

uncertain date) was essentially confined to international or even intercontinental long-distance trade and involved only a tiny proportion of world output, most of it directed towards the feudal or 'tributary' ruling classes,<sup>16</sup> rather than other capitalists or wage-earners. Some of the centres of these market networks began to transform the metals, spices and textiles in which they traded, and therefore developed a waged labour force, though it represented only a small proportion of their clientele. These cities or 'centres of world-economies' floated at the edge of tributary empires or feudal kingdoms.

The entire economic miracle of the seventeenth and eighteenth centuries revolved around the transition from city-centres to national economies, the key to the transition itself being the shift from Amsterdam to London. The market economy and the waged labour force centred upon these markets and metropolises grew sufficiently to create a *territorialized economic space* geared primarily towards internal consumption and accumulation.

There is obviously a difference between a territorialized economic space and a network established around a city by a world-economy. Territorialized spaces are usually consolidated via identification with a pre-existing nation-state (France, England), although in some cases obstacles to economic unification have to be removed by political unification (Germany between 1871 and 1945). It is, however, still difficult to identify certain central states with an individualized economic space (Belgium or even Canada).

Capitalism was, then, born of world trade, and it created first a waged labour force and then a home market for its manufactures. Initially, it was an eddy within the great ocean of the non-capitalist economy which sustained it, but it then grew into territorialized capitalist structures which gradually became individualized and auto-centred, to use the schema popularized by Prigogine.<sup>17</sup> The ratio of trade flows 'between the structure and its thermostat' to flows 'internal to the structure' was *initially* very high (in terms of manufactured commodities, but not of course in terms of overall material output), and it *fell* as the home market was consolidated (see Table 1).

The widespread view to the contrary notwithstanding, the

Table 1  
*Foreign Trade and Production*

	1899	1913	1929	1937	1950	1959
A)						
Exports as share of manufactures: %						
France	33	26	25	12	23	18
Germany (Reich territory to 1937)	31	31	27	15	-	-
West Germany	-	-	-	-	13	23
UK	42	45	37	21	23	19
USA	5	5	6	5	5	4
Japan	25	40	29	40	29	23
B)						
Import content of supply* of manufactures: %						
France	12	13	9	7	7	6
Germany (Reich territory to 1937)	16	10	7	3	-	-
West Germany	-	-	-	-	4	7
UK	16	17	16	10	4	6
USA	3	3	2	2	2	3
Japan	30	34	21	11	3	4

\*Imports plus domestic output.

Source: J. Mistral, 'Compétitivité et formation du capital en longue période', *Economie et statistiques* 97, February 1977.

history of capitalism was until very recently the history of the *declining* importance of foreign trade. There is in fact nothing paradoxical about this. When territorialized capitalist spaces were established, and especially when the national economies of the centre began to make the transition towards an intensive regime of accumulation and monopolistic regulation, the 'thermostat' gradually lost its importance as an outlet, even though it did become more significant as a source (of oil or labour). The existence of a

regime of accumulation centred upon well-regulated mass consumption provisionally allowed capitalism to solve its realization problems on an internal basis. Up to a point, manufactures were exported to the periphery solely in order to pay for raw material needs!

Whilst imperialism, in the sense of the imperative to find outside markets, may once have been a powerful factor within the dynamics of capitalism, it had lost much of its importance only thirty years after Lenin characterized it as capitalism's 'highest stage'. It is true that in *Imperialism*, Lenin defines imperialism in terms of five characteristics, two of which are relevant to regulation in the centre; the others relate to the partition of the world, to the preponderant role of capital exports and to the advent of an era in which finance capital, which is primarily interested in appropriating raw materials, will repartition the world. Many readers believe, however, that Lenin is saying that, once it has reached a certain stage in its internal development, capitalism needs to export commodities and capital.

