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“Imperialism”, in the sense of a structured relationship of domination and subordination among the capitalist and pre-capitalist economies of the world, has been with us since the very beginnings of capitalism. One may be inclined, following Lenin, to distinguish between “colonialism” and “imperialism”, and thereby restrict the term only to the monopoly phase of capitalism, but even though the break between the competitive and the monopoly phases is of profound significance, I shall use the term in the more inclusive sense. Imperialism in this sense is a condition and an accompaniment of capitalism. There are however different phases of imperialism, corresponding to the metamorphoses occurring in the nature of capitalism, each of which has its own specific characteristics. The pertinent question to ask then is: what are the specificities of the current phase?

A clue to the answer lies in two obvious “stylized facts”. The first is the slide back of the capitalist world, both its advanced and backward segments, into a state of being “demand-constrained”. Capitalism, typically, had always been a demand-constrained system (Kalecki 1971, 168), while classical socialism had been invariably and necessarily supply-constrained¹. The post-war period between 1950 and 1973, as we know, witnessed a change. The state of being demand-constrained was significantly overcome: unemployment was down to remarkably low levels and there was a substantial net inflow of immigrant workers to the metropolis; the rate of growth was the highest ever for any comparable period in the history of capitalism; and there was considerable pressure on primary commodity supplies (though this did not entail a terms-of-trade movement in their favour²). While the trick of State intervention in demand management

¹ . The distinction between “demand-constrained” and “resource-constrained” systems was drawn, following the basic lead of Kalecki, by Kornai (1979). I have thought it more appropriate to use the term “supply constrained” in lieu of “resource-constrained”.

² The reason why the terms of trade did not improve in favour of primary commodity producers despite the pressure on supplies lies in the fact that the decolonized third world economies were trying their best to industrialize by pushing out primary commodity exports in a bid to obtain the requisite foreign exchange. This intensified competition between them kept their terms of trade down despite there being no excess supplies of primary commodities. See Patnaik (1997) for a discussion.

which underlay this shift had been discovered through the Keynesian Revolution, the fact that this trick was actually used, was a result of a change in the correlation of class forces, both *within* advanced capitalist countries and *internationally* (exerted via the strong challenge from socialism and from the national liberation movements), which marked the end of the war. Capitalism simply could not continue in its old mould

By contrast, the period since 1973 has been characterized by much higher levels of unemployment, by much lower rates of growth, by a collapse of primary commodity prices (except in oil where a powerful cartel operates), and by high ratios of unutilized productive capacity, all of which are clear indicators of a situation of demand constraint. The fact that a prolonged demand constraint has characterized capitalism even when the means to overcome such constraints are by now well-known, needs to be emphasized. No matter what explanation we may proffer for the downturn in world capitalism (and such explanations range from “Kondratieff Long Waves” to “Over-accumulation” and “Profit-Squeeze”³), in a world in which the means of overcoming recessions are well-known and have been actually operational in the past, *no explanation would be complete unless it also explains why State intervention in demand management cannot be resorted to for overcoming such a recession*. This absence of counter-recessionary State intervention in demand management in the advanced capitalist world over the prolonged period during which it has witnessed a demand constraint, constitutes the first “stylized fact”.

The second “stylized fact” consists in this: the measures being suggested in the metropolitan economies for overcoming the crisis are entirely of the “beggar-my-neighbour” kind. In the world economy as a whole, the total output, given the state of its being demand-constrained, is determined by the level of aggregate world demand. This demand, and hence the output that is produced, is distributed in a particular manner among the various economies, which depends *inter alia* on the exchange rates among the currencies belonging to these various economies. One particular segment of the world therefore can raise the level of aggregate demand it faces, and hence its output, by depressing its exchange rate vis a vis the currencies of the other segments (or by insisting upon an appreciation of the exchange rates of others vis a vis its own currency). *But exchange rate movements can do precious little for boosting the level of overall world*

³ For a survey of such explanations see Bose (2003).

aggregate demand, which requires, in practical terms, larger spending by individual States or by several States acting in concert. And yet at the present moment, what is being discussed in the advanced capitalist countries as a policy-measure is an appreciation in the exchange rates for a whole gamut of Asian currencies, which are allegedly under-valued. True, the U.S. is currently running a substantial fiscal deficit as a means of financing its continuing war in Iraq, which has a favourable impact on the level of output and employment in the U.S. and elsewhere, but an enlarged fiscal deficit has nowhere been projected in official U.S. documents as a panacea for recession.

