

CAPITALISM AND 'UNDERDEVELOPMENT': RADICAL CRITICS AND MARXIST ANALYSIS*

HENRY BERNSTEIN**

1. MYTHS OF 'DEVELOPMENT': THE RADICAL CRITICS

In the last ten years or so there has been a vigorous and polemically effective onslaught on the myths of orthodox 'development studies'. The radical attack has been launched at a number of levels. Most broadly it can be viewed as part of the general critique of the assumptions and concepts of the bourgeois social sciences - neo-classical economics, functionalist sociology, anthropology and political science, and the varieties of reductionist psychology. More particularly, and in a more immediate political way, the radical critics have confronted the social sciences as 'applied' to various current 'problem-areas', for example, urban crisis, education, race relations, and notably 'problems of development' of the Third World. The ways in which these 'problems' have been posed and 'solutions' sought, have been articulated theoretically by the professors for such is their role as the institutional ideologues of capitalism. But there has been little intellectual detachment about such activity for it is tied into a network of academic big business that connects the university personnel with the consultancy operations, the research and policy institutes, the aid programmes, and other agencies of the state which concentrate ideological and technical expertise.

With respect to 'development studies', and we should include Third World 'area studies', the radical counter-offensive can be summarised in terms of three goals:-

1. To attack the models of development formulated, and the specific policies and programmes derived from them, or at least justified by them.
2. To investigate the political functions of development studies, and the practical activities of its ideological and technical agents as an aspect of imperialist strategy itself.

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** Senior Lecturer, Department of Sociology, University of Dar es Salaam.

3. To develop alternative theories of 'under-development' in terms of the operations of capital on a world scale, and through this to show that the development of the Third World cannot be achieved in the conditions of contemporary imperialism, thereby indicating a politics of anti-imperialist struggle.

In my view, the radical critics have been far more successful with respect to the first two aims than they have with the third. This needs to be explained and we must begin our explanation by examining the term 'radical' itself. It is quite likely that many readers have assimilated these first sentences, recognising the term 'radical' as it has been used, perhaps identifying themselves with it - in short, failing to question its theoretical and political content.

'Radicalism' in the context of the 1960's and 1970's has been shaped by the student movement and by specific forms of political activity - against racism, in the liberation support groups and so on - but apart from some of its practical successes (and limiting them) it has been marked by its theoretical diffuseness and incoherence. It is one thing to combat some of the manifestations of capitalism and the bourgeois state, it is another to investigate capital and the state scientifically as the basis for a comprehensive revolutionary strategy. Certainly the radicals have often drawn on the vocabulary of revolutionary socialism, but they have made poor use of its distinctive and defining feature - the rigorous study, development, and application of Marxist theory. (Had this been appreciated the label 'radical' would be redundant except perhaps for tactical reasons in some situations; it remains, however, as an intrinsic self-definition for many who are broadly 'on the Left'). The loose and often rhetorical use of terms like exploitation and imperialism is hardly the same thing as their use as categories of analysis, categories which have a specific theoretical content, and which can only be applied in scientific investigation according to a specific methodology.

Typically, radical criticism has been an ideological intervention, and as such its very dissidence takes its terms of reference from those it pits itself against. Ideologically, the models of development studies embody the apologetic myths of capitalism, taking the range of expressions available within the currents of contemporary bourgeois culture - from the fetishism with technique and managerialism of the 'policy and

planning sciences' to the metaphysical and moralistic core of bourgeois applied philosophy. The radicals have set out to destroy these myths both in their general expression and particular applications. They have shown that these myths function on behalf of particular class interests, they have shown by reference to empirical data that the prescriptions and policies of 'development' have not produced the anticipated results, that the poverty, misery and oppression of workers and peasants in the Third World have not diminished as a result of all the plans, the aid, the investment, the technical assistance programmes, and so on.

These are necessary tasks and they have been accomplished with vigour but, in themselves, they do not go beyond the realm of ideological confrontation. They are not sufficient to establish a totally different theoretical framework: one which poses its own questions in terms of its own categories and methods, which cannot be satisfied with simply turning development theory on its head i.e. radical underdevelopment theory.

2. BACK TO 'CAPITAL'

Geoffrey Kay has recently pointed out that although some radical critics have tried to provide alternative explanations of underdevelopment explicitly in terms of the development of capitalism on a world scale, they have remained largely at the level of asserting the facts of exploitation, or with the use of descriptive concepts (e.g. dependence, centre-periphery etc.), In other words, they have failed to pose questions and pursue their investigation within the theoretical framework established in Marx's Capital which necessarily remains the starting-point for any scientific analysis of capitalism. Capital is a tightly-knit work of theory and the analyses it contains cannot be reduced to any simplistic or single-category 'definition' of the capitalist mode of production. It is now widely recognised that this kind of basic error is precisely what deforms the work of André Gunder Frank, for example.¹

It is well known that Capital was unfinished, that it deals primarily with one level of the capitalist mode of production, namely the economic level, that capital has developed new forms and modes of operation since Marx's time, and so on. It is necessary to be clear then about the status of Capital. It is a work which employs a very high level of abstraction to establish the elements and laws of motion of the capitalist mode of production as such, that is, the capitalist mode of production in general and not any particular capitalist social formation. If Marx had provided us with simply

a reflection on British capitalism in the nineteenth century, his categories and method would be of little use today. The form of abstraction employed in Capital is essential, providing the means to be employed in investigating capital on a world scale (and how it has developed), as well as in investigating concrete capitalist social formations (where the methodology is enriched by the example of Marx's studies of Britain, Germany and, in particular, France). The distinctive categories of Capital - the law of value, labour-power as a commodity, the relation of different branches of production and the expanded reproduction of capital, the fetishism of commodities - are clearly not 'empirical' categories but provide the theoretical means for concrete investigation (just as the way in which Marx arrived at these categories suggests the methodological means). However, just as the nature of Capital makes these tasks possible they cannot be achieved by a simple appropriation and direct application of the categories of Capital to immediate situations. How then is Capital to be used? My earlier observation that it remains the starting-point was made in a strict sense and I will try to indicate some of the issues involved in the application of Capital to analysis.

