

Colonialism and the birth of capitalism

The birth of capitalism, and the creation of the world as a connected economic and political system was one process, stretching from the Italian city states in the mid-1400s, to the European colonization of the world in the following centuries (Wallerstein, 1974). It was the process of colonial exploitation and of settler-colonialism creating clones of Europe in North America, Australia, New Zealand, Algeria, Rhodesia, and South Africa, displacing and eliminating the original population.

A global transfer of value –Imperialism– was an essential, necessary and integrated part of this process. The silver and gold from Latin America became the coins, which simulated the capitalist manufacture in Northwestern Europe; the so-called original - or primitive accumulation. The sugar, coffee, cacao, tobacco, tea, and cotton, -all the colonial products- produced by slaves and super-exploited labor and consumed in Europe and North America, was also a value transfer, that united the modern world-system, but at the same time, polarized it in a center-periphery structure.

The capitalist mode of production accumulates on a global scale. The world-system of national states, in the formation of the center-periphery structure, provides the political, cultural, ideological, and military framework of this mode of production. Through inter-imperialist wars, we have seen the rise and fall of shifting hegemony: The Netherlands, Britain and the United States. The hegemonic power sets the rules of the world system, in the last resort by military means.

By the 1880s, the unequal relationship between the center and periphery had been cemented. Only subsistence wages - or less - were being paid in the colonies, while wages became higher in the center, as a result of the struggle of the working class. Settler-colonialism significantly reduced the «industrial reserve army» in Europe, thus creating better conditions for the remaining workers' wage struggle; and super-profits from colonial exploitation, made it possible for capital to accommodate the demands from the trade unions (Lauesen, 2018: 60-67).

European capitalism engulfed the world, expanding international trade, by importing raw materials and agricultural products and exporting industrial goods. The low wages in the colonies and a rising wage level in the center, entailed an unequal exchange of value, through the price structure, when goods were traded on the world market (Emmanuel, 1972a).

The development of «unequal exchange» became the historical solution to mediate the contradiction between capitalism's need to expand production on one hand, and the ability of consumption power to absorb the produced com-

modities on the other hand. Emmanuel writes: «Overproduction [...] is always latent in capitalism and it does become manifest under certain conditions...After 1870, the trade-union struggle and the rise in salaries helped advanced capitalism out of this dilemma, at any rate to a certain extent» (Emmanuel, 1972b: 56).

This was not a cunning plan by capital. The working class in the center had to fight for their economic and political improvements in fierce trade union and political strife against the bourgeoisie. However, the rising wage level, the improved working conditions and the expanded political rights strengthened the belief in the possibilities of reforms within the system in the working class, which in turn made it less risky for the capitalists to give the working class additional political rights. The compromises made the class struggle less hostile. The revolutionary part of the labor movement weakened as reformism was strengthened in the center (Lauesen, 2018: 60-67).

In this specific way «history» found a way, in which the inherent contradiction of the capitalist mode of production was solved temporarily on the global scale. The super-exploitation in the periphery secured the profit-rate, and the rising wage level in the center, created the consumption power which realized profit by the sale of cheap commodities. This created a dynamic economic development in the center and under-development in the periphery. The focus on consumption power as the driver of development - the emphasis on the problems of the realization of production - the circulation sphere - is, however, not done at the expense of analyzing what takes place in the sphere of the production of goods.

It is the human labor in the production process that is the source of value; however, the specific determination of the exchange value is defined by the relationships between seller and buyer in the circulation sphere. The term exchange value was not randomly chosen. The Marxist concept of value is at the core of the theory of unequal exchange. A global value of labor on one side and historical capitalism on the other have polarized the world-system into a center and a periphery, with correspondingly high- and low-wage levels. The central point is not the exchange, but the difference between the global value of labor and the different prices of labor power. The concept of value unifies the production and circulation spheres, both necessary in capitalist accumulation. Marx was very clear about the relationship between production and circulation in the valorization of capital: «Capital cannot...arise from circulation, and it is equally impossible for it to arise apart from circulation. It must have its origin both in circulation and not in circulation» (Marx, 1867: 268).

The divorce that exists between the location of production and the location of consumption in the dependent economy generates peculiar condi-

tions for the exploitation of labor in the production sphere, which Marini calls «super-exploitation.» This super-exploitation aggravates the split between national production and domestic consumption, from the heart of the production sphere (Marini, 1973:157). Marini's concept of super-exploitation in the colonies and Emmanuel's explanation of the wage rise in the imperialist center, as the driver of unequal exchange, supplement each other nicely. Both Marini and Emmanuel see the deviation of the wage from the global value of labor power as the generator of unequal exchange.

The development of the productive forces

The international division of labor made by colonialism created one internal circle of capital accumulation in the periphery and another in the center. However, the two were linked together in the expanded reproduction on a world scale. As an exporter of raw materials and agricultural products, the economies in the periphery are developed to meet the demands of capitalist circulation in industrial countries in Europe and North America.

In the dependent accumulation, the two moments of the cycle of capital — production and consumption of merchandise— are separated geographically. Productions take place in the dependent country; consumption takes place in the imperialist center. Being export-orientated, periphery capital circulation does not depend on the domestic capacity for consumption. The contradiction between capital's needs for, on the one hand, expanded production and, on the other hand, the need for consumption to complete the circle of accumulation and thereby realize profit, is solved by European and North American consumption. As Marini explained:

In the Latin American export economy, things are different. Since circulation is separated from production and takes place basically in the sphere of the external market, the individual consumption of the worker does not interfere in the realization of the product, although it does determine the share of surplus value. Consequently, the natural tendency of the system will be to exploit to the maximum the labor force of the worker, without worrying about creating the conditions for him to replace it, as long as he can be replaced by incorporating new arms to the productive process (Marini, 1973: 139).

The existence of a reserve army of labor allowed for a constant increase in the mass of workers, compressing the individual consumption of the worker and thereby increasing the profit rate. This develops a certain form of capitalism in the periphery. The export economy is, then, something more than the

product of an international economy founded on productive specialization: it is a social formation based on the capitalist mode of production, which accentuates to the limit the contradictions inherent to it. In doing so, it configures in a specific way the relations of exploitation on which it is based and creates a cycle of capital that tends to reproduce on an enlarged scale the dependence in which it finds itself *vis-à-vis* the international economy (Marini, 1973: 139).

Thus, the sacrifice of workers' individual consumption for the sake of exporting to the world market depresses the levels of domestic demand and makes the world market the only outlet for production. At the same time, the resulting increase in profits puts the capitalist in a position to develop consumption expectations without a counterpart in domestic production (oriented towards the world market), expectations that have to be satisfied through imports. The separation between individual consumption based on wages and individual consumption generated by unaccumulated surplus value thus gives rise to a stratification of the internal market, which is also a differentiation of spheres of circulation: while the «low» sphere, in which workers participate—which the system strives to restrict—is based on internal production, the «high» sphere of circulation, proper to non-workers—which is what the system tends to widen—is linked to external production, through the import trade (Marini, 1973:156).

The relationship between production and consumption develops differently in the imperialist core, where there is a correspondence between the growth of production and the expansion of the home market. The possibility for the industrial capitalist to obtain abroad the food necessary for the worker at a low price did not entail a fall in wage level but made space for the consumption of other manufactured goods by the working class. In the imperialist core countries, industrial production became centered on goods for popular consumption. As the wage level increased, capital was oriented toward increasing the productivity of labor by introducing new technology and effective organization of the labor process. The way to increase profit was to produce more goods with less labor.

Even if the value transfer by unequal exchange is considerable, and we also take in consideration the historical accumulation year after year, then this value transfer does not alone explain the huge difference in development between the center and the periphery. There are other factors in play, such as the difference in the pattern of capital investment, which respectively blocked the development of the Third World and accelerated the development of the center. However, it turns out that unequal exchange and unequal development have the same cause, namely the difference in wage. The low wage in the

periphery is the source of the direct value transfer in terms of relative cheap commodities for capital and consumers in the center, but the low wage also ruined the development of the home market in the Third World, and hence the possibility to attract capital investment to produce goods for such a market.

The necessary raw material and agricultural production located in the periphery for export to the center was never followed by a processing industry, and a machinery industry in continuation of this, nor the development of an industry to produce consumer goods for the workers. As Emmanuel says: «Capital, whether multinational or national, is governed by opportunities for its investment. Since there is a sharp difference between wages in industrialized and developing countries, these opportunities are no longer a decreasing but an increasing function of development...».

Market forces gave 'to each his due', to the Ghanaian worker his hoe and to the American worker his tractor. Cheap muscles drove out grey matter and machinery from the low-wage countries, while grey matter and machinery took the place of expensive muscle power in the developed countries. The situation reached deadlock precisely because the rarefaction of grey matter and machinery-maintained productivity at a low level, thus forcing the cost of muscle power even lower. This lowering of cost in turn rendered grey matter and machinery less profitable (Emmanuel, 1976a: 763-64, 768). The market forces were adequate to control and create the right conditions for exploiting the periphery, this is maybe the reason why the old colonial administration of the colonies could be skipped and replaced by neocolonialism led by the U.S.