Interestingly, even for the Asian economies, whose burgeoning exports, thanks to the alleged under-valuation of their currencies, are supposed to thwart recovery in the advanced capitalist countries, the suggestion is not an expansion in domestic absorption through (for instance) an expansion in their fiscal deficits, which would have the effect of enlarging world demand as a whole. The suggestion is for a currency appreciation, *which would leave world demand unchanged but would merely shift more of it towards the advanced capitalist countries.* The idea in other words is to stage a recovery by pursuing a beggar-my-neighbour policy, by imposing de-industrialization on the Asian economies. This is in sharp contrast to the period of the late sixties and the early seventies when, faced with burgeoning exports from Japan and West Germany, the rest of the advanced capitalist world was insisting upon their undertaking larger domestic absorption by stimulating home demand. This change, where an autonomous enlargement of demand, not just in the metropolis, but even in economies allegedly swamping the metropolis with their goods via undervalued exchange rates, is considered undesirable, even though such enlargement was much in vogue just a few years ago, constitutes the second “stylized fact”.

The conclusion that emerges from both these facts is an unmistakable preference for a deflationary policy in the current phase of imperialism, which in turn points to the hegemony of a new form of international finance capital in the contemporary period. Rentier interests generally have a preference for deflationary policies, which is why Keynes (1949, 376) had asked for “the euthanasia of the rentier”. Finance capital which typically represents rentier interests exhibits this preference. But the ubiquity of deflationary policies, including even in metropolitan countries with Social Democratic

governments elected on the promise of reducing unemployment, is indicative not just of the ascendancy of financial interests but of the “globalization” of finance which gives its caprices a spontaneous effectiveness, makes it immune to any change in the correlation of class forces within any particular economy which happens to be adverse from its point of view. It can move out of any economy which does not submit to its caprices, i.e. any economy which chooses to lose what is euphemistically called “the confidence of the investors”.

This “globalization of finance” underlies the emergence of a new form of international finance capital, which is quite different from the finance capital that Lenin and Hilferding had written about. Its national origin within the metropolis, its integration with industry in its particular economy, and its link with the nation-State of the country of origin, are of secondary importance today for its strategic behaviour; what we have instead is finance which is only tenuously linked to industry but which pursues prospects of gain, mainly speculative gain, over the entire global terrain, unconstrained by any “national” considerations. Not surprisingly, in this milieu, instead of having different financial oligarchies locked in conflict with one another in their quest for “economic territory”, we have a removal of barriers between different “economic territories”, an opening up of the world to the free movement of globalized finance. Instead of inter-imperialist rivalries exploding even into global wars, we have a muting of such rivalries, a greater degree of common purpose among the imperialist powers.

This new form of international finance capital represents of course only a “superstructure” on the basic production structure of capitalism. The latter with all its contradictions does not disappear; it is overlaid by this phenomenon of globalized finance and its functioning is conditioned by this fact. Changes of momentous significance occur within this production system, such as for instance the IT revolution currently underway, but these changes act upon, and are in turn acted upon by, the developments in the realm of finance which constitute a decisive element, in the sense that “fundamental questions can be examined only from the point of view of this tendency” (Lenin 1975, 115). One consequence of this decisive influence, as mentioned above, is the pursuit of deflationary policies.

Pre-First World War capitalism was sustained by the stimulus of a massive outward expansion, into the temperate regions of White settlement (Keynes 1919). This was made possible because of its control over tropical colonies since the commodities demanded in the “New World” were not those produced in the metropolis of the time but those which could be acquired from the colonies. As a result the “unwanted” goods of the metropolis, such as textiles, were sold in the tropical colonial markets like India, causing de-industrialization in the latter, and the latter’s goods, not just of an equivalent value but far exceeding this value, by an amount called the “drain of wealth” and constituting an expropriation of surplus without any quid pro quo, was sent to the “New World” as capital exports from the metropolis.⁴ The First World War destroyed this entire structure and ushered in a period of recession, unemployment and fascism, culminating in the Second World War. The Second World War resurrected capitalism by institutionalizing Keynesian demand management by the State which provided a new stimulus. What is noteworthy about the current phase is that this stimulus too has now dried up in the deflationary environment created by the emergence of the new form of international finance capital.