1. First, we should note that there are certain issues posed in the argument of Capital but which are not resolved and continue to be debated, demanding the same level of abstraction at which Marx's categories are formulated. A classic example is the 'transformation problem' (that is, the transformation of values into prices), and more recently we have seen a debate concerning the law of the tendency of the rate of profit to fall, with some contributors questioning the ambiguities of this concept (the question of whether tendencies in the rate of profit can actually be measured concretely is also controversial but a separate issue).

2. Capital is primarily an analysis of the economic level of the capitalist mode of production. This does not make it a work of economics in the bourgeois sense, as the categories it establishes are social, i.e. they are categories of social relations, above all the social relations of production and appropriation. However, while the analysis of the social relations of production is the basic question of class analysis, class struggle and the state under capitalism, these questions are not elaborated in Capital itself, and have constituted a major item on the agenda of revolutionary theoretical work since Marx's time.

3. Marx's analysis established the essential categories of the capitalist mode of production but its subsequent development

has produced new forms and modes of operation of capital which require that categories adequate to their understanding have also to be developed following Marx's own exemplary method. Examples of such categories are finance capital and imperialism (in the strict sense of a stage of global capitalism) associated with Lenin's studies, but concerning which much theoretical work remains to be done. We should also include issues which were certainly noted by Marx but not investigated by him such as the centralisation and internationalisation of capital. These processes, now much more advanced, are, of course, also central to the analysis of imperialism.²

4. The analysis of the capitalist mode of production is not the same thing as the analysis of particular capitalist social formations. Although the former is indispensable to the latter, contemporary social formations cannot be constructed in their specificity simply by deduction from the categories of Capital, nor do they represent just so many different 'empirical' expressions of capitalism established randomly by differences of time and place. Posing questions about their specificity is itself a theoretical task, and one which bears directly on political strategy.

These general points (and especially the third and fourth) provide some guidelines for the consideration of Kay's recent book Underdevelopment and Development. A Marxist Analysis (London, Macmillan, 1975) which exemplifies and clarifies some of the problems that have to be confronted in current theoretical work on capitalism and 'underdevelopment'.

3. THE PLAN OF KAY'S BOOK

Kay starts from two premises, or rather two aspects of a single argument which can be related to what has been said above. First, that contrary to the apparent expectations of Marx, Engels, and Lenin, capitalism has failed to develop in other societies as it did in its countries of origin. However this can be explained in Marxist terms and, moreover, in direct opposition to the radical theorists it can be shown that 'capital created underdevelopment not because it exploited the underdeveloped world, but because it did not exploit it enough' (Preface, p.x.). Second, the explanation behind this statement (which we can take it, is intended to provoke) is to be sought in an examination of the law of value as set out in Capital (p. 12)

In his first chapter (Production, Consumption and Surplus) Kay formulates some of the basic propositions of historical materialism in terms of a 'law of social reproduction' which shows that all societies must fulfil certain needs of production and necessary consumption (to reproduce both the producers and the means of production). We are able to distinguish different modes of production by the different ways in which production and necessary consumption are carried out, that is, by the different ways in which the material process of production and the social process of production are organised, how they are combined, and how the product of surplus labour is distributed.

In the next three chapters Kay states and illustrates some of the basic categories of the capitalist mode of production in a most concise and lucid manner (and with greater accuracy and benefit than is evident in many 'summaries' of Capital). Chapter two on Surplus Value and Profit deals with the categories of commodity and value, with the measure of value by the labour time socially necessary to produce a commodity at a given level of the productive forces, with the nature of wages, and so on. Chapter three on The Accumulation of Capital compares accumulation by merchant capital on the basis of petty commodity production with appropriation in the process of capitalist production itself - 'whereas the circuits of the independent producer and merchant capital intersect only in the market, those of the wage-labourer and the industrial capitalist converge in the sphere of production' (p. 70). Kay shows how the process of capitalist development leads to the socialisation of labour i.e. the extremely complex division of labour and co-operation within and between production units which produces the collective worker, and to the socialisation of capital i.e. the concentration of capital manifested in the increasing size and capital requirements of production units, and centralisation of capital manifested in the increasing size and diversification of units of capital under unified control (giant corporations, consortia etc.).

The fourth chapter (Productive and Circulation Capital) considers:

the different forms that capital assumes at different moments in its circuit. As it passes through the spheres of production and circulation so capital changes; in one it is productive capital, in the other circulation capital. These two forms are as distinct from

each other as the activities to which they correspond: the production of commodities in the one case; the buying and selling of them in the other. But in capitalist society the circuit of capital does not merely embrace the spheres of production and circulation, it unites them: they remain distinct, but they are inseparable. So it is with the two forms of capital that operate within them: while each has its own distinguishing features, they share the common property of being capital and are governed by its general laws (p. 86).

The nature of circulation capital is elaborated according to Marx's analysis of merchant capital in Volume III of Capital.

The general features of merchant capital are the same in every type of society in which it operates - capitalist or non-capitalist. It has no direct control over the labour process and is always dependent upon the class which does, even where it dominates this class. Secondly, it must always engage in unequal exchange to appropriate part of the surplus product of the society. Thirdly, as capital it is always driven to accumulate and in this way acts as a medium through which the law of value is brought to bear on all parts of the economy particularly the sphere of production. The repercussions of these features, however, do differ with the nature of society. (p. 94).

