

Imperialism: How Declining Currency Hegemony Leads to War

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Year 2022

A thesis submitted to fulfil requirements for the degree of Doctor of Philosophy

This is to certify that to the best of my knowledge; the content of this thesis is my own work. This thesis has not been submitted for any other degree or other purposes.

I certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

This thesis contains material published in, Jay Tharappel, *Why China's Capital Exports Can Weaken Imperialism* (World Review of Political Economy, Vol. 12, No. 1, Spring 2021), which I authored.

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6th of September 2022

Acknowledgements

I thank Salvatore Babones for agreeing to supervise my candidature in May 2021 and to Robbie Peters for his auxiliary supervision. At the time, I was told my thesis was ‘too ambitious’, but when I showed it to Salvatore, he saw the originality in my work, backed my ‘big picture’ global perspective instead of demanding that I narrow it down, and also demolished my self-doubt with his encouraging feedback. Without Salvatore and Robbie agreeing to supervise me, I would have quit.

I thank my parents, Joseph and Lissa Tharappel, for believing in me during those difficult years when my thesis was in limbo, and when I was receiving dozens of email responses from prospective supervisors, telling me that for whatever reasons, they could not take me on. My father told me to approach Salvatore for supervision after our family friend Rajiv Sunu convinced me it could work if I redirected my thesis towards India, which I did. I must also thank my friend Yitzi Tuvel for introducing me to Salvatore in person at his birthday party two years ago, allowing me to bypass the cold formality of email.

I thank my original supervisor and good friend Dr. Tim Anderson for continuing to provide feedback on my work after his dismissal; for setting an example of what it means to ‘perform one’s duty with no attachment to the consequences’ to invoke Krishna as Tim often does; and for ‘corrupting the youth’ with his courageous stand against war propaganda. Academia is poorer without Tim.

I thank the following people who influenced this thesis by being in my life. Maki Danalis who taught me to challenge the dominant Sydney Left narrative about the socialist world. Maram Susli, who shaped my views on the Syrian war with her proven talent for predicting the future. Daniel Kassir, whose intuition about war and inflation is embedded in this thesis. Therese Taylor, who was kind enough to provide feedback on previous iterations of this thesis.

Finally, I thank the Australia that raised me. Everything about this thesis was made possible by growing up in Western Sydney among the diaspora of various cultures who saw the world from different perspectives. To avoid the looming threat of war, we must realise an Australia that is capable of thinking for itself as a nation, that is politically independent, that is willing to learn from other cultures, and that is at peace with the growing multipolar world.

Thesis Question

Questions: What are the insights of Indian political economy (IPE) that are of relevance for reconceptualising the term ‘imperialism’ into an explanatory theoretical model that is capable of explaining both war and national exploitation throughout history?

This question developed in the following manner:

Ethical question

1. Why is the term ‘imperialism’ important?
 - 1.1. war and national exploitation (preliminary research findings)

Literature review questions

2. What were the intentions and observations of the original theorists behind the term?
3. What were the major subsequent engagements with the meaning of the term?
4. What are the intentions and observations of IPE regarding the term?

Post-literature review questions

5. How can the term ‘imperialism’ be reconceptualised to construct a model capable of explaining both war and national exploitation?
6. How can this model be validated?
7. What are the implications of this reconceptualised model?

Abstract

This thesis reconceptualises the term ‘imperialism’ based on the capacity for the Indian Political Economy (IPE) tradition to synthesise the divergent meanings assigned to the term. The original theorists who popularised the term, namely John Hobson, Vladimir Lenin, Rosa Luxemburg, and Karl Kautsky, sought to explain the underlying causes of WW1, but had limited theoretical capacity for explaining national exploitation. World-Systems analysis (WSA), which developed after WW2, sought to explain national exploitation, but had limited theoretical capacity for explaining the long-term structural tendencies towards warfare. Therefore, ‘imperialism’ must become a theory that explains how economic relations historically founded on national exploitation create long-term conditions for warfare. The pioneering work of Dadabhai Naoroji that founded the IPE tradition exposed how Britain exploited India, which prepared the ground for the Indian Marxist perspective within IPE, of which Utsa Patnaik and Prabhat Patnaik are contemporary representatives. The resulting theory of ‘imperialism’ proposes that while multiple relations of national exploitation may exist, there is typically one such relationship capable of extracting the most wealth, thereby enabling that state to establish currency hegemony. Such a state establishes an economically liberal economic order in the world outside its sphere of military control, thereby aiding the rise of its mercantile rivals, which industrialise by producing in exchange for the hegemonic currency. This creates the conditions for warfare of the kind witnessed by the original theorists, and that are re-emerging in the world today.

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Chapter 1. Introduction

Why must 'imperialism' be reconceptualised?

The motivation behind reconceptualising the term 'imperialism' stems from its perceived association with solving some of the major problems facing humanity. Although the term has its etymological origins in explaining the actions of empires, the term also suggests a concern with rising tensions between powerful states, regionalised war/conflict between rival blocs, but also the structural systems of peacetime economic dominance that reinforce the gap between wealthy and poor nations. However, within the scope of Marxist discourse, the term, has never been unified in explaining its observations, resulting in the proliferation of contradictory theories about the fundamental essence of 'imperialism', who the 'imperialists' are, and how this 'ism' can be observed.

Within Marxist discourse in the English-speaking West, the term has accordingly been criticised by a range of scholars for the confusion it has caused. According to Harry Magdoff (1978) "academic scholars prefer not to use the term" because "it has been analysed too often, [and] given too many shades of meaning"¹. Similarly, Giovanni Arrighi (1984) contends that "by the end of the 60's, what had once been 'the pride' of Marxism – the theory of imperialism – had become a 'Tower of Babel', in which not even Marxists knew any longer how to find their way"². Similarly, according to David Harvey, "imperialism is a word that trips easily off the tongue. But it has such different meanings that it is difficult to use it without clarification as an analytic rather than a polemical term"³. The confusion underlying the term, coupled with the recognition by Harvey of its "polemical" nature, suggests that regardless of its precise meaning, the term can potentially be ideologically weaponised for propaganda purposes, especially given the term was originally theorised as an accusatory pejorative, hence the importance of reconceptualising the term into a meaningful theoretical concept.

The confusion about the term can be witnessed in the commentary about the post-2011 'Arab Spring' wars in the Middle East, particularly the war in Syria, which opened up major

¹ Harry Magdoff, *Imperialism from the Colonial Age to the Present* (Monthly Review Press, 1978), p. 148

² Giovanni Arrighi, *The Geometry of Imperialism: The Limits of Hobson's Paradigm* (London, Verso, 1984), p. 17

³ David Harvey, *The New Imperialism* (Oxford University Press, 2003), p. 26

divisions within English-language Marxist discourse about the meaning of the term ‘imperialism’ and about which countries are ‘imperialist’. To identify these divisions, the 21st century’s Middle East wars can be divided into two periods. In the first period from 2003-11, the invasion and occupation of Iraq by the US-led coalition was met with widespread public opposition on the implicit understanding that the war was a consequence of a single ‘imperialist’ alliance led by the United States, resulting in mass protests against the war⁴. However, in the second period from 2011 onwards, over the course of the ‘Arab Spring’ wars, the political unity of the preceding period broke down on the question of the Syrian war, which witnessed the increasing involvement of rival ‘great power’ states such as Russia and China, as well as regional powers such as Iran, Saudi Arabia, and Israel.

The emerging division can be identified as between those in faction a) who maintained that the war in Syria was driven by a *single* ‘imperialist’ bloc led by the United States; standing in opposition to those in faction b) who maintained that *multiple* ‘imperialist’ states were responsible for driving the conflict, that is, not just the United States, but also Russia, China, and Iran, to the extent that they too have intervened in these wars. Exploring the Middle East wars of the past two decades is beyond the scope of this thesis, however, mentioning these wars is important as contextual background insofar as the term in question must necessarily provide some historical theory for explaining the underlying economic forces that create the conditions for war in general, which can then offer insights for explaining the Middle East specifically. More fundamentally, this ongoing debate begs the question, ‘what is imperialism?’ and ‘who is an imperialist?’, which this thesis aims to answer.

Those in faction a) argued that that the attempts to overthrow the Syrian government are what constituted ‘imperialist’ aggression and that these attempts could be ultimately traced to the leading agency of the United States, alongside Israel, Turkey, Saudi Arabia, and Qatar as regional collaborators. For example, this was the position upheld by the World Socialist Website⁵ and the Communist Party of Great Britain (Marxist-Leninist)⁶. Those in faction b) argued that such attempts to overthrow the Syrian state constituted a ‘popular revolution’ *against* the ‘imperialism’ of other nations such as Russia and Iran. For example, this was the

⁴ Paul Blumenthal, [The Largest Protest Ever Was 15 Years Ago. The Iraq War Isn’t Over. What Happened?](#) (Huffington Post, Feb 2018)

⁵ Alex Lantier, [The International Socialist Organisation agitates for war with Russia over Syria](#) (World Socialist Website, March 2016)

⁶ CPGB-ML Editors, [Syria briefing: What’s really going on?](#) (The Communists, April 2018)

position upheld by the Britain-based Socialist Workers Party, an affiliate of the Marxist-Trotskyist International Socialist Organisation (ISO)⁷ which dissolved in 2019, and also the position upheld by Libcom, a self-identified “Autonomist-Marxist” publication⁸.

To highlight these divisions, those in faction a) generally alleged that those in faction b) defended the actions of US ‘imperialism’, for example, Alexander Fangmann, writing for the World Socialist Website, alleged that the “central aim of ex-ISO members entering the DSA⁹ [after the ISO dissolved] is to enforce the foreign policy line of the [US] State Department”, and that they “downplayed the central reactionary role of American imperialism”. Those in faction b) generally alleged that those in faction a) engaged in “campism and pseudo anti-imperialism”, to quote ex-ISO member Ashley Smith. Those in faction b) accused faction a) of defending one ‘imperialist camp’ and denouncing another, under the delusion that the ‘camp’ they defended is not ‘imperialist’ but ‘anti-imperialist’, which amounted to accusing those in faction a) of apologising for Russian, Chinese, or Iranian ‘imperialism’¹⁰.

The apparent failure of ‘imperialism’ theory to present a coherent anti-war narrative is an ethical problem insofar as preventing war is, in most cases, intrinsically good, especially given that the term was originally championed for that purpose, by Russian revolutionary leader Vladimir Lenin, to mobilise the working-classes across Europe in opposition to WW1. However, what confused the matter is that Lenin also wanted to promote revolution with his theory of ‘imperialism’, which suggested to some Marxists that to oppose the so-called ‘popular revolution’ in Syria would be to support the ‘imperialism’ of Russia and Iran. Such disagreement created the conditions for ideological and theoretical contestation over the meaning of ‘imperialism’ among Marxists, the political Left, and the anti-war movement across the English-speaking West.

Given the uncontested polemical nature of the term ‘imperialism’ as an accusatory pejorative, global geopolitical tensions are increasingly being justified by one state on the grounds that its rivals are ‘imperialist’. For example, today China in particular stands accused of “imperialism”, increasingly by outlets that explicitly advocate US interests. For example, *The*

⁷ Joseph Daher and Frieda Afary, [Donald Trump’s Aims in Syria](#) (Socialist Worker, April 2017)

⁸ Mike Harman, [The ‘anti-imperialism’ of idiots – Leila Al-Shami](#) (Libcom, April 2018)

⁹ DSA: Democratic Socialists of America, a faction of the US Democratic party

¹⁰ Alexander Fangmann, [Socialism 2019: The ex-International Socialist Organization embraces the Democratic Party](#) (World Socialist Website, July 2019)

National Interest magazine published articles authored by Akol Nyok Akol Dok and Bradley A. Thayer alleging that “Imperialist China Is Invading Africa”¹¹, and that “Sino-imperialism” refers to the “risk of falling under the control of China largely through Chinese economic investment and loans”¹².

In December 2015, *Jacobin Mag*, a publication widely regarded as ‘Marxist’, published an article by Dr. Ho-Fung Hung suggesting that because the “export of capital” is central to Lenin’s popular definition of the term “imperialism”, that China, as the major capital exporter, is an imperialist state. Citing China’s Belt and Road Initiative (BRI), Hung notes that, “as Lenin warned, the drive to export capital ... pushes states to project their political, and *sometimes* military, power abroad, leading to imperialist expansion and inter-imperial rivalry with other capital-exporting countries” (emphasis added). Noting the emphasis on “sometimes”, Ho-Fung is suggesting that even without any military projection by China, the BRI would still be an “imperialist expansion”¹³. More recently in July 2020, Hung contended that, “the dynamics of US-China rivalry is an inter-imperial rivalry driven by inter-capitalist competition”¹⁴, which he again justified with reference to Lenin.

These characterisations of ‘imperialism’ are arguably consistent with the definition advanced by Vladimir Lenin in his 1917 essay *Imperialism, The Highest Stage of Capitalism*, which in turn was influenced by *Imperialism: A Study*, authored by John A. Hobson in 1902. These are the two texts that have most importantly influenced the use of the term ‘imperialism’ within Marxist discourse. Therefore, the ethical problem is that it becomes possible to accuse nations of being ‘imperialist’ for their non-violent economic relations with other states that are carried out on a quid-pro-quo basis, thereby creating the potential for the term to degenerate into an accusatory pejorative of the kind that could be weaponised to ‘manufacture consent’ for aggressive war, which would be ironic given the term was popularised with the opposite intention by Vladimir Lenin who wanted to end the first world war.

¹¹ Akol Nyok Akol Dok and Bradley A. Thayer, [Takeover Trap: Why Imperialist China is Invading Africa](#) (The National Interest, July 2019)

¹² Akol Nyok Akol Dok and Bradley A. Thayer, [Chinese Investments are Steadily Taking Over Africa](#) (The National Interest, May 2020)

¹³ Ho-Fung Hung, [China Fantasies](#) (Jacobin Mag, December 2015)

¹⁴ Ho-Fung Hung, [The US-China Rivalry is About Capitalist Competition](#) (Jacobin Mag, July 2020)

It will be argued that the term ‘imperialism’ as advanced by Lenin contained the following contradiction. In his 1917 essay, Lenin strongly suggested that ‘imperialism’ involved national oppression or exploitation, pointing to the “imperialist oppression and the exploitation of most of the countries and nations of the world”¹⁵. However, the conceptual model of the world that Lenin presented in his 1917 essay contradicted even the possibility of national exploitation, and theoretically excluded the actual mechanisms by which nations exploited other nations that were in operation during Lenin’s lifetime. Subsequently in 1920, Lenin delivered a speech at the Comintern in which he explicitly defined “imperialism” as the division of the world into “oppressed nations” and “oppressor nations”, which strongly suggests a definition of “imperialism” as national exploitation¹⁶. To reconcile this contradiction, ‘imperialism’ should explain how national exploitation creates the conditions for warfare of the kind Lenin witnessed in WW1.

In summary, why must the term ‘imperialism’ be reconceptualised? Firstly, to provide clarity about the wars of the 21st century in order to revive the anti-war movement in the English-speaking West. Secondly, to prevent the term from being weaponised to ‘manufacture consent’ for wars of aggression, which is a definite possibility given the widespread perception that non-aggressive states can be ‘imperialist’ for merely exporting capital to other countries. How can the term be reconceptualised? This thesis will argue that IPE offers important insights for assisting in this reconceptualisation.

Introducing Indian Political Economy

Indian political economy (IPE) is a school of thought that developed in India in opposition to British rule, its central claim being that not only was India ‘drained’ of its wealth or ‘underdeveloped’ by Britain, but also that this ‘drain’ was structurally necessary for global Anglo-American domination from 1765 onwards¹⁷. Two modern representatives of IPE, most importantly Utsa Patnaik and Prabhat Patnaik (the Patnaiks), accuse Britain of having ‘drained’ India by as much as \$65.6 trillion according to modern estimates – this plunder will

¹⁵ Vladimir Lenin, *Imperialism: The Highest Stage of Capitalism* (Resistance Books Sydney, 1999, originally published: 1917), p. 71

¹⁶ Vladimir Lenin, *Speeches at Congresses of the Communist International: Report of the Commission on the National and the Colonial Questions* (Progress Publishers Moscow, 1979, originally published: 1920), p. 60

¹⁷ ‘Anglo-American’ will be used in reference to the common actions and interests of Britain and the USA.

be referred to as ‘the drain’ in the context of India under British rule¹⁸. This school of thought can be traced back to the writings of Raja Rammohan Roy, Bhaskar Tarkhadkar, Bhau Mahajan, and Ramkrishna Vishwanath who in the 1840s were the earliest progenitors of the theory that India was being drained of its wealth by Britain¹⁹.

This proposition was expanded upon further in much greater detail by Dadabhai Naoroji, who is the seminal figure in the IPE tradition. Naoroji influenced the Indian national movement for independence, including the Indian Marxist movement, most importantly by co-founding the Indian National Congress (INC) in 1885 which adopted his ‘drain’ theory in 1896²⁰. To underscore his importance as a national figure, it is worth noting that Mohandas Gandhi – India’s most celebrated national independence leader – referred to him as “the Father of the Nation”²¹ – an honourific title now associated with Gandhi himself. More recently, INC politician and writer Shashi Tharoor toured the English-speaking West to promote his book denouncing British imperial rule over India in which Naoroji is quoted extensively²². To illustrate Naoroji’s stature among the Indian Marxist movement, former General-Secretary of the Communist Party of India Marxist (CPIM) and the first Chief Minister of Kerala, EMS Namboodiripad referred to Naoroji as the “venerable father of Indian political economy” – reference to IPE as a school of thought derives from this quote²³. Naoroji’s work has influenced a range of contemporary Indian Marxist scholars, most importantly (in this thesis) Utsa Patnaik, Prabhat Patnaik, Amiya Kumar Bagchi, and Irfan Habib, all of whom hold that the ‘drain’ of wealth from India was the proverbial ‘elephant in the room’ as far as *national* exploitation was concerned, and that it was *fundamental* to Britain establishing itself as the world’s first industrial capitalist state, and as the world’s pre-eminent financier or capital exporter – this has major implications for the meaning of the term ‘imperialism’ (to be elaborated upon later).

¹⁸ Utsa Patnaik and Prabhat Patnaik, *Capital and Imperialism: Theory History and the Present* (Monthly Review Press, 2021), p. 169-70

¹⁹ J.V. Naik, *Forerunners of Dadabhai Naoroji’s Drain Theory* (Economic and Political Weekly, Vol. 36, No. 46/47, Nov. 2001), p. 1

²⁰ R.P. Masani, *Dadabhai Naoroji: Builders of Modern India* (Publications Division, Ministry of Information and Broadcasting, Government of India, originally published: 1960, current edition: 2010) | J.V. Naik, 2001, p. 4432

²¹ Dinyar Patel, [Meet the man whom Mahatma Gandhi called ‘the Father of the Nation’](#) (Scroll.in, August 2016)

²² Shashi Tharoor, *Inglorious Empire: What the British Did to India* (Scribe Publications, 2017)

²³ EMS Namboodiripad, *History Society and Land Relations: Selected Essays, The Class Character of the Nationalist Movement* (LeftWord Books, New Delhi, 2010), p. 65

Given this history, IPE is largely concerned with ‘imperialism’ as ‘underdevelopment’, which is the term used by World-Systems analysts (WSA) to describe what can also be referred to as *national* exploitation, that is, nations exploiting nations (as opposed to *class* exploitation). Despite also emphasising the problem of ‘underdevelopment’, IPE should be categorised separately from WSA for the reason that it evolved from a unique political legacy, one which even *predates* the major writings of Marx and Engels and is instead rooted in the Indian struggle for independence²⁴.

Reference to IPE as a distinct tradition, with Naoroji as its “venerable father” and the ‘drain’ at its theoretical centre of gravity, is justified because it developed in *parallel* with the original popularisation of the term by Hobson. Both Naoroji and Hobson lived in London where they published their major works at roughly the same time, although it is uncertain if they ever met. In 1901, the book *Poverty and Un-British Rule* by Naoroji was published, followed a year later by *Imperialism: A Study* by John Hobson. From that point onwards, the meaning of ‘imperialism’ diverged in two opposite directions. On the one hand, the understanding of ‘imperialism’ across India has its origins in the writings of Naoroji who spoke directly to the experience of India under British rule. On the other hand, the term ‘imperialism’ was originally popularised by Hobson, whose conceptual model of the world was subsequently borrowed by Lenin and continues to greatly influence contemporary discussions about ‘imperialism’ within Marxist discourse. This represents a ‘fork in the road’ moment for the meaning of the term ‘imperialism’ because Hobson explicitly *denied* that India was ever ‘drained’ of its wealth.

This adjacence of IPE to ‘imperialism’ discourse is also because of the debates in recent years about the usefulness and/or relevance of the term ‘imperialism’, particularly the debate between the Patnaiks on one side, and David Harvey on the other. The Patnaiks uphold the relevance of the term to describe “a system of *spatial* exploitation”²⁵ that embodies the “continuity between the colonial period and now”²⁶, whereas Harvey rejects the relevance of the term on the grounds that such continuity has been broken, claiming that the “draining of wealth from East to West for more than two centuries”, was “largely reversed over the last thirty years”, and by further arguing that discourse about “imperialism” should be replaced

²⁴ J.V. Naik, 2001

²⁵ Utsa Patnaik and Prabhat Patnaik, *A Theory of Imperialism: With A Commentary from David Harvey* (Columbia University Press, 2017), p. 89

²⁶ Utsa Patnaik and Prabhat Patnaik, 2017, p. 195

with discourse about “shifting hegemonic configurations”²⁷. The Patnaiks argue that the “literature on economic imperialism” has largely ignored the transfers of wealth resulting from national exploitation in the era of formal empires. According to Utsa Patnaik, this literature, “reveals little awareness of even the fact of the existence of transfers [from countries like India], let alone the sheer scale of the transfers, or the specific real and financial *mechanisms* through which these transfers were effected” (emphasis added), with the ‘drain’ of wealth from India presented as the central example of such transfers²⁸.

The Patnaiks-Harvey debate is not just a debate among highly respected intellectuals, but also represents the divergence between two divergent conceptions of ‘imperialism’, each rooted in their own intellectual traditions. Harvey’s perspective on the question of ‘imperialism’ represents continuity from the orthodox Marxist approach still prevalent across the West, which has its roots in the commonalities between Hobson and Lenin, whereas the Patnaiks’ perspective about what constitutes ‘imperialism’ represents continuity from what this thesis came to identify as IPE, which has its historical roots in the exploitation of India by Britain.

Approaches to the Study of Imperialism

To reconceptualise the term ‘imperialism’, there must be some stable essence that is preserved from its original usage, otherwise, the term would become arbitrary and fall prey to the problem of ‘one over many’, hence the importance of determining the nature of that essence from its original theorists, or in other words, resulting theory of ‘imperialism’ must be capable of tracing the lineage of its selected texts back to the original theorists. Therefore, the methodology for reconceptualising ‘imperialism’ must involve the process of textual selection and analysis, followed by further textual selection on the basis of that analysis, in order to discover the dialectical laws of history in relation to that term while explaining why the term has generated so much confusion. This would be a ‘mixed methods’ research methodology, one in which qualitative questions surrounding the meaning of the term seek

²⁷ David Harvey, “A Commentary on A Theory of Imperialism”, chapter in Utsa Patnaik and Prabhat Patnaik, *A Theory of Imperialism: With A Commentary from David Harvey* (Columbia University Press, 2017), p. 169

²⁸ Utsa Patnaik, “Revisiting the Drain, or Transfers from India to Britain in the Context of Global Diffusion of Capitalism”, in *Agrarian and Other Histories* (Tulika Books, New Delhi, 2017), ed. Shubhra Chakrabarti and Utsa Patnaik

qualitative answers that can be further verified and supplemented with quantitative evidence from economic history.

Textual selection into the lineage of the term ‘imperialism’ begins with identifying the etymological origin that term, which led directly to John A. Hobson. The next step would be to identify those who were influenced by Hobson’s usage of the term, which leads directly to Vladimir Lenin, Rosa Luxemburg, and Karl Kautsky who integrated the term into Marxist discourse. These four theorists have been categorised as the “original theorists” because they constitute a representative sample of theoretical work that developed in the period leading up to and during WW1. The next question to ask is, what were the major subsequent engagements with the meaning of the term? Given that all four theorists alluded to national exploitation as central to the definition of the term, subsequent textual selection converged on World-Systems analysis (WSA), which offered further theorisation about the manner in which nations exploit nations, about the reasons for the persistence of poverty in the postcolonial world, and about the means by which such nations can develop and eradicate poverty. Lastly, textual selection of Indian political economy (IPE) literature is given within the scope of the thesis question, and comprises a representative sample that originates with Dadabhai Naoroji, given that he is acknowledged by others within IPE as the pioneering influence.

Subsequent textual selection involved demonstrating the veracity of the reconceptualised theoretical model of ‘imperialism’ that emerged from integrating these various divergent textual categories into a single coherent idea. This model, which is comprised of *abstract* relational concepts, need to be demonstrated with reference to the *concrete* historical and empirical record. As it turned out, this involved researching the cycles of currency hegemony initiated by the ‘rise of the West’, the systems of national exploitation they established, the financial rise and decline they presided over, and the geopolitical conflict that eventuated.

Textual analysis is informed by the dialectical method, which was most popularly discovered and articulated in the European tradition by Marx and Engels. Summarising this method in *Marx Beyond Marxism: A Critical Evaluation of Marxian Philosophy* (2011), Indian Marxist theorist Sebastian Kappen described the evolution of ideas according to German philosopher Georg Hegel (who influenced Marx), which can be useful when applied to the task of reconceptualising ‘imperialism’. According to Kappen, “Hegel distinguishes three stages in the process of knowing: understanding, negative reason, and speculative reason”.

Understanding “sees the world as a sum of fixed, stable objects”, “abhors all contradiction”, and “is governed by the principle of identity”²⁹. *Negative reason* perceives that “everything tends to become what it is not” because “without negativity there is no time”. Lastly, *Speculative reason* represents the synthesis of *understanding* with *negative reason*, in that it sees the world “as both identical and opposed to itself”³⁰. Therefore, reconceptualising ‘imperialism’ should aspire towards “speculative reason”, that is, towards offering a theory of historical *change*, one that does not lose relevance as a consequence of concrete changes to the global economy.

This raises the question, do the texts being analysed have any theoretical space for change? As it turns out, the original theorists used ‘imperialism’ to capture the changes from 1870 to 1914, which were characterised by the proliferation of industrialised capital-exporting states to rival Britain, however, this model of change had no theoretical room for national exploitation. Subsequently after WW2, WSA sought to explain national exploitation, but the core-periphery spectrum presented a snapshot of the world that did not capture change. However, within the WSA camp, Giovanni Arrighi offered insights into the nature of world reserve currencies throughout history that did capture change in ways compatible with IPE.

Textual analysis must interrogate the *observations* and *intentions* of the various theoretical categorisations mentioned earlier in accordance with the dialectical method. Regarding the observations made by those theorists, according to Kappen, “the dialectic of the abstract and concrete” acknowledges the contradiction between a) the *concrete* or material world, and b) the *abstract* laws that seek to explain the material world. Accordingly, ‘imperialism’ is by definition an *abstraction* in that it attempts to categorise the underlying *concrete* nature of the real world. Therefore, textual analysis must identify the *concrete* reality and the *abstract* model captured by term.

This raises two questions, firstly, what concrete reality did the abstraction originally intend to capture? Secondly, what concrete reality did that abstraction fail to capture? As it turns out, the perspectives of IPE would indicate that the abstraction presented by the original theorists did not fully account for the concrete reality of the ‘drain’, and therefore, did not capture the mechanisms of national exploitation that prevailed even during the era when the term was originally popularised. Given the contradictions inherent in the term ‘imperialism’ and by

²⁹ Sebastian Kappen, *Marx Beyond Marxism: A Critical Evaluation of Marxian Philosophy* (Manusham publications, 2011), p. 4

³⁰ Kappen, 2011, p. 4-6

extension, ‘capitalism’, they will be treated with quotation marks to indicate that the definitions attached to these terms are contested. After having justified their critical redefinition to account for national exploitation, the quotation marks hitherto used for these two terms (‘imperialism’ and ‘capitalism’) will be removed so they can lay the foundation for the rest of the thesis.

Given that *abstractions* only exist in the minds of thinking *subjects* (i.e., a collective speaking the same language), they necessarily embody a certain culturally engrained *subjectivity*. If the analysis of capitalism by Marx was intended to empower working-class *subjectivity*, then what *subjectivity* did the term ‘imperialism’ intend to empower throughout its history as an evolving *idea*? It becomes necessary to *objectify* such consciousness, by explaining it as an expression of its own material conditions, rather than looking at the world through the lens of this *subjectivity*. Therefore, the veracity of the reconceptualised theory of ‘imperialism’ can be measured by its ability to explain the observations of different subjective viewpoints of relevance to the term, by contextualising them as partial truths revealing different parts of the model being proposed. This invokes the ancient Indian parable narrated by ‘the Buddha’ Siddharth Gautam of the ‘blind men and an elephant’, in which a group of blind men encounter an elephant, then proceed to touch and describe it to each other, but because they touch different parts of the elephant, they come to blows over the truth, because they were ‘blind’ to the fact that they had all expressed partial truths subjectively³¹.

If the model being proposed is the material ‘base’, then it must be reflected in the ‘superstructure’ of human consciousness, that is, it must be reflected in political phenomena, such as the speeches of politicians, the ideologies for justifying war/conflict, the geostrategic literature produced by states to serve their interests, as well as ostensibly ‘value-neutral’ and descriptive theoretical models. The point is to not criticise divergent perspectives for the extent to which they are wrong, but to demonstrate that they are all observing one part of the same larger reality or objective truth, thereby also implicitly rejecting the postmodernist assumption that truth is subjective. Even theories that are provably false or misleading are ‘true’ insofar as they may serve a definite set of interests, for example, the concept of the “noble lie” advanced by US American realist theorist Leo Strauss. Commenting on the dialogue between Socrates and Adeimantus in Plato’s Republic, Strauss argues that “the noble lie which, by adding divine sanctions to the natural hierarchy, supplies the required

³¹ Siddharth ‘the Buddha’ Gautam, ed. Bhikkhu Anandajoti (translator), [“The First Discourse about the Various Sectarials”](#), in *Udana 6.4, Paṭhamananatitthiyasuttam 54* (SuttaCentral.net, 2008)

incentive for the soldiers to obey the rulers and thus to serve the city wholeheartedly”³². This raises the importance of recognising that there may be a contradiction between truth and power in situations where un-truths are more useful than truths because they serve the interests of power.

This raises two questions in particular, firstly, is there a contradiction between truth and power that may have exerted influence upon the theoretical model presented by the theorists being surveyed, and secondly, what are the power relations that created the conditions for the theorist in question to gain popularity? Throughout this research it becomes apparent that the contradiction between the perspectives of IPE on the one hand, and those of the original theorists on the other represents this particular contradiction between truth and power.

Filling the Knowledge Gap

The knowledge gap that this thesis will fill begins with recognising that the term ‘imperialism’ was originally intended to explain war, not national exploitation (or underdevelopment), whereas the subsequent evolution of the term was towards explaining national exploitation, not war. Therefore, what is needed is a theory capable of doing both, that is, explaining war *via* national exploitation, which is where IPE offers valuable insights.

The term ‘imperialism’ was originally popularised by British economist and pro-labour liberal John A. Hobson, and then later absorbed into the Marxist fold by Rosa Luxemburg, Karl Kautsky, and Vladimir Lenin – these four will be referred to as the ‘original theorists’ because they wrote about ‘imperialism’ in the same time period, specifically in the context of the rising geopolitical tensions that culminated in WW1. They emphasised structures of class exploitation, which is understandable insofar as the term ‘imperialism’ as it was originally conceived was founded upon, and thus cannot be separated from, the earlier concept of ‘capitalism’ as developed by Karl Marx and Friedrich Engels, which assumed the world was being polarised along the lines of exploiting and exploited *classes*, rather than exploiting and exploited *nations* as per the WSA and IPE conception of underdevelopment or national exploitation. The original theorists added to this by constructing a model of rival capitalisms,

³² Leo Strauss, *The City and Man* (The University of Chicago Press, 1964), p. 103

that is, rival empires, each divided internally along class lines, and headed towards war and conflict with each other, i.e., inter-imperialist war.

It will be demonstrated that the term in question cannot be separated from the context it originated from, namely that it embodied the subjectivity of early 20th century European working-class consciousness. Rather than looking at the world through the lens of this subjectivity, it becomes necessary to objectify such consciousness, by explaining it as an expression of its own material conditions, rather than treating the observations of this consciousness as defining the meaning of the term for all time. This in effect is what IPE offers Marxism, an outsider's objectifying perspective on 'why European Marxists think the way they do', and what better vantage point than IPE? After all, the consensus Marxist metanarrative acknowledges the leading role of Britain as the first industrial capitalist state, and the seminal theorist of the term – John Hobson – was British. In this same global reality, India represented 75% of the British empire's population³³ (and 17% of the world's population)³⁴, and the Indian political economy tradition alleges that the 'drain' was necessary for Britain to stimulate its own industrial revolution and capital exports abroad, which, if true, has radical implications for the meaning of the term in question.

This thesis can be considered a contribution to what Australian New Left sociologist Raewyn Connell³⁵ categorised as *Southern Theory* (2007) as per the title of her book, in that it objectifies "Northern" or "metropolitan" thinking from a "Southern" perspective. Instead of observing India through the lens of Northern theory, including Northern Marxism, this thesis observes Northern theory through the lens of Indian political economy (IPE), including through the lens of its own indigenous Marxism rooted in the Indian experience.

Accordingly, this thesis resonates with Connell's observation that, "under the hegemony of metropolitan theory, the Indian intellectual is forced to relegate local bodies of thought to the past – to treat them as 'traditions' of historical or ethnographic interest, but not as sources of intellectual authority in the present"³⁶. Because of this, the findings of IPE may be accepted as true across Northern academia, however, the extent to which that truth undermines the

³³ Angus Maddison, *The World Economy, A Millennial* (Development Centre Of The Organisation For Economic Co-Operation And Development, 2001), p. 99

³⁴ Angus Maddison, 2001, p. 175

³⁵ Llewellyn Williams-Brooks, *Radical theories of capitalism in Australia: Towards a historiography of the Australian New Left* (University of Sydney, Department of Political Economy), p. 10

³⁶ Raewyn Connell, *Southern Theory: The global dynamics of knowledge in social science* (Allen & Unwin, 2007), p. xi

hegemonic perspective has rarely been acknowledged, let alone has it resulted in that perspective being revised, thereby preparing the ground for this thesis to offer an original revision.

Of the original theorists, Lenin and Luxemburg sided politically with those nations colonised for the extraction of their wealth, including India, however, it will be argued that their theoretical model had no room for national exploitation, or what WSA would later call ‘underdevelopment’, largely because they inherited Hobson’s perspective. Hobson was an advocate of British working-class and national interests which he believed were being betrayed by the interests of the British financial capitalist class, who he alleged would much rather export capital overseas than invest that capital at home. This generated strong internal pressure for “imperialism”, that is, the annexation of overseas territories by Britain to provide outlets for capital exports, thereby creating the conditions for warfare with rival states. Conforming with this premise, Lenin and Luxemburg were attempting to convince the working-classes of the various empires that fought in WW1 that because each empire was driven to violently expand by the logic of ‘capitalism’, that wars between empires were inevitable, therefore, world peace could only be achieved by the working-classes launching simultaneous socialist revolutions to overthrow their respective governments.

This emphasis on capital exports leading to territorial conquest and warfare has definite implications for contemporary debates about which countries now qualify as ‘imperialist’, because by making the export of capital the defining feature of ‘imperialism’, the characterisation of China as “imperialist” is entirely legitimate because China is now the world’s leading capital exporter. However, it will be argued that the export of capital was never the relevant mechanism of national exploitation, therefore, the term ‘imperialism’ advanced by these original theorists was limited.

The attempt to explain the long-term economic impetus towards war, which the original theorists sought to do, is an ancient tradition in the writing of history. It is what motivated the ancient Athenian historian and general Thucydides, who is popularly touted as the ‘father of scientific history’ for his account of *The History of the Peloponnesian War* (404 BCE). According to Thucydides, “it was the rise of Athens and the fear this instilled in Sparta that made war inevitable”³⁷, which former US official and geostrategic thinker Graham Allison

³⁷ Graham Allison, 2017, p. 12

called the “Thucydides trap” in reference to “when a rising power threatens to displace a ruling power”³⁸. Similarly, the reconceptualisation of imperialism will demonstrate how peacetime relations of national exploitation create long-term tendencies towards warfare as per the dynamics of the Thucydides trap.

After the original theorists of the WW1 era, what have been the major subsequent challenges to the meaning of the term? In the post-WW2 era, World-Systems analysis (WSA) emerged with the writings of Paul Baran, Paul Sweezy, Samir Amin, Andre Gunder Frank, Arghiri Emmanuel, Harry Magdoff, Giovanni Arrighi, Raul Prebisch, and Immanuel Wallerstein, who all generally argued that the development of ‘capitalism’ in Europe was founded upon ‘underdevelopment’ (or national exploitation), that is, the violent subjugation of other nations/regions, particularly in Asia, Africa, and the Americas, which in turn were *prevented* from carrying out that same process of industrialisation. that is, prevented from developing ‘capitalism’. Therefore, WSA tends to use underdevelopment in ways synonymous with the use of ‘imperialism’ as national exploitation, which is to describe the processes by which some nations/regions develop at the expense of other nations/regions.