A question arises here: if the national origins of globally-mobile finance do not define its strategic behaviour, if “personal union” between finance and particular nation-States is not crucial for its functioning, and if generalized and all-pervasive deflation is what the new form of finance capital precipitates, *then have we not moved away completely from the domination-subordination relationship between countries and economies that constituted the core of imperialism? Are we not in a world where the hegemony of international finance capital has an undifferentiated impact on all economies, irrespective of their location in the capitalist hierarchy? The answer to this question is in two parts: first, even though the national origins of finance do not define its behaviour, the fact nonetheless remains that the bulk of globally-mobile finance is drawn from the metropolitan countries. The gains that finance makes therefore have an extremely uneven distribution across countries. Though the beneficiaries may constitute an undifferentiated fraternity, their weights in their respective countries are vastly*

⁴ Exports were purchased using local taxes and hence were transfers. For a description of this mechanism see Bagchi (1972) whose work in turn owes much to Saul (1970). P. Patnaik (1997) presents a summary

different across countries, so that we can still talk in terms of gains and losses *of countries*. Secondly, finance, as already mentioned, is a superstructure on the basic production structure of world capitalism. Its operations, mediated through their impact on this basic structure, which is still tied to national economies, affect different countries differently. The emergence of international finance capital therefore does not put an end to the subordination of particular countries by others. On the contrary it accentuates this subordination several-fold and thereby creates a new and renascent imperialism. Let us see how.

II

The era of new imperialism is generally associated with the pervasive imposition of neo-liberal economic policies. The interests of international finance capital in its new form, of the Multinational Corporations dominating the sphere of production in the metropolis, of the consumers in the advanced capitalist countries, of the bourgeoisie in the third world which has exhausted the potentials of *dirigisme*, and of the third world elite generally for whom a whole new range of commodities and opportunities *appear* at least to open up through the pursuit of neo-liberal policies, converge to ensure such pursuit, which moreover is assiduously promoted by the Bretton Woods institutions. While there is a removal, or at least a reduction, of *formal* restrictions on the free global movement of commodities and finance, and hence a “rolling back” of the *dirigiste* policy regimes that prevailed in the third world economies after decolonization (*which must not be confused with a rolling back of the State*), this necessarily occurs in an environment of deflation. This has certain consequences, which “mainstream academic” discussions of neo-liberalism invariably miss. The first, as already mentioned, is the entrapment of the world economy in a perennial demand constraint, which *inter alia* has the effect of turning the terms of trade against third world non-oil primary producers, notably the broad masses of the peasantry. The World Bank had for long been promoting the argument that the peasantry would be a beneficiary of neo-liberal policies, since the domestic terms of trade between agriculture and manufacturing under the earlier *dirigiste*

picture and U.Patnaik (2003a, 2003b) briefly discusses the role of India’s trade in the mechanism.

regime were more adverse for agriculture than the international terms of trade⁵. This, to start with, was a fallacious argument. Since the international terms of trade fluctuate wildly, they are more favourable in some periods and less favourable in others compared to the domestic terms of trade: the question of their being *invariably* more favourable does not arise. In addition, the spread of neo-liberal policies across the globe, such as what occurs in the era of “globalization”, invariably makes the international terms of trade *on average* worse than the domestic terms of trade (prior to the adoption of neo-liberal policies) in most countries, on account of the deflationary environment. The broad masses of third world peasantry are therefore a major victim of the new imperialism.