In non-capitalist society merchant capital is the only form of capital and has an independent class existence, whereas in capitalist society it is only a moment of the circuit of capital and is subordinate to productive capital. Kay further follows Marx in the emphasis on the contradictory nature of merchant capital which, on one hand, encourages the development of commodity production thereby dissolving existing social relations, but on the other hand accumulates and invests in the sphere of exchange which withdraws value from the sphere of production with the result that merchant capital itself is unable to effect the transition to capitalist commodity production. Kay concludes that 'The history of underdevelopment is the fullest expression we have of

these contradictory tendencies of merchant capital to both stimulate and repress the development of the forces of production, to both open and block the way for the full development of capitalism' (p. 95).

This emphasis is elaborated in the next chapter on Merchant Capital and Under-development. I will return to this issue in my critique of Kay, but we should note that this chapter includes a useful discussion of Emmanuel's theory of unequal exchange (pp. 107-119), and also the elements of a periodisation which can be sketched as follows. From the sixteenth to the eighteenth centuries merchant capital from Europe accumulated vast amounts of wealth on the basis of the commercial empires established in the Third World. At the same time this expansion of merchant capital was eroding feudal social relations in Europe itself but, true to its nature, was unable to transform these. This was to be the historical mission of industrial capital (from the late eighteenth century) which necessarily had to struggle against merchant capital bringing the latter under its dominance. However, merchant continued to function as the dominant form of capital in the Third World, though now under the hegemony of industrial capital for which it obtained elements of constant capital (agricultural and mineral raw materials) and reliable and cheap means of consumption (food for a growing industrial proletariat in Europe). In addition, merchant capital had the function of creating markets in the Third World for industrially produced commodities. In this process, and precisely because of the penetration of capital in the form of merchant capital, the forms and relations of production in the Third World did not develop on capitalist lines despite the social destruction caused by the spread of capitalist domination.

A third phase was introduced as a result of the Depression of the 1930's which brought to a crisis the contradictions of merchant capital and the colonial trading system it operated (e.g. the crisis of profitability engendered by its inability to control production and thereby raise the rate of exploitation). From this time, industrial capital began to penetrate the social formations of the Third World, to develop a proletariat, and so on. However, industrial capital itself has been unable to transform the economies of the Third World, despite its inroads, and this forms the subject of Kay's sixth chapter.

This process of industrialisation, however, differed not only in its historical context from that which had taken place earlier in the

developed countries, it was also, and largely as a result of this difference, structurally quite dissimilar. It was partial: not just in the ~~sense~~ of being restricted to certain branches of industry - the processing of primary commodities for export and import substitution of consumer goods - but in that it only offered employment to a limited section of the proletariat (p. 126).

After reviewing some of the data on industrial growth and employment (pp. 127-130) Kay then presents an explanation of why industrial capital in the Third World employs highly mechanised techniques of production despite the abundance of unemployed and cheap labour. This is the most technical part of his argument which I am unable to summarise adequately but it should be pointed out that here, for the first time, Kay goes beyond Capital in developing certain concepts which focus more sharply on the relations between the capitalisation of production, the rate of profit, and the accumulation process. He correctly points out that the conventional use of the concept of the organic composition of capital (which is used to explain the tendential law of the rate of profit to fall) involves the simplifying assumption of the same rate of turnover of constant capital and variable capital (and, additionally, the various elements of constant capital-machines, buildings, raw materials etc). This assumption severely limits the analytical power of the concept, and Kay constructs a distinction between the organic composition of the commodity (corresponding to the conventional sense of the organic composition of capital) and the organic composition of production which takes into account the differential life-span of various elements of capital in the production process. The two organic compositions are likely to have different values and the implications of this are traced through an analysis of amortisation of investment and the rate of profit, and their connections with rates of turnover (of capital and commodities), accumulation, and employment effects.

In the course of this exposition, Kay establishes a further distinction between a relative rise in the organic composition of production (which boosts the rate of profit) and a more fundamental absolute rise which depresses the rate of profit, returning us to the classic position. The outcome of the argument is that the syndrome of capital intensive industry/massive unemployment in Third World countries is perfectly logical according to the conditions of contemporary capitalist production and accumulation -

'It is a normal feature of capitalist development, and, as such, is independent of any particular form of ownership or dependence' (p. 153). The methodology of Kay's argument undermines the abstracted discussions by economists of 'the choice of techniques', and the utopian reformism of the employment programmes that are the current fashion with many 'development' experts (especially the liberal wing of the profession). However, we must return in our critique to certain feature of Kay's argument on 'Industrial Capital and Underdevelopment'.

In the following chapter (The Acceleration of Capital), the theoretical analysis of modern capitalist production and accumulation is continued with a discussion of the intensification of labour. This is distinguished from rises in the productivity of labour. When the latter occur (as a result of the development of the productive forces) the ratio of necessary to surplus labour-time in the working day is reduced, the value of labour-power together with that of other commodities is reduced (as they take less time to produce), and the rate of exploitation is increased. The intensity of labour is a different concept which relates to the organisation of the labour process itself and which compounds the value of production as measured simply by labour-time.³ When labour is intensified (through speed-up, 'rationalisation' of work techniques, closer supervision, and other methods of bringing the worker under tighter discipline), the value produced in a given time is increased. 'The intensification of labour increases the rate of profit in two ways, by increasing the absolute amount of surplus value and reducing the period of its production and realisation' (p. 164). In the second section of this chapter, Kay discusses 'Fordism' - the introduction of assembly-line and other mass production methods - from the viewpoint of increases in the intensity as well as the productivity of labour. He emphasises, as even more important, the significance of these sweeping changes in the production process as an element of ruling class strategy in the conjuncture of international working-class assault on capital in the early decades of the twentieth century.