It is this misinterpretation of Lenin that is criticized by Latouche.<sup>18</sup> Lenin himself was well aware of the fact that capitalism develops by creating a home market which did not previously exist and that originally there was only the 'foreign' market. He began his *Development of Capitalism in Russia*, his first major work on economics and the first concrete analysis of a regime of accumulation, by 'examining the question of how a home market is being formed for Russian capitalism.'<sup>19</sup> In this text at least, Lenin argued that extensive accumulation, which works to the detriment of the non-capitalist sector, is enough to create a market and that foreign trade is ultimately merely a residual historical effect of the fact that it was long-distance trade which gave birth to capitalism: 'The need for a capitalist country to have a foreign market is not determined at all by the laws of the realization of the social product (and of surplus-value in particular), but, firstly, by the fact that capitalism makes its appearance only as a result of widely developed commodity circulation, which transcends the limits of the state. It is therefore impossible to conceive a capitalist nation without foreign trade, nor is there any such nation. As the reader sees, this reason is of a historical order.'<sup>20</sup>

It is on the other hand clear that Lenin, like Rosa Luxemburg and like many of today's 'realizationists' (such as François Partant<sup>21</sup>), thought it impossible that demand from wage-earners could provide capitalism with its primary market: 'It goes without saying that if capitalism could develop agriculture, which today is everywhere lagging terribly behind industry, if it could raise the living standard of the masses, who in spite of the amazing technical progress are everywhere still half-starved and poverty-stricken, there could be no question of a surplus of capital. This "argument" is very often advanced by the petty-bourgeois critics of capitalism. But if capitalism did these things it would not be capitalism: for both uneven development and a semi-starvation level of existence of the masses are fundamental and inevitable conditions and constitute premisses of this mode of production. As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries.'<sup>22</sup>

We have already seen in Chapter 2 that monopolistic regulation of intensive regulation, which provides the basis for Fordism, implies the very 'rise in living standards' which Lenin thought impossible (at least in terms of consumption of capitalist products). It is, however, true that at the time Lenin and Luxemburg were to a large extent right and that their arguments were still valid during the crisis of the 1930s.

We now have to ask why it is that so few auto-centred spatial structures emerged during the era of predominantly extensive accumulation, when capitalism was developing 'in breadth'.

It should first be noted that some spaces of this type did in fact emerge when European capitalism spread to settlement colonies (the United States and, much later, Australia) or when protectionism allowed the model to become acclimatized (as in the case of Japan). It should also be noted that, even at the beginning of the twentieth century, it was not easy to classify the countries of the Southern Cone of Latin America or certain dominions. Moreover, certain

countries which were never colonized remained marginal to the capitalist 'International Division of Labour'.

In most cases, however, the model could not become 'acclimatized' because the forms of *colonialism* (which is not to be confused with colonization) which had moulded social and political relations inhibited the development of an industrial bourgeoisie and a waged labour force. The main problem is the 'failure' of capitalist development in former colonies which, like those in Latin America, gained their political independence very early and made a real attempt to become auto-centred. Such countries provide fertile ground for theories of dependency, but those theories usually avoid identifying the concrete root cause of their 'failure'. A detailed explanation of their failure would involve a historical study of the social relations, the regimes of accumulation and the modes of regulation prevailing in the countries in question.<sup>23</sup> We will however try briefly to show how their failure is articulated with international conditions.

### On the 'Failure' of Early Import-Substitution Policies

Certain populist regimes in Latin America took advantage of the great crisis of the 1930s to develop an 'import-substitution' strategy, and in the 1950s countries like South Korea followed their example. The object of this strategy was to shift surpluses derived from primary exports into the consumer-goods sector by restricting imports from the centre to capital goods and using very high tariff barriers to protect the emergent industries. It was hoped that it would then be possible to apply the same tactics to the production of consumer durables and capital goods.

#### *An Incomplete Fordism?*

Although initially successful, the strategy ran into serious difficulties in the 1960s. This model of peripheral industrialization, which implied the partial and often illusory adoption of the central model of production and consumption but not

the corresponding social relations, failed to enter the 'virtuous circle' of central Fordism. There are three main reasons for its failure.