Secondly, together with the adverse terms of trade there is an undermining of food security in the third world. Under the pull of the global demand conditions, to which third world agriculture gets exposed under neo-liberalism, there is usually a shift from food to cash crops (which often occurs under the aegis of multinationals engaged in agri-business). The abandoning of all attempts at food self-sufficiency is justified in the name of “comparative advantage”. But the economy gets exposed to food scarcity not only in situations of cash crop price-collapse (relative to food crops), but *even when the prices of both food and cash crops move in tandem but the terms of trade are adverse for agriculture as a whole*. This is because the “free” foreign exchange available to the economy after meeting minimal debt-service obligations, minimal manufactured goods imports, and the repatriation of surplus value by agri-business, is too small, in a situation of adverse terms of trade for agriculture, to pay for the necessary food imports. (And this is even without taking into account the demand side factors such as the reduced purchasing power in the hands of the rural population owing to the lower employment-intensity per unit land area of agro-business-sponsored cash crop production). The African case clearly demonstrates this (U.Patnaik 1999): at a time when the world had plenty of foodgrain stocks several African countries witnessed famine conditions since the decline in their terms of trade had left them with too little “free” foreign exchange to import the requisite food.

Thirdly, while the primary mechanism of deflation everywhere is a curtailment in the fiscal deficit, since such curtailment in the third world countries is associated also

⁵ A similar argument was advanced in Lipton (1977).

with sharp reductions in tax-GDP ratios, the cuts in public expenditures (and investment) are even sharper⁶. The tax-GDP ratio goes down not only because of the reduction in customs duty as part of neo-liberal trade policy (which has to be accompanied by restrictions on excise duty in order to avoid a gratuitous de-industrialization), but also because of tax-sops to MNCs as inducement to invest in the country in question (which too would have to be accompanied by similar concessions to domestic capitalists). The net result is a sharp reduction in the ratio of public expenditure to GDP, which gives rise to infrastructure bottlenecks (further legitimizing concessions and tax-sops for attracting MNC investment), a decline in public health and education facilities, cuts in subsidies and transfer payments to the poor, and a curtailment in development and welfare expenditures, especially in rural areas. All these lead to a decline in the social wage. *In addition they have a very sharp employment-reducing effect*, since the fall in public expenditure-generated employment is far from offset by any increase in private expenditure-generated employment.

Fourthly, therefore, there is a sharp decline in employment under new imperialism. While this is a general phenomenon, reflecting the demand constraint we talked about earlier, its impact is particularly sharp in the third world, especially in rural areas. To mention just one example, in India (which liberalized in 1991), between 1993-1994 and 1999-2000, the two dates on which large Sample Surveys were conducted, the annual rate of growth of rural employment was a mere 0.6 percent compared to 2 percent over the preceding six years. Unemployment is created not only by public expenditure cuts and the multiplier effects of reduced peasant incomes; it also arises, over large parts of the third world, from de-industrialization, the inability of domestic producers to stand up against the competition from imports or from import-intensive production by “assembling units”. De-industrialization, and higher unemployment generally, has the effect of whittling down the bargaining strength of trade unions and of enfeebling the resistance of the working class to the onslaught of new imperialism.

Fifthly, the accentuated fiscal crisis of the State, which arises, as mentioned above, from the very pursuit of neo-liberal policies, is then used as an excuse for privatizing public assets “for a song”. In a travesty of macroeconomic theorizing, it is argued in an

⁶ For the Indian case see Chadrasekhar and Ghosh (2002).

entirely fallacious manner (the fallacy arising from a confusion between stocks and flows) that the proceeds from the privatization of public enterprises provide a better source of funding necessary public expenditure than running a fiscal deficit⁷. Anyone who opposes privatization is then conveniently branded as an opponent of public spending on social sectors, and the very crisis of social sectors brought about by public expenditure cuts is then used to legitimize the process of “primitive accumulation of capital” which privatization essentially amounts to.

Sixthly, neo-liberal policies expose the economy to extreme instability arising from the volatility of financial flows. This is true generally; but it is especially true of third world economies for a particular reason. Within the metropolis, where much of the world’s wealth is concentrated, the wealth-holders hold their assets in more than one metropolitan currency. There is in other words an inter-penetration across currencies in the matter of wealth-holding, with persons of one country holding their wealth partly in the currencies of other countries. This forces a concerted action on the part of metropolitan economies for preventing wild swings in currency values. What is more, the anticipation of such concerted action provides speculators with inelastic expectations and hence acts in the direction of providing a degree of stability to currency values. This does not mean that swings do not occur, but they are not generally as volatile as in the case of third world currencies, where this stabilizing factor (not to mention the bias towards stability among metropolitan currencies imparted by trade rivalry) does not operate. But it is not only a case of volatility; there is something more, to which I now turn.