The theme of the class struggle and how it determines the political strategies which are an essential element of capital's drive to accumulate, comes into its own in the final chapter on Crisis and Recomposition. Here Kay applies his analytical categories historically, albeit in a highly schematic way. The key 'moments' of his periodisation are the capitalist crisis of the 1930's

(including the crisis of merchant capital in the Third World already referred to), and the post-war recomposition of a strengthened social capital, achieved through economic and political means (including 'decolonisation').

As the turnover of capital increases so history itself speeds up. Whereas an initiative in the nineteenth century could prove viable for nearly a hundred years, it now exhausts its possibilities in less than half that time. The measures that capital once used to out-manoeuvre labour are turned against it with unprecedented speed. Capital must now change the terms of confrontation more rapidly than ever before; moreover the scope of the recomposition it must undertake increases while its room for manoeuvre is steadily diminished. Every move that capital makes is determined by the requirements of accumulation which demand not only a greater socialisation of production but a greater socialisation of capital itself. Its last major recomposition, conceived between the wars and executed after 1945, was a massive step forward. The new methods of production pioneered by Ford greatly accelerated the concentration and centralisation of capital; the new role of the state blue-printed by Keynes provided the organisational framework for capital as such. Within this framework capital was able not only to articulate a conscious programme for its own accumulation; but even, to the extent that it out-flanked early revolutionary movements and incorporated key working class institutions into the state (i.e. trade unions and parliamentary labour parties, H.B.), it has planned the class struggle itself. But now this plan is faltering not only on the limitations of industrialisation in the underdeveloped world, but in the developed countries themselves (p. 183).

I have given a fairly full exposition of Kay's work because of the importance of its intervention in the current debate. Compared

with some of the verbose volumes with which we are assailed, Kay's book is short, analytical, rigorous within the framework he adopts, and demands careful scrutiny as a serious attempt to recast the issues of capitalism and 'underdevelopment' in terms of categories derived and developed from Capital.

4. A CRITIQUE OF KAY

The following questions establish some criteria for assessing any Marxist analysis of the Third World: does the analysis construct the specificity of the backward capitalist social formations in the functioning of capital on the world scale? What does it tell us about the forms and relations of production, the mechanisms of exploitation, and their relation to the global accumulation and reproduction of capital? How does it help us in the analysis of the state, the class struggles and structures in the 'underdeveloped' countries?

It is clear that the analysis of merchant capital is the core of Kay's theory of underdevelopment - 'This apparent paradox (the persistence of merchant capital in its independent form but simultaneously under the domination of industrial capital) is the specifica differentia of underdevelopment, and its emergence as a historical fact in the course of the nineteenth century marks the beginning of underdevelopment as we know it' (p. 100). The periodisation here does not contradict what was sketched above. The epoch of global primitive accumulation through the amassing of wealth by merchant capital in Europe was the final phase of the 'pre-history' of capitalism. Underdevelopment begins, in Kay's view, with a new phase of development of the world market under the hegemony of industrial capital. It is necessary to dwell on the thesis that industrial capital employed merchant capital as its agent of integration of 'backward' areas (pre-capitalist forms of production) into the developing world market.

Kay uses several different formulations to describe the relation between merchant capital and industrial capital. At many points he describes merchant capital as the 'agent' of industrial capital, elsewhere it is the 'representative' of industrial capital, sometimes merchant capital is termed 'the form of existence' of industrial capital in the Third World (e.g. p. 105). This last formulation has quite a different emphasis from the others. The ambiguity expresses the difficulties of transposing Marx's ideas

about merchant capital and how it functions in pre-capitalist societies to the epoch of modern capitalism.

Kay argues that merchant capital was able to retain its independent form because industrial capital was interested in the Third World from the viewpoint of exchange rather than as an area of direct investment and accumulation. The independence of merchant capital was maintained therefore vis-à-vis the producers (and consumers) of the Third World whom it exploited through unequal exchange, while it lost its independence in that this function was now subordinated to the needs of industrial capital which inhibited the profits and accumulation of merchant capital. In so far as this last aspect is expressed as a struggle between fractions of capital (see p. 123), it is difficult to see how merchant capital could be merely a 'form of existence' of industrial capital.

However, what casts more serious doubt on Kay's elevation of the category of merchant capital is that the rise of industrial capital required a new pattern of trade - no longer a trade in luxury items (gold, spices, ivory, precious textiles and craft manufactures) but a constant supply of commodities in bulk as industrial raw materials. This change in the composition of trade could not be effected without intervention in the production of the new commodities required. Changes in production had to be carried through on a massive scale, either through direct investment to establish mines and plantations, or indirectly through ways of controlling the production of millions of peasants. Kay does refer to a reorganisation of production but states that this could be left to merchant capital. As he wants to maintain the classic definition of the latter as operating strictly in the sphere of exchange, this is unsatisfactory - as we shall argue in relation to direct investment in production, and to the development of petty commodity production.

In... countries exporting agricultural commodities, production was undertaken by expatriate controlled plantations which appear at first sight to be a form of fully developed capitalist production. In those countries which exported minerals we again encounter what appears to be capitalist production. For both mines and plantations employed wage-labour, and in many cases the firms involved were subsidiaries of productive firms in the developed countries. In some ways

it would be wrong not to recognise these undertakings as capitalist, for they possess all its formal qualities. On the other hand they have certain features which suggest that it would not be completely correct to treat them in this way. Firstly, they invariably relied upon migrant labour which stayed for only a relatively short time, and until the end of the Second World War they never set about creating a permanent labour force. This was not an accidental development but shows every sign of being part of a carefully conceived strategy of low wages. Their second peculiarity is essentially a different expression of this strategy; namely, the very low degree of capitalisation. The main element of production was living labour, the vast bulk of which was illiterate and unskilled, working with the assistance of very few instruments. It can, of course, be claimed that neither of these features change the fundamental character of these enterprises as capitalist but merely define them as a particular type of capitalist enterprise. Whatever one decides on this question the broad issue seems unchanged; that the reorganisation of production in the underdeveloped countries which industrial capital required, needed only a minimum involvement on its part so that the major responsibility for this task could be, and was, in fact, carried out by merchant capital (pp. 102-3).

