

John Smith's Response to David Harvey on Imperialism

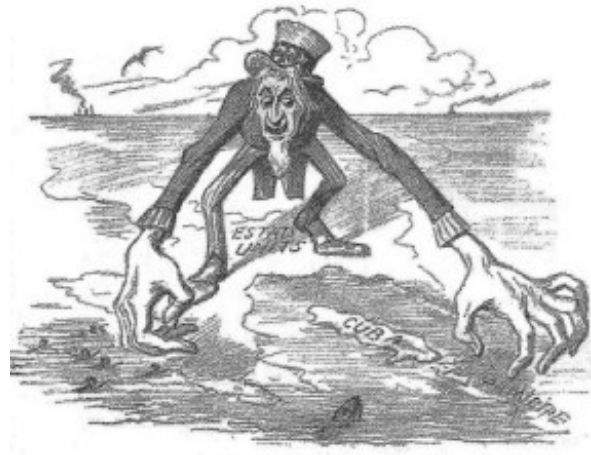
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By John Smith,

When David Harvey says “the historical draining of wealth from East to West for more than two centuries has largely been reversed over the last thirty years,” his readers will reasonably assume that he refers to a defining feature of imperialism, namely the plunder of living labour and natural wealth in colonies and semi-colonies by rising capitalist powers in Europe and North America. Indeed, he leaves no doubt about this, since he prefaced these words with reference to “the old categories of imperialism.” But here we encounter the first of his many obfuscations. For more than two centuries, imperialist Europe and North America have also been draining wealth from Latin America and Africa, as well as from all parts of Asia... except from Japan, which itself emerged as an imperial power during the 19th century. ‘East-West’ is therefore an imperfect substitute for ‘North-South’, and this is why I dared to adjust the points of Harvey’s compass, drawing a petulant response.



As David Harvey knows full well, all sides in the debate on imperialism, modernisation and capitalist development acknowledge a primary distinction between what are variously termed ‘developed and developing’, ‘imperialist and oppressed’, ‘core and periphery’ etc. countries, even if there is no agreement about how this primary division is evolving. Furthermore, the criteria for determining membership of these groups of nations can validly include politics, economics, history, culture and much else, but NOT geographical location —‘North-South’ is nothing more than descriptive shorthand for other criteria, as is indicated by the fact that ‘North’ is generally acknowledged to include Australia and New Zealand. Yet, in his reply to my critique, Harvey elevates geography above all else, lumping China, whose per capita GDP in 2017 was situated between Thailand and the Dominican Republic, along with South Korea, Taiwan and imperialist Japan into a distinct East Asian “power block [sic] in the global economy.” Given the moribund state of the Japanese economy, whose GDP has grown by an average of less than 1% per annum since 1990, and cognizant of Japan’s explosive economic, political and military rivalry with China, to ask whether this ‘bloc’ is now draining wealth from capitalist Europe and North America is to ask the wrong question.

To judge Harvey’s claim that flows of wealth associated with imperialism have gone into reverse we should ask a more pertinent question: *are the developed capitalist nations of Europe, North America and Japan continuing to drain wealth from China and other ‘emerging nations’ in Asia, Africa and Latin America?* Unless Harvey believes that flows of

wealth from Africa and Latin America to the 'West' are large enough to cancel the alleged flow from the West to the 'East Asian bloc', his answer must be *no, this is no longer the case*.

Some realities on the ground

In 2015, researchers based in Brazil, India, Nigeria, Norway and the USA published *Financial flows and tax havens: combining to limit the lives of billions of people*, which they fairly claim to be "the most comprehensive analysis of global financial flows impacting developing countries compiled to date." Their report calculates 'net resource transfers' (NRT) between developed and developing countries, combining licit and illicit inflows and outflows—from development aid and remittances of wages to net trade receipts, debt servicing, new loans, FDI and portfolio investment and repatriated profits, along with capital flight and other forms of financial chicanery and outright theft. They found that in 2012, the most recent year for which they could obtain data, what they call 'developing and emerging countries' (which of course includes China) lost \$2.0 trillion in net transfers to rich countries, equivalent to 8% of emerging nations' GDP in that year—four times larger than the average of \$504 billion in NRT transferred annually from poor to rich countries during the first half of the 2000s. When informed estimates are included of under-invoicing and other forms of rip-off and criminality that leave no statistical trace, NRT from poor countries to imperialist countries in 2012 exceeded \$3 trillion, around 12% of poor nations' GDP.