Over- and under-development

The polarization in over-development and underdevelopment are two sides of the same process. It is by considering the unity of the different forms capitalism takes, that it becomes possible to understand and explain the dependent capitalism in the Third World and the welfare capitalism in Northwestern Europe and parts of North America, as part of the same system. Emmanuel states in 1976:

The center finds itself today overdeveloped to the very extent that the periphery is underdeveloped..... a country is over- or under-developed in relation to the general level of development of the productive forces that the existing system of market economy is, in the given historical conditions, capable of securing on a world scale. This would denote, that the United States is able to be the United States or Sweden, Sweden, only because the others, that is to say the two billion people, are neither the one nor the other. This would denote as well, that equalization at the

highest level is materially excluded, at least with regards to the overall national averages (the world «materially» referring to the dual limitation on the pool of basic resources on the one hand, the ecological balance on the other) [...] One can thus ask oneself, if this is not sufficient reason for these working classes (in the overdeveloped countries) to dismiss such a communal and fraternal system, and express this opposition either through openly integrating themselves in the existing system, as in the USA or West Germany or by advocating a national path to socialism as in France and Italy... Thus then, must we say that the impossibility of quantitative equalization does not bar the integration of mankind provided that this is based on a qualitative-type change of consumption and lifestyle? One thing is clear, this is the only conceivable solution. Without a qualitative change in the pattern of consumption itself, an egalitarian humanity could neither come about nor survive (Emmanuel, 1976b: 1-3).

On the basis of Emmanuel's general economic model of unequal exchange, a whole school of ecological unequal exchange developed. Emmanuel has many hints in his book and articles to this question, already in 1975, he writes:

If the present developed countries can still dispose of their waste products by dumping them in the sea or expelling them into the air, it is because they are the only ones doing it. Just as their inhabitants can still travel by air and fill the world's skies only because the rest of the world does not have the means to fly and leaves the world's air routes to them alone and so on (Emmanuel, 1975: 66).

The polarization of the world-system in terms of living standard and development of the productive forces continued up through the 20th century, first within the framework of colonialism, then neocolonialism, and finally neoliberal globalization.

The transitional mode of production

The proletariat in the periphery have of course not passively accepted this development. There is a long history of resistance to imperialism, exemplified by the Russian, the Mexican, and the Chinese revolutions, and the wave of decolonization from the end of the Second World War until the 1970s. However, as long as the capitalist mode of production is vital, developing the productive forces, capitalist states will dominate the world-system, economic and political. One of Marx's conclusions in his development of historical materialism was: «No social order is ever destroyed before all the productive

forces for which it is sufficient have been developed, and new superior relations of production never replace older ones before the material conditions for their existence have matured within the framework of the old society» (Marx, 1859: 263).

So long as the capitalist accumulation process continues smoothly on the global level, so long will it have the support of the superstructure - the state, the political system, and its ideology. When the system becomes dysfunctional, irrational, and destructive, then a structural crisis occurs, and the possibility for the development of new mode of production arises on the basis of the old. However, there can be revolutionary situations, and partial transformations, on the national level, within global capitalism, due to the deadlock created by the polarization process, as in Russia in 1917. Lenin defined the revolutionary situation: «For a revolution to take place, it is usually insufficient for 'the lower classes not to want' to live in the old way; it is also necessary that 'the upper classes should be unable' to live in the old way» (Lenin, 1915: 213).

Lenin was fully aware, that, before the development of socialism could take place, a revolution had to occur in the most developed part of the capitalist system. As this did not happen, states seeking to develop socialism could only establish a transitional mode of production, to develop the preconditions to move towards socialism at a later stage. To facilitate this, and to survive as a state, in the world-system, they had to establish a corresponding transitional state, in which the power rests in the hands of the proletariat. This is what Russia and China tried.

The two world wars were essentially an inter-imperialist struggle, determining who would succeed the British Empire as the new world hegemonic power. This, together with the transition from colonialism to neocolonialism, created a «window of opportunity» for liberation movements, in what became the Third World. Through the 1960s and the beginning of the 1970s, with its climax in the 1968 uprisings, a revolutionary wave washed over the world.

Inspired by the anti-imperialist victories in China, Cuba and Algeria, and the successful resistance in Vietnam, revolutionary movements appeared in numerous countries: Laos, Cambodia, India, Nepal, Indonesia, Thailand, the Philippines, Palestine, Lebanon, South Yemen, Oman, Angola, Mozambique, Guinea-Bissau, Zimbabwe, South Africa, Namibia, Guatemala, El Salvador, Nicaragua, Brazil, Chile, Uruguay, and Mexico. In some of these countries, socialist movements came to power. In the decade from 1965-75, the principal contradiction on the world level was between imperialism, now led by the U.S., and the numerous anti-imperialist movements and progressive Third World states, which tried to build socialism.

However, national liberation proved easier to obtain than ending imperialist exploitation. The anti-colonial movements were well aware that the struggle to develop the forces of production was a necessary continuation of national liberation towards socialism. Following the Algerian revolution's military victory, the key question became the production front. In a speech on December 23, 1964, in Algeria, Che Guevara said: «This is a time for construction, something much more difficult, and seemingly less heroic, but demanding all the nation's forces...It is necessary to work, because at times like these that is the best way of struggling [...] Fatherland or death» (Guevara, 1964).

To echo Che in 2006, the Vice-President of Bolivia, Garcia Linera, launched the slogan «industrialization or death.» (Stefanoni, 2006). While the Cuban «Fatherland or death» expresses the identity, in specific circumstances, of the class and national struggle, «industrialization or death» expresses the idea that political independence proves illusory if not sustained by economic independence, sustained by the development of the productive forces (Losurdo, 2016: 319-320).

In Algeria, Frantz Fanon posed the problem of a national liberation movement's transition from the politico-military to the politico-economic. The worker replaced the guerrilla as the revolutionary subject:

Today, national independence and nation-building in the underdeveloped regions take on an entirely new aspect...every country suffers from the same lack of infrastructure...But also, a world without doctors, without engineers, without administrators...When a colonialist country, embarrassed by a colony's demand for independence, proclaims with the nationalist leaders in mind: «If you want independence, take it and return to the Dark Ages,» the newly independent people nod their approval and take up the challenge. And what we actually see is the colonizer withdrawing his capital and technicians and encircling the young nation with an apparatus of economic pressure. The apotheosis of independence becomes the curse of independence. The sweeping powers of coercion of the colonial authorities condemn the young nation to regression...The nationalist leaders then are left with no other choice but to turn to their people and ask them to make a gigantic effort. An autarkic regime is established and each state, with the pitiful resources at its disposal, endeavors to address the mounting national hunger and the growing national poverty. We are witness to the mobilization of people who now have to work themselves to exhaustion while a contemptuous and bloated Europe looks on. Other Third World countries refuse to accept such an ordeal and agree to give in to the terms of the former

colonial power. Taking advantage of their strategic position in the Cold War struggle, these countries sign agreements and commit themselves. The formerly colonized territory is now turned into an economically dependent country (Fanon, 1961: 53-55).

After the end of the Second World War and the subsequent tide of decolonization, over a hundred new nations were born. But national self-determination and the ambition to create socialism were not enough to bring about socialism in reality. The conditions were even more difficult for the smaller Third-World countries than it was for huge countries like Russia and China, where more diverse economic, land reforms, and planned economy made it possible to create more viable transitional economies and mounting a defense against hostile imperialist encirclement.

The most important barrier for transition towards socialism was the polarizing dynamic, caused by the «unequal exchange» in global capitalism. Raw materials and agricultural products, produced by low-wage labor in the Third World, were exchanged by industrial products produced by relatively high-wage labor in the imperialist center. The newborn revolutionary states did not have the power to change this dynamic. They could not simply increase wages and thereby prices, for the raw materials and agricultural products they supplied to the world market. They stood in competition with one another and were forced into a race to the bottom. Without the necessary development and diversity of the productive forces, delinking themselves from the world market, and trying to produce solely for the domestic market, and in the interest of the workers and peasants, risked throwing their economies into ruin. They had inherited the economic structures established by their former colonial oppressors—these were not designed to serve their interests. They were stuck with monocultures and industries limited to processing a few raw materials. No matter their aspirations, the economies of the newly independent countries were determined by the dominant capitalist realities.

Political independence led, in most cases, to capitalist applications of «development economics». Unlike their Western colonial predecessors, they could not just transfer the costs of industrialization and welfare to other nations, and therefore most were caught in the «development trap», leading to huge debt and sliding back to an exploited position in global capitalism. The periphery states managed to achieve national independence, but they did not liberate themselves from imperialist exploitation and they did not manage to develop a socialist mode of production.