The emphasis I have supplied highlight uncertainties that Kay evidently feels with regard to his own formulations. First of all, he exaggerates the low degree of capitalisation involved in establishing mines and plantations (which often contain first-stage processing facilities e.g. sugar-mills), and the infrastructure they require - roads, railways, ports etc. More important, however, is the question of the exploitation of labour. Because it was often migrant labour-power which could be secured cheaply, why does this make the way in which it was employed any less capitalist? Capital always seeks to depress the cost of labour-power and therefore it is ridiculous to suggest that cheap labour-power as such negates capitalist production - 'Plantation production and mines run with cheap labour bear few resemblances

to modern industrial production..' (p. 123) The argument about cheap labour-power also clashes with Kay's assertion that capital created underdevelopment because 'it did not exploit (the underdeveloped world) enough', and poses the question as one of the forms of exploitation rather than simply its degree. This question has various ramifications which will be discussed in what follows.

The case of peasant commodity production appears to conform more to Kay's idea of merchant capital mediating between basically pre-capitalist forms of production and industrial capital. However this is not as straightforward as it appears and we cannot let the matter rest with the statement that 'production remained in the hands of peasants who either undertook it willingly or as a result of political compulsion of one form or another' (p. 102). The salience of coercion by the colonial state indicates that the supply of agricultural commodities could not be secured simply through the conditions of exchange but involved class struggles between capital and the peasants at the level of production itself. The peasants' status as 'independent' producers was undermined in two fundamental ways. First, peasants were commonly directed what to grow, in what quantities, with the quality of their produce subject to regulation, as well as the prices they received. Peasant protests and actions against these conditions of production occurred in many colonial countries. Second, as the peasantry became more involved in commodity relations (which were under the ultimate control of industrial capital), the coercion to produce certain crops became increasingly economic, that is, more items of consumption for their own reproduction had to be purchased with cash which could only be obtained through the production of commodities or wage-labour (e.g. on plantations).

In his classic work on The Agrarian Question (1899), Kautsky pointed out that capital does not necessarily control agricultural production in the same way as it does industrial production. The growth of large-scale capitalised farms (enterprises corresponding to factories in terms of economic calculation) is not the only form or measure of the penetration of agriculture by controlling the conditions of reproduction of the small farmer rather than by expropriating him. This means that capital is spared certain costs it would have to bear were it to directly organise agricultural production.⁴

This theme has been elaborated in recent years, specifically in attempts to theorise the social formations of the Third World, in the concept of 'the articulation of modes of production'. The concept denotes that a social formation may consist of elements of different modes of production which are subject to the domination of one mode. The relations between the dominant mode and the elements of other modes which it subjects to its own laws of functioning (the articulation, in other words) constitutes the specificity of a concrete social formation.⁵ In the case of peasant production in the Third World, the dominant element is capital which subjects the immediate production units (peasant households) to its own requirements - for raw materials, but also (and contra Kay) appropriates surplus-value and therefore profit from them.⁶ While the institutional forms of this process may appear mercantile (marketing co-operatives, marketing boards, import-export companies) the situation is one in which the direct producers are working for capital, they are producing value which capital appropriates, albeit in a more mediated form than is the case with classic wage-labour. Capital both obtains the materials it requires as use-values for industrial production, and appropriates part of the value of the labour contained in the commodities as exchange-values. The peasant has to cover the costs of reproduction of labour, and of the means of production, from his family's production of subsistence and cash crops, (It is not the case that subsistence production consumes necessary labour, and commodity production surplus labour, commodities are produced to obtain items of necessary consumption. From the viewpoint of the peasant, as from that of the wage-worker, there is in fact no 'surplus' labour - all labour is necessary labour. The fact that capital can extract a profit even at such low levels of labour productivity is the key to the pauperisation of the majority of peasants in the Third World).

These mechanisms also operate in producing the traditionally cheap labour-power of the mines and plantations. The relatively low degree of capitalisation is more crucial with respect to the advance of variable capital rather than constant capital. Wage-labour of the 'colonial' type represents the limiting case of capital having to pay only enough for the worker to reproduce himself individually and on a daily basis. The costs of maintaining the worker's family and the generational reproduction of labour power are borne by the worker's family which is still engaged in agricultural production in the home village. These general points bring us back to the question of the forms of

exploitation of petty commodity producers and of wage-workers in enterprises that have been able to operate profitably with a high degree of wastage of labour (both conventional 'turnover' and the incidence of sickness, accidents and deaths caused by the conditions of work in plantations and mines).

It is an 'unpalatable fact that capitalism has created underdevelopment not simply because it has exploited the underdeveloped countries but because it has not exploited them enough' (p. 55). In this respect Kay reacts polemically against the radical critics who think that they have provided an explanation simply by asserting the facts of exploitation in the Third World. Kay instead turns to certain aspects of the analysis of exploitation in Capital. Although he does not refer to Marx's distinction between absolute and relative surplus-value he clearly bases his definition of capitalist exploitation on the appropriation of relative surplus value:

The more productive highly paid worker... produces his wage in a much shorter time and is therefore able to perform much more surplus labour. By implication, therefore, the affluent workers of the developed countries are much more exploited than the badly paid workers of the underdeveloped world... What meaning can be given to the (radical) claim that exploitation is the cause of underdevelopment if the rate of exploitation is higher in the developed than in the underdeveloped countries? (p. 54).

