The Anti-Samuelson

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VOLUME TWO

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BASIC PROBLEMS OF THE CAPITALIST ECONOMY

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Imperialism and the World Market

Introduction to Chapters 23-27

The decadent international but individualistic capitalism, in the hands of which we found ourselves after the war, is not a success. It is not intelligent, it is not beautiful, it is not just, it is not virtuous—and it doesn't deliver the goods. In short, we dislike it, and we are beginning to despise it. But when we wonder what to put in its place, we are extremely perplexed.

—J. M. Keynes, "National Self-Sufficiency," *Yale Review*, XXII, No. 4 (Summer 1933), 760 f.

The overriding purpose of the four chapters that make up Part 5 of S's book (plus the chapter on "underdevelopment") is to persuade the reader that, just as within the U.S. the messy problems of pre-Keynesian capitalism have been banished, so too on the international scene a just and harmonious world order—at least in the FREE WORLD—reigns supreme. This treatment is reflected in the structure of the book; thus, as just mentioned, what must strike every reader as a flaw in this tranquil setting, namely the enormous poverty of the countries which those who fancy themselves the First World call the Third World gets shunted off into Part 6, Current Economic Problems, which is filled up with other anomalies like poverty, racism, unemployment, socialism, etc. These topics represent accretions of the afterthought variety: in other words, every new edition or so includes a new topical subject to indicate that S is not ignorant of the real problems of the real world. Unfortunately, these "problems" stand in no relation to the text—written basically a quarter-century ago, at a time when such problems presumably had not yet arisen—although S claims that the latter provides the solution to the former.

Much of what we have learned up to now, for instance, our previous discussions of money, gold, profit, etc., will prove to be useful in understanding these chapters. Before we enter into our systematic critique we would like to elaborate on the all-pervading harmony of these chapters.

As we already know, its self-consciously non- or even anti-class standpoint is a fundamental feature of bourgeois economics. Both on the empirical and theoretical levels, we have emphasized that these theories in part derive the essentially nonantagonistic nature of capitalism's "flaws" from the alleged nonexistence of social classes.

Now it would seem, on the basis of the obvious disparities in the levels of material existence between the capitalist countries of North America and Western Europe and the rest of the capitalist world, that the reader might be led to become skeptical toward earlier assertions of harmony. Yet on the surface there is an important countervailing factor at work here; for it is precisely the nonclass nature of each national capitalism that transforms all international "problems" into "frictions" and "tensions" among internally unified and uniform nations.

When S does speak of these "frictions," it is always in the context of a transitional phase of adjustment to higher planes of welfare. This for example plays an enormous role in the theory of comparative advantages, which decrees that in the long run it is better for a nation to sacrifice an entire industry in order to put its scarce resources to more efficient use.

We have noted that S's approach is not shared by all his colleagues; thus, since our book is a critique of S only insofar as he is representative of contemporary bourgeois economics, it will be necessary to comment on divergent views. Nonetheless we will show the fundamental unity of these superficially radically differing theories.

This other wing, which for want of a more precise term we will call left-wing liberal, is not consolidated or institutionalized (we abstract here from the coherent blocs of economists from the "developing" countries); and although they are not outcasts cut off from access to the standard journals, etc., they are commonly treated as well-intentioned individuals of peripheral and/or gadfly significance.

In a sense this cavalier attitude on the part of orthodoxy is justified inasmuch as the liberal critique is not really very "high-powered": in the main it restricts itself to confronting the established theory with empirical findings suggesting the inadequacies of the explanatory power of the theory. Such an approach does not faze orthodoxy, which marches to the tune of a different drummer. Often one or two responses ensues: either the partial validity of the findings is admitted, which leads to a further "refining" of the assumptions (usually tantamount to a renunciation of contact with reality), or the annoying critic is condescendingly informed as to what theory is all about. This is not to say that we hold the empirical refutation to be worthless: on the contrary. The point, as we shall soon see, lies rather in the inability of the left-liberals to present an immanent theoretical critique and to develop their own coherent theories.

The cause of this inability must be sought in the circumstance that these critics share the fundamental propositions common to all bourgeois economics; they merely object to certain corollaries which appear to them out of tune with reality. Since they accept the base upon which the offending theories rest, they can only refute them by an appeal to "facts."

We would now like to demonstrate this by an example which at the same time allows us to concretize our earlier remarks on the notion of harmony.

Our example is the Swedish Social Democrat Gunnar Myrdal, the most prominent proponent of the view we have termed left-liberal. Myrdal believes fully as much as S that the Keynesian welfare state has overcome the traditional problems of capitalism pointed out by Karl Marx. On the other hand he stresses the great inequalities between the "West" and the Third World, which he sees as widening and accentuated by selfish policies on the part of the former. Here is how he explains the causal mechanism at work:

> *The welfare state is nationalistic*. . . . Thus, tremendous forces of vested interests, often spread out among broad layers of the citizens, are so created that they can be mobilized against abstaining from policies that hurt underdeveloped countries. In this case it is wrong to put the blame on the "capitalists," as is often done by some ignorant radicals. *On this point the people are the reactionaries*. . . . Governments and officials should not be blamed. . . . They respond to their peoples who are prejudiced.[1]

What is common to Myrdal and S is the view of "the" nation or the people. All bourgeois economists operate with this class-undifferentiated conception of capitalist society. And even those economists who recognize the interests of certain groups—Myrdal does as does S, who usually picks out various industrial workers as the offending group responsible for forfeiting the comparative advantage of the U.S.—do so only by opposing these interests to an alleged general interest which is being violated.

In other words, all bourgeois economists fail to see that the political and economic antagonisms and contradictions of the bourgeois state internally must somehow find their expression in the external activities of this state—i.e., in the interrelations among bourgeois states.