*In terms of the labour process*, technology is not a transferable resource which grows in the forests of the North. It is not enough to import machinery. The corresponding social relations also have to be constructed. These countries had neither the experienced working class nor the managerial staff required for the implementation of Fordist modes of operation. They, as we have seen, derive from a process of expropriation and systematization of *pre-existing* skills, and they can never dispense completely with those skills. As a result, the imported forms of production never achieved their 'theoretical' productivity. Once development has gone beyond the stage of 'easy substitution', which requires little fixed capital, and begins to involve mechanization, the cost of investment and of imported capital goods rises at a breathtaking rate. As a result, the profitability of capital falls, although the fall can be masked if national companies with a monopoly position succeed in imposing inflationary marginal rates.<sup>24</sup>

*In terms of markets*, the characteristic features of monopolistic regulation were restricted to the management of mark-up rates and credit-money. There were very few cases of any significant expansion of worker and peasant purchasing-power (Peronism and Christian Democracy, then Popular Unity, in Chile were the exceptions). Markets therefore remained restricted to: 1) The ruling and middle classes created by the export economy. This market was in any case limited, but it was also sociologically stratified and resistant to the consumption of standardized articles.<sup>25</sup> 2) The foreign market, in other words the centre itself. But, wage differentials notwithstanding (and they were at this time lower than they would be in the late 1960s), peripheral manufacturing activity was not yet competitive because of its low productivity.

*In terms of foreign trade*, while the famous question of the 'terms of trade' applying to the raw material exports used to finance industrialization and to capital goods imported from the centre is still controversial (particularly where unit price effects are concerned<sup>26</sup>), climbing the

productive ladder and going beyond the final assembly stage implied a rapid increase in the *volume* of investment, and therefore an increase in imports. Increased raw material exports could not make up for that.

Import-substitution policies therefore inevitably came up against the obstacles of trade deficits and debts, with domestic inflation (as in Chile), or ended in stagnation and destruction of the model (as in the Philippines). These experiments did, however, result in a real social transformation and in the emergence of a modern working class, modern middle strata and modern industrial capitalism. They might, then, be described as a '*sub-Fordism*', as a *caricature* of Fordism, or as an attempt to industrialize by using Fordist technology and its model of consumption, but without either its social labour processes or its mass consumption norms.

'Dependency' did have something to do with this failure, but its effects were much more mediated than vengeful slogans would have us believe. The missing link has to be sought in the *internal* social structure, which was consolidated by the survival of a very unequal distribution of income in the primary export sector, by the failure of agrarian reform to redistribute wealth, and by the failure to expand the manufacturing sector or to incorporate mass consumption into the regime of accumulation. Leaving aside the question of the scars left on internal social structures by colonization, however, it was the very fact that the centre had become so 'auto-centred' that had the greatest impact. The diffusion of the intensive regime of accumulation led to an increasing gap between centre and periphery in terms of competitiveness, and expelled the periphery from the international trade in manufactures. Yet it was precisely because the centre had been so good at developing its model of production and its norms of consumption that import-substitution fell into the trap of trying to imitate it.

It has to be remembered that, even in the OECD countries, the Fordist revolution did not take place overnight. The extent to which new norms of production, consumption and management of wage relations were invented or adopted varied from one country to another, with the USA being the most developed country, leading the way. The 'uneven diffusion of intensive accumulation'<sup>27</sup> worked wonders in con-

tinental Northern Europe, Japan, Australia, Canada and New Zealand. But Great Britain almost missed the Fordist boat because its finance capital was too internationalized to be devoted to a revolution at home. Argentina, which in the 1930s had a per capita GDP comparable to Canada's, did miss it because in the face of working-class resistance its ruling class chose to fall back on agricultural exports.