Again, Kay's emphasis here on how much labour is paid is theoretically gratuitous at this point (and the affluent worker is a category of bourgeois sociology if ever there was one) - the question is one of the forms of production and exploitation (to which the question of the productivity of labour is tied).

If the forms of production and exploitation in the Third World (at least in certain sectors of the economy) are not the same as in the advanced capitalist countries, then there can be no direct comparison of rates of exploitation. On one hand, there is full proletarianisation of labour in industrial production, and the accumulation of capital on the basis of an unprecedented development of the productive forces and the appropriation of relative surplus value. This allows the rate of exploitation to be calculated, in principle, directly in terms of the ratio of surplus to necessary labour in the working day. In the Third World (at least

in agriculture) there are a variety of forms of production and remnants of pre-capitalist social and ideological relations articulated with a dominant capitalism. This means that the rate of exploitation and its significance cannot be calculated in the same way. Certainly the low productivity of labour means that the product of 'surplus' labour is small compared to that of necessary labour (which includes the labour of the whole peasant household or family of the migrant worker), but necessary labour (simple reproduction) does not involve any advances by capital, therefore making possible 'super-profits'. In absolute terms the mass of profit aggregated from the production of many peasant producers will be much less than that extracted from the labour of a comparable number of industrial workers (due to the differential productivity of labour, but this cannot justify the statement that the peasants of the Third World have not been 'exploited enough'. The forms of exploitation are different and they exemplify the operation of absolute surplus-value and intensification of labour (without development of the productive forces), rather than the mechanisms of relative surplus-value. By exerting pressure on the conditions of reproduction of the peasantry capital can force the peasant household to both extend and intensify its hours of labour (as well as reducing its consumption). Again, in this process capital is saved the costs of supervision and management it incurs when it directly organises production. As Kautsky pointed out, the poor peasant household in order to survive disciplines itself to the benefit of capital. To extend and intensify labour in order to meet the demands of capital is to increase the rate of exploitation whatever the form of production involved.⁷

In concluding this section, we cannot agree with Kay's formulation of merchant capital. He argues that its nature is simultaneously the same (as in its pre-capitalist history) and different when it becomes an agent of productive capital - but the emphasis is on the basic similarities of merchant capital (appropriation in the sphere of exchange) regardless of the epoch and mode(s) of production concerned. In the epoch of modern capitalism, the forms and functions of merchant capital are different from those of pre-capitalist periods, and the analysis of merchant capital (as a unitary category) cannot explain the changes in the conditions and relations of production in the Third World. Kay's argument is a variant of what may be called the 'superimposition' model - capital superimposing itself on pre-capitalist forms of production - rather than a 'penetration' model in which capital comes to control the process of production even if it does not take on the function of

controlling them directly, and is free in certain conditions from the necessity to develop the productive forces.

There is a subsidiary stand of Kay's argument about merchant capital. This is the idea that even had industrial capital wanted to establish itself directly in the Third World, this would have been very difficult because of the history of depredations by merchant capital. Furthermore, it was the mode of operation of merchant capital that established the structures of underdevelopment in such a way that the penetration of industrial capital since 1945 has been unable to transform them.

Again there is an ambiguity in Kay's emphasis. At one point he says that industrial capital 'would have found the environment unwelcoming because of the degree of social disruption brought about during the first phase of mercantile development' (p. 103, my emphasis). Elsewhere he says that 'The degree of social incoherence that arose (from this mercantile development) would have made the establishment of industrial capitalism impossible even if this had been historically practical' (p. 99, my emphasis). The unsatisfactory difference in emphasis here is symptomatic and stems from Kay's basic error in making the category of merchant capital central to the 'development of underdevelopment' rather than focusing on the forms of production and exploitation (through direct or indirect control of the processes of production) that were established. As a result of this failure, his statements about the nature of the social formations penetrated by capital are necessarily descriptive and extremely vague - a high degree of 'social incoherence' and 'social disruption' which means very little.

In contrast, the concept of the articulation of modes of production poses questions about how capital 'decomposes' pre-existing social formations and reproduces some of their elements in a new articulation subjected to the functioning of capital. In very general terms, this provides a framework for constituting theoretically the specificity of different social formations according to their pre-capitalist nature, the forms of capitalist penetration, their rhythm and degree, and the resulting articulation. Kay does touch on the question of class alliances between capital and 'archaic' social elements, explaining these by the form of capital as 'independent merchant capital' (p. 104), but if Kay's use of this category is unacceptable, then the explanation falls. Again, the articulation approach poses the question of such alliances in more rigorous terms of production - the economic and political mechanisms

of control (including 'traditional' modes of tribute and labour-service exacted by pre-capitalist ruling groups and usually intensified or even invented under colonialism) to bring peasant production in line with the needs of capital, supplying the latter with commodities and labour for plantations, mines, transport etc. As has been stressed, this could be accomplished with few changes in the forms of the labour process or instruments of labour of the peasant household.

Moving forward to the present period, that of the movement of industrial capital into the Third World, Kay again employs a dual argument. One is historical in form and derives from his analysis of merchant capital. While industrialisation marks a new phase of underdevelopment, 'capital could not wipe out its own history and being as though nothing had happened previously: it was forced to operate in the conditions of underdevelopment it had itself created... (industrialisation) took place in conditions of deeply established underdevelopment which it could not overcome but only reinforced' (p. 124). The second argument, developed in the chapter on 'Industrial Capital', has been outlined. Here Kay analyses the nature of industrial capital in general, and concludes that its inability to generate employment in Third World countries 'is a normal feature of capitalist development and, as such, is independent of any particular form of ownership and dependence' (p. 153).

