THE THEORETICAL MODEL OF CAPITAL ACCUMULATION IN THE CONTEMPORARY WORLD

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The aim of this study is to show that there is a basic difference between the model of the accumulation of capital and economic and social development that is characteristic of an autocentric system and that of a system in the periphery. This difference – that we consider to be absolutely fundamental – having been highlighted, it is in the general theoretical framework that we shall try to relocate questions of social structure as well as the diverse aspects that are essential to the problems of the contemporary world, both social (particularly that of unemployment, under-employment and marginalization) as well as ideological and political (especially problems of social consciousness, class consciousness, problems of planning, the mobilization of resources and people, problems of education and its social role etc.).

The diagram below 'sums up' abstractly the difference – from this viewpoint – between an autocentric system and a peripheral one:

1	2	3	4
Exports	Mass consumption	Luxury consumption	Production goods

(main articulation of a dependent periphery)

The economic system is divided into four sectors that can be considered either from the production angle or from that of the distribution of the active population involved in the production activities as described.

The determining articulation in an autocentric system

The determining articulation in an autocentric system is the one linking sector 2 (the production of mass consumption goods) to sector 4 (the production of industrial plant that enables the production of sector 2). This determining articulation has indeed been characteristic of the historical development of capitalism at the centre of the system (in Europe, North America and Japan). It therefore illustrates abstractly the 'pure' mode of capitalist production and has been analyzed as such, in Marx's *Capital*. It can also be shown that the development processes of the USSR and China have also been based on this articulation, although the forms, as far as China is concerned, are original.

Marx does indeed show that in the world of capitalist production there is an *objective* relationship (that is to say, *necessary*) between the rate of surplus value and the level of development of the productive forces. The rate of surplus value essentially determines the structure and social distribution of the revenue (its division between the wage earners and the surplus value that takes the form of profit and hence, that of demand (as it is the wage earners who constitute most of the demand for mass consumption goods, the profits are totally or

partially 'saved' with a view to being 'invested'). The level of development of the productive forces is expressed in the social division of labour: the allocation of the work force, in appropriate proportions, to sections 2 and 4 (sections 2 and 1 in Marx's reproduction model). This objective relation, although fundamental in *Capital,* has often been 'forgotten', particularly in the debate on the tendency of the rate of profit to diminish. The argument, often put forward, that the increase in the organic composition of capital can be compensated by that of the rate of surplus value loses it coherence as soon as one realizes that the contradiction between the capacity of the system to produce and its capacity to consume – inherent in the capitalist mode of production – is constantly being overcome and this explains the objective character of the relationship between the rate of surplus value and the level of development of the productive forces. As we have so often emphasized, this theoretical model of accumulation is infinitely richer than all the subsequent empiricist models:
i) because it reveals the origin of profit (which requires a prior theory of value) and get rid of economic rationality as an absolute quality, restoring it to its real status of rationality *in a system* and not rationality independent of the system, as Piero Sraffa has rediscovered so brilliantly;[1] ii) because it shows that the economic choices made in this system are necessarily sub-optimal, showing the ideological – i.e. non scientific – character of the marginalist constructions of 'general equilibrium'; and iii) because it demonstrates that the 'real wage' cannot be 'any old wage' and that it therefore gives an objective status to social power relationships.

The objective relation in question is expressed in the conjunctural fluctuations of activities and unemployment. An increase in the rate of surplus value above its objectively necessary level leads to a crisis, when there is insufficient effective demand. A reduction of this rate slows down economic growth and therefore creates labour conditions that are favourable for capital. As we have shown, this adjustment – which indeed corresponds to the history of the accumulation of the industrial revolution at the time of the 1930 crisis (a history marked by the economic cycle) is now more complex because the influence of this secondary effect in wage variations on the choice of techniques is responsible for the suboptimal character of the economic system. The tendency towards full employment (which does not exclude but, on the contrary, involves a small margin of permanent unemployment) as well as substantial conjunctural fluctuations of unemployment show how this system functions. The internal transformations of contemporary capitalism have removed the functionality of this adjustment mechanism. The monopolization of capital on the one hand and the organization of workers at the national level on the other, made *possible* 'planning' that was aimed at reducing conjunctural fluctuations. If the working class accept to operate in this framework, which is the system by which, under the leadership of the State, capital and labour accept a 'social contract' linking growth of the real wage to that of productivity (in given data which is calculated by the 'technocrats') almost stable full employment can be guaranteed.

