Imperialism, globalization and the profitability of capital – Michael Roberts

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Profitability and imperialism

The characteristics of modern imperialism are to be found in modern capitalism. That is not a tautology. The key connection between imperialism and capitalism is the general tendency of the profitability of capital to fall over time, leading to shifting of capital 'abroad' by national capitals seeking to reverse any fall.

When 150 years ago Marx outlined the law of tendency of the rate of profit to fall in capitalist accumulation – a law that he considered the 'most important in political economy' – he made it clear that there were 'counteracting' factors to the operation of that law[i]. Indeed, this is why the law was a 'tendency' that was not always realized. One important counteracting factor was foreign trade and investment overseas. This could cheapen the cost of raw materials extracted from the colonies and could raise the rate of exploitation of the labour force by using the plentiful supplies of cheap labour (an untapped 'reserve army') in the colonial territories. The profit created by that labour could be transferred to the imperialist economies and thus raise the rate of profit at the centre.

Lenin, in Imperialism[ii] explained this counteracting factor as follows. "The need to export capital arises from the fact that in a few countries capitalism has become 'overripe' and (owing to the backward state of agriculture and the poverty of the masses)" …. capital cannot find a field for 'profitable' investment." This is a limited explanation. Henryk Grossman took it further[iii]. "Why," then, "are profitable investments not to be found at home? The fact of capital export is as old as modern capitalism itself. The scientific task consists in explaining this fact, hence in demonstrating the role it plays in the mechanism of capitalist production."

Marx's theory argues that there will be a tendency to equalise the rate of profit between capitals (even under monopoly capital) – indeed, this is how the higher rates of exploitation in the poor or colonial South end up in the profit rates of the rich and imperialist North. There is a transfer of value from less productive capitals of the South to more productive ones of the North.

See this example below. In both the North and the South, the rate of exploitation (s/v) in value terms is the same = 100%. The capitalists of the North use the latest technology so that the time taken to produce the value of labour power is much less (20v) than in the South where the capitalists use less technology and more cheap labour. But the rate of exploitation is the same in this example (North 20/20 and South 60/60).

North: 80c + 20v + 20s=120V. Rate of profit = 20/(80c+20v) = 20%
Rate of exploitation = 20s/20v = 100%

South: 40c + 60v + 60s= 160V. Rate of profit = 60/(40c+60v) = 60%
Rate of exploitation = 60s/60v = 100%

Total: 120c + 80v + 80s= 280V.
Average rate of profit = 80s/(120c+80v) = 40%.

The capitalists in the South get 160V in value out of their workers, while the capitalists in the North get less, 120V. The rate of profit in value terms in the North would only be 20% while it would be 60% in the South. But competition in the global market equalizes the average rate of profit at 40%. So the market price of production for the North and South is 140 and the North gets a transfer of value of 20 from the South. The capitalists of the North get some of the value created by the workers in the South through price competition equalizing the rate of profit on the global market.

North = 80c + 20v + 40s = 140P (compared to 120V), so transfer gain of 20.

South = 40c + 60v + 40s = 140P (compared to 160V), so transfer loss of 20.

Now suppose that the workers in the South are 'super-exploited' and forced to accept a lower wage (halved from 60v to 30v in the above example). Now the surplus value in the South is way higher (and the rate of surplus value is now 300% compared to 100% in the North). The process of the global market produces an average rate of profit that is higher than before, at 65%.

North = 80c + 20v + 20s = 120V. Rate of profit 20s/(80c+20v) = 20%.

Rate of exploitation 20s/20v = 100%

South = 40c + 30v + 90s = 160V. Rate of profit 90s/(40c+30v) = 130%.
Rate of exploitation 90s/30v = 300%

Total = 120c + 50v + 110s = 280V.
Average rate of profit 110s/(120c+50v) = 65%

Through the transfer of values in the global market, the capitalists of the North now get an extra 45V out of the super-exploited workers of the South. Super-exploitation in the South increases profits for the North. Total surplus value in the North and South has risen from 80 in the first case to 110 in the super-exploitation case.

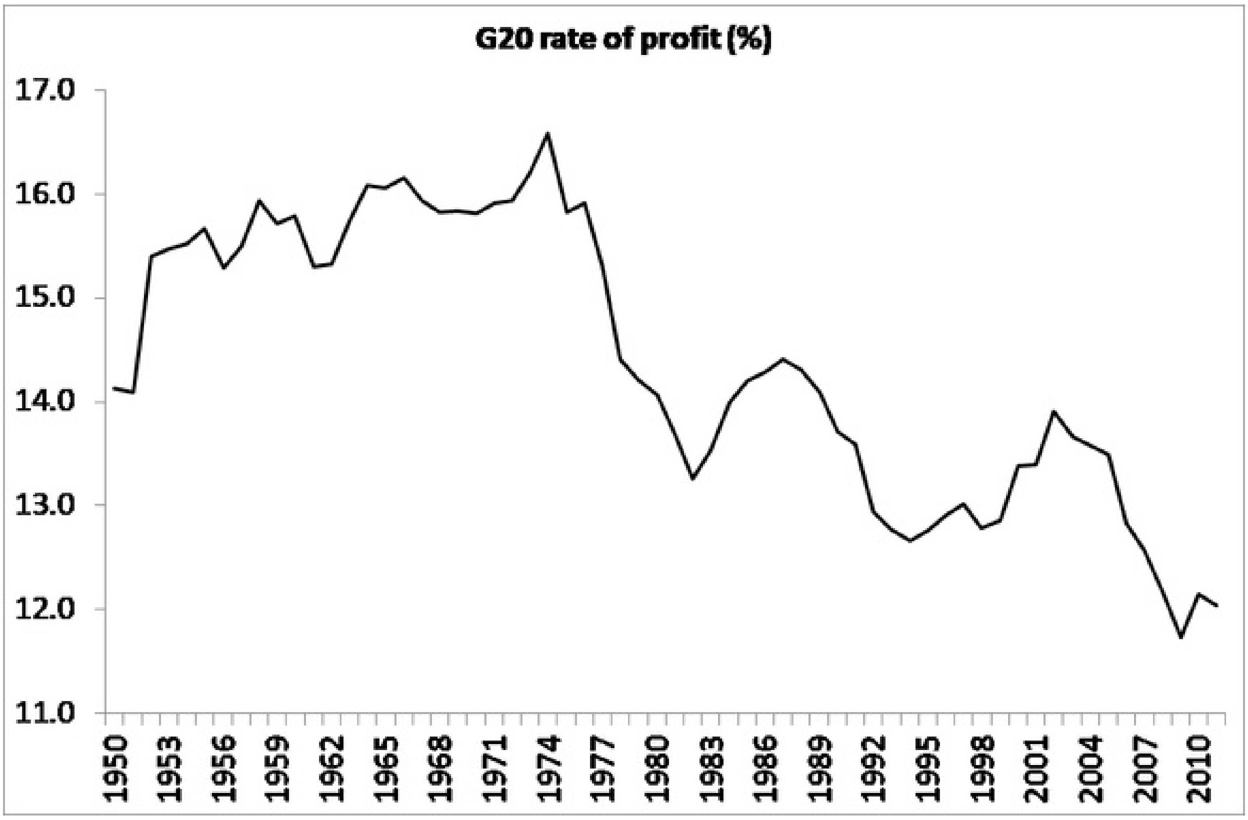
North = 80c + 20v + 65s = 165P (compared to 120V), so transfer gain of 45.