It is easy to say that this was inevitable, and that the anticolonial movements should have known better. However, they had little choice. Seizing state power was necessary to at least change the balance of power in international relations. Various attempts to strengthen the political position of the former colonies and newly independent nations shows, that at the time, it seemed possible to collectively make a difference. OPEC –the cartel of oil-producer– was an example, as it dramatically raised the price for crude oil in the 1970s, which caused a major crisis for global capital.

Up until the mid-1970s, global capitalism was actually under pressure. The struggle against colonialism and imperialism grew stronger as the U.S. neo-colonialism penetrated the Third World, replacing the old colonial powers. This contradiction of imperialism versus anti-imperialism, interacted with the confrontation between the U.S. and the «actually existing socialism» of the Soviet Union. Although the split between China and the Soviet Union weakened the socialist bloc, and socialist movements in general, the two positions, in some peculiar ways, also supplemented each other. While China's Cultural Revolution and Vietnam's armed struggle provided a new revolutionary spirit, the Soviet Union was the necessary nuclear military power, which could counterbalance U.S. imperialism on a global scale, so that the revolutionary spirit had the necessary space to flourish, without being crushed. The Soviet Union's ability to reciprocate a nuclear attack deterred the U.S. from using nuclear weapons in its imperialist wars.

Vietnam took advantage of «the best of both worlds.» The Soviet Union provided them with anti-aircraft missiles and heavy artillery alongside existential guarantees to counterbalance the U.S. and avoid a nuclear attack on Hanoi. At the same time, Vietnam waged a «protracted people's war» on the ground without compromise, until its final victory, in tune with Maoist principles.

The global 1968-uprisings broadened the spectrum of liberation from the proletariat to race, gender, sexual minorities, and the indigenous peoples' struggle. It also offered a critique of «actually existing socialism», creating not only Maoist-inspired groups, but a host of «new left-wing organizations». I was a member of such a Maoist group in Copenhagen, Denmark. It was our hope that the liberation movements would prevail, cutting the pipes of imperialist value transfer, and thereby creating a revolutionary situation in the imperial core. The forces in the Third World would interact or merge with the rebellions in Europe and the U.S. and create a new global movement for socialism. As it happened, the new global wave which came into being was not a world socialist revolution, but neoliberalism. Capitalism still had options for expansion —a new spatial fix in the international division of labor. The

forces of the Third World were too fragmented and weak to cut the pipelines of imperialism. The socialist camp was split, and the '68-rebellion in the West was in the end, more rhetoric than deeds.

The G77 developing countries within the United Nations system – demanded a «New International Economic World Order» to give them control over their natural resources and to the development of a more equal world-system. However, the UN-system was blunted; the power rested in the imperialist center, led by the U.S.

Formulated in the language of historical materialism was the overarching factor that ended the revolutionary wave of the long sixties, the inability of «actually existing socialism,» both the Soviet and Chinese versions, and in the new states in the Third World, to develop their productive forces to a sufficient degree, to break the dominance of the global capitalist market forces. Because of this, the neoliberal counter-offensive was able to do what the U.S. army could not in Vietnam - put the Third World on its knees.

Neoliberal globalization

From the 1870s and up until the First World War, during the British hegemony, classical liberalism entailed an enormous increase in international trade, integration of markets, financial interdependence, and migration. Similarly, during the U.S hegemony, Neoliberalism developed the origins of globalization of production, which can be found in the 1950s, when monopolies based in the US, Western Europe, and Japan established branches in other countries, to secure access to raw materials and markets. Multinational corporations embraced neoliberalism as it promised to relieve the pressure of nation-state regulations on investment and trade; they wanted to move from being multinational to transnational.

Neoliberal globalization would not have been possible without a certain development of the productive forces, especially in transport, information processing, and communications. The introduction of the standard-size container, which could easily be moved from ships to trains and trucks, was one such innovation. The unloading of cargo ships, which once took days, could now be completed within hours. Costs for long-distance shipping were reduced by 97 percent. Since 1980, container transport by sea has grown by 1,550 percent: 95 percent of the foodstuffs, clothes, cars, and electronics we consume are shipped in containers. More than twenty million of them circumnavigate the globe. The biggest cargo ships can carry twenty thousand, which translates into forty thousand cars, 117 million pairs of shoes, or 745 million bananas (Kneller, Bernhofen, El Sahli, Zouheir, 2016: 36-50).

The development of computers, mobile phones, email, the Internet, and other forms of communication technology have revolutionized the global stream of information and communication. It became possible to manage and control production long distance and in detail. One example is the «just-in-time» managing model, which minimizes production time as well as storage costs by delivering the material used in production at exactly the right time to the right place. In short, the new communications and logistics innovations became central to the production process. They made it possible to divide the production process into numerous steps that don't need to be close geographically linked. The components of a car or a refrigerator could be produced and assembled in many different countries. The globalization of production made it possible for capital to free itself from the nation-state's embrace. Production is coordinated in networks and chains—whether they connect different floors in a building, or offices, workshops, or factories across the globe. Due to the development of the productive forces in production and transport, the geographic connection between the site of production and consumption became of less importance. The container became the hidden link between the producer countries in the South and the consumer countries in the North.

What matters was the price of the factors of production - independent of geographical location - most importantly the price of labor power. Capital could employ labor wherever it makes production most profitable. Laborers, on the other hand, are bound to the places where they earn a living by the borders of the national state.

Neoliberalism was not just a technical development; it was also about politics. The neoliberal breakthrough occurred when liberal think tanks and lobbyists from multinational corporations connected with conservative political forces. In England, Margaret Thatcher ran against the Labour Party in the 1979 election with the slogan: «There is no alternative». She immediately set about cutting away services provided by the welfare state, privatizing public companies and seeking in every way to curtail the influence of the trade union movement. When Ronald Reagan won the U.S. presidential election in 1981, it signaled the global breakthrough of neoliberalism.

Neoliberalism combined a market-oriented critique of state regulation of capitalism with an emphasis on individualism rather than community. The social democratic state was criticized for being patronizing and bureaucratic and for depriving people of freedom, responsibility and initiative. Thatcher wanted to replace what she called the «Nanny State» and its cradle-to-grave «coddling» with the «competition state». Governments across the world-system adopted neoliberal policies, «modernizing» the workflows of the pub-

lic sector according to the principles of New Public Management and Public Choice. They sold off public assets as social housing, railway and bus companies, telecommunications companies, electricity, heating—everything from the water supply to the sewers.

The main priority of the «competition state» is to secure the best possible conditions for capital, in competition with other states in the world-system. Free from the grip of the social state, from its control of the flow of capital and trade, and from the power of the trade unions, capital could initiate a new transformation of the global division of labor.

The new global division of labor

During the past forty years, there has been a fundamental change in the global division of labor. From capitalism's very beginning up to the 1970s, the countries of the periphery mainly served as sources of raw materials and tropical agricultural products. In the 1950s, industrial goods made up only 15 percent of the exports of all Third World countries combined. By 2009, the number had risen to 70 percent (UNCTAD, 2009).

Outsourcing of industrial production began in the 1970s with trade capital (represented by corporations such as Tesco and Walmart) moving the production of shoes, clothes, toys, and kitchenware to low-wage countries. The next wave in the beginning of the 80s, saw the U.S. electronics giants such as Cisco, Sun Microsystems, Garmin, and AT&T moving their production to South Korea and Taiwan in response to increasing competition from Japan. The latest, and strongest, wave was prompted when China entered the global market in the 1990s (Smith, 2016: 41-42)

In total, the global labor force engaged in capitalist production rose from 1.9 to 3.1 billion people between 1980 and 2011. That is an increase of 61 percent. Three-quarters of this workforce live in the Global South. Together, China and India account for 40 percent of the world's labor force (ILO, 2011). India joined the WTO in 1995, China in 2001, and the former Soviet republics and the countries of Eastern Europe were integrated into the global capitalist market around the same time. This meant an expansion of capitalism of historic magnitude, and a shift in geographic balance between North and South. In 1980, the numbers of industrial workers in the Global South and Global North were about equal. In 2010, there were 541 million industrial workers in the Global South, while only 145 million remained in the Global North (Suwandi and Foster, 2016: 124). The center of gravity for global industrial production no longer lies in the Global North, but in the Global South.

According to Marini, capitalist exploitation in the dependent country was mainly based on absolute surplus value (long working time with high intensity—blood sweat, and tears). With the change in the international division of labor, created by the neoliberal industrialization of the Global South, the relative surplus value (new technology and organization of work) was added to the forms of exploitation, not exchanged, as it happened to a certain degree, in the center, up through the twenty century. In the Global South, absolute surplus value continued to play a significant role. The wage-level remained low, and the consumption power, which is needed to realize profit, was mainly located in the Global North, hence no need for an expansion of the domestic market.