Except that obviously some sectors of the society can, by refusing the 'contract', cause trouble. This is especially the case of the small and medium enterprises who will be the ones to suffer from the concentration and who can – especially in relatively backward structures – carry out more or less effective political blackmail. Also except that foreign relations are not subject to this kind of planning. The contradiction is growing between the global character of production – illustrated by the increasing weight of the multinational corporations – and the continuing national character of institutions, both capital and labour. The social-

[1] In *Production of Commodities by Means of Commodities,* Cambridge University Press, 1960

democrat ideology expressed in this type of social contract, is limited by the borders of the national state.

Schematic as this model may seem – it is evidently an abstraction of reality – it nevertheless captures the essence of the system. In this model, foreign relations are made abstract, which means, not that the development of capitalism operates in an autarchic national framework, but that the essential relations in the system can be grasped by making an abstraction of them. Besides, the foreign relations of the developed regions as a whole with the periphery of the world system remain quantitatively marginal in comparison with the internal flows within the centre. These relations, furthermore, help primitive accumulation, and not expanded reproduction and it is for this reason such abstraction is valid.

The historically *relative* character of the distinction between mass consumption goods and luxury goods is also apparent here. The demand from wage earners expands with economic growth – the progress of the productive forces. While, at the outset of capitalist history this demand was almost exclusively made up of essential consumption – food, textiles, housing – it has now reached a more advanced stage of development with products of consumer durables (cars, electric domestic appliances, etc.). This development of the type of 'mass' products is of decisive importance for understanding the problem that concerns us. The structure of the demand at the beginning of the system was such that it favoured the agricultural revolution as it provided an outlet for food products for the *domestic market* (historically this transformation of agriculture took the form of agrarian capitalism). Then, as we know, the textile industry and urbanization played a historical role (hence the saying "when [building] construction is doing well, everything is doing well". On the other hand, the consumer durables – as their production takes up much capital and skilled labour – developed late when productivity in agriculture and the industries producing non-durable goods had already reached decisive stages.

The main articulation in the peripheral model

The model of accumulation and economic and social development in the periphery of the world system has virtually nothing in common with the one outlined above.

At its origin we find the setting up – under the stimulus from the centre – of an export sector that was to play a determining role in the creation and shaping of the market. We will not advance much further by perpetually repeating the platitude that the products exported by the periphery are primary minerals and agricultural products, for which this or that region in the periphery has some natural advantage (abundant minerals or tropical produce). The ultimate *reason* that creates an export sector lies in the answer to the question about the conditions that make it 'profitable'. National capital is in no way obliged to emigrate because of insufficient outlets in the centre. However, it will emigrate towards the periphery if it is more profitable to do so. The equalization of the rate of profit will distribute the benefits from this higher income and make the export of capital appear to be a way of combatting the tendency for the rate of profit to fall. Obtaining from the periphery the products that constitute the basic elements of constant capital (raw materials) and variable capital (food products) at costs of production that are lower to those of analogous products in the centre (or, evidently, substitutes in the case of specific products like coffee or tea): this is the *reason* for creating this export sector.

It is therefore here that the necessary theory of *unequal exchange* has to be introduced. The products exported by the periphery are interesting to the extent that – *ceteris paribus* – and here this expression means *equality in productivity* – labour costs can be inferior to those in the centre. They can be so because the society will be subjected by all possible means – economic and non-economic – to adapt to its new function: supplying cheap labour to the export sector.