South = 40c + 30v + 45s = 115P (compared to 160V), so transfer loss of 45.

The wages of the workers of the North are unchanged. In this sense, the workers of the North are not 'living off' those of the South. Both the capitalists of the South and the North are exploiting the workers of the South by squeezing more value out of them.

It is the race for higher rates of profit that is the motive power of world capitalism and the driver of imperialism and rivalry among imperialist nation-states. Foreign trade can yield a surplus profit for the advanced country.   For example, from about the mid-1960s onwards, the rate of profit fell in the major economies and reached a post-war low by the early

1980s. So the leading capitalist states looked to counteract Marx's law through renewed capital flows into countries that had massive potential reserves of labour that would be submissive and accept 'super-exploiting' wages. World trade barriers were lowered, restrictions on cross-border capital flows were reduced and multi-national corporations moved capital at will within their corporate accounts. This explains the policies of the major imperialist states at home (an intensified attack on the working class) and abroad (a drive to transform foreign nations into tributaries). Globalisation is thus a product of the drive to raise profitability after a significant decline in the major capitalist economies.



This connection between the changes in the rate of profit in the major capitalist economies and globalization from the 1980s can be shown to have a common thread ever since capitalism became the dominant mode of production in the world, starting with Europe, the US and Japan in the mid-19th century. Moreover, it appears that after a particularly long period of low profitability and stagnation in production, imperialist rivalry in the struggle of the share of global surplus value becomes intense. Competition among imperialist powers for the spoils of exploitation turns into capturing the spoils of war.

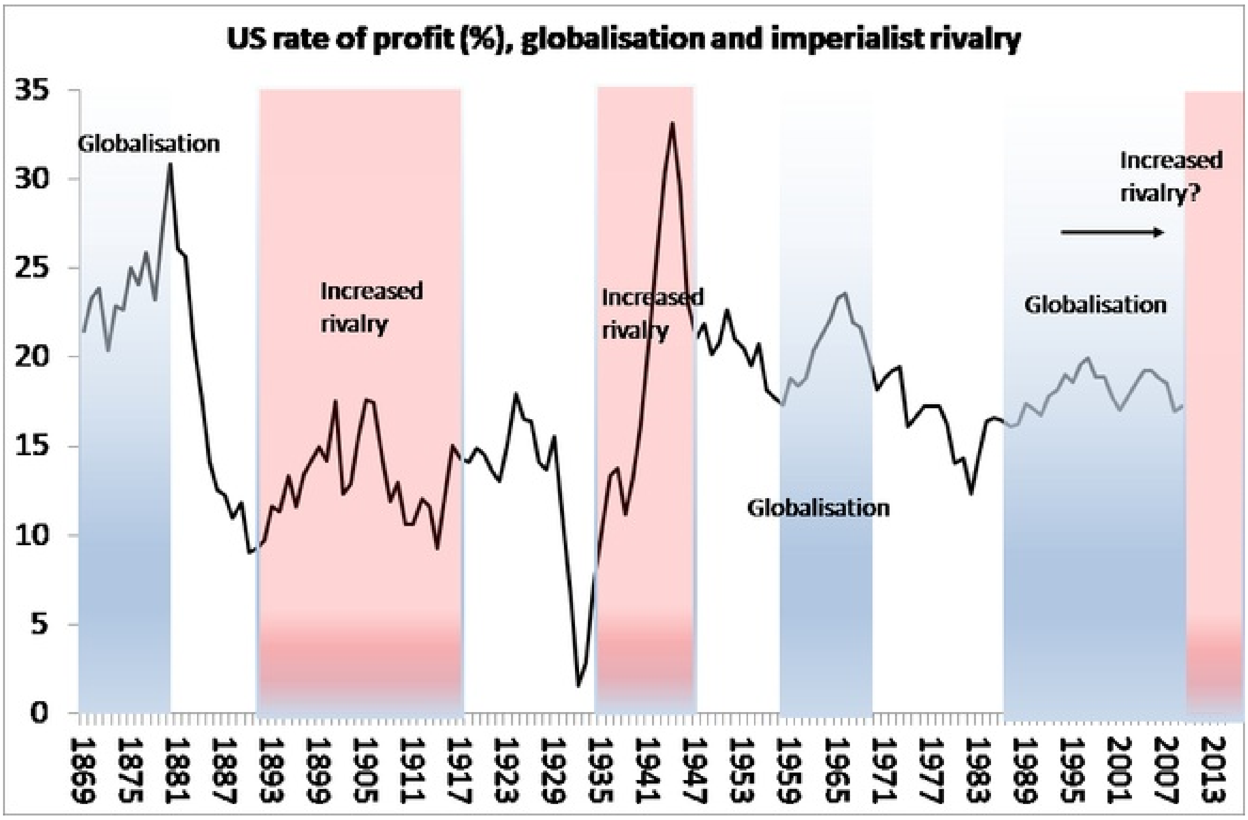
There have been three depressions in the history of capitalism: one in the late 19th century; the Great Depression of the 1930s; and the current Long Depression[i].

They coincided with different stages of capitalism. The depression of the late 19th century was the impulse for the development of modern imperialism, namely the expansion of finance capital into the "colonies". This eventually led to a new imperialist battle, one that was not resolved by World War I.

The hegemonic imperialist power, Great Britain, had been irretrievably weakened by the 1914–18 war, but the rising hegemonic power, the United States, was not ready or willing to assume the mantle of imperialist dominance. The rising imperialist powers, Germany and Japan, tried to gain a bigger cut of the spoils. That led to World War II and the eventual assumption of Pax Americana after 1945.

The current Long Depression could also give way to a new period of imperialist rivalry (but more on that later).