III

When there is net autonomous financial inflow into a third world economy, there are two choices before the government, either to let the currency appreciate or to add to foreign exchange reserves. Since the former course amounts in effect to debt-financed de-industrialization of the economy, i.e. borrowing “hot money” to finance one’s own ruin, the government is likely to add to foreign exchange reserves (as long, that is, as the government retains control over such matters, and the Central Bank has not been made

⁷ For a more elaborate discussion of the fallacy see Patnaik (2000).

“autonomous”, which is but a euphemism for being placed under Fund-Bank control). Now, third world countries in any case scarcely experience massive and bunched financial inflows; in addition, with exchange rate reasonably stable and foreign exchange reserves growing, the rate of inflow, even when positive over a long period time (as is happening in India) tends to be steady but small (though it may be large *cumulatively over a period*). By contrast, outflows can be sudden, bunched and massive; and this may happen even when the country has substantial foreign exchange reserves. In other words, there is a basic asymmetry between the time-pattern of inflows and outflows of finance into a third world economy, which, when one looks at the matter closely, is but a reflection of the basic asymmetry between the first and the third worlds, namely that the currencies of the former are considered, by wealth-holders both in the first and the third worlds, to be safe mediums for holding wealth in a way that the currencies of the latter are not. This is what ensures that sudden and substantial movements can occur into first world currencies but not into third world currencies.

A consequence of this asymmetry between the rates of inflow and outflow is that when the latter occur, the governments willy-nilly have to undertake some “adjustment”, even when they have sizeable reserves. Sometimes these adjustments are their own brainchildren, sometimes they are imposed by the Bretton Woods institutions to whom they have turned in distress; but at all times they entail, apart from deflation which we have already discussed, some sops to finance, “to rebuild its confidence in the economy”. One favourite sop is the offer of national assets at throwaway prices. We discussed earlier the tendency towards privatization of public assets at throwaway prices; but such privatization usually entails, over time at least, a “de-nationalization” of domestic assets.

This occurs through two processes: first, public assets may be directly “de-nationalized” as part of privatization meant to instill “confidence among investors”; secondly since “adjustment” in such periods takes the form of tightening credit, several domestic enterprises, whether belonging to the public or the private sector, face financial difficulties and get taken over by multinational companies or banks.

Of course, all that is mentioned above does not constitute the only mechanism of “de-nationalization”. At least two other mechanisms are important. The first is through

what, following Marx, we can call the normal process of “centralization of capital”⁸. “Centralization of capital” is an immanent tendency under capitalism, a necessary *denouement* of the process of competition between capitals. The removal of restrictions on the free flows of commodities and finance across countries implies that centralization now occurs on a global scale, i.e. large capital takes over or eliminates small capitals on the world scale, which in practical terms means that multinational corporations, or more generally metropolitan capital, takes over or expropriates the capitals belonging to third world countries, a process of “de-nationalization”. The second mechanism of course is through the use of force as we are witnessing in the case of Iraq: a country with the second largest oil reserves in the world was simply occupied by the largest imperialist power and its oil reserves taken over, in violation of every cannon of international legality.

Imperialism is always about the expropriation/appropriation by metropolitan capital of the resources, assets and wealth of all other countries all over the globe. The different phases of imperialism are distinguished by the precise manner in which this drama is enacted and the degree of success it has in doing so. Political de-colonization in the post-war period had meant for most third world countries a painful and protracted process of recapturing control over their mineral resources and other assets (and numerous governments from Arbenz to Mosadegh had fallen as victims in this process). New imperialism seeks to wrest back this control in a variety of ways, as described above.

IV

Large countries, even when they are under thralldom to the Bretton Woods institutions, or are otherwise committed to neo-liberal policies, nonetheless represent a potential threat to imperialist hegemony. A major task before new imperialism therefore is to break them into “more manageable” entities. It is not necessary that force be used for this purpose. There is in any case a spontaneous tendency towards such disintegration of large entities under a neo-liberal regime, and force may be used only in certain

⁸ Marx (1974), Chapters.XXV, XXXI, and XXXII.

circumstances to deliver the *coup de grace*, and that too only if a *de jure* disintegration is at all considered necessary (a *de facto* disintegration being considered insufficient).

