ASSOCIATION FOR ECONOMIC AND SOCIAL ANALYSIS

DISCUSSION PAPER SERIES

AESA

This Association seeks to discuss, debate, elaborate and extend Marxian theory. Our particular reading of that theory focuses upon the concepts of overdetermination, contradiction, and class. Our concerns include the philosophical and epistemological, the abstract as well as concrete formulations comprising a comprehensive Marxian social theory. The goals of our publications and conferences are to stimulate interest in and debate over the explanatory power and social consequences of Marxian economic and social analysis.

For more information, or to obtain copies of other papers in our Discussion Paper Series, please write to:

AESA
Department of Economics
University of Massachusetts
Amherst, MA 01003

DFRucco
1984

Class Analysis of

International Relations

by Stephen Resnick, John Sinisi and Richard Wolff*

#16

*The authors are, respectively, Professor, Teaching Assistant, and Professor in the Economics Department of the University of Massachusetts at Amherst. They wish to acknowledge and express their appreciation for the careful and helpful editing of an earlier manuscript performed by Lamond Tullis. This paper was originally prepared for and will be published in the International Political Economy Yearbook, edited by W. Ladd Hollist and F. Lamond Tullis.

INTRODUCTION

Few would deny that poverty, oppression and exploitation have been the unhappy lot of most people of the third-world in our tortured century. Agreement quickly ends, however, when discussion turns to the positive or negative effects of specific social factors. For example, many would claim that the international expansion of capitalist social relations is the fundamental cause of these evils. Many others insist that insofar as capitalism has taken root in the third-world it has alleviated these evils, and that the only hope for future progress is the further development of free market institutions that define and foster capitalism.

The effect of capitalist relations between nations is just as controversial as the effect of such relations within nations. Are the capitalist relations of trade, credit and investment which link the advanced industrial nations of the West and the less developed nations of the third-world mutually beneficial? Or do they trap the economically weak nations in a disastrous web of material and social dependence on powerful Western corporations, banks and states which exploit this dependence to their own advantage? On these issues there is bitter political and theoretical controversy.

How do we manage to think about and form intelligent opinions about such monumentally complex issues? Consider the questions raised in the last paragraph. Economists diligently examine the data on international flows of trade, credit, investment and profit-remittance, attempting to identify which patterns are beneficial and which injurious and perhaps even exploitative. But it would be naive to think that the facts speak for themselves, or that economics or any other social science is a neutral medium through which reality interprets itself, revealing to us the truth about itself.

Two paradigms (theoretical frameworks, tradition of analysis) currently dominate the interpretative literature on the relationship between capitalism and the divergent economic development of nations. The most influential is the orthodox "individual choice" paradigm. It understands social development in terms of human nature, the natural striving of individuals for wealth, and the ability of free markets to harmoniously reconcile individual freedom and economic development. The second is an institutionalist critique of orthodoxy which understands social development in terms of social relations of power and domination. It focuses especially on the role of power in determining the distribution of wealth. Each paradigm begins with a powerful set of concepts to organize and systematize our perception of the basic elements of economic and political life. Each then proceeds through a detailed structure of arguments to teach us how these elements interact and with what consequences. In short, these paradigms teach us to see and understand how the world works. Knowing this we know what data to seek and how to interpret it.

There is, of course, a third theoretical tradition, Marxism, widely influential in the study of capitalist development. Marxism is an exploration of the role of class processes (the processes of the extraction and distribution of surplus labor) and class struggles in human history.

In most of the literature on international capitalism, this third framework, Marxian class analysis, has been absorbed into and subordinated to the second paradigm, the power analytic framework (for reasons we cannot here examine). This subordination has produced what we may call, for convenience, the radical paradigm. In other words, the tradition of analysis that uses power and domination as the basic conceptual tool for understanding social development now has two branches, an older non-Marxist institutionalist approach, and a new, eclectic Marxist understanding of capitalism as a system of power.

As a consequence, a truly paradoxical situation has developed. On the one hand, the literature on international capitalism constantly uses Marx as a touchstone, various writers dutifully claiming to refute or vindicate Marx's vision of capitalist development. Yet, on the other hand, the specific focus and insight of Marx's mon~~o~~umental study of capitalism, the role of class processes in history, has dropped from sight in both the orthodox and radical literatures. The principle argument of this paper is that the Marxian concepts of class processes and how they shape and are shaped by non-class processes, both within and between nations, are invaluable tools for the theoretical project of analyzing the international capitalist economy and the practical project of struggling against poverty, oppression, and exploitation.

We structure this paper as follows. In Section I we tell two stories, one orthodox and one radical, about the logic of capitalist development and the role of nationalism and national power in that logic. In Sections II and III we discuss some of the major ways in which Marxian theory is different from the orthodox and radical paradigms, how and why it tells very different kinds of stories about capitalist development and the importance of those differences. We then specify and briefly explain the basic Marxian concepts for the analysis of international capitalism. Finally, in Sections IV and V we deploy our class and non-class concepts to make sense out of, to show the class meaning of, international relations. In particular, we focus on two important phenomena in the arguments of the radical paradigm: the foreign-earned profits of large corporations (IV) and the ways in which third-world nations suffer from the power of Western capitalist states and non-state institutions to order their economic and political affairs (V). There is a theme common to both Sections IV and V. We find that radical arguments, by focusing their clarifications and interpretations on the changing global distribution of wealth, thereby misunderstand or miss altogether the changing national and international class processes. Hence they also miss the role of class factors in the development of the international capitalist economy.

## SECTION I. TWO STORIES ABOUT THE LOGIC OF CAPITALISM.

### The Orthodox Paradigm: A Story About the Contradiction Between the Rational Logic of Capitalism and the Irrational Logic of Nationalism.

In the orthodox paradigm, capitalism is understood to be a system based ultimately upon an assumed given human ability to choose rationally among alternatives, an assumed willingness and ability to adapt and to innovate in response to changing market conditions so as to accumulate wealth.[1] All human beings, producers and consumers alike, in a capitalist market are capable of rationally responding to changing market incentives. The essence in the orthodox paradigm is this unique notion of human nature.

The orthodox story is based on the assumption that it is possible to specify and create (or at least ever more closely approximate) a set of rational social institutions that correspond to human nature. The institutions correspond in the sense that they will induce human beings to engage in productive behavior yielding ever more of what human beings really want, wealth. These are institutions that by their very nature will produce economic growth.

Capitalism is understood as the economic system based on private property, freedom of contract, and the organization of production by profit-seeking enterprises that place competitive pressure on each other in free markets. It is as well a system based on the political and cultural acceptance of the right of economic subjects (resource owners, capitalists and consumers) to make economic decisions based on individual self-interest. What distinguishes capitalist from non-capitalist economic systems is the absence under capitalism of political and cultural restrictions on the right and ability of individuals to innovate and flexibly respond to changing economic conditions. The market is understood to produce economic growth for the reasons spelled out by Adam Smith: the market rewards "productive" behavior (efficiency, accumulation, innovation) and punishes "unproductive" behavior (especially inflexibility in the face of changing economic conditions). The international expression of capitalism is understood to be free trade or, more generally, an open world economy, the elimination of all nationalist barriers to the free flow of trade and capital between nations.

Once this set of capitalist institutions is in place, a self-sustaining dynamic of economic growth occurs which makes it possible to peacefully and democratically resolve social disputes. The latter now take place not in context of a zero (or negative) sum game in which one person's gain is

Not surprising that Hagen ends up with psychology, given the basis of the NCL conceptual framework in a particular notion of human nature as naturally responding to its environment, adapting and innovating to produce economic development.

another's loss, but of a positive sum gain in which each person's gain is based on his/her own productive choices and behavior and hence is compatible with and indeed conducive to the simultaneous gain of others. Capitalist institutions make it possible for increasing property to be generally shared and hence for a rational and voluntary consensus on the utility, moral rightness and rationality of the social order to be formed. There is an international aspect of this story. If for reasons of different national histories, accumulation and innovation were temporarily to advance more rapidly in some nations than in others, if the world were temporarily to divide into more and less developed nations, <u>but all were equally capitalist</u>, then individuals from the former would transfer capital and technology from the initially more to the initially less dynamic nation to take advantage of high scarcity rates of return on foreign investment there. They would do so in exactly the same industries that individuals of the less developed nation would if they controlled the scarce resources.

To be more precise, the institutions of capitalism will diffuse economic growth (and the beneficial social and political consequences of growth) <u>unless</u> blocked by non-capitalist institutions. In the latter case, non-productive behavior is rational for self-seeking economic subjects (and productive behavior

Planning can (could, in the 50's) could circumvent the non-capitalist obstacles, eg, through shadow-p's, Sjastaad: protectionism may be rational because it increases the welfare of consumers cum taxpayers. (but then: get rid of State and thus taxpayers



is either blocked or rendered unprofitable by perverse incentive structures). Hence, economic growth does not occur. Social stability must then be secured through irrational means (ignorance, prejudice, authoritarianism) since it cannot be established by giving people what they really want: wealth and a rising standard of living. An orthodox understanding of the modern world is produced in which non-capitalism is linked to protectionism or more generally to nationalism and is understood to be fostered by a particular coalition. This coalition includes special interest groups who can benefit economically at the expense of the nation by blocking the dynamic of innovation and flexible adaption that constitute economic growth. It also includes nationalist elements that fuse the forces of ignorance, prejudice, and authoritarianism into an organized opposition to the capitalist rationalization of social institutions as contrary to (their false concept of) the nation and national interests and values. Nationalism can manifest itself in either left or right-wing social movements. Marxism and third-world nationalism are understood to be in essence leftist expressions of nationalism.

The orthodox paradigm draws its logical political conclusions: nationalist (including Marxist) attacks on capitalism and imperialism mistake and disguise the real roots of backwardness in the periphery and of stagnation in the Center nations. They thereby promote what they claim to oppose. They absolve the real culprit, the economically irrational structure of institutions, attitudes and policies that make it difficult for individuals to innovate, to use resources efficiently and to flexibly adapt to changing world market conditions and, hence, to promote economic growth, the accumulation of use values. These same conditions create an irrational investment climate that makes it unprofitable for foreign capitalists (within the Center) to transfer to nations of the Periphery the resources and technology they need. Nationalism in short creates and protects the non-capitalist obstacles to growth. And insofar as the dynamic of growth presupposes the world market, protectionism has a tendency to cause global economic stagnation and increase tension and hostility between nations. It is understood that it is always in the interest of capital to eliminate such irrational conditions since they restrict the area that can be searched for the highest rate of profit.

