to another without major retooling; economies of scale involve large-scale mass production of standardized products.)

But "post-Fordist" reorganization is also only one, and by no means the now dominant, part of the mix.

Worldwide, capitalism combines flexible specialization in order to service rapidly changing "opportunity" markets—and this is mainly in the advanced countries—with standardized bulk manufacture systems. More of those systems of production are getting shifted to the Third World, where they have a "Third World edge" of fascist labor practices alongside expanded subcontractual sweatshop production, artisanal (small craft) production, home labor, and various forms of "informal economy." Much of the

restructuring of the 1980s and early 1990s, continuing through this decade, has had what might be called a "hyper-Fordist" cast to it: longer working hours, more repressive control over labor, increased work intensity, etc.

The combinations of new and old production and labor systems, and the still-ongoing transitions in these production systems, are bound up with monopoly capitalism's ever greater mobility and flexibility, interknittedness, and parasitism.

But flexibility carries with it risk and new problems. As capital wildly improvises arrangements to penetrate markets and meet competitive pressures, vulnerabilities emerge: disturbances or lack of competitiveness in supply networks, inattention to infrastructure, contradictions—political and economic—bound up with the constant squeezing of labor and training costs. Moreover, and this is something we have to understand better, in this era of "alliance" and "network" capitalism in which the technical means of production are more widely diffused, it does not seem that the "new flexibility" confers the same kind of long-term productivity/technology advantage on capitals as in earlier periods. Competitive advantage is less secure.

All this has colored contemporary political and cultural discourse—"get lean and mean," "get there first," "become a winner in today's more competitive global economy."

Trends in the U.S. Here are some of the ways in which the crisis of the 1970s and 1980s, the globalization and restructuring of the 1990s, and other phenomena under discussion have been affecting the labor force and larger population in the U.S.:

- the intensification of work;
- the continuing shrinkage of the U.S. manufacturing base: manufacturing employment accounted for 16 percent of total employment in 1998, down from 22 percent in 1980 (and 35 percent in 1947);
- more jobs being created in low-wage sectors: 79 percent of the job growth in 1979-97 was in low-wage services and retail trade (while there was also some growth in low-pay/sweatshop manufacturing), with low-wage workers (earning less than \$8 an hour) making up 25 percent of the U.S. labor force in 1998;
- the rapid rise of "contingent" (temporary, contract, and part-time) employment: temporary and involuntary part-time jobs accounted for 15 to 20 percent of job growth in the 1990s;
- the stagnation of median hourly wages (adjusted for inflation) in 1989-98 and the squeezing of health and pension benefits, forcing families to work longer hours to make up declining compensation;
- high levels of joblessness in the inner city: William Julius Wilson points out that in the 1990-95 period, and for the first time in the twentieth century, in most major U.S. cities there were many African-American neighborhoods where the majority of adults were not

working in a given week;

- the locking up of ever growing numbers of Black and Latino youth (over 50 percent of those being sent to prison in the 1990s were Black); the U.S., with the largest penal system in the industrialized world and a prison population that has increased 50 percent in the 1990s, has 2.3 percent of its potential male workforce in prison;

- high poverty rates during the 1990s expansion (12.7 percent of the population was living below the poverty line in 1998, a rate higher than that of the 1970s) and the growth of deep poverty (in 1996-98, 40 percent of all poor people, about 14 million people, had incomes of less than half the poverty level).

The "American model" of capitalism that is being extolled by the U.S. ruling class relies on rough and rapid restructuring and cost-cutting, flexible production and labor, hypermobility of capital, rapid technological innovation, dismantling of social expenditure, outsourcing of key parts of production processes to low-wage areas of the Third World, and criminalization of the domestic poor.

Income polarization has grown rapidly in the U.S. since 1977. The MIT economist Lester Thurow, writing in 1996, observed that "no country not experiencing a [counter]revolution or a military defeat with a subsequent occupation has probably had as rapid or as widespread an increase in inequality as has occurred in the United States in the last two decades."

A significant restructuring of the U.S. labor force has been taking place. This restructuring includes elements of "reproletarianization." It is happening from two sides. First, formerly secure and better-paid sections of the labor force are being "freed" of long-term employment and attachments (like pension plans, etc.) to individual enterprises. Between 1992 and 1995, 15 percent of people holding jobs for more than a year lost those jobs; their new jobs, if and when they found them, paid 14 percent less on average. Second, sections of people who live on the margins of the employment economy are being forced to seek work—by reducing their access to income from welfare, disability checks, and pensions.