There is first of all a basic dichotomy that develops in all neo-liberal regimes, between the urban bourgeoisie and the elite on the one hand and the mass of the workers, the peasantry and the rural poor on the other. While the latter, as we have seen, are excluded from the so-called “benefits” of the neo-liberal regime and are in fact its victims, the former, in varying degrees, benefit from it. The benefit is all the greater in those few cases where the opening up of trade leads, however temporarily, to an increase in manufacturing and service sector exports (as is the case in India now with IT-related services), i.e. to a diffusion of certain activities from the first to certain parts of the third world, within a given overall level of world activity. But even in countries to which no such diffusion has occurred, a certain stratum of the urban bourgeoisie and elite benefit from neo-liberal policies, while the bulk of the rural economy and both the urban and rural poor suffer under them. The urban bourgeoisie and elite become, as it were, a part of the metropolis while the rest of the country remains firmly within the “third world”.

Compared therefore to the period of the anti-colonial struggle and the aftermath of de-colonization when the “nation” had a meaning in opposition to imperialism, under the neo-liberal dispensation the idea of the nation tends to get fractured. Not surprisingly as we shall see all kinds of new concepts like “the Hindu nation” or “the Muslim nation” etc. make an appearance in the neo-liberal epoch.

Secondly, with the collapse of the *dirigiste* strategy of economic development and with emphasis being placed on attracting investment from domestic and foreign capitalists as the sole means of development, the different regions of a country vie with one another to provide incentives to the latter, especially to foreign capital. Likewise with an accentuation of the fiscal crisis of the State in the wake of “liberalization”, the central/federal government “passes” the burden of the crisis to the regional governments. The latter perforce therefore have to approach the World Bank, the ADB, the DFID for loans even to maintain the minimal level of regional government expenditure. In short, the spontaneous effect of the pursuit of neo-liberal policies is the creation of conditions where imperialism deals directly with the different constituent units of large federal economies, whose logical culmination is a *de facto* fracturing of the country. Sometimes

however *de facto* fracturing gets transformed to *de jure* fracturing, either because imperialism wills it that way (as in the case of the Soviet Union), or because the contradictions between the constituent units, fanned by the *de facto* fracturing, become insurmountably antagonistic (as happened in Yugoslavia).

Both the kinds of fracturing mentioned above are enmeshed with and occur in the context of a general tendency towards a sharpening of the divisions among the people on ethnic, religious, regional or communal lines anyway. While such divisions always exist, they become sharpened only under certain circumstances, notably when there is large-scale mass unemployment. The neo-liberal regime, thanks to the deflation and de-industrialization it unleashes, generates precisely such large-scale mass unemployment. Unemployment, to be sure, existed earlier, under the *dirigiste* regime as well; but it gets greatly enhanced. Even when the diffusion of certain activities from the metropolis to the third world increases local employment in certain avenues, the overall impact of the neo-liberal policies on the *economy as a whole*, is to accentuate unemployment, and thereby sharpen the divisions among the people. The feeling of belonging together, captured by an inclusive concept of a nation which the anti-colonial struggle had inculcated in several third world countries, gets destroyed under the onslaught of new imperialism; and retaining the integrity of large federal States under these conditions becomes difficult.

V

What is particularly remarkable about the new imperialism is the manner in which its spontaneous working contributes to an enfeeblement of all organized resistance against it in the third world. The unemployment engendered by deflation and de-industrialization weakens the organized working class; on the other hand whatever employment is generated through the diffusion of certain activities from the metropolis typically tends to be of the *unorganized* kind which is scarcely in any position to defend its own living conditions, let alone launch any resistance to imperialism. True, the rural areas, especially the peasantry, constitute a potential agent of resistance, but here, quite apart from the specific difficulties of organizing the peasantry which are well-known, a new problem enters, namely, the significant diminution in size of the radical intelligentsia

in a situation where the urban elite is a beneficiary of liberalization. A situation like in Russia in late nineteenth century when thousands of young men constituting the cream of Russia's youth went to the countryside in solidarity with the peasantry, or like in India in the thirties when numerous young men carried the message of the anti-colonial struggle to remote villages, is palpably absent when "brain drain" not only becomes the order of the day but is eulogized by the government itself as an indication of a "shining present".