In the 1970s, dependency theory showed how the development of the periphery —or, more precisely, the lack of it— was dependent on the core countries. By the first decade of the twenty-one century, the core countries have become dependent on production in the periphery, and the periphery dependent on consumption in the center. To speak of «producer economies» and «consumer economies» -connected via global chains of production- more accurately describes current global economic relationships than the terminology formerly used by dependency theorists (Kerswell, 2006: 343).

Political management of neoliberalism

To govern this new wave of globalization, neoliberalism established an informal political leadership consisting of the US, the EU, and Japan, with the United States as the «lead dog,» and with biannual «G- meetings» to coordinate their policies. Europe developed from a common market towards a political union, and the former socialist bloc in Eastern Europe was absorbed by the EU. A common currency, the euro, was introduced in 1999, used by 19 countries with a population of more than 300 million. The North American Free Trade Agreement (NAFTA) was signed in 1991 and the World Trade Organization was established in 1995 to rule global trade. These institutions and agreements, and others like them, formed the political institutional framework of the new globalized capitalism. In addition, there were a number of more informal gatherings and «clubs,» such as the Davos and Bilderberg meetings, between leading capitalists and politicians. At the same time, the former Soviet republics, Eastern Europe, and China were integrated into the global capitalist market.

This «set up» must not be mistaken for a «world government» regulating global capitalism. It is just how U.S hegemony ruled the world-system at the height of neoliberalism. The national state is not irrelevant. Individual states—and their classes—still have, and defend, their national interests.

Hence, there is no unified global bourgeoisie. The U.S. wants U.S. capital to come out on top; Germany, German capital, and so on. Transnational corporations do not stand in opposition to the state as such. Rather, they ally themselves with states that best serve their interests. Transnational corporations benefit from the competition between states to offer capital the best conditions in terms of wage-level, taxes, infrastructure, security, etc. The centers of accumulation—that is, the financial, legal, and executive headquarters—remain restricted to states in the North. The states that the transnational corporations remain closely connected to, for historical, political, and economic reasons. They guarantee the security of capital at home and protect its interests abroad. It is the state that enforces property rights, the neoliberal treaties and agreements to regulate transnational trade and investment. It is the state that imposes this new global «institutional architecture» on the people. It is only the state that has the power to enforce economic, political, and military sanctions. President Obama made no effort to conceal this in a talk he gave at Nike headquarters in May 2015: «We have to make sure America writes the rules of the global economy. And we should do it today, while our economy is in the position of global strength. Because if we don't write the rules for trade around the world —guess what— China will» (Obama, 2015).

Neoliberal lessons for dependency theory

When the political group I belonged to (Communist Working Group) in the late 1970s was studying *Unequal Exchange*, we were wondering why capital did not move much more industrial production to the Global South to take advantage of low wages. (Communist Working Group, 1986). We discussed this with Emmanuel in 1982, who cited several practical, technical, cultural, and political reasons. Transport and communications barriers posed much bigger obstacles then than today, as mentioned above. The trade unions still had the strength to resist outsourcing, and the social democratic-led states had the ambition to regulate multinational companies (Lauesen, 2023).

The polarizing dynamic in global capitalism from the second half of the nineteenth century and up through the twentieth century led the «dependency» theorists of the 1970s to conclude that the industrialization of the Third World was impossible within the imperialist system. They assumed that a substantial domestic market for consumer products had to be developed before industrialization could occur. The Third World countries had to delink to unblock the development of the productive forces, as Russia in 1917 and China in 1949 had tried. However, this was only an option for very large diverse economies. Most Third World countries would continue to supply raw materials, tropi-

cal agricultural products, and simple, labor-intensive industrial commodities; their economies would remain dependent, and they would still constitute the periphery of a world system still dominated by capitalist states.

However, these barriers for industrialization of the Global South were knocked down, and this analysis fell apart with the breakthrough of neoliberal globalization. Capitalism was still a dynamic system. It had an Ace to play. Its need to expand and its hunger for profit led it to outsource industrial production on a massive scale from the North to the Global South. The management of globalized production-chains became possible by new forms of communication and new forms of transport, which solved the problem of the geographic distance between the site of production and consumption. The domestic market for consumer goods - became less relevant for the industrialization of the South, it could be substituted by export to the Global North. It seemed unthinkable for most dependency theorists in the 70s, that only a few decades later, 80 percent of the world's industrial proletariat would live and work in the Global South, and that the Global North would be partly deindustrialized. However, Emmanuel somehow anticipated this development in 1976:

Another specific feature of the multinational company (MNC) which is vaguely considered to generate prejudice but which, if it really exists, is eminently advantageous, is its independence of the domestic market of the receiving country. Since the main problem of capitalism is not to produce but to sell, less traditional capital was attracted by the low wage rates of certain countries than was discouraged by the narrowness of the local market associated with such wages. This lack of capital in turn prevented growth and hence wage increases. The result was deadlock. In theory the solution was production for exports alone. But except for standardized primary products, such an operation appeared to transcend the fief of the traditional capitalist. In any case, it has never occurred. The MNC, with its own sales network abroad and, even more, its own consumption in the case of a conglomerate, would not be put off by the lack of 'pre-existing' local outlets. It would take advantage of both the low wages of the periphery and the high wages of the centre. I have no idea of the relative importance of the phenomenon. Here, as elsewhere, statistical information is lacking. Albert Michalet considers that it is very extensive in quantity and very important from the point of view of quality. All I can say is that, if this is so, this gives us for the first time the possibility of breaking the most pernicious, vicious circle which was holding up the development of the Third World. It is rather a matter for rejoicing (Emmanuel, 1976a: 766-67).

Emmanuel was aware of the role that the transnational companies had in the Third World both in terms of value transfer, but also in terms of developing the productive forces and technology transfer. He shared Marx's dialectical approach concerning the development of capitalism. Marx on the one hand affirms the positive, progressive features of capitalism: new technology and development of science, industrialization, urbanization, mass literacy, and so on. On the other hand, he denounces the exploitation, the human alienation, the commodification of social relations, the false ideology, colonialism and its connected mass extermination, all of which are inherent in the modernization process.

This dialectical conception of capitalism permeated Marx's writings. In the Communist Manifesto, Marx describes the rise of capitalism as a progressive stage of historical development. In the first pages he describes 'modern industry', 'modern bourgeois society', 'modern workers', 'modern state power', 'modern productive forces', and 'modern relations of production'. (Marx and Engels, 1848; 12–13). In the preface to «Capital», Marx writes that the «purpose» of the book is to 'disclose the economic law of motion of modern society'. (Marx, 1867: 24). Marx defended modernity because it prepared the way to a more fully developed modernity – socialism (Therborn, 1996).

When we analyze the role of transnational companies in development, we must make sure to distinguish between when we discuss development inside the framework of the capitalist mode of production, or when we discuss the possibility of the appropriation of the productive forces by the people - the transfer to a new mode of production. In the end of the 20th century, the capitalist mode of production was for sure still vital and dominated the world system. A transformation of the mode of production was not on the agenda. Capitalism in the Global North was bad, but underdeveloped capitalism in the South was worse.

The Global South's encounter with neoliberalism

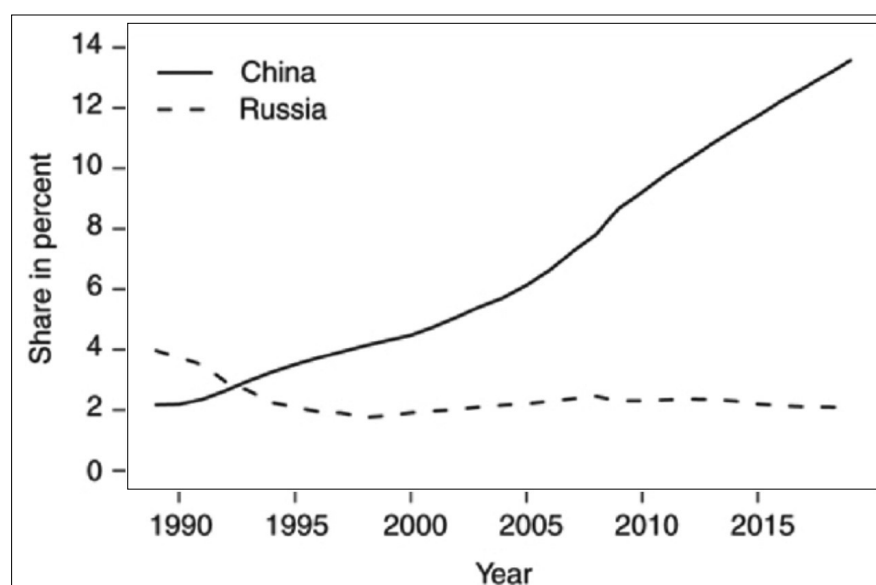
Outsourcing of industrial production from the Global North to low-wage countries spread like a prairie fire in the last decade of the 20th century. However, the result of the process was very different in China compared with Russia, East Europe, the rest of Asia or Latin America. In the latter «structural adjustments» forced them to open their economies unconditionally for exploitation by transnational companies.