The first argument (or assertion) is of little help because nowhere in his analysis of merchant capital has Kay stated what the structures of 'deeply established underdevelopment' are, (what forms of social relations between capital and labour they involve), which tends to render 'underdevelopment' simply and negatively synonymous with lack of development of the productive forces. He sometimes describes merchant capital as an external economic force (e.g. p. 103), but the level of abstraction at which industrial capital is analysed precludes such a distinction - 'It is just as profitable for local capitalists to adopt techniques of production that fail to absorb all the available labour as it is for international firms' (p. 153). The point here is not that Kay's abstract analysis of industrial capital is methodologically incorrect. On the contrary, it is necessary but insufficient to establish the specificity of the industrialisation now occurring in many Third World countries. Very broadly, Kay's analysis of industrial capital (and the level of abstraction it employs) provides a starting-point from which two further levels of analysis have to be developed: one concerning the contemporary nature of the internationalisation of capital,⁸ the second concerning the forms this process takes in the industrialisation of the Third World.

Samir Amin and others, have pointed out that Third World industrialisation employing the same techniques of production as are used in the advanced capitalist countries, but paying workers significantly lower wages, represents a new form of 'super-exploitation'.⁹ In other words, capital is able to extract a higher rate of profit. In considering this point (which, of course, goes right against Kay's 'under-exploitation' argument) we do not subscribe to the conclusion that Amin and his Third Worldist acolytes draw, namely that workers in the advanced capitalist countries 'share' in and 'benefit' from the exploitation of the proletariat of the Third World.¹⁰ The important issue is how the level of wages, and its effects on the rate of profit, are determined by the course of the class struggle. A totally vicious and systematic repression of the working class had been the condition for those 'miracles' of economic growth proclaimed for some Third World countries, of which Brazil is the pre-eminent example (an example which is being increasingly emulated, e.g. India with the help of the CPI, the Communist Party of India!).

This politics of oppression and the class alliances and state apparatuses which are its conditions of existence, are an essential element of the present phase of development of international capital, a theme which Kay does not touch on. The level of abstraction at which his analysis of industrial capital remains bestows a formal equivalence on the investment decisions of 'local capitalists' and international firms, but in Latin America, for example, indigenous industrial capital has been squeezed out of the most advanced sectors of production by the wave of further penetration of international capital in the 1960's. On this whole question there is a peculiar gap in Kay's perspective. On the last page of this book, he notes that 'the underdeveloped world is an ideal laboratory for capitalist experimentation (in oppression)' (p. 187). However, he continues - 'new methods of controlling civilian populations can be tried out in relatively quiet backwaters'. Quiet backwaters - Brazil, Turkey, Chile, India, South Africa?¹¹ The kind of state that has formed or is in process of formation in these countries has the function of destroying proletarian opposition and controlling large urban, working-class populations in the interests of the new phase of expanded reproduction of capital since 1945.

This relates to perhaps the most curious feature of Kay's book, that while the internationalisation of capital features in his analysis of the epoch of underdevelopment characterised by

merchant capital, there is no discussion of the internationalisation of capital in the present period of large-scale industrialisation of parts of the Third World. Moreover, Kay makes no reference to Lenin's work on Imperialism (nor to other classic works such as those of Luxemburg and Bukharin). He does not consider finance capital in the Leninist sense at all - whether to reject, qualify, or attempt to develop this category. He merely mentions finance capital in the restrictive sense of bank capital (as a form of circulation capital); similarly he restricts imperialism to the sense of colonial empire as against the Leninist sense of a stage in the development of capitalism on a world scale. I am not suggesting that Lenin's (brief) work on imperialism should be treated with any reverence superfluous to its scientific contribution, but the latter has to be assessed through subjecting it to criticism, eliminating its mistakes (of method and substance), and developing those of its categories and arguments that are valid. We can take it that Kay rejects Lenin on imperialism, but can only guess why as he does not confront Lenin's ideas in the course of developing his own.

5. CONCLUSION

The length of the above discussion should testify to the importance of Kay's contribution to the current debate, and the seriousness with which it should be considered. Some of the errors of his method and use of categories are more instructive than a shelf of 'radical' literature on the Third World. It may be useful then, in conclusion, to recapitulate the strengths and weaknesses of Kay's work.

Its strength, and the example it sets, is of a rigorous Marxist approach (which requires no qualification, such as neo-Marxist!) based on a reading of Capital. Proceeding from the level of abstraction at which the fundamental categories of Capital are established, to a periodisation of the development of capitalism, and its characteristics in each period, and to theorising the specificity of different 'types' of capitalist social formations, is fraught with difficulties and requires scrupulous attention to method. Kay's use of the category of merchant capital and his view of how it both retained and lost its autonomy with the rise of industrial capital, is a particular reflection of the general problem which confronts Marxist analysis of the Third World (and raises the spectre of dualism) - which is that the social formations in question appear to be, to varying degrees, both capitalist and non-capitalist.

Capitalist because they have been penetrated by, and subjected to, the needs and laws of functioning of capital; non-capitalist because their forms of production (though decreasingly) have not been transformed. That is, the large-scale industrial enterprise (the characteristic unit of production analysed in Capital) has not developed as the dominant element in their economies.

However, the unit of production and the capitalist system are not equivalent, as Kay tends to make them. The way in which he uses his two main categories - a dependent merchant capital unable to effect the transition to capitalist production, and industrial capital which functions in the same way in advanced and backward capitalist countries - by-passes the specificity of the Third World on both counts. On the first, the maintenance of 'non-capitalist' forms of production is emphasised and attributed to the intrinsic qualities of merchant capital in general, irrespective of the historical epoch in which it is operating. This fails to pose the question of how the conditions and functions of production were radically changed although its forms (such as the peasant household) were retained. On the second count, the identity of the operation of industrial capital in general is stressed which fails to pose the question of the particular conditions of current capitalist industrialisation in the Third World (the class struggles and shifting alliances, the forms of the state that guarantee the expanded activities of capital). The first mistake stems from an erroneous application of one of the categories of Capital, the second from direct application of a level of abstraction that requires a number of intermediate steps before its use on concrete analysis. However, Kay's book demonstrates by both positive and negative example that the purpose of going back to Capital remains how to learn to go forward from Capital.