The basic contradiction in the world economy is between two self-reenforcing cycles: the virtuous cycle of capitalism which makes productive behavior rational and hence leads to economic growth and political stability versus the vicious cycle of non-capitalist economic nationalism which interferes with the rational logic of market-responsive individual behavior and hence leads to economic stagnation (or backwardness). Poverty becomes the breeding ground for either right-wing authoritarian social orders or left-wing totalitarian socialisms. The social task of economics is to tirelessly reveal the true nature of these alternatives. It is to expose the false reasoning that promises economic benefits from restrictions on economic freedom or that misunderstands capitalism as the source of the problem of economic stagnation rather than as the source of the solution. The orthodox paradigm understands the international economy as a morality play about the battle between the forces of rationality and irrationality, capitalism and nationalism (Marxism).

## The Radical Paradigm: A Story of the Polarizing Nationalist Logic of Capitalism

Radicals tell a very different story. The radical paradigm produces an understanding of capitalism based ultimately upon a system of power.[2] The power wielded by individuals is the essence in this approach. In the context of a market-mediated international division of labor, this power necessarily manifests itself as a world-system inherently polarized into powerful Center (the Western nations) and weak Periphery nations (the third-world), such that the economic development of the Center is inseparable from the underdevelopment of the Periphery. Their divergent but interconnected development is the consequence of the massive amount of surplus (wealth) produced in the Periphery and drained therefrom into the Center.

The radical paradigm does not mean to deny the Marxist understanding of capitalism as involving an economic process of exploitation. However, it wants to explain this exploitation and to reveal the essential structural conditions of its possibility. Thus capitalism is understood as a system of exploitation which involves one group (the ruling class) enjoying the benefits of the labor of other groups (the ruled classes). Exploitation is understood as an antagonistic relationship having an essential condition of existence which is power, the ability of some individuals to impose their will on the behavior of others. Every system of exploitation presupposes and is insepar-able from a corresponding system of power or domination, some institutionalized combination of physical coercion and political-cultural hegemony, causing the working class to accept the social order within and through which it is exploited. Since the social apparatus that extracts the surplus is constructed out of the surplus it extracts, capitalism like any exploitative order is understood as a self-reproducing system structured by an antagonistic contradiction (capable of destroying the system) between the interests of the dominant class of capitalists (who order social behavior) and the working class they exploit (whose social behavior is ordered).

In most societies the members of the dominant class compete among themselves for power, privilege, and control of the economic surplus. Under capitalism this competition is mediated by the market. The market is a system of mutual dependence and hence of unlimited opportunity and danger to all participants. It thus necessarily provokes unceasing attempts by capitalists to manipulate and control the market and its participants. Market competition is understood as struggle between units of capital (organized fractions of the capitalist class) for control of the surplus. The essential basis of success is understood to be market power, whose two basic aspects, monopoly positions in markets and effective control over the political and cultural apparatuses of state and nation,re-enforce one another (monopoly revenues fund the acquisition of control which creates the social conditions for monopoly).

The key point is that the market is understood as a mechanism for transferring surplus from one fraction of the ruling class to another as well as extracting the surplus from workers in the first place. Some capitalists emerge with more surplus than they extract from that part of the working class to which they are directly related while other capitalists are left with less.

The development of monopoly power presupposes above all a bureaucratic-technocratic structure in which the power, privilege, and wealth of individuals depend on their place in the apparatus, in the enduring institutions of power in capitalist society which are the large capitalist enterprises and the capitalist state. Class is therefore understood as the overall relationship between those in the apparatus (those who rule) and those it dominates and thus exploits (the ruled). The hierarchic organization of power in enterprise and state (rather than the antagonistic unity of small but politically equal capitalists against the working class) is the form in which ruling class power is ultimately organized under capitalism.

In a market-mediated international division of labor, the struggle by capitalists for monopoly positions, wherein success depends on privileged access to a strong state apparatus, is inseparable from the struggle of nations to be the site of surplus-gaining industries and activities. Capitalism is understood as having transformed the historical moment of Europe's technical and military edge over the rest of the world in the early modern era into the permanently privileged surplus draining position of Center in a self-reproducing world system. The monopoly power of the West as Center, once achieved, is understood to be self-perpetuating: surplus drain increases the power of the gainer and its ability to perfect the apparatus of surplus drain; it decreases the power of the loser and its ability to challenge this apparatus.

The radical paradigm understands the international capitalist economy as a mechanism for stabilizing the capitalist social order of the Center nations, primarily through a process of transferring to the Center surplus produced in the nations of the Periphery. The social order of those Center nations is stabilized by exploiting the workers of other nations. The crucial significance of surplus transfer between nations is that it breaks the strict correspondence that would hold between the rate of domestic exploitation and the amount of surplus available to each nation's ruling class in economically isolated capitalist nations. This is understood as the decisive factor in the structuring of class and other social relations in the world economy.

Surplus transfer divides the capitalist world system into the high-surplus, high-wage nations of the Center and the low-wage, low-surplus nations of the Periphery. It decreases the material basis of class antagonism and struggle in one place by increasing it in another. The social relations of reproduction, the system of power or domination by which capitalism reproduces itself in the Center and Periphery must of necessity be very different. Surplus transfer makes it possible for capitalism to reproduce itself in the Center on the basis of a low domestic rate of exploitation, a large middle class to staff the technical and administrative apparatus upon which the systematic perpetuation of the dominant position of the Center depends, a large internal market and consumerist culture, and hence a non-polarized and centrist politics.

In the Periphery the inverse logic is at work. Since surplus drains out of the hands of the ruling elite, it can survive only by intensifying exploitation of workers and peasants to the limits and beyond (to the ultimate benefit of the monopoly capitalists of the Center). The political effect of surplus drain is to polarize the nation politically and culturally since the material basis for a significant middle class does not exist. The result is repression and authoritarianism on the one hand and revolutionary struggles on the other.

According to the radical paradigm, capitalism is a system that presupposes and constantly reproduces a highly differentiated political, cultural and economic environment, the extremes of which are separated by national borders. The "peculiarities" of the underdeveloped nations are not an index of pre-modern, pre-capitalist society, as the orthodox paradigm would have it, but of the structural role of these nations in the world capitalist system. They are the low wage reservoir from which the surplus on which the capitalist system runs is extracted. And since it is the power apparatus of the Center that ultimately benefits from and politically stabilizes itself on the basis of this system-generated surplus, the basic class antagonism capable of destroying the capitalist system is displaced from an internal relation within nations to an antagonism between Center and Periphery. The relationship between classes manifests itself as a relationship of domination and thus exploitation between nations.

A striking conclusion is thus derived: the fundamental contradiction under international capitalism is that between the super-exploited workers and peasants of the Periphery and the power apparatus of monopoly capital in the Center. The capitalist system is nothing other than the structural mechanism by which the surplus is forced to flow from the former to the latter. The capitalist class process of exploitation is understood to be nothing less than the capitalist system itself. And finally, a class struggle is understood as the stuggle between two "classes," the Center and the Periphery, the "First Two Worlds" against the "Third World," over the reproduction or destruction of this system.

## SECTION II. A COMPARISON OF THE ALTERNATIVE PARADIGMS

The orthodox and the radical paradigms share certain key features although also differing in other important ways. One of our objectives in this section is to specify both their similarities and differences. Another objective is to preview how these two alternatives differ in some very fundamental ways from the Marxist approach specified below.

The orthodox and radical paradigms produce a knowledge of capitalism as an economic system which generates a specific pattern of benefits and sufferings, which we will call a wealth effect. Insofar as this wealth effect is understood to be based on the responsiveness of individuals to economic conditions, as in the orthodox story, it is denied that capitalism is a class system of exploitation. Insofar as this pattern is understood as a self-perpetuating order of power and privilege, as in the radical story, it is asserted that capitalism divides society into two basic classes such that through the functioning of the system one class has power and gains wealth at the expense of the other class which is powerless and thus suffers poverty and oppression.

The orthodox and radical paradigms exhibit a similar pattern of argumentation. In both the fulcrum of analysis is the effect on the wealth of nations of the development of the international capitalist economy, an effect understood by the former in terms of mutual benefit based on economic growth, an increase in income per capita, and by the latter in terms of surplus transfer.

This national wealth effect is central to the analysis of each because it is the connecting link between economics and politics within nation states. Political and economic tensions and struggles among citizens in each nation are governed ultimately by this accumulation of wealth, by the use values gained and consumed. To the degree that the international capitalist economy increases this wealth in each nation, there are, according to the orthodox paradigm, gains from trade for the citizens of each. Free trade thus promotes in the last instance political stability in each nation. The radical paradigm understands these gains for the citizens of some nations to involve losses for other nations' citizens. Within this paradigm, the international capitalist economy is understood as a mechanism for some nations to gain at the expense of others. Free trade between nations thus promotes political stability for the gainers and turmoil for the losers. The fundamental contradiction in the world economy is to be found between these two unequal groups of citizens in different nations.

Each paradigm understands capitalism in terms of the opportunity and danger that a system of production for the market presents to individuals, enterprises, and nations. Each derives the dynamic logic of the capitalist system from what it sees as the essential determinant behavior of individuals and enterprises in that system. For orthodoxy, that essential behavior is the rational adaption (choices) of human beings reacting to changing market conditions; for the radical paradigm the essential behavior is the drive to power and thus wealth by individuals. Each specifies the social effects of its determinant behavior over time: economic growth in the orthodox paradigm and division of the capitalist world into Center and Periphery nations related by surplus drain in the radical paradigm.

Each theory culminates in the assertion of an essential contradiction in the world capitalist economy. For the orthodox paradigm, the international economy is the site of an essential contradictory interaction between the logic of capitalism (the mutual gains of wealth from international trade and capital flows) and the logic of nationalism (the barrier to such gains). For the orthodox theorist, socialism and Marxism are seen as merely one variant of a pro-nationalist approach arguing for restrictions on international trade and capital flows and thus, perversely, for barriers to increasing per capita wealth. Socialism and Marxism become, in this sense, irrational alternatives to the rationalism of orthodoxy. For the radical paradigm, the international economy expresses an essential contradiction internal to capitalism, a class contradiction between the apparatus of power and those it dominates and exploits. Parallel to the orthodox approach, the radical one also identifies socialism and Marxism with a variant of nationalism. However, for the radicals, nationalism (and thus socialism and Marxism) is the rational alternative because of the irrationality of the logic of international capitalism. The latter creates the wealth of one group of nations on the basis of the poverty of another group.

Paradoxically, then, both of these approaches to the international economy understand Marxism to be part of a pro-nationalist approach. They differ chiefly on whether this makes Marxism a positive or negative influence upon the development of the world economy. For the orthodox approach, Marxism becomes a barrier to individuals in each nation accumulating wealth. It does so because it restricts international trade and capital flows. Irrationality triumphs and the world economy first stagnates and then declines. The radical approach turns this orthodoxy on its head by viewing Marxism as a form of nationalism that permits some nations to break out of what it understands to be international exploitation. Relatively weak nations freed from the international capitalist system can then keep the wealth they otherwise would have lost to the relatively more powerful nations of the world. Such restricted trade is the only rational alternative to the irrationality of permitting exploitation to take place in an unequal capitalist world of tree trade.

