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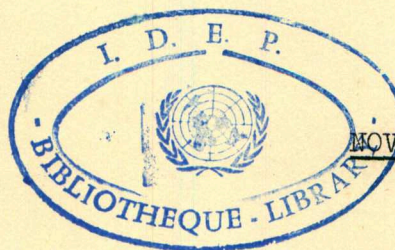
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THE THEORETICAL MODEL OF CAPITAL ACCUMULATION
AND OF THE ECONOMIC AND SOCIAL DEVELOPMENT
OF THE WORLD OF TO-DAY(1)

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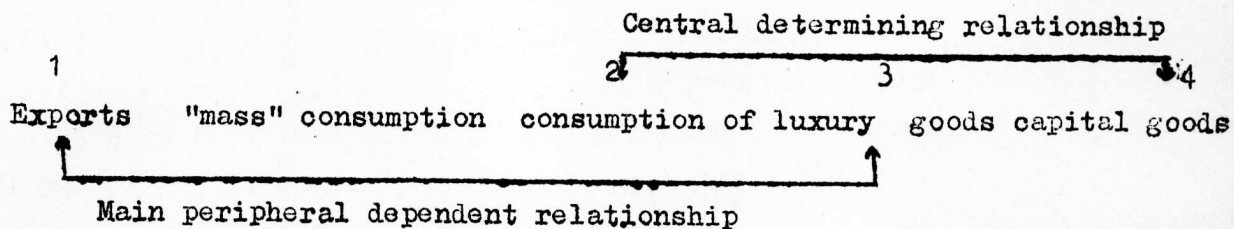


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The aim of this paper is to show that there is a fundamental difference between the model of capital accumulation and of the economic and social development which characterizes a self-centred system and that of a peripheral system. On bringing out this difference - which we regard as absolutely fundamental - we shall, within this framework of general theory, attempt to situate the questions of social structure as well as the many important aspects of contemporary world problems, both social (among others unemployment, under-employment and marginality) as well as ideological and political (particularly the problems of social consciousness, class consciousness, planning, mobilization of resources and men, education and its social role, etc.)

The diagram below sums up the difference - from this point of view - between a self-centred system and a peripheral one.



The economic system is divided in 4 sectors which may be considered both from the point of view of production and from the point of view of distribution of the active population engaged in above-mentioned productive activities.

The determining relationship in a self-centred system

The determining relationship in a self-centred system is that which links sector 2 (the production of "mass" consumption goods) with sector 4 (the production of capital goods intended for the production of sector 2).

This determining relationship has been the characteristic feature of the historical development of capitalism at the centre of the system (in Europe, North America and Japan). Thus, it provides an abstract definition of the 'pure' capitalist mode of production and has been analysed as such in Marx's "Das Kapital". It can be shown that the development process of the USSR, like that of China, is equally based on this determining relationship, although in the case of China, the sequences of this process are original.

Marx, in fact, shows that in the capitalist mode of production, there is an objective (i.e. necessary) relation between the rate of surplus value and the level of development of the productive forces. The rate of surplus value is the main determinant of the pattern of social distribution of the national income (its distribution between wages and surplus value which takes the form of profit), and hence that of demand (wages being the source of demand for mass consumption goods and profits being wholly or partly "saved" for "investment" purposes). The level of development of the productive forces is expressed through the social division of labour: the division of the labour force, in suitable proportions, between sectors 2 and 4 (sectors 2 and 1 in Marx's reproduction model). This objective relation, though fundamental to Das Kapital, has often been "forgotten", for example in the debate on the tendency for profit to fall. The argument very often put forward, that the increase in the organic composition of capital may be offset by the rate of surplus value, is no longer valid once it becomes clear that the contradiction between the productive capacity of the system and its capacity for consumption - inherent in the capitalist mode of production - is constantly being overcome and that this reflects the objective nature of the relation between rate of surplus value and level of development of the productive forces. As we have explained on a number of previous occasions, this theoretical model of capital accumulation is infinitely more informative than all the empirical models subsequently put forward:

1) because it reveals the origin of profit (which calls for a theory of value) and removes any absolute quality from economic rationality, thus lowering it to its proper status of rationality within a system and not rationality independent of the system, as authoritatively shown by Peirro Straffa (2), 2) because it shows, in this way, that economic choices in this system are necessarily sub-optimal, revealing the ideological - and non-scientific - nature of the marginalist concepts of "general equilibrium", and 3) because it shows that "real wage" cannot be "just anything", thus giving an objective status to relations between social forces.