To accommodate national exploitation, these theorists, all contributed towards developing the ‘core-periphery’ spectrum, which was pioneered by Raul Prebisch who used the term ‘centre’ instead of ‘core’. This spectrum took a snapshot of the world that divided countries based on the extent of the development of their productive forces, with the more industrialised states categorised as ‘core’, the more agrarian states categorised as ‘periphery’, and those states in between categorised as ‘semi-periphery’. When it was originally conceived, the ‘core’ end of the spectrum roughly overlapped with the home territories and settler colonies of the former empires, while the ‘periphery’ overlapped with the postcolonial nations of the world that had been underdeveloped.

Confusion arises from the contradictory normative political intentions behind the term ‘imperialism’, which was originally integrated into Marxist discourse by Lenin and Luxemburg to agitate for world revolution in the midst of WW1. By contrast, in the post-WW2 era WSA used the term ‘imperialism’, not to explain the lead-up to war/conflict but to explain the patterns of global trade that prevailed during peacetime, the implicit normative political intention being to advise postcolonial nations on strategies to overcome their

³⁸ Graham Allison, 2017, p. 6

impoverished and degraded condition. This confusion about the term ‘imperialism’ can be resolved by acknowledging that it was originally theorised to explain war not underdevelopment, whereas WSA sought to explain underdevelopment not war. This raises the question that exposes the knowledge gap in ‘imperialism’ discourse, which is, how can the concept of ‘imperialism’ be reconceptualised to retain its original emphasis on being able to explain war/conflict, while integrating into this explanatory model, the history of underdevelopment, also known as national exploitation?

It will be demonstrated that IPE can answer this question by giving ‘imperialism’ stronger foundations within Marxist discourse, by connecting the term to Marx’s insights on the nature of money, and to the Indian experience under British rule. As prominent modern representatives of the IPE tradition, the Patnaiks point out that Marx never completed his project insofar as he only presented a ‘closed’ model of the world economy within which class exploitation was the only relevant social contradiction. Rather than being confined by this limitation, they argue it is incumbent upon Marxists to ‘open up’ this model to accommodate nations and states. It will be demonstrated that the ‘closed’ model assumes the *singular* universality of money, however, according to Prabhat Patnaik, to ‘open up’ this model to accommodate the real World-System featuring *multiple* national currencies, the insights of Marx into the value of money need to be applied.

Furthermore, it will be demonstrated that the ‘drain’ is the proverbial elephant in the room, which once fully acknowledged for its consequences regarding the meaning of the term in question, a) undermines the central assumptions of the original theorists, and b) complements the contributions of WSA. Therefore, reconceptualising the term in question requires constructing a model that complements the ‘core-periphery’ dialectic borrowed from WSA by introducing the ‘hegemon-rival’ dialectic, which is informed by the insights of IPE and the implications of the ‘drain’.

This research broadly affirms the necessity of a long-term or “longue-durée” conception of history, which is a term coined by Fernand Braudel³⁹, whose work prefigures the World-Systems analysis developed further by Frank, Wallerstein, and Arrighi, all of whom observed in their writings, long-term cycles of economic history that build inertia towards war/conflict.

³⁹ Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of our Times* (Verso, London, New York, 2010, originally published: 1994), p. xiii

Drawing on the Patnaiks and Giovanni Arrighi in particular, this research will demonstrate that throughout history there have been multiple ‘core-periphery’ relations of national exploitation operating simultaneously, that is multiple imperialist states. However, there is typically one imperialist state that generates the largest ‘drain’ from its periphery, which allows it to establish ‘currency hegemony’. The states that are not under the military control of the hegemon produce in exchange for the hegemonic currency, thereby stimulating the development of their productive forces – these are the ‘mercantile rivals’. Over the long-term, this creates the conditions for ‘hegemon-rival’ war/conflict in the manner alluded to by Thucydides, often resulting in the inheritance of hegemony by one of those rivals.

This *longue-durée* approach naturally exposes itself to criticism from those arguing in favour of explanations contained within the narrowest parameters of time and space. In opposition to such criticism, Frank invokes the words of historian William McNeill, who fully accepted that by broadening the said parameters, “macrohistorians ruthlessly bypass most details of the available literary record”, however, “this does not make macrohistory less exact or well attested”, because “smaller is not closer to reality – as minutely specialized historians sometimes assume”, rather, “good history results from a process of selection and criticism, picking out information from available sources that is relevant to whatever questions the historian asks”(cited in Frank)⁴⁰. Similarly, in opposition to pleas that research be contained within spatial/geographic parameters historian Joseph Fletcher argues that “historians are alert to vertical continuities but blind to horizontal ones”, that is, “alert” to the history of nations in isolation, but “blind” to their interconnectedness with other nations (cited in Frank)⁴¹. Therefore, a reconceptualised theory of imperialism capable of explaining the relationship between national exploitation and warfare can only be explained within a “macrohistorical” framework capturing the long-term build-up of global economic inertia.

The proposed model is an abstraction that not only captures the ‘*longue-durée*’ perspective common to both WSA and IPE, but also explains the ideological superstructure accompanying this perspective. According to this perspective, the world system can be divided into three distinct cycles of currency hegemony throughout history, 1) Iberian/Dutch, 2) British and 3) US American, corresponding loosely to what Arrighi called “systemic

⁴⁰ Andre Gunder Frank, *ReOrient: Global Economy in the Asian Age* (University of California Press, Berkley, Los Angeles, London, 1998), p. 39-40

⁴¹ Andre Gunder Frank, 1998, p. 226

cycles of accumulation” that are observable over the long *durée*, although only the latter two cycles will be covered with devoted chapters.

The Following Chapters

In summary, this thesis can be divided into two parts, the first comprises chapters 2, 3 and 4, which focusses on the theoretical debate about the meaning of the term in question, culminating in the construction of a theoretical model featuring the terminology mentioned thus far. In chapter 2, what the original theorists meant by imperialism is covered, which reveals that the term sought to explain the tendency towards inter-imperial *war*, but did not account for *national* exploitation, because it was built on ‘closed model’ assumptions that emphasised only *class* exploitation. In chapter 3, what WSA meant by imperialism is covered, which reveals that while they offered useful concepts for capturing *national* exploitation, these concepts were static, and thus could not explain the tendency towards warfare. In chapter 4, the insights of IPE are presented as offering insights from which can be derived a model of imperialism capable of explaining both the long-run tendencies towards war, and national exploitation. The second part comprises chapters 5, 6, 7, and 8, which will focus on the validation of this theoretical model by charting the tendency towards hegemon-rival conflict in successive cycles of accumulation, stagnation, and conflict.

Chapter 2. The Original Theorists: Explaining Warfare, Not National Exploitation

Introduction

The term ‘imperialism’ was originally popularised and pioneered by John A. Hobson, and later integrated into Marxist discourse by Vladimir Lenin, Rosa Luxemburg, and Karl Kautsky. These theorists will be categorised as the ‘original theorists’ insofar as they were the ones that first contributed towards the discourse about ‘imperialism’ in the period leading

up to and during WW1 and also during the inter-war period, although these four are not an exhaustive list of all the theorists from that era who contributed towards the meaning of the term. Other important theorists include Rudolf Hilferding, Nikolai Bukharin, and Henryk Grossman, however, what they presented was not fundamentally different to the four earlier mentioned theorists, relative to World-Systems analysis (WSA) and Indian political economy (IPE). There are differences between all seven mentioned theorists relative to each other, however, it will be demonstrated that of the four selected as a representative sample, what they had in common is presenting a definition of ‘imperialism’ that leaves no theoretical space for the mechanisms of national exploitation that prevailed, even in their own era, rather, their focus was on explaining the long-term tendencies towards war between multiple capitalist states.

The Four Original Theorists

John A. Hobson

The modern usage of the term ‘imperialism’, at least within Marxist discourse, begins with John A. Hobson, whose book, *Imperialism: A Study*, was published in 1902 at a time of rising tensions between the world’s empires of the time and contributed to the debate of that era about how best to pursue Britain’s national interests. Contrary to the contemporary connotations associated with the term, Hobson was not categorically opposed to violently conquering foreign territories, rather he advocated for it to be carried out in an enlightened mutually beneficial manner on the condition that it “must confer some net advantage” to those conquered⁴². This came with varying recommendations about how British foreign policy should engage the “lower races”⁴³ of Asia and Africa⁴⁴. Hobson argued that if “civilized powers refused the task” of uplifting the “lower races” then it would “let loose a

⁴² John Hobson, *Imperialism: A Study* (Cosimo Classics New York, 2005, originally published: 1902), p. 280

⁴³ John Hobson, 1902, p. 313 (dates in short-form citations refer to *original* year of publication)

⁴⁴ John Hobson, 1902, p. 285

horde of private adventurers” and “slavers” who would arguably be worse for the conquered populations⁴⁵.

Hobson certainly acknowledged some connection between “imperialism” and national exploitation, noting that “early Imperialism” was motivated by “the lust of “treasure” and the slave trade” resulting in the “plunder”⁴⁶ of the Americas or “new world” before reasoning that it was “unnecessary to revert to the buccaneering times of the sixteenth century”⁴⁷. Regarding Britain’s largest extractive colony, according to Hobson, British rule *benefited* India by “checking the corruption and tyranny of native princes”, introducing “a public system of schools and colleges”, teaching “the Christian religion”, “industrial arts”, building “roads, railways”, by having “reduced the burden of taxation”, and thus amounted to “the best record British Imperialism can show”⁴⁸. Regardless, Hobson acknowledged that the need for “more reliable supplies” of “tropical agricultural products”⁴⁹ raises the possibility that a “self-chosen oligarchy among the nations ... might learn to live parasitically upon the lower races”⁵⁰, however this was presented as a potential immorality that Britain ought to avoid, rather than a process that defined Britain’s own economic development.

Hobson wrote that “there are some who maintain that [the] British government is draining the economic life-blood of India”, and that “one-third of the money raised by taxation flows out of the country”, however, ultimately concludes that the “statistical basis of this argument is too insecure for much reliance to be placed on it”, thereby rejecting any notion that India was “drained”, that is, nationally exploited, for the benefit for Britain⁵¹. Hobson was clearly alluding to Indian nationalist economist and politician Dadabhai Naoroji without mentioning his name, because one year earlier, Naoroji had made precisely “this argument” alluded to by Hobson in *Poverty and Un-British Rule in India* (1901). Indeed, Naoroji had been presenting this argument as early as 1867 at least, when he wrote that, “in the shape of ‘home charges’ alone there has been a transfer of about 100 millions of Pounds Sterling ... from the wealth of

⁴⁵ John Hobson, 1902, p. 230

⁴⁶ John Hobson, 1902, p. 246-7

⁴⁷ John Hobson, 1902, p. 230

⁴⁸ John Hobson, 1902, p. 287-8

⁴⁹ John Hobson, 1902, p. 251

⁵⁰ John Hobson, 1902, p. 239

⁵¹ John Hobson, 1902, p. 288

India to that of England since 1829”⁵². Despite having been the first Indian elected to British parliament in 1892⁵³, despite having delivered many speeches to audiences in London about Britain exploiting India⁵⁴, and despite having published the earliest quantitative literature substantiating these claims, Naoroji’s insights (which are *foundational* for IPE), were *rejected* by the seminal theorist of the term ‘imperialism’, and subsequently *ignored* by Marxist discourse in the English-speaking West. By contrast, many leading Indian Marxists hold that Naoroji influenced Karl Marx (discussed later).

To the extent that Hobson was against what he called “imperialism” it was within the context of his opposition to what he called the “dogma” that “trade follows the flag”⁵⁵, which at the time served to justify the British military expansions that Hobson also called “imperialism”. According to Hobson, *if* the rationale for such expansion was to create new markets for British capital and goods, then “imperialism”, by producing only a “small, bad, unsafe increase of markets”, while “rousing the strong resentment of other nations” (i.e., rival empires), was “clearly condemned as a business policy”⁵⁶. To support his case, he argued that “trade” (i.e., export of goods/capital) with “tropical and sub-tropical regions” had been “small, precarious and unprogressive”, noting that “trade with India has been stagnant, while that with our tropical colonies in Africa and the West Indies has been in most cases irregular and dwindling”⁵⁷. If “imperialism” was “irrational from the standpoint of the whole nation”⁵⁸, why did Britain pursue such a policy? The “only possible answer”, according to Hobson, was that “the business interests of the nation as a whole” had been “subordinated to those of certain sectional interests”⁵⁹, namely “the desire of strong organized industrial and financial interests”⁶⁰. Hobson drew a distinction between “colonialism” and “imperialism”, favouring the former, claiming that “British colonialism has been no drain upon our material and moral resources, because it has made for the creation of free white democracies”⁶¹, while criticising

⁵² Dadabhai Naoroji, “England’s Duties to India, in *Essays*” (1867), in *Essays, Speeches, Addresses and Writings (On Indian Politics) of the Hon’ble Dadabhai Naoroji* (Caxton Printing Works, ed. Chunilal Lallubhai Parekh, 1887), p. 29

⁵³ Dinyar Patel, 2016

⁵⁴ Dadabhai Naoroji, ed. Chunilal Lallubhai Parekh, *Essays, Speeches, Addresses and Writings (On Indian Politics) of the Hon’ble Dadabhai Naoroji* (Caxton Printing Works, 1887)

⁵⁵ John Hobson, 1902, p. 33

⁵⁶ John Hobson, 1902, p. 46

⁵⁷ John Hobson, 1902, p. 38

⁵⁸ John Hobson, 1902, p. 47

⁵⁹ John Hobson, 1902, p. 46

⁶⁰ John Hobson, 1902, p. 106

⁶¹ John Hobson, 1902, p. 129

the latter, but only to the extent that “imperialism”, amounted to the export of capital *without* being accompanied by the “export” of British settlers, and therefore *did* implicitly constitute a “drain” upon the “material and moral resources” of Britain.

When did “imperialism” begin? According to Hobson, “the year 1870 has been taken as indicative of the beginning of a conscious policy of Imperialism”, which assumed that all instances of national exploitation that happened before then did not count as “imperialism”. Furthermore, by defining “the leading characteristic of ...modern Imperialism” as “the competition of rival Empires”⁶², Hobson observed that multiple capitalist empires had developed to a stage where they were looking for outlets to export capital. Given these assumptions, Hobson argued that “imperialism” would be unnecessary if wealth were more evenly distributed within Britain, arguing that, “if the consuming public in this country raised its standard of consumption to keep pace with every rise of productive powers, there could be no excess of goods or capital clamorous to use Imperialism in order to find markets”⁶³. In this framework “imperialism” was presented as a solution to the problem of *underconsumption*, that is, to the problem of “idle money seeking any sort of profitable investment and finding none”⁶⁴ within Britain’s borders. Therefore, the specific aspect of “imperialism” opposed by Hobson was the export of capital (or worse, capital flight), which arguably represented the self-interested grievances of the British working-class, angry at British financial capitalists for investing outside the empire rather than at home.

Vladimir Lenin

The conception of ‘imperialism’ proposed by Lenin in his pamphlet *Imperialism, The Highest Stage of Capitalism* (1917), relies heavily on Hobson’s framework, indeed according to Lenin, “I made use of the principal English work, *Imperialism*, J. A. Hobson's book, with all the care that, in my opinion, that work deserves”⁶⁵. Additionally, this framework was developed with the intention of empowering the “Communists in advanced capitalist

⁶² John Hobson, 1902, p. 19

⁶³ John Hobson, 1902, p. 85

⁶⁴ John Hobson, 1902, p. 86

⁶⁵ Vladimir Lenin, *Imperialism: The Highest Stage of Capitalism* (Resistance Books Sydney, 1999, originally published: 1917), p. 25

countries”⁶⁶ with arguments for convincing the working-classes of the various empires participating in WW1 to use the opportunity to launch simultaneous socialist revolutions. In this context, the pamphlet proposes a general theory for explaining the war/militarism of its era, contesting that unless the “economic essence of imperialism” is studied, “it will be impossible to understand and appraise modern war and modern politics”⁶⁷. Drawing on Hobson, the “true class character of the war”, according to Lenin, was that it was driven from within each empire by the interests of “finance capital”⁶⁸, whereas the working-class in particular possessed the agency to end the war by launching simultaneous socialist revolutions, especially given they were the ones being conscripted to fight in a conflict that claimed 17 million lives, one of the bloodiest conflicts in human history until that point.

According to Lenin’s metahistorical narrative, the *era* of “free competition” prevailed until the 1860s/70s when it began negating itself through the “merging of bank capital with industrial capital”⁶⁹, thus producing the era of “imperialism”, that is, the “monopoly stage of capitalism”, referring to the eventual subordination of “industrial capital” to “finance capital”, with the beginning of the 20th century marking the “turning point ... from the domination of capital in general to the domination of finance capital”⁷⁰. This reading is vindicated by Lenin’s reference to “industrial and commercial circles” who “complain of the ‘terrorism’ of the banks”, followed by an example from Germany of a big bank threatening an industrial firm over their business decisions, leading him to conclude that “the old struggle between small and big capital is being resumed at a new and immeasurably higher stage of development”⁷¹. The theoretical model that emerged comprises rival empires fighting each other for the “partition and repartition of colonies”⁷², which, in keeping with the intended audience, were presented as passive objects being won/lost.

Building on Marx who according to Lenin had “proved that free competition gives rise to the concentration of production”⁷³, Lenin observed that although formally banks functioned as intermediaries between different branches of industry by recycling deposits into loans, “when

⁶⁶ Vladimir Lenin, 1917, p. 27

⁶⁷ Vladimir Lenin, 1917, p. 26

⁶⁸ Vladimir Lenin, 1917, p. 27

⁶⁹ Vladimir Lenin, 1917, p. 92

⁷⁰ Vladimir Lenin, 1917, p. 57

⁷¹ Vladimir Lenin, 1917, p. 56

⁷² Vladimir Lenin, 1917, p. 27

⁷³ Vladimir Lenin, 1917, p. 37

such operations are multiplied” and “when the bank ‘collects’ in its own hands enormous amounts of capital”, the result is that “the industrial capitalist becomes more completely dependent on the bank”, and therefore, the banking sector transforms from a “humble middleman” into the most powerful agent within each empire⁷⁴. Governed by these interests, the state/empire takes on the responsibility of finding markets, only this time not only for the “export of commodities”, but also for the “export of capital”⁷⁵ to seek higher profits in “backward countries”⁷⁶ through access to cheaper land, wages, and raw materials, thus necessitating war/militarism to acquire/defend territories from/against rival empires, each driven by the same logic, resulting in the “tremendous ‘boom’ in colonial conquests” after the 1870s (which conforms to Hobson’s chronology), a reference to the scramble for Africa and naval subjugation of China. According to Radhika Desai, this observation by Lenin regarding the subordination of industrial capital to finance capital, represents an important departure from Marx, who instead predicted in *Capital Vol. III* that the development of “capitalism” would lead to the “subordination of interest-bearing capital to the conditions and requirements of modern industry” (cited in Desai)⁷⁷. Therefore, what Marx observed was a specific stage in German economic history, rather than the pre-determined course of “capitalism” in general.

Lenin adopted broadly underconsumptionist assumptions from Hobson, arguing that “surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries”⁷⁸, the overall implication being that “the masses” (the working-class of the capital-exporting country) did not benefit from “imperialism”, which certainly aligned with his political message. This is followed by arguing that the motivation behind exporting capital was because in “backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap”, however, the assumption here was that of ‘capitalism’ spreading evenly which is why Lenin also wrote, “the export of capital

⁷⁴ Vladimir Lenin, 1917, p. 53

⁷⁵ Vladimir Lenin, 1917, p. 73

⁷⁶ Vladimir Lenin, 1917, p. 71

⁷⁷ Radhika Desai, *Geopolitical Economy: After US Hegemony Globalization and Empire* (Pluto Press, Fernwood Publishing Halifax and Winnipeg, 2013), p. 49 | Karl Marx ed. Friedrich Engels, *Capital Vol. 3, The Process of Capitalist Production as a Whole* (Institute of Marxism-Leninism, USSR, 1959, originally published: 1894), p. 428

⁷⁸ Vladimir Lenin, 1917, p. 71

influences and greatly accelerates the development of capitalism in those countries to which it is exported”, and that it “may tend to a certain extent to arrest development in the capital-exporting countries”⁷⁹. If this is the economic mechanism underpinning “imperialism” then it implicitly rules out even the possibility of national exploitation, given that “backward countries” are being spurred into development by externally originating capital, that too at the economic expense of the “imperialist” state.

Although the economic mechanisms of “imperialism” presented by Lenin in his 1917 pamphlet have no place for national exploitation, he certainly prepared the ground for further inquiry into how nations exploit nations. In that same pamphlet, Lenin noted that as early as 1858, Engels had written to Marx that the “English proletariat is becoming more and more bourgeois”, concluding that “for a nation which *exploits* the whole world this is, of course, to a certain extent justifiable” (emphasis added), and then in 1882 Engels had written to Kautsky (cited in Lenin) that, “the English workers...gaily share the feast of England’s monopoly of the colonies and the world market”⁸⁰. As early as 1907, Lenin was of the opinion that, “as a result of the extensive colonial policy, the European proletariat partly finds himself in a position when it is not his labour, but the labour of the practically enslaved natives in the colonies, that maintains the whole of society”. Regarding Britain, the leading empire of the time, Lenin wrote “the British bourgeoisie, for example, derives more profit from the many millions of the population of India and other colonies than from the British workers”⁸¹, although ‘surplus’ would perhaps be more accurate than ‘profit’ given that the realisation of the latter was not the purpose of India for Britain.

Most importantly, as Soviet leader after WW1 and after the revolution, Lenin delivered an important speech at the Second Congress of the Communist International (Comintern) in 1920 that explicitly defined “imperialism” as national exploitation. This definition was developed in conjunction with Communists from the world’s exploited nations, most importantly with Manabendra Nath Roy, an Indian Marxist who founded the Communist Party of Mexico⁸². Lenin declared that “the characteristic feature of imperialism consists in

⁷⁹ Vladimir Lenin, 1917, p. 72

⁸⁰ Vladimir Lenin, 1917, p. 106

⁸¹ Vladimir Lenin, [*The International Socialist Congress in Stuttgart*](#) (Moscow, Progress Publishers, Lenin Collected Works, Vol. 13, p. 75-81, 1972; originally published in *Proletary*, 1907)

⁸² According to Lenin: “This idea of distinction, of dividing the nations into oppressor and oppressed, runs through the theses not only the first theses published early over my signature, but also those submitted by Comrade [Manabendra Nath] Roy”. Source: Vladimir Lenin, *Speeches at Congresses of the Communist*

the whole world ...being divided into a large number of oppressed nations and an insignificant number of oppressor nations”. Lenin also added that “about 70% of the world's population, belong to the oppressed nations” – a clear reference to those nations subjugated by multiple rival empires⁸³. Incidentally, India represented 70% of the population of the British empire, making the empire not only representative of the global contradictions Lenin referred to, but also the largest system of national exploitation at the time, as will be shown in chapters 5 and 6. Lenin also held that the working-classes of “oppressor nations” constituted a “labour aristocracy” that benefited from national exploitation, arguing that, “to a certain degree the workers of the oppressor nations are partners of their own bourgeoisie in plundering the workers (and the mass of the population) of the oppressed nations”⁸⁴, thereby reinforcing the definitional validity of ‘imperialism’ as national exploitation.

Even regarding post-revolutionary socialist states, Lenin argued that if the “labour aristocracy” established socialism, they would continue benefitting from exploiting subjugated nations, appealing to the authority once again of Engels, who “cited India as an example of such nations, stating that she might perform a revolution against victorious socialism”. This was, according to Lenin, because “Engels was remote from the preposterous imperialist economism which imagines that having achieved victory in the advanced countries, the proletariat will “automatically”, without definite democratic measures, abolish national oppression everywhere” (paraphrased by Lenin)⁸⁵.

This implicit Leninist redefinition of “imperialism” as national exploitation is consistent with the ‘spirit’ of Marx, who recognised the importance of slavery to the rise of ‘capitalism’ in Europe, writing that, “the veiled slavery of the wage workers in Europe needed, for its pedestal, slavery pure and simple in the new world”, and that “the discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalled the rosy dawn of the era

International: Report of the Commission on the National and the Colonial Questions (Progress Publishers Moscow, 1979, originally published: 1920), p. 60

⁸³ Vladimir Lenin, 1920, p. 59

⁸⁴ Vladimir Lenin, “[Ch. 5 Monism and Dualism](#)” in *A Caricature of Marxism and Imperialist Economism* (Progress Publishers Moscow, 1964, originally published: 1924)

⁸⁵ Vladimir Lenin, 1924, Ch. 5

of capitalist production”⁸⁶. Unfortunately, this aspect of Marx was never integrated into the original set of meanings assigned to ‘imperialism’, which was theorised to have begun in 1870, which is after the end of the slave trade.

Rosa Luxemburg

The term in question was also theorised by Rosa Luxemburg, who shared many of the same assumptions as the preceding two theorists, Lenin and Hobson, namely that of “imperialism” representing the urge of capital to expand beyond state borders, or in her own words, “imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment”⁸⁷. Although Luxemburg does not explicitly identify the year 1870 as the beginning of “imperialism” (like Lenin and Hobson), this chronology can be inferred from her agreement with Lenin that “imperialism” came after ‘capitalism’, and that it represents multiple states competing for control over the remaining “non-capitalist” world.

Regarding national exploitation, Luxemburg certainly acknowledged the immiseration of the peasantry in conquered nations, pointing to the burdensome taxes imposed on the Indian peasantry (by the British) who were never compensated with state investment as they had been under the pre-colonial states, particularly the “Moghul Empire” which she mentions⁸⁸. However, her argument was that “modern colonial policy” was performing the “same task” as “dispossessing the peasants in England”, that is, it was presented as an act of British capital dispossessing the Indian peasantry, just as they had dispossessed their own peasantry in Britain during the era of “primitive accumulation”⁸⁹, rather than the more general dispossession of India for the benefit of Britain, which would imply a transfer of wealth from one nation to another, that is, national exploitation.

⁸⁶ Karl Marx, *Capital Vol. 1: A Critique of Political Economy* (Progress Publishers Moscow, 1965, originally published: 1867)

⁸⁷ Rosa Luxemburg, *Accumulation of Capital* (Routledge, London and New York, 2003, originally published: 1913), p. 426

⁸⁸ Rosa Luxemburg, 1913, p. 351-2

⁸⁹ Rosa Luxemburg, 1913, p. 350

This perspective appears to reinforce her assumption that ‘capitalism’ was replacing the pre-capitalist world, thus ruling out the theoretical possibility of national exploitation. This is an assumption that can be found in Marx, who when writing about British rule in India when he was a journalist for the New York Tribune in 1853, concluded that the unintended consequence of the “misery inflicted by the British on Hindostan” was that by destroying the old social order they were creating the necessary conditions for ‘capitalism’ to develop. British policy according to Marx “dissolved these small semi-barbarian, semi-civilized communities [in India] by blowing up their economical basis, and thus produced the greatest, and to speak the truth, the only social revolution ever heard of in Asia”⁹⁰. However, by 1881, Marx had learned that British rule, far from laying the foundations for capitalism in India (which was his opinion in 1853), was inflicting a “bleeding process” that is synonymous with capital destruction, not accumulation, the latter being structurally impossible.

Prabhat Patnaik points out that in a letter to Russian Narodnik economist Nikolai Danielson, Marx wrote, “what they take from them [Indians] without any equivalent... amounts to more than the total sum of income of the sixty millions of agricultural and industrial labourers of India! This is a bleeding process, with a vengeance!” (cited in Patnaik)⁹¹ According to many Marxists within the Indian political economy tradition, including B.N. Ganguli⁹², Irfan Habib⁹³, and Prabhat Patnaik⁹⁴, Marx changed his mind between 1853 and 1881 because of the influence of Dadabhai Naoroji’s writings, particularly regarding the “bleeding process” inflicted upon India by British rule. Marx had initially (in 1853) assumed that because the destruction of the old social order in Britain, specifically the enclosure acts that deprived peasants of access to common land thereby leaving them with only their labour-power to sell, created the conditions for ‘capitalism’ by creating the working-class, that a similar process of creative destruction was underway in India, an assumption Luxemburg apparently shared. Holding this position rested upon the assumption that the surpluses generated by India’s labouring classes would be reinvested in India (just as that of the British working-class were

⁹⁰ Karl Marx, [The British Rule in India](#) (Marxists.org, New York Daily Tribune, 1853)

⁹¹ Prabhat Patnaik, [Marx on Imperialism](#) (Newslick.in) | Karl Marx, “Marx to Nikolai Frantsevich Danielson in St. Petersburg” (originally published: 1881), in *Marx, Engels Selected Correspondence 1844-1895* (Progress Publishers, Moscow, 1965), p. 317

⁹² Prabhat Patnaik, *The Value of Money* (Columbia University Press, New York, 2009), p. 240

⁹³ Irfan Habib, “Ch. 2 Marx’s Perception of India” in *Essays in Indian History: Towards a Marxist Perspective* (Tulika Books, New Delhi, 2017), p. 57 (footnote)

⁹⁴ Prabhat Patnaik, *The Value of Money* (Columbia University Press, New York, 2009), p. 187, 240

invested in Britain), which is false, India's surpluses were reinvested in Britain, because of the 'drain' from India (covered in chapters 5 and 6).

Unlike Hobson who presented such capital exports as a solution to the lack of "effective demand"⁹⁵ within Britain (owing to workers' wages not keeping up with rising productivity), Luxemburg argued that this "imperialist" expansion was inherently necessary for capital to realise profits and could not therefore be theoretically offset by raising the wages of workers. Assuming an isolated capitalist economy comprised internally of capitalists and workers, Luxemburg notes that "every worker produces more [value] than he himself can consume, and all these surplus items accumulate in a few [capitalist] hands". She then argues that while the capitalists may "eat, drink and dance as much as they like—they will not be able to squander the whole of the surplus value", meaning that "a considerable remnant will be left over". It follows that "since there is no one inside the country on whom the capitalists could foist this remnant, it must be exported abroad", which is why "foreign markets are indispensable to countries embarking on the capitalist venture"⁹⁶. Therefore, according to Luxemburg, "imperialism" as a violent expansionary tendency was motivated by the capitalist class looking to the external "pre-capitalist" world as a source of *demand* for these surplus products/items, whereas WSA and IPE allege the opposite, which is that 'imperialism' was/is motivated to seek external sources of *supply* (covered in chapters 3 and 4).

Luxemburg assumed that the "capitalist" sector, referring to the industrial zones of the world, was encroaching upon and "assimilating" the precapitalist sector, to quote Prabhat Patnaik⁹⁷, and that once "capitalism" had taken over as the dominant mode of production, then only would the global system resemble the closed economy model presented by Marx in *Capital*. At that point "capitalism" would collapse, or in her words, "just as soon as reality begins to correspond to Marx's diagram ... the collapse of capitalism follows inevitably, as an objective historical necessity"⁹⁸. The difference between Luxemburg and Hobson aligned with their respective political views, Hobson believed 'capitalism' could be reformed to make 'imperialism' unnecessary, whereas Luxemburg believed "imperialism", particularly the

⁹⁵ John Maynard Keynes, *The General Theory of Employment, Interest and Money* (Prometheus Books, 1997, originally published: 1936), Ch. 3

⁹⁶ Rosa Luxemburg, 1913, p. 257

⁹⁷ Utsa Patnaik and Prabhat Patnaik, 2017, p. 143

⁹⁸ Rosa Luxemburg, 1913, p. 397

tendency towards war, was the logical end of ‘capitalism’, that is, the logical end of multiple capitalist states needing new external sources of demand, leading to war between them for control over the remainder of the “non-capitalist” world. Despite these differences, their model of the world was essentially the same insofar as it provided no theoretical space for national exploitation.

Karl Kautsky

Karl Kautsky shared many of the same assumptions about ‘imperialism’ as the previous three theorists, albeit with some important alternative insights. His writings were criticised by Lenin’s pamphlet at a time when, according to Lenin, “Kautskyism” was the trend that was “represented in all countries of the world by the ‘most prominent theoreticians’ and leaders of the Second International”⁹⁹, and thus also represented the prevailing ideological hegemony that Lenin was opposing. According to Kautsky, “imperialism” is broadly defined as “the striving of every great capitalist state to extend its own empire in opposition to all the other empires”¹⁰⁰, which, thus far, is consistent with Hobson, Lenin, and Luxemburg, however for Kautsky this was not being driven by “finance capital”, rather by capital in general (industrial and finance), which pressured the state to expand because of “the importance of the agrarian zones to industry”¹⁰¹. Kautsky was alluding to the material premise that industrial growth required increasing supplies of primary commodities (raw materials and food) thus raising tensions between empires, each reaching outside their borders for control over those precious “agrarian zones”. Furthermore, Kautsky argued that the driving force behind “imperialism” was that “the growth of industry in the capitalist States today is so fast that a sufficient expansion of the market can no longer be achieved by the methods that had been employed up to the 1870’s”, thereby conforming to the historical chronology explicitly stated by Lenin and Hobson, and tacitly espoused by Luxemburg, which is that “imperialism” begins after 1870.

⁹⁹ Vladimir Lenin, 1917, p. 29

¹⁰⁰ Karl Kautsky, [Ultra-imperialism](#) (Marxists.org, Die Neue Zeit, 1914b)

¹⁰¹ Karl Kautsky, 1914b

What repulsed Lenin was Kautsky raising the theoretical possibility of an eventual “phase when wars shall cease under capitalism”¹⁰²(cited in Lenin) through the formation of a “Holy Alliance of imperialists”¹⁰³, concluding that such claims amounted to “consoling the masses with hopes of permanent peace being possible under capitalism”¹⁰⁴, thereby effectively demobilising the various socialist parties of the respective world empires of the time from forming a united front against WW1. By contrast, Lenin advocated seizing the opportunity to launch socialist revolutions, for which it helped to demonstrate the theoretical impossibility of peaceful “imperialism” altogether.

The theoretical difference between Lenin and Kautsky is embodied in their respective metanarratives, beginning with Lenin, for whom the era of a) “free trade/competition” dialectically evolves into the era of b) “imperialism” and “monopoly”, which happens due to the subordination of “industrial capital” to “finance capital”, the latter driving each empire to war. By contrast, for Kautsky, the era of a) “free trade” is *synonymous* with “monopoly”¹⁰⁵, referring to Britain’s pre-eminent status as the leading industrial power and “workshop of the world”, during which it imported primary commodities and exported industrial goods. This arrangement is then negated by “competition” from rival states, namely “the countries of Western Europe and the Eastern states of America”, which in turn established “protective tariffs” to stimulate their own independent industrialisation. According to Kautsky, “in an agrarian State with the strength to protect its autonomy, the capital it imports will be used ...for the development of its own industries – as in the USA or Russia” (a “strength” that India and the rest of the postcolonial world gained only after winning independence). This results in b) “imperialism”, which is a consequence of this “competition” between rival industrial capitalist states over the world’s “agrarian zones”¹⁰⁶.

The role of capital exports from “industrial states”, according to Kautsky, was to increase the extraction of primary commodities from the “agrarian zones”, through in particular the construction of railways, however if the latter (the “agrarian states”) were able to “win national independence or autonomy”, they could become rival “industrial states” (like the US and Germany). Regarding the possibility of peaceful co-existence among imperialist states

¹⁰² Vladimir Lenin, 1917, p. 95

¹⁰³ Karl Kautsky, [*Imperialism and the War*](#) (Marxists.org, Die Neue Zeit, 2002, originally published: 1914a)

¹⁰⁴ Vladimir Lenin, 1917, p. 115

¹⁰⁵ Karl Kautsky, 1914b

¹⁰⁶ Karl Kautsky, 1914a

for which he was denounced by Lenin, Kautsky raised the possibility of “ultra-imperialism”, which is that these rival states could instead peacefully divide the world’s agrarian zones among themselves, thereby bypassing the need for violent and costly military “competition”¹⁰⁷.

According to Kautsky, “what Marx said of capitalism can also be applied to imperialism: monopoly creates competition and competition monopoly”, similarly therefore, this presents the possibility of a cycle, of periods of a) “competition” and “imperialism” followed by b) “monopoly” and peaceful “ultra-imperialism”. Given that the emergence of rival industrial states is “the beginning of imperialism”, this leads Kautsky to ask, “does imperialism offer the only remaining possible form in which to expand the exchange between industry and agriculture within capitalism?” Kautsky presented four possibilities, 1) “imperialism” continues in that “industrial states” wage war against each other for control over the “agrarian zones”, 2) they could form a “Holy Alliance of imperialists” to cooperatively subjugate the “agrarian zones”, 3) the “proletariat of the industrialised capitalist countries” could “throw off the capitalist yoke” thereby ending the structural necessity for war which would presumably be replaced by peaceful socialism, or 4) the populations of the “agrarian zones”, by which he meant “Eastern Asia and India as well as of the Pan-Islamic movement in the Near East and North Africa”, could “throw off the capitalist yoke”¹⁰⁸. By presenting these four possibilities, Kautsky recognised the agency of exploited nations in the “agrarian zones” liberating themselves, thereby ending the division of the world into competing empires, and resulting in the emergence of a post-colonial camp of nations. Finally, by locating “imperialism” in the subjugation of “agrarian zones” by industrial states, Kautsky used the term in ways akin to national exploitation.

The Original Theorists: An Evaluation

Imperialism: Linear or Cyclical History?