The Marxist approach presented below differs with both of these alternatives. First, it begins to construct its knowledge of capitalism from one particular concept of class - the economic process of appropriating surplus labor in the form of surplus value. The alternative approaches either reject this concept of class, surplus labor extraction, as having no theoretical place within its paradigm, as in the orthodox approach with its essentialist focus on human choice, or deduce a very different notion of class (interpersonal domination) from an essentialist focus on power, as in the radical approach. These three different paradigms have three very different conceptual ways to begin their respective structuring of their views of the world: the process of choice for orthodoxy, that of power for the radicals, and for Marxism, the process of class as the performance ~~production~~ of surplus labor.

There is a second key difference. In contrast to the other two paradigms, Marxism refuses to essentialize its unique way of beginning to think about the world: it is a strictly anti-deterministic theory. No one aspect of a society is the final cause or determinant of the others. It rejects any notion that changes in non-class processes (whether they be processes of power, or of choice, or of use value accumulation, or whatever else) must necessarily follow from changes in class processes(appropriating surplus value) or vice-versa. Rather, as we understand it, Marxist theory produces a concrete knowledge of today's capitalism in which the national and international capitalist class processes both shape and are shaped by, among other social processes, the non-class processes of power, choice, and the accumulation of wealth in each nation.[3]

Whereas the alternative approaches derive and focus upon a hierarchy of contradictions structured ultimately by the fundamental one relating nationalism to the logic of capitalism, the Marxist theory presented below

rejects all such hierarchies, such deterministic orderings of more and less "fundamental contradictions." Within those alternatives, all such contradictions can be traced ultimately to the privileged conceptual place they give to either human choice or power. For orthodoxy, the fundamental contradiction underlies the struggle of human beings to overcome nationalist barriers constraining their ability to rationally adapt, innovate, and respond to market incentives. For the radical paradigm, the struggle of human beings in the Periphery to use nationalist barriers to constrain the unequal power wielded against them by the citizens within the Center is the effect of the world economy's fundamental contradiction.

Third, both alternatives understand capitalism to generate what we have called a wealth effect, a particular distribution of the gains from international economic relations. We believe that Marxist theory differs from this approach in two ways. It does not deduce wealth accumulation either from the personal decisions of individuals (the essential determinant in orthodoxy) or from the power (the essential determinant in radicalism) of some individuals in some countries to order the social behavior of others in different countries. It eschews such essentialist reasoning. Instead, it understands the particular economic process of accumulating wealth and the capitalist class process - two diffent processes - each to be one condition of the other's existence. Neither is the essence, the determinant of the other. Marxism also does not use wealth as <u>the</u> essential measure of a country's economic development. Instead, its focus is the ever changing class and non-class processes comprising human relationships within and between nations; its measures of development reflect that focus.

These three differences among these alternatives paradigms produce very different theoretical and political consequences. A radical approach that derives its notion of class from its essentialized focus on power may embrace a strategy which equates a fundamental change in power with that of class. It may argue that a basic altering in the power between Center and Periphery necessarily alters exploitation between them. Changes in the wealth effect must follow from this change in exploitation. The Marxist alternative specified below rejects such a strategy and such an equation. Indeed, as we will argue, a radical altering of power between nations may provide a condition of existence of increased, not decreased surplus value exploitation. To miss this is to open the door to aborted revolutions in the world. An essentialized focus on power will likely produce political strategies whose objective is a radical change in the processes of power. Even if successful such strategies may fail to accomplish revolutionary changes away from capitalist class process because of the way that they see or do not see that objective. This is likely because of their confusion between processes of power and class or because of their essentialized logic which understands the elimination of

but may be a COE of a change in class (thus, not rejected out-of-hand) unequal power to produce necessarily the elmination of capitalist exploitation.

The Marxist approach presented here rejects any notion of fundamental contradiction between nationalism and the logic of capitalism. It rejects then the orthodox notion that nationalism (politics that produce market imperfections) interfers necessarily with market mechanisms which would otherwise permit increased per capita wealth. Nationalism is not viewed as an essential problem which must produce less wealth than would be the case if it were eliminated. It also rejects the opposite radical view that nationalism is the solution to international exploitation. Neither the orthodox paradigm's economic and political objectives of the elimination of market imperfections and the establishment of free trade nor the radical alternative of nationalist barriers to free trade necessarily lead to any radical change in the capitalist class process, a basic Marxist objective. Either change may be quite consistent with the reproduction of national and international capitalist exploitation.

As we have noted, both orthodox and radical paradigms use wealth as the common measure by and with which each makes its different calculations of the gains and losses from international capitalist economy. These two views lead then to strategies of social change whose benefits and costs are determined by this common measure rather than a measure emphasizing changing class processes and structures. As argued below, Marxism understands changes in wealth to bear no automatic, invariant relationships to changes in capitalist exploitation. Citizens may indeed gain some wealth from their being connected to the international capitalist economy while at the same time they experience an increased exploitation rate. The measuring rod used by either one of the non-Marxist paradigms would show increased welfare while the Marxist approach suggests the opposite.

Paradigms that focus on wealth accumulation view dramatic changes over wealth as being of key importance. Economic growth, the accumulation of more use values, becomes the economic objective of both the orthodox and radical paradigms, although they have different understandings as to the causes of poverty and affluence. The objective of Marxism is a revolutionary change in what we shall call the capitalist fundamental and subsumed class processes, the domestic and foreign extraction and distribution of surplus value. Revolutionary changes in wealth accumulation vs. revolutionary changes in class processes - two very different objectives produced in and by these very different paradigms.

Section III. MARXIAN CLASS ANALYSIS

In this section we sketch the basic concepts of Marxian class analysis and how they may be used to understand the international capitalist economy.[4] Marx defined the class process as the social process whereby surplus labor is appropriated from its direct producers. In other words, the amount of labor time actually worked by these producers is greater than the amount (what Marx called "necessary labor") required by them to maintain their social existence as workers. The complex of political, economic, and cultural processes by which this difference, surplus labor, exists and is first appropriated by particular members of the society is different in different societies.

In a capitalist society, both the products of labor (use values) and the human capacity to work (labor power) take the form of commodities. The values of all commodities are defined as the amounts of socially necessary abstract labor time to produce them.[5] The value of the commodity labor power is defined as equal to the total value of the commodities required by the sellers of labor power to be able to sell again their labor power.[6] The value of labor power equals then the amount of socially necessary abstract labor time materialized in those purchased commodities.

Labor power is purchased in order to combined it with other commodities (tools, raw materials, etc.) in the process of production of still other commodities (finished goods and services). A surplus value arises when the finished commodities emerging from the production process contain more value than the total contained in the commodity inputs. It exists if and when the value of labor power is less than the value contributed by that labor in the production of commodities. We shall call the process of receiving this surplus value the

directly appropriating/
extracting

capitalist fundamental class process. It designates the presence - in addition to the natural, technical, and other social processes always involved in the relationship between buyer and seller of labor power - of one particular process: the class process. Surplus value derives, then, from what Marx called the surplus labor performed by direct producers (the sellers of labor power) but expressed in value which accrues not to them but rather to those who have purchased their labor power and who sell the commodities their labor helped to produce.

SCP. (personnel) SCP (merchants)

Marx carefully and explicitly defined "exploitation" to refer to the presence of the capitalist fundamental class process within any social relationship.[7] The presence of the capitalist fundamental class process in turn defines its two component class positions: direct producers (or "productive laborers" in Marx's terms) who generate the surplus value and "industrial capitalists" who appropriate it. Depending upon whether and how participation in the capitalist fundamental class process occurs, an individual may occupy one or the other capitalist fundamental class position: productive laborer or industrial capitalist (or, under some circumstances as noted below in n10, possibly both).

The capitalist fundamental class process is just one of many social processes. It is neither the essential determinant of the other social processes nor of the social relations and institutions through which they are combined and structured. Conversely it is not reducible to these other processes. In our view, Marxian theory rejects essentialist (reductionist) notions of causal relations among social processes. Thus the capitalist fundamental class process influences and is influenced by all other processes such as making and enforcing laws, carrying out religious rituals and moral discourse, buying and selling

Is there a particular set of such necessary CoE's?



commodities, dividing the world into nation states with attendant development of nationalist consciousness and policies, transformation of nature, appearance of ecological crises, and so forth. In fact, we say not only is there mutual influence among all processes but that the capitalist fundamental class process (the same is true of every other process) exists only insofar as all political, economic, cultural and natural processes necessary for its existence combine in such a way that it can and does exist. This mutual constitution of each process by all the others is what we call overdetermination.[8] Overdetermination - the notion that each process exists as the combined result of the effects of all other processes - is a concept we use throughout the chapter.

Neither Marx nor we restrict our notions of class process and class position to just the production/appropriation of surplus value. Once produced and appropriated, surplus value must also be distributed. Industrial capitalists who first appropriate the surplus value also distribute it to various individuals in particular ways to secure the conditions of existence of their position as first appropriators, i.e., to secure the conditions of existence of the capitalist fundamental class process. For example, they may distribute one portion of surplus value as interest to individuals providing them with access to credit, another portion as rents to those granting access to land; and they distribute other comparable portions as managerial salaries to those who discipline the productive labor force, still more to merchants for wholesaling and retailing the finished capitalist commodities and so on.

The distribution of surplus value to all those who secure the conditions of existence of capitalist exploitation is called the subsumed class process. This process also defines two subsumed class positions: that of distributor of already appropriated surplus value (the industrial capitalist) and that of recipient.

Thus in Marxist theory class processes are of two kinds: fundamental and subsumed. They refer, respectively, to the production/appropriation of surplus value and to its distribution. Fundamental and subsumed class processes are each conditions of the other's existence.

