

Towards an explanation of the deadlock in third-world development: The primitive accumulation of capital at an international level

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Karl Marx (Marx, 1867), in *Capital* Vol. 1, identifies the various sources of primitive accumulation that allowed the European capital to spread globally, specially the colonial plunder, public debt and the international credit system. Additionally, in Europe, the producers have been gradually divested of their means of production, thereby providing industrial capital with a massive workforce transformed into wage earners producing surplus value.

Karl Marx writes the following on colonial plunder: [\[1\]](#)

“The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy dawn of the era of capitalist production”.

According to Marx, “The different momenta of primitive accumulation distribute themselves now, more or less in chronological order, particularly over Spain, Portugal, Holland, France, and England. In England at the end of the 17th century, they arrive at a systematical combination, embracing the colonies, the national debt, the modern mode of taxation, and the protectionist system”. He devotes several pages to colonial plunder and then turns to the issue of credit: “The system of public credit, i.e., of national debts, whose origin we discover in Genoa and Venice as early as the Middle Ages, took possession of Europe generally during the manufacturing period..... National debts, i.e., the alienation of the state - whether despotic, constitutional or republican - marked with its stamp the capitalistic era.... The public debt becomes one of the most powerful levers of primitive accumulation... With the national debt arose an international credit system, which often conceals one of the sources of primitive accumulation in this or that people”. [\[2\]](#)

In the same chapter Marx highlights the dialectic bond between the oppressed in the centre and those in the colonies- “In fact, the veiled slavery of the wage workers in Europe needed, for its pedestal, slavery pure and simple in the new world”, and vice versa, as he writes elsewhere in the same text “A great deal of capital, which appears today in the United States without any certificate of birth, was yesterday, in England, the capitalised blood of children”. [\[3\]](#)

Other 20th century Marxist scholars have expanded on this issue of global primitive accumulation. [4] Published in 1968, Ernest Mandel's article "L'accumulation primitive et l'industrialisation du Tiers-monde" (Primitive accumulation and industrialization of the Third World) presents a particularly interesting synthesis. In the wake of his work in 1962 and based on calculations by other researchers, he estimates that between 1500 and 1750, some one billion English pounds (gold sovereigns) were transferred from the colonies to Western Europe, "that is to say, more than the total value of capital invested in all European industrial companies by 1800". [5]

Between the 16th and the late 19th century the expanding capitalist economy in Western Europe ruthlessly connected different parts of the planet into a hierarchical global system. The European colonizers not only plundered entire populations but also destroyed advanced civilizations that would otherwise have been able to evolve in a plural framework without necessarily adopting capitalism. The Inca, Aztec, [6] Indian (India), China, African and other civilizations were totally or partly destroyed. Yet there was resistance. This is how Karl Marx describes the magnitude of resistance in India and China:

"The obstacles presented by the internal solidity and organisation of pre-capitalistic, national modes of production to the corrosive influence of commerce are strikingly illustrated in the intercourse of the English with India and China. The broad basis of the mode of production here is formed by the unity of small-scale agriculture and home industry, to which in India we should add the form of village communities built upon the common ownership of land, which, incidentally, was the original form in China as well. In India the English lost no time in exercising their direct political and economic power, as rulers and landlords, to disrupt these small economic communities. English commerce exerted a revolutionary influence on these communities and tore them apart only in so far as the low prices of its goods served to destroy the spinning and weaving industries, which were an ancient integrating element of this unity of industrial and agricultural production. And even so this work of dissolution proceeds very gradually. And still more slowly in China, where it is not reinforced by direct political power". [7]

According to Marx, capital is globally accumulated not only through plunder but also by unequal exchange. He explains the latter in Capital, Vol. III in the section devoted to foreign trade. "Capitals invested in foreign trade can yield a higher rate of profit, because, in the first place, there is competition with commodities produced in other countries with inferior production facilities, so that the more advanced country sells its goods above their value even though cheaper than the competing countries. In so far as the labour of the more advanced country is here realised as labour of a higher specific weight, the rate of profit rises, because labour which has not been paid as being of a higher quality is sold as such. The same may obtain in relation to the country, to which commodities are exported and to that from which commodities are imported; namely, the latter may offer more materialised labour in kind than it receives, and yet thereby receive commodities cheaper than it could produce them". [8] Marx shows how the capitalists enjoy the benefits of foreign trade not only through unequal exchange but also by reducing their costs of production, so that the capitalist system can offset the tendency of a falling rate of profit.