More generally, they report that "both recorded and unrecorded transfers of licit and illicit funds from developing countries have tended to increase over the period 1980-2011". As for Sub-Saharan Africa, they report that NRT from this continent to imperialist countries (or tax havens licensed by them) between 1980 to 2012 totalled \$792bn, that illicit transfers from Africa to imperialist countries as a proportion of GDP are higher than from any other region, and that capital flight from Sub-Saharan Africa is growing by more than 20 percent per annum, faster than anywhere else in the world.

In what they called "an ironic twist to the development narrative" the researchers concluded that "since the early 1980s, NRT for all developing countries have been mostly large and negative, indicating sustained and significant outflows from the developing world... resulting in a chronic net drain of resources from the developing world over extended periods of time".

Where does China fit into this broader picture? Using sophisticated methodologies and on the basis of conservative assumptions, the researchers calculate that China accounts for no less than two thirds of the total recorded resource transfer deficit of all 'emerging nations' between 1980 and 2012, \$1.9 trillion in all; the explanation for this high proportion being "China's large current account surpluses and associated capital and reserve asset outflows," and it accounted for 21%, or \$2.8 trillion, of the total of \$13.4 trillion in capital flight drained from all 'emerging countries' to rich nations during these three decades.

More realities on the ground

These facts are already enough to refute Harvey's claim that China and its neighbours are now draining wealth from 'former' imperialist nations in Europe and North America. David Harvey should provide some data to back up his assertions—or withdraw them. But the

case against his denial of imperialism goes far beyond what's revealed by statistics on trade, debt servicing, profit repatriation and capital flight.

In the first place, the 'net resource transfer' methodology implemented in the research cited above means that South-North flows of repatriated profits are cancelled by new North-South flows of FDI. Yet these flows are different in kind. Repatriated profits unambiguously increase the wealth of transnational corporations (TNCs); FDI unambiguously increases the portion of the host economy they own and control. These flows may be in opposite directions, but each of them reinforces imperialist domination over the host economies, a fact which is ignored when they are simplistically cancelled out; and similar considerations apply to other flows, e.g. debt servicing vs. new loans.

Much more importantly, Marx's theory of value teaches us that data on trade and financial flows provide only a highly distorted and much-diminished picture of the underlying flows of value and surplus value. For example, the only flows of wealth from China and other low-wage countries to non-financial TNCs headquartered in Japan, Europe and North America that show up in statistical data are repatriated profits from direct investments. In contrast, not a single cent of H&M's, Apple's or General Motors' profits can be traced back to the super-exploited Bangladeshi, Chinese and Mexican workers who toil for these TNCs' independent suppliers, and it is this 'arm's length' relationship which increasingly prevails in the global value chains that connect TNCs and citizens in imperialist countries to the low-wage workers who produce more and more of their intermediate inputs and consumption goods.

The central conclusion I draw from this, as I stated in the blogpost *David Harvey denies imperialism*, is that:

The vast scale of production outsourcing to low-wage countries, whether via foreign direct investment or via indirect, arm's length relationships, signifies greatly expanded exploitation of southern labor by U.S., European, and Japanese TNCs, legions of workers who are moreover subject to a higher rate of exploitation... [and this] implies new and greatly increased flows of value and surplus value to U.S., European, and Japanese TNCs... and reason to believe that this transformation marks a new stage in the development of imperialism.

David Harvey, in his response to my critique, treats this defining feature of the neoliberal era rather differently:

From the 1970s onwards some (but by no means all) capital went to where the labour forces were cheapest. But globalization could not work without reducing barriers to commodity exchange and money flows and the latter meant opening a Pandora's box for finance capital that had long been frustrated by national regulation. The long-term effect was to reduce the power and privilege of working class movements in the global north precisely by putting them into competitive range of a global labour force that could be had at almost any price.

Here, Harvey completely ignores the increased dependence of US, European and Japanese TNCs on surplus value from low-wage countries, and he attempts to shift attention to the important but secondary phenomenon of financialization. The only effect of the global shift of production to low-wage countries that he thinks worth mentioning is its

stifling effect on “working class movements in the global North.” And this effect is greatly exaggerated—the reduction of the latter’s power and privilege, Harvey would have us believe, has been on such a scale that they now compete with their sisters and brothers in the global South on more-or-less equal terms.