Marxian class analysis of social relationships within or among nations begins by specifying as precisely as possible the fundamental and subsumed class processes involved. From that beginning the analysis proceeds to work out the complex linkages between these class processes and all the non-class processes which comprise the national and international relationships being analysed.[9]

Any claim to a class analysis must delineate the boundaries of what is class as opposed to not-class. In other words, a class analysis needs to clarify its definition of class processes by differentiating them from non-class processes within society. Class processes are to be understood as the production and distribution of surplus value as developed above. All other social processes are non-class processes, by which we mean all the natural, political, economic and cultural processes that are not the production and distribution of surplus value. Thus photosynthesis and climate are non-class natural processes; voting and legislating are non-class political processes; speaking, writing, and singing are non-class cultural processes; and commodity exchange, taxation, and the determination of the quantity of money in circulation are non-class economic processes. Corresponding to class processes, the various non-class processes establish their respective non-class positions for those individuals who participate in them.[10]

possible confusion b/ process and practice/activity

In this discussion of international economics, a theoretical commitment to overdetermination - the strictly anti-essentialist concept of how each process is linked to the social totality of processes - informs our focus upon the fundamental and subsumed class processes. Thus we argue that all manner of non-class processes must be in place in order for particular fundamental and subsumed class processes to exist. Indeed, the subsumed class distributions of surplus value occur precisely to finance - to make possible - the performance of those non-class processes which might not otherwise occur and thereby threaten the existence of the fundamental class process itself. To the extent that the performance of certain non-class processes (lending money, disciplining workers, teaching children particular moral values, and so forth) constitute necessary conditions for the capitalist fundamental class process to exist, the performers of such non-class processes may require and obtain distributed portions of surplus value. They thus occupy the subsumed class position of recipients of such distributions. Fundamental, subsumed and non-class processes and positions are each overdetermined by all the others; each is one of the conditions of existence of all the others.

do not secure CsEs of FCPs ?

## NATIONS

Among the many non-class political processes which participate in overdetermining class processes is one we may call the process of national sovereignty. For complex historical reasons, groups of individuals become involved in relationships that include a national sovereignty process. In the sovereignty building process members of the group typically promulgate and accept mutual political obligations relating to norms of corespective behavior. In this sense sovereignty may exist within many different groupings - families, clans, manors, churches,

Thus, gender or race process?
empire process?

Alternative:
- national sovereignty = concept (cultural process)
- nation-state = form of administration (political process



ethnic groups, localities, for example - who have struggled over or with alternative and/or conflicting sovereignties. Several centuries ago, out of such conflicts, emerged one particular kind of sovereignty that spread globally: national sovereignty or the nation state. It usually encompassed a particular network of smaller-group sovereignties and thus a determinate geographic area.

The precise relation between national and lesser sovereignties varied with the particular histories of each nation's emergence and development. Thus for each country the national sovereignty process was different. Accordingly, this non-class process also differentially effected the development of each nation's class processes and its class structure, not to speak of the many other non-class processes that also evolved differently from one nation to another.[11]

The questions to be asked now are these: what fundamental and subsumed class processes occur among these national peoples? What class structure do they display? Based on the answers constructed for these questions, Marxist analysis proceeds to approach issues of nationality by linking class processes to the political process of national sovereignty and to all the other processes occurring among the people participating in that process of national sovereignty. In this way the nature of a nation's social structure can be determined. Finally, because some processes connect different people in different nations, Marxist theory can then conceptualize these international processes in class analytical terms and therefore shed light on whether they are beneficial, hurtful, or exploitative ?
for the people involved.

Different nations - groups of persons participating in different political processes of national sovereignty - will display within them different configurations of class and non-class processes. The overdetermined effects of such class and non-class processes upon one another will give each nation its unique dynamic of internal tensions and change. Struggles among persons over class and/or non-class processes will also vary from nation to nation. Similarly, social processes that connect one country's nationals to another's will be complexly intertwined with the different class and non-class processes within each nation. Struggles over such international processes will be complexly intertwined with national processes.

## Class Struggles and International Economics

To say that the class processes are overdetermined by all the non-class processes means that the effects of the latter constitute the former in all sorts of diverse and conflicting (or contradictory) ways. In Marxist terms, class processes are constituted as contradictions; they embody (or exist as the site of) the conflicting pushes and pulls (the diverse effects) emanating from all the non-class processes that overdetermine them. The same holds necessarily for every other social process given the commitment to the logic of overdetermination. The overdetermined contradictions of all social processes and hence of the individuals who participate in them produce a diverse pattern of alliances and struggles among individuals over various social processes. Thus just as particular configurations of class and non-class processes differentiate one nation from another, so also do they differentiate the struggles within one nation from those of another. Struggles over a nation's class and non-class processes change continuously and are different for individual countries. A particular class matter may be an intense social issue in one nation but a minor concern in another. Thus, in some nations struggles may be limited to how foreigners hold class and non-class positions in the national economy. In others struggles may emerge over individuals' occupying class positions in the national economy no matter their national sovereignty. The same differential patterns also hold true for struggles over non-class processes (e.g., marriage laws, religious practices, taxation procedures and so forth. All of them vary over time and among nations in accordance with their different structures and the dynamics of their constituent social processes.

Class struggles within any nation may be disaggregated, according to the Marxist analysis we are deploying, into struggles over the fundamental or subsumed class processes or both. For example, struggles may develop over the quantitative relation between necessary and surplus labor in the fundamental class process: in capitalism, over the rate of exploitation, the relative size of surplus value. Alternatively, struggles may develop over the relative shares of appropriated surplus value distributed to the various subsumed classes. Furthermore, sometimes such class struggles may interact with non-class struggles to condense into a particular form of class struggle that focuses not so much on the quantitative dimensions of surplus value appropriated or distributed as upon a qualitative transformation of the fundamental and subsumed class processes themselves - say from capitalist to communist. It is always a prime theoretical objective of Marxist analysis to assess a society's potential for and obstacles to such a condensation.

Class struggles and the dynamics of change within a nation depend on the structure of class and non-class processes occurring within it. They also depend on the pattern of international processes in which country's nationals are participating. By the same token, the nature and history of international processes will be determined in part by each nation's configuration of class and non-class processes and struggles.

It follows that struggles over international class or non-class processes are both overdetermined by and participate in the overdetermination of the configuration of class and non-class processes in each nation. Since this chapter focuses on certain economic international processes, we will first specify and differentiate class from non-class international economic processes. Second, we will begin to sketch links between those processes.

SECTION IV.

CLASS ANALYSIS OF INTERNATIONAL RELATIONS INVOLVING FOREIGN PROFITS OF CAPITAL

Individuals who participate in class and non-class processes comprising relations within a nation may also participate in processes comprising relationships between nations. In this section we make a class analysis of such participation in these international relationships. As noted in the introduction, the context of our discussion is an ongoing debate of significant political and theoretical importance as to whether international capitalism involves mutually beneficial or exploitative relations among nations.

Let us begin by examining the class meaning of "foreign exploitation" and distinguishing relations between nations which involve exploitation (in the class sense) from those which do not. Suppose industrial capitalists of one country enter into a relationship with laborers in another such as occurs when capitalists make a direct foreign investment. If their productive capital is expended to set in motion productive labor in another country, then the capitalist fundamental class process is present. In this case the capitalists occupy what we may call a foreign capitalist fundamental class position. Thus, by Marxian definition, exploitation - albeit foreign - is taking place.

In parallel fashion, a foreign capitalist subsumed class position results when one nation's citizens make it possible for another's to appropriate surplus value and then receive for so doing a share of the appropriated surplus value. This may occur, for example, when a manufacturer leases a production technology to a foreign industrial enterprise, and receives a rent for doing so. In this relationship, there is no foreign exploitation, but certain conditions of existence of exploitation in one country are being secured by the nationals of a different country. On the other hand, when one country's citizens merely sell (export) capitalist commodities to another's, no exploitation and no fundamental or subsumed class positions result since commodity exchange is a different process from either fundamental or subsumed class processes.

As parts of different international relationships, international flows of money and commodities occur for different reasons. Only if such flows occur as part of a fundamental class process can we conclude that foreign exploitation takes place. Therefore, one object of a class analysis is precisely to determine whether any particular money flow occurs as part of a fundamental, subsumed, or non-class process. This focus should not be too surprising since the tradition of Marxist analytics has always been to investigate the relationships between entities, no matter their form, to determine whether exploitation takes place. We are continuing and further developing this tradition by extending it to complex relationships between countries, a task that Marx suggested but never completed.

The Exploitation of Foreign Labor

Corporate accounts, national tax laws, and Marxist and non-Marxist economists all make a sharp distinction between capitalist enterprises' foreign and domestic profits. Foreign profits are often understood, as in the radical paradigm, as the monetary expression of foreign exploitation. Let us see if a Marxian class analysis allows such a simple definition.

Suppose U.S. industrial capitalists establish in Brazil an industrial enterprise that employs Brazilian productive labor. Suppose further that U.S. citizens, no matter their residence, are specified to be the first receivers or appropriators of surplus value. As developed previously, it is this initial appropriation that defines the fundamental class position. In this case U.S. capital extracts surplus value from Brazilian workers; in the Marxian sense it therefore exploits foreign labor. Foreign exploitation therefore takes place.

If under similar assumptions we consider an incorporated enterprise, the industrial capitalists typically would be those U.S. citizens who are members of its board of directors - those individuals socially (economically, politically, culturally) designated to be the first receivers of the company's surplus value. The identification of the exploiters becomes a bit more complex, yet the logic used is the same, when we consider more concrete examples.[12]

Suppose we consider a U.S. company's foreign industrial subsidiary. The question of whether foreign exploitation takes place depends on the nationality of the appropriators of surplus value. Consider that if the local subsidiary's board, no matter its nationality, acts as the agent (managers) of the U.S. corporate board to oversee the local business, but by law, custom, and market does not

Foreign or domestic by virtue, simply, of nationality of individuals occupying the FC position? Alternative: where profits flow to initial/direct appropriators



initially receive its profits, then its members are not the appropriators of surplus value. Rather, the surplus value is appropriated by the board of the U.S. parent company. In this case, foreign exploitation also takes place in Brazil.

By contrast, under other social arrangements, the members of the local board may well be socially designated as appropriators, the first receivers of surplus value. If so, they would then occupy the fundamental class position and whether foreign exploitation occurs would depend on the board members' nationality. If completely composed of U.S. citizens, then we merely have a complication of our previous example of foreign exploitation. The relationship between this local group of U.S. industrial capitalists and their parent company is no doubt important, but it does not pertain to the international (foreign) nature of the exploitation in question. However, if the local board is completely Brazilian, no foreign exploitation takes place. As shown in the next section a different class process links the subsidiary to its U.S. parent company. Finally, if the local board is mixed as to nationality, then foreign exploitation occurs to the degree non-Brazilians are so represented. All these examples illustrate our class analytic concept of such exploitation.

With these complications in mind, consider our first example of an industrial corporation operating in Brazil whose industrial capitalists, whereever they may reside, are indeed U.S. citizens. Suppose that a significant share of the surplus value they appropriate is distributed to citizens of Brazil who occupy various subsumed class positions as managers of the enterprise, state functionaries, bankers, merchants, political lobbyists and lawyers, private police, labor recruiters, shareholders, and owners of lands and buildings.

They provide various political, economic, and cultural conditions of existence for the foreign capitalist exploitation of Brazilian labor. For so doing, these Brazilian citizens receive distributed shares of the appropriated surplus value in the form of salaries and budgets to managers, taxes to the state, fees to merchants, interest to bankers, dividends to shareholders, rents to landlords, and so forth.