This is not the place to develop the history of the shaping of the periphery to the requirements of the centre. We have also done this when we distinguished the stages of development of capitalism (mercantilism, competitive industrialism without capital exportation, financial capitalism of the monopolies with capital exportation) on the one hand and, on the other hand, the different regions of the Third World' (Latin America,, Africa, Asia). We shall just say that once a society – which has become in this sense dependent – has been subjected to this new function, it loses its 'traditional' character because it is obviously not the function of genuinely traditional societies (i.e., pre-capitalist) only to supply cheap labour to capitalism! All the problems of transforming so-called traditional societies must be re-considered in this context, without reference to 'dualism', that is to say at the supposed juxtaposition of an autonomous 'traditional' society and an extension of 'modern' society.

For, while in this model and at this stage there is no real articulation between the export sector and 'the rest of the economy', society is subjected to the principal requirement of supplying cheap labour to the export sector. The main articulation characterizing the accumulation process at the centre – through the existence of an objective relationship between the cost of labour and the level of development of the productive forces – completely disappears. Wage remuneration in the export sector will therefore be as low as economic, social *and political* conditions allow. As for the level of development of the productive forces, it would be heterogeneous in this case (whereas it is homogeneous in the autocentric model): advanced (and sometimes very advanced), in the export sector and backward in 'the rest of the economy'. This backwardness – maintained by the system – is the condition that enables the export sector to benefit from cheap labour.

In these conditions, the domestic market engendered by the development of the export sector will be limited and biased. The narrow nature of this market is to be explained by the fact that the periphery attracts only a limited amount of capital from the centre, even though it offers greater profits. The contradiction between the capacity to consume and the capacity to produce is overcome at the level of the world system as a whole (centre and periphery) by enlarging the market at the centre, with the periphery – fully deserving of its name – functioning only in a marginal, subordinate and limited way. This dynamic leads to a growing polarization of wealth to the benefit of the centre.

Nevertheless, based on a certain extension of the export sector, there was a domestic market made its appearance. In comparison with the market engendered in the central process, this market is biased – relatively speaking – against the demand for mass consumer goods, and – relatively speaking – in favour of that for 'luxury' goods. If all the invested capital in the export sector was foreign, and if all the profits of this capital were re-exported back to the centre, the domestic market would in fact be limited for mass consumer goods, all the more limited by the low remuneration of labour. But, in fact, part of this capital is local. In addition, the methods used to ensure this low remuneration are based on the reinforcement of different local and parasitical social strata that function as a conveyor belt*:* *latifundistas* here, kulaks there, commercial compradors or State bureaucratic bourgeoisie, etc. The domestic market will therefore be *mainly* on the demand for 'luxury' goods of these social strata.

It is this specific articulation – which is expressed by the export sector/luxury goods link – that is characteristic of the periphery model dependent on accumulation and economic and social development. Industrialization, through the substitution of imports, will thus start at 'the end', that is by making products that correspond to the more advanced stages of development of the centre, the 'durable' goods. As we have already said, these products consume huge amounts of capital and rare resources (such as skilled labour, etc.), As a result there is a *basic distorsion* in allocating resources in favour of these products, to the detriment of those in sector 2. This sector will be systematically penalized: it will not generate any 'demand' for its products and it will not attract any financial and human resources that enable it to modernize. Hence the stagnation of 'subsistence agriculture' is explained: its potential products are in low demand and it has no means of effecting a serious transformation in the allocation of scarce resources. All choices of 'development strategies' based on 'profitability', the structures for the distribution of revenue as well as the structures of price relative to those of demand being what they are, have necessarily led to this systematic distortion. The few 'industries' thus installed within this framework, will never become poles of development: on the contrary they will accentuate the inequality within the system, impoverishing most of the population (who are included, as 'producers', in sector 2). Indeed, they enable a still greater integration of the minority into the world system.