The imperialist phase

Towards late 19th - early 20th century, the world was polarized in three directions: the old continent of Europe spearheaded by Britain, the United States (former British colonies until the end of the 18th century) and Japan. They formed the "centre" as opposed to the "Periphery" they dominated.

During the imperialist period, it was not the primitive accumulation of a country's ruling class that

determined the development of the Periphery, but the outflow of capital from the imperialist countries to the Periphery (colonies or independent countries). The export of capital was meant to create companies that met the interests of the imperialist bourgeoisie. This process stifled the economic development of the countries that would become the third world because

1. it expropriated a part of the national surplus in favor of foreign capital and greatly reduced the resources available for the accumulation of national capital;
2. it directed the remaining parts of the national social surplus to areas such as foreign trade, services for imperialist firms, real estate speculation, tourism, usury, corruption, etc., thus causing the "development of underdevelopment" (Andre Gunder Frank) or "the development of dependence" (Theotonio dos Santos);
3. the old ruling classes remained in the countryside and an important part of the rural population was excluded from actual market production and therefore, from monetary economy.
4. A complex set of social and economic conditions, conducive to the accumulation of money capital (savings), produces "underdevelopment". For the local actors, however, those are the reasons why the accumulation of industrial capital becomes less profitable and less assured than the aforementioned types of investment or than the collaboration with imperialism while it expands and reproduces its own capital.

In fact, certain types of capital investment are both more lucrative and less risky than industrial investment: land speculation, import-export, real estate speculation, pawn brokerage, overseas capital investment, investment in domestic public debt securities, tourism, the production of and trade in drugs, the black market and so on. So what is at stake is the overall socio-economic context, not a deficient spirit of entrepreneurship.

The dominance of foreign capital is such that the economic development of the Peripheral countries ends up complementing that of the countries of the Centre. The specialization in production of cheap raw materials forms a coherent whole with the growth of a relative surplus of capital in the cities and with the capitalist striving towards a higher rate of profit.

Thwarted development: some explanations

In many of the Peripheral countries we encounter some of the conditions required for the primitive accumulation of industrial capital: dissolution of the communities by the penetration of the monetary and market economy, gradual separation of the peasants from the land. This is what happened in Europe: the peasants' deprivation led to their massive proletarianisation, to the formation of industrial capital, the expansion of mills and factories, resulting in the constitution of corporations.

Only the first part of the process has occurred in many countries of the Periphery, while the second part has been limited and inadequate. Why?

Apparently, in many Third World countries the conditions for industrialization as outlined by Marx, are favourable: disintegration of natural economy in the villages, generalization of the market economy, political power of the bourgeoisie, the State's role, etc. The workforce is there, the social surplus is there, money capital is there, but a social class eager to exploit the capital in order to enter a complete cycle of industrialization is absent.

In neoclassical economic theory, the primitive accumulation of capital is discussed in the section on

"growth, which outlines how low income can only allow a low savings rate which leads to small investment which then leads to low incomes: this is the vicious circle of poverty".

Paul Baran challenged the theory that industrialized countries have a higher "social surplus" than Third World countries. Ernest Mandel (1968) showed that the lack of money capital (= savings) is not the primary problem, the stumbling block is at the level of the overall global socio-economic conditions and the class structure of these countries. A complex set of causes hinders the mobilization and productive investment of this surplus in the industry.

Since primitive accumulation of money capital continues in the Third World, even if some of it is distracted away from the country, local capitalists could finance a process of industrialization. Yet, in most countries, their contribution is either nil or limited. [9]

Perhaps there are other unexplored avenues. One thing is certain though: in a society dominated by social classes empowered by the private ownership of the means of production and the accumulation of private wealth, industrialization is possible only when the overall socio-economic situation can adequately motivate those classes to initiate industrial development.

1. The global market embraced the underdeveloped countries in the interests of Western capital - of Europe and North America (plus Japan from the late 19th century onward): their part has been to produce raw materials complementary to Western industrialization, so implementing a division of labour in the capitalist world market and curtailing their "modern" economic sector.

2. A part of the surplus-value produced in the Third World is appropriated on the world market and not by the local bourgeoisie.

Structurally, trade is based on unequal exchange (see below) with deteriorating terms of trade.

3. Also, periodically there is a net negative transfer from debt which tends to become a permanent mechanism for outflows.

4. Additionally there are other forms of transfers from the Periphery to the Centre: the flight of capital, the squandering of natural resources (including genetic material), brain-drain and so on.