Suppose the remaining portion of extracted surplus value flows to the U.S. as distributions to occupants of subsumed class positions who are U.S. citizens. For simplicity let us further assume that by the accounting procedures of the enterprise (themselves a particular cultural process), this flow constitutes the profits on the Brazilian operation of the corporation. To see this clearly, let us divide the distribution of appropriated surplus value into two aggregate components: $SV = \sum SC_B + \sum SC_{U.S.}$ where the subscripts designate the nationality of the citizens receiving the distributed shares. $\sum SC_{U.S.}$ is that share of surplus value flowing to the U.S. parent company in the form of its total foreign profits and $\sum SC_B$ the total share directed to Brazilian occupants of subsumed class positions in the form of the above listed income payments. Let us solve this equation for the corporation's foreign profits: $\sum SC_{US} = SV - \sum SC_B$. Clearly, there is no necessity for such profits to move in the same direction as surplus value. As may be readily shown by the equation, changing profit flows to the U.S. may or may not reflect changes in quantities of total surplus value appropriated in Brazil by U.S. corporations. Indeed, a rise in U.S. exploitation of Brazilian labor, as measured by SV, may be quite consistent with a fall in the total profit flow from Brazil to the United States, as denoted by $\sum SC_{US}$.

Such money flows (what is denoted here as $\sum SC_{US}$) are only one part of the surplus value appropriated in this example of foreign exploitation. To focus on such measured money flows as a direct index of foreign exploitation is to miss totally the contribution of Marx to social analysis. It is quite literally to see foreign exploitation whereever and whenever one sees profits flowing from one country to another, rather than where the fundamental class process occurs internationally.

A different but related point involves the recognition of complex national relationships that emerge as a result of such foreign exploitation. It is difficult to imagine, for example, the establishment of a foreign capitalist fundamental class position that would not also involve the establishment of local subsumed classes alongside: fellow citizens of the exploited workers helping foreigners to exploit them. A higher foreign exploitation rate increases the surplus value available to be distributed in part to these Brazilian subsumed classes. Thus some Brazilians may create all kinds of tensions and even conflicts in Brazil over class and non-class processes. As our example clearly demonstrates, the social survival of Brazilian occupants of these particular subsumed class positions depends on shares of surplus value distributed to them by foreign industrial capitalists. Thus, one can imagine circumstances in which such occupants might ally themselves with capitalist foreigners in opposition to demands from Brazilian productive laborers.

Of course, the different nationalities of the two parties continually strains possible alliances between national subsumed classes and foreign capitalists. On the one hand, those in subsumed class positions may support the foreign industrial capitalists in order to maintain and possibly improve their economic position. On the other hand, nationalist political and cultural processes may push them to support their fellow citizens, including productive laborers, in struggles against what they perceive as foreign economic and cultural domination. Regardless, a class analysis focuses upon how the different class processes overdetermine and are overdetermined by the subset of political and cultural processes comprising this nationalism.

As a second example, we consider the same corporation, but now its local board is composed only of Brazilian citizens who are assumed to be the industrial capitalists. Capitalist exploitation still takes place, but now because of our changed political process of citizenship (national sovereignty), it is not foreign exploitation. According to our previous equation, profits, $\sum SC_{US}$, may still flow from the Brazilain enterprise to the U.S. one, and they may even be relatively large. A non-class approach focused on this profit flow might well conclude that significant foreign exploitation was therefore taking place. However, our approach, focusing on the Brazilian industrial capitalists' extraction of surplus value, concludes that no foreign exploitation has occurred despite a significant money flow between the two countries' enterprises. In this second example the profit flow between the two countries' citizens indicates the presence not of a fundamental but rather subsumed class process.

Below we turn to a detailed examination of that foreign subsumed class process. Beforehand, however, we emphasize again that there are many economic processes that are distinct from but complexly related to capitalist exploitation, the appropriation of surplus value. These social processes may occur internationally as, for example, when the buying and selling of capitalist commodities becomes importing and exporting, or when the purchase of industrial stock certificates becomes foreign portfolio investment, or when the lending of money to industrial capitalists becomes international lending. Whether national or international, these economic processes remain distinct from but complexly related to exploitation. These non-class economic processes may produce foreign profits, but they are not foreign exploitation in the Marxist sense.[13]

In general, expenditure of unproductive capital is one kind of non-class economic process that is often confused with the expenditure of productive capital. As noted earlier, the latter concerns setting in motion productive labor, labor that is productive of surplus value. Unproductive capital, in contrast, does not involve commodity production and therefore does not entail the production of value and surplus value. Such expenditures set in motion unproductive labor, labor that does not produce surplus value. Individuals in one country deploy then their unproductive capital not to produce commodities and surplus value in another, but to make profits by some means other than setting capitalist commodity production in motion. They may, for example, make foreign expenditures to secure a monopoly position in their relations with foreign industrial capitalists (perhaps by conducting research and hiring lawyers to gain patents and protect trade marks and brand names) or to develop a worldwide marketing network to sell commodities that foreign capitalists produce. They might make expenditures to establish foreign banking or other credit institutions. They might also deploy unproductive capital to invest in the shares of other countries' industrial enterprises, thereby becoming owners of such foreign corporations. All these unproductive capital deployments may be profitable, but these profits arise not from the direct exploitation of labor (a fundamental class position), but from the acquisition of subsumed class positions, positions which help to secure conditions for such exploitation.

Foreign Subsumed Class Positions

We have just seen two examples in which the assumption that foreign profits may be taken as the monetary expression of foreign exploitation breaks down. In the first, foreign profits were shown to be only a fraction of the surplus value extracted by foreign industrial capital. In the second, significant foreign profits existed, but they were not a part of foreign exploitation. In this section we wish to explore this second example in which profits arise from foreign subsumed rather than foreign fundamental class positions.

In general, when the citizens of one nation obtain distributed shares of surplus value appropriated by citizens of a different nation, then an international subsumed class process links these citizens. The recipients of these shares are said to occupy foreign subsumed class positions. Thus when one country's industrial capitalists get access to loan-capital, equity-capital, management techniques, marketing services, franchises and patents, monopolized commodities and political influence from abroad - and pay for these services with internationally distributed shares of the surplus value they appropriate - they have created subsumed class positions for those rendering these services.

Currently, these international subsumed class distributions are some of the most important claims on the surplus value produced in many third-world countries. Perhaps historical conditions now influence multinational corporations to shift where possible, at least temporarily, from foreign fundamental to foreign subsumed class positions. Thus since the early 1950's U.S. and West European corporations have established commodity producing foreign subsidiaries in almost every country in the world, even in countries that consider themselves socialist. More and more of these subsidiaries are totally owned and managed by the citizens of the host country, and such citizens typically make up their board of directors.

A significant share of the surplus value appropriated by those citizens is distributed to foreign subsumed classes (often organized as U.S. and West European corporations) in the form of license and patent payments, management and marketing fees, legal and consulting salaries, and monopoly payments to gain access to particular machines, equipment, and raw materials. These subsumed class payments are all included in what we have defined previously as $\sum SC_{US}$, foreign profits.

As we have shown, then, such foreign profits are neither identical to nor an index of foreign exploitation, the appropriation of surplus value from foreign workers. To consider such a category as foreign profits without distinguishing the fundamental from the subsumed international value flows is precisely to miss the class differences involved. Such an approach reflects a tendency, fully expressed in the radical paradigm, to think of wealth transfers between nations as either the telos governing the development of a polarized world capitalist system or as an environmental condition decisive in shaping social struggles within the gaining and losing nations. In either case, it is to ignore the complexly different social effects of profits appropriated by foreign industrial capitalists and profits appropriated by national capitalists and then distributed by them to foreigners. To miss these differences is then to theorize the nature, causes and results of international economic relations without reference to class processes. Marxist theory and the class concepts it deploys are intended directly to remedy this absence of reference to class in international analysis: an absence with important theoretical and practical consequences as suggested below.

enterprise : $\frac{p}{u+c+v} = \frac{\Sigma sc + s + \Sigma nc}{u+c+v}$

$\frac{\Sigma sc}{u}$ $\frac{s}{c+v}$



Consider a ratio of the foreign subsumed class revenue flows earned to the unproductive capital expenditures required to establish such foreign class positions. We may compare this rate of return to that earned by establishing a foreign fundamental class position. The latter is typically referred to as the value profit rate, the surplus value received to the productive capital invested in labor power and means of production. This calculated foreign subsumed class return may be higher or lower than the fundamental class return depending on a variety of very concrete conditions in a particular country and indeed in the world at large. Perhaps the foreign subsumed class return has tended in recent years to exceed the foreign fundamental one because of changed social conditions in many third-world countries. From the perspective of the U.S. or West European corporation, a foreign fundamental class position becomes relatively less attractive in the face of rising nationalism, demands for higher wages, higher state taxes, incessant corruption, and periodic threats of revolution especially from communist and other national liberation movements. Occupation of certain foreign subsumed rather than fundamental class positions may act to reduce such risks to one's investment.

ATIONALIZATIONS, etc.

Partly in reaction to these concrete conditions, U.S. and West European firms may have gradually shifted their expenditures from reproducing or newly creating foreign fundamental class positions to rather establishing some of the above foreign subsumed class positions. Consequently, it seems as if independent industrial capitalism flourishes in many countries of the third-world while much of the supposed benefits of the capitalist growth flows back into the hands of these "foreign capitalists." Our class analysis suggests that surplus value is indeed increasingly appropriated by indigenous industrial capitalists who also often own and manage these enterprises. However, coupled with this withering away of foreign exploitation is an increasing flow of already appropriated surplus value out of these countries in terms of subsumed class distributions to foreigners.

Individuals may move back and forth between foreign fundamental and subsumed class positions or hold both such positions simultaneously. By no means do we want to imply that U.S. or European citizens will no longer be interested in establishing and securing foreign fundamental class positions. In fact, a condition of receiving a foreign subsumed class payment may well be the existence of the foreign fundamental class process and individuals may seek to establish the latter to help secure a distribution to their foreign subsumed class position(s). In addition, competition between industrial capitalists in different countries can act to stimulate the establishment of new foreign fundamental class positions all over the world. So competition is at least one of the many factors that tend to produce expansion of foreign exploitation.[14]

It follows that a large multinational corporation typically exhibits a number of different domestic and foreign fundamental and subsumed class positions. It is an enterprise in which individuals continually shift between such class positions in reaction to different profit rate calculations, competitive strategies, national movements in different countries, different wage and tax demands in such countries, and so forth. Its foreign profits, therefore, would be a complex sum of two major entities. The first is the net difference between the surplus value extracted from foreign workers and subsumed class payments to foreigners. The second is the net difference between the subsumed class revenues it receives from foreign industrial capitalists and the unproductive capital expenditures it must make to secure such revenues.