Examining the observations of these four theorists regarding the term ‘imperialism’ would be incomplete without addressing the term ‘imperialism’ was founded upon, namely

¹⁰⁷ Karl Kautsky, 1914b

¹⁰⁸ Karl Kautsky, 1914b

‘capitalism’, as originally pioneered by Marx and Engels, particularly regarding the philosophy of history that underpins both terms. Here it is important to draw a distinction between cyclical and linear conceptions of historical change, the former assumes that history repeats itself as a series of lifecycles, whereas the latter presents history as a series of new/unprecedented developments. According to Hegel, history is neither exclusively linear nor cyclical, rather a combination of both, that is, moving upwards in spirals, because on the one hand, only nature was truly cyclical owing to its unchanging character, whereas on the other hand, history was linear to the extent that humans possessed the agency to chart historically unprecedented trajectories through technological innovation¹⁰⁹. On the one hand, ‘capitalism’ is unambiguously a linear concept insofar as it represents an unprecedented advance over previous ‘modes of production’, whereas ‘imperialism’ is somewhat more ambiguous insofar as the term is presented as both linear and cyclical.

The linear quality to the term ‘capitalism’ can be observed in the historic metanarrative that it espouses, one that resembles the similarly linear Abrahamic conception of history. Accordingly, history begins with the classless society of “primitive communism”¹¹⁰ (analogous to the Garden of Eden), which is then subverted by the “original sin”¹¹¹ of humanity’s stratification into classes alongside the development of the productive forces, or what Marx terms in *Capital* Vol. 1 as “primitive accumulation”, which he compares to “original sin in theology”, arguing that “from this original sin dates the poverty of the great majority” on the one hand, “and the wealth of the few that increases constantly although they have long ceased to work” on the other¹¹². Humanity proceeds along a painful march through history, co-evolving with technology until the productive forces advance to the stage of ‘capitalism’, a stage characterised by the bifurcation of humanity into “two great hostile camps, into two great classes directly facing each other” to quote the *Communist Manifesto*, and of these two camps, the world proletariat, forming the revolutionary majority, is destined to launch a revolution against the “bourgeoisie” or capitalist class, one that abolishes class society, to arrive at the end of history¹¹³. Given this teleological conception of history, one

¹⁰⁹ R.G. Collingwood, *The Idea of History* (Oxford University Press, 1994), p. 46

¹¹⁰ Friedrich Engels, *The Origin of the Family, Private Property and the State* (Penguin Classics, 2010, originally published: 1884), p. 16

¹¹¹ Karl Marx, 1867, p. 500

¹¹² Karl Marx, 1867, p. 500

¹¹³ Karl Marx and Friedrich Engels, *Manifesto of the Communist Party* (Progress Publishers Moscow, 1969, originally published: 1848), p. 15

which begins with “primitive communism”¹¹⁴ or the “lower stage of barbarism”¹¹⁵ as Engels called it, and ends with the “higher phase of communist society”¹¹⁶ as Marx called it, the definition of ‘capitalism’ takes on proportions far beyond its root words like ‘capital’ or ‘capitalist’ or even “capitalist mode of production”¹¹⁷, for while the latter three refer to concrete physical beings/objects, i.e., money and/or means of production, and those who possess them, the term ‘capitalism’ is also a ‘stage’ of a linear global historical development.

In contrast to the more clear and obvious linearity inherent in the term ‘capitalism’, the term ‘imperialism’ is slightly more confusing insofar as the original theorists used the term in both an implicitly cyclical and implicitly linear manner, although the latter usage predominates. For example, all original theorists espouse some limited cyclical assumptions about the meaning of “imperialism” insofar as they all considered Rome to be an “imperial” or “imperialist” state¹¹⁸, which suggests that “imperialism” is a recurrent (cyclical) phenomenon throughout history, rather than the latest stage of ‘capitalism’ in a linear timeline. According to Lenin, Rome “practised imperialism”, however, it was “founded on slavery”, that is, motivated to expand by the economic logic of enslaving conquered populations, whereas the modern incarnation of “imperialism” was driven by the economic logic of ‘capitalism’, which in turn represents a historically unprecedented “socio-economic system” (and is therefore linear)¹¹⁹. Additionally, as mentioned earlier, Hobson used “imperialism” to describe the plundering of the Americas by the Iberian states. Therefore, there are certainly glimpses of the original theorists using the term “imperialism” to represent a cyclical recurrence, only this time driven by the logic of the latest mode of production, namely ‘capitalism’, which in turn does represent a linear break from history.

Predominantly though, “imperialism” is used by all four theorists as a phenomenon that happens after ‘capitalism’, or as a linear stage in the development of ‘capitalism’, beginning with Hobson who wrote that, “imperialism was the natural product of the economic pressure of a sudden advance of capitalism which could not find occupation at home and needed

¹¹⁴ Friedrich Engels, 1884, p. 16

¹¹⁵ Friedrich Engels, 1884, p. 89

¹¹⁶ Karl Marx, [Critique of the Gotha Programme](#) (Marxists.org, Progress Publishers, 1970, originally published: 1890-91), p. Part 1

¹¹⁷ Karl Marx, 1890-91, p. Part 1

¹¹⁸ John Hobson, 1902, p. 247-51 | Rosa Luxemburg, [Junius Pamphlet](#) (Marxists.org, Politische Schriften, 2003, originally published: 1915), Ch. 1 | Karl Kautsky, [Foundations of Christianity](#) (Marxists.org, 1953, originally published: 1908), Book 2, Chapter 3 | Vladimir Lenin, 1917, p. 86

¹¹⁹ Vladimir Lenin, 1917, p. 86

foreign markets for goods and for investments”¹²⁰. In other words, the historically unprecedented (linear) development of ‘capitalism’ created “economic pressure” for an expansionary “imperialism” by the state. Even though Hobson did not identify as a Marxist (rather as a social-liberal), his assumptions about how ‘capitalism’ is defined are certainly consistent with Marxist convention. In other words, “imperialism” is ‘capitalism’ spilling over the borders of the state through the export of capital, which then creates competition between rival capital-exporting ‘empires’, leading to conflict.

As for the remaining three original theorists, Lenin, Luxemburg, and Kautsky, as Marxists their assumptions tended to align with the definition of ‘capitalism’ advanced by Marx, which is that ‘capitalism’ emerged out of class struggles *internal* to Europe, indeed according to the Communist Manifesto, “modern bourgeois society” is said to have “sprouted from the ruins of feudal society”¹²¹. In this metanarrative, ‘capitalism’ is presented as spreading outwards from its birthplace in Western Europe, claiming that “the bourgeoisie ...compels all nations, on pain of extinction, to adopt the bourgeois mode of production...to introduce what it calls civilisation into their midst...to become bourgeois themselves...it creates a world after its own image”¹²². However, if all nations are adopting the “bourgeois mode of production” or ‘capitalism’, then there can be no theoretical space for national exploitation, which in turn assumes ‘capitalism’ developing *at the expense* of the non-capitalist world, which in turn is *prevented* from developing ‘capitalism’.

This assumption, that ‘capitalism’ developed out of Europe’s internal conditions predominates in the conception of “imperialism” presented by all four theorists, who use the latter term to describe either a stage or policy that comes after ‘capitalism’, particularly in the second half of the 19th century. This linear assumption, that “imperialism” comes after ‘capitalism’ can be seen in Luxemburg and Lenin who used it to describe the latest “stage” of ‘capitalism’, arguing that “imperialism” was the “highest stage of capitalism”¹²³ and “capitalism in the final stage of its historical career”¹²⁴ respectively, thereby having integrated the theory into the broader Marxist metanarrative. However, if “imperialism” is a “stage” then it cannot be cyclical, rather it becomes an extension of the linear conception of

¹²⁰ John Hobson, 1902, p. 79

¹²¹ Karl Marx and Friedrich Engels, 1848, p. 14

¹²² Karl Marx and Friedrich Engels, 1848, p. 16

¹²³ Vladimir Lenin, 1917, p. 1 (see title)

¹²⁴ Rosa Luxemburg, 1913, p. 398

‘capitalism’. Hobson and Kautsky used the term “imperialism”, not as a ‘stage’ but instead to characterise the foreign policy of the world’s leading empires, however, this too describes a phenomenon that happens after ‘capitalism’. According to Hobson, “imperialism has been adopted as a...conscious policy by several European states”¹²⁵, similarly, Kautsky routinely uses the phrase “imperialist policy”¹²⁶ to describe competition between multiple states over the “agrarian zones”¹²⁷ of the world. Regardless of whether “imperialism” was elevated to mean a stage of history (Lenin and Luxemburg), or as state policy (Hobson and Kautsky), they all either explicitly stated (Hobson, Lenin, and Kautsky), or imply (Luxemburg), that “imperialism” began around the year 1870, which as Radhika Desai points out, is in reference to the consolidation of multiple industrial capitalist competitors to the pre-eminent hegemony of Britain, namely the US, Germany, Japan, and Italy (to be covered in chapter 6). This makes the usage of “imperialism” (and ‘capitalism’) by these theorists predominantly linear in their assumed philosophy of history.

It follows from all four original theorists that the original development of ‘capitalism’ did not require “imperialism”, or that the history of national exploitation during the era of European empires that arguably created the conditions for ‘capitalism’ well before the 19th century, is outside the definitional scope of “imperialism”. Furthermore, because this particular chronology excludes all preceding historic episodes of national exploitation (including the European conquests of the Americas and Asia) from the meaning of “imperialism”, it is theoretically incapable of capturing ‘imperialism as national exploitation’ and can only be used to mean capital expanding beyond the borders of multiple rival states, leading to war. For these reasons, this research explicitly *rejects* the linear assumption of “imperialism” as the highest/latest ‘stage’ of ‘capitalism’, while affirming the cyclical nature of the term ‘imperialism’ as representing the lifecycles of empires that engage in national exploitation, which is what historically created the preconditions for the development of ‘capitalism’ within these empires, beginning with Britain. In other words, ‘imperialism’ (as national exploitation) created the preconditions for capitalism (as industrialisation and class polarisation within a state), not the other way around.

¹²⁵ John Hobson, 1902, p. v

¹²⁶ Karl Kautsky, 1914a

¹²⁷ Karl Kautsky, 1914b

All four original theorists took the pre-existing model of ‘capitalism’ (i.e., the basic dichotomy of class exploitation) and multiplied it to account for rival empires to create an expanded model called “imperialism” in which multiple capitalisms (each divided internally by class) tend towards war with each other. However, Hobson, Lenin, and Luxemburg had no theoretical space for national exploitation (or underdevelopment) in their abstract economic model, only class exploitation, whereas Kautsky’s model of the world did allow for national exploitation to be captured using concepts like “industrial” and “agrarian zones” that prefigured the ‘core-periphery’ spectrum of WSA. Regarding the former three theorists (that is, excluding Kautsky), this is because underconsumptionism was central to their conceptual model insofar as empires are presented as exporting capital to seek higher returns overseas from cheaper sources of labour/resources, which is then presented as bad for the working-classes of all countries involved in this process, that is, bad for the workers in the capital-exporting country because they’d rather that capital be invested locally, but also bad for workers in the capital importing countries insofar as they would be ‘exploited’ by capital. However, this conceptualisation implicitly rules out national exploitation, especially when it follows that the capital-importing nation develops at the expense of the capital-exporting nation.

In *Southern Theory*, Connell argued that Northern perspectives tended to “picture the world as seen from the rich capital-exporting countries of Europe and North America”¹²⁸, and further suggested that the “underconsumptionist and Marxist theories of imperialism, from Hobson and Lenin” were “attempts to correct”¹²⁹ such Northern perspectives by “thematizing colonialism” as experienced by the South. Insofar as there exists what Ghanaian scholar Franklin Obeng-Odoom calls a “Western Left Consensus”¹³⁰, in this case, about the definition of ‘imperialism’, it is precisely *this* underconsumptionist definition of ‘imperialism’ that Connell wrongly assumes to have posed a challenge to the Northern perspective. By contrast, it has been shown that both Hobson and Lenin (1917) viewed the world from the Northern perspective of those “rich capital-exporting countries”, leaving no theoretical space for national exploitation, particularly Hobson who denied the draining of wealth from India.

¹²⁸ Connell, 2007, p. vii

¹²⁹ Connell, 2007, p. xi

¹³⁰ Franklin Obeng-Odoom, *The Commons in an Age of Uncertainty: Decolonizing Nature, Economy, and Society* (University of Toronto Press, 2021), p. 9

Although Lenin later shifted to accommodating Southern perspectives in his 1920 Comintern speech that redefined ‘imperialism’ as national exploitation, this redefinition contradicted the underconsumptionist assumptions he inherited from Hobson in his 1917 pamphlet.

Lenin, Kautsky, and Luxemburg certainly sympathised with the plight of conquered nations, whereas Hobson was primarily concerned with the interests of the British working-class. Regardless of the differences between Hobson, Lenin and Luxemburg, all three assumed that “imperialism” was a solution to the problem of goods unable to be sold (the ‘realisation’ problem), thereby compelling European empires to forcefully break open foreign markets to access purchasing power for their goods, however, this only confronts capital as a problem at the end of the production cycle, whereas WSA (covered next chapter) would argue that the prerequisite for such production historically was the influx of primary commodities from the extractive colonies. This emphasis on ‘realisation’ is arguably an expression of European working-class subjectivity, which perceived conquered foreign territories as a source of demand for the value-added goods they produced in their factories, rather than as a source of supply for raw materials as WSA and IPE would later emphasise.

Here a distinction must be drawn between Hobson, Lenin, and Luxemburg on the one hand, and Kautsky on the other. Hobson acknowledged the potential for inflicting national exploitation upon Britain’s colonies while denying that Britain had benefited from draining its largest colony (India), whereas Luxemburg and Lenin certainly sympathised with subjugated nations in their political rhetoric, however, not to the extent of featuring national exploitation in their theoretical models, which in turn they borrowed from Hobson. This is because what Hobson, Lenin and Luxemburg had in common was the assumption, embedded in their theoretical model, that the motivation behind “imperialism” was to secure external sources of *demand*, thus confining “imperialism” to the problem of domestic underconsumption in the home territories of various empires. By contrast, for Kautsky, empires were motivated to secure external sources of supply (i.e., primary commodities) through the annexation of “agrarian zones”, which produced a model of “ultra-imperialism” premised on the notion that “industrial zones” have a shared interest in preventing agrarian zones from industrialising themselves, that is, that they have a shared interest in “maintaining unevenness”¹³¹, which is how Radhika Desai defines “imperialism”. This is the exact

¹³¹ Radhika Desai, *The Past and Future of the International Monetary System* (Economic Revival of Russia, Scientific Periodical, 2019), p. 40

opposite of the argument presented by Luxemburg, who assumed that the industrial ‘capitalist’ sector was assimilating the “non-capitalist” world.

Of the four original theorists, only Kautsky offered a theory that explained war/militarism in a manner that was dependent on a process akin to national exploitation, or underdevelopment as developed by later Neo-Marxists, one in which “agrarian zones/states” transform into “industrial zones/states” thus raising the possibility of war/militarism between them. Kautsky presents the export of capital as necessary for industrial states to acquire resources from agrarian states/colonies, while also presenting the possibility that if the agrarian state gains autonomy/independence from this bondage, it could direct capital imports towards its own independent industrialisation. Accordingly, prior to 1870, there was only one ‘industrial’ state, namely Britain, whereas afterwards, industrial capitalist competitors emerged by importing capital (especially from Britain) for the purpose of guiding their own independent industrialisation, thus leading to war. Kautsky’s model also appears to reflect German national interests, which were precisely to acquire more “agrarian zones” in the form of colonies. Regarding these interests, Lenin acknowledged that “imperialist rivalry and the struggle between these countries have become extremely keen because Germany has only an insignificant area and few colonies”. Given that Russia was/is resource rich, Lenin, by opposing national exploitation, advanced policies that undermined Russia’s rivals, particularly the newly industrialising states like Germany, Italy, and Japan, which were attempting to replicate the empires of Britain, France, and Holland.

Conclusion: Moving Forward from the Original Theorists

What all four theorists had in common was that they used the term to explain the impetus towards war/militarism, arguing that it was, a) driven by the interests of the capitalist classes of the major rival empires, and b) ran contrary to the interests of the respective working-classes of those empires (especially since they were conscripted to fight in those wars), who in turn possessed the agency to prevent war, either by reformist (Hobson) or revolutionary means (Lenin and Luxemburg). Regarding the subjectivity they appealed to, the term’s seminal theorist Hobson represents the subjective interests of the British working-class, not the ‘workers of the world’ as per the subjectivity of Marxism. These interests were angry at their own financial capitalist class for exporting capital rather than investing that capital at

home, thereby giving rise to the underconsumptionist critique of “imperialism”, centred on opposing the export of capital.

Building on this critique/model, Lenin and Luxemburg wrote in the context of the rising geopolitical tensions that culminated in WW1, when the world map was dominated by empires, therefore, they appealed to the subjectivity of the working-classes of the conquering nations of those empires, which at the time were concentrated in Europe and the Anglo settler colonies. Lenin and Luxemburg argued to their respective working-class audiences across Europe that they had the power to transform the war between nations into a war between classes, ultimately towards the goal of world socialist revolution. This required shattering the ideological bonds that workers had with their national identity, in favour of an ‘internationalist’ working-class identity.

Although Kautsky espoused the same subjectivity as Lenin and Luxemburg, one embedded in pan-European Marxist political culture, he ultimately ended up serving German national interests by deciding to support his government’s entrance into what would become WW1, leading to bitter disputes with Lenin and Luxemburg who opposed him politically. Although speculative, Kautsky’s decision appears to have been informed by his model of the world, one which presented Germany as an agrarian state that had transformed into an industrial state, and therefore, would benefit from accommodation with the pre-eminent world power, namely Britain, that is, from peaceful co-existence among multiple ‘imperialisms’, that is, from “ultra-imperialism” as he called it.

From the perspective of the European working-class, the profits amassed by their native bourgeoisie appeared subjectively as wealth that was solely extracted from their labour; however, this subjectivity ignored the historic conditions by which the primary commodity inputs (food-grain and raw materials) that they were adding “value” to were acquired to begin with. This subjectivity aligns closely with Marx’s labour theory of value, according to which, machinery increased the amount of value produced by each worker thus increasing their “rate of exploitation”, therefore, it logically followed that those producers in countries with less capital-intense production were definitionally less exploited than their working-class counterparts in the “capitalist” countries. That European working-class subjectivity never had an interest in examining where their primary commodity inputs came from, helps explain why early European socialist thinking portrayed the development of “capitalism” as emerging

out of feudalism, that is, out of Europe's internal class struggles, and then expanding through armed conquest to create outlets, first for goods, then for capital. However, this class-based subjectivity of European working-class consciousness tended to obscure the history of European empires benefiting at the expense of the nations they conquered.

By theoretically dividing the world into class-based categories of capital and labour, with the former oppressing and exploiting the latter, the assumption was that European workers were in the same camp as the workers in the extractive colonies. However, if empires extracted surpluses from the nations they conquered, meaning therefore that the working-class citizens of those conquering nations benefited from the exploitation of workers in conquered nations, then far from being in the same camp, it would mean they had antagonistic interests.

The contradiction between truth and power arises when there is a conflict of interest between that which is true, and that which is useful to power, which in the case of the original theorists who conceptualised "imperialism", appears to have been conditioned by their opposition to WW1. The seminal theorist of the term, Hobson, believed "imperialism" did not benefit the British working-class, whose interests were his primary concern. Similarly, for Lenin and Luxemburg to proclaim to their working-class audiences across Europe that they benefited from "imperialism" would have been counter-productive to their anti-war efforts. This is perhaps why these three theorists held to the 'underconsumptionist' idea that while "imperialism" benefited the capitalist class, it was bad for the working-class, which is a claim they justified by making the 'export of capital' (i.e., capital flight) the central economic mechanism by which "imperialism" functioned.

Among the original theorists, there are two divergent and contradictory definitions of what the term "imperialism" means. On the one hand, "imperialism" is the explanation for WW1 (and for warfare more generally), which was that as capital accumulated in multiple capitalist states, their respective financial capitalist classes pressured these states to become "imperialist", that is, to seek territorial outlets to export that capital, which inevitably created the conditions for warfare over territory. However, this definition cannot entail national exploitation because the export of capital develops the economy that receives the capital at the expense of the working-class of the capital-exporting state. On the other hand, "imperialism" is national exploitation, which is when nations conquer and exploit other nations, which assumes that all classes in the "imperialist" state, including the working-class,

must necessarily benefit from “imperialism” as defined, however, this definition would contradict and be counter-productive towards the anti-war intentions of the previous definition. To resolve these contradictions, “imperialism” must seek to explain war on *national* terms, rather than *class* terms, that is, to explain how economic relations historically established on the basis of *national* exploitation creates long-term tendencies towards warfare.

Chapter 3. World-Systems Analysis: Explaining National Exploitation, Not Warfare

Introduction

The previous chapter showed that among the original theorists there was a trend towards recognising at different levels that the term ‘imperialism’ had to account for *national* exploitation, which is how Lenin later redefined the term in his 1920 Comintern speech. In the post-WW2 era, World-Systems analysis (WSA), which has its roots in Neo-Marxism and Dependency theory, emerged to specifically focus on the problem of underdevelopment, that is, the problem of *national* exploitation, which is why its contributions will be evaluated in this chapter. What these schools have in common is that they sought to revise the original Marxist metanarrative regarding the causal factors behind the industrialisation and class polarisation of Europe witnessed by Marx and Engels (i.e., ‘capitalism’), by complementing the original Marxist emphasis on *class* exploitation, with the need to account for *national* exploitation. According to Aidan Foster Carter, who outlines the features common to Neo-Marxism tradition, rather than the emphasis on “inter-imperialist rivalry” and war as put forward by the original theorists, “neo-Marxism is particularly interested in the specific nature of imperialism as it presents itself to its victims”, thereby implying that national exploitation is the defining feature of ‘imperialism’¹³². According to Carter, Neo-Marxists include, Andre Gunder Frank, Immanuel Wallerstein, Giovanni Arrighi, Harry Magdoff, Samir Amin, Arghiri Emmanuel, Paul Baran, and Paul Sweezy¹³³, and their works will be reviewed in this chapter.

Furthermore, just as the term ‘imperialism’ was originally popularised by Hobson, a non-Marxist, before being absorbed into the Marxist fold by Lenin, Luxemburg and Kautsky (see chapter 2), the foundational concepts common to the aforementioned Neo-Marxists also have non-Marxist origins, beginning with the founder of Dependency theory, Raul Prebisch, whose theorisation of the centre/core-periphery spectrum was absorbed into the Neo-Marxist fold. Other non-Marxist influences include Fernand Braudel from the French Annales school whose contention that “the way to study history is to view it as a long duration, as what I

¹³² Aidan Foster Carter, *Neo-Marxist approaches to development and underdevelopment* (Journal of Contemporary Asia, 1973), p. 25

¹³³ Aidan Foster Carter, 1973, p. 7

have called the *longue durée*”¹³⁴, influenced Immanuel Wallerstein, who in turn developed World-Systems analysis. According to Wallerstein, “Braudel's ...emphasis on structural time – what he called the *longue durée* – became central to World-Systems analysis” as it represented “the duration of a particular historical system”¹³⁵. The conception of economic history that emerges from these theorists emphasises the role of *externally* directed violence/war employed by successive empires to produce the modern world system, however, it will be argued that the theoretical models provided by World-Systems analysis, though useful for advising the development strategy of postcolonial states, need to be re-formulated to capture change, particularly the *longue durée* tendencies towards geopolitical tensions/warfare.

The Limitations of the Core-Periphery Spectrum

World-Systems analysis (WSA), beginning with Dependency theory, acknowledged the limitations of basing a theory of ‘imperialism’ upon the pre-existing Marxist metanarrative of ‘capitalism’ to the extent that it subsumed divergent social outcomes underneath the same label, for if ‘capitalism’ were merely an extension of the word ‘capital’, observing history would at the very least demonstrate the global unevenness of capital accumulation. To theoretically integrate this observation, Raul Prebisch first made the distinction in 1959 between “industrial *centers* and *peripheral* countries engaged in primary production”¹³⁶ (emphasis added), which was later expanded upon by Immanuel Wallerstein who divided the world into “core”, “periphery”, and “semi-periphery” states, in which the peripheral countries produce primary commodities for the high value-added industries of the core, while the semi-periphery is somewhere in the middle of this global order.

Central to the core-periphery spectrum is the concept of ‘underdevelopment’ as defined by Frank’s seminal essay *The Development of Underdevelopment* (1966) in which the term was transformed from an *adjective* describing a country relative to other countries, into a *verb* explaining what one country does to another, so that country A *underdevelops* country B.

¹³⁴ Fernand Braudel, *On History* (The University of Chicago Press, 1980), p. viii

¹³⁵ Immanuel Wallerstein, *World Systems Analysis: An Introduction* (Duke University Press, 2004), p. 18

¹³⁶ Raul Prebisch, *Commercial Policy in the Underdeveloped Countries* (The American Economic Review, Vol. 49, No. 2, Papers and Proceedings of the Seventy-first Annual Meeting of the American Economic Association, 1959), p. 251

Frank was reacting against the notion associated with Walt Rostow¹³⁷ that “today's underdeveloped countries are still in a stage, sometimes depicted as an original stage of history”¹³⁸, arguing instead that “*underdevelopment* was and still is generated by the very same historical process which also generated economic *development*”¹³⁹ (emphasis added). Therefore, the “metropolis” *developed* at the expense of the “satellites” that were *underdeveloped*, amounting to what Frank called the “metropolis-satellite structure”, which is roughly analogous to the core-periphery spectrum, which will be the convention used in this thesis¹⁴⁰.

According to Wallerstein, the “degree of profitability of the production processes...is directly related to the degree of monopolization”, and therefore, the “core” countries are defined as such by their *relative* monopoly over advanced production, whereas the “periphery” countries are defined as such by their *relative* lack of such monopoly, which means the latter are subjected to greater competitive pressures¹⁴¹. The intention behind this model was to aid the development of the impoverished postcolonial world, which is why Prebisch opposed the idea that the peripheral economies of the third-world needed to, “increase productivity in their primary activities through much-needed technical progress and thus expand their exports”, arguing that it was ultimately futile because countries on the periphery experienced a declining “terms of trade” with the core in terms of the cheapening of primary export commodities over time relative to the imports of industrial goods from the core countries, which is also known as the Prebisch-Singer thesis¹⁴².

Supporting this argument, Harry Magdoff highlighted the importance to the core of primary commodities from the periphery, thereby implicitly rejecting the assumption made by the original theorists (particularly Hobson and Luxemburg) that ‘imperialism’ was motivated to seek external sources of *demand* at the point of sale, that is, at the point where profits are “realised”, instead arguing that the motivation was to seek external sources of *supply* to provide the primary commodity inputs needed by core industry. Writing at a time when the United States was increasing its inputs of primary commodities to keep up with domestic industrial demand, Magdoff stressed the importance of such inputs to his understanding of

¹³⁷ Walt Rostow, *Politics and the Stages of Growth* (Cambridge University Press, 1971), p. xi

¹³⁸ Andre Gunder Frank, *The Development of Underdevelopment* (Monthly Review, Vol. 41, Issue 2, 1989), p. 1

¹³⁹ Andre Gunder Frank, 1989, p. 4

¹⁴⁰ Andre Gunder Frank, 1989, p. 3

¹⁴¹ Immanuel Wallerstein, 2004, p. 28

¹⁴² Raul Prebisch, 1959, p. 252

what motivated US imperialism, pointing out for example that “80 to 90 percent of the bauxite supply comes from foreign sources”¹⁴³, and arguing that although they constituted a small percentage of the total value realised *at the point of sale*, they were nonetheless the prerequisite for production.

As mentioned in the introductory chapter, the framework inherited from Marx’s theory of value assumes a ‘closed’ model of the world within which the *class* exploitation of workers by capitalists takes place, which he demonstrates in *Capital Vol. 1* by exploring the relationship between *commodities* and *money*. The core-periphery spectrum represents an advance insofar as it ‘opens’ up Marx’s model to account for multiple states/nations by categorising them according to the types of commodities they produced and how efficiently they produced them. As far as reconceptualising ‘imperialism’ is concerned, this spectrum suggests that the core has an interest in preventing the development of the periphery, however, this is by advancing *commodity*-based categories, which is what defines the core-periphery spectrum. In this chapter, it will be argued that to advance a theory of ‘imperialism’ capable of explaining both *national* exploitation and warfare throughout history, that this *commodity*-based core-periphery spectrum should be complemented with an intersecting *money*-based ‘hegemon-rival’ dialectic.

Marx argued that rule by the capitalist class was socially irrational insofar as it subordinated production to the profit-motive (rather than to human need), which made technological advances contradictory, because efforts by capitalists to raise productivity (that is, to raise the “organic composition of capital”) as a means of attaining greater profits, while beneficial for individual capitalists in the short-run, was ultimately self-defeating for the capitalist class collectively as it would drive down profits in the long-run. Facing this tendency, capitalists would rationally attempt to squeeze workers further¹⁴⁴. Therefore, if the working-class became collectively conscious of their revolutionary potential, they could potentially overthrow capitalist class rule (that is, ‘capitalism’) and replace it with an unprecedented mode of production capable of subordinating production to human need rather than profit,

¹⁴³ Harry Magdoff, *The Age of Imperialism: The Economics of U.S. Foreign Policy* (Monthly Review, New York, 1969), p. 46

¹⁴⁴ Karl Marx ed. Friedrich Engels, *Capital Vol. 3: The Process of Capitalist Production as a Whole* (International Publishers, 1959, originally published: 1894), Ch. 13

namely socialism then communism, as advocated by the *normative* political content of Marxism.

The emphasis on commodity inputs from the postcolonial world connects WSA to an important contribution of Marx's 'law of value' which contends that every attempt by capitalists to maximise profits by making production more efficient is ultimately self-defeating because it causes profit rates to fall, producing business cycles, and periodic crises. Therefore, of interest to reconceptualising imperialism is the role of the "counteracting factors" working against the tendency of the rate of profit to fall over time. Marx identified six factors including: 1) "increasing intensity of exploitation", that is, making workers toil harder, 2) pushing for the "depression of wages below the value of labour-power", that is, paying workers less, 3) "cheapening of elements of constant capital", that is, technological innovation, 4) "relative over-population", that is, increasing the reserve army of labour, 5) "foreign trade", that is, securing supplies from overseas sources, and 6) "the increase of stock capital", that is, locking away surplus capital in long-term projects at low rates of return on investment¹⁴⁵.

Of *specific* interest to reconceptualising 'imperialism' is the necessity to the 'capitalist' state of expanding 5) "foreign trade", insofar as it can be achieved by the conquest of both settler and extractive colonies. In the case of the British empire, this expansion was achieved by the overall process of the 'drain' of wealth from its extractive colonies, most notably India. The appropriation of tax revenues raised from Indian producers to purchase goods from those same producers, resulted in a one-way transfer of the wealth, thereby deflating India's national income in the process. Additionally, India's productive capacity was forcibly dismantled precisely because it posed a competitive threat to the industrialising core of the British empire. Logically therefore, this enforced income deflation alone would reduce Indian demand for locally produced value-added goods, thereby releasing more commodities for the empire to expropriate in order to feed the industries of its 'core' regions, thereby expanding 5) "foreign trade" from the perspective of those regions (see chapter 5 for more about the 'drain' of wealth from India). It follows that a capitalist state can arrest the tendency of the rate of profit to fall by conquering foreign nations, then transforming them into extractive colonies.

¹⁴⁵ Karl Marx ed. Friedrich Engels, 1894, p. 160-64

Furthermore, establishing settler colonies upon conquest can also contribute towards arresting those tendencies, but only insofar as the conquering nation then has access to more raw materials, thereby expanding 5) “foreign trade”. This is because settler colonies are mostly populated by settlers from the conquering nation, and even if populations from enslaved/conquered nations are sent there, the settler colony nonetheless tends to develop evenly with the home territories of the conquering nation, albeit with internal racial or ‘apartheid’ barriers, so that value-added production is reserved for the conquering nation, while primary commodity production is reserved for enslaved/conquered nations, that is, until those barriers are broken down (as in the case of the USA and South Africa). Unlike the original theorists who conceived of colonies as sources of *demand* for the goods/capital of the empire’s home territories, the theoretical integration of this counteracting factor into this reconceptualisation of imperialism would once again suggest that colonies are a source of *supply* that feed the capitalist sector with primary commodity inputs.

The theory of “unequal exchange” as advanced by Samir Amin (although originally developed by Arghiri Emmanuel) looked to Marx for guidance in constructing a theory of national exploitation. According to Marx, because capital intensity *varies* across different countries, the resulting prices of production (across all branches of production) would *reward* capitalists operating on a *higher* organic composition of capital, at the expense of those operating on a *lower* organic composition of capital. This is what Marx called the ‘equalization of the rate of profit’, or in more poetic terms, “capitalist communism”¹⁴⁶ which transferred value “from each capitalist according to the labour they employ, to each capitalist according to the capital they advance”¹⁴⁷ according to David Harvey. According to Marx, “the relationship between labour days of different countries may be similar to that existing between [a] skilled, complex labour and [b] unskilled, simple labour within a country”, with a) corresponding to the core, and b) to the periphery, and that, “in this case, the *richer country exploits the poorer one*, even where the latter gains by the exchange”¹⁴⁸. The theory of unequal exchange draws upon this insight to conclude that because some countries (the core) had more capital-intensive industries than others (the periphery), the same process of profit equalization amounted to a transfer of wealth from periphery to the centre/core. For

¹⁴⁶ Karl Marx, “Marx to Engels in Manchester”, in *Marx, Engels Selected Correspondence 1844-1895* (Progress Publishers, Moscow, 1965), p. 193

¹⁴⁷ David Harvey, *Marx, Capital, and the Madness of Economic Reason* (Oxford University Press, 2018), p. 34

¹⁴⁸ Karl Marx, *Theories of Surplus Value, Vol. 4 of Capital, Part 3* (Progress Publishers, Moscow, 1971, originally published: 1910), p. 105-6

example, Amin argues that if it the labour time for producing cloth in England is 80 hours, and in Portugal is 120 hours, then this amounts to an “unequal exchange” in favour of Britain¹⁴⁹. In this real world, according to Amin, this amounted to transfers from a) “the periphery”, referring to “the three continents”, i.e., Asia, Africa, and South America, to b) “the centre”, referring to “N. America, W. Europe, Japan, Australia, New Zealand and S. Africa” as well as “Russia and Eastern Europe”¹⁵⁰. Therefore, Amin uses Marx’s explanation about how the “richer country exploits the poorer one” to justify the claim that national exploitation persisted after decolonisation.

Returning to Marx’s exploration of the relationship between *commodities* and *money*, the core-periphery spectrum (and accompanying theory of unequal exchange) represents the extension of the former (commodities) and neglect of the latter (money). Therefore, the underlying assumption is the *singularity* of money which the following chapter will argue should be rejected in favour of a model capturing the *plurality* of money, that is, multiple currencies. Furthermore, the core-periphery spectrum was not motivated towards explaining the underlying causes of rising geopolitical tensions/war, rather, it was concerned with explaining how postcolonial countries could overcome their periphery status by industrialising. To explain warfare, the hegemon-rival dialectic is needed, which it will be argued, represents an extension of Marx’s exploration of *money* and its own unique contradictions. That said, the core-periphery spectrum did provide an example of the global patterns of trade that needed to be maintained to serve the interests of the world’s former formal empires, which inherited an interest in maintaining if not advancing this arrangement for as long as possible, which leads logically to the possibility of wars to sabotage the industrialisation of poorer periphery countries. In the following chapter it will be demonstrated that maintaining the said arrangement is important not just for preserving profit rates, but more fundamentally, for preserving the value of *money* issued by the ‘currency hegemon’ on behalf of its fellow allied core states.

Naturally, the core-periphery division of the world that was historically established by violently expanding empires would continue until or unless the periphery threw off the parasitic core that subjugated them, then used its newly won postcolonial freedom to

¹⁴⁹ Samir Amin, *Unequal Development: An Essay on the Social Formations of Peripheral Capitalism* (The Harvester Press, 1976), p. 134-5

¹⁵⁰ Samir Amin, *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment, Volume 1* (Monthly Review Press, New York and London, 1974), p. 4

industrialise, thereby becoming more core-like in their production processes. WSA recognises this much of the picture, however, it did not assess the implications for the word ‘imperialism’ of the core-periphery arrangement inherited from the age of formal empires peacefully unravelling over time, nor did WSA attempt to make the connection between such unravelling and the tendency towards greater geopolitical tension, conflict, and possibly warfare, which would connect ‘imperialism’ to its original WW1 era context. What then happens after the empire’s core regions (or imperial core) loses control of its extractive colonies and otherwise subjugated peripheries? Does it mean ‘imperialism’ ceases to exist, or alternatively, does it mean the categorical proliferation of ‘imperialist’ states across the world on the grounds that more countries are exporting capital, even if they did not employ warfare/violence to attain that position? Although this is a definitional question, for the term ‘imperialism’ to be reconceptualised, it must represent some continuity from its use in the past, which in the case of this thesis focuses on the historical relationship between national exploitation and warfare. Therefore, when an empire loses control of its subjugated periphery, what ceases to exist is *formal* empire or *formal* imperialism, but this does not mean that imperialism of itself ceases to exist. Rather, the former empires inherit an interest in maintaining the economic advantages won against its former peripheries for as long as possible, which, it will be argued, is the defining essence of ‘imperialism’ in the postcolonial era.

The Rise of the West and Cyclical Imperialism

There is a strong emphasis in World-Systems analysis, particularly from Frank, that the ‘rise of the West’ in the ‘long sixteenth century’ is a more objective starting point than the ‘birth’ of ‘capitalism’ as per the conventional Marxist metanarrative of economic history, which raises the question; to capture change in accordance with the “longue durée” approach, what are the identifiable long-term economic cycles, and how can they be integrated into economic theory?