We can show empirically that globalisation of trade and capital took off whenever the profitability of capital fell in the imperialist centres.



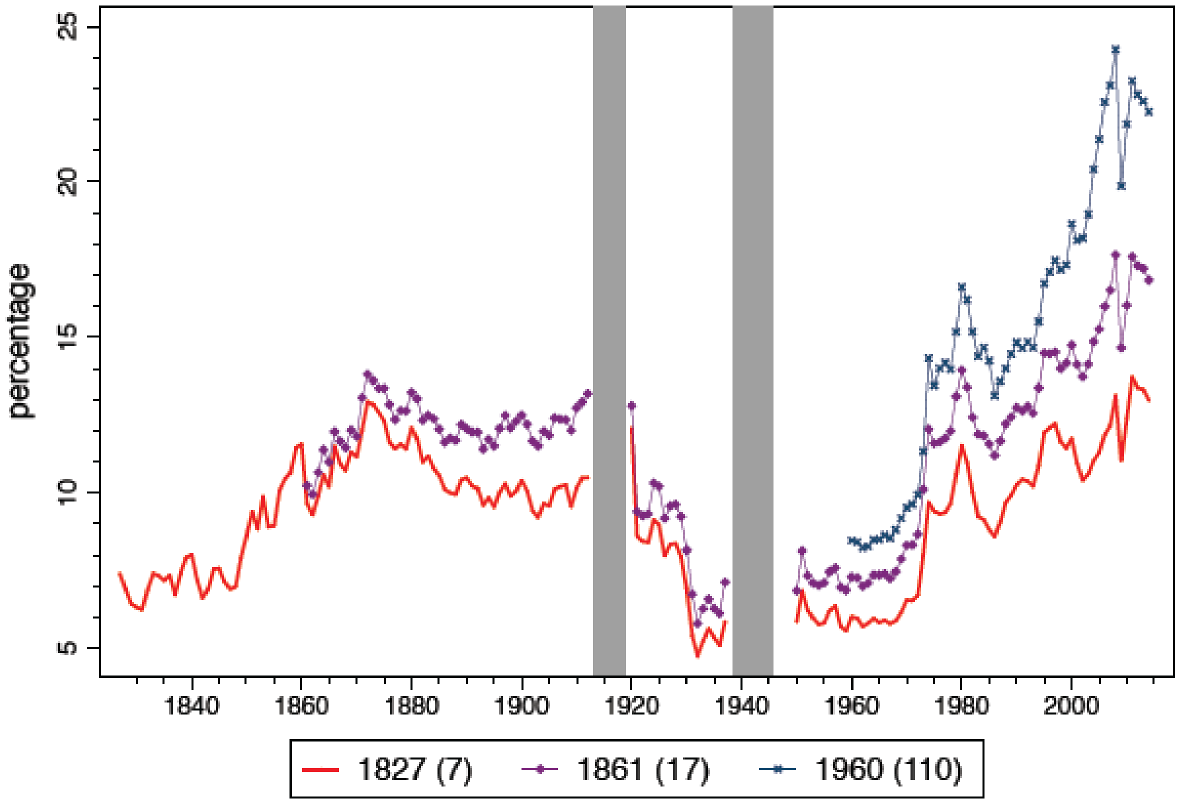
Between 1832-48 profitability of capital in the major economies fell; after which there was an expansion of globalization to drive up profitability (1850-70). However, a new fall in profitability led to the first depression of the late 19th century (1870-90), during which protectionism rose and capital flows shrunk. With economic recovery after 1890, imperialist rivalry intensified, leading up to the Great War of 1914-18.

In the post-1918 period, after the defeats of various European revolutions and the isolation of the Soviet state, there was a brief period of rising profitability, before a new drop led into the Great Depression of the 1930s. Imperialist rivalry bubbled up again, leading to WW2.

Again, after the defeats of various labour struggles post 1945 in Europe, Japan and in the colonial territories, capitalism entered a new ‘golden age’ of relatively fast growth and rising profitability. Globalisation of trade (reduction in tariffs and protectionism) and capital (dollar-led economies and international institutions) revived, until profitability again began to fall in the 1970s. The 1970s saw a weakening of trade liberalization and capital flows. From the 1980s, however, capitalism saw a new expansion of globalization in trade and capital to restore profitability.

It is no coincidence that the movement in the profitability of capital in the imperialist countries aligned with the degree of openness in world trade. Rising profitability from 1850-70 saw a significant fall in international trade barriers, relative to intranational trade barriers. However, as profitability fell from the mid-1860s during the late 19th century depression, open trade stopped and protectionism returned. With rising profitability in the 1920s, trade barriers fell further until the Great Depression arrived. A new wave of trade liberalisation only began again after the 1970s.

Export openness for three country samples: 1827-2014



The legend reports the initial year of each sample (# of countries in each sample in parentheses)

So we can divide globalization into three great waves[i]. The first wave was from 1860-1914 when Europe and North America were strongly affected by internationalisation. The flow of goods accelerated. Capital moved relatively freely between countries. In some respects, financial integration was more pronounced than it is today. Even international migration was greater than it is today. Roughly 60 million people left Europe to seek their fortunes in the New World. Great Britain was the world's leading economy.

The basis for the European free trade system was the 1860 free trade pact between Great Britain and France. Many other European countries subsequently aligned themselves with this free trade system. However, from the 1870s, in the depression period, a Russian and American 'grain invasion' prompted higher tariffs in most of continental Europe. So overall trade costs did not decline dramatically after 1870 since tariffs and non-tariff barriers rose.

In the second wave after WW2, international regulations and organisations to support economic integration at the global level were created. Cooperation was based on the Bretton Woods Agreement of 1944. The US was now the leading economy in the world and the dollar became the monetary basis of the financial system. The 'Bretton Woods system' meant that nations had fixed currency exchanges in relation to the US dollar, which in turn was fixed to the gold standard.