We cannot use foreign profits, the sum of these two different entities, as an indicator of foreign exploitation by such corporations. We cannot because such a category precisely abstracts from the two very different class positions occupied by its corporate members. Focus on such an aggregate concept disguises the continual shifting of individuals within such corporations from one class position to another and the different social effects produced thereby in the corporations and the different countries. Such a focus may, for example, continually emphasize foreign exploitation when the issue is rather a subsumed class distribution or may essentially link such foreign exploitation to foreign ownership and control thus missing the crucial difference between the extraction and distribution of surplus value.

## Foreign Non-Class Positions

Besides the two foreign class positions - fundamental and subsumed - foreigners may also occupy non-class positions from which they earn non-class revenues. Such revenues may also be a component part of foreign profits that flow from one country to another. For example, lending money to a foreigner

to the State

who is not an industrial capitalist will generate a return flow of interest payments which are not class revenues: they are neither appropriated surplus value (fundamental class revenue) nor subsumed class distributions thereof. Thus, such loans to, say, a Brazilian worker, the Brazilian state (purchasing Brazilian national debt), or a Brazilian non-industrial enterprise (bank, merchant company, etc.) will represent a lender/borrower process that is international. In this process, one national occupies the lender and another the

But non-class (interest) flows may lead to attempts to increase SV extraction and SC transfer to State (in the form of taxes).



borrower position; the international revenues generated are non-class revenues because neither the appropriation nor initial distribution of surplus is involved.

Clearly then, a relation between the citizens of the two countries in which an interest payment is made for a loan received does not indicate by itself whether a class or non-class process occurs in the relationship. Only if such an interest payment secures a condition of existence of the production of surplus value may we consider it a subsumed class distribution, and as we just showed in the previous section, this class process depends on the borrower occupying the position of industrial capitalist. Since in the present example, the borrower by assumption does not occupy such a position, the interest paid is a non-class value flow to a foreign lender. Thus, if a multinational corporation which already occupies foreign fundamental and/or subsumed class positions also acts to occupy a foreign non-class position (e.g., by lending money to its employees, suppliers, state agencies in the foreign country), its "foreign profits" will include such non-class revenues alongside its fundamental and subsumed class revenues.

To take still a different example, suppose a U.S. citizen purchases the stock of a financial enterprise in Brazil. Parallel to the interest on the foreign loan, the dividends so earned represent a return to a foreign non-class position. Only if the dividends were earned on the purchase of industrial stock would it represent a return to a foreign subsumed class position.

Foreign non-class and subsumed class positions and revenues received do not represent foreign class exploitation. Such interest and dividend flows and whatever profit returns they may bring to foreign investors cannot be confused with the exploitation of one country's labor by another's industrial capitalists. However, these foreign non-class and subsumed class positions do effect such exploitation whether it be by foreigners or not.

Parallel to our analysis of certain foreign subsumed class positions, occupation of foreign non-class positions also effect the fundamental class process in a variety of different ways. To illustrate this, let us assume that U.S. laborers, merchants, bankers, industrial capitalists, members of Congress, lend money to (buy securities of) the Brazilian state. Such loans are to be used partly to build infrastructure to foster capitalist industrial development in that country. Suppose now that for whatever complex national and international reasons, the Brazilain state cannot maintain its current non-class interest payments and cannot retire whatever debt has come due. It is forced to threaten default. Such a Brazilian threat jeopardizes the existence of the foreign non-class positions held by these U.S. citizens. This could, in turn, have serious economic and political effects within the U.S. and the world at large.

CAREFUL

Suppose, further, that the U.S. state, representing an alliance of U.S. lenders, pressures the Brazilian state to act to save these foreign non-class positions. Suppose this pressure - ultimately the counter threat to jeopardize future U.S. lending to Brazil - succeeds in changing state policies in Brazil. Restrictive monetary and fiscal policies are adopted aiming to cut inflation, stimulate exports and so gain foreign currency inflows to make possible interest payments on Brazil's debt. As part of such a policy, taxes on industrial enterprises and others are raised as is the domestic interest rate. As a result, industrial capitalists in Brazil must distribute an increased share (subsumed class payment) of their surplus value in the form of higher taxes to the Brazilian state and higher interest payments to their creditors (foreign and domestic). This leaves less available to secure their other conditions of existence. Dividends may have to be reduced thereby creating the possibility of owners selling their shares and depressing stock prices. Management fees, patent payments, and merchant fees may have to be reduced thereby threatening firms' access to trade-marks, technology, and marketing. Less surplus value is left for capital accumulation by managers, itself another condition of existence of these firms' continued existence. All of these domestic and foreign subsumed classes demand their respective shares of the surplus value to secure the process(es) they provide. The very survival of Brazilian enterprises may therefore be threatened by the restrictive actions of the state. Yet, as just argued, the Brazilian state's restrictive policies were themselves motivated by concern to maintain the foreign credit lines that are also crucial to the existence of the Brazilian industrial capitalists. The Brazilian state is in a contradictory situation.

One possible way out of this dilemma would be for Brazilian industrial capitalists to increase the rate of exploitation thereby appropriating more surplus value available for distribution to both foreign and domestic subsumed classes. If wages (value of labor power) of Brazil's productive laborers can be lowered enough, then the additional surplus value will enable industrial capitalists to pay higher taxes to the state and interest changes to financiers. In this sense, lower wages will have "financed" the foreign debt problem.

One way of facilitating lower wages - making them easier to impose - is for the state to pressure the rural sector of the economy to force a lowering of the price of food, one of the most important items in the budgets of industrial

ISI (w/ state borrowing) $\Longrightarrow$ AGR stagnation $\Longrightarrow$ difficulty of lowering $P_F$ (and thus VCP) — but maybe counterbalanced by surplus L population to IND.



laborers. Another way is to adopt policies that draw and/or drive more labor than normally into the urban sector: they compete for jobs there and so force down wages.

Such agricultural policies and state pressures, however, may lead to a decline in the labor force of the rural sector far greater than the ability of the domestic urban sector to absorb such migrated labor. The resulting political problem of massive urban unemployment and social unrest may lead to pressure to invite foreign industrial capitalists to set up production to soak up some of the excess unemployment. It could also lead the state, as in the case of Mexico, to encourage labor emmigration, legal or illegal. Furthermore, the weakened agricultural sector may be unable to expand production or, in general, to raise productivity and thereby lower the cost of food. Thus pressure may develop for the state to invite in foreign agribusiness under very favorable terms to develop capital intensive agriculture in the hope that this will bring the new technology that will lower the cost of food, and thus wages.[15]

Furthermore, the state's expansionist modernization policy partly financed by the foreign debt may have succeeded in creating the material and social infra-structure for new types of large-scale capitalist industrial production in the nation. This new infra-structure can be maintained, however, only if the state begins to collect necessary rents, taxes, and fees for its use. This provides still another reason to welcome foreign industrial capital.

Thus, in our Brazilian example, non-class processes (and their associated revenues) involved in international relations can set in motion a complex of political and economic effects that may well lead to increased foreign exploita-tion and increased domestic exploitation as well. But, of course, there is no iron necessity at work here: all outcomes might have been different. Non-class revenue flows and political processes linking the U.S. and Brazil might have interacted with other economic, political and cultural processes to impact the capitalist fundamental class processes (both Brazilian and foreign) very differently. Our point is to show the logic of Marxist theory, how it approaches international analysis, not to posit some necessary outcome such analysis would reach.

Foreign Profit of Capital

We may summarize our discussion in this section by specifying a value equation that captures the different fundamental, subsumed, and non-class sources of foreign profits:

$$P_F = SV + \Sigma\, SC + \Sigma\, NC - X$$

where $P_F$ refers to foreign profits, SV is the foreign surplus value appropriated, $\Sigma$ SC is the total foreign subsumed class revenues earned, $\Sigma$ NC is the total foreign non-class revenues received, and X includes all those subtractions from total foreign revenues which are considered necessary to arrive at a foreign net profit flow ($P_F$ ). The category of foreign profits then is a very complex one.

Clearly, there may be no aggregate movement in foreign profits while at the same time significant foreign class and non-class changes occur. Approaches, such as the orthodox and radical ones, which focus only on $P_F$ abstract from such changes occurring on the right hand side of this equation. They treat as the same different foreign revenues earned by individuals and enterprises from their participation in different international economic processes. As a consequence, their understanding of flows of wealth among nations have very little to do with Marxian concepts of class. For the radical paradigm, a dramatic rise in $P_F$ flowing from, say, third-world nations to Center ones is often taken as a sign of a significant increase in international exploitation. However, according to our equation, there is no necessity for such a change in $P_F$ to correspond exactly to a change in SV. Indeed, we have suggested that such a rise may be quite consistent with a fall in foreign exploitation and a rise in either or both $\Sigma$ SC and $\Sigma$ NC.

The importance of this is in the recognition that radical social changes in countries aimed at ending foreign capitalist exploitation may not eliminate foreign claims on the national value produced. There is no necessary link between the ending of foreign appropriation of surplus value and the flow of value to foreigners becoming zero. In fact, we suggested in our example of multinational corporations that such changes can even become one of the conditions for a dramatic rise in both subsumed and non-class flows of value to foreigners.

## Section V. FOREIGN DOMINATION AND EXPLOITATION

With a class analysis of international economic processes now in mind, we may proceed to show how this analysis produces a different understanding of foreign domination and exploitation than the two alternative paradigms discussed above. We shall also show that these different understandings produce very different social consequences.

Processes of political domination and cultural hegemony are distinct from and complexly related to the fundamental class process of exploitation.[16] Likewise, foreign exploitation is neither identical to nor linked in an essentialist way to foreign political domination and cultural hegemony. One country's state, as in our previous example, may use its political power to order the social behavior of another nation. Such domination, whether it be secured by armed forces or more subtle means, is not equivalent to exploitation. Even if such power is used by one state to plunder the resources of a country or to establish the conditions for its own industrial capitalists to extract surplus value from the workers of the dominated country, it is still different from and not equivalent to foreign exploitation.

USSR & Afghanistan

Foreign exploitation is not the essential goal of foreign domination. Foreign domination may be exercised to enable the citizens of the strong state to acquire foreign subsumed and non-class revenue receiving positions. For example, the dominant state may use its power to secure particular political, cultural, and economic conditions for the profitable foreign deployment of unproductive merchant or finance capital. The power of the dominant state may also be used to secure a variety of non-economic and non-class goals such as the propagation of a particular religion or the securing of a strategic military area. In these latter intercountry relationships, the political process of ordering social behavior, international domination, does not occur together with either of the two class processes. Some international relations then involve class processes and some do not. Both kinds of relations, however, affect one another.