According to Frank, the economic inertia that eventually made rapid industrial development possible in Europe and its settler colonies can be traced back to what Adam Smith called “the two greatest events recorded in the history of mankind”, that is a) the rounding of the African cape in 1498 by Vasco de Gama on behalf of Portugal, and b) the “discovery” of the

Americas in 1492 by Christopher Columbus on behalf of Spain, events which according to Marx “opened up fresh ground for the rising bourgeoisie”(cited in Frank)¹⁵¹. Finding vindication in the pronouncements of Marx and Smith, the periodisation of history presented contends that these two events triggered a historic chain-reaction which transformed the European periphery of the previous era into the capitalist core of the subsequent world system, one that benefited from underdeveloping the continents of Latin America, America, and Africa, which in turn were transformed into its periphery. The Conquest of the Americas by Iberia (Spain and Portugal) brought into Western Europe historically unprecedented amounts of bullion extracted largely by Native American and African slave labour, as substantiated by the estimate that “from 1493 to 1800, 85% of the world’s silver and over 70% of its gold came from the Americas”¹⁵². This bullion a) was used to import Asian goods, and b) eventually stimulated the proto-industrialisation of other European states, particularly the Dutch, French, and British states.

For Frank, of greater relevance than the origins of ‘capitalism’ is the “rise of the West”, which began in the late 15th century when the Iberian powers started their violent expansion. For Frank, the answer to the question “how did the West rise?”, is that the “Europeans obtained the money from the gold and silver mines they found in the Americas”, with which they “bought themselves a seat, and then even a whole railway car, on the Asian train”¹⁵³. When the bullion inflow from the Americas reduced drastically in the 18th century, further accumulation was achieved through the conquest of India¹⁵⁴, the unequal treaties signed with China¹⁵⁵, and the ‘Scramble for Africa’ after 1870, in the period identified by the original theorists as ‘imperialism’.

To capture *change* over these cycles of economic history, Giovanni Arrighi, drawing on concepts advanced by Braudel, *rejected* the implicitly *linear* characterisation of “finance capital” as the “latest and highest stage” (of capitalism, alluding to Lenin and Luxemburg), arguing instead that it was a “recurrent phenomenon”, thus aligning with the *cyclical*

¹⁵¹ Andre Gunder Frank, *Re-Orient: Global Economy in the Asian Age* (Los Angeles, University of California Press, 1998), p. 13

¹⁵² Ward Barrett, “World bullion flows, 1450-1800”, in *The Rise of Merchant Empires: Long Distance Trade in the Early Modern World, 1350-1750* (Cambridge University Press, University of Minnesota, 1993, originally published 1990), ed. James D. Tracy, p. 224

¹⁵³ Andre Gunder Frank, 1998, p. 276-77

¹⁵⁴ Andre Gunder Frank, 1998, p. 314

¹⁵⁵ Andre Gunder Frank, 1998, p. 274

conception of imperialism as the lifecycle of empires¹⁵⁶. Arrighi uses the concept of “world hegemony”, which “refers specifically to the power of a state to exercise functions of leadership and governance over a system of sovereign states”¹⁵⁷, rather than the “core-periphery” dialectic which he intentionally avoids, placing it “out of the picture”¹⁵⁸, however, what is the conceptual relationship between “core” and “hegemonic” states, and how can they be theoretically integrated? According to Arrighi, economic history can be divided into four main “systemic cycles of accumulation” dominated by eras of, 1) Genoese-Iberian, 2) Dutch, 3) British, and 4) US “world hegemony”¹⁵⁹, each of which can be divided into two phases: the first phase being that of “material expansion” which then creates the conditions for an eventual “switch from trade in commodities to trade in money”¹⁶⁰ thus producing the second phase, that of the “financial expansion”, which then stimulates the first phase of the successor hegemon in the order of the mentioned four. The concept of “core” is much broader than “world hegemon” because it refers to any number of states with relatively advanced production processes, whereas there can only be a single “world hegemon”, which, during its second phase, begins shedding its “core-like” features as the process of financial expansion diffuses capital beyond its borders, especially to its successor, which simultaneously develops “core-like” features during the period of transition.

Stated differently, the Marxist formula of capital accumulation, M-C-M+, in which money is transformed into commodities by combining labour-power (variable capital) with land and machinery (fixed capital) and then sold for a larger quantity of money (M+)¹⁶¹, is reinterpreted by Arrighi as follows: in the first phase money capital is invested in the production of commodities within the hegemon’s territory (M-C), while in the second phase, money frees itself from such production, seeking higher returns elsewhere through financial expansion (C-M+).

Although this cyclical model was originally advanced in 1994, when the book was republished in 2010 following the 2007-08 financial crisis, Arrighi explained that the intended purpose of this model was to “to deepen our understanding of the current financial

¹⁵⁶ Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of our Times* (Verso, London, New York, 2010, originally published: 1994), p. xi

¹⁵⁷ Giovanni Arrighi, 1994, p. 28

¹⁵⁸ Giovanni Arrighi, 1994, p. xiv

¹⁵⁹ Giovanni Arrighi, 1994, p. 129

¹⁶⁰ Giovanni Arrighi, 1994, p. 111

¹⁶¹ Karl Marx, 1867, Ch. 8

expansion” and to “reveal more about the dynamic and likely future outcome of the present crisis”¹⁶². The stage of “financial expansion” was referred to by Braudel as “a sign of autumn” (cited in Arrighi), representing the late stages of the declining hegemon that was simultaneously intensifying the “core-like” industrialisation of its counter-hegemonic successor¹⁶³. Arrighi was focussed, not on explaining warfare, rather on the onset of economic crises in the 1970s within the context of US currency hegemony, however, the recurrent financial expansions that he referred to are important to observe for their correlation with warfare. This is because of the ‘Thucydides trap’, a term coined by Graham Allison¹⁶⁴ to describe the tendency towards war between the pre-eminent and rising powers, which when applied to Arrighi’s model, means that financial expansions represents the pre-eminent hegemon in decline, which by exporting capital overseas, stimulates the development of an eventual industrial competitor or rival, thereby creating the conditions for geopolitical tensions and warfare.

The domineering perspective among World-Systems analysts appears to be that the missing link between ‘feudalism’ and ‘capitalism’ was the *external* stimulus to Europe that took place over a much longer timescale, provided by successive empires from the wealth extracted from conquered nations. Accordingly, rather than ‘imperialism’ being treated as an *outgrowth* of ‘capitalism’ that began in the 19th century (a *linear* conception) the way the original theorists used the term, the historical periodisation presented by Arrighi in this section *implicitly* affirms the *cyclical* conception of ‘imperialism’, by using it to refer to the lifecycles of empires throughout history that engaged in national exploitation, with the core-periphery spectrum taking a snapshot of the world following this centuries-long process.

What is the Relevance of ‘Capitalism’ as a Concept?

Differences within WSA raises questions about whether ‘capitalism’ is a useful concept at all, with Samir Amin and Andre Gunder-Frank taking opposing sides on this question. The underlying premise that Amin shares with Marx is the centrality of class-struggle in the

¹⁶² Giovanni Arrighi, 1994, p. xii

¹⁶³ Giovanni Arrighi, 1994, p. 6

¹⁶⁴ Graham Allison, *Destined for War: Can America and China Escape Thucydides’s Trap?* (Houghton Mifflin Harcourt, 2017), p. 9

evolution of the “mode of production” throughout history¹⁶⁵, whereas Frank rejects this premise entirely, arguing that “class struggles between ruling and ruled classes have never had the motor force that Marx attributed to them”¹⁶⁶. Amin strips the term ‘capitalism’ of its originally conceived historical metanarrative, using it more narrowly to describe the process of industrialisation and class-polarisation of some regions (Western Europe and Japan) at the expense of other regions, which were “underdeveloped”, that is, violently subjugated, thereby blocking them from developing along the same path¹⁶⁷.

Frank rejects the usefulness of the term ‘capitalism’ as developed by Marx, arguing that “it is much better to cut (out) the Gordian knot of ‘capitalism’ altogether” and that, “the ceaseless quest of modern historians looking for the ‘origins’ and roots of capitalism is not much better than the alchemist’s search for the philosopher’s stone that transforms base metal into gold”¹⁶⁸. Frank argues that it was always falsely premised on the “Eurocentric claim that Europe’s relations with the world made no difference to Europe but all the difference to the world”¹⁶⁹, and instead argues that what Amin identifies as “capitalism” is better explained by Western Europe managing through centuries of outwardly directed violence/war to establish new patterns of global trade thereby allowing them to import historically unprecedented amounts of physical wealth from the rest of the world, eventually creating the conditions for the industrial revolution. In other words, Frank contends that the “rise of the West” was significantly a consequence of *external* factors, that is, of trade relations violently established with the rest of the world, that is, relations of national exploitation, which in turn influenced the *internal* class-polarisation and industrialisation of Europe.

The term ‘capitalism’ originated as an observation of the historically unprecedented changes that happened in Europe, characterised by class-polarisation and industrialisation, beginning in late 18th century Britain. This observation was an expression of European working-class subjectivity, which in turn perceived a world rapidly dividing into *classes*, not *nations*. This subjectivity did not perceive that the *class* exploitation they experienced and resisted was happening within the confines of nations that were developing parasitically at the expense of other nations. Similarly, the WSA consensus holds that the development of ‘capitalism’ was

¹⁶⁵ Samir Amin, *Eurocentrism: Modernity, Religion, and Democracy. A Critique of Eurocentrism and Culturalism* (Monthly Review, 2009, originally published: 1989), p. 7, 80, 89, 97

¹⁶⁶ Andre Gunder Frank, 1998, p. 43

¹⁶⁷ Samir Amin, 1989, p. 222

¹⁶⁸ Andre Gunder Frank, 1998, p. 332

¹⁶⁹ Andre Gunder Frank, 1998, p. xv

premised on the ‘underdevelopment’ of other nations, which in turn were *prevented* from developing ‘capitalism’ along the same path and remained exporters of primary commodities. Therefore, the concept of ‘capitalism’ as a global system fundamentally divided along class lines is nonsensical insofar as it assumes that exploited classes of exploiting nations have the same interests as exploited classes of exploited nations.

For these reasons, the term ‘capitalism’ will be used more narrowly in this thesis to describe the process of industrialisation and class-polarisation within some nations, whereas ‘imperialism’ will be used to refer to the phenomena of industrial development in one nation requiring/presupposing the violent subjugation of other nations, which in turn are either deindustrialised or *prevented* from experiencing industrial development. Therefore, in differentiating ‘capitalism’ from ‘imperialism’, the former operates within the realm of *class* exploitation, whereas the latter operates within the realm *national* exploitation for reasons established in the previous chapter. It follows that ‘capitalism’ came *after* ‘imperialism’, whereas the original theorists held that ‘imperialism’ came *after* ‘capitalism’, which vindicates even further the decision to strictly demarcate between the two terms. In the following chapter, theoretical justification for this demarcation will be extended further with reference to the dichotomy presented by Marx in Capital Vol. 1 between commodities and money, the argument being that while the Marxist conception of ‘capitalism’ as *class* exploitation derives from the dialectic of the *commodity*, the proposed conception of ‘imperialism’ as *national* exploitation derives from the dialectic of *money*.

What Is Imperialism in The Postcolonial Era?

Given that ‘imperialism’ was originally conceived leading up to the World Wars (1914-45), to explain the relationship between rival *formal* empires, how can it be reconstructed to fully integrate subsequent geopolitical changes, specifically the wave of decolonisation after WW2? The Neo-Marxist tradition that developed after WW2 sought to address this question. According to Aidan Foster Carter a defining feature of Neo-Marxism is that it “attempted mainly since 1945 to come to terms with the now notorious paradox of Marxism's practical successes in underdeveloped countries and its comparative *failures in more developed*

ones”¹⁷⁰(emphasis added), beginning with the failure of workers’ revolution in the advanced capitalist countries as Marx had wrongly predicted. Indeed, according to Amin, the reason for the said failure was because the reality of national exploitation “placed a revolution on the agenda that was not the world proletarian revolution” but rather “the revolution of the peoples who were victims of this [capitalist/imperialist] expansion”¹⁷¹, referring to the exploited nations throwing off colonial rule after WW2.

Similarly, according to Paul Baran and Paul Sweezy, “the revolutionary initiative” was no longer with the “the proletariat in the advanced countries” but had “passed into the hands of the impoverished masses in the underdeveloped countries who are struggling to free themselves from imperialist domination”¹⁷². Baran was motivated by the belief that “for a Marxist the purpose of economic and social analysis is to contribute to political action”, and that “the purpose of analysing *underdevelopment* and *imperialism* must be to end them”¹⁷³ (emphasis added), once again highlighting the Neo-Marxist emphasis on imperialism-as-underdevelopment, thereby drawing the postcolonial world into the picture. Similarly in this thesis, the will to “political action” informs the drive to reconceptualise ‘imperialism’ as the term is *supposed* to provide clarity to those seeking to build a better future without war and poverty. According to Baran, the empires that participated in these wars, by mutually weakening each other, were “no longer able to withstand the pressure for national liberation in the colonies” and were forced “to grant political independence to those countries in which the anti-imperialist forces were strongest”¹⁷⁴. Neo-Marxists like Carter, Baran, Sweezy, and Amin commonly recognised that post-WW2 decolonisation needed to be theoretically integrated into Marxist discourse, and for this thesis, into the reconceptualisation of ‘imperialism’.

When the original theorists conceived of “inter-imperialist rivalry” they were constructing an *abstraction* that attempted to capture the underlying *concrete* geopolitical realities of their era, namely that war/militarism was driven by rival empires clashing with each other over the right to possess subjugated national colonies, similarly, how can the geopolitical realities of the post-WW2 era be categorised, and its history periodised? For Baran the answer was found

¹⁷⁰ Aidan Foster-Carter, 1973, p. 7

¹⁷¹ Samir Amin, 1989, p. 192

¹⁷² Paul Baran and Paul Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (Monthly Review, 1968, originally published: 1966), p. 9

¹⁷³ Paul Baran, *The Political Economy of Growth* (Pelican, 1957), p. 100

¹⁷⁴ Paul Baran, 1957, p. 367

in the geopolitical significance of the ‘cold war’, which embodied the struggle primarily between, a) the US-led ‘capitalist’ camp, and b) the Soviet-led ‘socialist’ camp, however, only the former camp was deemed ‘imperialist’ (which is why Baran also called it the “imperialist camp”), for reasons concerning, firstly, their *internal* characteristics, and secondly, their *external* relationships with a third geopolitical camp, namely the c) “underdeveloped” postcolonial nations.

Regarding the *internal* reasons, the basis for this dichotomisation was that there was an *essential* difference between “capitalist” and “socialist” economies, the argument being that under ‘capitalism’, the “actual economic surplus” was sub-optimal, that is, well below the “potential economic surplus” that could be attained if it weren’t for features *inherent* to ‘capitalism’, namely, 1) excess consumption (especially by elite classes), 2) the existence of “unproductive workers”, 3) wasteful expenditures, and 4) unemployment¹⁷⁵. Therefore, ‘capitalism’ was driven towards exporting war/militarism abroad to compensate for its own *internal* inefficiencies that produced generalised stagnation of the kind experienced in the 1970s (which Baran predicted in 1957), whereas by contrast, because “socialist” economies were *not* driven by this logic, they could not be ‘imperialist’.

The assumption by Baran is that the *internal* nature of a state compels it to being ‘imperialist’ in its *external* relations with the outside world, which once again reintroduces the assumption that ‘imperialism’ is an outgrowth of ‘capitalism’ (as per Lenin and Luxemburg), whereas “socialist” states, according to Baran and Sweezy could not be ‘imperialist’ because “socialist society contains no class or group which, *like the big capitalists of the imperialist countries*, stands to gain from a policy of subjugating other nations and peoples” (emphasis added) to quote Baran and Sweezy¹⁷⁶ (emphasis added). This implies that only states with “big capitalists” will be compelled from within to subjugate other nations, which appears to contradict Baran’s own acceptance of Lenin’s concept of the “labour aristocracy” which argues that the working-class of imperial nations *does* “gain from a policy of subjugating other nations” (to borrow Baran’s words). However, rather than define ‘imperialism’ by the *internal* class structures of camps a) and b), it would be more logical to define the term by the relationship of those camps to the *external* world, particularly the c) postcolonial camp.

¹⁷⁵ Paul Baran, 1957, p. 133-4

¹⁷⁶ Paul Baran and Paul Sweezy, 1966, p. 186

This would be more logical because for the term to have dialectical meaning, it must be what Wallerstein calls a “relational concept”, rather than a term defined by essential *internal* features, which arguably contributes to the confusion surrounding the term. A “relational concept” according to Wallerstein is counterposed to “terms that are reified, that is, have separate essential meanings”¹⁷⁷, whereas a “relational concept” or term, *is* defined by its relationship to other terms, for example, a ‘core’ region implies the existence of a periphery region. This calls for a radical overhaul of language, for if ‘imperialism’ is a “relational concept” then the *internal* system of an ‘imperialist’ state does not *necessarily* matter, nor should it be reified, rather what defines a state as ‘imperialist’ is whether it engages in the national exploitation of *other* nations/states or seeks to maintain trade relations historically established by national exploitation by violent means. These are not the only implications of applying Wallerstein’s concept towards the task of reconceptualising the elusive term in question. If ‘imperialism’ is a “relational concept”, then it is not relevant whether the state is ‘capitalist’ or not, because those are *internal* matters, concerning whether or not class-polarisation coupled with industrialisation happens inside that state, that is, *internal* matters concerning the balance of power between classes.

This inherited determination to build ‘imperialism’ on top of ‘capitalism’ must necessarily be discarded with this reconceptualisation, and that is because if the former term is a “relational concept”, then the *internal* matters of redistribution between classes are not definitive of the term, rather what defines a state as ‘imperialist’ is its *external* relationship with other nations/states. If ‘imperialism’ is national exploitation, then the original theorists failed to capture this relationship, insofar as they *reified* the term, using it to describe a state compelled to conquer foreign territories because of its *internal* ‘capitalist’ configuration, whereas this thesis uses the term to describe a state that sustains its *internal* industrial development, regardless of whether its political system is ‘capitalist’, ‘socialist’ or any other political system, by its control over conquered foreign territories.

Regarding the *external* definitions of ‘imperialism’, that is, definitions that imply global economic power relations between nations, Baran argued that the US-led camp of ‘imperialism’ was motivated to maintain the economic advantages that were won by the former empires that had accepted US leadership in the post-war era. Accordingly, the United States assumed the “role of supreme arbiter within the imperialist camp”, comprised of

¹⁷⁷ Immanuel Wallerstein, 2004, p. 17

“formerly proud imperialist empires”¹⁷⁸, meaning that rather than a “Holy Alliance of Imperialists” emerging as predicted by Kautsky, there emerged perhaps instead a holy alliance of *former* empires under the leadership of the United States, standing against the rising tide of national liberation that was being aided by the Soviet-led “socialist” camp.

According to Baran, ‘imperialism’ is the ongoing reaction against decolonisation, led by the United States, intended to “prevent, or, if that is impossible, to slow down and to control the economic development of underdeveloped countries”¹⁷⁹, and to “remain assured of the accustomed flow of raw materials from the backward world” including “indispensable strategic materials”¹⁸⁰ – chapters 5 to 8 will substantiate these observations. Of relevance to the wars of the 21st century is that Baran pointed to the importance of the “oil-producing lands in the Middle East and Latin America”, noting that six states in the Middle East contained “64 per cent of the world’s known oil resources and account for approximately 20 per cent of the total world production of petroleum”, thus underscoring its importance to US-led imperial strategy¹⁸¹. Essentially, according to Baran, ‘imperialism’ in the post-war era, is the ongoing reaction against decolonisation, which is intended to maintain the patterns of global trade that had prevailed during the era of formal empires¹⁸².

If *internal* class structures are irrelevant to the question of what constitutes ‘imperialism’ then why was the b) Soviet-led camp of “socialism” *not* ‘imperialist’? For Baran the *external* answer is found in the relationship of the two camps, a) and b), to a *third* camp of c) postcolonial nations, which demonstrated that the a) US-led ‘capitalist’ camp was attempting to *prevent* them from gaining national independence and/or developing economically, whereas by contrast, the b) Soviet-led “socialist” camp was encouraging c) postcolonial nations to emulate the ‘socialist’ model, which was a threat to the US-led alliance insofar as “economic planning within the socialist camp seeks a rapid departure from the underdeveloped countries lopsided economic structures which frequently rest upon one or two export commodities”¹⁸³. Therefore, ‘imperialism’ cannot be reduced to the mere existence of competition between dominant states (which both the US and USSR were), rather it must distinguish between those dominant states that seek to *violently preserve* the

¹⁷⁸ Paul Baran, 1957, p. 260

¹⁷⁹ Paul Baran, 1957, p. 340

¹⁸⁰ Paul Baran, 1957, p. 121

¹⁸¹ Paul Baran, 1957, p. 350-51

¹⁸² Paul Baran, 1957, p. 121

¹⁸³ Paul Baran, 1957, p. 453

relationships of national exploitation that were established by the violence of past empires, and those hegemons whose actions *weakened* those relationships by offering alternative economic trajectories to historically subjugated nations, even if these actions were self-interested.

In hindsight, Neo-Marxists, building upon Lenin's insights about the "labour aristocracy"¹⁸⁴, broadly accept that WW1 demonstrated that the contradiction between exploiting and exploited *nations* was stronger than that between exploiting and exploited *classes*, therefore, the exploited classes of the exploiting nations acted somewhat rationally in supporting the war (rather than making revolution), insofar as fighting the war meant holding on to the exploited nations subjugated by their respective empires, against military threats from rival empires. Similarly, WW2 was driven by the Axis powers (Germany and Japan primarily) wanting to carve colonial possessions for themselves out of the Eurasian landmass, particularly at the expense of the USSR and China¹⁸⁵. However, despite both wars being driven by the desire on the part of rival empires to expand their systems of national exploitation, the end of that period marked the beginning of national liberation, suggesting therefore that decolonisation was an unintended consequence and major concession that the United States was forced to agree to in the post-WW2 era.

Given these circumstances, to account for change, reconceptualising 'imperialism' must account for the contraction of *formal* empires and the emergence of independent postcolonial nation states, as a consequence of which, the original conception of "inter-imperialist war" lacks relevance *insofar* as it means either elevating postcolonial states to the level of empires (despite their lack of colonial possessions), or reducing them to mere vassals of other more powerful states (i.e. the US or Russia/USSR), thereby erasing their agency.

Decolonisation created the conditions for the export of capital to the post-colonial world, not as an act of "imperialism" as per the original theorists (except Kautsky), rather because of 'imperialism' *weakening*. Wallerstein predicted in his seminal 1976 essay, *Semi-Peripheral Countries and the Contemporary World Crisis*, that the net-capital-exporting USA would

¹⁸⁴ Vladimir Lenin, 1924

¹⁸⁵ Hugh Trevor-Roper, *Hitler's Table Talk: 1941-44* (New York: Enigma Books, 2000), p. 82 | Herbert P. Bix, *Hirohito and the Making of Modern Japan* (HarperCollins e-books, 2016), p. 248 | Benito Mussolini ed. Richard Washburn Child, *My Autobiography, with "The Political and Social Doctrine of Fascism"* (Dover Publications, Inc. Mineola, New York, 2006, originally published: 1933), p. 205

stimulate the development of the “semi-periphery”. According to Wallerstein, “if one limits oneself to the five most significant present-day economic-military entities – the U.S., the European Common Market, Japan, the U.S.S.R., and China – the least likely regrouping is the one which prevailed during the previous era, that of the first three joined together as the ‘Free World’ against the latter two united as the ‘Socialist Bloc’”¹⁸⁶, thereby predicting that the Sino-Soviet split would prefigure the gradual negation of the core-periphery global arrangement that had prevailed until the “crisis” following the Nixon shock. Wallerstein noted that “the U.S. still incarnates the political interests of the world's capitalist forces”¹⁸⁷, whereas this thesis adjusts this observation by stating that the US incarnates the political interests of the world’s former maritime empires, thereby territorialising the political interests of the US imperialism more clearly.

Wallerstein predicted that the “intermediate elements in the surplus-extraction chain”, that is, the semi-periphery, would “gain at the expense of those at the core of the system” and would “expand their access to neighboring peripheral markets, again at the expense of core producers”¹⁸⁸. Wallerstein also observed that “the external bourgeoisie, which today means largely the multi-national corporation, is not necessarily hurt by semi-peripheral ‘development’”, whereas this thesis would simply drop the quotation marks around ‘development’ in that preceding quote, thereby recognising that “multi-national corporations” can strictly speaking *weaken* imperialism if it means exporting capital to industrialise the “semi-periphery”, thereby helping them evolve into mercantile rivals¹⁸⁹. This insight is in opposition to vulgar conceptualisations of ‘imperialism’ that treat multinational corporations as *only* having an interest in upholding imperialism (by maintaining core-periphery relations) without recognising that by exporting capital to take advantage of cheaper labour and resources in independent postcolonial “semi-periphery” nations, that these corporations are both serving their own interests but also objectively *weakening* imperialism insofar as they contribute towards the industrialisation of these nations. By offshoring production, these corporations could be potentially betraying the relative exclusivity of core production

¹⁸⁶ Immanuel Wallerstein, [*Semi-Peripheral Countries and the Contemporary World Crisis*](#) (Theory and Society, Winter, Vol. 3, No. 4, Winter, 1976), p. 462

¹⁸⁷ Immanuel Wallerstein, 1976, p. 461

¹⁸⁸ Immanuel Wallerstein, 1976, p. 461

¹⁸⁹ Immanuel Wallerstein, 1976, p. 470

exercised by their home nation-state, which is a sentiment that resonates widely in the United States today, especially given that it helped Donald Trump get elected in 2016.

Anticipating Criticism: Soviet Imperialism?

Although only one ‘imperialist’ camp – that led by the United States – is identified thus far by Baran and Sweezy, the anticipated criticism that “inter-imperialist rivalry” continued in the post-WW2 era, with Russia/USSR as the second ‘imperialist’ power, must be addressed, specifically by asking whether the USSR underdeveloped other nations, or whether underdevelopment took place within the USSR. In situations like this, it would be helpful to assess the claims made by Marxists who did accuse the USSR of being ‘imperialist’, for example, British Trotskyist Tony Cliff applied labels such as “Russian imperialism”¹⁹⁰ to describe the USSR, however, even he implicitly rejected the notion that the accused state (which he despised), actively underdeveloped other nations.

According to Cliff, “Russia’s need ‘to reduce the industrial gap between her and the other countries’ will compel her to look upon the satellites [i.e. Eastern Europe] as ‘*an extension of the homeland*’ to try to develop them industrially”¹⁹¹ (emphasis added), which is why even “the areas of the nations oppressed by the Russian bureaucracy, is directly a part of the general industrial development of Russia itself”, resulting in the “the industrial development of her [Russia’s] colonial regions”¹⁹². Cliff acknowledged a contrast between Britain and Russia/USSR, noting that the former was a “great importer of raw materials and foodstuffs from her colonies and supplies them with manufactured goods” (he did not explicitly identify the ‘drain’), whereas the latter “both exports and imports primary products and manufactured goods to and from her satellites”¹⁹³. Presumably, therefore, the contrast to Cliff would be more apparent had he acknowledged the ‘drain’ by Britain from its extractive colonies.

¹⁹⁰ Tony Cliff, [State Capitalism in Russia: Ch. 8 The imperialist expansion of Russia](#) (Marxists.org, Bookmarks Publications, 1955)

¹⁹¹ Tony Cliff, [Stalin’s Satellites in Europe: Ch. IV Russia and the economy of the satellite states](#) (Marxists.org, George Allen and Unwin Ltd, London, 1952)

¹⁹² Tony Cliff, [The Nature of Stalinist Russia: Ch. 9 The imperialist expansion of Russia](#) (Marxists.org, Bookmarks Publications, 1948)

¹⁹³ Tony Cliff, 1952

According to Cliff, the key exception to the admitted record of otherwise *even* development is that Russia/USSR economically exploited Eastern Europe after WW2 by exacting tribute and/or reparations. According to Albert Szymanski who studied Soviet trade with Eastern Europe (1979), this is undeniably correct, however, he argued that such cases of national exploitation were “primarily a mechanism to reconstruct the war devastated Soviet economy”, but that they ended in 1956, following which, “East European countries *gain* at the expense of the Soviet Union” (emphasis added). For example, although until 1953, Poland was supplying coal to the USSR at “one-tenth of the world price”, after 1956 the Soviet leadership cancelled Poland’s debts after acknowledging this specific case of coerced exchange, then began “supplying crucial raw materials, especially petroleum products to Eastern Europe at considerably below the world market price”, selling oil to them at “one-fifth the world market price” in 1974¹⁹⁴. Szymanski acknowledges that although the USSR exercised military dominance over Eastern Europe, it was “nothing like the processes described by dependency theory” that operated between the “West” and the “Third-world”¹⁹⁵, because “the economies of the COMECON [Council for Mutual Economic Assistance, a trading block comprised of the USSR and Eastern bloc] countries are co-ordinated in the genuine interests of all participants”¹⁹⁶, implying overall *even* development, but certainly not *national exploitation*.

The conception of ‘imperialism’ advanced by the International Socialist Organisation (ISO) is more invective than explanatory theory, precisely because their intellectual founders, beginning with Tony Cliff, did not observe/identify any mechanisms of *national* exploitation, rather their use of the term appears to refer simply to states acting violently beyond their borders. Tony Cliff uncritically accepted Lenin’s definition of imperialism, paraphrasing it as, “the search for fields for capital export, while for youthful capitalism the typical feature was the search for markets [to sell goods]”, based on which, “it seems wrong to have called Tsarist Russia imperialist”, then noting that “all the Marxists including Lenin and Trotsky, did call it imperialist” about which “they were correct” according to Cliff insofar as Russia met the criteria proposed by Lenin of having participated in the “territorial division of the whole world” and had “monopolies” of some kind¹⁹⁷. However, in these definitions there are

¹⁹⁴ Albert Szymanski, *Is the Red Flag Flying? The Political Economy of the Soviet Union Today* (Zed Press, London, 1979), p. 124-6

¹⁹⁵ Albert Szymanski, 1979, p. 133

¹⁹⁶ Albert Szymanski, 1979, p. 148

¹⁹⁷ Tony Cliff, 1955, Ch. 8

no economic mechanisms of national exploitation, instead, the *entire* discussion about ‘imperialism’ revolves around multiple systems of class exploitation or ‘capitalism’ clashing with each other. What if the key assumption was that “imperialism” referred to national exploitation? Accordingly, the litmus test for whether the Russian empire was ‘imperialist’ would have been an inquiry into whether the internal national divisions within its empire corresponded to divisions between exploiting and exploited nations, not merely the act of territorial expansion.

Contrary to Cliff, it can be argued that the Bolshevik revolution, by drawing internal borders, represented the decolonisation of the Russian empire insofar as it produced a federalised structure comprised of independent republics, that tended towards *combined* rather than *uneven* development or national exploitation. According to Samir Amin, the USSR “established a system to transfer capital from the rich regions of the Union (western Russia, Ukraine, Belorussia, later the Baltic countries) to the developing regions of the east and south” and “standardized the wage system and social rights throughout the entire territory of the Union” which “Western powers never did with their colonies”¹⁹⁸ (cited in Martinez). Furthermore, when a referendum was put to the Soviet people asking whether they wanted to keep the union together, not only did the majority vote ‘yes’ at 77.85 percent, but the ‘yes’ vote was highest in the Central Asian republics, ranging from 94.73 percent in Uzbekistan to 98.26 percent in Turkmenistan. Therefore, the former peripheries, that is, the nations once conquered by the Russian empire, showed greater enthusiasm for keeping the USSR intact than the former core nations of the Russian empire which polled the lowest ‘yes’ votes, most notably the Russian SFSR (at 73 percent) and Ukraine (at 71.48 percent), once again suggesting the USSR represented a period in which the former peripheries experienced *combined* development, not national exploitation, and therefore, not ‘imperialism’¹⁹⁹.

Conclusion: Evaluating World-Systems Analysis

Among World-Systems analysts, Arrighi, Frank, and Braudel contend that the eventual industrialisation and class polarisation witnessed within Europe developed *not* out of

¹⁹⁸ Carlos Martinez, *The End of the Beginning* (Leftword Books, Delhi, 2019), p. 18

¹⁹⁹ Encyclopedia.com, [Referendum of March 1991](#) (Cengage), accessed 19/5/21

Europe's *internal* dynamism, as much as it did out of the European conquests of the Americas, Asia, and Africa, which then provided an *external* economic stimulus to Europe, which then generated the observed phenomenon of 'capitalism' in Europe. However, this characterisation cannot easily be ascribed to Wallerstein because he used phrases like "modern world-system", "world capitalist system", and "capitalist world-economy" interchangeably for which he was criticised by Arrighi, which suggests some ambiguity about when and where 'capitalism' began²⁰⁰. By rejecting the 'internalist conception of capitalism', multiple new abstractions of relevance to reconceptualising the term in question emerge.

The first abstract model is the 'systemic cycles of accumulation' schema (or SCAs) proposed by Arrighi, which periodised history into four major cycles of financial hegemony over the *longue durée*, namely the Iberian-Genoese, Dutch, British, and US cycles, with each hegemon stimulating the development of their successor through capital exports. Unlike the *linear* conceptions of time that served as foundational assumptions for the original theorisation of the term, this particular model is *cyclical*, thereby entertaining the possibility of contemporary phenomena having its parallels in past cycles. The second abstract model is the core-periphery spectrum, which is useful for explaining how relations of global uneven development are maintained. Originally theorised by Prebisch and later Wallerstein, this spectrum is/was useful for informing the development strategies of newly liberated postcolonial nations, however, this model did *not* capture change, it merely took an economic snapshot of the world that was transfixed in time. Finally, the third abstract model is the division of the world into three camps (US-led, Soviet-led, and postcolonial), as proposed by Baran, who also identified 'imperialism' as a reaction against decolonisation in the post-WW2 era. Proposing these categorical divisions is an acknowledgement that categories of analysis must be updated to account for the major geopolitical changes of the post-WW2 era, whereas the original theorists used categories of global divisions that reflected the geopolitical realities of the WW1 era. However, although dividing the world into camps in this manner may *acknowledge* change, it does not amount to a *theory* of change, that is, a theory capable of explaining how this arrangement may negate itself.

²⁰⁰ Giovanni Arrighi, *Capitalism and the Modern World-System: Rethinking the Nondebates of the 1970's* (Fernand Braudel Center, Research Foundation of State University of New York, 1998, Vol. 21, No. 1, 1998), p. 115

Regarding the SCA model, although the periodisation of history that it comes with certainly captured change, the emphasis was on explaining how the pre-eminent financial hegemon stimulated the development of the rising power. Although the emphasis was not on explaining war and national exploitation, these cycles do bear some resemblance to the ‘Thucydides trap’, which was intended to explain the apparent inevitability of war between the pre-eminent power (Sparta) and the rising power (Athens), making it perhaps the first theory of ‘imperialism’ insofar as it sought to explain the long-term historic cause of war. This introduces the necessity for a new dialectical contradiction, namely the ‘hegemon-rival’ dialectic which will be covered in the following chapter.

The models presented earlier strongly suggest that the overall intentions of these theorists was to advise the development of the postcolonial world, hence the ubiquitous influence of the core-periphery model, which was originally developed by Raul Prebisch with the *subjectivity* of the postcolonial world in mind. The prescriptive advice that follows from this model is that postcolonial nations can only redress the national exploitation inflicted upon them by adopting dirigiste economic planning, including by establishing protective tariffs and controlling capital movements. It also follows that such nations of the periphery had a shared interest in forming cartels, like OPEC, to get the best price they could in exchange for the primary commodities they exported to the West, rather than competing with each other, which could drive down prices. Accordingly, this model argues that the prescriptions of ‘neoliberal’ ideology are illusions insofar as they encourage postcolonial nations to adopt free trade, allow free capital movements, and limit government spending, all on the promise that this was the path to prosperity charted by the West. This coincided with the deconstruction and revision of ‘Eurocentric’ myths that obscured transfers of wealth from extractive colonies to the home territories and settler colonies of the empire, and instead presented economic growth as spreading from those home territories to the rest of the world.

The SCA model advanced by Arrighi showed that financial hegemony is subject to a lifecycle analogous to the four seasons, one in which the very process of one financial hegemon dying stimulates the birth and development of the subsequent financial hegemon. It follows that all economic ideologies reflect stages in a historic lifecycle, thereby allowing for the objectification of certain ideologies in political economy, that is, explaining their existence by the purpose they serve within the overall lifecycle. Therefore, British liberalism was fundamentally *illusory* according to Arrighi insofar as it had, “established the principle that

...states were subject to the higher authority of a new, metaphysical entity – a world market ruled by its own ‘laws’, allegedly endowed with supernatural powers” – this being an ideological expression of Britain opening itself up to free trade, which was made possible by gaining control of India.

The intentions that motivated Baran into constructing the ‘three camps’ model of post-WW2 geopolitics appears to be the belief in the superiority of ‘socialism’ over ‘capitalism’, which he positively identified with the Soviet-led and US-led camps, respectively. He concluded that only the latter was ‘imperialist’ for two reasons, firstly its *external* relationship with the postcolonial world, and secondly its *internal* class character. Regarding the first reason, this is because the Soviet-led camp sought to *aid* postcolonial development, whereas the US-led camp acted to *prevent* postcolonial development. Regarding the second reason, given that Baran was writing within the context of the debate between ‘capitalism’ and ‘socialism’ on the side of the latter, he wanted to shatter what he believed to be the commonly held illusion that ‘capitalism’ continued to be a “progressive force”, arguing instead that this obscured that the US-led camp was headed for stagnation *internally*, which was driving it to war externally.