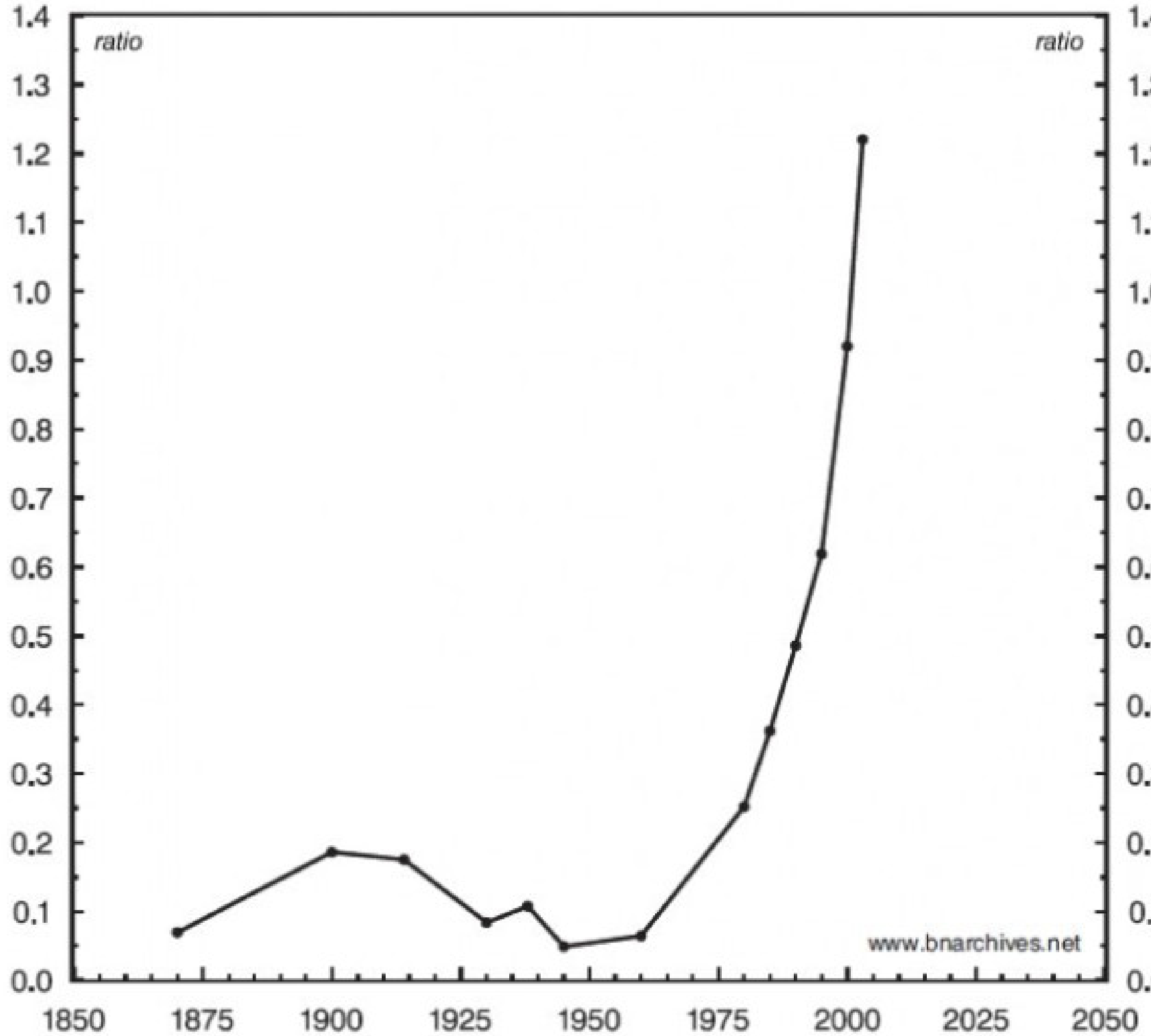
Two organisations were established during this period, the World Bank (IBRD) and the International Monetary Fund (IMF). In addition, a special agreement, the General Agreement on Tariffs and Trade (GATT) became operative in 1948. In practice, GATT became the international organisation which set the framework for several important steps towards increased global free trade, particularly via successive reductions in industrial tariffs. But by 1970 the Bretton Woods system was coming under increasing pressure.

	The First Wave	**The Second Wave**	**The Third Wave**
Time period	1860-1914	1944-1971	1989-
Technology	Steam engine. Telegraph. Electricity. Internal combustion engine.	Jet planes. Television. Communication satellites. Container traffic.	Microprocessor. PC. Internet. Mobile telephones.
Political Leadership	Great Britain economic leader. Colonialism.	USA economic leader. Cold War.	Multi-polar (USA, EU, China). Global democratic processes.
Commerce	Initially free trade, but increasing protectionism.	Gradually reduced industrial tariffs.	More and more countries adopt free trade.
Trade in Services	Limited scale. Shipping industry most important.	Limited scale. Shipping industry most important.	Increased scale in more and more branches.
Capital movement	Free.	Regulated.	Free.
Migration	Free movement. Emigration.	Regulated (excluding Nordic countries). Labour migration.	Regulated (excluding EU). Political migration.

In the third wave from the mid-1980s, the more populous countries in the developing world, particularly China and India, opened their doors to the world. European cooperation widened and deepened. In the decades up to the end of 20th century, international trade grew significantly faster than total production. The export of goods amounted to 31% of global GDP in 2006 as compared to 12% in 1970. Foreign direct investment (establishing or buying up companies abroad) increased twice as fast as trade. An even more rapid increase has been seen in foreign securities (investments that do not lead to controlled ownership in foreign companies).

This third wave is visible in the expansion of gross foreign assets (capital invested abroad) since the 1980s.

Figure 1
Ratio of Global Gross Foreign Assets to Global GDP



NOTE: Gross foreign assets consist of cash, loans, bonds and equities owned by non-residents. The last data point is for 2003.

SOURCE: For 1870-2000: Maurice Obstfeld and Alan. M. Taylor, *Global Capital Markets: Integration, Crisis and Growth* (Cambridge: Cambridge University Press, 2004), pp. 52-53, Table 2-1. For 2003: asset data from Philip Lane and Gian Maria Milesi-Ferretti, 'The External Wealth of Nations Mark II: Revised and Extended Estimates of Foreign Assets and Liabilities, 1970-2004', *Journal of International Economics*, 2007, No. 73, pp. 223-250 (data appendix, http://www.imf.org/external/pubs/ft/wp/2006/data/wp0669.zip); GDP data from World Bank online, *World Development Indicators*. Online data downloaded on June 21, 2009.

The ratio of global foreign assets to global GDP more than doubled – from 7% in 1870 to 19% in 1900. This upswing was reversed during the first half of the 20th century. The mayhem created by two world wars and the Great Depression on the one hand and the emergence of domestic ‘institutionalized waste’ on the other undermined the flow of capital and caused the share of foreign ownership to recede. After the second world war, the new world order under the US allowed the expansion of international capital flows again and by 2003, after a quarter century of exponential growth, it reached an all-time high of 122%.