Foreign domination may prove to be as much an obstacle as an aid to foreign exploitation. Although it may sometimes have created the initial conditions for capitalist exploitation of foreign workers, foreign domination may also, and often does, lead to the development of nationalist movements. These movements oppose foreign domination and what are experienced as its negative political, cultural and economic effects on the life of the dominated nation. As a result of such movements, the risks associated with foreign exploitation rise at the same time as its profitability becomes undermined. The causes are complex. They may be due, in part, to dramatic increased subsumed class costs of repressing this nationalist agitation and co-opting allied classes from the dominated nation who become increasingly anxious about their future in the new political climate. They may also be partly due to a decline in the rate of exploitation as extracting surplus labor from unwilling labor power becomes more difficult in the new environment of nationalist antagonisms in the relation between the two fundamental classes. The risks to foreign productive capital may also rise considerably due to non-class processes of violence which destroy the buildings, machines and commodities of foreign capital.

Let us assume that the nationalist movement does attain state power, replacing either a colonial state or one perceived as foreign dominated (a "neo-colonial client of an imperialist state") with a new independent state and nation. Individuals otherwise divided by issues of class, religion, gender, and ethnicity are swept up in a movement of national liberation that is unified by their common allegiance to a particular process of national sovereignty: national identity of individuals and shared values of the people. The economic self-consciousness of the movement is that it is the struggle of an oppressed people reduced to the status of servants in their own house and impoverished by the unjust and coercive expropriation of the wealth of the nation by Western imperialists.[17] There is then a notion of imperialist "exploitation" as the drain of surplus, of national wealth, from the homeland and its oppressed citizens to the foreign land and its foreign oppressors.

Typically, the new state is in no position to withdraw from the international economy, but to achieve its objectives must somehow re-order its relations with the old imperialist powers, the industrially advanced capitalist nations. The economic goals proclaimed are the elimination of the "imperialist exploitation of the nation" and the establishment of national economic development - modernization, a process understood to have been blocked up to now by this imperialist "exploitation." It is recognized that the attainment of state power does not in and of itself change the economic situation.

Imperialist "exploitation" is often understood as something that happened to the nation; it is understood as a process constituted by all the unfair and coercive transfers of national wealth to foreigners. Under this criterion three types of "exploitation" typically are identified: (1) unfairly low wages paid to national workers by foreign industrial capitalists; (2) property income earned by foreigners who own much of the nation's national resources, industrial enterprises, and non-industrial enterprises; (3) unequal exchange of commodities in international trade to the advantage of foreign capitalists because of the monopoly position enjoyed by them. Each one of these three forms of "exploitation" is understood to define and contribute to the drain of wealth to foreigners. Ending them becomes an important goal of the newly liberated nation. Higher

NIEO



wages, indigenous ownership, favorable terms of trade become three key objectives of national economic policy, the achievement of which will end foreign"exploitation". Let us examine each in turn.[18]

Unfairly Low Wages

The notion here is that "exploitation" amounts to the low wages paid to productive workers by foreign industrial capitalists. These low wages permit the firm to earn higher surplus value than would otherwise be the case. Increasing these wages presumably ends this form of exploitation. This may be accomplished either by the state passing new laws whose effect is to force foreign industrial capitalists to pay higher wages or by nationalizing their enterprises and then making sure that national industrial capitalists, whether public or private, pay higher wages.

This particular approach to the notion of foreign exploitation misses the difference between the fundamental class process and non-class process of commodity exchange between money and labor power. Foreign industrial capitalists may well have paid wages below the customary value of labor power. Such conditions are not rare in many third-world countries. What we have then is a deviation of the price (wage) of labor power from its value. Increasing this price by law or otherwise will eliminate this particular deviation, but it will not end foreign exploitation of labor. Policies of nationalization of foreign industrial enterprises coupled with higher wages for labor eliminates foreign but creates in its place domestic exploitation. In either case, higher wage payments will eliminate a non-class revenue (unequal exchange of money for labor power) for foreign or national industrial capitalists. Although changing the terms of this exchange has its own important effects, there is no elimination

So deviation of price from value is NC revenue to K?

PLP < VLP ⟹ NC revenue to K as part of realized profits

Unequal XΔ $\Longrightarrow$ realization of NC revenue. (for the commodity LP!)



of foreign or domestic exploitation (fundamental class revenue) when and if "unfairly" low wages are raised.

## Foreign Ownership

The economic basis of imperialist "exploitation" is frequently understood as the expropriation by foreigners of the national means of production. The national wealth - its lands, capital goods, and money - become in large part the private property of foreigners. They own many of the mines and oil fields, the most fertile land, railroads and utilities, and what large manufacturing plants, banks, and commercial houses there are. Nationalization may hence be understood as the key to ending "foreign exploitation" and establishing the pre-conditions of national economic development. Exploitation will end, it is argued, if the nation's wealth-producing factors of production are made the property of the nation, either as state property or the private property of nationals.

Now this argument confuses the political process of ownership (a legal convention) and the subsumed class process of paying for access to owned means of production with the fundamental class process of appropriating surplus value. It is quite true that productive workers must be separated from the means of production, since otherwise they may not produce surplus value for others. A condition of existence of capitalist exploitation is separation of productive workers from gaining access to means of production. But it does definitely <u>not</u> follow that industrial capitalists need to own anything. In modern capitalism it is usually the case that industrial capitalists own little if any of the means of production which combine with labor

$\left(\frac{S}{V}\right)_r$ may deviate from $\frac{S}{V}$ by virtue of
$\Sigma SC$ ("super-profits")
$\Sigma NC$ (deviation of PLP from VLP, or other).

power to produce commodities. Rather, there are elaborate institutions in place that facilitate capitalists acquiring temporary access to means of production owned by others. For example, for access to land needed to carry out commodity production, capitalists secure temporary access by distributing to landowners a share of the surplus value they appropriate: the share called "capitalist rent." For another example, capitalists borrow money from those who own it for a return payment of interest, itself another portion of the surplus value appropriated by the capitalists. For still another example, capitalists lease means of production for temporary periods from their owners and pay in return a fee for such leased means of production.

Whether and to whom an industrial capitalist is required to make subsumed class payments for access to means of production not owned is a separate matter from the exploitation in which this capitalist is involved. If foreigners own the land, lend the money, and/or lease the productive equipment, foreign subsumed class payments will occur. If a new independent state nationalizes such land, money, and equipment, it transforms these foreign into domestic subsumed class payments. It does not thereby do away with capitalist exploitation in the Marxist sense.

Nationalization, in the sense of expropriating foreign owners, is the substitution of domestic propertied classes (either state or private) for foreign ones. Nationalization may even contribute to the perpetuation or re-introduction of foreign exploitation in two ways. First, it may make the criterion for permitting foreign participation in the national economy whether or not the foreigner "does something," i.e., contributes to economic development. Since foreign property owners (those who are understood to do nothing) are eliminated, this criterion paves the way for foreign industrial capitalists to be welcomed as useful entrepreneurs and organizers of production. Nationalization *per se* is not an attack against foreign fundamental class positions but against some foreign subsumed and non-class (property-owning) positions. By defining exploitation in terms of these positions, rather than in terms of surplus value appropriation, it may culturally and politically open the door to foreign capitalist exploitation.

Second, nationalization may strengthen the hand of domestic propertied classes vis-a-vis domestic fundamental classes. There may, for example, ensue an intense social struggle over how the state re-distributes (or retains for itself) the property it has expropriated from foreigners. Attaining ownership of this newly available property (perhaps at bargain rates) may for a time be a far more profitable activity than industrial investment. It may happen then that nationalization will lead to a flight of domestic capital away from productive and towards unproductive deployment: property acquisitions. This can leave a vacuum into which foreign industrial capitalist may step.

## Monopoly Pricing and Unequal Exchange

The third notion of imperialist exploitation defines it as the loss of wealth of a nation due to foreign monopoly pricing. Imported commodities are purchased at prices that exceed their value and export commodities are sold at prices below their value. Foreign capitalists are understood in this view to exploit the consumers and producers of the third-world nations.

We have already commented on situations of unequal exchange in which commodities sold at prices below their values. We noted in the case of the labor power commodity that this was a non-class payment made by seller to buyer; it was not a process of exploitation in the Marxist sense of producing and appropriating surplus value. Selling exported commodities at their value then would eliminate this non-class payment but would exert no necessary and particular effect on foreign exploitation. But that is hardly what proponents of this notion have in mind.

Foreigners may have established some form of monopoly position so that they are able to sell commodities to third-world nations at monopoly prices that exceed their value. Suppose we have the export of monopolized investment commodities, tools, machines, raw materials to industrial capitalists in a third-world country. To gain access to such (imported) commodities, the third-world industrial capitalists must distribute a share of their appropriated surplus value to the monopoly sellers to cover the excess of the commodities' monopoly price over their value. Such sellers thus occupy a subsumed class position and receive a subsumed class revenue equal to the excess of the price at which the commodity is sold over its value. Monopoly profits earned in such unequal commodity exchanges are different from and cannot be confused with the process of exploitation of one country's labor by another's industrial capitalists. Such subsumed class payments, however, do secure a condition of existence of the exploitation of one country's labor by the <u>same</u> country's industrial capital.

here: unequal $x\Delta \Rightarrow$ SC payment!

Finally, foreigners may sell (imported) commodities to persons who are not industrial capitalists, e.g., occupants of subsumed class positions and laborers. If such commodities are sold at monopolized prices, then an unequal exchange again results between seller and buyer. The value gain for one is the loss for the other: no production of surplus value is involved. Such

Here, again: NC revenue

transactions, whether they be international or not, are not and should not be confused with exploitation.

We may conclude from these examples that even if such monopolized practices are eliminated, foreign exploitation may continue. Indeed, even if we change our assumption by allowing individuals in some third-world nations to establish monopoly positions vis-a-vis U.S. and West European countries, foreign exploitation of them does not end. In fact, such monopoly positions could even enhance it. Profitable subsumed and non-class positions in third-world nations connected to monopolized pricing (of oil and other raw materials) could lead to a relative neglect in these countries of fundamental class positions thus, once again, opening the door to foreign exploitation. As fast as oil prices may have risen in recent years, foreign productive capital flowed in to establish industrial enterprises. Foreign exploitation was, in this sense, stimulated by the new found power of some third-world nations to control their own destiny and set their own raw material prices.

Our critique of the concept of the 'imperialist exploitation of nations' is in no way meant to deny that the political, economic, and cultural expansionist thrust of the capitalist societies of Western Europe and North America had often disastrous consequences for most of the people in the societies they penetrated. Nor do we imply that policies of nationalization or nationalist paths of economic development are wrong headed refusals to face up to economic facts and laws of development or inherently pious trappings to cloak the self-enrichment of new elites. There is no royal road to economic development, a just society and the re-ordering of international relations. Our intent is to point out that class antagonisms and contradictions both within and between nations are aspects of every possible pattern of international relations and program of economic development. The various formulations of 'imperialist exploitation of nations' too often suppress the necessary specification of the class structure of national societies and the international economy.