China, with a population of more than one billion, was by far the most important target for neoliberalism. Transnational capitalism required low-wage labor power to continue its expansion, and China possessed a huge proletariat

and developed infrastructure, all ready to be connected to global capitalism. However, transnational capital could not just demand «structural adjustment» to get free access to China, as in the rest of the Global South. The transitional state was governed by the Communist Party, not by a neoliberalist like Yeltsin in Russia. Hence, China's encounter with neoliberalism was very different from Russia's. Weber writes:

Russia and China's positions in the world economy have been reversed since they implemented different modes of marketization. Russia's share of world GDP almost halved, from 3.7 percent in 1990 to about 2 percent in 2017, while China's share increased close to sixfold, from a mere 2.2 percent to about one-eighth of global output. Russia underwent dramatic deindustrialization, while China became the proverbial workshop of world capitalism. The average real income of 99 percent of people in Russia was lower in 2015 than it had been in 1991, whereas in China, despite rapidly rising inequality, the figure more than quadrupled in the same period, surpassing Russia's in 2013. As a result of shock therapy, Russia experienced a rise in mortality beyond that of any previous peacetime experiences of an industrialized country (Weber, 2021:21).

Figure 1. China's and Russia's Shares in World GDP, 1990-2017



SOURCE: World Bank, 2019

The Chinese government defended its sovereign economic planning by forcing any global capital that wished to enter the country to conform to their policies, not vice versa. The aim was to develop a diverse industrial sector based on joint ventures with transnational corporations, and according to a strategic

plan. The planned economy-controlled infrastructure projects: the construction of new roads, ports, dams, and power lines required for industrialization. Strategic industrial sectors, such as energy, transport, and defense industries remained state-owned.

A strong planning instrument is the state ownership of land. It is used to plan the location of industry and is essential for the stability of the agricultural sector. The Chinese state guarantees access to land for the peasantry. Agricultural production changed from collective farms to family plots during «opening up», but the agricultural sector, as a whole, remained under the control of the state, as land cannot be privately owned, and the family plot was still organized in cooperatives. The persistence of public ownership of land distinguishes the agrarian situation in China from other countries, such as India, Brazil, and South Africa, where the agrarian question still causes huge difficulties, as it is not a secure base for the development of the productive forces. In China the agricultural sector was capable of producing food, at reasonable prices, for the expanding industrial working class.

Another tool that enhances the Chinese government's autonomy is its fiscal policy. The financial system and its foreign exchange management remained under state control. China has strong national banks and a national currency with increasing international importance.

Deng Xiaoping's strategy towards neoliberalism was to bend to the pressure from the capitalist offensive without breaking the power of the Party, as had happened in the Soviet Union, and use the dynamic power of neoliberalism against itself, by first allowing it to develop China's productive forces, and then turn away from neoliberalism, using the transfer of advanced technology to develop the prerequisites for socialism in China.

The prerequisite for the success of this controlled opening towards neoliberalism was the development of the economic base during the Mao era. An agricultural sector able to feed the population, well-developed infrastructure, a heavy industrial sector, public banking, and a high level of education and public health, were all central pillars that have decisively contributed to the dynamism of the economy. China once mainly exported textiles, shoes, and fireworks; not anymore. After acquiring technological and scientific knowledge, China is a leading exporter of high-end products such as industrial robots, consumer electronics, solar panels, electric cars, and high-speed trains.

However, all this was not without costs. Globally, China's «opening up» to neoliberal globalization» gave capitalism a new golden era for three decades leading up to the financial crisis in 2008. No matter the ideological dressing, China's integration into global capitalism was a «re-linking» which entailed

a transfer of surplus labor to the imperialist center. Low-cost Chinese labor created huge profits for capital, and cheap goods for consumers, in the North. China's industrialization was complementary to the U.S.'s deindustrialization and financialization, linked by the «dollar circuit.» Dollars paid for Chinese goods exported to the U.S. are recycled back to the U.S. through China's purchasing of treasury bonds. This reifies the «dollar hegemony,» whereby the U.S. obtains what it desires from other countries with an infinite credit.

The change in the agricultural sector, along with China's industrial export strategy, forced millions of migrant workers to the urban industrial zones. It was these millions of new workers who paid the price for the rapid development of China's productive forces. This development also had environmental consequences. It wasn't just industrial production which was outsourced from North to South; it was also the pollution that comes with it. China's industrial cities are plagued by air pollution, and water shortages are a growing problem.

Thirty years of neoliberalism also had an impact on values and norms in society. Individualism, competitive mentalities, and corruption were spreading. The new middle class was copying consumer patterns from the West, adopting «the imperial mode of living,» with its growth of meat consumption, cars, and air transport. Neoliberalism is not only an economic force, but also a mentality that permeates our thinking.

In the 1990s, many in the West, both neoliberals and leftists, were certain that China would disintegrate like the Soviet Union. But they were wrong. The Chinese system did not collapse as a result of the global neoliberal offensive. The Communist Party remained at the helm, even though its course changed, exercising what Ali Kadri calls «the discreet rule of the proletariat» (Kadri, 2021:1).

The decline of neoliberalism

Capital hated and needed the state. The rise of neoliberalism took place within the world-system of states, as an effort of transnational capital to avoid state interference and control the movements of capital. The effort to erode the borders of the nation-state is one aspect of the contradiction of neoliberalism. The other aspect is that nation-states persist in managing society within its borders. Capital is not a system in balance, it needs the state to regulate and keep security, not to end in chaos. From the mid-1970s, until the turn of the millennium, transnational capital was the offensive aspect of the contradiction. At first, it weakened the state «at home» through the deregulation of transnational movements of capital and trade, privatization, and cuts in

welfare. Then transnational capital outsourced jobs to low-wage countries for higher profits. However, the social consequences of these acts began to change the balance between aspects. The outsourcing of jobs, erosion of the welfare state, and migration problems generated nationalism in the North, demanding a stronger national state as a bulwark against the negative impact of global market forces. The «structural adjustments» of neoliberalism in the Global South had the same effect. By the turn of the millennium, the negative social consequences of neoliberalism began to weaken the political dominance of its institutions. The financial crisis of 2007-2008 further strengthened the demand for state control of capital. The balance in the neoliberal contradiction tipped towards nationalism and the nation-state.

China avoided severe consequences from the financial crises primarily because its banking system was state-owned, and not an integrated part of the global financial house of cards that collapsed. Secondly, China quickly expanded investments in the state-owned sector to replace a flailing private capitalist sector. However, China's growth strategy was still based on exports to the U.S. and European markets, which had declined. More than 20 million workers lost their jobs. However, most of these migrant workers could return to their rural homes, where they had the right to housing and basic social services.

The financial crisis was a wake-up call to the Chinese leadership. They realized that neoliberalism was no longer a dynamic force to develop the productive forces, but increasingly a problem in the form of economic stagnation, social inequality, and environmental problems. These conditions led to a reemerging Marxist critique in China, challenging the influence of neoliberal thought. With Xi Jinping in power in 2012, China began to shift the cycle of capital accumulation from being focused on the world-market to more emphasis on domestic circulation, by tripling the wage level and massive state programs for internal investment, that have pulled millions out of poverty in the countryside.

After its encounter with neoliberalism, China emerged as a major economic power. China was able for the first time in two hundred years to break the polarizing dynamic of capitalism between the center and the periphery. It is a historical break of significant size. A nation of 1,4 billion people made the change from one of the poorest countries on earth in 1949, to the leading industrial power in the world-system, with 35% of the world's gross production, compared with the U.S 12% (Baldwin, 2024). The consequence was an increasing discordance between global capitalism and China's national project of development.

From neoliberal globalization to geopolitical confrontation

With the crises of global neoliberalism from 2007, the decline of the U.S. hegemony, the rise of China, and the development of a multipolar world-system, the world is undergoing a profound change, not seen in the past hundred years.

The global trade pattern is under transformation. After two hundred years, North – South trade is declining, and South – South trade is on the rise. This is manifested by huge development in transport and infrastructure projects in the Global South, facilitating this new trade pattern. The global value transfer of unequal exchange from South to North has begun to decline for the first time in the past 150 years, from a zenith in 2011 of 2,9 trillion dollars to 2,3 dollars in 2017 (Hickel, Sullivan, Zoomkawala, 2021:1040). The rising wage-levels in China are contributing to this decline: «Between 1978 and 2018, on average, one hour of work in the United States was exchanged for almost forty hours of Chinese work. However, from the middle of the 1990s...we observed a very marked decrease in unequal exchange, without it completely disappearing. In 2018, 6.4 hours of Chinese labour were still exchanged for 1 hour of U.S. labour» (Long, Feng, Li, and Herrera, 2020: 8-9).