The objective relation in question is seen in the cyclical fluctuations of economic activity and employment. An increase in the rate of surplus value over and above its objectively necessary level leads to a depression due to insufficient effective demand. A reduction in this rate shows down economic growth thus creating labour market conditions which favour capital. As we have shown, the pattern of this adjustment - which in fact corresponds exactly with the history of capital accumulation from the industrial revolution to the 1930 depression (a period characterized by the trade cycle) - is more complex as a result of the secondary effect of wage variations on the choice of techniques, thus reflecting the sub-optimal nature of the economic system. A tendency towards full-employment (which does not exclude and in fact implies a permanent narrow margin of unemployment) and wide cyclical variations in employment are characteristic features of this system. The internal changes which have taken place in present-day capitalism have rendered this adjustment mechanism useless. The monopolization of capital on the one hand and the organization of workers at country level on the other make possible, "planning" aimed at reducing cyclical **fluctuations**. If the working class is prepared to stay within this framework, i.e. that of the system, in other words, if for all practical purposes, capital and labour accept, under the aegis of the state, a "social contract" which relates increases in real wage to increases in productivity (in given percentages which have

been worked out by technocrats), a state of permanent quasi full-employment can be ascertained. Obviously, there is the exception that certain sectors of society may cause disturbances by refusing to abide by the "contract" : this could be the case of small and medium firms which would be mostly involved in the amalgamation process and which could - particularly in the relatively backward spheres - hold sufficient political power to blackmail society. There is also the exception that external relations will escape this type of planning. However, there is increasing contradiction between the world-scale nature of production (which is characterized by the increasing importance of multinational companies - and the traditional national character of both capital and labour institutions. Social-Democrat ideology, which is expressed in this type of social contract, thus does not extend beyond the national boundaries.

Despite the schematic nature of this model - obviously so, being an abstraction from reality - it nevertheless describes the core of this system. In this model, external relations are left out, meaning, not that the development of capitalism took place within a framework of national autarky but, that the main relations within the system can be understood without including such relations. In any case, the external relations of the developed regions as a whole with the periphery of the world system remain quantitatively marginal, as opposed to the internal flows of the centre. In addition, these relations, as we have shown, spring from primitive capital accumulation and not from extended reproduction; hence, it is able to leave them out. The historically relative nature of the distinction between mass consumption goods and luxury goods is also clearly brought out here. In the strict sense of the term, luxury goods are those for which the demand originates from that part of profit which is consumed. The demand which stems from wages increases with economic growth - the improvement of productive forces. Although in the early history of capitalism, this demand was made up almost exclusively of

of necessities - food, clothing and housing - nowadays, at a more advanced stage of development, it is increasingly aimed at the consumption of consumer durables (cars, kitchen electrical appliances, etc.). However, this historical sequence of mass-produced goods is of decisive importance for an understanding of the problem in hand. The structure of demand in the early history of the system speeded the agricultural revolution by providing a market for food products intended for internal consumption (historically, this transformation of agriculture took the form of agrarian capitalism). In addition, we know the historical role of the textile industry and of urban development (hence the saying "when the building industry is all right, everything is all right") in the process of capital accumulation. On the other hand, consumer durables - whose production is highly capital-intensive and requires a lot of trained labour - appear late on the market when productivity in agriculture and in the industries producing non-durable goods has already passed the crucial stages.

The main relationship in the peripheral model

The model of capital accumulation and economic and social development at the periphery of the world system is not in any way related to the one we have examined above.