According to the McKinsey Global Institute[i], between 1990 and 2006 the global proportion of foreign-owned assets has nearly tripled, from 9% to 26% of all world assets (both foreign and domestically-owned). The increase was broadly based: foreign ownership of corporate bonds rose from 7% to 21% of the world total, foreign ownership of government bonds rose from 11% to 31% and foreign ownership of corporate stocks rose from 9% to 27%.

Capitalism became truly global in the late 20th century. That’s because increased investment into emerging capitalist economies brought into the capitalist mode of production a huge supply of peasant and non-capitalist labor and much of it at a cost below poverty.

At the same time, imperialist economies are acting even more as bases for finance capital globally. Tony Norfield points out that US corporation revenues from abroad are worth $3bn a day and total more than the annual GDP of Switzerland. A financial company operating in a major international financial centre can draw upon the surplus value produced anywhere in the world, for the ultimate benefit of the imperialist power in which it is based. Just 147 companies globally control the world[ii]. The IMF reckons that just 30 banks have more than $47trn in assets, or more than one-third of bank assets and these banks control 70% of credit markets.[iii]

However, the world of international business is still a regional one, not a global one. Capitalism today remains divided, whatever the degree of its global integration, into distinct capitalist nation-states, ruled by their own capitalist classes, which project their interests and protect those interests against rivals. In 1980, when US ‘financialization’ started in earnest, US owners accounted for only 28% of global foreign assets. But by 2003, the asset share of US owners was reduced to a mere 18%.

Figure 2
Share of Global Gross Foreign Assets

NOTE: Gross foreign assets consist of cash, loans, bonds and equities owned by non-residents. The last data point is for 2003.

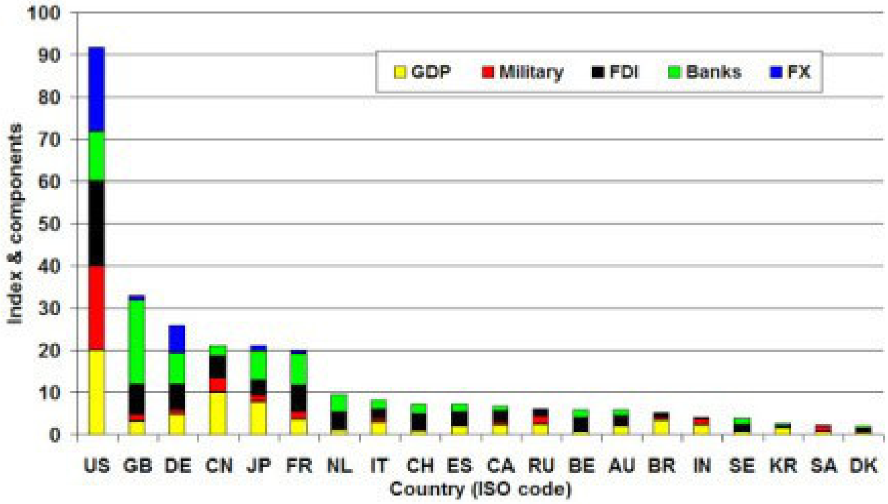
SOURCE: For 1870-2000: Maurice Obstfeld and Alan. M. Taylor, *Global Capital Markets: Integration, Crisis and Growth* (Cambridge: Cambridge University Press, 2004), pp. 52-53, Table 2-1. For 2003: Asset data from Philip Lane and Gian Maria Milesi-Ferretti, 'The External Wealth of Nations Mark II: Revised and Extended Estimates of Foreign Assets and Liabilities, 1970-2004', *Journal of International Economics*, 2007, No. 73, pp. 223-250 (data appendix, http://www.imf.org/external/pubs/ft/wp/2006/data/wp0669.zip); GDP data from World Bank online, *World Development Indicators*. Online data downloaded on June 21, 2009.

The rapid expansion of international financial dealing since the 1980s has been a potential source of profit for, and an incentive behind the growth of, the financial sector of the economy in many countries. However, at the forefront of this trend has been the boom in the activities of the City of London, the centre of dealing for the imperialist power most closely associated with finance.

British capitalism lost its hegemonic status a hundred years ago but in the post-war period its financial sector has maintained its global status while its manufacturing base diminished. The Eurodollar market in the 1960s and the 'Big Bang' of the 1980s, when US banks and foreign banks operated without restriction, preserved the City's pre-eminence.

Britain is second only to the US in the importance of its financial sector globally and in some areas like foreign currency trading it leads[i] . Britain has the second largest stock of foreign direct investment (FDI) of nearly $2trn, equivalent to 30% of UK GDP. Of the top 500 global companies, the UK was second only to the US with 34 companies. The UK had six financial institutions in the top 50, compared to the US with ten. And UK bank assets are four times UK GDP, the highest ratio in the world after Switzerland and tax-haven Luxembourg.

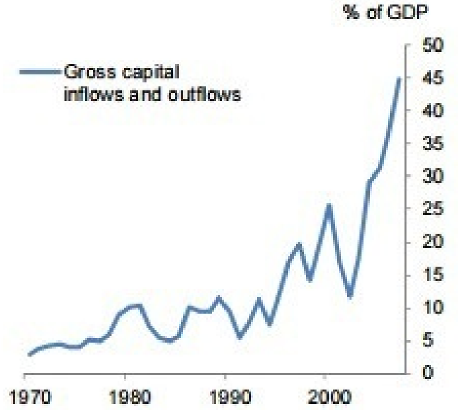
The global pecking order (Norfield index).



In the previous wave of globalisation after 1980, power had shifted from owners in one core country (Britain) to those in another (the United States). By contrast, in the next wave, the contenders could be from China, OPEC, Russia, Brazil, Korea and India, countries that have become major foreign investors with significant international positions, including large stakes in America's 'imperial' debt.

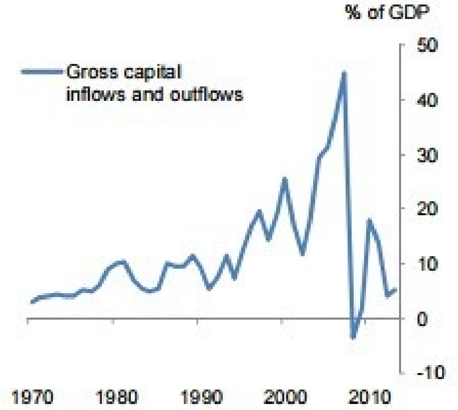
The beginning of the 21st century brought to an end the third wave of globalisation. Profitability in the major imperialist economies peaked by the early 2000s and after the short credit-fuelled burst of up to 2007, they entered the Great Recession, which was followed a by a new Long Depression[i]. So the counteracting factor to low profitability of exports of commodities and credit has died away. This threatens the hegemony of US imperialism, already in relative decline to new ambitious powers like China, Brazil, India and Russia. Renewed rivalry threatens to unleash major conflicts in the next decade or so.