In my original critique I quoted his *17 Contradictions and the End of Capitalism* (p. 170), where he said: “disparities in the global distribution of wealth and income *between* countries have been much reduced with rising per capita incomes in many developing parts of the world;” and I countered that this “greatly exaggerates global convergence: once China is removed from the picture, and once account is made of greatly increased income inequality in many southern nations, no real progress has been made in overcoming the huge gap in real wages and living standards between the “West” and the rest.” Harvey’s response: “I stand by the claim that the working classes within the global structure of contemporary capitalism are far more competitive with each other now than they were in the 1960s.”

It is true that ultra-low wages in southern nations are being used as a club against workers in imperialist nations, but it is preposterous to suggest that the North-South gulf in wages and living standards has been substantially eroded. David Harvey should provide some data to back up his claims—or withdraw them. He could consult ‘Global wage trends in the neoliberal era’, chapter 5 of my *Imperialism in the Twenty-first Century*, along with its discussion of the growth of the ‘planet of slums’ (so much for Harvey’s claim that I “ignore urbanisation”!) and other evidence supporting a rather different conclusion to the mainstream convergence hypothesis endorsed by Harvey of (p. 104):

the imperialist division of the world... has shaped the global working class, central to which is the violent suppression of international labor mobility. Just as the infamous pass-laws epitomized apartheid in South Africa, so do immigration controls form the lynchpin of an apartheid-like global economic system that systematically denies citizenship and basic human rights to the workers of the South and which, as in apartheid-era South Africa, is a necessary condition for their super-exploitation.

Why does Harvey refuse to acknowledge the enormously-expanded exploitation of Southern labour by Northern capital? Why does he deny the prevalence of super-exploitation in the low-wage rungs of global value 221? Why does he claim that the split in the international working class that so preoccupied Lenin and the communist movement when it was communist is now history? It’s simple—realism on any of these points would result in the collapse of his argument.

Harvey’s idealism

“Marx taught us that the historical materialist method does not start with concepts and then imposes them on reality, but with the realities on the ground in order to discover the abstract concepts adequate to their situation. To start with concepts, as does John Smith, is to engage in rank idealism.” Harvey offers sound advice—but he should practice what he preaches. His criticism of my analytical method as ‘rank idealism’ applies without exaggeration to his own approach, as we shall see.

It is indeed of the utmost importance to start with facts, as I stressed in my article

Imperialism in the Twenty-first Century:

“Communism is not a doctrine but a *movement*; it proceeds not from principles but from *facts*,” said Frederick Engels. Wide international differences in the rate of exploitation, the huge global shift of production to where this rate is highest, and the tremendous southwards shift in the centre of gravity of the industrial working class are the new, big facts from which we must proceed. These are the defining transformations of the neoliberal era, and they are key to understanding the nature and dynamics of the global crisis... Instead of using Marx’s comments on nineteenth-century production to deny the reality of twenty-first-century super-exploitation (and of the imperialist order resting on it), we must test Marx’s theory against these new facts, and use and critically develop his theory in order to understand this latest stage of capitalism’s imperialist development.

Harvey accuses me of espousing a “fixed, rigid theory of imperialism.” He obviously hasn’t read my book. Fair enough; I’m sure he is very busy. But were he to do so, he would see that, by proceeding from the most significant, transformative fact about the neoliberal era, namely the shift of production to low-wage countries driven by imperialist hunger for super-exploitable labour, I am led not only to argue the need for a radical extension of Lenin’s theory:

... Just as Karl Marx could not have written *Capital* before capitalism’s mature, fully evolved form had come into existence with the rise of industrial capitalism in England, so it is unreasonable to expect to find, in the writings of Lenin and others writing at the time of its birth, a theory of imperialism that is able to explain its fully evolved modern form (*Imperialism in the Twenty-first Century*, the book, p. 225)...

... but also to contend that the necessary starting point for a theory of contemporary imperialism is precisely what Marx excluded from consideration in *Capital*; e.g. in the MR article cited above I argue:

In the third volume of *Capital*, while discussing “counteracting factors” inhibiting the tendency of the rate of profit to fall, Marx makes another brief reference to... the “Reduction of Wages Below their Value,” [which] is dealt with in just two short sentences: “like many other things that might be brought in, it has nothing to do with the general analysis of capital, but has its place in an account of competition, which is not dealt with in this work. It is nonetheless one of the most important factors in stemming the tendency for the rate of profit to fall.”