Seen from a social viewpoint, this model will lead to the specific phenomenon of the *marginalization* of the masses. By this we mean an ensemble of mass impoverishing mechanisms, which take various forms: the proletarianization of the small agricultural producers and artisans, rural semi-proletarianization and impoverishment without proletarianization of the organized peasants in village communities, urbanization and a massive increase in overt urban unemployment, under-employment, etc. Unemployment thus takes very different *forms* from those it took in the central development model: under-employment in general tends to grow rather than being relatively limited and stable – apart from conjunctural fluctuations. The *function* of unemployment and under-employment is thus different from its function in the central model: the weight of unemployment ensures a minimum remuneration of labour that is relatively rigid and blocked in both sector 1 and sector 3. Wages do not appear to be considered both as cost and income, creating a demand that is essential for the model, but only as a cost, the demand originating elsewhere: abroad or among the privileged social categories.

The 'extraverted' origin of the development which perpetuates itself in spite of the growing diversification of the economy, its industrialization, etc. is not an *original sin*, a *deus ex macchina* outside the model of peripheral dependent accumulation. This is because it is a model that reproduces the social and economic conditions for it to function. The marginalization of the masses is the very condition that enables the integration of a minority into the world system and a guarantee of growing income for that minority, which conditions the adoption by this minority of the 'European' consumer models. The extension of this consumer model guarantees the 'profitability' of sector 3, and strengthens the social, cultural, ideological and political integration of the privileged classes.

Thus, at this stage of the diversification and deepening of under-development, new mechanisms of domination/dependency develop – mechanisms that are cultural and political. But also through economic mechanisms: technological dependency and the domination of transnational companies. In fact, sector 3 requires capital intensive investments that only the great transnational oligopolies can provide and they are the material support of technological dependency.

But also at this stage there appear more complex forms in ownership structure and economic management. Experience shows that in the industrialization process, the participation of local private capital through import substitution is often frequent, even if it is subordinate. It also shows that – at least in the large countries – there is a sufficient market created by the development of sectors 1 and 3 that can make the establishment of sector 4 feasible. This is often imposed by the State. However, the development of a basic industry and a public sector by no means ensures that the system will evolve towards a full-blown autocentric system. This is because sector 4 is at the service, not of the development of sector 2, but of that of sectors 1 and 3.

The analysis therefore poses the fundamental question: development for whom? If development only makes sense if it *integrates* the masses and their interests, the model of dependent peripheral accumulation leads to an impasse. A development strategy *for the masses* must be based on a fundamental revision of priorities in the allocation of resources and this implies rejecting the profitability rules of the system. This where the real meaning of a transition strategy lies. Transition is nothing else but the historical period of revising the model, of reversing its priorities, from a gradual move from the articulation 1-3-4 to the articulation 2–4. It must be seen from this angle and not simply of that of the 'forms' of the economy: industrial diversification *versus* mono-production of exports, public ownership *versus* foreign capital, etc.

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The passage of the dependent, under-development model (based on the main articulation 1-3) towards a genuine, autonomous and autocentric development model (based on articulation 2-4) is the essential content of the *transition* issue. The integration into the world system of countries that have become under-developed is at the origin of a specific contradiction of the system that tends to become its main contradiction: on the one hand it created the objective conditions of a need for development, which is felt as such by the peoples of the periphery, but on the other hand it blocks the road for these countries to achieve a full-blown capitalist development, which was the historical response to the problem of accumulation, the precondition for socialism. This is why this specific contradiction has become the main contradiction, that is to say, the one that is expressed by a rupture towards a surpassing of the system.

This is nothing more than yet another expression of the *law of unequal development*, according to which systems are destroyed and overtaken first not in their central core but based on their peripheries that constitute the weak links of a chain: those that express the contradiction in its maximum intensity.