Besides the transfer of value from South to North by unequal exchange, debt has contributed to solving the problem of lack of consumption power, in the global capitalist accumulation circuit, by pushing the problem of imbalance between production and consumption into the future (Emmanuel, 1984: 356). The amount of debt has grown steadily in the history of capitalism and accelerated in the past decade, not at least during the Covid 19 epidemic. Global debt (of governments, corporations and households) stood at 120% of global GDP in 1980. By 2021 global debt reached 355% of global GDP (IMF, 2021), which means that during the neoliberal era, debt grew three times faster than global production. This debt bubble can burst in a major financial crisis and throw the system into deep crises (Smith, 2022).

A special form of creating consumption power is just printing money without backing in expanded production, as the US has done in the past fifty years. The U.S. can do this because the dollar has the status of «world-money» in trade and international finance, a position reached by U.S political dominance in the Bretton Woods institutions: IMF and the World Bank. Trillions of dollars are circulating as payment in trade, and financial transactions, and are stored as depots in banks. The U.S gets commodities and services for these dollars, as they enter the world market, but they never return as claims on commodities produced in the U.S. A precondition for this advantage is the continued U.S dominance in world finance; however, this has

changed. The transformation in trade structure is accompanied by changes in finance and banking in the world-system. Alternatives to the Bretton Woods institutions are being developed in the context of BRICS. This gives the Global South possibilities to invest and trade in their own currency instead of dollars and lend money without «structural adjustments» and other political conditions.

In the 1970s I hoped that the Third World liberation movements would build socialist states, which would cut off the pipelines of value transfer, and thereby create a revolutionary situation in the imperialist center. I was too optimistic. World capitalism was still vital. Neoliberal globalization offered an escape route. However now it seems that the capitalist mode of production has reached the limit of exploitation of the proletariat in the periphery, and it is on a collision course with the global ecosystem. Capitalism is no longer progressive in terms of development of the productive forces – it is irrational, destructive and prevents progress for humanity. We are approaching the situation mentioned by Marx:

[...] the material productive forces of society come into conflict with the existing relations of production [...] From forms of development of the productive forces these relations turn into their fetters. Then begins an era of social revolution. The changes in the economic foundation lead sooner or later to the transformation of the whole immense superstructure (Marx, 1859: 263).

The center no longer has the advantage of a monopoly of high-tech industrial production, and they are losing the grip of global finance. To uphold its hegemony, the U.S. is splitting and eroding the neoliberal world market, which has served them so well for fifty years, providing huge profits and cheap commodities for consumers in the Global North. They are doing it by trade wars, sanctions and blockades. The formerly mighty World Trade Organization, which settles international trade disputes, has been weakened by Trump and Biden, as its verdicts now go counter to US interests. The U.S. turned to political pressure and military means, in a geopolitical struggle for dominance. The US is strengthening old and making new military alliances, seeking to translate its military power into renewed economic dominance. This strategy is not an expression of strength, but of weakness.

The division of labor created by neoliberal globalization, with Asia as the «factory of the world» and the West as consumer societies, meant that the geopolitical importance of controlling trading routes became paramount. Hence the importance of the gateway to Asia in the North – Ukraine – and in

the South – Palestine, Suez, the Persian Gulf, and Red Sea. In a geopolitical struggle, NATO led by the U.S. are trying to secure dominance of the Euro-Asian corridor, and get a regime change in Russia and China, to pro-Western Yeltsin-type governments.

Through the proxy-war on Ukrainian soil between Russia and NATO, the US has disciplined Europe back under US command. Gone is the Russian-European and the Chinese-European rapprochement. The U.S. is dragging Europe into the confrontation with Russia, China, Iran, Cuba, Venezuela, and the Global South in general. NATO membership is not an *a la carte* dish; Europe must swallow the whole American menu, including U.S. policy in the Middle and Far East. Europe will be dragged down along with the U.S. decline.

The rise of China, and the economic growth of the Global South are key reasons behind U.S. renewed subordination and subsequent integration of the imperialist countries. This has led to a full military, political, and economic bloc under US control. According to former U.S. National Security Advisor Zbigniew Brzezinski, Ukraine is an: «important space on the Eurasian chessboard», the control of which is supposed to make a domination over the world possible» (Brzezinski, 1997: 48). Hence, «deserving America's strongest geopolitical support» (Brzezinski, 1997:149). In the same book Brzezinski warned: «The most dangerous scenario would be a grand coalition of China, Russia, and perhaps Iran [...] not out of a sudden love for one another but out of a shared opposition to the predominant power (the US)» (Brzezinski, 1997: 30-31).

The other major current confrontation-zone is the Middle East. The small Hamas attack, by fighters armed with handguns at settlements in occupied Palestine, for a couple of days, has set in motion an avalanche of events, an indication of how unstable the present world-system is. In a geopolitical context, Israel is a clone of the imperialist center, placed in the Middle East, as a «battleship on the ground», serving the interest of the US. The war in Gaza is weakening the US positions in the region, by united the Arab world and Iran against Israel. In a wider perspective, Western support to the Israeli genocidal response has discredited the West in the eyes of the Global South and exposed the still present colonial mindset of these «civilized barbarians».

The contradiction of the end game

Marx underestimated the longevity of capitalism, as did Lenin and Mao. Many of us in the «1968 generation» have predicted the end of capitalism several times, and our hopes for world revolution were frustrated. This has led

to the mistaken belief that capitalism can assimilate all critiques and innovate out of all problems.

Universalization of the present denies the historical specificity and transitory character of capitalist social relations (Foster, 2022: 3). Historical materialism teaches us that capitalism has a lifespan. It has successfully reproduced its existence for 200 years, but there are limits to this reproduction. It is not a system in balance. The polarized development between center and periphery generated by the imperialist value transfer enabled it to reproduce itself. However, this dynamic is challenged by the rise of China.

Like the late Immanuel Wallerstein (1930-2019), I believe that the decline of U.S. hegemony forebodes the end of capitalism (Wallerstein, 2013: 23-24). This will not take place within a decade, but it seems clear that the twenty-first century is the autumn of the capitalist system. The industrialization of the Global South, in recent decades signals a significant change in the dynamics of global capitalism itself. The system is losing the balancing force of the center-periphery dichotomy.

Certainly, an industrialized Global South will not develop into a prosperous capitalism as in Northwestern Europe and North America. Neither China, India, Indonesia, nor Brazil has a periphery to exploit, substantial enough to feed the development of welfare capitalism, and ecologically, the world cannot sustain such a capitalist world-system. However, the development of the productive forces in the Global South will threaten the privileged positions of the U.S. and the E.U. and accelerate the crises of global capitalism.

From the Global North, the U.S., in its desperate struggle to uphold its hegemony, is disrupting the imperialist pipeline system of globalized production and trade. From the Southern flank, China has succeeded in diminishing the imperial rent of unequal exchange, while simultaneously breaking the technological monopoly of Western corporations and financial institutions, providing an alternative for the Global South in their economic development.

In «the end game», global capitalism will be haunted by economic crises generated by the inherent contradiction between the need to expand production and the lack of corresponding consumption power. Profits will decline and accumulation will come to a halt. As Marx predicted:

[...] [crises will] become more frequent and more violent, if only because, as the mass of production, and consequently the need for extended markets, grows, the world market becomes more and more contracted, fewer and fewer [new] markets remain available for exploitation, since every preceding crisis has subjected to world trade a market hitherto unconquered or only superficially exploited (Marx, 1847: 197).

The development of the productive forces of China and other countries in the Global South signals not only a shift in the dynamics of capitalism, but also enhances the material conditions for the development of socialism.

The principal contradiction

What is the driving force in this transition? The first step in answering this question is to identify the principal contradiction, as this will tell us where to start and is a guide for further analysis. If the development of global capitalism and the world system of states is one process, then at any given point in time, this process has a principal contradiction emerging from the multiple contradictions in the capitalist mode of production, driving its development forward. The principal contradiction affects regional, national, and local contradictions decisively. However, the interaction between the principal contradiction, and national and local contradictions is not one-sided. Due to the feedback effects, local contradictions affect the principal contradiction, as they push and change the relations between the aspects of the principal contradiction (Lauesen, 2020).

Since the late 1970s, the principal contradiction has been between transnational capital's neoliberal globalization project and the nation-state's attempt to regulate capitalism. Until the turn of the millennium, transnational capital was the dominant aspect of this contradiction. However, the consequences of neoliberalism, in both the global North and South, generated nationalist demands for a stronger state, as bulwarks against globalization. In the past decades, globalized capitalism and its institutions came under increasing pressure from both right and left-wing nationalist forces.