Also of notable significance, the corporate "downsizing" and "re-engineering" of the 1990s hit a much wider swath of professional and managerial strata than had earlier rounds of retrenchment and cost-cutting. For some sections of the middle class, "the American dream," to quote one commentator, "is running in reverse"; anxiety and uncertainty are growing.

At the same time, other sections of the middle classes, particularly in the financial-legal and new technology sectors, have seen substantial income gains in the second half of the 1990s.

[Finally, a question that has been posed for research, and that very much relates to this question of what will be happening to various middle strata: former Labor Secretary Robert Reich forecast in the early 1990s what he called a "trajectory of polarization"

within the U.S. He estimated that 20 percent of the people in the U.S. will prosper under the new technology that is coming on stream in a new economic configuration (in which more material production takes place overseas and in which high-paying technological, financial, and consultancy services expand in the U.S.). On the other hand, he projected that 80 percent of the population (consigned to what he called "routine production services" and "in-person services") will see their situation deteriorate or stagnate. We need to examine the validity of this prediction.]

Taking a Larger View. These "jobs crisis" theorists are on to something in arguing that information-based and capital-intensive production do have a certain qualitative dimension—leading to sizable and permanent job loss and a diminishing role for living labor in the production process. They are correct in detecting a trend toward the simultaneous "enclavization" of advanced technological activity and the marginalization of other economic activity. Their forecast that the majority of the world's new entrants into the labor force will not cross over to the high-tech economy seems valid. And they correctly see that all this will engender social upheaval.

But these theorists extrapolate a kind of unilinear trend (steady technological displacement) leading toward a jobless and workerless world. This is one-sided.

First, technology comes in waves, not straight lines.

Second, technology, even this new technology with its qualitatively different features, not only expels but also attracts human labor. Technology has "multiplier effects." In other words, it creates new resource, manufacture, and skills requirements. Growth in one sector of the economy can stimulate growth in related sectors. On the other hand, we need to understand the relationship between this "multiplier effect" and the possibility that there is something about this new technology that will have a qualitatively greater job-displacing impact than earlier waves of technological change.

Third, and most important, technological innovation and application are not autonomous but interact with other factors—including the profitability of accumulation and the continuing development of an oppressive "division of labor" between countries on a world scale.

Imperialism is utilizing a wide range of production systems. We see growing technological polarities between the advanced and dependent nations and within social formations. Southern California's manufacturing belt contains both high-tech firms and sweatshops; India's economy has sectors dependent on child labor and others creating "high-tech villages" using "information age" labor. In the Third World, subsistence agriculture exists alongside bioengineered export-oriented agri culture. Imperialism obtains competitive advantage both through high-performance/high-productivity/high-wage production networks and through vicious onslaughts on wages and working conditions.

Marx's descriptions in *Capital* of the effects of technology on the mass of laborers and

the labor process ring true today in a world in which millions are displaced, subjected to ever more despotic control in production, and pressed by a global speed-up of unprecedented proportions.

Another dimension to the global functioning of capitalism is the growing "feminization of wage labor." This involves phenomena like young women from the countryside and cities in Mexico now working in the maquilas, or working on the global assembly lines of electronics manufacture and in export-processing zones in South Asia—as capital seeks cheaper and more manipulable forces. Most women entering the industrial workforce in the Third World find themselves in the lower tiers of subcontracting, and great numbers are increasingly employed as industrial "home workers" (receiving work from factories or workshops in the "informal" economy).

Those who are ruined and uprooted (especially the peasants in the world's countrysides dislodged from rural production and thrown into shantytowns) will not be smoothly integrated into new sectors. They will not be relating to the world economy in the same way. But neither will they simply drop out. They will be anarchically absorbed into the functioning, if only at the barest margins, of the world capitalist economy. We can see this in the growth of the informal economy. In Latin America, it is estimated that 50 to 60 percent of the urban labor force is in this sector.

A global cheap labor economy is evolving alongside and in connection with high-technology poles of accumulation. A vast pool of "potential" wage labor is depressing wages worldwide and is available to capital for "just-in-time" production (both in the Third World and the imperialist countries). As one progressive scholar described it, "low wages and the surplus labor economy are a necessary requirement for the development of the cheap labor manufacturing economy integrated into the world market. [Third World] poverty is an input into cheap labor manufacturing, rural poverty is an input into urban growth." This trend will continue as capital seeks to lower costs—even as cities swell, even as food riots break out.