If we have to talk about American imperialism in countries which developed intensive accumulation and mass consumption, the term has to be restricted to meaning cultural imperialism, which was designed to impose the American model of development and not to perpetuate a situation of under-development. In the period between 1945 and 1960, the Marshall and MacArthur plans financed the import of American machinery into Western Europe and Japan. Fordist norms of consumption, work organization and contractualization were imported at the same time. As Boltanski<sup>28</sup> points out, the importation of those norms was quite explicitly made a precondition for Marshall aid, and at the time the Americans generally regarded France as being half-way between the US itself and an underdeveloped country.

Once Fordism had taken off in these countries, no one would have dreamed of describing France – and still less Japan or even Italy – as being part of the periphery. The case of Italy is even more remarkable than that of France (which, between the wars, was regarded as one of the most powerful countries in the world) or that of Japan, which had in the thirties sided with Germany and against the USA in the 'War of the English Succession' and which had almost conquered the entire Asia-Pacific zone single-handed. It is true that Italy had benefited from a twenty-year period of nationalist industrialization under Mussolini, but there is no *a priori* reason why Getulio Vargas or Peron should not have produced similar results in Brazil and Argentina respectively. *Desarrollismo* failed in Latin America but similar policies almost succeeded in Italy (except in the South, where they precisely failed because of the internal social structures). And what are we to make of Spain?

### *Excessive Theorizations*

In 1951, twenty years after some countries had first taken advantage of the crisis and the war to adopt an import-substitution strategy, the Economic Commission for Latin America (ECLA) published its *Economic Survey of Latin America - 1949* and brought a team of Latin American economists, including Raul Prebisch, into the limelight. For the first time, an articulate critique of the old division of labour, of the 'organically uneven development of the world economy', and of the 'centre-periphery opposition' had appeared in the official literature on economics. The document denounced the way the periphery specialized in the export of primary goods, the subordination of its economy to fluctuations in external demand, and the way in which productivity gains in the primary sector were translated into worsening terms of trade and unemployment. It also criticized the restriction of import-substitution to the production of consumer goods required by the ruling classes of the export sector; there again, productivity gains could only lead to job losses, and the tendency to create alternative jobs in the capital-goods sector was blocked because there were no such industries in the periphery. The solution was to create a domestic capital-goods sector or, to use a term that was soon to become popular among development theorists, to 'put the national matrix of inter-industry trade into the black'.

The foundations for all the doctrines of economic national independence that were to emerge over the next twenty years had been laid. As Joao Manuel Cardoso de Mello remarks, 'The ECLA problematic is a problematic based upon achieving national independence in a peripheral situation.'<sup>29</sup> In other words, it means the Nation versus the IDL, St George against the dragon of the Apocalypse. I would add that this basic document is also characterized by a purely technological vision of intensive accumulation (which is seen in terms of industrial techniques becoming generalized as they spread out from a centre) and that it implicitly restricts intensive accumulation to a regime centred upon the production of investment goods, in other words to the regime which characterized the centre in the 1920s. It aims

at replacing external demand with internal demand for investment goods; the possibility of a prior expansion of the consumer goods sector is not considered. From the outset, two aspects of developed Fordism were ignored (changes in social labour relations and expansion of mass consumption), though that may well have been excusable in 1951.

The ECLA theorists responded to the difficulties they encountered by refining their doctrine, denouncing structural stalemates, appealing for rational planning in the construction of the industrial sector, and calling for 'every stage in the pyramid'<sup>30</sup> to be built at the same time to prevent development in any one sector leading to increased imports at a higher level. As a result of their advice, some countries looked to the Soviet model for inspiration and began to industrialize from the top, beginning with heavy industry. This strategy was extremely expensive in capital (which had to be raised by enforced savings or by borrowing from abroad), and it meant that production was diverted into areas which had no effect on the masses' standard of living for an intolerably long time.