For the left-liberals this means that (many of) the evils of imperialism are admitted and described without suggesting, and/or by explicitly denying any causal connection to the various national capitalisms. This distorted approach has its historical roots in the liberal tradition. Thus Max Horkheimer, then head of the Institute for Social Research, chastised the German exiles in England in the 1930s who continued to attack fascism without mentioning capitalism: "He who does not want to talk about capitalism should keep quiet about fascism."[2] Applied to our liberals the saying might read: He who does not want to talk about capitalism should keep quiet about imperialism.

As to S, he, of course, is not guilty of this inconsistency since he talks of neither capitalism nor imperialism. But as we shall see, certain inherent contradictions are involved in S's view of the state. At this point we might point to a certain irony in this connection: S was so busy propagating the mixed economy (i.e., state) as the solution to capitalism's internal problems that when he comes to speak of the state in its external operations he cannot perceive its particular functions and limitations.

DISCUSSION OF S'S GENERAL OPENING REMARKS

In introducing the four chapters of this Part, S makes three points, all of them methodological in nature, although they are not presented as such.

The first point relates to the systematic significance of foreign trade within this book and within the capitalist or mixed economic system: "In the earlier chapters of this book we took international trade more or less for granted. Here . . . we wish to analyze explicitly the interesting economic problems arising as soon as an economy engages in foreign trade" (643).

Now in and of itself there is nothing wrong with such a procedure; Marx too abstracted from foreign trade in order to grasp the laws of value and surplus value production in their "pure" form. The point here is how trade is introduced.

By this we do not mean whether the author has succeeded in executing a smooth stylistic transition from one section of his book to the next. What we do mean is this: foreign trade, like all capitalist phenomena, has a certain historical genesis and fulfills certain functions within the world capitalist system. Although there is no one-to-one correspondence between these two aspects, there is a significant relation inasmuch as capitalism is a self-reproducing system; that is to say, if foreign trade has undergone significant functional changes, then these must have been brought about by other changes within capitalism. In any event, neither one can be understood without the other. Concretely, one cannot understand the early history of capitalist trade without pursuing the later development of capital leading to the approximation of its own concept. On the other hand, merely confronting contemporary reality without understanding its origin and its direction is equally one-sided and distorted.

The basis of S's introduction of foreign trade leads us to his third point: he derives the importance of international trade more or less exclusively from the alleged fact that it "offers a 'consumption-possibility frontier' that can give us more of all goods than can our own domestic production-possibility frontier! . . . *Each of us ends up consuming more than he could produce alone*. The world is out on—and not inside—its true production-possibility frontier" (643).

In order to discuss this in a comprehensible manner, we will have to anticipate the later discussion of comparative advantages. It will be clear to the reader by now that S has introduced foreign trade on the basis of the new and/or additional use-values which it allows "us" to consume. In one sense this is indeed consistent since S sees consumption not only as the subjective goal of the mixed economy, but also as its objective end.

Without going any further now, we might merely point out that S's claims for consumption would have to meet with some skepticism on our part: How can he assert that the capitalist international division of labor permits us to consume more than we could produce alone when: (1) U.S. workers now do not even consume all they produce; (2) U.S. workers do not even produce all they could produce (unemployment, unutilized capacity, "waste," etc.)?

Returning to the second (methodological) point made by S in his brief introduction: this deals with the structural arrangement of the chapters. Thus, Chapter 33 deals with monetary mechanisms whereas the following two are devoted to "the basic real factors which underlie international trade and which are often obscured by the monetary veil that covers all international transactions" (643).

Although everyone knows that you can't eat gold or paper money, to portray the physical products of the labor process as "real" within an economic system whose very existence is distinguished by the production of "veils," whether they be commodities, money, value, profit, wages, rent, etc., is both demagoguery and what we may call metaphysical materialism. By this we mean an approach which sticks to "the facts," the objects of immediate perception, without understanding that to say something economically significant about a table in ancient Greece and one in today's U.S. one must do more than point to the differences of their production functions (i.e., that they embody different proportions of living and dead labor); for a table built purely as a use-value is not the same as one built only "partly" as a use-value and "partly" as a profit-maker. One of the things that makes Marxism superior to bourgeois science is that it takes the "veils" very seriously and tries to explain their origin and inevitable existence in certain societies; but merely to characterize them as "obscuring," without explaining why the "real" which they obscure cannot otherwise exist in capitalism and why the "real" is not in fact "really real"—this sort of metaphysical materialism means the renunciation of all science precisely because it fails to explain what is specific about capitalism.

On the basis of this brief discussion we can now outline how the Marxist approach to foreign trade and the world market will differ. What is "real" in capitalism is neither the physical product nor the veil, but the contradictory unity of both in the commodity (this at least on the basic level; we would then have to look at more complicated phenomena like capital, etc.). This is why Marx begins *Capital* with the commodity which is the contradictory unity of use-value ("the real") and value ("veil"), whereby he explains how another "veil" inevitably arises from this contradictory unity—namely money.

Similarly, on the world market one does not, as S does, start with a physical product like Vermont maple sugar or with dollars. Now one might ask, why the word "similarly," why can't we proceed *exactly* as Marx did within a country? A good question, and we will deal with it below.

At this point we merely warn the reader that Marx's theory of international value, of world money, etc., like his theory of money itself, is perhaps the most difficult part of his entire theory. Furthermore, Marx himself never completed this international aspect of his theory, and so we must try to develop a theory from his fragmentary remarks and from the works of later Marxist writers; the subject is still generating great controversy among Marxists and no complete theory exists yet. As far as possible we will try to keep an immanent critique of S, but at intervals we will have to break off the "narrative" to develop the Marxist theory so that our critique will remain comprehensible in its orientation.