Capital will evolve mechanisms to make all this dislocation and madness functional. This happened through the initial Industrial Revolution, which was also marked by extreme economic and social disruption, although capitalism eventually stabilized itself through external expansion. And we see how phenomena like the "informal economy" can become the object of imperialist "rationalization" (through loans the IMF is supporting various small-scale or "micro" projects in the Third World), while "community survival programs" have been used for counterrevolution in Peru. Left to itself, capital will protect its interests and rule by whatever horrific means it must.

This brings us back to a central theme. There is no automatic "end-point" to capitalism—neither in crisis nor in the long-term trend of capitalist development toward ultimately reducing living human labor (which creates value) to being a fractional-tangential element of the production process. Without revolution, capitalism will muddle its way through . . . at terrible human cost.

More on Third World-Specific Transformations and Disruptions

The uprooting and ruination of peasants. This is massive already, is likely to increase, and is caused by a multiplicity of forces:

- The simultaneous evolution of an increasingly "open" international food economy and the ongoing "industrialization of agriculture," which is especially pronounced in the more developed of the oppressed nations. At the center of this transformation is the integration of crop and livestock production into large-scale (and often transnational) agrofood complexes. It involves the promotion of commercial agricultural exports. It has meant disaster for huge sections of peasants.

- "Scientific agriculture" and biotechnology. This includes "green revolutions" based on high-yielding seed varieties, large-scale capital investment, and inputs from corporate agribusiness. In the hands of and under the domination of imperialism, "scientific agriculture" is an instrument of capitalist penetration of the countryside and the further commercialization of agriculture. It promotes commodities that are important in the imperialist countries, in world trade, and for urban markets in the Third World.

The continuing introduction of imperialist-sponsored, capital-intensive agriculture into societies already marked by extreme polarization tends to create new market pressures on peasants and small farmers and to displace local food and subsistence production. It strengthens the hand of large landowners, rural capitalists, and rich peasants. This agriculture is chemical-intensive, increases pollution and other ecological burdens on the peasantry, and reduces biodiversity. Meanwhile, 800 million people are undernourished in the Third World.

- Falling prices and deteriorating terms of trade for agricultural goods and other primary products, in part the result of intense export competition on world markets.

- "Structural adjustment" policies that have hurt the mass of peasant producers—through cuts in rural subsidies and support programs, and an emphasis on high-value export agriculture, which draws resources away from traditional and subsistence agriculture. Small producers steered into export crops become exposed to fluctuations in world prices. For instance, small coffee growers in Chiapas who had moved out of staple food production were ruined when world coffee prices tumbled.

- Imperialist trade policies and trade agreements, like the World Trade Organization and NAFTA. The "opening" of markets is putting greater competitive pressure on small producers; for example, corn growers in Mexico are now at risk on account of the greater ease of entry into Mexican agriculture that NAFTA affords U.S. agribusiness.

[To what extent massive, direct imperialist (agribusiness) takeover of Third World agriculture is on the agenda is something we want to investigate.]

All of this contributes to a powerful "push-pull" dynamic that is propelling migration from the countryside to the cities: the "push" of land hunger, economic stagnation, war, disease, and environmental degradation; the "pull" of relative opportunity (jobs and housing) in the urban areas, which are the principal focus of imperialist-led development. At the same time, the social costs of "structural adjustment" cuts in health, nutrition, and housing investments have fallen disproportionately on women (as providers of basic needs).

Urbanization. Between 1950 and 1995, the number of cities in the imperialist countries with populations greater than 1 million doubled, from 49 to 112; in the same period, million-plus cities in the Third World increased six-fold, from 34 to 213. There is the "mega-city" phenomenon—Mexico City, Sao Paolo, and Bombay have populations over 15 million. Four million people are unemployed in Karachi; anywhere between 3 and 5 million are without permanent shelter in Bombay. There are tremendous strains on "life-support" systems: pollution, disease, violence, and disorder. "To live in Mexico City or Delhi," as a recent survey put it, "is to live in a place where the basic elements of life—air, water, soil—have become inimical to health."