Finally, is there a contradiction between truth and power? No. In the previous chapter, conflicts of interests regarding the original conceptualisation of the term were identified, particularly that to mobilise workers in the home territories or core regions of the world’s empires against WW1, it was inconvenient to argue that such workers in anyway *benefited* from ‘imperialism’. However, with the rise of WSA in the post-WW2 era it became possible to evaluate the mechanisms by nations exploit nations, without the sudden urgency of needing to mobilise workers against war and without the conflicting interests attached to such urgency. Useful though these insights are, it becomes necessary to piece them together, so that the core-periphery spectrum interacts with the hegemon-rival dialectic implied by Arrighi and also by the Patnaiks (which will be covered in the next chapter), and that this combined model also has the capacity to integrate the geopolitical transformations after WW2, most importantly, the collapse of formal empires and decolonisation.

Chapter 4. Indian Political Economy (IPE): Explaining National Exploitation and Warfare

Introduction

The previous two chapters showed that there are two fundamentally divergent intentions and observations embedded in the term ‘imperialism’. Among the original theorists, the intentions were rooted in the subjectivity of the European working-class, one which presented ‘imperialism’ as multiple capitalisms headed to war/conflict with each other, however, because the intention was to mobilise against war, these theorists were somewhat oblivious to the mechanisms of national exploitation prevalent in that era, although Kautsky did come theoretically close. Later development of the term by WSA was concerned with explaining the processes of underdevelopment or national exploitation to theoretically advise the development of the postcolonial world, however, such theories were not equipped to explain war/conflict. That being said, from WSA it follows that ‘imperialism’ constitutes all attempts by the conquering core to maximise the exploitation of the conquered periphery, thereby necessitating warfare.

How then can the theoretical content of ‘imperialism’ be reconceptualised to form a new unified model capable of preserving its original emphasis on explaining the underlying economic impetus towards warfare, while fully integrating into its theory the history of national exploitation? Once the answer – in the form of a new timeless abstract model featuring relational categories – is identified, this chapter will briefly outline how this model can explain the causal relationship between national exploitation and warfare as it evolved over the *longue durée*.

This chapter will argue that the insights of IPE are useful for answering this question, based most importantly on the work of Utsa Patnaik and Prabhat Patnaik, who are both authoritative representatives of the Indian Marxist and broader Indian political economy tradition. The Patnaiks are not explicitly concerned with explaining *warfare*, rather they appear mostly concerned with aiding the development of the postcolonial world (especially India) much like WSA, however, because the Patnaiks conceptualise ‘imperialism’ as the imperative to maintain the “value of money” in the “metropolis” (which approximates to the core regions of the former empires) by suppressing the “supply prices” of goods from the “tropical world”,

“third-world” or “periphery” (which approximates to the former extractive colonies or postcolonial world), it logically follows that a state can maintain the value of money through military action, thereby creating the conditions for warfare. This allows for the construction of a theory of ‘imperialism’ that explains both national exploitation and warfare, which will be achieved by combining the Patnaiks’ insights into the value of money, and insights into the history of India under British rule, with Arrighi’s insights into the history of financial hegemony.

This chapter calls for a new conceptual demarcation within Marxist discourse about the term in question, so that ‘capitalism’ refers to *class* exploitation, while ‘imperialism’ refers to *national* exploitation, which are the two simultaneously operating dialectical poles of the world-system. Imperialism as *national* exploitation is further defined by two contradictions, a) the core-periphery spectrum, which is founded upon *commodity*-based global hierarchies, and b) the hegemon-rival dialectic, which is founded upon *money*-based global hierarchies. In subsequent chapters it will be demonstrated how the interaction between a) and b) is useful to explaining war and national exploitation throughout history.

Having relegated ‘capitalism’ to the study of class exploitation within a ‘closed’ economy model, it becomes possible to redefine ‘imperialism’ as being founded upon an ‘open’ economy model that captures power relations between nations and states. Although IPE has contributed significantly to using ‘imperialism’ to mean national exploitation, their insights have not yet been theoretically integrated into using ‘imperialism’ as an explanation for the tendency towards the kind of ‘Thucydides trap’ warfare between the hegemon and its rivals that Graham Allison references regarding the currently deteriorating relationship between the US and China. To address this shortcoming, this chapter will present an abstract theoretical model drawn from the theorists (of relevance to the term) from their observation of history, from which it becomes possible to sketch a macrohistorical picture about the co-evolution of national exploitation and warfare on a global scale.

The Incompleteness of Marxism: An IPE Perspective

The subjectivity driving IPE begins with attempts to rally the Indian national conscience against British imperial rule, and once that goal was achieved, the memory of ‘the drain’

served to justify the ‘dirigiste’ phase of India’s postcolonial history, which is widely regarded to have ended in 1991 when India carried out sweeping ‘neoliberal’ economic reforms. The Patnaiks advocate returning to some measure of dirigiste economic planning, which also aligns with the advocacy of the WSA theorists mentioned in the previous chapter. The Patnaiks opposed those reforms from when they were carried out, arguing that it would cause India’s external trade relations to gravitate back towards resembling the patterns of trade that prevailed under British rule, insofar as it would cause income deflation for the majority of India’s population. The Patnaiks appear motivated to conceptualise the term by the contemporary realities of India, where to prevent the Rupee from collapsing as a consequence of paying for imports and capital flight, the agrarian sector diverts more of its productive potential towards exports, thereby raising food prices, and deepening poverty and malnutrition across India²⁰¹. Indeed, the Patnaiks, along with their political party, the Communist Party of India (Marxist), largely attributes the 2020-21 farmers protests in India to this ongoing structurally driven immiseration.

Utsa Patnaik and Prabhat Patnaik are among the leading theoretical contributors to the Communist Party of India Marxist (CPIM), as well as being emeriti professors at Jawaharlal Nehru University (JNU) in Delhi, where they taught from 1973 and 1974 respectively until their retirement in 2010. Utsa Patnaik gained recognition from the Indian government in 2012 when she was presented with the V.V. Giri award by then Indian Labour minister Mallikarjun Kharge for her contribution to labour studies²⁰², and in 2019, she was presented with the World Marxian Economics Award by the World Association for Political Economy (WAPE), which is currently chaired by Cheng Enfu, the president of the Communist Party of China (CPC) affiliated Academy of Marxism. Prabhat Patnaik served as vice chairman of the planning board for the CPIM-led state government of Kerala (2006-11), and in the aftermath of the 2007-08 global financial crisis, he was invited to join a four-member UN panel, headed by Joseph Stiglitz, to recommend reforms²⁰³. Therefore, between the two, the Patnaiks have recognition from state affiliated bodies of the world’s two largest nations (India and China), direct involvement in advising responses to the global economic crisis, as well as direct involvement in advising the governance of an Indian state of 34 million people (Kerala) that

²⁰¹ Utsa Patnaik, *Export-Oriented Agriculture and Food Security in Developing Countries and India* (Economic and Political Weekly, Vol. 31, No. 35/37, Sep. 1996)

²⁰² Our Bureau, [Utsa Patnaik gets V.V. Giri award](#) (The Hindu, Business Line, 2012)

²⁰³ C. Gouridasan Nair, [Prabhat Patnaik in U.N. task force](#) (The Hindu, 2008)

since the mid-1960s has gained a global reputation for its achievements in human development²⁰⁴.

The Patnaiks represent a perspective that has deep intellectual roots in the Indian national struggle against British rule, a perspective that alleges that British rule was not only damaging to India, but also necessary for the rise of Britain as an industrial and financial power. Despite Britain being acknowledged in Marxist discourse as the world's first industrial 'capitalist' state, and by the original theorists as the world's first 'imperialist' state, the economic modelling associated with the term 'imperialism' in particular offered no theoretical space for the empirical record of Britain expropriating wealth from India, or more generally of empires expropriating wealth from their extractive colonies. This is not to say that Marx did not perceive national exploitation. Indeed, as covered in chapter 2, Marx certainly acknowledged the role of slavery in the Americas and the "bleeding process" experienced by India under British rule in the development of 'capitalism' in Europe, however, such acknowledgements were never integrated into the meaning of the term 'imperialism'. This is understandable insofar as Marxist discourse originated out of the subjectivity of the European working-class as they observed the industrialisation of Britain, recognising the unprecedented character of these transformations, while experiencing the *same* process in their own countries, most importantly in the Germany of Marx and Engels. Alluding to this subjectivity, the Patnaiks write that, "economics has been perennially afflicted by a blind spot caused by being developed essentially within a metropolitan location"²⁰⁵. By contrast, Indian Marxism, as represented by the Patnaiks, observes that India experienced the *opposite* process, one characterised by deindustrialisation and income deflation, thereby necessitating substantial revisions to the assumptions embedded in terms like 'capitalism' and 'imperialism'.

In the debate over the extent to which the so-called 'development of capitalism' in Europe (i.e., industrialisation and class-polarisation) was primarily driven by a) *internal* dynamics, or b) *external* plunder or national exploitation, IPE and WSA lean towards the latter, emphasising that the development of 'capitalism' in Europe was premised upon violent conquest and national exploitation overseas. According to Irfan Habib, "what I think needs

²⁰⁴ S.M. Naseem, [Kerala Model & development](#) (Dawn newspaper, 2008)

²⁰⁵ Utsa Patnaik and Prabhat Patnaik, *Capital and Imperialism: Theory History and the Present* (Monthly Review Press, 2021), p. 12

correction is the view tacitly accepted by many Marxist historians that every social order is created exclusively by the *internal* contradictions of the previous one” (emphasis added). That European feudalism “was ultimately transformed into capitalism”, Habib claims, “was by no means due to the development of its *internal* contradictions alone” (emphasis added), thereby preparing the theoretical ground for the role of the *external* stimulus to the emergence of “capitalism” in Europe, but rather than merely criticise Marxist discourse for the extent to which it embodied Eurocentric assumptions about the world, Indian Marxists approach Marxism as an incomplete schema that contemporary Marxists should apply themselves to completing.

Habib rejected the ‘internalist’ notion implicit in the underconsumptionism of Hobson, Lenin, and especially Luxemburg, that ‘imperialist’ states violently expanded to acquire fresh sources of demand, noting that if this were true, there could be no national exploitation given that the “surplus values of manufactured goods exported from Britain to India represented the exploitation of the English worker, not the Indian”²⁰⁶. The extent to which the historical accounts of Marx and Engels held to an ‘internalist’ perspective is entirely understandable for reasons Marx would agree with, according to Habib²⁰⁷. This is because according to Marx himself, “just as one does not judge an individual by what he thinks about himself, so one cannot judge such a period of transformation by its consciousness, but, on the contrary, this consciousness must be explained from the contradictions of material life”²⁰⁸. It follows therefore that because Marxism is a manifestation of European working-class subjectivity (or consciousness), that too during a period of immense transformation, that it would have failed to grasp the full picture.

Habib draws the lesson that, “contemporary modes of production and social relationships could not be seen in the earlier periods. Rather they were always misconceived”, for the simple reason that any subjectivity presents only partial truths. Therefore, according to Habib, Marx is unique for having recognised that “such misconceptions or imperfect perceptions set limits on the growth of further ideas”²⁰⁹. Approaching Marxist discourse as incomplete is useful because the objective is not to deconstruct or ‘tear down’, but to

²⁰⁶ Irfan Habib, “Ch. 1 Problems of Marxist Historiography” in *Essays in Indian History: Towards a Marxist Perspective* (Tulika Books, New Delhi, 2017), p. 9

²⁰⁷ Irfan Habib, 2017, p. 3

²⁰⁸ Karl Marx, “Preface” in *A Contribution to the Critique of Political Economy* (Progress Publishers Moscow, translated by S.W. Ryazanskaya, 1859)

²⁰⁹ Irfan Habib, 1859, p. 3

complement it with an alternate subjectivity, that of IPE. What better choice in that case than the subjectivity of the political economy tradition that developed in the largest extractive colony (pre-partition India) of the first industrial ‘capitalist’ and ‘imperialist’ state (Britain)? Hence also the importance of the Indian perspective *within* Marxism, which under the contemporary guardianship of Utsa Patnaik and Prabhat Patnaik, promises solutions for completing Marxism, at least with regards to the term in question.

Two Fundamental Contradictions: Class and Nation

Utsa Patnaik proposes that there are “two fundamental contradictions” in political economy, “capital and labour on the one hand, and that between the capital of the metropolises and people of the colonies and otherwise subjugated nations on the other”, contradictions that this thesis modifies slightly into *class* exploitation and *national* exploitation respectively. She points out that in outlining his plans for what would become the *Capital* series, Marx divided his project into two parts, the first about “capital, landed property, [and] wage-labour”, and the second about “the State, foreign trade, [and the] world market”²¹⁰, however, because Marx died before completing his intellectual mission, the second part was never published, leaving his work only half-finished.

The first part is what Marx emphasised in the *Capital* series, which according to the Patnaiks, captured “capitalism as a closed self-contained system”²¹¹ in which “only capitalists and workers exist”²¹² as relevant social categories, but not nations and/or states, thereby obscuring *national* exploitation, leaving only a ‘closed’ economy model that had yet to be ‘opened’ up. Recognising the dichotomy between the two parts of Marx’s intellectual mission is extremely important insofar as it reveals that the first part depicts development processes taking place *within* a state, or *within* an unrealistic stateless global economy, and therefore, in either case, *without* the state existing in relation to *other states*, whereas the second part assumes *multiple states*. Here it must be remembered that multiple *nations* (in the economic, not cultural sense) can exist within the same *state*. For example, the British empire was a

²¹⁰ Utsa Patnaik, *The Promethean Vision: The Communist Manifesto and the Development of Capitalism after 150 Years* (Social Scientist, Vol. 27, No.1/4, 1999), p. 122 | Prabhat Patnaik, 2009, p. 178

²¹¹ Utsa Patnaik and Prabhat Patnaik, 2021, p. 7

²¹² Utsa Patnaik and Prabhat Patnaik, 2021, p. 11

state that contained conquering *nations* with core production processes (British and its settler colonies), and conquered *nations* with periphery production processes (India and other extractive colonies). Therefore, an ‘open’ model theory of ‘imperialism’ must integrate *nations* and *states* into its reconceptualised model.

The Patnaiks are critical of the extent to which Marxist discourse in the English-speaking West tends to project this ‘closed’ model of ‘capitalism’ onto the entire world, which is why according to Utsa Patnaik, this model remains “the single greatest weakness of Marxist theory to date”²¹³. Therefore, the Patnaiks implore contemporary Marxists to focus on completing Marx’s intellectual mission as per the *second* part of his outline, which this thesis contends is achievable with reference to the insights of Marx in *Capital Vol. 1* about the relationship between commodities and money, and to the Patnaiks’ commentary regarding the implications of those insights. Commodities and money contain their own distinct dialectical contradictions according to Marx in *Capital Vol. 1*. While the *commodity* dialectic is defined by the contradiction between its “use value” and “exchange value”²¹⁴ (see chapter 3), this dialectic does not apply to *money*, which by contrast is not sought for its “use value”, rather, the *money* dialectic is defined by a unique and separate contradiction – the contradiction between its role as a “medium of circulation” and as a “measure of values”, the latter anticipating the function of money as an accumulated claim on use-values, or a means of storing value, or a “hoard” which Marx also called it²¹⁵.

Given a ‘closed’ model assumes economic processes happening, either within a state, or within an unrealistic stateless global economy, both featuring only capitalists and workers, it follows that both the dialectic of the *commodity* and the dialectic of *money* must be ‘opened’ up to feature multiple states/nations. WSA has already made significant contributions towards ‘opening’ up the *commodity* dialectic by introducing the core-periphery spectrum, which conceptually divided the world into states/nations that produce low-value added agrarian commodities, and states/nations that produce high-value added industrial commodities. It follows that the Marxist tendency of the rate of profit to fall can be counter-acted by expanding foreign trade, which can be achieved through conquest. The Patnaiks add to the contributions of WSA by arguing that the temperate regions of the world depend on

²¹³ Utsa Patnaik, 1999, p. 113

²¹⁴ Karl Marx, *Capital Vol. 1: A Critique of Political Economy* (Progress Publishers Moscow, 1965, originally published: 1867), p. 26

²¹⁵ Karl Marx, 1867, p. 66-90

commodities sourced from the tropical landmass, owing to its superior agrarian productivity. This requires an inquiry into the dialectic of *money*, and how can it be ‘opened’ up to account for the economic mechanisms of national exploitation featuring multiple states/nations.

The logical unravelling of the *money* dialectic acknowledges that on the one hand, money functions as a “medium of circulation” between commodities based on their underlying socially necessary labour time (SNLT). For example, one car might have a money-price roughly twenty-thousand times higher than a pencil because of the underlying SNLT-based exchange value between the two commodity types. However, if money only functions in this manner as a measure of SNLT, then the underlying assumption is a barter economy, one in which money is only held for the purpose of exchanging commodities with differing use values. However, because money also functions as a “measure of values”, a substantial portion of the money supply will logically be hoarded, rather than being immediately exchanged for commodities. Stated differently, turning money into commodities (M-C) is easy and instantaneous, whereas turning commodities into money (C-M) is difficult and delayed, or to quote Marx, “money may be dirt, although dirt is not money”²¹⁶.

According to Prabhat Patnaik, the “great divide” in economics, at least in terms of fundamental assumptions about money, is between a) the “monetarist” tradition of Ricardo and Walras, and b) the “propertyist” tradition of Marx (and also Keynes and Kalecki)²¹⁷. According to Prabhat Patnaik, what Marx rejected about the “monetarist” school was the “notion of money being simply yet another commodity”²¹⁸ in the sense that its “value” could be determined by the equilibrium of supply and demand, or in other words, Marx rejected the idea that value of money is determined by its own supply and demand. Rather, money must necessarily be backed by supplies of commodities, which in turn are normally guaranteed by the power relations of the material world, which in Marx’s unfinished work revolved primarily around the power-relations between *classes* rather than the power-relations between *nations*.

Treating money like *just another commodity* made more sense in Marx’s era when money was ultimately a primary commodity, specifically bullion like gold and silver, which could then be exchanged, either for other commodities, or for bullion ‘backed’ paper issued by

²¹⁶ Karl Marx, 1867, p. 73

²¹⁷ Prabhat Patnaik, *The Value of Money* (Columbia University Press, New York, 2009), p. 6

²¹⁸ Prabhat Patnaik, 2009, p. 124

banks, or for minted coinage. However, such treatment was wrong according to Marx, who wrote that “money itself has no price” and that “to put [money] on an equal footing with all other commodities in this respect, we should be obliged to equate it to itself as its own equivalent”, which in turn would amount to tautological nonsense. The argument being advanced here is that regardless of whether money takes the form of, a) physical bullion coinage, or b) currencies allegedly ‘backed’ by bullion, or c) purely fiat currencies, the defining dialectic of money mentioned earlier *precludes* it from being treated as *just another commodity*, for the reason that *commodities* and *money* embody two entirely separate dialectical contradictions. These three money forms correspond to the evolution of currency hegemony from, a) physical Iberian bullion currency, to b) bullion ‘backed’ British and pre-1971 US currency, to c) purely fiat US currency after 1971.

Prabhat Patnaik alleges that “this fundamental difference between Marx and Ricardo has, strangely, been missed by most writers on the subject ... despite Marx himself having written copiously, clearly, and unambiguously, on the subject”. Agreeing with Marx, Prabhat Patnaik argues that the “basic difference between money and any other commodity” is that for the latter, “there is a positive excess demand at zero price” whereas “money has the peculiarity that at zero price it has zero demand and hence negative excess demand”²¹⁹. This demonstrates the illogicality of treating money like any other commodity, especially given the nature of the relationship between what Prabhat Patnaik calls, “the world of money” and the “world of commodities”²²⁰, so that money must be backed by commodities. Therefore, *money* and *commodities* should be treated as relational concepts (to again invoke Wallerstein), in the sense that the value of money depends on the ability of the state to ensure supplies of physical goods at volumes sufficient to keep inflation as low as possible (including by violent means, including warfare), and if the supply of commodities were to be constricted, inflation would follow, which would undermine the value of money.

In the “propertyist” tradition identified by Prabhat Patnaik, the value of money is “outside the realm of [the] demand and supply”²²¹, which is why according to Marx, the value of money is backed from the “outside” by the human labour (applied to nature) embodied in the commodities that it can be exchanged for, and which is why Marx called money the “socially

²¹⁹ Note: “negative excess demand” is the urgency to transform money into commodities or into other forms of money.

²²⁰ Prabhat Patnaik, 2009, p. 169

²²¹ Prabhat Patnaik, 2009, p. 176

recognised incarnation of human labour”²²². Therefore, Marx recognised that money had to be backed by a combination of labour and resources, or as Marx puts it, “the source of material wealth” is that “labour is its father and the earth its mother”, an aphorism Marx attributes to William Petty²²³. However, this “propertyism” is still constrained by the assumption of a “closed system”, one in which only class distinctions exist, rather than national ones.

The reference to ‘earth’ or the material world is abstracted away by being subordinated to human labour in the sense that the acquisition of natural resources can be expressed in “socially necessary labour time”²²⁴ (SNLT), which is entirely valid if the assumption is a ‘closed’ model of the world. However, in the real world, the ‘earth’ is divided into states that issue money, which in turn must be ‘backed’ with the labour and resources under its control. In the case of a formal empire, that is, a state typically divided internally between the ‘capitalist’ core of the conquering nation and the extractive periphery of the conquered nation, it follows that *protecting* the value of money issued by the state in the core necessarily requires *suppressing* the incomes of the periphery, so that the primary commodities of the periphery can be absorbed by the core at “nonincreasing prices” according to the Patnaiks²²⁵.

Conceptualising money as a means of storing wealth also reinforces Marx’s implicit opposition to the concept of ‘equilibrium’ that formed an important underlying assumption for classical liberalism, one which assumed a pre-existing and uncreated state of order being maintained by an ‘invisible hand’ rationally guiding the economy, which was then undermined by governments and other coercive actors, that were presented as external actors. By contrast, Marx recognised the catalysing role of historical violence (or “primitive accumulation” as he called it) in establishing new orders and patterns of economic exchange, beneath which there was no ‘equilibrium’, only the inherent contradiction between the ‘relations of production’ and the ‘forces of production’.

On the question of money therefore, the “monetarists” according to P. Patnaik, conceived money solely as a medium for circulating commodities, however because Marx by contrast recognised that money functioned additionally as a measure of value, or as a means of storing

²²² Karl Marx and Friedrich Engels, 1867, Ch. 3, p. 67

²²³ Karl Marx and Friedrich Engels, 1867, Ch. 1, p. 30

²²⁴ Karl Marx, 1867, p. 10

²²⁵ Utsa Patnaik and Prabhat Patnaik, *A Theory of Imperialism* (Columbia University Press, 2017), p. 86

value (in addition to being a medium of circulation), this implied that the economy must be “demand-constrained”²²⁶. This logically negates the possibility of an equilibrium since the existence of a large “hoard” suggests a perpetual demand-constraint, meaning that a reduction in effective-demand can result in lower levels of investment, causing a further reduction in effective-demand. In other words, the economy can “settle anywhere”²²⁷ according to P. Patnaik, including at high levels of unemployment and low levels of investment (when capitalists choose to hoard money or speculate on asset values), and therefore, the more accurate law of capitalist motion is a version of “disequilibrium”²²⁸ which contends that a movement in one direction creates the conditions for a further movement in that same direction.

The opening assumption Marx makes in chapter 3 of *Capital Vol. 1* titled *Money, or the Circulation of Commodities*, is that “throughout this work, I assume, for the sake of simplicity, gold as the money-commodity”²²⁹, which made sense insofar as the leading states of his era all maintained some form of a gold standard currency. However, treating gold as “universal” as Marx did, reinforces the assumption of a ‘closed’ economy insofar as it obscures the violently established global core-periphery hierarchies necessary for upholding the relationship between physical gold, and the paper money issued by certain states on the pretence of being redeemable for physical gold.

This thesis addresses the incompleteness of Marxism identified by the Patnaiks by proposing that “universal” money is only a relevant concept to the extent that some commodities, especially gold/silver bullion, are internationally accepted as money. However, what this ignores is *currency hegemony*, that is, the core-periphery relations of *national* exploitation necessary for ‘backing’ the currency issued by certain states, most notably by the first capitalist/imperialist state (Britain), which Marx did not perceive. Britain was not the only imperialist state to back the value of its currency using the expropriated earnings of its colonies, with France being the second most prominent example, both during the era of formal empires, and its operation of the CFA Franc today²³⁰. Currency hegemony could alternatively be called financial hegemony; however, ‘currency’ was chosen because it

²²⁶ Prabhat Patnaik, 2009, p. 176

²²⁷ Prabhat Patnaik, 2009, p. 172

²²⁸ Prabhat Patnaik, 2009, p. 104

²²⁹ Karl Marx, 1867, p. 66

²³⁰ Fanny Pigeaud and Ndongo Samba Sylla, *Africa's Last Colonial Currency: The CFA Franc Story* (Pluto Press, 2021)

implies the backing of a state, the violence of which is necessary for establishing those relations of national exploitation.

The “closed economy” model assumes workers’ wages and capitalists’ profits are denominated in the *same* currency, which in turn exposes the inadequacy of treating money as something “universal”, given that the actually *existing* world-system features multiple states and currencies. For example, the relationship between the British empire and India involved *two* currencies so that the taxes paid by (and wages paid to) the Indian producer in Rupees – a silver standard, ‘backed’ the value of the British Pound Sterling – a gold standard, by the mechanisms of the ‘drain’. However, if money is not just a medium for circulating “use-values”, rather also a means of storing wealth, this necessitates a conceptual model capturing *competition* among wealth storing mediums (i.e., currencies) that are competing to promise the greatest anti-inflationary returns, that is, to promise the greatest claim on use-values in future. Marx did not, however, conceptualise competition among wealth-storing mediums (i.e., currencies), leaving his work incomplete for appreciating the present world order, characterised by the generalised competition among rival currencies under conditions of liberal capital mobility, albeit with one *central hegemonic* currency. Rather than money being *singular* and “universal”, and in moving towards an ‘open economy’ model, the concept of money must be treated as *pluralistic* to account for multiple currencies embedded within multiple states.

Given the dual character of money, particularly as a means of storing wealth (or “measure of value”), it follows that “core” nation-states have an interest in ensuring that the patterns of trade with the periphery that historically enticed wealth holders to store their wealth in that “core” currency, are maintained, especially given that in the modern era of fiat currencies and capital-mobility, wealth-holders can shift from one currency to another. According to the Patnaiks, keeping the price of imports from the former extractive colonies at a low stable level is what ultimately guarantees the high value of the dominant global currencies. In other words, it is not that these currencies are valuable because they can command such a high volume of imports, rather it is because they can command such a high volume of imports (made possible by violently established patterns of trade throughout history), that their currencies became valuable.

Introducing the Hegemon-Rival Dialectic

The ‘opening’ up of the *money* dialectic to account for multiple nations/states necessitates the introduction of what this thesis calls the hegemon-rival dialectic, which offers to complement the pre-existing conceptual division of the world according to the core-periphery spectrum introduced by WSA. The limitation of the latter spectrum is that categorising states into core, periphery and semi-periphery categories presents a *static* and unchanging model of the world that is *frozen in time*, rather than a *dynamic* model for explaining how this system *negates* itself by its own logic, that is, how it changes. Here the Patnaiks’ analysis of money is useful for transcending this entirely valid core-periphery spectrum by complementing it with a separate but overlapping dialectic, namely that of the currency hegemon and the mercantile rival, which in turn is greatly influenced by the subjectivity of the Indian experience under British rule. Therefore, while the core-periphery spectrum represents the ‘opening’ up of the *commodity* dialectic, the hegemon-rival dialectic represents the ‘opening’ up of the *money* dialectic.

Here the definition of currency hegemony is heavily influenced by the conception of “world hegemony” advanced by Arrighi, which “refers specifically to the power of a state to exercise functions of leadership and governance over a system of sovereign states” in ways perceived to serve the “general” or ““universal”” [sic] interest. According to Arrighi, in the case of Britain, this involved the “unilateral adoption of a free trade practice and ideology” which involved keeping “its domestic market open to the products of the whole world” from “the mid-1840s to 1931” when Britain ended its gold standard²³¹. However, it appears Arrighi places ““universal”” in sarcastic quotation marks for a reason, which is that he notes that the unprecedented scale of British hegemony was because no other state had “forcibly extracted in so short a time so much tribute ... as the British state ... in the Indian subcontinent”, and that this tribute “enhanced London’s comparative advantage as a world financial center vis-à-vis competing centers such as Amsterdam and Paris”²³². It follows that the definition of Britain as “hegemonic” and thus serving a ““universal”” interest only applied to independent states (like the USA, Germany, France, Italy, and Japan), that is, states *not* conquered and transformed into an extractive colony by Britain. Being a “hegemon” also embodies the contradiction identified by Joseph Schumpeter (cited in Arrighi) as “leadership against one’s

²³¹ Giovanni Arrighi, 1994, p. 56

²³² Giovanni Arrighi, 1994, p. 55

own will”, in that the adoption of unilateral free trade by the hegemon stimulates the industrial development of those independent states (that is, mercantile rivals), which then undermines the ability of the hegemon to perform its role, that is, to meet its global social contract. Just as democracy in ancient Athens meant democracy for citizens but not slaves, the “universal” character of British hegemony could only be experienced by its mercantile rivals, not its enslaved extractive colonies.

Giovanni Arrighi has been characterised by the likes of David Harvey and John Bellamy Foster as rejecting the relevance of the term ‘imperialism’, however, this mischaracterises Arrighi. According to Harvey, “I think it useful to take up Giovanni Arrighi’s preference to abandon the idea of imperialism (along with the rigidities of the core-periphery model of world system theory) in favor of a more fluid understanding of competing and shifting hegemonies within the global state system”²³³. The reason Harvey ascribes this preference to Arrighi is because “Giovanni Arrighi wrote a book called the *Geometry of Imperialism*”, that was “mainly saying the concept of imperialism doesn’t work”²³⁴. Similarly, Foster also characterised Arrighi as “abandoning the theory of imperialism” and replacing it with the concept of “world hegemony”²³⁵. What both Harvey and Foster failed to mention is that Arrighi’s book was rejecting John A. Hobson’s theory of ‘imperialism’, indeed the subheading of that book is *The Limits of Hobson’s Paradigm*. This is relevant because the Patnaiks would also necessarily reject Hobson’s theory because Hobson denied the ‘drain’ of wealth from India, and denied any theoretical space for national exploitation, whereas Arrighi affirmed both the ‘draining’ of India and national exploitation in his writings. Therefore, contrary to Foster’s characterisation, which presents the Patnaiks and Arrighi as being on opposite sides of the ‘imperialism’ debate, Arrighi’s perception is entirely compatible with the reconceptualization of ‘imperialism’ as national exploitation being advanced by this thesis, and entirely compatible with the perception of the Patnaiks.

The difference between ‘imperialism’ and ‘hegemony’ being advanced by this thesis represents continuity with its historic origins in the statecraft of Greco-Roman civilisation. According to Salvatore Babones, “imperium was the power of command given to generals

²³³ David Harvey, “A Commentary on A Theory of Imperialism”, in Utsa Patnaik and Prabhat Patnaik, *A Theory of Imperialism: With A Commentary from David Harvey* (Columbia University Press, 2017), p. 171

²³⁴ The New School, [Imperialism: Is it Still a Relevant Concept?](#) (The New School, [Transcript](#), 2017)

²³⁵ John Bellamy Foster, [Late Imperialism: Fifty Years After Harry Magdoff's The Age of Imperialism](#) (Monthly Review, Jul. 2019)

when they crossed over the threshold of the Roman state into alien territory”, so that “Roman generals exercised absolute imperium over conquered neighbours”, which involved “expropriating or executing them at will”. By contrast, “hegemony” in ancient Greece implied “legitimated leadership” by one Greek city-state over the others, and thus “implies some degree of virtue in leadership and voluntarism in followship”. Babones argues that in the 5th century BC, the Roman city state was the “hegemon” among fellow “Latin-speaking city states” but that “outside of its home region of Latium, ancient Rome was a predator pure and simple” in how it exercised “imperium”. Therefore, from the perspective of the lesser Latin city-states, Rome exercised “hegemony”, whereas from the perspective of outside nations, such as the Germans, Celts, and Slavs in later centuries, Rome exercised “imperium”²³⁶. Similarly, from the perspective of mercantile rivals like the USA and Germany, Britain exercised “hegemony”, whereas from the perspective of extractive colonies like India, Britain exercised “imperium” or imperialism. Therefore, imperialism is immanent in the state violence employed by an empire to maintain a core-periphery relationship of national exploitation, which then allows for that same empire to exercise currency hegemony over another group of nations/states.

This hegemon-rival dialectic is also informed by the observations of the Patnaiks although they do not use the term, however, they do argue that the “leading capitalist economy” must allow “a current account deficit against itself by its rivals”, because if they refused by enacting “protectionist measures” for whatever reason, “then the international monetary system would become unviable”. In this thesis, reference to the “leading capitalist economy” is replaced by “currency hegemon”. The Patnaiks argue that first Britain performed the role of the currency hegemon for which they “maintained a current account deficit vis-à-vis continental Europe and the United States”, then the United States took up that role in the post-war era and “is doing the same today vis-à-vis Germany and East Asia”²³⁷, the latter two referring to the mercantile rivals of the contemporary era. What allowed Britain to establish currency hegemony in the first place? According to the Patnaiks and IPE, it was the ‘drain’ extracted from India by Britain, which will be detailed in the following chapter, but the basic theory will be expressed here.

²³⁶ Salvatore Babones, *From Tianxia to Tianxia: The Generalization of a Concept (Chinese Political Science Review, Sep. 2019)*, p. 2-3

²³⁷ Utsa Patnaik and Prabhat Patnaik, 2017, p. 91

The notion advanced by Prabhat Patnaik that “imperialism is immanent in the *money* form”²³⁸ (emphasis added) can be traced back to the Indian experience under British imperial rule of being ‘drained’ of its wealth. According to Utsa Patnaik, the ‘drain’ functioned by the British empire setting aside roughly one-third of the taxes raised from the Indian producer for the purchase of goods from India, resulting in the *one-way* net-transfer of goods and money (bullion) from India to Britain²³⁹. These were not mechanisms of *class* exploitation, but *national* exploitation. The British capitalist class was *not* exploiting the Indian working-class in the same manner in which they exploited the British working-class because inside Britain, exploiting and exploited classes were paid in *one* and the same currency, whereas Britain’s relationship with India involved *two* currencies. It is claimed that this net-transfer is what a) stimulated the development of the British industrial revolution, and b) ‘backed’ the value of the British pound, allowing Britain to establish global financial and currency hegemony, and to export capital globally.

In keeping with the spirit of wanting to complete the Marx’s project, there is evidence from *Capital Vol. I* that Marx certainly perceived this particular mechanism of *national* exploitation, but not in regard to the Britain-India relationship of his own era, which he never fully developed (or even perceived until 1881), but in regard to the tributes extracted by the Roman empire from the nations they conquered. According to Marx: “The towns of Asia Minor thus paid a yearly money tribute to ancient Rome. With this money Rome purchased from them commodities and purchased them too dear. The provincials cheated the Romans, and thus got back from their conquerors, in the course of trade, a portion of the tribute. Yet, for all that, the conquered were the really cheated. *Their goods were still paid for with their own money.* That is not the way to get rich or to create surplus value”²⁴⁰ (emphasis added). Similarly, with regard to the Indian producer under British imperial rule, “their goods were still paid for with their own money” as that was how the ‘drain’ fundamentally operated.

Expressed in terms of the core-periphery spectrum, by locating the *substance* of imperialism in the efforts of the “core” to protect the “value of money” through external violence/coercion, the Patnaiks suggest a model capable of *bypassing* the arguments put forward by Emmanuel and Amin who theorised an “unequal exchange” between core and

²³⁸ Prabhat Patnaik, [Imperialism — for the Value of Money](#) (Monthly Review online, 2012)

²³⁹ Utsa Patnaik, 2017, p. 278

²⁴⁰ Karl Marx, 1867, p. 112

periphery, one quantified by their respective labour-capital productivity differentials. Indeed, Utsa Patnaik dismissed the theory of “unequal exchange” as “undiluted nonsense”, claiming that it failed to acknowledge Luxemburg’s insight that capitalism was embedded within a pre-capitalist setting (or non-capitalist setting), by instead projecting the “closed economy” model of Marx “to a world scale”²⁴¹. Adding further to this criticism of ‘unequal exchange’ theory is that it *implicitly* assumes the *singular* universality of money, rather than acknowledging *multiple* moneys/currencies, or the *plurality* of money. The ‘closed’ model featuring only class exploitation assumed the *singularity* of money, whereas this proposed ‘open’ model, which is intended to ‘zoom out’ from class exploitation within states to capture the national exploitation between states, assumes the *plurality* of money, that is, assumes multiple currencies.

The necessity of the hegemon-rival dialectic is further informed by the work of Radhika Desai, who advanced a concept called “the materiality of nations”, which is the “foundational tenet of *geopolitical economy*”²⁴² (emphasis added) in reference to the discipline she founded that has strong connotations of an ‘open’ economy model featuring multiple states, and is theoretically compatible with IPE. This tenet developed in opposition to the notion that, “the plurality of nation-states in the modern capitalist world order can only be explained in terms of culture”²⁴³, and instead advances the “dialectic ...between dominant and contender nations”, according to which, “dominant states seek to maintain unevenness and *complementarity* between their more productive and subordinate nations’ less productive structures”²⁴⁴ – this aligns with the definition of ‘imperialism’ being advanced here.