At the beginning and under an impulse from the centre, an export sector was created. This was to play a determining role in the creation and shaping of the market. We shall not get very far by repeating ad nauseam, the platitude that the products exported by the periphery are mineral or agricultural primary products. These are obviously products in which a given region of the periphery has a particular natural advantage (abundant supply of ore or tropical products). The underlying reason which rendered possible the creation of this export sector must be sought in the answer to the question pertaining to the conditions which make the establishment "profitable". There is no pressure for central national capital to emigrate as a result of insufficient possible outlets at the centre;

it will however emigrate to the periphery if it can obtain a better return. The equalization of the rate of profit will redistribute the surplus arising from the higher return and use the export of capital as a means to fight the trend of a falling profit rate. The reason for creating an export sector therefore lies in obtaining from the periphery, products which are the basic elements of constant capital (raw materials) or of variable capital (food products) at production costs lower than those at the centre for similar products (or obviously, of substitutes in the case of specific products such as coffee or tea).

This is therefore the framework for the essential theory of unequal exchange. The products exported by the periphery are important to the extent that - ceteris paribus, meaning equal productivity - the return to labour will be less than what it is at the centre. And it can be less to the extent that society will, by every means - economic and non-economic - be made subject to this new function : provide cheap labour to the export sector.

This is not the place to go into the history of the shaping of the periphery to the requirements of the centre. We have done so elsewhere, distinguishing between the various stages in the development of capitalism (stages of merchantilism, competitive industrial capitalism without the export of capital and monopolistic financial capitalism with capital exports) on the one hand, and on the other, the different regions of the "Third World" as a whole (America, Black Africa, Asia and the East). Let us only add that once society is subjected to this new function - becoming in this sense dependent -, it loses its traditional character since it is not the function of real, traditional societies (i.e. precapitalist) to supply cheap labour for capitalism. All the problems related to changes in the so-called traditional societies, should be looked at a fresh within this framework, without reference to "dualism" i.e.

the so-called juxtaposition of an autonomous traditional society which an expanding "modern" society.

Although at this stage, this model does not show any actual linkage between the export sector and "the rest of the economy", it reveals society as bound to supply cheap labour to the export sector. The main link which characterizes the process of capital accumulation at the centre - expressed by the objective relation between wage rate and the level of development of the productive forces - disappears completely. The wage rate in the export sector will, in this case, be as low as the economic, social and political conditions allow it to be. As regards the level of development of the productive forces it will, in this case, be heterogeneous (whereas in the self-centred model, it was homogeneous), advanced (and sometimes very advanced) in the export sector and backward in "the rest of the economy". This backwardness which is maintained by the system, is the condition which allows the export sector to benefit from cheap labour.

Under these conditions, the domestic market born out of the development of the export sector, will be limited and distorted. The smallness of the internal market explains the fact that the periphery attracts only a limited amount of capital from the centre although it offers a better return. The contradiction between the consumption and production capacities is completely removed at the world scale (centre and periphery) by a widening of the market at the centre, the periphery - fully deserving its name - merely fulfilling a marginal, subservient and limited function. This dynamic process leads to an increasing polarization of wealth at the centre.

However, once the export sector has expanded to a certain size, an internal market makes its appearance. In comparison with the market emerging from the central process, this one is - (relatively) biased against the demand for mass-consumption goods and (relatively) in favour of the demand for 'luxury' goods. If all capital invested in the export sector were foreign and if all the return on this capital were re-exported towards

the centre, the internal market would, in fact, be confined to a demand for mass-consumption goods, and the lower the wage rate, the smaller the demand would be. But a part of this capital is locally owned. In addition, the methods used to ensure a low return to labour correspond with a strengthening of the various parasitic internal social classes which serve as conveyor-belts : latifundiaris in some places, Koulaks in others, comprador commercial bourgeoisie, state bureaucracy, etc. The internal market is thus mainly based on the demand for "luxury goods" from these social classes.

The peripheral model of capital accumulation and economic and social development is therefore characterized by a specific inter-connexion which is expressed by the link between the export sector and luxury goods consumption. Industrialization through import substitution will thus start from "the end", i.e., the manufacture of products corresponding to the more advanced stages of development of the centre, in other words, consumer durables. As we have already pointed out, such products are highly capital intensive and users of scarce resources (skilled labour, etc.). The result will necessarily lead to a distortion in the allocation of resources in favour of these products and to the disadvantage of sector "2". This sector will be systematically handicapped: it will not give rise to any "demand" for its products and will not attract any capital or labour to ensure its modernization. This also explains the stagnation in "subsistence agriculture" whose potential products attract little demand and does not acquire a share in the allocation of scarce resources to enable any serious changes to be made. Any "development strategy" based on "profitability" (the structure of income distribution, the structures of relative prices and demand being what they are), necessarily leads to this type of systematic distortion. The few "industries" set up in this way and within this frame work are not likely to turn into development poles but will on the contrary, increase the inequality within the system and impoverish the major part of the population (found in sector 2, in their capacity as "producers"), permitting at the same time a further integration of the minority within the world system.