FOOTNOTES:

1. Frank equates capitalism with commodity production and therefore asserts that capitalism was established in Latin America in the sixteenth century by the colonial system - A.G. Frank Capitalism and Underdevelopment in Latin America, New York, Monthly Review Press, 1969; see the critique by E. Laclau 'Feudalism and Capitalism in Latin America' New Left Review No. 67, 1971, pp. 19-38. In his essays replying to his critics Frank fails to take up the central issue of his misconception of capitalism, A.G. Frank Lumpenbourgeoisie: Lumpendevelopment, New York, Monthly Review, 1972.

- 2 For a concise discussion of those elements of Capital that prefigure the theory of imperialism, see T. Kemp Theories of Imperialism, London Dobson, 1967, Chapter 2.
- 3 On the intensification of labour, see K. Marx Capital Vol. I, New York, International Publishers, 1967, Chapter 15 pp. 409-17 and Chapter 17.
- 4 Kautsky's important work has not been translated into English in full. However, an extremely useful summary translation by J. Banaji has appeared in Economy and Society, 5 (1), 1976.
- 5 The concept of the articulation of modes of production is associated with the work of P. Rey Les Alliances de Classes, Paris, Maspero, 1973; the concept has been developed by a number of writers e.g. Claude Meillassoux in his Femmes, Greniers et Capitaux, Paris, Maspero, 1975, Part 2 on 'The domestic community: imperialism as a mode of reproduction of cheap labour-power', see also Laclau's definition of an 'economic system' as articulating different modes of production, Laclau op. cit., p. 33
- 6 For similar, and more elaborated arguments, see J. Banaji 'Modes of Production in a Materialist Conception of History', Dar es Salaam, 1975 (mimeo), and S. Amin and K. Vergopoulos La Question Paysanne et Capitalisme, Paris, Editions Anthropos, 1974, pp. 44-62.
- 7 The points made here obviously do not encapsulate the whole of 'the agrarian question' in the Third World (for example, the strategic issue of rural class formation has not been touched on). Evidently there are limits in agriculture, just as in industry, to exploitation based on absolute surplus-value and the intensification of labour. These are limits to the expansion of capital as well as producing the political problems arising from constant food shortages. Hence the recent moves to develop the productive forces in agriculture such as the 'Green Revolution' and other forms of agri-business, including significantly, much discussion about 'opening up' the Sahel through massive capitalisation of agriculture in irrigation programmes and large-scale ranching and wheat farming schemes.

- 8 The internationalisation of capital is as strategic a theme in the analysis of the advanced as well as backward capitalist formations. On the former, see N. Poulatzas Classes in Contemporary Capitalism, London, New Left Books, 1975, Part 1, and the recent discussions collected in H. Radice (ed.), International Firms and Modern Imperialism, Harmondsworth, Penguin, 1975.
- 9 S. Amin Accumulation on the World Scale, New York, Monthly Review Press, 1974, see also the special issue of Critique de l'Economie Politique No. 16-17, on 'Amérique Latine. Accumulation et Surexploitation'.
- 10 Amin has revised his position on this in L'échange inégal et la loi de la valeur. La fin d'un débat, 1973, Paris, Editions Anthropos - IDEP. Recent papers by Emmanuel show that he adheres more than ever to the reactionary notion of the 'exploitation' of workers in the backward capitalist countries by those in the advanced countries - 'Myths of Development versus Myths of Underdevelopment', New Left Review, 85, 1974, and 'Unequal Exchange Revisited', Discussion Paper 77, Institute of Development Studies, University of Sussex, 1975.
- 11 The installation of the apartheid system in South Africa from 1948 both extended and intensified the repressive apparatuses of the state in relation to the needs of a new period of industrialisation - See H. Wolpe, 'Capitalism and Cheap Labour-power in South Africa: from Segregation to Apartheid', Economy and Society, 1 (4), 1972; and M. Legassick, 'South Africa: Capital Accumulation and Violence', Economy and Society, 3(3) 1974. Studies of this kind which establish the theoretical and historical specificity of the development of capital in South Africa, destroy all the 'race' derived formulations whether of a reactionary, liberal or nationalist ideological nature.

FURTHER NOTE

This essay, written in April 1976, has been slightly modified for publication in Utafiti. Additional comments are:

- (a) the first section was aimed primarily at readers in the advanced capitalist countries, although the central point

about the distance between a 'radical' underdevelopment problematic and that of scientific materialism, is clearly of general validity.

- (b) The issues of cheap labour-power and the relations between peasant commodity production and capital are dealt with more fully, though still in a very preliminary fashion, in my paper 'Capital and Peasantry in the Epoch of Imperialism', presented to the seminar of the Economic Research Bureau, University of Dar es Salaam, on November 22, 1976, and to the East African Social Science Conference, Dar es Salaam, December 20-22, 1976. In this paper, the work of Meillassoux, Amin and Banaji cited in footnotes 5 and 6, is discussed, as well as that of other writers.
- (c) I now understand better Kay's avoidance of the Leninist theory of imperialism having seen the completely non-scientific procedure of 'debating' imperialism by quotation and counter-quotation from Lenin - absurdities exemplified in K. Hirji, 'The "Marxism-Leninism" of Professor D. Wadada Nabudere', Dar es Salaam, 1976, mimeo.