5. Note: this loss of primitive accumulation of industrial capital far exceeds the ODA (Official Development Assistance, which actually benefits the industrialized Northern enterprises).

Obstacles to development are linked to unequal exchange: the role of the law of value

In the current phase of the globalization of capital, which aims at an improved international mobility, we still find differences in productivity and labour intensity among countries and the major economic groups, as well as differences in rates of profit and in prices for the same commodities in different nations.

- The labour of the nation with the highest productivity will be valued more, that is to say, the product of such a nation's working day will be exchanged with the product of more than one day's work in a less industrialized nation. Marx's theory of unequal exchange still applies in the current phase of globalization.

- When exporting goods from a more productive country to a less productive one the exporters normally earn surplus profit (although they sell their product below the price of similar goods

produced in the country with a lower productivity. US corn costs less in Mexico than Mexico's own corn, while the US exporters still make extra profit).

- If a country with a lower productivity than the global average produces goods exclusively for export, the value of these goods will be determined by a hypothetical average and not by the actual work done. In this case, the country suffers a loss in its earnings from exports, that is to say, for the amount of work invested for this export, it gets the equivalent of a smaller amount of work in exchange. Compared to the more developed countries involved in the exchange this country becomes poorer (for example Mali, exporter of cotton; or Bangladesh, exporter of textiles).

- Due to the difference in prices and in productivity of the countries integrated into the global capitalist market, the law of value forces the less developed countries to specialize in fields that are unprofitable in the global market. If they try nevertheless to manufacture advanced industrial goods, they are condemned to sell them at a loss in the domestic market because the difference between their production costs and those of the industrialized nations exceeds the difference between the value on the domestic market (which is partly determined by imports) and that on the foreign market. A country can counter this problem only by protecting (by tariff and non-tariff trade barriers) and supporting domestic producers. This is what South Korea, Taiwan or China did in the past or are still doing.

The stalemate on development due to related social factors

To understand the obstacles to development, we must also bear in mind the social structure of the countries on the Periphery and make an accurate analysis taking into account the particularities of each country or blocs of countries.

For example, there is a huge difference between two major components of the Periphery: Latin America and Africa. The former has been officially independent since the 19th century, while colonization of African territories started towards the end of the same century. Industrialization began early in Latin America, soon after the industrial revolution had started in Europe. Industrialization, whenever it took place in some sub-Saharan countries, didn't happen before the second half of the 20th century. The Latin American bourgeoisie has a long history behind it. The African bourgeoisie is still consolidating in a number of countries. Sometimes it is a new product of the state apparatus that emerged from the independence during 1950-1960.

An analysis of just these two continents would point to obvious differences. And yet they are bound by a common factor (along with most of Asia): being a part of the Periphery.

The Periphery's subordination to the Centre is not enough to explain the obstructions to development. What matters is the class structure of the countries of the Periphery and the inability of the local bourgeoisie to initiate a cumulative process of growth where the domestic market would also develop.

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* CADTM. 5 January:

<http://cadtm.org/Towards-an-explanation-of-the>

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Footnotes

[1] Karl Marx, *Capital*, Volume 1 (1876). (Chapter 31, Genesis of the Industrial Capitalist, <https://www.marxists.org/archive/marx/works/1867-c1/ch31.htm>

[2] Karl Marx, *idem*

[3] Karl Marx, *Capital A critique of political economy*, vol. 1, Book 1, chapter 31, translated by Samuel Moore and Edward Aveling, edited by Frederick Engels; Moscow: Progress Publishers; online with the Marx/Engels Internet Archive. <https://www.marxists.org/archive/marx/works/1867-c1/ch31.htm>

[4] Rosa Luxembourg, 1913 ; Amin, 1993; Gunder Frank, 1971; Mandel, 1962, 1968.

[5] Mandel, 1968, p. 150-151.

[6] Galeano, 1970

[7] Marx, Capital, Vol III Chapter 20,
<https://www.marxists.org/archive/marx/works/1894-c3/ch20.htm>

[8] Marx, Capital, Vol III, Chapter 14,
<https://www.marxists.org/archive/marx/works/1894-c3/ch14.htm>

[9] Notable exceptions of the 20th century are South Korea, Taiwan, Argentina (1930-1970), Brazil (1930-until now), India 1947 onwards, China 1985 onwards. But in each case a robust state intervention was essential. Moreover, specific geopolitical circumstances were instrumental in the case of the Asian countries cited.