By contrast, “contender states” are the ones that are “able and willing to resist such subjection, imminent or actual, through state-directed development or combined development aimed at establishing *similarity* of productive structures”²⁴⁵. Desai borrows the well-established concept of “uneven and combined development” from Leon Trotsky, according to which, (quoting Trotsky directly) “the most general law of the historic process” is “unevenness”, i.e. uneven development, which simply acknowledges that some nations/regions develop while others do not (whereas ‘national exploitation’ as defined, goes

²⁴¹ Utsa Patnaik, ‘Neo-Marxian’ Theories of Capitalism and Underdevelopment: Towards a Critique (Social Scientist Vol. 10, No. 11, 1982), p. 24

²⁴² Radhika Desai, 2019, p. 39

²⁴³ Radhika Desai, 2013, p. 36

²⁴⁴ Radhika Desai, 2019, p. 40

²⁴⁵ Radhika Desai, 2019, p. 40

a step further by arguing that some nations/regions develop *at the expense* of others), however, this simultaneously presents less developed nations/regions with the possibility of “combined development”, that is, the “possibility of skipping over intermediate steps”, thus they have the “privilege of historic backwardness”. This is why, according to an analogy offered by Trotsky, “savages throw away their bows and arrows for rifles all at once, without travelling the road which lay between those two weapons in the past”. Observing the events of his era, Trotsky cites “the fact that Germany and the United States have now economically outstripped England” as an example of combined development²⁴⁶.

The veracity of any new model can be supported by its capacity to corroborate different subjective perspectives by presenting them as partial truths. Accordingly, what Trotsky observed in his theory of ‘uneven and combined development’ was the hegemon-rival dialectic operating in his era, however, rather than simply assuming “backwardness” as the catalyst for change, there is another explanation for Trotsky’s observations, one rooted in the ‘drain’ inflicted upon India by Britain. This is not to argue that “backwardness” is not an important factor in the philosophy of history, for example, according to author G. Michael Hopf, “strong men create good times, good times create weak men, weak men create bad times, bad times create strong men”²⁴⁷ – a cyclical metaphysic of history. Based on this model it becomes possible to imagine multiple states, each at a different stage of this cycle, either as the declining pre-eminent power, or as the “backward” rising power in a manner analogous with Trotsky’s observations.

Rudolf Hilferding (cited in Desai) a contemporary of Lenin, developed the discourse further by observing that in Germany and the USA, industry dominated finance, whereas in Britain, it was the other way around, finance dominated industry²⁴⁸. This shows that industrial supremacy is the prerequisite for financial (currency) hegemony, which Britain achieved first, followed by Germany and the USA which could only catch up by subordinating finance to industry. Desai argues these are characteristics of the dialectic she advances, with Germany and the US being the “contender”²⁴⁹ states (a term Desai says she borrowed from Kees van der Pijl) attempting to catch up to Britain, which in turn was the “dominant state” that

²⁴⁶ Leon Trotsky, *History of the Russian revolution* (London, Victor Gollancz, translated from Russian to English by Max Eastman, 1965, originally published: 1932-33), p. 26-7

²⁴⁷ Bret Devereaux, [Hard Times Don't Make Strong Soldiers](#) (Foreign Policy, 2020)

²⁴⁸ Radhika Desai, 2013, p. 50

²⁴⁹ Radhika Desai, 2013, p. 2

“maintained unevenness” by expropriating surpluses from its extractive colonies. However, from 1870 onwards, British hegemony weakened as a consequence of the consolidation of the US, Germany, and Japan, and because of decolonisation in the 20th century, according to Desai, the US (Britain’s successor) was “*never* hegemonic”²⁵⁰ (emphasis added).

This judgement from Desai is based on the notion that Britain, “without colonial surpluses to export [after decolonisation] was bound to either fail to provide international liquidity or to do so only in unstable and financially dangerous ways”²⁵¹. Regardless of whether the term ‘hegemonic’ is used is a matter of subjective word-preference, the point is that since 1870 the trend towards multipolarity has meant that the US inherited from Britain a far weaker foundation for its hegemony (or *alleged* hegemony according to Desai). Therefore, according to Desai, since 1870, Anglo-US currency hegemony has been in decline, necessitating increasing military aggression, coinciding with recurrent financial crises fuelled by speculative bubbles and national debt. Although Desai insists that the US was “never hegemonic” on the grounds that the US was never *as hegemonic as Britain*, this thesis insists on using the term insofar as it represents the continuity of *currency* hegemony specifically.

The hegemon-rival dialectic has been observed throughout history, beginning with Thucydides who identified Athens as the rising rival power to the pre-eminent hegemony of Sparta. Not all hegemon-rival conflict is ‘inter-imperialist’ conflict for the simple reason that ‘inter-imperialist’ according to the reconceptualised definition implies multiple empires presiding over their own respective core-periphery relations of national exploitation, which *may* well describe the hegemon and its rivals, but not necessarily. Behind the ‘inter-imperialist’ war observed by the original theorists was hegemon-rival warfare, stemming from the waning financial hegemony of Britain coming into conflict with the rising industrial rivalry of the US and Germany.

²⁵⁰ Radhika Desai, [Geopolitical Economy: After US Hegemony, Globalization and Empire](#) (Global Faultlines, online video, 2014), see 9:54 mins

²⁵¹ Radhika Desai, 2013, p. 63

Throughout history, there have been multiple core-periphery relations in the form of multiple rival empires, that co-exist within different geographic spaces. Beginning with the Iberian maritime expansions that triggered the “rise of the West”²⁵² to reference Frank, there has usually been one empire which forcibly extracts the largest ‘drain’ from its periphery for the benefit of its core, thereby placing this empire in a position where it can take on the privilege *but also* the responsibility, if not burden, of being the currency hegemon. Over time, *forms* of currency hegemony have evolved through the changing nature of money, from 1) physical bullion as in the case of Iberian currency hegemony, to 2) bullion ‘backed’ banknotes (Dutch, French, British and US), to 3) the purely ‘fiat’ nature of US currency hegemony from 1971 onwards. Today, all countries, including the hegemon, issue fiat currencies, operated by central banks, that float freely against each other without being fixed to any physical commodity like gold or silver, whereas in the era of Genoese-Iberian hegemony that triggered this lineage into being, the only currencies of relevance were gold and silver, along with a few other precious metals. Throughout history, successive currency hegemons have arbitrated the value of gold, silver (and other monetizable metals) to secure maximum trade advantages, if not to facilitate national exploitation, which in turn influences the global market ratios of these metals.

What all three types of currency hegemony have in common is that they stimulated the industrial development of their mercantile rivals (i.e., “contender states” according to Desai) which produced goods in exchange for the hegemonic currency (of the “dominant state” according to Desai). This process gradually tilted the economic/political power relations between the pre-eminent currency hegemon and the mercantile rivals in favour of the latter, thereby creating the conditions for *warfare*, following which a new currency hegemon may emerge. It is not definitionally necessary for mercantile rivals to formally preside over core-periphery relations, rather such rivals could also be ‘evenly’ developing nation states that simply have sufficient resources combined with technical skill – states such as Germany, China and USSR/Russia fit this description. Mercantile rivals are by definition ‘counter-hegemonic’ insofar as their peaceful economic rise alone can undermine the dominance of

²⁵² Andre Gunder Frank, 1998, p. 333

the currency hegemon, thus creating the conditions for a specific type of warfare which will be called hegemon-rival warfare.

These laws of currency hegemony can be observed in the ‘rise of the West’, that is, in the three distinct cycles of 1) Iberian/Dutch, 2) British, and 3) US American currency hegemony which is a periodisation adapted from Giovanni Arrighi. Given the broad sweep of time implied by these cycles, subsequent chapters will focus on demonstrating the immanence of these laws in the British and US cycles. However, to demonstrate the enduring logic of these laws throughout history, the Iberian and Dutch cycles will be covered briefly in this chapter, thereby differentiating the cyclical conceptualisation of ‘imperialism’ being advanced by this thesis from its treatment as a linear stage of global history as per the original theorists.

The first cycle begins with the Iberian Union establishing currency hegemony over Europe by first establishing itself as the core to the American periphery from where bullion (i.e., literal money) as well as raw materials, were extracted by slaves, mainly from Africa, on an unprecedented scale, and which constituted the largest ‘drain’ of this cycle. The substantial influx, primarily of silver, into the Old World from Spain’s extractive colonies in the Americas, was then exported in pure physical form to pay for goods, especially from China and India, where silver was valued higher than gold relative to the rest of the world. By the 17th century, the influx of silver began running out, leading to the financial innovation of bullion-backed banknotes by the Dutch, English/British, and French empires. Additionally, according to data compiled by Joseph E. Inikori, 73% of the total value of exports (bullion and non-bullion) from the Americas, in the period from 1501 to 1850, was extracted or produced by slaves²⁵³. Here the meaning of *national* exploitation is that African slaves were transformed into an objective ‘nation’ by their common captivity in the extractive colonies/peripheries of the Americas, where they slaved away to produce food and primary commodity inputs to supply proto-industrial northern Europe.

Given the focus on ‘imperialism’ as *national* exploitation, the recognition of a distinct Dutch cycle becomes unnecessary insofar as the Dutch merely inherited the extractive colonies established by the Iberian powers before them without deepening them any further or by acquiring new sources of supply or ‘drain’. Although the Dutch were the strongest of the

²⁵³ Joseph E. Inikori, *Africans and the Industrial Revolution in England: A Study in International Trade and Economic Development* (Cambridge University Press, 2002), p. 197 (Table 4.7)

three northern European powers, they did not *deepen* the core-periphery relations of national exploitation that they had inherited from the Iberian powers, unlike the British who subsequently did. Arrighi included the Dutch because they led the financial innovations of the 17th century during the silver shortage by introducing new kinds of assets, most importantly company stocks, and because Arrighi's analysis centred on capturing financial diffusion, which is also why he referred to the first cycle as the *Genoese*-Iberian cycle because the Iberian powers partnered with financiers from Genoa in modern Italy.

This influx of bullion and raw materials into Iberia was then exported, thereby stimulating the proto-industrial growth of their northern European mercantile rivals which produced and industrialised in exchange for that bullion. This was recognised by Adam Smith who observed that because of the silver bullion inflow, “England, Holland, France, and Germany; even Sweden, Denmark, and Russia” had “all advanced considerably both in agriculture and in manufactures”²⁵⁴, and that “the [American] colonies of Spain and Portugal... give more real encouragement to the industry [of] France, Flanders, Holland, and Germany” than to themselves, that is, to Spain and Portugal²⁵⁵. Eventually, northern Europe developed the economic foundations needed to *not only* violently assert their independence from, but also politically subordinate the Catholic Iberian powers following the Peace of Westphalia (1648), resulting most importantly in the subordination of Spain to France, and of Portugal to Britain. This new northern European core – in the order of the Dutch, French, and British empires – inherited the economic advantages won by their Iberian predecessors after subjugating them in 1648, following which they began encroaching upon the subjugated extractive peripheries of the Iberian powers, beginning with settlements in the Americas, before eventually making even deeper inroads into the non-European world by creating new extractive peripheries in Asia and Africa. The last major Iberian bullion rush came from Portugal's extractive colonies in the Americas (1690-1760), which was mostly exported in physical form to England/Britain, which then created the foundations for British currency hegemony and its gold standard.

The second cycle, to be covered extensively in chapters 5 and 6, begins with the Battle of Plassey in 1757 that initiated the British conquest of India, which enabled Britain to establish

²⁵⁴ Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations* (ElecBook Classics, 1776), p. 280-81

²⁵⁵ Adam Smith, 1776, p. 831

currency hegemony at the expense of India, and to issue gold standard banknotes that were effectively ‘backed’ by the ‘drain’ from India. The ‘drain’ also allowed Britain to balance its trade deficits with its mercantile rivals, particularly Germany and the USA, and to export its population and capital to its mercantile settler colonies in North America, Australia and New Zealand, that too at the expense of India (and its other ‘non-White’ extractive colonies), which in turn became Britain’s extractive periphery. The second cycle begins to come to an end when Britain, the ailing currency hegemon begins to deindustrialise relative to its mercantile rivals, most importantly relative to the USA and Germany from 1870 onwards, thus creating the conditions for WW1. This cycle came to an end following WW2, giving way to the third cycle in which the United States became the currency hegemon after inheriting the world-system from Britain, albeit in a world that was rapidly decolonising. Therefore, although the emerging postcolonial world still retained the periphery characteristics, the world’s core regions, led by the US, could not rely on the relatively simpler mechanisms of national exploitation that prevailed during previous cycles.

The third cycle, to be covered in chapters 7 and 8, begins with the US inheriting currency hegemony from Britain by establishing a gold standard that could only be sustained until 1971, following which the world entered into the unprecedented era of purely ‘fiat’ currency hegemony, one in which the currency hegemon issued money ‘backed’ by nothing but faith. The Patnaiks have argued that in hindsight, the “postcolonial *dirigiste* period” that accompanied the onset of US currency hegemony represented the “weakening of imperialism”²⁵⁶, because unlike the era of *formal* empires, which entailed relatively straightforward methods of exacting tribute (in the form of taxation or slave rents), the emergence of politically independent postcolonial nations created the conditions for their industrial development, which was structurally facilitated by their new and unprecedented ability to take advantage of competition between the US-led ‘capitalist’ and Soviet-led ‘socialist’ camps, whereas when they were subjugated by rival empires, independent economic agency had been denied to them. Regardless, the patterns of trade that were originally established during the age of rival empires (pre-WW1) persisted, as captured by the core-periphery model developed by Prebisch and Wallerstein, however, it was originally a *static* model, unsuited to capturing the lifecycles of empires, however, to rectify this, Arrighi’s “longue durée” conception of “systemic cycles of accumulation” helps explain how

²⁵⁶ Utsa Patnaik and Prabhat Patnaik, 2017, p. 192

“core” economies, upon establishing currency hegemony, diffused capital to their counter-hegemonic successors, thereby creating the conditions for war.

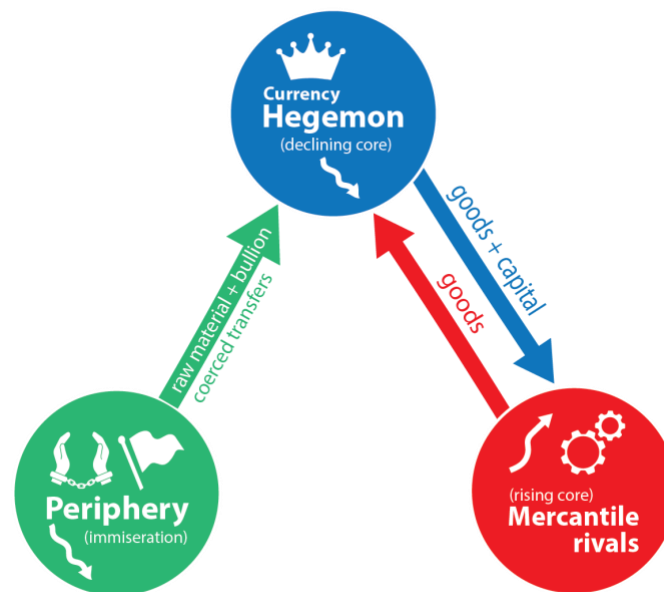
Today the world is often said to be witnessing the demise of US currency hegemony relative to multiple mercantile rivals, most importantly China (but more broadly the EU and BRICS – Brazil, Russia, India, China, and South Africa) in an era of rising ‘multipolarity’. This recreates the scenario labelled by the original theorists as ‘inter-imperialist’ conflict, but only insofar as it means the intensification of hegemon-rival conflict. Hesitancy to use the term ‘inter-imperialist’ to describe such multipolarity is due to there being no *formal* empires only *former* empires, led by the US, with an inherited interest in maintaining uneven global development, whereas it will be argued that Russia (also a former empire) and the postcolonial world (including China) have an interest in pursuing combined development with each other.

The term ‘imperialism’ is transformed by this synthesis into an objective cyclical law of history that also functions as political propaganda insofar as the pejorative label ‘imperialist’ can be applied to those nations/states that act to maintain relations of uneven development by any means necessary. Just as the term ‘capitalism’ necessitates the proliferation of categories within the nation state to capture *class* exploitation, warfare, and conflict, the term ‘imperialism’ necessitates the *national* categories of, a) hegemon, b) mercantile rivals, and c) periphery to capture *national* exploitation and warfare/conflict (see Figure 1). Nations/states fit into these categories in terms of their relations with each other, of which there are three types, hegemon-periphery relations, hegemon-rival relations, and rival-periphery relations.

A relationship of national exploitation begins when state violence is successfully employed by one nation to enforce a core-periphery relationship with other nations. There can be many such relationships, but typically, the state that extracts the largest amount of wealth from its periphery, not only becomes the core producer in that relationship, but from this wealth, can either ‘mint’ or ‘print’ the largest amount of its own currency. With these advantages, such a state can also choose to exercise currency hegemony by accommodating a limited number of states into its orbit that receive loans and investments and produce in exchange for that currency – these are the mercantile rivals. This is why Figure 1 depicts quid-pro-quo relations of trade and investment between the hegemon and its mercantile rivals, while the green arrow represent ‘imperialist’ extraction by currency hegemon. As the SCA progresses, the currency

hegemon experiences relative deindustrialisation (see ‘declining core’), while the mercantile rivals industrialise (see ‘rising core’), which creates the underlying conditions for conflict. Subsequent chapters will demonstrate that the manifestation of these laws in the lifecycles of currency hegemons throughout history.

Figure 1: Systemic Cycle of Accumulation (Hegemon, Mercantile Rival, and Periphery)



Conclusion

The purpose of this chapter is to demonstrate how the insights of the Patnaiks can help reconceptualise the term ‘imperialism’ within Marxist discourse for the purpose of explaining the inter-relationship between *national* exploitation and warfare/conflict on a global scale. This reconceptualisation begins by first differentiating between ‘capitalism’ as *class* exploitation/warfare, and ‘imperialism’ as *national* exploitation/warfare, which is a demarcation that can be traced back to the dichotomy between the world of *commodities*, and the world of *money* found in Marx’s *Capital* series, so that commodities are measured by money, while money is measured by commodities. According to Marx, a *commodity*

functions as both a) use value and b) exchange value; while *money* functions as both a) medium of circulation, and b) measure of values.

This raises the question, if these are the contradictions that exist within the ‘closed’ model of ‘capitalism’ featuring only *classes*, what happens when this model is ‘opened’ up so that systems of *class* exploitation are acknowledged to exist within *nations*, and to account for the power-relations between nations, which is central to the task of ‘imperialism’ theory? The core-periphery spectrum proposed by WSA was one attempt to answer this question on the basis of the *commodity*, leading to the conception of a struggle over global exchange value between the primary commodity *use values* of the periphery, and the industrial commodity *use values* of the core. It follows that in this struggle, the periphery had an interest in forming cartels to collectively bargain with the core for a larger share of global exchange value, while the core had an interest in undermining the unity of the periphery by various means, including warfare.

This raises the question how can the original question be answered on the basis of *money*? This leads to the hegemon-rival dialectic, which is informed by piecing together the insights of the Patnaiks and Arrighi specifically, leading to the conception of a struggle between the ‘hegemon’, which issues the currency that functions as the pre-eminent *measure of value*, and the mercantile rivals, which issue currencies that function primarily as a *medium of circulation* for the industrial products of those rivals. However, as those rivals industrially develop, this can unintentionally cause inflation in the hegemonic currency, thereby creating the conditions for an escalation in global tensions towards warfare that are driven by hegemon-rival contradictions.

If the term ‘imperialism’ means *national* exploitation as per Lenin’s 1920 definition, then the Patnaiks show how the meaning of the term ‘imperialism’ can trace its theoretical lineage back to the fundamental insights of Marx, thereby eliminating the notion that ‘imperialism’ is a higher stage of ‘capitalism’, and instead treating these two terms (capitalism and imperialism) as separate intersecting dialectical contradictions of equal importance within the realm of Marxist discourse. For this reconceptualisation to remain non-contradictory it must explicitly reject the shared ‘underconsumptionist’ assumptions of Hobson, Lenin (in 1916), and Luxemburg as they are only relevant to conceiving conflict among multiple ‘capitalisms’, thereby ruling out any theoretical space for *national* exploitation. This rejection liberates the

definition of 'imperialism' from its 'underconsumptionist' straitjacket, thereby uniting its meaning with the perspectives of the Patnaiks and Arrighi from IPE and WSA respectively.

Chapter 5. The Downfall of Asia and the Foundation of British Currency Hegemony

Introduction

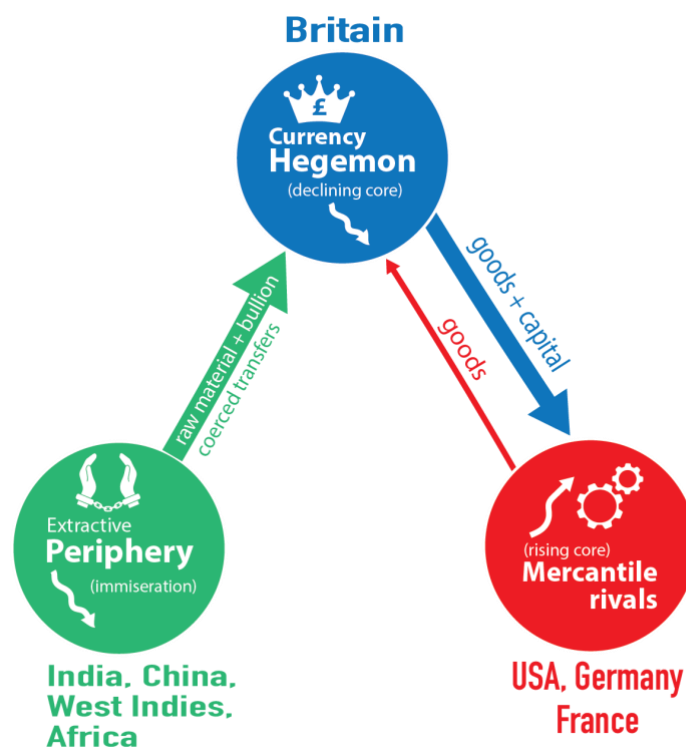
The foundations of British currency hegemony are in reference to the imperialist core-periphery relations of national exploitation that Britain established via conquest after having inherited key trade advantages from its Iberian/Dutch predecessors. As explained in chapter 4, in the first cycle, Iberian currency hegemony was largely achieved by extracting bullion from the Americas and employing naval power to tax the pre-existing maritime trade networks of Asia. This stimulated the development of Iberia's mercantile rivals in northern Europe, and thus created the conditions for hegemon-rival warfare, which resulted in the victory of northern Europe led by Protestant England over Iberian Catholic power in southern Europe.

This chapter will cover the second cycle, which began after Britain expanded the European frontier into Asia further through conquest, which transformed India and China in the 18th and 19th centuries respectively from mercantile rivals that produced in exchange for American bullion, which was the prevailing norm during the Iberian SCA, into extractive peripheries. Britain also expanded their existing extractive periphery in Africa through conquest during the "scramble for Africa" alongside other empires from 1885 onwards. When observed over the *longue-durée*, Britain's expanding possession of a large immiserated 'extractive periphery' is what allowed Britain to increasingly practice unilateral free trade with its mercantile rivals, while exporting capital to them. The industrial development of Britain's mercantile rivals thus created the conditions for a situation resembling a Thucydides trap, that is, the wars observed by the original theorists of 'imperialism', specifically WW1, but also the inter-war depression and WW2, following which the United States took over as the new currency hegemon of the world system.

Central to the foundation of British currency hegemony was the unprecedented power of the imperialist state with the largest extractive periphery to facilitate national exploitation by arbitraging the value of gold and silver. Britain squeezed its extractive colonies to generate the gold reserves needed to maintain the hegemon-rival financial social contract for as long as possible, the destabilisation of which should be considered an important factor in the

tendency towards hegemon-rival conflict of the kind witnessed in WW1²⁵⁷. The export of capital, which the original theorists identified as the defining feature of an imperialist state, was only ever relevant to maintaining the hegemon-rival social contract. Understanding the functioning of Britain's system of bimetallic apartheid is central to the reconceptualisation of 'imperialism' as the explanation for the co-development of national exploitation and warfare. In this cycle, Britain established currency hegemony at the expense of its extractive colonies/peripheries in India, China, the West Indies, and Africa, which stimulated the development of Britain's mercantile rivals, namely the USA, Germany, and France (see Figure 2).

Figure 2: British Currency Hegemony



This chapter will make frequent reference to the term SGR, which refers to the silver-to-gold ratio, however, a distinction must be drawn between the production SGR and the market SGR, the former referring to the ratio of physically weighted metals extracted from the ground, the latter referring to the ratio at which they exchange on the market.

²⁵⁷ Wadan Narsey, 2016, p. 20

The Imperialist Foundations of British Currency Hegemony

The rise of British imperialism and currency hegemony has its origins in the shift in the balance of power from southern to northern Europe. This represented an important transition from Iberian currency hegemony, which was based on the export of physical bullion, to the paper-based ‘financial’ systems of credit with diminishing connection to bullion that were adopted by various northern European states, particularly Britain, France, and Holland. This transition was initially intended to cope with the bullion shortage of the 17th century, which is remembered as one of economic depression largely because the bullion inflow slowed down by 1640²⁵⁸. This American silver shortage combined with the rise of northern European industry in general created the conditions for the development of modern finance through the rise of paper money in northern Europe, which became possible because of innovations in printing technology. Ultimately, Britain’s financial experiment with paper money surpassed those of Holland and France because it managed to secure larger extractive peripheries to ‘back’ its currency.

In the context of this bullion shortage, paper money helped states industrialise by exercising greater control over potential outflows of bullion, which could be locked away in central banks, and prioritised for importing primary commodities, rather than importing finished goods that could undercut domestic industry. This provides the logical context for why “mercantilism” emerged as a school of thought, as advocated by French finance minister Jean-Baptiste Colbert²⁵⁹. The essence of “mercantilism” that carries over into the meaning of ‘mercantile rival’ used by this thesis is that it refers to a state that produces in exchange for the hegemonic currency, which, at the time that France adopted “mercantilist” policies, involved producing in exchange primarily for Iberian silver. Paper money can keep inflation under control but only insofar as it incentivises production by combining land and labour, and insofar as that incentivisation increases the supply of commodities by an amount roughly equivalent to the printed banknotes, thereby retroactively justifying their issue in the first place. If there are multiple states attempting to implement the same process, then it follows

²⁵⁸ Adam Smith, 1776, p. 269

²⁵⁹ Fernand Braudel, *Civilization and Capitalism, 15th–18th Century, Vol. 2, The Wheels of Commerce* (New York, Harper and Row, translated by Sian Reynolds, 1982), p. 205

that the state that acquires the largest supply of commodities and/or bullion – including especially by establishing relations of national exploitation – will be able to print the money that experiences the least inflation.

Among the northern European states, Britain managed to ‘back’ the value of its currency through relations of national exploitation that extracted wealth on a scale larger than what Holland or France could achieve. This began with the second and last major influx of American bullion during the Iberian cycle, which came from Brazil, an extractive colony of Portugal that had previously only produced timber and sugar until gold was discovered in the 1690s. Because Portugal subordinated itself to England in 1703 under the auspices of the Methuen treaty, its imports of English/British goods were paid for by exports of Brazilian gold, which in the 18th century that followed, contributed 40% of the world’s new gold reserves²⁶⁰, before ending abruptly in the 1760s²⁶¹. Therefore, Britain captured most of the gold through its trade with Portugal, thereby building up substantial gold reserves that contributed greatly towards financing the eventual conquest of India from 1757 onwards through investments in the British East India Company (EIC)²⁶². Given that the vast majority of the bullion extracted from the Americas before 1690 was silver not gold, the subsequent influx of gold was greatly beneficial to Britain, insofar as it captured large quantities of the scarcer metal through its trade with Portugal.

The relevance of this reconceptualisation of imperialism is its power to assimilate and contextualise associated historical terms – in this case the term “free trade” as opposed to “mercantilism”, which was a prominent debate in Europe in the post-Westphalian period. The gold rush provided the logical context for the British advocacy of “free trade”, because by forcing Portugal to open its markets to British goods, the result would be an inflow of gold. Indeed, the Methuen treaty would later be cited by David Ricardo’s theoretical model of “comparative advantage”²⁶³ advocating “free trade”, published over a century later in 1817,

²⁶⁰ John Dewitt, *Early Globalization and the Economic Development of the United States and Brazil* (Greenwood Publishing Group, Incorporated, originally published: 2002), p. 4

²⁶¹ Andre Gunder Frank, *ReOrienting The 19th Century* (London and New York: Routledge Taylor and Francis Group, originally published: 2015), p. 106

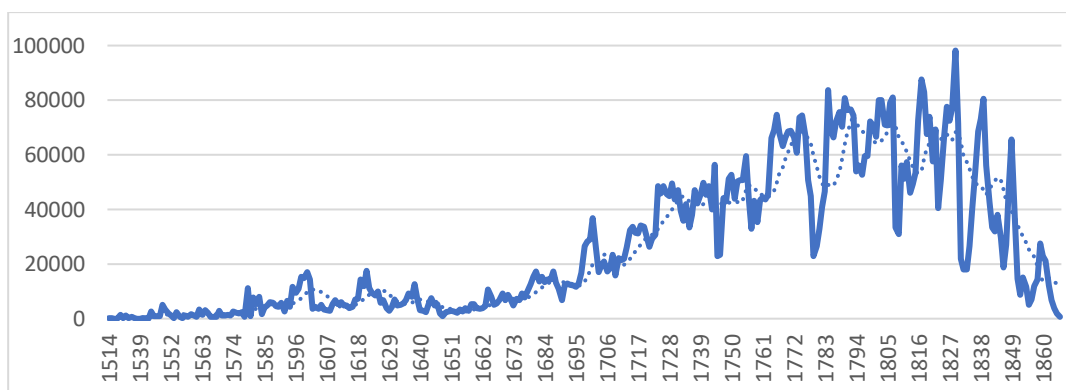
²⁶² Mathew Watson, *Historicising Ricardo’s comparative advantage theory, challenging the normative foundations of liberal International Political Economy* (Taylor & Francis group, New Political Economy, 22:3), p. 267

²⁶³ David Ricardo, *On the Principles of Political Economy and Taxation* (Batoche Books Kitchener, Ontario, 2001, originally published: 1821), p. 191

which is based on a model featuring two countries (coincidentally Britain and Portugal) and two commodities (cloth and wine), the argument being that even *if* the cost of producing both items is cheaper in Portugal, that both countries would benefit from specialising in the production of the specific single commodity that's cheaper for them to produce, in which case, Portugal specialises in wine, and Britain in cloth²⁶⁴.

This Ricardian model ignores that for the purpose of functioning solely to balance Portugal's trade deficits, Brazil experienced national exploitation, which generated inflows of gold into the British financial system. According to Uruguayan historian Eduardo Galeano, "Portugal destroyed the seeds of any kind of manufacturing development in Brazil" noting that "until 1715 sugar refineries were banned, in 1729 it was made a criminal offense to open new roads in the mining region, and in 1785 local looms and spinning mills were ordered burned"²⁶⁵. Despite being justified on the grounds of altruism, the "free trade" between these two countries relied upon the national exploitation of a *third* country, Brazil, without which Britain would lack a *major* incentive for selling goods to Portugal. Therefore, Britain wasn't exchanging cloth for wine, rather it was exchanging cloth for gold mined by African slaves in Brazil. This is reflected in the data showing a substantial increase from 1690 onwards in the number of slaves trafficked from the west coast of Africa, mainly to Brazil (see Figure 3).

Figure 3: Number of Slaves Transported from Africa to the Americas per year²⁶⁶



²⁶⁴ David Ricardo, 1821, p. 91

²⁶⁵ Eduardo Galeano, *Open Veins of Latin America*, (New York, Monthly Review Press, 1997, originally published in Spanish: 1971), p. 56

²⁶⁶ Slave Voyages, 2021

This historical context behind Ricardo's principle of "comparative advantage" shows that imperialism formed the material basis for British economic liberalism from its inception. It also shows that the ideological debate between 'mercantilism' and 'free trade' was grounded respectively in the interests of countries like France that experienced silver shortages and thus favoured 'mercantilism', and countries like Britain that benefited from gold extracted from Brazil, and thus favoured bilateral 'free trade' with Portugal.

Towards the end of the Brazilian gold rush, the next largest contribution to the establishment of British currency hegemony is the onset of the 'drain' of wealth from India, which began after the wealthy Mughal Indian province of Bengal was seized by Britain in 1757 at the Battle of Plassey. After the Mughal empire failed to take back Bengal in 1764 at the Battle of Buxar, they were forced to cede control over taxation a year later, at which point onwards the flow of bullion reversed in the direction of Britain²⁶⁷. The conquest of India represents the culmination of past economic inertia, which since the European conquest of the Americas, raised the proportion of bullion arriving in India by sea, rather than by land, especially in the boats of European trading companies. Irfan Habib notes that the Mughal mint-output curve corresponds to the curve suggested by British navigator James Grant (1772-1833) based on his observations that the inflow of silver bullion from the Americas caused inflation in India²⁶⁸. Eventually, one of the European trading companies, namely the British East India Company (EIC), managed to transform its economic power as one of India's major customers (and thus, suppliers of bullion), into political and military power so that bullion would no longer be needed for acquiring Indian commodities.

The notion that India was drained for the benefit of Britain was popularised by Indian nationalist economist Dadabhai Naoroji who observed that the EIC officials themselves were aware of the wealth they were extracting, citing as evidence a report, from 1787 by Sir John Shore who would later become Governor General of Bengal (1793-97), which reads, "the company are merchants as well as sovereigns of the country...in the former capacity they engross its trade, whilst in the latter they *appropriate the revenues*"²⁶⁹ (emphasis added). After 1765, Britain began expropriating India's wealth through the imposition of "Home

²⁶⁷ Utsa Patnaik, 2017, p. 279

²⁶⁸ Irfan Habib, "Potentialities of Capitalistic Development" in *Essays in Indian History: Towards a Marxist Perspective* (Tulika Books, New Delhi, 2017), p. 229

²⁶⁹ Dadabhai Naoroji, *Poverty and Un-British Rule in India* (Delhi, Government of India, Ministry of Information and Broadcasting, 1969, originally published by Swan Sonnenschein and Co: 1901b), p. 46

Charges”, which involved setting aside roughly “one-third” of tax revenues raised from the Indian population to purchase commodities from Indian producers, selling these commodities on the global market, and appropriating the export-earnings²⁷⁰.

Previously mercantilist thinkers within Britain disliked the EIC because their trade resulted in the net-outflow of bullion to India, but after 1765 the bullion flow stopped, which prepared the ground within Britain for the victory of “free trade” ideology over the prevailing mercantilist orthodoxy centred on bullion preservation²⁷¹. The rapid subordination of Indian production to British purchasing power, resulted in the historically unprecedented outflow of bullion from India, to quote Sir John Shore, writing in 1787, “since the Company's acquisition of the *Dewany* [the right of taxation], the current specie of the country has been greatly diminished in quantity”²⁷². This process intensified further after Britain ended the EIC’s monopoly on trade with the Charter Act of 1813 thereby opening up India to British textiles, which transformed India into an exporter of primary commodities (food-grain and other primary commodity inputs), resulting in land previously used for the cultivation of food being diverted for that of exportable cash-crops like cotton, indigo and opium²⁷³.

Over time the mechanisms for draining India grew more sophisticated by the further British weaponisation of paper money through the introduction of the Council Bills system. If imperialism is national exploitation, then the addition of paper money intensifies that exploitation in that the specific ‘revolutionary’ character of ‘finance’ is precisely that paper promissory notes can be backed by plundered wealth from extractive peripheries. This system was founded upon the same qualitative principles that governed John Law’s failed colony-backed paper debt project in France, however, in Britain it was successful to the extent that Council Bills could draw on the sheer quantity of India’s productive land and labour²⁷⁴.

From 1861 onward, any external trading entity that wanted to buy goods from India was required to hand over their earnings to the British imperial authorities in exchange for “Council Bills” that could be exchanged with the Indian producer who would then exchange

²⁷⁰ Utsa Patnaik, 2017, p. 278

²⁷¹ Utsa Patnaik and Prabhat Patnaik, 2021, p. 131

²⁷² Dadabhai Naoroji, 1901, p. 89

²⁷³ Irfan Habib, *Studying a Colonial Economy – Without Perceiving Colonialism* (Britain, Modern Asian Studies, 19.3, p. 355-381, 1985), p. 359

²⁷⁴ Janet Gleeson, *Millionaire, The Philanderer, Gambler, And Duellist Who Invented Modern Finance* (Simon & Schuster, New York, London, 1999), p. 11

them for local Indian Rupees that were ultimately drawn from taxes paid by Indians to the British imperial regime²⁷⁵. According to the Patnaiks, although it *subjectively* felt as though they were receiving payment, the Indian producers that exchanged their goods for Rupees were enriching themselves at the expense of other Indians by carving for themselves a larger piece of a *shrinking* pie²⁷⁶, whereas by contrast, European workers were fighting their capitalist employers for a larger slice of a *growing* pie, once again reinforcing the reality of the world being divided economically, more so according to categories of *nation* than *class*.