Not only did Marx leave to one side the reduction of wages below their value, he made a further abstraction that, while necessary for his “general analysis of capital,” must also be relaxed if we are to analyze capitalism’s current stage of development: “The distinction between rates of surplus value in different countries and hence between different national levels of exploitation of labour are completely outside the scope of our present investigation.” Yet it is precisely this that must form the starting-point for a theory of contemporary imperialism.

Harvey reprimands me for claiming that his *Limits to Capital* contains “just one brief, desultory mention of imperialism.” I apologise for this imprecision. His book does contain many fleeting, historical references to imperialism, and two somewhat more substantial

discussions, one discussing Lenin's theory, the other forms part of the book's conclusion. The truth that I intended to convey is that only once (pp. 441-2) does Harvey mention that the essence of imperialism is "the reality of exploitation of the peoples in one region by those in another... the geographical production of surplus-value [can] diverge from its geographical distribution." I overlooked another brief mention: "each nation-state strives to protect its monetary base [by] enhancing value and surplus value production within its borders or appropriating values produced elsewhere (colonial or imperialist adventures)" (p. 387). And that's it! On all other occasions—even when reporting Lenin's theory! —'imperialism' is discussed in relation to inter-state rivalry, to finance capital and to the rise of monopoly, but exploitation of subject peoples is entirely expunged, both from Harvey's own concept and his presentation of the views of others.

In his reply to my critique, Harvey makes a similarly vague acknowledgement of this all-important phenomenon, asserting that he doesn't "deny that value produced in one place ends up being appropriated somewhere else and there is a degree of viciousness in all of this that is appalling." Okay, he doesn't deny this, but he doesn't dwell on it, either. He just wants to say as little as possible about it, and at all costs to avoid acknowledging that value produced *in places like China, Bangladesh and Mexico* ends up being appropriated *in countries like USA, UK and Japan*.

What little he does say, however, is very revealing—not about the world, but about the quality (in all the meanings of the word) of his argument. In his reply to my criticism, for example, he says, "When we read accounts of awful super-exploitative conditions in manufacturing in the global South it often transpires that it is Taiwanese or South Korean firms that are involved even as the final product finds its way to Europe or the United States." The substantive issue in this was addressed by Judy Whitehead in the comment she posted on Harvey's reply: "While it's true that many local companies, e.g. Foxconn, run the factories that produce goods for the West, in China and a few other locations, Smith shows in his book that a large majority of the profits accrue to the multinationals they are contracting for, e.g. Apple."

Two other things can be said about Harvey's statement. First, on those rare occasions when Harvey mentions super-exploitation, he only ever uses it as a descriptive term, never as an analytical category. Second, whenever he does acknowledge its actuality—as in the above passage—he goes to great pains to deflect attention from its beneficial effect on the profits of TNCs headquartered in North America, Europe and Japan.

I conclude this discussion of Harvey's treatment of inconvenient facts by examining another of his revealing statements. In his reply to my criticism, he stated that, "As Marx long ago pointed out, geographical transfers of wealth from one part of the world to another do not benefit a whole country; they are invariably concentrated in the hands of privileged classes."

Invariably?? Can't Harvey think of any instances where the imperialists have used part of the proceeds of super-exploitation to bribe and corrupt their own workers? Was Frederick Engels deluded when, in an 1882 [letter to Kautsky](#) (when the latter was still a Marxist), he said, "You ask me what the English workers think about colonial policy. Well, exactly the

same as they think about politics in general: the same as the bourgeoisie think. There is no workers party here... and the workers are cheerfully consuming their share of England's monopoly of the world market and the colonies"?

When Ernest Bevin, Labour's Foreign Secretary in the Britain's post World War 2 government, declared to the House of Commons in 1946 that "I am not prepared to sacrifice the British Empire because I know that if the British Empire fell...it would mean the standard of living of our constituents would fall considerably," was he making it up?