Figure 1a: Gross capital inflows and outflows for selected advanced economies[a] 1970-2007



(a) Sample of countries: Australia, Austria, France, Israel, Italy, Netherlands, Sweden, United Kingdom, United States.
Source: IMF International Financial Statistics, OECD

Figure 1b: Gross capital inflows and outflows for selected advanced economies[a] 1970-2013



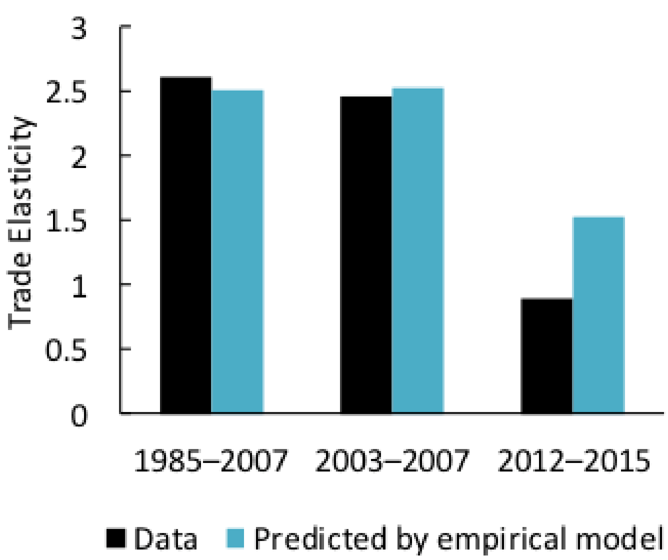
(a) Sample of countries: Australia, Austria, France, Israel, Italy, Netherlands, Sweden, United Kingdom, United States.
Source: IMF International Financial Statistics, OECD

World trade growth in 2016 was well below the post-Great Recession average of 2.7% a year, which in turn is less than half the rate of world trade growth before the global financial crash (at 5.7%).[i] As the IMF put it: *"Since 2012, growth in the volume of world trade in goods and services has been less than half the rate during the preceding three decades. It has barely kept pace with world GDP and the slowdown has been widespread."* **[ii]**

McKinsey outlined why global trade and industrial growth has slowed to a crawl since the end of the Great Recession in 2009[iii]. *"The shock of the 2008 global financial crisis triggered the first recorded drop in global GDP and the hangover has since persisted, with many countries struggling with unexpectedly weak recoveries."* And it is not going to get any better. *"More worryingly, long-term growth prospects are serious cause for concern. Annual GDP growth from 2014 to 2064 is projected to effectively halve, falling to 2.1% globally and 1.9% for developed countries".*

The ratio of import growth to real GDP growth in the major economies has fallen back sharply.

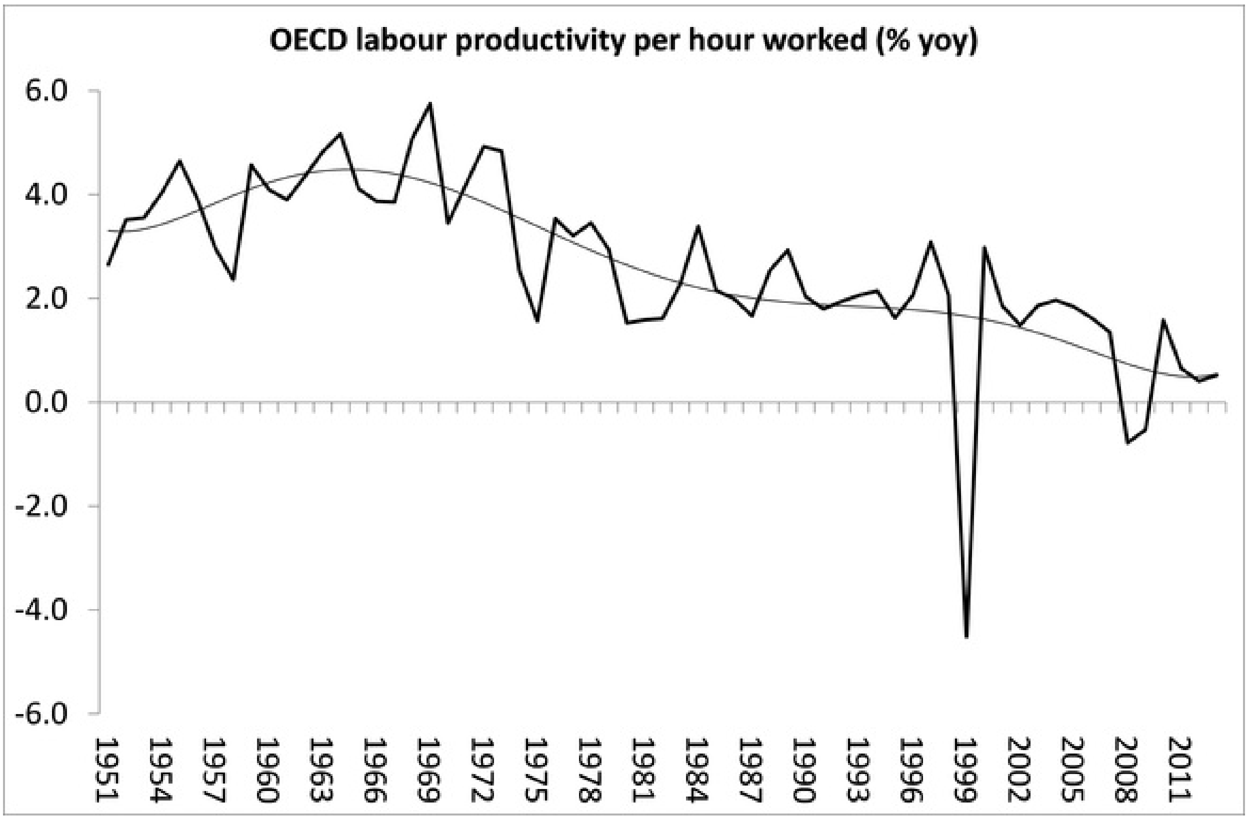
Trade elasticity (ratio of trade growth to GDP growth)



Deutsche Bank economists concluded that *"It feels like we're coming towards the end of an economic era. Such eras often come and go in long waves. In the past 30 years a perfect storm of factors — China re-entering the global economy in the 70s, the fall of the Soviet Union, and to some extent, the economic liberalisation of India — added more than a billion workers into the global labour market." **[i]***

Globalization and the high-tech revolution reversed the productivity growth decline in the 1990s. But in this century productivity growth in the advanced economies has headed toward stagnation. Only productivity growth in the emerging economies has enabled world productivity growth to stay near 2% a year. Since the Great Recession, productivity growth has dropped to under 1% a year.