Denominated in Pounds Sterling, Council Bills were rights to trade with India that were sold on financial markets as part of the hegemon-rival social contract. From 1871 to 1901, Britain issued Councils Bills (amounting to £428.581 million in total) worth approximately the sum of the Home Charges (at £428.927 million) expropriated from India over that same period, so that as more commodity wealth was squeezed from the Indian producer, the higher the market exchange value of the circulating Council Bills²⁷⁷. The most recent estimate of the net-transfer of wealth (including via Council Bills) or one-way ‘drain’ from India to Britain, calculated by Utsa Patnaik and Prabhat Patnaik (2021), amounts to roughly £13.5 trillion or \$65.6 trillion USD between 1765 and 1938, when compounded at 5% interest to 2020 at \$4.8 USD to the Pound, which was the conversation rate during the drain²⁷⁸. That period, when extended to the end of WW2 to include the Bengal famine (1943), coincided with the worst famines ever experienced in Indian history, killing up to 49-51 million people²⁷⁹, most of it directly attributable to British policy according to the authoritative literature on the subject²⁸⁰.

Given that this theory of imperialism being advanced aims to assimilate various perspectives, it should be noted that John Maynard Keynes affirmed the ‘drain’, but as Utsa Patnaik points out, his biographers have ignored this²⁸¹. In his maiden publication, *Indian Currency and*

²⁷⁵ Utsa Patnaik, *India in the World Economy 1900 to 1935: The Inter-War Depression And Britain’s Demise As World Capitalist Leader* (*Social Scientist*, Vol. 42, No. 1-2, Jan-Feb 2014), p. 15

²⁷⁶ Utsa Patnaik and Prabhat Patnaik, 2021, p. 121

²⁷⁷ Utsa Patnaik and Prabhat Patnaik, 2021, p. 142

²⁷⁸ Utsa Patnaik and Prabhat Patnaik, 2021, p. 169-70

²⁷⁹ Dharma Kumar and Meghnad Desai, *The Cambridge Economic History of India Vol. 2 c. 1757 – c. 1970*, (Great Britain: Cambridge University Press, 1983), p. 546-550 | Richard H. Grove, *The Great El Nino of 1789–93 and its Global Consequences: Reconstructing an Extreme Climate Event in World Environmental History* (*The Medieval History Journal*, Sage Publications, 2007), p. 6-8

²⁸⁰ Writers aside from the Patnaiks who have drawn a causal link between the “drain” and these famines include but are not limited to: Romesh Chunder Dutt, Dadabhai Naoroji, Irfan Habib, Mike Davis, Amartya Sen, and Shashi Tharoor.

²⁸¹ Utsa Patnaik, *Profit Inflation, Keynes, and the Holocaust in Bengal, 1943–44* (*Economic and Political Weekly*, Vol. LIII, No. 42, Oct. 2018), p. 34

Finance, Keynes wrote that “the Home Charges ... amount to £19-20 million annually”. Utsa Patnaik alleges that Keynes provided the theoretical insights to the British government about how to finance WW2, for which Keynes recommended that “forced transferences of purchasing power in some shape or form were a necessary condition of investment in the material of war on the desired scale”, and that “taxation would have had to be aimed directly at the relatively poor, since it was above all their consumption, in view of its aggregate magnitude, which had somehow or other to be reduced”²⁸². When these policies were implemented in India to help Britain pay for the war, the 1943 Bengal famine ensued, killing 3 million people²⁸³.

The Strategy of British Currency Hegemony – Bimetallic Apartheid

Central to British currency hegemony was maintaining a system of what might be called bimetallic apartheid, based on the ability of Britain to use silver as a means of extracting commodities from its extractive colonies and otherwise subjugated peripheries for free, which were then priced on global markets in the ‘gold’ standard of the British Pound Sterling. This system was first rolled out in India, which was the first major economy to fall under British rule, which then created the conditions for the expansion of this system to China, and Africa.

Britain’s India-backed Gold Standard

After the Brazilian gold rush ended, the next major ‘gold mine’ for Britain was India, not solely because India was drained of its gold (although that did happen), but primarily because of how Britain managed its system of ‘gold’ standard paper money. In 1799 the East India Company began systematically drawing gold Pagodas²⁸⁴ out of circulation in South India using Indian tax revenues. Later the silver Rupee was designated by the EIC as the standard currency for tax collection in 1806. By 1816, the same year Britain established their gold

²⁸² John Maynard Keynes, *A Treatise on Money VI* (Cambridge University Press, Royal Economic Society, 1930), p. 152-3

²⁸³ Utsa Patnaik, 2018, p. 33

²⁸⁴ Pre-imperial Indian currency, origin: Vijayanagara empire (1336-1646), weight: 3.5 grams (a very small coin). Source: Wadan Narsey, 2016, p. 81

standard at one Pound equalling 123.274 grains of gold²⁸⁵, this silver Rupee standard was introduced to South India, forcing Indians to exchange pre-existing gold Pagodas for silver to pay those taxes. By 1835, Britain declared the silver Rupee the standard throughout the areas of India they controlled at one Rupee equalling 180 grains of silver²⁸⁶, and at a conversion rate of 15:1 against gold, but 18 years later in 1853, gold was demonetized, thereby forcing Indians to exchange more gold for silver to meet taxation payments priced in silver Rupees²⁸⁷.

In India, the largest of Britain's extractive colonies, the silver Rupee standard functioned primarily as a 'medium of circulation' for buying Indian commodities using Indian tax revenues, which were then exchanged for the gold or gold backed currencies of Britain's mercantile rivals. This reinforced the material capacity for the British 'gold' Pound standard to become the leading 'measure of *value*' in global finance based on its perceived capacity to remain credible to wealth holders within the context of the hegemon-rival social contract. Because Britain designated silver, and other non-gold specie, as the metallic currency for facilitating the draining of its extractive colonies, suppressing the price of silver (that is, driving up the SGR) was logically also a means of deflating the incomes of its extractive colonies, the largest being India. In 1852, worried about the depreciation of gold against silver due to the gold rushes of that period, Britain demonetized gold in India by suspending the convertibility of gold Mohurs for silver Rupees at the prevailing market SGR of 15, thereby putting upward pressure on the market SGR in ways convenient for gold-producing nations that were founded as British settler colonies, namely the USA, Canada, and Australia²⁸⁸.

The most aggressive British act of arbitrage was the closing of Indian mints to silver in 1893, while still demanding repayment of taxes denominated in 'silver' Rupees²⁸⁹. This was entirely unprecedented in the economic history of India, which had always been ruled by kings responsible for maintaining the social contract of coining metals, setting ratios, and

²⁸⁵ Dadabhai Naoroji, ed. G.A. Natesan & Co, "Indian Currency Committee of 1898 – Appendix B", originally published: 1898, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 100

²⁸⁶ Dickson H. Leavens, *Silver Money* (Cowles Commission for Research in Economics, Principia Press, Inc. Bloomington Indiana, 1939), p. 70

²⁸⁷ Marcello De Cecco, *The International Gold Standard: Money and Empire* (Frances Pinter, London, 1984), p. 34

²⁸⁸ Dickson Leavens, 1939, p. 70

²⁸⁹ Dadabhai Naoroji, 1898, p. 112

keeping mints open – indeed when the Rupee was first introduced in India by Sher Shah Suri (1537-45), it equalled a silver coin of 178 grains²⁹⁰. The “Home Charges” that the Indian taxpayer was obliged to pay Britain were denominated in ‘gold’ Pounds, giving Britain every incentive to devalue the Rupee in order to maximise the volume of unrequited export surpluses that were produced by Indians in exchange for ‘silver’ Rupees²⁹¹. In 1893 Naoroji pointed out that the arbitrarily fixed sum of “Home Charges” of £19 million (in the ‘gold’ standard currency) would command a higher purchasing power if the ‘silver’ Rupee devalued against the ‘gold’ Pound. Unhindered by any bimetallic commitments, Britain allowed the Rupee to depreciate against the Pound from 1870 onwards, from 23.1 pence (d) per Rupee, to 14.9 pence (d) per Rupee in 1893²⁹².

In 1898, five years after the mint closures, Naoroji published a letter addressing the Indian Currency Committee, exposing the additional burdens placed on the Indian taxpayer, and demanding that the mints be reopened to silver. In his letter, Naoroji noted that officially, under the British ‘gold’ standard, 1 Pound equalled 123.274 grains of gold, while under the Indian ‘silver’ standard, 1 Rupee equalled 184 grains of silver (with a 4-grain mintage fee included). The mint closures caused an artificial shortage of Rupee coinage, which on paper, made it seem like the ‘silver’ Rupee was appreciating against the ‘gold’ Pound, however, Naoroji suggested this was an illusion, because closing the mints to *literal* silver, while demanding Indians pay taxes in ‘silver’ Rupees, meant that by 1898, 269 grains of silver were needed to be exchanged to receive a single Rupee coin worth only 184 grains – the additional costs attributable to the higher transaction costs caused by the sudden scarcity of mints²⁹³.

The closures increased the tax burden on India because their tax obligations remained fixed in the assumption that a Rupee equals 184 grains of silver. According to Naoroji, “closing of the mints, and thereby raising the true rupee, worth at present about 11d in gold, to a false rupee to be worth 16d in gold, is a covert exaction of about 45 percent more taxation” (see 1898-99 in Table 1)²⁹⁴. Here the “false rupee” is labelled as such because it falsely assumes that 184

²⁹⁰ Editors, Reserve Bank of India, Museum (Reserve Bank of India website: rbi.org.in, accessed 23/11/21)

²⁹¹ Dadabhai Naoroji, ed. G.A. Natesan & Co, “The Currency Question. Statement Submitted by Mr. Dadabhai Naoroji to the Currency Committee – Appendix C”, originally published: 1893, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 124

²⁹² Dadabhai Naoroji, 1893, p. 122-23

²⁹³ Dadabhai Naoroji, 1898, p. 100

²⁹⁴ Dadabhai Naoroji, 1898, p. 99

grains of silver can be exchanged for 1 Rupee, however, because of the mint closures, 269 grains needed to be exchanged for 1 Rupee, which implied a lower “true” Rupee value against the Pound. Naoroji’s exposure of the 16d “false” Rupee from 1893 onwards has been accounted for in the last three columns of Table 1, to produce the “true” exchange rate ₹ value in £(d), and thus the “true” implied SGR within India, to show how the “false” values downplay the decline of the Rupee. Therefore, it becomes clear that the “true” Rupee had lost more than *half* its value, falling from 23d in 1871, to 11d in 1899, which corresponds to an Indian market SGR *much higher* than the world averages of that time (see last column of Table 1).

To clarify, Table 1 shows two separate values for the Rupee-Pound exchange rate that have been expressed in three different ways – the false values assume that 1 Rupee equals 184 grains, whereas the true values assume (from Naoroji) that 1 Rupee equals 269 grains.

Table 1: Value of the Rupee (true and false post 1893)²⁹⁵

Year	Official (false) ₹ value in £(d)	Official (false) £ value in ₹	Official (false) Silver to Gold Ratio (SGR)	True ₹ Value in £(d)	True £ Value in ₹	True Silver to Gold Ratio (SGR)
	a)	b)	c)	d)	e)	f)
1892-93	14.9000	16.1074	24.04	Mint closures	Mint closures	Mint closures
1893-94	14.5000	16.5517	24.70	9.92	24.1979	36.11
1894-95	13.1000	18.3206	27.34	8.96	26.7839	39.97
1895-96	13.6000	17.6471	26.33	9.30	25.7992	38.50
1896-97	14.4000	16.6667	24.87	9.85	24.3659	36.36
1897-98	15.3000	15.6863	23.41	10.47	22.9327	34.22
1898-99	16.0000	15.0000	22.38	11.00	21.8182	32.73

References

1₹ Rupee Silver (true) =	269	grains
1₹ Rupee Silver (false) =	184	grains
1£ Pound or Sovereign =	123.3	grains
1£ Pound or Sovereign =	20	shillings
1£ Pound or Sovereign =	240	pence

²⁹⁵ £1 Pound (L) = 20 Shillings (s) = 240 Pence (d). Source: R.C. Dutt (1902), Dadabhai Naoroji (1898)

The British ability to force India to pay an arbitrarily fixed sum of “Home Charges” priced in ‘gold’ Pounds every year that were taken out of taxes that were paid in ‘silver’ Rupees contributed greatly to the rising market SGR. According to J.L. Laughlin, a contemporary of Hobson, in the post-1870 period, India’s only role was to prevent the further depreciation of silver (against gold), claiming that “India [had] saved silver from depreciation to a certain extent by its absorption of the heavier metal no longer in use by Europe”²⁹⁶, however, it can be reasoned that the ‘draining’ of India is what caused that depreciation (rising market SGR) in the first place, beginning with the effective demonetisation of gold across large parts of India between 1799 and 1853. Today it is estimated that the market SGR, measured in market prices, between gold and silver is 76:1²⁹⁷, however, in terms of the physical geological scarcity of supply, measured in weight, the SGR is closer to 17.5:1, leading to contemporary claims that silver is undervalued against gold²⁹⁸. Alternatively, it can be reasoned that the global market SGR has yet to recover from British arbitrage driving it to historically unprecedented heights as a means of facilitating the draining of India.

In their latest book, the Patnaiks (2021) reference the official Rupee-Pound exchange rate figures cited by Dutt (see Table 1), pointing out that “the Herschell Committee’s recommendation of closing the mints to the free coinage of silver was implemented and *did succeed* in improving the exchange rate from its nadir of Rs.18 to Rs.15, still a long way below the initial Rs.10.4”. The movement from “Rs.18 to Rs.15” refers to the change in column b) from 1893-94 to 1898-99, however, these are what Naoroji called the “false” rupee values that did not consider the consequences of the closing of the mints. Therefore, the Patnaiks underestimate the extent of the depreciation by the time Naoroji wrote his 1898 report, from which it logically followed that *for Indians* the effective exchange rate by 1893-94 had hit Rs. 26.8, before falling to Rs. 21.8 by 1898-99²⁹⁹.

The Patnaiks treat the depreciation as an exogenous factor that increased the drain, however, the extent to which the subjugation of India and China greatly contributed towards that

²⁹⁶ J. Laurence Laughlin, *The History of Bimetallism in the United States* (New York, D. Appleton and Company, 72 Fifth Ave, 1895), p. 124

²⁹⁷ Longtermtrends.net, *Gold / Silver Ratio since 1693* ([Longtermtrends.net](https://www.longtermtrends.net), 2021)

²⁹⁸ Gold Stock Bull, *Alert: Gold-to-silver ratio spikes to highest level in 27 years!* ([Mining Dot Com](https://www.miningdotcom.com), 2018).

²⁹⁹ Utsa Patnaik and Prabhat Patnaik, *Capital and Imperialism: Theory History and the Present* (Monthly Review Press, 2021), p. 153-54

depreciation in the first place should also be considered. This is because under propertyist assumptions of money, the value of gold relative to silver depends on the quality and quantity of labour, land, and resources that are devoted towards producing in exchange those bullion metals. What then happens when two large productive sinks of the world economy (India and China) are forced to pay tribute to help ‘back’ the value of their gold standard? Naturally, the market SGR rises.

Draining the Chinese ‘Silver Sink’

For Britain, the subjugation of India created the conditions for the eventual subjugation of China, which further intensified the strategy of bimetallic apartheid employed by Britain to maintain its currency hegemony. Subjugating China allowed Britain to use freely acquired Indian goods, especially opium, to balance their trade deficits with China, which by 1855 represented 20-30 percent of the total value of Indian exports³⁰⁰. In the first half of the 18th century, silver comprised 90% of the value of British exports to Canton in China, a pattern that was broken only after the British conquest of Bengal (1757), following which that figure fell to an average of 65% from 1775-95, mostly because Britain acquired Indian commodities like opium for free³⁰¹. China’s hitherto shared status with India as a “sink” for bullion, particularly silver was established on the basis of its high-value exports such as silk, porcelain, and tea³⁰², and its weak demand for European goods in general, however, with the influx of opium (illegal in China according to Qing law) which the Chinese grew increasingly addicted to, the outflow of bullion began. According to estimates presented by Frank, net silver earnings for China began declining in the 1820s, largely because of opium smuggling into China, and from 1834 China became a net-exporter of bullion, thus breaking the economic pattern that had built up over centuries of China being a sink for silver³⁰³.

³⁰⁰ Dharma Kumar and Meghnad Desai, *The Cambridge Economic History of India Vol. 2 c. 1757 – c. 1970*, (Great Britain: Cambridge University Press, 1983), p. 846

³⁰¹ Arturo Giraldez, *The Age of Trade: The Manila Galleons and the Dawn of the Global Economy* (Rowman & Littlefield, Lanham, Boulder, New York, London, 2015), p. 173

³⁰² Giovanni Arrighi, *The Resurgence of East Asia* (London and New York: Routledge, Taylor and Francis Group, originally published: 2003), p. 273

³⁰³ Andre Gunder Frank, *ReOrienting The 19th Century* (London and New York: Routledge Taylor and Francis Group, originally published: 2015), p. 134

The British naval subjugation of Qing dynasty China had an important place in the conceptualisation of ‘imperialism’ originally popularised by John A. Hobson, who claimed that “the conduct of European powers towards China will rank as the clearest revelation of the nature of Imperialism”. The “first stage of Imperialism”, according to Hobson, involves “the use of imperial force to compel ‘lower races’ to engage in trade”³⁰⁴, which in the case of China was “to compel the reception of Indian opium”³⁰⁵. At this stage, China functioned as a source of *demand* for British commodities that was being undermined by the Qing Chinese government’s ban on opium and import restrictions in general. In the next stage, “trade passes through ‘treaties’, treaty ports, customs control, rights of inland trading, mining, and railway concession, towards annexation and general exploitation of human and natural resources”, that is, towards China acting as a source of *supply*, either in commodities or silver money, particularly in the form of indemnity payments³⁰⁶. However, there is ambiguity in Hobson about the extent to which British military force against China generated an improved trade balance than what prevailed before the war and on what scale, let alone the extent to which that improved trade balance was necessary for Britain. Without these additional steps, Hobson’s attempts to explain the tendency towards warfare obscured national exploitation.

In launching the first Opium war (1839-42) Britain was certainly motivated by viewing China as a source of *demand* for British opium grown in India as Hobson acknowledged. Prior to the war, the opium epidemic had grown significantly from 1818 onwards³⁰⁷, leading to substantial outflows of silver onto the world market³⁰⁸. Eventually, the Chinese emperor Daoguang ordered the destruction of opium supplies, prompting Britain to demand compensation for property losses, which the emperor rejected, leading to the first Opium War (1839-42)³⁰⁹. After the British victory, China was compelled to open its markets to foreign goods, especially opium, which caused an addiction epidemic across China, leading to historically unprecedented outflows of silver. China was also forced to cede its trading ports,

³⁰⁴ John Hobson did not consider the Chinese inferior to Europeans, hence his sarcastic quotes around ‘lower races’.

³⁰⁵ John Hobson, 1902, p. 240

³⁰⁶ John Hobson, 1902, p. 248

³⁰⁷ Man-houng Lin, *China Upside Down: Currency, Society, and Ideologies 1808-56* (Harvard University Press, 2006), p. 88

³⁰⁸ S.B. Saul, *Studies in British Overseas Trade* (Liverpool University Press, 1960), p. 7

³⁰⁹ Jin Xu, *An Empire of Silver, A New Monetary History of China* (Yale University Press, 2017), p. 199

which Britain demanded, partly by treating China as a source of *demand* for opium, which intensified the outflow of Chinese silver that would have otherwise remained in China³¹⁰.

This outflow was historically unprecedented given that since antiquity, China had been *the* sink for the world's silver. From the data available, China registered a net-outflow of silver amounting to 384 million silver Dollars from 1808-56, or 9,239 tonnes³¹¹, which would also include the indemnity China was forced to pay Britain in 1842, amounting to 28 million silver Dollars³¹². For comparison, total world production from 1808-56 amounted to 28,984 tonnes of silver, meaning that the outflow from China amounted to *roughly* 31.9% of the world production of silver for those years³¹³. According to a separate set of data presented by Man-houng Lin for the years 1814-56, when the Chinese trade deficit is expanded to differentiate among its trade partners, the outflow to Britain (including India), at 570 million silver Dollars³¹⁴, is the highest, at roughly 155% of the total Chinese trade deficit of 367 million silver Dollars for those years³¹⁵. This would automatically suggest that China still had important sources of revenue from other states, particularly from the United States, which purchased 205 million silver Dollars' worth of Chinese goods in that period. In the subsequent period, according to estimates compiled from various sources by Man-houng Lin, from 1857-86, silver flowed back into China to the amount of 691 million silver Dollars, largely due to growing trade surpluses with the United States, which was a net-importer of Chinese commodities³¹⁶. It follows that China would not have felt it necessary to export as much as it did to the United States if there were no indemnity to be paid, thereby expanding the commodity supply of what US silver Dollars could buy, which was especially

³¹⁰ Jin Xu, 2017, p. 191

³¹¹ Man-houng Lin, *China Upside Down: Currency, Society, and Ideologies 1808-56* (Harvard University Press, London, 2006), p. 95

³¹² 1 silver Peso = 16 grams of silver. 1 US silver Dollar = 24.06 grams of silver. Therefore, 28 million silver Pesos = 28 million (24.06) grams / 16 = 42.1 million silver Pesos. Source: Jin Xu, 2017, p. 211

³¹³ Total production of silver from 1808-56 is 1.022 million ounces. 1 silver Dollar = 24.06 grams of silver. 1 ounce = 28.3495 grams. Therefore, production (1808-56) = 1.022 million (28.3495) grams / 1,000,000 = 28,984 tonnes of silver. Outflow from China as a % of total world production = 384 million (24.06) grams / 1,000,000 = 9,239 tonnes of silver. Therefore, 9,239/28,984 tonnes = 31%. Sources: Man-houng Lin, 2006, p. 95, Table 2.8 | J.D. Magee, 1910, p. 54.

³¹³ Wadan Narsey, 2016, p. 34

³¹⁴ 570 million silver Dollars = 570 million (24.06) grams = 13,714 tonnes of silver. 367 million silver Dollars = 367 million (24.06) grams = 8,830 tonnes of silver.

³¹⁵ Man-houng Lin, 2006, p. 84-5

³¹⁶ Man-houng Lin, 2006, p. 95

advantageous to the US given that from 1851 to 1925, the US produced around 31-33% of the world's silver³¹⁷.

The outflow of silver captured by Britain alone, at 570 million silver Dollars amounted to 57% of the total silver production within that period³¹⁸, or around 10% of total new production of silver from 1493 to 1856³¹⁹. This would have contributed towards further upward pressure on the market SGR, on top of other mentioned factors. For Britain, the outpouring of silver from China increased the amount of silver that Britain could dump on its extractive colonies to buy inelastic supplies of agrarian commodities. From 1814-56, Britain acquired more silver from China to purchase Indian commodities, which is why, of the 570 million silver Dollar outflow from China to Britain mentioned earlier, 514 million was absorbed by India³²⁰, causing inflation, famines, mass-starvation, and rising mortality rates.

Hobson mentions the “indemnity which [China] will pay her European invaders”, which will “bring grist to the financial mills in Europe”³²¹ – an insight this thesis takes further by highlighting the importance of these indemnity payments to the intensification of bimetallic apartheid on a global scale, further dividing the world into the ‘gold’ standard core regions of empires, and ‘silver’ standard subjugated peripheries like India and China. Hobson alludes to this by pointing out that while multiple rival empires may compete over various primary commodities, “gold still holds its own as the dramatic centre of gravitation for Imperialism”³²², however, this observation was not developed further to explain the relationship between national exploitation and warfare, nor could it have. This is because Hobson was trying to convince workers that only financiers benefited from ‘imperialism’, which drained Britain’s resources. Therefore, his use of term as a warning about the tendency towards warfare among the world’s empires of the time, featured no theoretical space for national exploitation, whereas this thesis does. For example, according to Hobson, “the pressure of working-class movements in politics and industry in the West can be met by a flood of China goods, so as to keep down wages”³²³, which treats the influx of indemnity-

³¹⁷ Charles White Merrill, *Summarised Data of Silver Production* (USA, Department of Commerce, 1930), p. 10, Table 6.

³¹⁸ 570 million silver Dollars = 13,714. Therefore $13,714 / 28,984$ tonnes of silver = 57%

³¹⁹ Total new silver production (1493-1856) = 4,988,620,340 ounces (28.3495 grams) = 141,425 tonnes of silver. Outflow to Britain = 13,714 tonnes. Therefore, $13,714 / 141,425 = \sim 10\%$. Source: J.D. Magee, 1910, p. 54

³²⁰ Man-houng Lin, 2006, p. 84-5

³²¹ John Hobson, 1902, p. 57-58

³²² John Hobson, 1902, p. 247

³²³ John Hobson, 1902, p. 313

induced commodities from China, primarily as a means for British capital to wage class-war on British labour, while the structural necessity to Britain of draining China is lost.

The indemnities paid by China from 1842 to 1939 structurally reinforced British currency hegemony as well as facilitated the transition to a ‘gold’ standard currency by Japan and other similar mercantile rival empires, each eager to establish their own sources of drain, that is, their own core-periphery relations of national exploitation. In 1874, Japan annexed Taiwan, which was transformed into an extractive periphery³²⁴, then following the Sino-Japanese war of 1895, China was forced to pay an indemnity of 200 million silver Kuping Taels³²⁵, in addition to ceding sovereignty over Korea, which became an independent state. Because of the indemnity, Japan’s “national budget instantly doubled in scale compared to before the war, reaching 152.5 million yen, and the proportion of GNP for local government expenditure also doubled”, according to Chinese historian Jin Xu, who also notes regarding the indemnity that “one of its most important effects was to serve as a reserve fund for adopting a *gold standard*”³²⁶ (emphasis added), allowing for 1 Japanese Yen to equal 50 US cents³²⁷. In terms of its global scale, this indemnity amounted to 7,460 tonnes of silver, or 32% of the total silver extracted between 1896-1900, which roughly corresponds to the repayment period³²⁸. At the prevailing market SGR of 33.5³²⁹, Japan could have acquired 223 tonnes of gold, or roughly 12% of the total new production of gold from 1896-1900 to establish its ‘gold’ standard. Like the Britain-India relationship, the Japan-China relationship was also one in which a relatively small population appropriated large absolute amounts of surplus from a relatively large population.

The largest indemnity paid by China came after the 1901 suppression of the Chinese ‘Boxer’ rebellion against the various empires occupying China’s ports. Following their defeat by an alliance of eight empires³³⁰, China was forced to pay an indemnity known as the ‘Boxer Protocol’ amounting to 450 million Haikwan Taels of silver, which was then artificially

³²⁴ Utsa Patnaik and Prabhat Patnaik, 2017, p. 108

³²⁵ 1 Kuping Tael = 37.3 grams of silver. Therefore, 200 million Kuping Taels = 7,460 tonnes of silver. Source: Austin Dean, *China and the End of Global Silver 1873-1937* (Cornell University Press, 2020), p. 11

³²⁶ Jin Xu, 2017, p. 220

³²⁷ Austin Dean, 2020, p. xiii

³²⁸ 200 million Kuping Taels (37.3 grams) = 7,460 tonnes. World production from 1896-1900 = 23,486 tonnes. Therefore, indemnity as % of periodic production = 7,460 tonnes / 23,486 tonnes = 32%. Sources: Jin Xu, 2017, p. 230 | J.D. Magee, 1910 | [Longtermtrends.net](https://longtermtrends.net), 2021.

³²⁹ J.D. Magee, 1910, p. 50-58 | [Longtermtrends.net](https://longtermtrends.net), *Gold / Silver Ratio since 1693* ([Longtermtrends.net](https://longtermtrends.net), 2021)

³³⁰ Eight-Nation alliance comprised: Britain, Russia, Germany, United States, France, Austria-Hungary, Italy, and Japan. Source: Jin Xu, 2017, p. 337

inflated further by Britain's insistence that this amount was a gold debt, valued at the time at 67.5 million British Pounds³³¹, an amount equal to roughly three years of Home Charges borne by India in the 1890s, *meaning that all depreciation risk was born by China at 4% interest*³³². China paid back 98.6% of this indemnity, ceasing payments in 1939 with only £972,000 in 'liabilities' remaining³³³, even though they had already paid 982 million Haikwan Taels³³⁴ to meet that debt – more than double the nominal value of the original indemnity. China was another case of Britain forcing a country to work for silver to meet demands for tribute denominated in gold, which can logically only put upward pressure on the market SGR and was recognised as such at the time. According to a Washington Post article in 1903, "as a result of collecting large sums of silver in [China] and throwing them on the open market to raise gold to pay for the indemnity, the price of silver has been depressed by nearly 25 per cent"³³⁵. Additionally, the indemnity payments were shared among the eight-nation alliance (for their contribution towards suppressing the Chinese national resistance), so that 29% of the payments went to Russia, 20% to Germany, 15.8% to France, 11.2% to Britain, 7.7% to Japan, 7.3% to the United States, and 5.9% to Italy, with smaller amounts going to Austria-Hungary, Belgium, Portugal, Holland, Norway, and Sweden³³⁶.

During China's 'century of humiliation' (1842-1939) a total of 45,744 tonnes of silver³³⁷ was paid to foreign empires in indemnities, or roughly 13% of the total new production of silver during that period³³⁸. The British conquests of India and subjugation of China effectively denied roughly two-fifths of the global workforce from infusing purchasing power into the 'value' of silver by their labour because of the gold-denominated taxations and indemnities they were forced to pay, thereby condemning silver to decline against gold, as a by-product of the division of the world into conquering imperialist core nations and conquered periphery nations.

³³¹ Frank H.H. King, *The Boxer Indemnity: 'Nothing but Bad'* (Modern Asian Studies, 2006), p. 669

³³² Zhaojin Ji, *A History of Modern Shanghai* (Routledge Taylor & Francis Group, 2016, originally published: 2003), p. 143

³³³ Frank H.H. King, 2006, p. 686

³³⁴ 982,238,150 Haikwan Taels of silver to be exact. Source: Zhaojin Ji, 2016, p. 143

³³⁵ Dean, 2020, p. 72

³³⁶ Zhaojin Ji, 2016, p. 142-43

³³⁷ Treaty of Nanjing (1842): 28 million silver Dollars (24.06 g) = 673.7 tonnes. Treaty of Shimonoseki (1895): 200 million silver Kuping Taels (37.3 g) = 7,460 tonnes. Boxer Protocol (1901): 982 million silver Haikwan Taels (38.3 g) = 37,610 tonnes. Total Chinese indemnity payments (1842-1939) = 45,744 tonnes of silver.

³³⁸ Total estimated silver production (1842-1939): 352,213 tonnes of silver. Therefore, 45,744 / 352,213 = 13%. Sources: J.D. Magee, 1910 | Charles White Merrill, 1930, p. 3 | *The World Almanac and Book of Facts, U.S., and World Silver Production, 1930-2001* (World Almanac Books, 2003), p. 393.

Expropriating Africa's Exchange Earnings

The 'Scramble for Africa' in the late 19th century by competing European empires was another major source of 'drain' during this SCA, which like in India, worked by these empires confiscating the exchange earnings of their extractive African colonies. According to Walter Rodney, author of *How Europe Underdeveloped Africa* (1981), "it was on this very issue of *currency* that the colonial government did the most manipulations to ensure that Africa's wealth was stashed away in the coffers of the metropolitan state". According to Rodney, in the case of British rule in Africa, "when a colony earned foreign exchange (mainly) through exports, these earnings were held in Britain in Pounds Sterling", however, what was paid to the local African producer was, "an equivalent amount of local East or West African currency was issued for circulation in the respective colonies, while the sterling was invested in British government stock, thereby earning even more profit for Britain"³³⁹. By 1955 Britain held £1.446 billion worth of Pounds Sterling that had been earned by its extractive African colonies, or £37.74 billion in modern terms, which accounted for "more than half the total gold and Dollar reserves of Britain and the Commonwealth, which then stood at £2,120 million" according to Rodney³⁴⁰. Having multiple sources of 'drain' available, Britain could establish financial hegemony as a consequence of its sources of 'drain' surpassing those of its imperial rivals, thereby empowering Britain with a greater capacity to export of capital to its mercantile rivals and settler colonies.

The extractive colonies of Africa in general were *forced* to not only hold low-yield short-term British debt securities, but also *forced* to borrow at higher rates, while the 'White' mercantile settler colonies were free to invest their national earnings within their own domestic economies, according to Narsey. Britain's extractive colonies *in general* had on average 110% backing for their paper currency, meaning that for every 110 units of silver that a colony had earned, only 100 units of paper would be issued according to Narsey's calculations, allowing the imperial authorities to tighten the money supply without reducing the burden of taxation, thereby intensifying the drain³⁴¹. Among Britain's extractive colonies

³³⁹ Walter Rodney, *How Europe Underdeveloped Africa* (Black Classic Press, 2011, originally published by Bogle-L'Ouverture Publications, London and Tanzanian Publishing House, Dar-Es-Salaam: 1972), p. 171

³⁴⁰ Walter Rodney, 1972, p. 172

³⁴¹ Wadan Narsey, 2016, p. xi, 29, 189, 202.

in Africa, the effects of the British arbitrage strategy are evident in the case of modern-day Ghana, which was unique within the British empire as the only extractive colony with sizable gold production (indeed its colonised name was ‘Gold Coast’). Unlike an extractive colony like Ghana from where Britain could expropriate gold via taxation revenues, their attempts to do the same in the settler colonies were much more difficult, largely because they were developed as national extensions of the homeland, meaning there was no one-way ‘drain’ from these countries to Britain, rather their very industrialisation was premised on an initial stimulus of British capital.

The Akan country (modern Ghana) was originally a market for British commodities, which would be exchanged for gold and slaves, however, after Britain abolished the slave-trade in 1807, Ghana shifted towards exporting cash-crops instead³⁴². Private British merchants had been trading with Ghana since the Iberian SCA, but in the 19th century, Britain dislodged the Dutch by 1872, thereby solidifying its naval monopoly over maritime trade with the Akan nation³⁴³. According to historian Rhoda Howard, the British conquest of the Ashanti state (modern day Ghana) by 1896 was motivated by the desire to control the gold mines directly rather than buying the gold from the Ashanti in exchange for commodities³⁴⁴. After defeating the Ashanti, British bimetallic apartheid operated by forcing payment of taxes in silver currency, thereby artificially devaluing gold to secure larger quantities at lower prices. Amidst growing hegemon-rival contradictions, Britain *demonetized gold* in 1889 despite it having been an indigenous currency since antiquity, forcing larger outflows of gold in exchange for the same amount of silver needed to pay taxes, just like what Britain did to India³⁴⁵. Britain also cut off gold and credit to the Ghanaians who were denied banking services while still obliged to meet tax payments in localised silver currencies, which squeezed gold and other commodities out of Ghana, and into British vaults to underwrite the Pound Sterling³⁴⁶.

Britain tried imposing direct taxation in 1852 along the coast, but because Ghanaians resisted, revenues were raised instead through import and export duties paid by Ghanaians, which

³⁴² Such as cocoa, rubber, palm oil, palm kernels, and timber. Source: Rhoda Howard, *Colonialism and Underdevelopment in Ghana* (Croom Helm, 1978), p. 31

³⁴³ Rhoda Howard, 1978, p. 29

³⁴⁴ Rhoda Howard, 1978, p. 36

³⁴⁵ Rhoda Howard, 1978, p. 127

³⁴⁶ Wadan Narsey, 2016, p. 204

comprised anywhere between 61-85% of British imperial revenues from the Gold Coast³⁴⁷. Instead of being invested in Africa, these revenues were expropriated by Britain to defend the value of the Pound Sterling in accordance with its hegemon-rival obligations. Running parallel to the draining of India, Narsey shows that British financial control over its extractive colonies in Africa were concentrated in the West African Currency Board (WACB) founded in 1912, and the East African Currency Board (EACB) founded in 1919. The data available shows that 83-98% of the WACB's sterling was concentrated in the UK from 1915 to 1957. That same figure for the EACB rose from 23% (1921) to 75% (1926) then back down to 12% (1933), before rising to 99% from 1951 to 1956³⁴⁸. This suggests that after India and Pakistan had gained their independence, Britain increasingly relied on the Pound Sterling balances of its extractive African colonies.

Narsey identifies a common misconception, which is that coinage in the extractive colonies, “had to be of silver because of the ... preference for the lower value metal in the poorer, low per capita economies of British colonial Africa, Asia and the Caribbean”³⁴⁹, as if to say, because these countries were poor, their preference will be for silver. Alternatively, Narsey contends that these countries were poor because of the ‘drain’ they suffered, which greatly contributed to the rising market SGR and therefore to the status of silver as the “lower value metal”. The empire forced subjugated nations of the periphery to pay their taxes in silver currencies, while pricing the tribute in the imperial hegemonic currency denominated in gold. Therefore, driving down the price of silver meant driving up the volume of tribute exacted from Britain's extractive peripheries, which earned Britain gold and other currencies on a scale significantly higher than that earned by mercantile rivals France, Germany, the USA, Italy, and Japan, however, by the 1890s these countries were catching up to Britain industrially, which undermined the stability of the British gold standard.

Conclusion: Questioning the Relationship Between Imperialism and Capital Exports

The original theorists, particularly Lenin, borrowing from Hobson, conceptualised European empires as exporters of capital to their colonies, and while this certainly happened, it was not

³⁴⁷ Rhoda Howard, 1978, p. 161

³⁴⁸ Wadan Narsey, 2016, p. 276-277

³⁴⁹ Wadan Narsey, 2016, p. 12

the *fundamental* mechanism by which the British core enriched itself at the expense of its Asian periphery, rather, the “export of capital” was primarily the mechanism by which the British core stimulated the development of its mercantile rivals. Therefore, the export of capital was central to the hegemon-rival financial contract, not to the core-periphery relations of national exploitation, that is, not to ‘imperialism’ as national exploitation. This becomes clear when observing Lenin’s own account about which states engaged in capital exports and where this capital was destined. According to Lenin, “the principal spheres of investment of British capital are the British colonies”, while “French capital exports are invested mainly in Europe, primarily in Russia” and “German capital invested abroad is divided most evenly between Europe and America”³⁵⁰. This accords well with modern estimates, according to Maddison (cited in Serfati), the leading capital exporters just before WW1 were Britain (42%), France (20%) and Germany (13%), while the United States, Belgium, the Netherlands, and Switzerland comprised most of the remainder³⁵¹.