And when in 2018 the British state collects, in VAT and other taxes, up to half the final sale price of a shirt made in Bangladesh (while the woman who made the shirt is paid a tiny fraction of this amount) and uses these tax receipts to finance the National Health Service and workers' pensions (neither of which are available to our Bangladeshi sisters, nor to the 260 million migrant workers from China's countryside who toil in that country's export-oriented factories), is it acceptable for Marxists to ignore such inconvenient 'realities on the ground'?

In *Imperialism and the Split in Socialism* Lenin said (and he repeated the same idea in countless other articles and speeches), "The capitalists *can* devote a part (and not a small one, at that!) of the super-profits [arising from "England's *colonial* monopoly," Lenin's emphasis, here and throughout] to bribe *their own* workers, to create something like an alliance . . . between the workers of the given nation and their capitalists *against* the other countries;" and he continued, "This, in fact, is the economic and political essence of imperialism, the profound contradictions of which Kautsky glosses over instead of exposing." Substitute Harvey for Kautsky, and these words are as true today as when they were spoken a century ago. And when David Harvey responds to this criticism, as I sincerely hope he will, perhaps he can explain why he omitted any mention of this "economic and political essence of imperialism" in his discussion of Lenin's views in *Limits to Capital*, in *The New Imperialism*, or anywhere else.

Harvey's use of *Capital* to deny contemporary imperialism

So far, we have examined how Harvey deals with facts that contradict his denial of imperialism. Now we will look at how he uses and abuses theoretical concepts drawn from Marx to the same end.

Harvey says he "acknowledges the significance of Marx's theory of relative surplus value which makes it possible for the physical standard of living of labour to rise significantly even as the rate of exploitation increases to dramatic levels impossible to achieve through the absolute surplus value gained in the more impoverished arenas of capital accumulation that often dominate in the global South."

Here Harvey echoes the standard argument used by many Marxists in imperialist countries (whom I sometimes refer to as 'euro-Marxists') to deny the prevalence of higher rates of exploitation in China, Bangladesh etc. In doing so, he provides an excellent example of 'imposing concepts upon reality'. To use Marx's theory of absolute surplus value to explain the abysmally low levels of consumption endured by garment workers in Bangladesh and workers on automobile assembly lines in Mexico is glib and false. That so many others do

so is no excuse; to the contrary, it increases the onus on Harvey to apply his deep knowledge of Marxism to critically develop this theory in order to answer real-world questions that have remained unanswered for far too long.

As with all commodities, the value of labour power is determined by the quantity of labour required for its production, and is synonymous with 'necessary labour time', i.e. the time during which the s/he replaces the values consumed by her/his family. Marx's concept of absolute surplus value refers to the extension of the working day beyond necessary labour time; the amount by which it does so he called surplus labour time, and the ratio between the two is the rate of surplus value, a.k.a. the rate of exploitation (the difference between these two terms becomes important when we take account of the distinction between production and non-production labour, but it is not relevant here). Absolute surplus value, Marx argued, may be increased by further extending the working day beyond necessary labour time. *This is entirely distinct from the reduction of necessary labour time through the suppression of workers' consumption levels.* As Marx explained in many places in Vols. I and III of *Capital*, "pushing the wage of the worker down below the value of his labour-power" is "excluded from consider[ation] by our assumption that all commodities, including labour-power, are bought and sold at their full value."

On the other hand, Marx's concept of relative surplus value explains that improvements in the productivity of workers *directly or indirectly employed in the production of consumption goods* reduces necessary labour time without any corresponding reduction in workers' consumption levels, and that such productivity advances can allow workers' consumption levels to rise without increasing necessary labour time and reducing the rate of surplus value.

Neither of these concepts, taken separately or used in combination, are sufficient to explain the value relations in contemporary globalised production networks. First, Harvey's argument is contradicted by facts—the shift in the production of so many consumer goods to low-wage countries means that the wages and productivity of workers in low-wage countries have become major determinants of relative surplus value in imperialist countries. What's new about 'new imperialism' is the *vast scale* of this phenomena; the exceptional importance of Ruy Mauro Marini's contribution to the dependency and imperialism debate that raged in the decades before 1980 lies, in part, in his argument that, *during Karl Marx's own lifetime* super-exploitation in Britain's colonies and neo-colonies increased relative surplus value within Britain itself (cheaper food etc. imports reduced necessary labour time without reducing consumption levels). In his *Dialéctica de la Dependencia* (1973), Marini argued (my translation):