Advanced economy average productivity growth (%)



Source: OECD

What the productivity growth figures show is that the ability of capitalism (or at least the advanced capitalist economies) to generate better productivity is receding. Capitalists have squeezed the share of new value going to labor and raised the profit share to compensate. Above all, they have cut back on the rate of capital accumulation in the 'real economy', increasingly trying to find extra profit in financial and property speculation.

This story on productivity is repeated for employment growth in the advanced economies. Employment growth is now less than 1% a year. If you add (to productivity growth) an employment growth rate globally of 1% a year, then global growth is going to be little more than 3% a year for the next decade (and a maximum of just 2% a year for the advanced economies). The dynamism of world capitalism is waning.

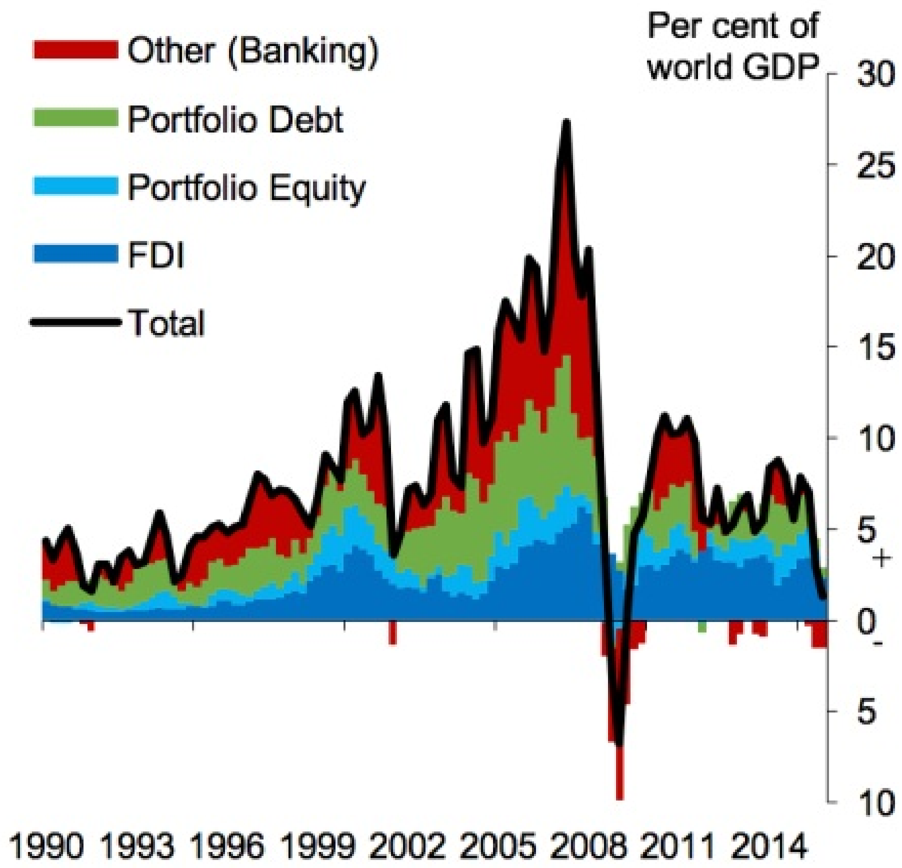
Some argue that, after its 60-year decline, manufacturing may start to return to the advanced capitalist economies. Then profitability will rise again in the major capitalist economies through a new manufacturing revolution. This is the theme of President Trump, who reckons he can cajole American manufacturers to produce at home and restrict cheap imports from China etc.

But this is really just so much wishful thinking. American manufacturing has been growing in the past few years, but the sector still has 2 million fewer jobs than when the Great Recession began. Worldwide manufacturing is growing much faster, even for many of the

American-owned companies that are expanding at home. Wage levels may have risen in emerging economies and stagnated in the advanced economies, but the gap is still huge. Hourly compensation costs for manufacturing in the US were about four times those in Taiwan and 20 times those in the Philippines.

As John Smith has shown[i] "about 80% of global trade (in terms of gross exports) is linked to the international production networks of transnational corporations". UNCTAD estimates that "about 60% of global trade … consists of trade in intermediate goods and services that are incorporated at various stages in the production process of goods and services for final consumption". –A striking feature of contemporary globalisation is that a very large and growing proportion of the workforce in many global value chains is now located in developing economies. In a phrase, the centre of gravity of much of the world's industrial production has "shifted from the north to the south of the global economy".

On a standard measure of participation in global value chains produced by the IMF, the rise in profitability for the major multinationals is now stalling. Sure, information flows (internet traffic and telephone calls, mainly) have exploded, but trade and capital flows are still below their pre-recession peaks. Global foreign direct investment as a share of GDP is also falling and capital flows to the so-called 'emerging economies' have plummeted (See https://www.imf.org/~/media/Websites/IMF/imported-flagship-issues/external/pubs/ft/weo/2016/02/pdf/_c2pdf.ashx).



Yet imperialism continues to suck profit out of the peripheral economies in the way Marx outlined in his theory of profit equalisation and unequal exchange. The US-based Global Financial Integrity (GFI) and the Centre for Applied Research at the Norwegian School of Economics tallied up all of the financial resources that get transferred between rich countries and poor countries each year: not just aid, foreign investment and trade flows but also non-financial transfers such as debt cancellation, unrequited transfers like workers' remittances, and unrecorded capital flight (more of this later). What they discovered is that the flow of money from rich countries to poor countries pales in comparison to the flow that runs in the other direction.

In 2012, the last year of recorded data, developing countries received a total of $1.3tn, including all aid, investment, and income from abroad. But that same year some $3.3tn flowed out of them. In other words, developing countries sent $2tn more to the rest of the world than they received. If we look at all years since 1980, these net outflows add up to $16.3tn – that's how much money has been drained out of the global south over the past few decades.

Developing countries have forked out over $4.2tn in interest payments alone since 1980 – a direct cash transfer to big banks in New York and London, on a scale that dwarfs the aid that they received during the same period. Another big contributor is the income that foreigners make on their investments in developing countries and then repatriate back home. But by far the biggest chunk of outflows has to do with unrecorded – and usually illicit – capital flight. GFI calculates that developing countries have lost a total of $13.4tn through unrecorded capital flight since 1980.