In the Third World, 60 percent of the population is employed in agriculture. How justified predictions of immense and rapid agricultural transformation might be is something to evaluate. But even if exaggerated, the trend is unmistakable and is already having profound economic and social consequences. It also has strategic repercussions, both for the forces of counterrevolution seeking to stabilize the situation and for the forces of revolution. The Communist Party of Peru, from its inception and with the evolving course of the people's war, has had to grapple with the "shantytown" phenomenon, especially around Lima.

Capitalism in Third World agriculture. It is developing differently than it did in the capitalist countries. Agrarian capitalism in the oppressed nations has more of an enclave character. Much of it is export-oriented. It does not have the same forward and backward linkages (creating markets for the industrial sector, spurring the growth of supporting industries, etc.). It does not result in the same kinds of polarization of capitalists and wage-workers, of bigger and smaller capitalist entrepreneurs, wherever agriculture exists.

Generally, where capitalism takes hold as the leading factor, it still coexists with and reproduces semifeudal and subsistence agriculture. Clearly, imperialist-sponsored, high-yielding agriculture and the further application of high-tech methods did not uproot feudalism in India and the Philippines. Capitalism is spreading, but semifeudalism remains a significant component of the world economy and world accumulation.

We need to better understand the distinctive and defining features of semifeudalism: appropriation of surplus through tenancy (peasants having to pay rent in money or in

crop), usury (loans at exorbitant rates), and the use of "unfree" labor (people forced to work by feudal obligation or to pay back debt, forms of bonded labor and peonage, etc.), and the interplay of market forces and extra-economic compulsion (force and pressure) in relation to the performance of economic activities. Some of these issues, as they relate to Mexican agriculture, are addressed in Isidro Serrano, "Agrarian Revolution and Semifeudalism" (in *A World To Win*, London, No. 20, 1995). We have to better understand the barriers posed by semifeudal relations (especially the exactions of feudal rent) to capitalist accumulation.

The extent to which semifeudalism is integral to the reproduction of a given social formation, or is basically a residue, that is, not really determining of its dynamics, has to be analyzed in the concrete. The mere fact that industrialization is taking place, that a growing portion of the population lives in the cities, that money relations dominate economic life, that land reform has transformed some feudal landlords—these things in and of themselves do not settle the issue of the qualitative weight of semifeudal relations.

This means understanding better the ways in which semifeudal relations are "articulated" with capitalist relations (lowering the costs of feeding and maintaining the wage-labor force, etc.). And it means understanding how semifeudal relations can be masked by legal and exchange relations. Indeed, the world economy may be engendering "landlordism in new forms," such as contract farming linked to international agribusiness. On the other hand, the mere existence of landlords or subsistence agriculture does not mean that semifeudalism is dominant in agriculture (there are capitalist landlords). Again, this must be analyzed in the concrete.

Something for us to look into: what is the material and social basis for fundamentalist movements in light of and in relation to these trends and transitions? What kinds of transformations of semifeudalism have occurred in places like Turkey, Egypt, and Iran such that fundamentalist movements have achieved a wide following? A recent book with an interesting title: *Jihad vs. McWorld*.

Greater differentiation among Third World countries. This became more pronounced starting in the 1970s and is increasing: the "newly industrializing countries" (like Mexico and Brazil and South Korea), and "export platforms" (like Malaysia), whose emergence as "accumulation centers" can only be understood in relation to the global restructuring of industrial production and various geostrategic factors; the oil exporters; countries heavily dependent on a narrow range of agricultural and raw materials exports; and those "left behind" and "left to die" by imperialist capital.

More so than ever, the countries of the Third World are being subjected to a brutal selection process by which capital flows into the most profitable and "promising" countries and sectors . . . and quickly bolts out when conditions change.

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Conclusion

We have advanced some theses about the world situation that we intend to apply, test, deepen, and further develop.

We are arguing that there was a conjunctural resolution in 1989-91. Significant changes have taken place in the international situation and in the U.S.

As stated, world capitalism has undergone a certain restructuring, and its global geopolitical framework has been altered. A new spiral has been set in motion. On the other hand, the structure of international political and economic relations is such that the world economy lacks expansiveness (in contrast to the situation after World War 2 and the global reorganization that occurred on the basis of that war's outcome). The pattern seems to be one of slow growth, intensifying economic competition and rivalry, and instability.

The U.S. has emerged as "sole superpower." But even with its economic strength relative to other imperialist powers, the United States is not able to play the same kind of "locomotive" role for world capitalism that it did (for the U.S.-led imperialist bloc) for much of the postwar period. The recoveries that have occurred—intermittently and unevenly—are not, in the imperialist countries, translating into "trickle-down" and "concessionary" economics. In the Third World, austerity and instability remain the norm.