The international division of labor, created by neoliberal outsourcing, has changed the power structure in the world-system. Northern transnational capital turned China into «the factory of the world», but it did not manage to keep China as a periphery of the center. China broke the historical polarizing tendency in the capitalist mode of production. China used the neoliberal intrusion to develop its national project – «socialism with Chinese characteristics».

The US, the EU, Japan, New Zealand, and Australia, have united to uphold U.S. hegemony. They constitute one aspect of the current principal contradiction. The other aspect is headed by China allied with a conglomerate of states which, for different reasons, are opposed to the continuation of U.S. hegemony and want a multipolar world system. They are united in the ambition to change the North-South structure, which has dominated the world-system for the last two centuries and expand South-South relations.

The U.S. is increasingly utilizing trade blockades, sanctions, and military pressure to uphold its dominant position, as it can no longer, uphold its hegemony, by neoliberal economic means. The transition from neoliberal economic-driven imperialism towards old-fashioned territorial imperialism is not in the interest of transnational capital, which is dependent on their global production chains to generate surplus value, and access to the entire world market to realize the profit. If the 2007-8 crisis was the crisis of financial neoliberalism, then the current crisis is the crisis of globalized production. However, transnational capital cannot distance itself from its political leadership, which provides security for its operation. There is no way out of the dilemma for transnational capital, as it is the crises of neoliberalism itself, which has created this situation. The immediate need of political imperialism overrides the interests of transnational capital.

U.S. policy is becoming self-destructive; it shatters the world market, on which it has built its power since the end of the Second World War. Its political system erodes from within, as the elite is split, a split that continues down the people of the U.S. The only vision is «Making America great again», which is not shared by the rest of the world.

The disintegration of globalization is a reconfiguration of the power structure in the world-system. In retrospect, China was admitted into the global trade regime in 1972, because of the U.S. rivalry with its chief opponent, the Soviet Union. Beating the Soviets first, then China, was the plan. US superiority in technology and finance at the time gave it the confidence to open its global trade regime to any country willing to play the game, regardless of ideology. In this phase, the globalization regime was a gigantic profit machine based on global production chains and extraction of cheap production factors from the global South. Today, as the U.S. is no longer economically competitive, it uses instead its military power in alliance with Europa and Japan for geopolitical struggle to rule the world-system.

The U.S. confrontation with China is full scale: Technology, trade, currency, geopolitics, and ideology. As a response, China is establishing an alternative trade and finance system. «The belt and road initiative» and the BRICS+. If China can delink softly from its dependence on U.S. and EU markets, we will see the emergence of two economic cores, with separate financial and monetary institutions, but to some extent, overlapping supply chains and markets. If the contradiction escalates and takes on an antagonistic character, we could see a hard delinking, raising the probability of military confrontation.

«Socialism or barbarism»

Two months before his death in 2019, Immanuel Wallerstein wrote his ultimate commentary: «This is the end; this is the beginning», leaving his final reflection:

The world might go down further by-paths. Or it may not. I have indicated in the past that I thought the crucial struggle was a class struggle, using class in a very broadly defined sense. What those who will be alive in the future can do is to struggle with themselves so this change may be a real one. I still think that and therefore I think there is a 50-50 chance that we'll make it to transformatory change, but only 50-50 (Wallerstein, 2019).

This is a bit like Rosa Luxemburg's statement in her 1916 anti-war pamphlet, *The Crisis of German Social Democracy*: «Bourgeois society stands at the crossroads, either transition to Socialism or regression into Barbarism» (Luxemburg 1916), or Marx and Engels in the *Communist Manifesto*, speaking of class struggles resulting in «either a revolutionary constitution of society at large or the common ruin of the contending classes» (Marx/Engels, 1848).

The endgame of capitalism takes place within a framework of its structural crisis economically, politically, and ecologically. The structural crisis entails that the system is out of balance and that conjunctions do not come in regular waves, but by sudden uncontrollable swings.

We have reached the stage in the history of planet earth where capitalism is the main driver of systemic changes, disrupting ecological balances and expediting gradual changes over millennia to now occur in decades. A revolutionary break with capitalism is not just a question of removing capitalism's fetters on human development; it is necessary to stop the destruction of the earth.

Climate change is a reality; it is the rate of destruction that is unclear. Where will the next disaster strike, and how big will it be? The growing ecological and climatic problems as well as the scramble for the Earth's natural resources can trigger revolutionary situations, as it changes living conditions, causing natural disasters and refugee movement. We are under time pressure to make the transition, due to capitalism's continued impact on climate change. If we move into the second half of this century, some kind of «lifeboat socialism» may be the only solution to climate change and destruction of the earth's eco-system.

Then there is the danger of nuclear war, in a world system with territorial rivalry. A hegemon first loses its superiority economically, then financially, leaving it to rely on its military power. The U.S. is the world's mightiest military power. Europe is arming at an unprecedented scale. NATO stands for 60 % of the world's total military expenses, Russia 4 %, and China 13%. (SIPRI 2023). It is the U.S. which have more 900 military bases all over the world, with the common slogan: «No beach out of reach».

Many states in the world-system have, and more states are acquiring, nuclear weapons and the means to launch them, increasing the mathematical risks of mass destruction. A War between the world's leading powers could very well become the world's principal contradiction if they escalate into the use of nuclear weapons. While nuclear weapons are essentially defensive weapons, the decision to use nuclear weapons is in the hands of individual, sometimes irrational human beings. The end of capitalism can be chaos or a transition to socialism; it depends on the outcome of our struggle.

Anti-imperialism today

Anti-imperialism today cannot be the same, as it was in «the long 1960s». History does not repeat itself; it moves ahead. The high revolutionary spirit, and the success of the anti-colonial struggle, from the late 1940s until mid-70s, were due to a combination of contradictions in the world-system. The contradiction between the Socialist Bloc versus the U.S., and the contradiction between the emerging Third World on one side, and the U.S. neocolonialism on the other side. This set of interlinked global contradictions open up a wave of anti-imperialist liberation struggle, with a socialist perspective, across Asia, Africa, and Latin America.

All this changed with the counter-offensive of neoliberal globalization from the mid-1970s. It became difficult to continue national liberation into a socialist transformation. However, neoliberalism was not «the end of history». The result of outsourcing of industrial production, was on the one hand the transfer of value from South to North. However, on the other hand, the development of productive forces in the Global South began to break up, the century old polarization between a rich North and poor South. In the 70s, the Third World demanded a «New World Order», which came to nothing. Today the Global South is creating a new world order.

One example is BRICS. The cooperation between Brazil, Russia, India, China and South Africa, was enlarged in September last year, now comprising 46 percent of the world's population, and 36 per cent of the world economy, counterbalancing the G7 (U.S., Canada, the UK, France, Italy, Germany, and

Japan.) with only 10 per cent of world population and 30 per cent of the world economy. In the future BRICS will further outweigh the G7.

BRICS is not an anti-capitalist organization. But it is a step in the right direction. The emerging multipolar world system consists of a complex of contradictory currents – between hegemonism and counter-hegemonism, conservative and progressive, capitalist and socialist forces. This is how the world looks. We have to keep in mind Marx's words, that no social order disappears before all the productive forces, for which there is space, have been developed. We are reaching this point. Then – as Marx continues - comes the period of social revolution (Marx, 1859). The challenge is to navigate in this sea of interconnected contradictions.

Like in the sixties, the contradiction between the North, trying to uphold its hegemony, and the Global South, can create space for movements and nations struggling for advancing towards socialism. The development of the productive forces in the Global South, has placed them in a much better position to achieve this goal, than in the sixties. The U.S. is still the dominant aspect in the principal contradiction, but the South is on the offensive, encircling the center. While the transformative power of the Third World in the sixties was based on the «revolutionary spirit» –the attempted ideological dominance over the economic development– the current transformative power of the Global South, is based on its economic strength.

Things may develop faster than we expect. The next decades will be dramatic and dangerous. The transition will not be a tea party. We will see sudden changes in political alliances and in this scenario, we need to stay the course and stick to a clear socialist perspective. At the same time, we are working under time pressure due to climate change.

From utopian socialism to real socialism

A rigid and idealist perception of socialism in national and international struggles obscures the complexity and changeability of current class behaviors and interests. Again, with Marx's words in mind: The new relations of production, never appear, before the material conditions of their existence, have matured in the womb of the old society. There is not and has never been any «pure» socialism in the world – it is not possible. It cannot exist in the real world of dominating capitalism. Only transitional modes of production and states have existed. Socialism is a project under construction, and the first step is to cut loose from the shackles of capitalism – US hegemony.

We are not to be utopians; our development of socialism must be based on dialectic historical materialism. The attempts to build socialism in the past

two centuries, must be seen as part of a long transition process, rather than a row of failures, attempts which have contributed to the progress of the transition by modifying capitalism as well as a learning process for building socialism (Lauesen, 2024). The development of socialism contains negations, imperfections, and impurities, as it is developed from the reality of the capitalist mode of production (Garrido, 2023: 1).