From the "social" point of view, this model leads to a specific phenomenon: the marginalization of the masses. By this we mean a series of mechanisms heterogeneous in nature, which impoverish the masses: proletarianization of small agricultural producers and cottage industry workers, rural semi-proletarianization, and impoverishment without proletarianization of peasants organized in village communities, urbanization and massive increase of urban unemployment and under-employment, etc. Unemployment in this case differs from unemployment under the central model of development. Under-employment, in general, will have the tendency to increase instead of being relatively limited and stable, cyclical variations apart. Unemployment and under-employment thus have a role different to that under the central model : the high level of unemployment ensures a minimum wage rate which is relatively rigid and frozen both in sectors 1 and 3; wage does not emerge both as a cost and an income which creates a demand, vital to the model, but on the contrary only as a cost, demand itself originating elsewhere : from abroad or out of the income of the privileged social classes.

The "externally propelled" nature of the type of development which perpetuates itself in spite of the increasing diversification of the economy, its industrialization, etc., is not the original sin, a deus ex machina foreign to the dependent peripheral model of capital accumulation, since it is a model of reproduction of its functional social and economic conditions. The marginalization of the masses is the very condition underlying the integration of the minority within the world system, the guarantee of increasing income for this minority, which ensures the adoption, by this minority, of "European" patterns of consumption. This extension of this pattern of consumption ensures the "profitability" of sector 3 and confirms the social, cultural, ideological and political integration of this privileged class.

At this level of diversification and reinforcement of under-development, there appear new mechanisms of the type domination/dependence. Cultural and political mechanisms but also economic ones : technological dependence and the domination by transnational companies. Sector 3 in fact calls for capital-intensive investments which only the big transnational oligopolies are in a position to embark upon and which constitute the material support for technological dependence.

At this level, more complex forms of the structure of ownership and economic management also make their appearance. Experience shows that the participation of locally owned capital - however subservient - in the process of industrialization through import substitution, is quite common. It also shows - at least in the big countries - that a large enough market created by the development of sectors 1 and 3 may make possible the creation of a fourth sector. The latter is frequently brought into being by the state. But the development of a basic industry and a public sector does not in any way mean that the system evolves towards a complete self-centred type, since this sector 4 is here used, not for the development of sector 2, but for that of sectors 1 and 3.

The analysis thus brings us back to the fundamental question : development for whom ? To the extent that we regard development as meaningful only in so far as it integrates the masses and serves their interest, the model of dependent peripheral capital accumulation is a dead end. A strategy of development for the masses should adopt as initial basis, a fundamental review of priorities with regard to the allocation of resources, which presupposes a rejection of the assumptions of profitability within the system. The meaning of a strategy for transition is to be found in its entirety in this. Transition is nothing more than the historical period of revision of the model, of altering its priorities, of the gradual evolution from a relationship of 1-3-4 to one of 2-4. It should be looked at from this point of view and not simply from that of "forms" of the economy: industrial diversification versus a simple export, public ownership versus foreign capital, etc.

Notes

- (1) This model is nothing more than a brief summary of our work published under the title "L'accumulation à l'échelle mondiale" (IFAN - Anthropos, Paris 1970). For further details, the reader is referred to this publication. This work contains the conclusions reach by a large number of social science research workers, particularly from the Latin-American school. This is not the place to give due recognition to every individual's contribution (for this, the reader is referred to the abovementioned publication). However, we must not fail to mention the authoritative study on marginality by Anibal Quijano (Redefinicion de la dependencia y marginalization en America Latina: Centro de Estudios Socio Economicos, Universidad de Chile, Coso, Santiago, 1970, mimeographed paper).

- (2) in Production of Commodities by means of Commodities, Camb. Univ. Press, 1960.