There is however much more to it. Because of the fluidity of finance any attempt by any government, caught in the vortex of "globalized finance", to have a set of economic policies different from what the caprices of finance dictate, runs the risk of stimulating capital flight, with potentially disastrous consequences for the very people in whose interests such policies were contemplated in the first place. Third world governments therefore, no matter what their political predilections, are forced to play it safe and bow to the paramount need for maintaining "the confidence of the investors", i.e. pursuing the policies preferred by international finance capital. As a result political change, even the installation of a radical government, ceases to have much meaning in such an economy. This standardization of economic programmes gives rise not only to a disillusionment with politics, but also to a weakening of mass movements which are foredoomed not to be consummated in any significant radical political and economic change. Under these circumstances two kinds of movements flourish: terrorism and micro-level reformism centred on self-help groups and concerned with issues of gender and environment. (Imperialist agencies themselves sometimes offer financial assistance for such micro-level projects). But questions of fundamental transformation, away from the sway of the new imperialism, recede into the background. (Terrorism, even when it is anti-imperialist, scarcely has a credible alternative agenda).

To be sure, if a country can get itself out of the vortex of globalized finance by imposing capital controls to start with, it would begin the process of recapturing its economic sovereignty and using such sovereignty to put in place an alternative programme. But it would have to face two problems. First, there are the enormous difficulties of the transition which were mentioned above. Secondly, any State that dares to do this would be branded a "Rogue State" by the current unquestioned leader of imperialism, i.e. the U.S. (in whose case the term super-imperialism appears apposite at

present), and would be attacked by a vast array of weaponry from economic blockade to outright armed invasion. The very fact that terrorism continues as a notable form of resistance provides U.S. super-imperialism with the excuse for unleashing such an attack; and the muting of inter-imperialist rivalries, not to mention the collapse of the Soviet Union, allow it the requisite freedom where it can do as it pleases. In short, while entrapment within the vortex of globalized finance results in an inability to get out of the neo-liberal agenda, any attempt to break out of this vortex is met with force. Force, thus, is used only at the edges; the spontaneous working of globalized finance does the rest.

VI

To say all this is not by any means to suggest that resistance against the new imperialism is futile. While it does have a spontaneous tendency towards enfeebling resistance against it, to see this tendency as being over-riding would be, let alone politically, *even methodologically unsound.*, Every system must be seen both in its coherence and in its incoherence, and to recognize the former should not be mistaken to mean a negation of the latter. We have so far looked at the tendencies of the system (of new imperialism) *in its integrity* which make for its coherence and stability. This was done to avoid the pitfall of “optimism of intellect”. Let us now consider, very briefly, the factors that tend to undermine its stability. In very general terms we can conceptualize three factors: first, *systems do not exist in their integrity*; secondly, antagonistic systems, precisely because they are antagonistic, tend to lose their coherence, and hence by implication stability, over time; and thirdly, in any situation of a multiplicity of contradictions, the loss of coherence can be rapid owing to contradictions exacerbating one another through a chain reaction.

More concretely, new imperialism is vulnerable on a number of counts. First, it is still in the process of coming into being. Let alone China, even India is not yet fully under its sway, thanks to the massive resistance that has been launched against it in India in the last several years (though one must not also underestimate the degree of penetration of new imperialism). And in Latin America which has been under its sway there is an upsurge of popular anger against it. In short, there is no dearth of sites of

resistance against it. Secondly, there is a discernible tendency towards the coming together of a number of large underdeveloped countries, to re-forge a unity that was disrupted by imperialist arm-twisting in the build-up to the WTO. Thirdly, even though inter-imperialist rivalries may be muted at the moment, contradictions among imperialist powers exist, and could sharpen under certain circumstances. Fourthly, the Iraq quagmire has quite significantly stretched the resources of U.S. imperialism, which would think twice before embarking upon any similar misadventure. Finally, and above all, the oppression to which large sections of the people in the third world, notably the peasantry and the rural poor, have been subjected under the new imperialist dispensation, makes the social situation in many of these countries explosive. Resistance sparked at any point could well lead, through a chain reaction, to a major upsurge that alters the entire conjuncture.

Prabhat Patnaik

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