Major transitions and upheavals in the world system. This paper has looked at this question from several angles.

First, there is the particular resolution of the spiral/conjuncture and the changes in international political and economic relations that have ensued.

Second, globalization, shifts in the international division of labor, and far-reaching technological transformations and changes are profoundly affecting the organization of the labor process, the capital-labor relation on a world scale, and the structure of world production.

Third, wrenching transitions are underway in the Third World. These involve interrelations between town and country and between industry and agriculture. Large segments of the population are being brutally incorporated into or marginalized from the world economy. All this is having enormously dislocative effects in the Third World.

In a larger sense, we have to understand these transitions and upheavals in connection with Lenin's observation that capitalism in its monopoly stage must itself be understood as a *mode of production in transition to something higher*. It develops productive forces on an ever more socialized and global scale; it spurs technological innovation at an ever

more blinding pace; it recomposes itself in ever more integrated and interconnected ways. But this development is locked within and straining against the shell of private ownership, competition, and commodity production, and the anchoring of imperialist capital in the national market.

Imperialism and world humanity. Capitalism in its global form is more contradictory, more obsolescent, more in need of revolutionary transformation than ever. It is unable to meet elementary human needs. It locks the majority of humanity into poverty, illiteracy, disease, hunger, and backbreaking and degrading toil. It develops and applies technology in ways that heighten inequality and division, in ways that lead to dislocation, destruction, and suffering. It separates people from each other and from their creativity.

World capitalism is exploiting and degrading Earth's environmental resources, including land, water, air, forests, and species, in a way and at a rate that is endangering the most fundamental ecosystems of the planet.

Global capitalism in flux produces vast migrations, epidemics, genocidal civil wars, and starvation in large parts of the Third World. Suffering is imposed in the new centers of accumulation no less than in the vast regions pushed to the margins of accumulation. Social life and social existence grow more desperate, and there is the literal collapse of urban and rural infrastructure in parts of the Third World.

These trends have global significance. In the "belly of the beast": high levels of poverty set against a backdrop of intensifying state violence and new control measures; delicate balances of survival coming unhinged, as social "safety nets" are increasingly pulled out from under (250,000 people in Harlem alone receive and count on some form of government subsidy, but that now is put in question—and what does this signify for the future?).

Changes and trends and their effects on the "social contract" and social cohesion in the U.S. include deproletarianization and reproletarianization; austerity and the ruling class "write-off" of millions in the inner cities; economic and social changes and struggles that are eroding the basis of the traditional patriarchal family and "traditional values"; a labor force with a growing proportion of immigrants and women; and sections of the middle classes becoming more "anxious."

Strategically, these trends are favorable to us, even though in the short run some of them perhaps cause us tactical difficulties (for instance, right-wing movements gaining a following, etc.).

A 1929-type collapse or massive drop in living standards in the U.S. to Third World levels is *not a necessary feature* of a dynamic that could lead to a real "crisis of legitimacy" and possibly to the emergence of a revolutionary situation in the U.S.

Finally, a note on Marxist-Leninist-Maoist political economy. To practice Marxist-Leninist-Maoist political economy requires that we grasp the back-and-forth between the economic substructure, changes at the social/political level, and the role of the conscious

factor. The system operates according to certain laws and dynamics, and its motion will produce crises, social tensions, and eruptions. But, as opposed to the "general crisis" model, which sees the bottom eventually falling out and revolution following, we understand that the system will not "do itself in." All of which is to say that we have to be carrying out our revolutionary work, always... but especially at decisive turning points.

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Glossary

Spiral/conjuncture motion: A particular motion in the working out of world contradictions in the era of imperialism and proletarian revolution.

A *spiral* of world development is a stage or period in the development of the contradiction between socialized production and private appropriation (which is the fundamental contradiction of capitalism). Each spiral is shaped by a specific set of contradictions and factors on a world scale—involving in particular, thus far in the history of imperialism, the relations among the imperialists (mainly their struggles over the division of the world) and the relations between the imperialists and the forces opposed to them. A spiral is also an international framework within which capital accumulates.

At certain points in the development of spirals, the contradictions of the world system become intensely heightened and tightly interwoven, leading to violent explosions (such as world wars and revolutions) and/or dramatic shifts (such as the collapse of the former Soviet Union). These are world-historic *conjunctures* through which the contradictions characteristic of a particular spiral are resolved (though only temporarily and partially) and through which there is a qualitative recasting of world relations.