Anti-imperialist strategy must contain real existing counter-hegemonic forces capable of challenging the dominant power structure. Western Marxists are often trapped in a utopian world where the idea of socialism is superior to the transitional regimes and modes of production, which have emerged in the past hundred years, struggling against a dominant capitalist world system. The Brazilian communist Jones Manoel writes:

Nothing is socialist transition, and everything is state capitalism [...] The contradictions, the problems, the failures, the mistakes, sometimes even the crimes, mainly happen during this moment of building the new order. So, when the time comes to evaluate the building of a new social order -which is where, apparently, the practice always appears to stray from the purity of theory- the specific appears corrupted in the face of the universal (Manoel, 2023).

The support for a multi-polar world system does not imply avoiding critic of reactionary tendencies within the BRICS states. We must support the Chinese peasants and workers in their class struggle to move towards socialism, which means getting rid of remaining capitalist elements, national or transnational. Forty years of «opening up» to neoliberalism has had an impact on Chinese society; this must be changed.

However, an understanding of the dilemmas and the balance between the need for national development, with the capitalist mode of production, versus advancing socialism nationally and globally, is important on how to relate to the transitional states, in order to defend them against imperialism, but also advance the transition to socialism. We must support the transitional states' nationalist aspect, against the hostile capitalist states, not only to defend their attempt to develop socialism, but also because they are an essential anti-imperialist component, balancing imperialism, providing breathing space for socialist movements in the remaining capitalist world system. However, we must also push for a socialist transformation by class struggle, wherever we can, to ensure that the socialist aspect dominates the national aspect in the contradictions of the transitional state.

Just as the Soviet Union balanced U.S.-imperialism, making national liberation possible, China balances the U.S., making economic delinking from Western capitalist dominance possible. To avoid the collapse of capitalism into a chaotic abyss, a strong China will be of decisive importance for a global transformation to socialism.

On the transfer towards socialism

Only a revolutionary process, led by communist parties, could unblock the development of the productive forces in the periphery of the world-system, and get the wheels of the economy running again by initiating the development of a «transitional» mode of production. It had to be a «transitional mode» because the world-system was dominated by capitalism. The lack of development of productive forces in the periphery, and the hostile world-system hindered an immediate transition to a more advanced socialist modernity. This is the history of the Soviet and Chinese revolutions, and other efforts to move towards socialism in the 20th century. In developing this transitional mode of production, they had to adopt the same dialectic as expressed by Marx, between the progressive role of capitalism and the agony it produces.

Lenin did not believe that socialism was equivalent to the collectivization of poverty. To overcome mass poverty, the Soviet Union was compelled to develop the productive forces. In the NEP the Bolsheviks used the technology and management associated with capitalism to boost production. However, the «commanding heights» of the economy —finance, infrastructure, large industry, and mining— remained in the hands of the state (Lenin, 1922: 188). To avoid getting crushed by German imperialism, the Soviet Union had to go through an accelerated industrialization during the 1930s, with huge human costs.

In 1949, China was in a similar position as Russia in 1917. The development of productive forces and technology was among the lowest in the world. China was forcefully isolated and could not import technology from the West. However, the Soviet Union came to its rescue in 1950 and provided China access to its technology. But, due to political disagreements, Soviet technology was cut off in the late 1950s, and China was again isolated, from the surrounding world economy.

In the 1970s, under pressure from neoliberal globalization, China had no choice but to build its peculiar form of state capitalism and market socialism to maintain its national project. It could not develop its productive forces without investments and trading with capitalist countries. Deng Xiaoping criticized the model of voluntarist mass mobilization, as the method to develop the productive forces, as «The great leap forward» and the «Cultural Revo-

lution» had proved it to be inadequate. China had to «open up» to acquire the appropriate technology to develop its productive forces to continue the development of «socialism with Chinese characteristics» (Xiaoping, 1985: 122).

Deng's reform strategy does not stem from a neoliberal perspective. Deng advocated for the acceleration of foreign investment capital in a planned way, believing that planning and markets could be applied to serve the development of a socialist system. Nor did Deng introduce economic shock therapy as Yeltsin did in the post-Soviet era. With a reference to Lenin's NEP policy in the Soviet Union, Deng said that «Socialism does not mean shared poverty». In an interview with CBS in 1986, he explained his approach:

According to Marxism, communist society is based on material abundance. Only when there is material abundance can the principle of a communist society —that is, 'from each according to his ability, to each according to his needs'— be applied [...] There can be no communism with pauperism, or socialism with pauperism. [...] Wealth in a socialist society belongs to the people. To get rich in a socialist society means prosperity for the entire people. The principles of socialism are first, development of production, and second, common prosperity. We permit some people and some regions to become prosperous first, for the purpose of achieving common prosperity faster» (Xiaoping, 1986).

Hence, China, or any other transitional state should not attempt to avoid contact with globalized capitalism, as they cannot carry on the transformation process towards socialism in isolation from a capitalist mode of production, which is still vital, developing the productive forces and hence a source of advanced technology. In addition, the transitional state's interaction with global capitalism is part of the transition process, as it modifies capitalism and presents itself as an alternative to capitalism.

However, «socialism with Chinese characteristics» is only one step. Socialism does not only imply the eradication of poverty within the national framework, but also global equality. It is not possible to raise the living standard of billions of people in the Global South to the level of the U.S. or Germany, within the capitalist mode of production. To accommodate their needs, it is not only a change in the relation of productions and patterns of consumption, which is needed to develop socialism on a global scale – it is also a continued development of the productive forces and the implementations of the most advanced technology. On this Emmanuel writes:

Steel, aluminum and copper of which the masses of the centre consume today such extravagant quantities, do not serve only to produce auto-

mobiles and gadgets. They produce doctors or books as well (It takes a tremendous amount of steel, cement or energy to produce a doctor or to school a village). While no one up to now has laid out the model of this «anti-consumption» society, there exists at least one point on which everyone agrees. That is the absolute priority of the maximization of available leisure, time being the prerequisite for the quality of life. How then can we rid ourselves of «productivism» since for any given physical consumption, whatever its volume, leisure time is an increasing function of the return on time passed at work? [...] Naturally, if it is shown that the 'consumer society' is in any case a material impossibility on a world scale, the question of choice no longer presents itself for four-fifths of humanity. However, the idea that the remaining one fifth which has the privilege of this type of society would profit from the change is not a statement so obvious that one could excuse oneself from demonstrating (Emmanuel, 1976b: 3-4).

Global socialism cannot be developed by underdeveloped technology—it requires the most advanced forms of technology.

Advanced Socialism

To move onwards to an advanced socialist mode of production, we need in addition to the «national characteristic of socialism» to develop the universal and global dimension of socialism. An advanced socialist mode of production has to be realized on the global level, as it has to solve the historically inherited problem of inequality between centre and periphery in the world-system, as well as the global ecological and climate problems.

What does such a change imply? It is getting rid of residual exploitative capitalist relations of production and patterns of consumption, which are in conflict with the global ecosystem. It is the development of common prosperity, and the development of commons, instead of privatization and extreme individualism; it is solidarity instead of competition. On the international level, investment and trade should promote global equality and sustainability. A Global planned economy has to be introduced, by a global political institution.

The transitional mode of production has, respectively, the nationalist development perspective and the universal socialist perspective. An advanced socialist mode of production must be global, but the global transformation has to go through the national state, as the current world-system is politically organized in national states. The national framework constitutes a historical constraint that must be taken into account as a necessity, not something we

should make into a virtue. China can—and has to—continue the first part of the way to socialism on the national road, as «Socialism with Chinese Characteristics», but the Communist Party has to keep in mind that a developed socialist mode of production can only be realized on the global level.

To realize an advanced socialist mode of production requires not only that China moves in that direction, but also the majority of states in the world-system join the effort. A multipolar world-system will make space for movements and nations to move along this path. In the coming decades, we might see the development of different socialisms with national characteristics, based on different histories and cultures. However, it is essential to move on from the nationalist version towards global socialism, as the national component contains material for future national disputes. For a transitional state – like China – it is important to keep the right balance between the national interest and socialist transformation in relation to the surrounding world-system. The nationalist aspect should not dominate the socialist perspective. Nationalist disputes between transitional states will not only benefit capitalism, but also increase the risk of nuclear warfare, and disturb the process to solve the urgent environmental and climate problems. It will block the transition towards advanced global socialism.

The fact that humanity has transitioned from scattered local places, then from states and empires, towards a more and more globalized world-system, equipped with advanced productive forces, means that we have developed a way of living that has damaged the planet, and we have acquired weapons with the ability to destroy human life on earth. But it has also contributed the knowledge and ability to organize and manage the world-system as a whole, needed for an advanced socialist mode of production (Shigong, 2021). The transformation of the relations of production towards socialism does not mean going back to productive forces organized within the national framework. World unification has ceased to be an option. It has become a condition of its existence.

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