The concept of super-exploitation is not identical to that of absolute surplus-value since it also includes a type of production of relative surplus-value—that which corresponds to an increase in the intensity of labour. On the other hand, the conversion of part of the wages fund into a source of capital accumulation does not strictly represent a form of absolute surplus-value production, since it simultaneously affects both parts of the working day, not only of surplus labour-time as is the case with absolute surplus-value. Above all, super-exploitation is defined most of all by greater exploitation of the worker's physical capacity, in contrast to the exploitation resulting from an increase in her/his productivity, and tends normally to express itself in the fact that labour power is remunerated below its actual value.

Second, and even more seriously, Harvey's abuse of the concept of absolute surplus value makes the elementary mistake of confusing the productivity of workers producing consumption goods with the productivity of workers who consume these goods. As I explain in *Imperialism in the Twenty-first Century* (the book, pp. 242-3),

Not only is the relation between the productivity of labor and the exchange-value created by it not direct, as asserted by mainstream economic theory and echoed by euro-Marxists, they are wholly independent of each other, as Marx emphasized (vol. I, p.137):

By productivity, of course, we always mean the productivity of concrete useful labor... Useful labor becomes... a more or less abundant source of products in direct proportion as its productivity rises or falls. As against this, however, variations in productivity have no impact whatever on the labor itself represented in value. As productivity is an attribute of labor in its concrete useful form, it naturally ceases to have any bearing on that labor as soon as we abstract from its concrete useful form. The same labor, therefore, performed for the same length of time, always yields the same amount of value, independently of any variations in productivity. But it provides different quantities of use-values during equal periods of time.

Belief in a direct relation between wages and productivity is therefore founded on a confusion of use-value with exchange-value, a confusion that wrecks the very foundation of Marx's theory and in fact responds to the semblance of the relations of production in the mind of the capitalist. In other words, the orthodox Marxists are in fact promoting bourgeois economics dressed in Marxist terminology.

If Marx's concepts of absolute and relative surplus value are insufficient to explain the realities of contemporary global production networks, what else do we need? The short answer: *a theoretical concept of super-exploitation*. As stated above, Marx repeatedly, explicitly excluded both international variations in the rate of surplus value and the suppression of wages below the value of labour power from his 'general theory' of capital. Reduction in the value of labour power by suppressing consumption levels (or what amounts to the same thing, reduction of wages below the value of labour power) is a distinct, third way to increase surplus value, and it has attained incredible importance during the neoliberal era, being the fundamental driving force behind global labour arbitrage and the massive shift of production to low-wage countries.

The rediscovery of this third form of surplus-value is the breakthrough that provides the key to unleashing the dynamic concepts contained in *Capital*, and it was made by Andy Higginbottom in a 2009 conference paper entitled *The Third Form of Surplus Value Increase*, building on the above-mentioned work of Ruy Mauro Marini and since developed further in a series of ground-breaking papers and articles (see [here](#), [here](#) and [here](#)). In his 2009 paper he said, "Marx discusses three distinct ways that capital can increase surplus-value, but he names only two of these as absolute surplus-value and relative surplus-value. The third mechanism, reducing wages below the value of labour-power, Marx consigns to the sphere of the competition and outside his analysis."

As I said in my book (p. 238),

“Wage arbitrage-driven globalization of production corresponds neither to absolute surplus-value—long hours are endemic in low-wage countries, but the length of the working day is not the outsourcing firm’s main attraction—nor to relative surplus-value: necessary labor is not reduced through the application of new technology. Indeed, outsourcing is *an alternative* to investment in new technology. Raising surplus-value through expanding the exploitation of Southern low-wage labor therefore cannot be reduced to the two forms of surplus-value extraction analyzed in *Capital*—absolute and relative surplus-value. Global labor arbitrage-driven outsourcing is driven by lust for cheaper labor, and corresponds most directly to the “reduction of wages below their value.” In other words, global labor arbitrage, the driver of the global shift of production to low-wage nations, is the third form of surplus value recognized by Marx as a most important factor, yet excluded, as we have seen, from his theory of value.