By the 1960s, import-substitution was increasingly regarded as a failure; it had either led to inflation and a foreign deficit, or had failed to deliver what had been expected of it (national independence and an escape from poverty). The subjective failure was in fact more obvious than the objective failure, and it was that which upset ECLA's problematic. The refrain was no longer, 'This is where we are, on the periphery of the IDL, and this is how we will get out of that position', but 'This is what we are, a periphery of the IDL, and any attempt to get out of that position will bring us up against the realities of our dependency; all we can do is adjust the form of our dependency to what the centre wants to retain or reform.' Using what Cardoso de Mello calls 'a radicalized reproduction of the ECLA problematic', the theoreticians of 'the development of underdevelopment' defined the infinite paradigm of dependency and listed the curses of the Apocalypse: colonial dependency, dependency on primary exports, technological dependency, financial dependency ....

Others like Cardoso, whose more open position was noted in Chapter 1, stressed the local roots of dependent

capitalism. The Campinas school (Maria de Conceição Tavares and especially Cardoso de Mello) turned even more decisively towards the study of internal regimes of accumulation. Cardoso de Mello himself explains the reason for the break with the ECLA problematic and its silences: the periphery should not be studied in relation to the centre, and its capitalism should not be seen as peripheral. It had to be seen as a *specific capitalism* which had reached a specific phase *in its own history*; it had to be seen as a 'belated' capitalism.<sup>31</sup>

This is not the place to enter into a debate over the pertinence of either this concept or that of the Brazilian regimes of accumulation identified by the Campinas school. The adequacy or otherwise of concrete analyses of concrete regimes of accumulation is a matter for specialists of the countries concerned. The main point is that a promising methodological shift was under way. The more caricatural forms of dependency theory continued to flourish simply because they allowed everything to be lumped together: American intervention in the Dominican Republic (on behalf of the dominant classes in the agro-export sector), pro-American coups against failed import-substitution strategies (as in Korea in 1961), coups against regimes which were tempted to radicalize the strategy (as in Allende's Chile in 1973), or which were simply suspected of wanting to do so (as in Goulart's Brazil in 1964), and even military operations with no consistent economic objective, like the 'unimportant tragedy' of Cambodia.

In the case of the Dominican Republic, America did indeed use its big stick to defend particular agro-export interests (those of United Fruit, to name names), but the other cases involved an *internal* reaction to the internal socio-political effects of the radicalization of policies of national independence, though support was of course forthcoming from at least some sections of the US administration. But can we therefore say that the USA is *opposed to* the industrialization of the Third World, even if wage relations are managed in social-democratic fashion? After all, it was the USA that encouraged the development of that model in the ruins of Europe.

In postwar France and Italy, Fordist models and norms

'took' *with* US aid; in Latin America, they failed to 'take', *despite* US aid. Covert or military intervention on the part of the USA was not directed against the threat of successful industrialization on the periphery (and nor was it designed to perpetuate dependency). It was directed against *political* attempts to depart from that model or to subvert it.

It was in fact in the interests of the USA to promote peripheral industrialization. American policy, especially after the launch of Kennedy's Alliance for Progress, was to attempt to force a Fordist model of accumulation on to the countries of the South, provided that it could be done without taking socio-political measures that would harm the interests of American firms connected with archaic elements in the export sector. This involved a contradiction in terms. Import-substitution implied certain reforms and certain difficulties and local governments were therefore forced to take measures that were 'too radical', and strayed dangerously far away from the US model. It was at this point that the policeman intervened, especially if the radicalization of a desire for independence seemed to suggest the possibility of an alliance with the Soviet Union. In certain cases, however, the USA did originally intervene to ensure that the plunder of raw materials could go on (the Dominican Republic, the fall of Mossadegh in Iran, etc.). But its subsequent attitude towards Shah Reza showed that it was not in principle opposed to an inflow of capital to the underdeveloped countries, to industrialization or to the transformation of local ruling classes ... provided that such developments conformed to and were bound up with the American model.

## Conclusion

On reflection, the classical theory that imperialism reproduces dependency and an International Division of Labour with a centre-periphery division between the manufacturing and primary sectors is both realistic and contingent. It is realistic in that this was true of the extensive accumulation epoch in the centre, provided that it is interpreted correctly. This is still true, as a description of *reality*, where relations between the Fordist regimes of the centre and primary-