Most of these unrecorded outflows take place through the international trade system. Basically, corporations – foreign and domestic alike – report false prices on their trade invoices in order to spirit money out of developing countries directly into tax havens and secrecy jurisdictions, a practice known as "trade misinvoicing". Usually the goal is to evade taxes, but sometimes this practice is used to launder money or circumvent capital controls. In 2012, developing countries lost $700bn through trade misinvoicing, which outstripped aid receipts that year by a factor of five.

A new phase of imperialism ahead?

The strategists of capital are worried that Trumponomics will only make things worse for profitability globally. Lorenzo Bini Smaghi, ex-member of the European Central Bank's executive board and leading strategist of finance capital, commented: "Trying to reverse globalisation can be damaging, particularly for the country that takes the first step. It is the advanced economies that are facing the greatest challenges in its most recent wave, which is why anti-globalisation movements are gaining support and governments are tempted to become inward-looking. However, because their economies are so large, and so bound by the web of globalisation, they cannot reverse its course, unless emerging markets also retreat."[i]

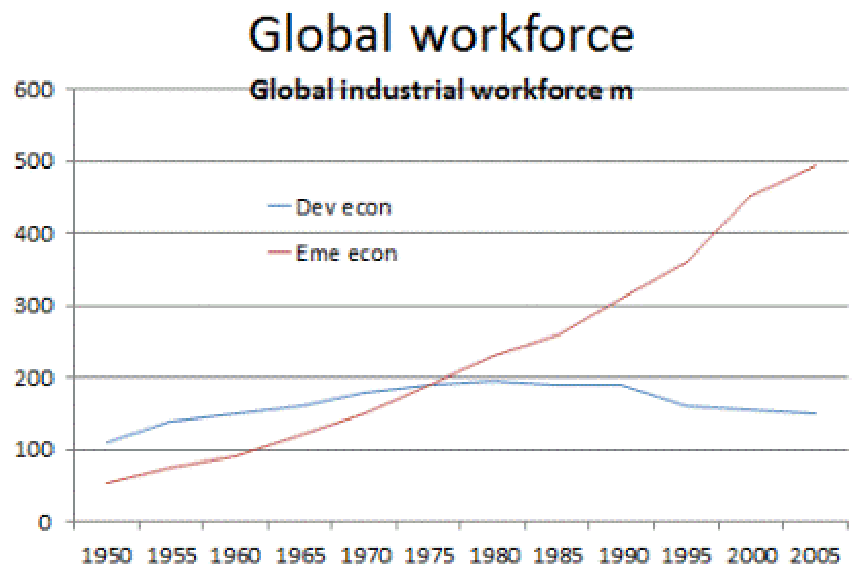
The world economy is in a Long Depression. However, world capitalism will not stay in this depressed state. Eventually, probably after another slump that will destroy sufficient value (the value of means of production, fictitious capital and employment), profitability for those capitals that survive will rise again to start a new upwave in investment and growth. This assumes, of course, that the class struggle does not lead to the forces of labor triumphing over capital in any major imperialist economy.

A new wave of globalization is thus possible. There are yet more human beings in the world to be exploited and there are always new technological innovations that can provide a new cycle for expansion of value and surplus value.

There are still huge reserves of labor as yet untapped, particularly in Africa. The latest UN projections for the world's economies show that Africa is expected to dominate population growth over the next ninety years as populations in many of the world's developed economies and China shrink.[ii] Africa's population is expected to more than quadruple over just 90 years, while Asia will continue to grow but peak about 50 years from now and then start declining.

Can capitalism get a further kick forward from exploiting these hundreds of millions coming into the labor forces of Asia, South America, and the Middle East? While the industrial workforce in the mature capitalist economies has shrunk to under 150 million; in the so-called emerging economies the industrial workforce now stands at 500 million, having surpassed the industrial workforce in the imperialist countries by the early 1980s. In addition, there is a large reserve army of labor composed of unemployed, underemployed, or inactive adults of another 2.3 billion people that could also be exploited for new value.

The global industrial workforce (in millions) 1950-2010



Source: International Labor Organisation (2016) http://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/—publ/documents/publication/wcms_443480.pdf

America's intelligence services also looked recently at developments in the world economy. The Office of the Director of National Intelligence (DNI) published its latest assessment[i], called Global Trends: The Paradox of Progress, which *"explores trends and scenarios over the next 20 years"*. And the DNI reckons that things are not going to get better. **"The next five years will see rising tensions within and between countries.** *Global growth will slow, just as increasingly complex global challenges impend."*

What is the answer? Well, this comment from the DNI report is unvarnished: "**It will be tempting to impose order on this apparent chaos, but that ultimately would be too costly in the short run and would fail in the long.***Dominating empowered, proliferating actors in multiple domains would require unacceptable resources in an era of slow growth, fiscal limits, and debt burdens. Doing so domestically would be the end of democracy, resulting in authoritarianism or instability or both. Although material strength will remain essential to geopolitical and state power, the most powerful actors of the future will draw on networks, relationships, and information to compete and cooperate. This is the lesson of great power politics in the 1900s, even if those powers had to learn and relearn it."*

In other words, while it would be better to just crush opposition and *"impose order"* in America's interests, this is probably not possible with a weak world economy and lack of funds. Better to try *"draw on networks, relationships and information" (*ie spy and manipulate*) to get "cooperation".*

But it is not going to be easy to sustain America's dominance and the rule of capital, the DNI report concludes, as globalisation *"hollowed out Western middle classes (*read working classes*) and stoked a pushback against globalization."* Moreover, *"migrant flows are greater now than in the past 70 years, raising the specter of drained welfare coffers and increased competition for jobs, and reinforcing nativist, anti-elite impulses."* And *"slow growth plus technology-induced disruptions in job markets will threaten poverty reduction and drive tensions within countries in the years to come, fueling the very nationalism that contributes to tensions between countries."*

America's intelligence services expose imperialism's two Achilles heels. The first is the tendency of the rate of profit to fall as capitalism accumulates, posing increased rivalry and even damaging and destructive wars. The second is the global proletariat – the gravediggers of capitalism – who are still growing in size across the world. The global proletariat has never been larger in the history of capitalism. In that sense, Marx's prophecy in the Communist Manifesto 160 years ago is confirmed. Sure, the majority of the proletariat is now in the South and not the North. But that does not mean the workers of the North will play no role in ending capitalism. On the contrary, they are the key to ending imperialism in its centre.

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[i] Capital Volume 3, Chapter 15.

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