Marxist class analysis focuses on the distinction between class and non-class processes not only for purposes of precision in deciphering international relations but also to aid the efforts of those concerned to alter those relations in the direction of greater equality and justice among and within nations. To be successful in their efforts to change societies in these directions, Marxist theory and its analyses of the class components of national and international relations are particularly valuable aids.

1. The orthodox paradigm derives from Enlightenment theories of human nature and social progress as filtered by Adam Smith and others into the emerging new science of political economy. It informs the mainstream tradition in economics, including both the liberal and conservative branches of the neo-classical theory currently dominant. The differences between the branches concern certain specifiable conditions when markets fail to work (i.e, to efficiently create economic growth). For the liberals governments must then step in to correct these market failures. Conservatives, however, are committed to demonstrating that each alleged case of market failure is rather caused by the absence of exchangeable private property rights in some economically relevant "aspect of the environment." For the conservatives, the absence of economic development follows from the absence of a relevant part of the market mechanism or government interference with its functioning. Contemporary writers whose articulation of the orthodox paradigm are particularly stimulating include James Buchanan, Armen Alchian and Douglas North. references ?

2. The radical paradigm here presented is exemplified by the world-systems analysis of Immanuel Wallerstein. It is a synthesis of diverse elements that have gradually come to dominant radical thought. These elements include Marx, Weber, Lenin, Gramsci and Fanon. What links them together is a synthesizing reading that abstracts from them the building blocks it needs for an understanding of capitalism as a system of power. Among the most important radical theorists who tell stories of capitalist development similar in spirit to that here (although different in some important respects) are Andre Gunder Frank and Samir Amin.

3. The term "shape" should be replaced by the more precise concept of "overdetermination." See Section III below.

4. Previous efforts in the Marxist tradition to construct a class analysis of the international economy have tended to focus on two questions. Many writers typically assumed that as capitalist production expanded, it went on the offensive against and then destroyed the viability of non-capitalist production units and their involved non-capitalist classes. One question often asked then was how far this process had proceeded in various nations. There was also (and still is) a debate within the tradition about whether production for the world market tended to create imperialist rivalries between different national capitals or instead a single international capitalist class. In other words, the second question asked was whether capitalism tended to produce one class of capitalists or many. Among the classic Marxist texts concerned with one or both of these questions are:

R. Luxenburg, The Accumulation of Capital, New York: Monthly Review Press, 1968;

V.I. Lenin, Imperialism, The Highest Stage of Capitalism, New York: International Publishers, 1933;

K. Kautsky, "Ultra-Imperialism," New Left Review, 59, 1970;

N. Bukharin, Imperialism and World Economy, London: Merlin, 1972.

For a recent review, see A. Brewer, Marxist Theories of Imperialism, London: Routledge and Kegan Paul, 1980.

5. The word "abstract" refers to the fact that this measure intentionally disregards - basically by means of simple averaging - the particular qualitative differences characterizing the performance of the labor in question, e.g., skill levels, work-habits, labor conditions, and so forth.

6. The composition and quantities of such commodities required by the sellers of labor power - their standard of living - depends upon and varies with historical conditions. As Marx made clear, there is no necessary notion of any subsistence minimum involved here.

7. There are various forms of the fundamental class process, various ways of "pumping surplus out of the direct producers," hence various forms of exploitation, other than the capitalist one. Marx, for example, identifies and discusses the ancient, slave and feudal fundamental class forms among still others. Marxist approaches that claim that the world economy involves a complex class structure usually mean that non-capitalist as well as capitalist fundamental class processes exist and interact. We certainly agree. But we wish to make a further point. Capitalism itself, and hence international capitalism, has a more complex class structure than is usually noted. Thus, given space limitations, we abstract in this paper from all non-capitalist fundamental class processes not because we think that are irrelevant to an analysis of the international economy, far from it, but only to focus on and emphasize the complex class structure of international capitalism.

8. For a more detailed exposition of the concept of overdetermination and its role in Marxian theory, see R. Wolff and S. Resnick "Marxist Epistemology: The Critique of Economic Determinism," Social Text, II:3 (Fall 1982). Our notion of overdetermination is based on, but also departs from, the earlier work of Louis Althusser. See his "Contradiction and Overdetermination," For Marx, New York: Vintage, 1974.

9. For a more detailed exposition of the theory of fundamental and subsumed classes, see R. Wolff and S. Resnick, "Classes in Marxian Theory," Review of Radical Political Economics, 13:4 (Winter 1982). The foundations of the theory of subsumed classes is laid in K. Marx, Capital, Vol. 3, New York: International Publishers, 1967.

10. Individuals hold class positions by virtue of participating in particular economic processes, the production and distribution of surplus value, and not by virtue of membership in mutually exclusive groups held together by common bonds, experiences, values, etc. Different members of such groups may hold very different class positions. The procedure for conducting a class analysis of national groups (one focus of this paper) may be applied as well, with appropriate qualifications, to any other kind of group, for example, the "ruling elite" or the "working class" or the "peasantry." It is quite possible for an individual within such groups to participate in more than one class process and hence to hold many class positions. For example, an individual may hold the fundamental class position of industrial capitalist, the subsumed class position of distributor of surplus value, and subsumed class positions as merchant and money-lender to other industrial capitalists. This is especially relevant in the example of capitalists in those enterprises that deploy some of their capital productively to produce commodities embodying surplus value, and some unproductively as merchant and finance capital. Such individuals would then occupy multiple class positions. Workers likewise may hold multiple class positions. In addition to occupying different class positions, these capitalists and workers also may hold non-class positions, receiving income for performing processes that secure conditions of existence for positions other than that of industrial capitalists.

definition of non-class income.

11. Two recent attempts within the Marxist tradition to deal with the rise to dominance of the national form of sovereignty are I. Wallerstein, The Modern World System, New York: Academic Press, 1974 and P. Anderson, Lineages of the Absolutist State, London: New Left Books, 1974.

12. For an alternative Marxist approach that conceives of capitalists as owner-managers of corporations, see Paul A. Baran and Paul M. Sweezy, Monopoly Capital, New York and London: Monthly Review, 1966, especially Ch. 2.

13. One of the most common confusions in the Marxist literature is the substitution of the aggregate concept "profits of enterprise" for the fundamental class concept of the production/appropriation of surplus value. Exploiting labor is only one of several class and non-class revenues comprising corporate profits. Thus the confusion over foreign profits stems in part from a general confusion between making profits and exploiting labor within capitalist enterprises.

14. Cost structures for the same industry are different in different nations. A class analysis of such costs would distinguish the different effects on total costs of different national wages for productive laborers and raw material prices, national differences in various subsumed class payments an industry must make and in various non-class payments required. In the same nation such costs also may differ for domestic and foreign capital. Thus competition (domestic or global) in an industry may lead to the establishment of new foreign fundamental class positions as industrial capitalists try to locate production in whichever nation has the lowest cost structure. This may provoke struggles by holders of various class and non-class positions injured by the migration of industrial capital to limit the international mobility of industrial capital. Similar struggles may develop to limit the mobility of unproductive capital.

15. For a discussion of these issues, although from a somewhat different perspective, see Alain de Janvry, The Agrarian Question in Latin America, Baltimore and London: The Johns Hopkins University Press, 1981.

16. Confusions between class processes (production and distribution of surplus labor) and the different non-class processes of political domination and cultural hegemony persist both inside and outside the Marxist tradition. As we understand it, Marxist theory is determined to focus on the specific differences of class and the overdetermined linkages between class and non-class processes.

17. The power of nationalist movements is often interpreted as an historical refutation of Marxism, a demonstration that the basic tension and conflict in the world, what people will fight and die for, is not class but nation. We see the matter quite differently. Aspects of social life such as processes of class or nation (or religion or race or family) are not more or less important, but conditions of each others existence. Nationalism is a complex political, economic and cultural phenomenon influencing and influenced by class processes and struggles. Nationalist struggles and class struggles mutually overdetermine one another, neither is the essence of the other or renders the other irrelevant. Marxist theory seeks to specify, in each particular historical situation, the overdetermined relation between class and nation as processes; it never seeks to deny or rank their relative importance in social life.

18. Support for these ideas of the "exploitation of nations" can be found in Andre Gunder Frank, Capitalism and Underdevelopment in Latin America, New York: Monthly Review, 1967, and Samir Amin, Accumulation on a World Scale (Translated by Brian Pearce) 2 vols., New York and London: Monthly Review, 1974. These authors summarize much of the relevant literature as well as making these arguments clearly and forcefully.

## REFERENCES


Althusser, L., For Marx, Vintage, New York, 1970.

Amin, S., Accumulation on a World Scale, Monthly Review, New York, 1974.

Anderson, P., Lineages of the Absolutist State, New Left Books, London, 1974.

Baran, P., The Political Economy of Growth, Monthly Review, New York, 1957.

Baran, P. and Sweezy, P., Monthly Capital, Monthly Review, 1966.

Bauer, P.T., Equality, the Third-World, and Economic Delusion, Harvard, Cambridge, 1981.

Brewer, A., Marxist Theories of Imperialism, Routledge & Kegan Paul, London, 1980.

Bukharin, N., Imperialism and World Economy, Merlin, London, 1972.

de Janvry, A., The Agrarian Question in Latin America, Baltimore and London, Johns Hopkins University Press, 1981.

Emmanuel, A., Unequal Exchange, Monthly Review, New York, 1972.

Evans, P., Dependent Development, Princeton, 1979.

Frank, A.G., Capitalism and Underdevelopment in Latin America, Monthly Review, New York, 1967.

Frobel, F., Heinrichs, J. & Kreyre, O., The New International Division of Labor, Cambridge, 1980.

Kautsky, K., "Ultra-Imperialism," New Left Review 59, 1970.

Lenin, V.I., Imperialism, The Highest Stage of Capitalism, International Publishers, New York, 1933.

Luxemburg, R., The Accumulation of Capital, Monthly Review, New York, 1968.

North, D. and Thomas R.P., The Rise of the Western World, Cambridge, 1973.

Radice, H., ed., International Firms and Modern Imperialism, Penguin, Harmondsworth, 1975.

References (page two)

Resnick, S. and Wolff, R., "Marxist Epistemology: The Critique of Economic Determinism," Social Text, II:3, 1982.

Schumpeter, J., Imperialism: Social Classes, Meridian, Cleveland, 1966.

Smith, A., The Wealth of Nations, Modern Library, New York, 1937.

Wallerstein, I., The Modern World-System, Academic Press, New York, 1974.

\- The Capitalist World Economy, Cambridge, 1979.

Wolff, R. and Resnick, S., "Classes in Marxian Theory," Review of Radical Political Economics, vol. 13, #4, 1982.