The China question

Harvey asks “Is China the new imperialist power?” This is a fair and very large question to which I cannot possibly do justice in the context of this reply. China is much more than merely a very large, fast-growing ‘emerging nation’. It is a country which was transformed by a massive socialist revolution (more precisely, the 1949 revolution established necessary conditions for advance towards socialism—imperialist domination was ended, landlords and capitalists were expropriated, their state was overthrown—but further progress was stymied by the sectarian and reactionary policies of its Stalinist leaders) and which is now attempting a transition back to capitalism. Despite widespread views to the contrary, this transition is far from complete and its completion is far from certain. Imperialism is inscribed in the DNA of capitalism, and if China has embarked on the capitalist road, then it has also embarked on the imperialist road.

Seven years ago, I wrote,

I don't believe that the sum total of transformations that have taken place in China over the past three decades *yet* equal in significance those resulting from China's socialist revolution, namely the expropriation of the capitalists and landlords and the establishment of a workers' state (albeit horribly deformed from the outset by its Stalinist leadership). There are many capitalists in China, and their number and wealth is rapidly increasing, and there is indeed a great deal of capitalist accumulation taking place in China today, *but most of this capital is being accumulated by Japanese, US etc TNCs*—both those whose foreign subsidiaries today produce around 55% of Chinese exports, and also by 'lead firms' like Wal-Mart and Dell indulging in arm's-length exploitation of workers by independent suppliers... Capitalist development in China is still characterised by dependence on exports of low value-added goods to the imperialist economies (or, in the case of China's high-tech exports, low value-added assembly of imported inputs), and by reliance on FDI from TNCs based in those economies....

Is China's rise a threat to imperialist domination of Asia and the world? Yes, I believe it is. What sort of threat? That China's rulers—whether we consider them to be a capitalist class or a Stalinist bureaucracy—will refuse to accept the subordinate, oppressed, submissive status reserved for the so-called emerging nations, that they will challenge US hegemony over Asia and develop a counterweight to the US-Japanese military alliance that rules its coastal waters, that they will wield the potential economic power reflected in their possession of trillions of dollars of US treasury bonds and other financial assets, that their emergent TNCs will muscle in on mineral resources and markets hitherto the exclusive preserve of the imperialist nations. They are already marching down this road, *a road that leads to war*, and the USA is responding in the way we would expect the imperial hegemon to respond: the invasion of Iraq was aimed at least as much at intimidating China as at securing US/UK control over Middle Eastern oil.

Much has changed in the last seven years. Chinese state capitalism (for want of a better term) shows signs of developing a strategic challenge to Japanese, European and North American dominance in key industries, from robotics, information technology and artificial intelligence to renewable energy, aerospace and nuclear power generation. These developments, along with sharply increasing military tensions in China's coastal waters (which have been an American lake since the end of World War II), and the phoney proxy war taking place on and around the Korean peninsula, reinforce the verdict I reached seven years ago—the combination of spreading global capitalist depression and China's growing challenge to imperialist domination means that we no longer live in a post-World War II world, we live in a pre-World War III world. Class-conscious workers must maintain independence from both sides in this looming conflict and prepare for the revolutionary openings which capitalism's deepest-ever crisis is certain to produce. Right now, that means denouncing US aggression against Korea and demanding the withdrawal of its military forces and bases from the west Pacific, opposing Japan's nuclear rearmament, and also opposing Chinese capitalist expansion and the Chinese Communist Party's attempts to forge an alliance with reactionary capitalist regimes in Myanmar, Pakistan, Sri Lanka and other countries in the path of its 'One Belt, One Road'.

* * *

Finally, Harvey expresses his displeasure with "the kind of polemic that Smith engages in

as a substitute for reasoned critique;" in particular that I dared to mock his advocacy of a "benevolent, New Deal imperialism, preferably arrived at through the sort of coalition of capitalist powers that Kautsky long ago envisaged" (*The New Imperialism*, pp. 209–211). I would just point out that, so keen was I to accurately summarise his views, *no less than 40 percent of David Harvey denies imperialism consists of extended quotes from his works.*

Harvey defends his call for a "benevolent imperialism" on the grounds that "it would have been better for the left to support a Keynesian alternative." *But there was, and is, no Keynesian alternative*; this is nothing else than a social-democratic fantasy, just as was Kautsky's dream, shared by Harvey, of an end to inter-imperialist rivalries. And as Lenin explained, *social democracy* is a nothing else than a euphemism for *social imperialism*.