Twice in this century, world wars were the nodal, or key turning, points of spirals.

Imperialism has developed through this spiral/conjuncture motion. And the development of the world proletarian revolution has so far taken place as part of this underlying motion of imperialism, while at the same time reacting back on it.

Raymond Lotta with Frank Shannon, *America in Decline* (Chicago: Banner Press, 1984) presents this in great depth on pp. 127-37, 148-49, and 162-69; a short account is in Bob Avakian, *A Horrible End, or An End to the Horror* (Chicago: RCP Publications, 1984), pp. 195-98.

Tendential: To say that laws operate as "tendencies" means that they do not operate in a simple, straight-line way. These laws are influenced by other laws and factors and by concrete historical circumstances, and they are themselves contradictory. For instance,

capitalist development leads to ever larger, more concentrated, and more centralized units of capital. But small businesses continue to be generated.

See *America in Decline*, pp. 52-54, and Lotta, ed., *Maoist Economics and the Revolutionary Road to Communism: The Shanghai Textbook on Socialist Political Economy* (Chicago: Banner Press, 1994), pp. 308-10.

Kautskyist theories of imperialism: Karl Kautsky was a leader of the German Social-Democratic Party and the Second International. Around the time of World War 1, Kautsky developed the theory of "ultra-imperialism." This was the idea that the financial groups of the advanced capitalist countries would be able to "rationally" manage their differences, peacefully divide the world, and jointly exploit the Third World. Thus, according to Kautsky, the imperialists would avoid going to war with each other, and capitalism could peacefully evolve.

See Lenny Wolff, *The Science of Revolution* (Chicago: RCP Publications, 1983), pp. 127-28, 171-72; and Bob Avakian, *For a Harvest of Dragons* (Chicago: RCP Publications, 1983), pp. 89-95.

"Typical motion" thinking: Our party has used this term to describe a wrong and mechanical view of historical development. This is a view that sees history obeying fixed and always recurring patterns—that's why we say "typical."

In the imperialist era, there is definite spiral/conjuncture motion. But each spiral and its conjunctural resolution has its own particularity—involving the interplay between economics and politics, the role of people and their consciousness, and the element of chance and accident.

Social contract: A term used to describe one of the ways the ruling class obtains control over and some degree of "cooperation" from the dominated classes in society. It is called a "social contract" because it comes off as "we do this for you, and you do this for us." It provides some of the "legitimizing norms and assumptions" of society in a given period.

The post-World War 2 "social contract" involved wage increases and relative job security for significant sections of the working class in exchange for labor peace. It also involved various kinds of social legislation (like unemployment insurance, "GI Bill" educational and home loan assistance, and welfare programs). Roosevelt's "New Deal" and Johnson's "war on poverty/Great Society" were major parts of this.

See Bob Avakian, "From Watts '65 to L.A. '92," *Revolutionary Worker*, No. 903, April 6, 1997, and the discussion in this document in the first section of Part II (on reserves).

"General crisis" theory: A theory originating with Soviet and other political economists associated with the Third Communist International (Comintern). Capitalism, according to the Comintern theorists, no longer developed through thrusts of expansion and crisis, the one dialectically related to the other. Rather, stagnation was imperialism's normal course. World capitalism was seen as passing through stages of development of a

prolonged, basically unrelieved crisis. Forecasts of impending collapse that would open the way, almost automatically, to revolution often went along with this prognosis. In the view of the RCP, this theory represents a departure from Lenin's conceptualization of imperialism. See the critique in "The Comintern Legacy: The Theory of General Crisis" in *America in Decline*, chapter 3.

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FOOTNOTES

[* Originally circulated within the Revolutionary Communist Party,USA in May 1998.](#)

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[**The Soviet Union had once been a socialist country. But in 1956 a new exploiting class seized power and turned the Soviet Union into a state-capitalist society. The new capitalist rulers set out to forge an empire.](#)

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[***See Bob Avakian, "Conquer the World? The International Proletariat Must and Will," *Revolution*, No. 50, Fall 1981; "The End of a Stage—The Beginning of a New Stage," *Revolution*, No. 60, Fall 1990 \(Chicago: RCP Publications\). See also his continuing writings on the nature, experience, and contradictions of proletarian revolution understood as a world-historic process.](#)

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