Given Lenin was under the impression that the “export of capital” to “backward countries”, including “British colonies”, tended to “accelerate the development of capitalism”, the question can be asked, why did such capital exports not “accelerate” capitalist development in the non-settler colonies of Britain as it did in the Anglo settler colonies, since both were “British colonies” according to Lenin’s categorisation? The answer requires firstly to differentiate between two types of British “colonies”; a) *settler* colonies like the USA, Canada, Australia, and New Zealand that were recipients of capital investment, and b) *extractive* colonies like India that were plundered by not being paid for their exports and thus devolved into the production of periphery commodities. The evidence suggests that the export of capital was primarily a privileged economic relationship between the hegemon and its mercantile rivals, usually coinciding with the export of population, which becomes apparent in the figures cited by Lenin, according to which, 69 percent of the capital exported by Britain, France and Germany was invested in Europe and America, although presumably the figure would be higher if the 44 billion invested in “Asia, Africa, and Australia” differentiated between settler colonial Australia and South Africa, and the extractive colonies of Asia and Africa³⁵².

³⁵⁰ Vladimir Lenin, 1917, p. 72

³⁵¹ Claude Serfati, *The Case of France: Imperialism in Context* (Brill Publishing, Historical Materialism 23.2, 2015), p. 54

³⁵² Vladimir Lenin, 1917, p. 72

When this differentiation is made explicit, the perception of British capital exports changes. According to figures compiled by Bagchi, from 1865-1914, 68% of British capital exports went to the “temperate zones of European settlement”, including 45% to North America and Australasia, and 17% to South America (particularly the ‘White’ southern cone countries with substantial European settler populations), while an additional 13% went to Europe³⁵³. Therefore, when geographic categories are redefined to differentiate between exploiting and exploited nations, around 81% of British capital exports went to exploiting nations, or according to the Patnaiks, “over four-fifths of export of capital from Britain went to developing continental Europe, North America, and regions of recent white settlement such as Argentina, South Africa, and Australia”³⁵⁴, that is, to developing other core states that possessed peripheries of their own, or to mercantile rivals.

According to S.B. Saul, “the key to Britain's whole payments pattern lay in India, financing as she probably did more than two-fifths of Britain's total deficits”³⁵⁵, however, this was not achieved by British exports to India as Saul seems to imply, but from the fact that Indian exports went unpaid. Therefore, according to Utsa Patnaik’s interpretation of Saul’s data, by 1910, India’s unrequited export surplus of £60 million, which was “made to appear entirely as Britain's credit vis-a-vis India”³⁵⁶, amounted to 41.4% of Britain’s total deficits, which amounted to £145 million³⁵⁷.

The British construction of railways in India are often cited as one major example of British capital exports to India, however, as the Patnaiks point out, the total expenditure on railways at £26 million was dwarfed by India’s unrequited export surplus from 1860 to 1876 amounting to £135 million³⁵⁸. Given that the total expenditure on the Indian railways was dwarfed by the scale of India’s unrequited export surplus, the purpose of the railways was only to expedite the extraction of wealth from India. More accurately, India was being starved of capital, which is why, while the original theorists considered the export of capital to be a defining feature of ‘imperialism’ (because it was against the interests of the working-classes of the capital-exporting state), Naoroji suggested the opposite about the Britain-India relationship, arguing that, “capital ... is the great and imperative want of India”, and that if,

³⁵³ Amiya Kumar Bagchi, 1972, p. 1563

³⁵⁴ Utsa Patnaik and Prabhat Patnaik, 2017, p. 184

³⁵⁵ S.B. Saul, *Studies in British Overseas Trade 1870-1914* (Liverpool University Press, 1960), p. 62

³⁵⁶ Utsa Patnaik, 2014, p. 23

³⁵⁷ S.B. Saul, 1960, p. 58, Table XX

³⁵⁸ Utsa Patnaik and Prabhat Patnaik, 2021, p. 145

“sufficient foreign capital is brought into the country, and carefully and judiciously laid out ... all the present difficulties in discontent will vanish in time”³⁵⁹. Given that the ‘drain’ dwarfed all British investments in India, there was no genuine British export of capital to India, rather, India’s role was simply to be drained, so that Britain could perform its capital-exporting role. This is another reason why the fixation on ‘capital exports’ as the defining feature of ‘imperialism’ is completely irrelevant to ‘imperialism’ as national exploitation.

Adopting the underconsumptionist assumptions of Hobson, Lenin and Luxemburg would lead to the conclusion that Naoroji, by demanding British capital exports to India, was aiding British imperialism, whereas in the reconceptualised definition of the term, there is nothing inherently ‘imperialist’ about representatives of the extractive colony requesting investment from the empire insofar as it would counter-act the drain. When the Anglo settler colonies received loans from Britain, they were permitted to keep their export revenues with which they paid off their loans, whereas India had its export earnings expropriated by Britain to begin with, meaning that paying back British loans could only be possible with drastic cuts to Indian consumption. Or as Naoroji pointed out, “India’s own wealth is carried out of it, and then that wealth is brought back to it in the shape of loans, and for these loans she must find so much more for interest”³⁶⁰ – this was *literal* “free trade” because the British acquired physical goods from India without paying for them thus making those goods free for Britain.

In a 1901 speech, Naoroji noticed something similar while observing the difference between how Britain treated India, and how Britain treated Australia. To his London audience, Naoroji stated, “you know that Australia has ‘protection’ against you, and notwithstanding ‘the door’ being shut against you, you are able to send to Australia, British and Irish products” worth £25 million, or £7 per Australian. By contrast, British and Irish exports to India amounted to £30 million, which according to Naoroji amounted to “half-a-crown’s worth”, which is 2s. 6d. Therefore, the reason Britain could export 56 times³⁶¹ more commodities on a per-capita basis per-annum to Australia than to India was because the ‘drain’ ensured that India would be a shrinking market, whereas Australia was not drained, and allowed enough economic

³⁵⁹ Dadabhai Naoroji, ed. Chunilal Lalubhai Parekh, “Part 1, VI, Wants and Means of India”, in *Essays, Speeches, Addresses and Writings, (On Indian Politics) Of the Hon’ble Dadabhai Naoroji* (Caxton Printing Works, originally published: 1887), p. 105-6

³⁶⁰ B.N. Ganguli, 1965, p. 12

³⁶¹ £ = 240d, s = 12, £7 = 1680d, “half-a-crown” = 2s 6d = 2(12d) + 6d = 30d, 1680d/30d = “56 times” in text

autonomy to accumulate capital, so that “you cannot obtain a farthing from Australia unless they choose to give it to you” according to Naoroji³⁶².

Ironically, unlike Lenin, Naoroji did not necessarily even oppose British imperial rule over India, rather he argued “it would be good for India if British rule continues” but only on the condition that “it must be rule under which you treat us as brothers, and not as helots”³⁶³, that is, he wanted to stop the ‘drain’ and raise India’s economic position within the British empire to the same level as the Anglo settler colonies. Britain was not a net-exporter of capital to India and/or China, rather, the latter two were net-exporters of capital to Britain (for which they received no return on their ‘investments’), and Britain in turn was a net-exporter of capital to the Anglo settler colonies, however, only the latter was identified by Lenin as the “export of capital”. European workers experienced the exploitation of their wage labour, however, the extractive colonies experienced something significantly worse, namely the expropriation of their national wealth without any quid-pro-quo. This process established solid foundations for British currency hegemony, just as the plunder of the Americas established solid foundations for Iberian currency hegemony.

The development of the United States – the subsequent currency hegemon – also relied to a significant extent on British investment, which in turn relied on the ‘drain’ of wealth from India/China. According to J.G. Williamson (cited in Bagchi) from the 1830s to the 1850s, “net foreign investment [in the U.S.] had accounted for more than 25 per cent of domestic investment during these earlier periods”, most of it supplied by “British capital” which entered “in massive quantities to finance the building of canals, railways and other public utilities in the 1830s, and a second boom in railway construction occurred in the 1850s”. Furthermore, Williamson noted that in the “1820s, 1830s and 1840s...an acceleration in the pace of United States development had to wait for an external supply of funds before it could proceed”. Naturally, this reliance on foreign investment slowed over time as domestic savings accumulated, but even “from 1869 onwards, foreign investment accounted for 15.5 per cent of net capital formation during the period 1869-76, 10.3 per cent during the period 1882-93

³⁶² Dadabhai Naoroji, ed. G.A. Natesan & Co, “The Condition of India”, originally published: 1901a, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 224

³⁶³ Dadabhai Naoroji, ed. G.A. Natesan & Co, “India Under British Rule”, originally published: 1902, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 253

and 2.5 per cent during the period 1906-12”, and by the 1890s, the US had become a net-creditor, after benefiting from the influx of foreign capital investment and loans³⁶⁴.

To a substantial degree, the industrial development of Britain’s mercantile rivals, including the Anglo settler colonies, would not have been possible without this initial stimulus of British capital investment, which in turn would not have been possible without the metaphorical conveyor belt of ‘freely’ expropriated commodities acquired by Britain from its extractive peripheries that not only fuelled Britain’s historically unprecedented industrial revolution, but also generated the capital surpluses that expanded production when exported to Britain’s mercantile rivals. Furthermore, the rise of Britain to become the first industrial capitalist state and the leading capital-exporting currency hegemon would not have been possible without warfare, either through territorial conquest or gunboat diplomacy, which was intended to establish core-periphery relations of national exploitation. British currency hegemony was founded on the political subjugation of Portugal (and by extension Brazil) in 1703, the conquest of India from 1757 onwards, the naval subjugation of China from 1839 onwards, and finally, the scramble for Africa from 1885 onwards. However, despite Britain periodically opening up new extractive peripheries to exploit, the industrial rise of Britain’s mercantile rivals would inevitably create the conditions for the hegemon-rival warfare that the original theorists witnessed in WW1 and sought to explain using the term ‘imperialism’.

³⁶⁴ Amiya Kumar Bagchi, 1972, p. 1563-4

Chapter 6. The Decline of British Currency Hegemony and the Rise of US/European Rivals

Introduction

The previous chapter showed that British imperialism was the necessary foundation for British currency hegemony, however, in the post-1870 period, the industrialization of the mercantile rivals generated competition for the hegemon, so that upholding the hegemon-rival social contract became more burdensome for Britain. For the original theorists, the period from 1870 leading up to WW1 was unprecedented in terms of the scale of destruction caused by the technologically superior means of inflicting violence employed by rival empires, i.e., by the hegemon and its mercantile rivals. The original theorists perceived that period as one of rising ‘inter-imperialist’ conflict and competition, which is accurate insofar each empire involved in the war, presided over core-periphery relations of national exploitation of their own.

According to the reconceptualised model of imperialism being advanced, what the original theorists called ‘inter-imperialist’ war belongs to a more general and historically recurrent contradiction between the currency hegemon and its mercantile rivals, which will be the focus of this chapter. What the original theorists observed was the breakdown of the hegemon-rival social contract by the quantitative build-up of British trade deficits with its mercantile rivals that could only be maintained or forestalled, by Britain, at the expense of extractive colonies like India, which then created the conditions for the hegemon-rival warfare of WW1. Here imperialism comprises the attempts of Britain and other empires to maintain the core-periphery relations of national exploitations with their extractive colonies or otherwise subjugated peripheries. Hegemonic stability theory, as pioneered by Charles Kindleberger to justify the US taking on the responsibility of hegemony, also observed the breakdown of the preceding hegemony of Britain, however, his presentation of ‘hegemony’ as an altruistic burden ignored that such altruism was never global, rather, such ‘hegemony’ could only be altruistic to one part of the world by suppressing the development of another.

It will be shown that in this period, the system of bimetallic apartheid established by Britain put downward pressure on the price of silver against gold, which compelled some mercantile rivals to adopt their own allegedly ‘gold’ standard currencies. Such adoption put pressure on

Britain to find more sources of gold, particularly in Africa, to maintain the hegemon-rival social contract, as well as to continue suppressing the price of silver as a means of maximizing the extraction of wealth (commodities and money) from Asia. The deflationary character of the gold standard was most damaging to those populations within the mercantile rival states that engaged in agrarian production of the kind closest to the populations in the extractive peripheries. This gives context to the populist wave in the US in favour of adopting a bimetallic standard that would have raised the purchasing power of silver against gold, thereby undermining the British system.

Mercantile Rivals Challenge British Currency Hegemony

Over the course of the 19th century, it made logical sense for Britain to adopt ‘free trade’ as its guiding international orientation given that its extractive colonies provided larger sums of plundered wealth (commodities and bullion) than those of its rivals. According to S.B. Saul, this adoption was a gradual process that happened, “between 1815 and 1870 [when] the system of protective devices so prominent in Britain’s foreign economic policy during the eighteenth century – the navigation laws, colonial preferences, import duties, etc. – was quite overthrown”³⁶⁵. Although Britain’s mercantile rivals (i.e., post-unification Germany, the USA, Ottoman empire, and France) also possessed extractive peripheries, they offered a relatively smaller ‘drain’ than those possessed by Britain, which in turn meant that “free trade” was in Britain’s interests given that they held a quantitative competitive edge over their rivals.

The process of Britain’s position of industrial dominance weakening against its mercantile rivals is evidenced by the transformation of Britain’s trade surpluses with these rivals into trade deficits, thereby putting greater pressure on Britain’s extractive periphery, especially India, to balance these deficits. This is observed by S.B. Saul in his book, *Studies in British Overseas Trade* (1960), which covers the 1870-1914 period referred to by the original theorists as the era of ‘imperialism’. According to Saul, by 1850 Britain became “completely unable to feed herself”³⁶⁶ and by 1877 their imports of foodstuffs “exceeded imports of raw

³⁶⁵ S.B. Saul, 1960, p. 9

³⁶⁶ S.B. Saul, 1960, p. 12

materials in value”³⁶⁷, indicating a growing dependence on foreign trade, or more accurately, plunder.

This was not a problem so long as Britain maintained its industrial supremacy, however, this was a transient phase, indeed “the year 1872 proved to be the peak of the boom in foreign trade” and afterwards the “value of exports declined steadily from 1873 to 1877 and the trade deficit rose over these years from £60 million to £142 million”³⁶⁸. This again highlights the historical relevance of the post-1870 periodisation of history insofar as it represents the emergence of mercantile industrial competition challenging British industry. Although Saul did not perceive the ‘drain’ imposed on India, his study fully complements the ‘drain’ thesis, for example, he notes, “the difficulty of obtaining a regular supply of bullion for the East was a constant balance of payments problem” however “after the Seven Years War in 1763 [i.e. the Battle of Plassey in the Indian theatre] the drain of silver to India largely ceased”³⁶⁹, and “eventually the problem was successfully, if un-ethically, resolved by the export of opium from India to China”³⁷⁰.

According to Utsa Patnaik, “Saul did not talk explicitly of ‘drain’ or transfer from India, because he seems to have had no knowledge of the tax-financed nature of India's export surplus”, and therefore, did not question Britain’s (nominal) trade-surpluses with India and thus perceived no drain. Nonetheless, his data, according to Utsa Patnaik, showed that from “the 1880s onwards ... Britain incurred large, rising current account deficits with the European Continent, North America, and regions of recent European settlement”³⁷¹, which is exactly what should be expected when the core faces stiffer competition from its counter-hegemonic mercantile rivals. Saul is fully aware that from 1816 to 1870 Britain ran trade-deficits, while exporting capital to Europe, the USA, and South America but did not expand on how this was possible³⁷². According to Lindert (1969), in 1899 the share of the British Pound Sterling as a percentage of global currency reserves was 49.6%, but by 1913 that share had fallen to 41.4%, whereas by contrast, the share of German Marks had risen from 9.9% to

³⁶⁷ S.B. Saul, 1960, p. 17

³⁶⁸ S.B. Saul, 1960, p. 17

³⁶⁹ S.B. Saul, 1960, p. 6

³⁷⁰ S.B. Saul, 1960, p. 7

³⁷¹ Utsa Patnaik, 2017, p. 302 | S.B. Saul, 1960, p. 10.

³⁷² S.B. Saul, 1960, p. 10

12.8%, and that of French Francs from 11.2% to 25.8%, which is another piece of evidence reflecting the currency hegemon's demise relative to its mercantile rivals³⁷³.

According to Saul, “the most significant event from the point of view of Britain’s overseas trade was the progress made by Germany, and to a lesser extent Belgium, in capturing the European market”, noting that “Britain’s share of net imports into Holland, Belgium, France and Italy fell from 23 per cent in 1870-1874 to 18 per cent in 1880-1884”³⁷⁴. As a result, “in Europe, therefore, Britain found markets for her old staple exports in the industrializing countries closing for her”³⁷⁵. Similarly, British exports to the United States, particularly of iron, steel, machinery, cotton, and wool, also declined in this period (the 1870s/80s specifically), as a direct consequence of “the expansion of American industry behind tariff barriers”, which also had the indirect effect of pushing British goods out of China as well³⁷⁶. The speed with which mercantile Germany industrialised in the lead-up to WW1 (what Trotsky identified as “combined development”) is evidenced by the growth of steel production – a basic indicator of industrial strength – which from 1886 to 1910 registered the fastest growth rate in Germany at 1,300%, but the slowest in Britain at 150% and by 1910 Germany was producing more steel than Britain, France and Russia combined³⁷⁷.

From the perspective of the British core, there was a dilemma in the post-1870 era, which according to Saul can be summarized as follows, “the crucial problem was how to preserve the advantages of free trade without allowing a major branch of the economy to fall into stagnation”³⁷⁸. If Britain, the currency hegemon, were to put up tariffs, it would have undermined confidence in their currency (at least in the short-term) because doing so would have shrunk the export market of its mercantile rivals, which in turn would then have less incentive to hold Pound Sterling. Naturally, this dilemma, generated conflict between protectionist and free-trade interests within Britain but free-trade prevailed³⁷⁹. In the 20th century, the successor to British currency hegemony, namely the United States, would

³⁷³ Peter H. Lindert, *Key Currencies and Gold 1900-1913* (International Finance Section, Department of Economics, University of Princeton, 1969), p. 23

³⁷⁴ S.B. Saul, 1960, p. 18

³⁷⁵ S.B. Saul, 1960, p. 20

³⁷⁶ S.B. Saul, 1960, p. 20-21

³⁷⁷ Arthur P. Maloney, *The Berlin-Baghdad Railway as a Cause of WW1* (Center For Naval Analyses, New York University, Professional Paper 401, 1959), p. 8-9

³⁷⁸ SB. Saul, 1960, p. 29

³⁷⁹ SB. Saul, 1960, p.22

experience the exact same dilemma, which would later be termed the “Triffin dilemma/paradox”, once again demonstrating the cyclical character of currency hegemony.

The year 1870, which marked the beginning of “imperialism” or “inter-imperialist” war according to the original theorists, marked the beginning of the decline of British currency hegemony, that is, when Britain’s mercantile rivals began their counter-hegemonic industrial rise. The opposition raised by John Hobson to the “export of capital” from Britain made perfect sense within this post-1870 context insofar as it embodies the grievances of British workers angry at capitalists for investing abroad, thereby stimulating mercantile development overseas, rather than investing at home. The year 1870 also represents the consolidation of the four major mercantile rivals to British currency hegemony, namely Germany and Italy following their unification in 1871, and Japan, following the Meiji restoration in 1869, that is, the future Axis powers of WW2, but also the United States which concluded its civil war in 1865 on the terms of the victorious industrial ‘north’ – from this point onwards British industrial supremacy was challenged by the US and Germany in particular (as Kautsky mentioned).

Bimetallic Apartheid Intensifies: The Post-1870 Silver Depreciation

Central to the more advanced form of currency hegemony exercised by Britain was the system of bimetallic apartheid, in which the currency hegemon and its mercantile rivals moved towards ‘gold’ standard currencies, while the extractive peripheries laboured and produced in exchange for ‘silver’ standard currencies. This, combined with the adoption of ‘gold’ standards by multiple mercantile rivals ensured the historically unprecedented depreciation of silver. Since antiquity, one unit of gold never exchanged for more than 15-16 units of silver, however, from 1870, the price of gold in silver (or the SGR) grew to unprecedented heights.

Over the *longue durée*, the global market SGR had been rising due to the influx of silver from the Americas since the beginning of the Iberian SCA (see Table 2), rising from 10.73 (1493-1520), to 14.53 (1621-60). Then from 1660 the ratio oscillated between 14 and 16 until around 1870, at which point the market SGR began to rise, reaching an unprecedented 33.5

by 1896-1900³⁸⁰. Prior to the British conquest of Bengal (at the Battle of Plassey in 1757), SGRs had been converging globally, reaching 14.5-14.8 in Europe³⁸¹, 14.25 in India (up from 9 in 1583)³⁸², and an unprecedented 15 in China (up from 5.5 in 1592)³⁸³. Then from 1757 to 1871, the average market SGR remained stable, at around 15-16, but in the following 30 years that figure *doubled* to unprecedented heights.

The fact that the market SGR remained stable *at all* prior to 1871 appears counter-intuitive given the immense flood of gold production from 1851-75, particularly in North America (California) and Australia (Victoria), but also in Russia³⁸⁴. To illustrate the scale of this gold rush, J. Laurence Laughlin estimates that the amount of gold (valued in US Dollars) extracted from 1851-75 amounted to roughly the same quantity that had been produced from 1493 to 1850, which appears confirmed by the figures presented by J.D. Magee³⁸⁵. Counter-intuitively, not only did this influx of gold not cheapen gold against silver, but from 1870 onwards, silver cheapened against gold. In other words, this influx had little effect on the market SGR before 1871, even though the production SGR for the years 1851-55 had dropped to as low as 4, before rising gradually to 7 (still low) for the years 1866-70. Of the total production of gold and silver in the 19th century, there was 13.5 times as much silver mined than gold (production SGR), which was relatively low compared to previous periods³⁸⁶. Such counter-intuitive market behaviour can be explained by the theory of imperialism being advanced.

Table 2: World Silver to Gold Ratio Throughout History³⁸⁷

Period	Market	Production	Period	Market	Production
1493-1520	10.73	8	1811-1820	15.50	47

³⁸⁰ J.D. Magee, [The World's Production of Gold and Silver From 1493 to 1905](#) (University of Chicago, 1910), p. 52 | Longtermtrends.net, [Gold/Silver Ratio since 1693](#) (Longtermtrends.net, 2021)

³⁸¹ Arturo Giraldez, 2015, p. 172

³⁸² Irfan Habib, "Ch. XII The Monetary System and Price" in *Cambridge Economic History of India, Volume 1: 1200-1750* (Cambridge University Press, 1987, originally published: 1982), ed. Dharma Kumar and Tapan Raychaudhuri, p. 367

³⁸³ Arturo Giraldez and Dennis O. Flynn, 1995, p. 206

³⁸⁴ Michele Fratianni and Franco Spinelli, "Italy in the Gold Standard Period 1861-1914" in *A Retrospective Gold Standard 1821-1931* (University of Chicago Press, 1984), p. 409

³⁸⁵ According to J.L. Laughlin (1895, p. 136), gold production from 1493-1850 = \$3.314b USD, and from 1851-75 = \$3.317b USD. According to J.D. Magee (p. 54), gold production from 1493-1840 = 152.8 million ounces, and from 1850-1871 = 153.5b million ounces.

³⁸⁶ According to figures for 1801-1900 presented by J.D. Magee (1910), gold production amounted to 5b ounces, silver production amounted to 0.373b ounces, 5b/0.373b = 13.5

³⁸⁷ J.D. Magee, 1910, p. 50-58 | Longtermtrends.net, [Gold / Silver Ratio since 1693](#) (Longtermtrends.net, 2021)

1521-1544	11.25	13	1821-1830	15.76	32
1545-1560	11.30	37	1831-1840	15.76	29
1561-1580	11.48	44	1841-1850	15.85	14
1581-1600	11.82	57	1851-1855	15.42	4
1601-1620	12.24	50	1856-1860	15.30	4
1621-1640	14.02	47	1861-1865	15.41	6
1641-1660	14.53	42	1866-1870	15.55	7
1661-1680	15.00	36	1871-1875	15.99	11
1681-1700	15.00	32	1876-1880	17.86	14
1701-1720	15.25	28	1881-1885	18.62	18
1721-1740	15.08	23	1886-1890	21.15	20
1741-1760	14.76	22	1891-1895	27.06	20
1761-1780	14.63	32	1896-1900	33.50	13
1781-1800	15.08	49	1901-1905	36.30	11
1801-1810	15.59	50			

The outpouring of gold from 1851 to 1875 circulated primarily among hegemon-rival states in exchange for their value-added commodities, which then compelled these states to dump their silver on the world's extractive colonies across India, Africa, and the Caribbean, on subjugated peripheries like China, and on the postcolonial periphery in Latin America. This was recognised at the time in 1860 by Irish political economist, John Elliot Cairnes:

“Australia and California have, during the last eight or ten years sent into general circulation some two hundred, millions sterling of gold. Of this vast sum, portions have penetrated to the most remote quarters of the world; but the bulk of it has been received into the currencies of Europe and the United States, from which it has largely displaced the silver formerly circulating, the latter metal, as it has become free, flowing off into Asia, where it is permanently absorbed.”³⁸⁸

Among the mercantile rivals, this general pattern is most saliently demonstrated in the case of France, which imported historically unprecedented quantities of gold, and exported historically unprecedented quantities of silver in that period³⁸⁹. Among the extractive colonies, this is most saliently represented in the case of India, which from around 1850 onwards imported much larger quantities of silver than gold (see Figure 4). These inflows

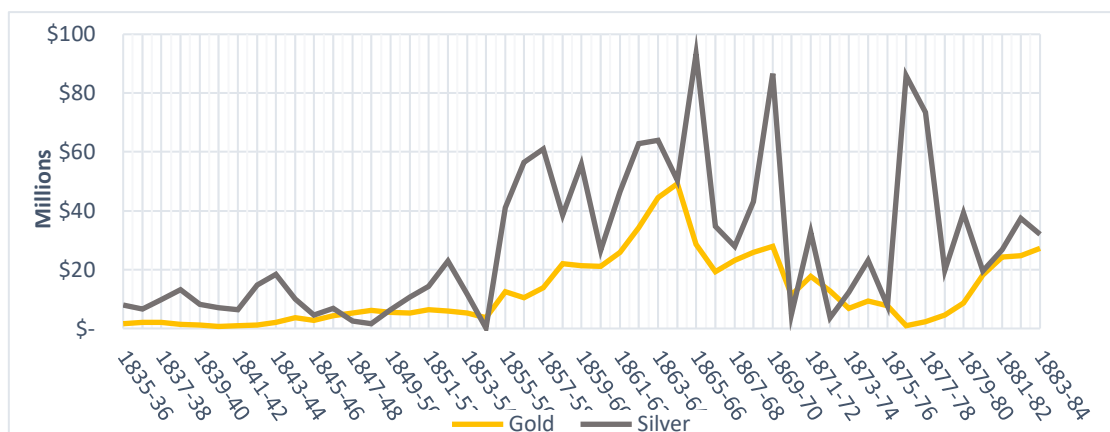
³⁸⁸ John Elliot Cairnes, *Essays in Political Economy: Theoretical and Applied* (London Macmillan and Co., 1873), p. 79

³⁸⁹ Dickson Leavens, 1939, p. 27

were then subject to ‘drain’ taxation by way of the Home Charges, which allowed Britain to expropriate large, arbitrarily administered sums, priced in Pounds, either in the form of bullion or commodities, but mainly commodities – access to which enticed wealth-holders to hold Pound Sterling in the first place.

The mercantile rivals responded to the 1851-75 gold rush by industrialising in the process of producing in exchange for that gold, thereby enabling them to adopt some pretence of a ‘gold’ standard. In theory, this afforded their currencies greater exchange rate stability with the Pound Sterling, provided these rivals could ‘back up’ their paper with supplies of gold. It also created the conditions for countries other than the currency hegemon (Britain) to boast a gold standard currency, thereby intensifying the hegemon-rival tensions that were characterised as ‘inter-imperialist’ by the original theorists.

Figure 4: Net-imports of Silver and Gold into India³⁹⁰



One important catalyst for this adoption was the resolution of the 1871 Franco-Prussian war in favour of the of Prussia, which then allowed for the Prussian-led unification of Germany under Otto Von Bismarck that year. France was forced to pay an indemnity of 5 billion Francs, which was about one-third of France’s gross national product, and in the same year, Germany announced its switch to a gold standard, meaning that for France to maintain its bimetallic commitments, it would need to accept silver in exchange for all the gold that had been accumulating in France since the 1850s, and as the currency hegemon, Britain, or the ‘City of London’, was the financial intermediary for settling the indemnity payment. According to Marc Flandreau, to preserve its gold reserves, France introduced limits on the

³⁹⁰ J. Laurence Laughlin, 1895, p. 286, Appendix VI

coinage of silver, thereby limiting the amount of silver that could be exchanged for gold at the bimetallic ratio of 15.5 that France had maintained as leader of the Latin Monetary Union (LMU) consisting of mercantile rivals like France, Belgium, Switzerland, and Italy. France assured the ‘international community’ that these policies were not intended to abandon bimetallicism, but merely to prevent Germany from taking advantage of France, but it nonetheless had the domino-effect in the 1870s of other countries expressing their preference for gold by demonetising silver³⁹¹. The US switched to a gold standard by 1873³⁹²; Italy, Belgium, and Switzerland by 1874³⁹³; and Denmark, Norway, and Sweden by 1876³⁹⁴. Later that century, Austria-Hungary (1892)³⁹⁵, Japan (1895)³⁹⁶, and Russia (1897)³⁹⁷, had all adopted gold standard currencies. This meant that as the currency hegemon, Britain was no longer the only industrialised state with a gold standard, although they remained the largest capital exporter.

Aside from ‘closed’ model concerns about inflation and unemployment, post-1870 monetary developments also reflected attempts by Britain to maintain, if not advance, the core-periphery relations of national exploitation that they had presided over. In the 19th century, this involved employing coercion to subjugate India and China, thereby transforming them from net-bullion-importing mercantile rivals, into deindustrialising agrarian peripheries.

The label ‘bimetallic apartheid’ reflects the geographic division of the world into core and periphery regions, which is an interpretation that accords well with the record of international monetary conferences in the second half of the 19th century. Switzerland staunchly supported Britain’s push for a gold standard for reasons that vindicate the label. According to Narsey, at the 1867 conference, Switzerland maintained the importance of the “East” maintaining a silver currency so long as the SGR could be prevented from falling, as this would cause gold to flow into the “East”³⁹⁸. According to Narsey, the “metropolitan countries were opposed to

³⁹¹ Marc Flandreau, *The French Crime of 1873: An Essay on the Emergence of the International Gold Standard 1870-1880* (The Journal of Economic History, 1996), p. 873

³⁹² Marc Flandreau, *Was the emergence of the international gold standard expected? Evidence from Indian Government securities* (Journal of Monetary Economics 59, 2012), p. 653

³⁹³ Marc Flandreau, 2012, p. 664

³⁹⁴ Milton Friedman, *Money Mischief: Episodes in Monetary History* (A Harvest Book, Harcourt Brace & Company, San Diego, New York, London, 1994, originally published: 1992), p. 55

³⁹⁵ Oxford University Press, *The Gold Standard in Austria* (The Quarterly Journal of Economics, 1893), p. 252

³⁹⁶ Jin Xu, 2017, p. 221

³⁹⁷ Ian M. Drummond, *The Russian Gold Standard 1897-1914* (The Journal of Economic History, Cambridge University Press, 1976), p. 663

³⁹⁸ Wadan Narsey, 2016, p. 38

[extractive] colonies adopting the gold standard, and wanted them to remain on silver”, with “metropolitan” roughly synonymous with the currency hegemon and its mercantile rivals. At the 1878 conference according to Narsey, “Switzerland advised that the future for ‘higher civilizations’ lay with the gold standard” while “silver [was] only for backward nations” – this is according to accounts by Henry B. Russel as cited by Narsey³⁹⁹.

The beginning of ‘imperialism’ (for the original theorists) around the year 1870 corresponds to the adoption of the gold standard by the major mercantile rivals, namely the USA, France, and Germany, largely as a consequence of their industrialisation. Prior to 1870, only the US, Portugal, Turkey, Brazil, and Australia, were on gold standards⁴⁰⁰. Germany, Austria, and Holland were on silver standards, while the USA, France, Switzerland, Italy, and Belgium were on bimetallic standards. According to Keynes, the debate over bullion standards represented a struggle between the interests of a) creditors and the industrial sector, which favoured a gold standard, and the interests of b) debtors and the agricultural sector, which favoured bimetallicism⁴⁰¹. However, when this implicitly ‘closed’ model struggle is expanded to include nations/states, then it follows that the debate also represented a struggle between the a) industrialised core currency hegemon and mercantile rivals, and the b) agrarian periphery extractive colonies.

The British strategy of bimetallic apartheid for maintaining its currency hegemony embodies Marx’s dialectic of money in the sense that Britain designated silver, or non-gold specie of bullion as the coinage that functioned as a ‘medium of circulation’, largely within its extractive colonies to facilitate the ‘draining’ of wealth, which in turn allowed Britain to designate its ‘gold’ backed currency as the most potent and unrivalled ‘measure of value’ as it was ‘backed’ by that wealth. In other words, silver in the extractive colonies and otherwise subjugated peripheries functioned primarily as a ‘medium of circulation’ for acquiring commodities for free, thereby reinforcing the ‘gold’ standard currency of the hegemon so that it could have credibly functioned as the dominant global ‘measure of value’.

³⁹⁹ Wadan Narsey, 2016, p. 39

⁴⁰⁰ Marc Flandreau, 1996, p. 862

⁴⁰¹ Wadan Narsey, 2016, p. 46

US American Silver Anti-Imperialism

The rising SGR post-1870 also exposed regional and class conflict within mercantile rivals, most notably in the United States, which adopted the ‘gold’ standard in 1873, thereby ending bimetallism, which was a controversial decision at the time. On the one hand, farmers/workers across the economically depressed (by US standards) hinterland regions of the US tended to favour bimetallism as it meant expanding the money supply. This would help pay off debts, take out new debts at lower interest rates, expand production, and sell their grain and livestock for rising prices⁴⁰². Their champion was 1896 ‘populist’ presidential candidate William Jennings Bryan, who wanted an upward revaluation of silver against gold from around 33.5:1, which was the prevailing market rate, to a new ratio of 16:1 – closer to the market SGR prior to the pivotal Franco-Prussian war (1870)⁴⁰³.

Bryan declared bimetallism would favour, “the producing masses of this nation and the world, supported by the commercial interests, the laboring interests, and the toilers everywhere”, which is correct insofar as it would lighten the tribute-burden imposed on the extractive colonies. Famously, Bryan ended his speech addressing supporters of the ‘gold’ standard with, “you shall not press down upon the brow of labor this crown of thorns; you shall not crucify mankind upon a cross of gold”⁴⁰⁴. The industrial north-east coast of the US favoured the ‘gold’ standard because of trade, investment ties, and most importantly, a fixed exchange rate with the City of London, that is, with the hegemonic ‘gold’ currency. This was reflected in the 1896 US election results, in which William Jennings Bryan was defeated by the pro ‘gold’ standard Republican candidate, William McKinley largely due to votes from the north-east west and west coast⁴⁰⁵.

The importance of the 1896 election can be gauged by its record as the most expensive ever when measured by total campaign spending as a percentage of GDP. This can largely be explained by the “wall to wall coalition of finance and industry” including JP Morgan,

⁴⁰² Wadan Narsey, 2016, p. 34 | Karl Rove, *The Triumph of William Jennings McKinley: Why the Election of 1896 Still Matter* (Simon & Schuster, New York, 2015), p. 18, 304. | Robert W. Cherny, *A Righteous Cause: The Life of William Jennings Bryan* (University of Oklahoma Press, 1994), p. 30

⁴⁰³ Richard Franklin Bense, *Passion and Preferences: William Jennings Bryan and the 1896 Democratic National Convention* (Cambridge University Press, 2008), p. 49

⁴⁰⁴ William Jennings Bryan, excerpts from “Speeches of William Jennings Bryan” ([Digital Public Library of America](#), 2021)

⁴⁰⁵ Electoral college votes: McKinley 271, Bryan 176. Source: Electoral Ventures LLC, *1896 Presidential Election Interactive Map* (website: [270 To Win.com](#))

throwing their weight behind McKinley to quote historian Thomas Ferguson⁴⁰⁶, which allowed McKinley to out-spend Bryan five to one⁴⁰⁷. One piece of propaganda employed by the McKinley campaign was a poster featuring a couple staring at a wall outside the ‘Democratic campaign headquarters’, covered in posters portraying cartoons of immiserated looking people in India, China, South America, Japan, Guatemala, and Mexico, and combining that imagery with the message, “vote for free silver and be prosperous like”⁴⁰⁸ the aforementioned countries – in this way, silver was associated by McKinley with the poverty of the colonised (for extraction) and postcolonial world at that time⁴⁰⁹.

Given that Bryan was claiming that bimetallism was in the interests of both the US and global “producing masses”, it made sense for his opponent to counter-signal with the message that bimetallism would downgrade the US worker/farmer to the level of their counterparts in periphery countries, where workers/farmers earn as little as “2 cents per day” in India, to “25 cents per day” in Mexico according to the poster. There was truth in associating silver with world poverty given that many relatively poor/agrarian countries at that time generally operated on silver currencies, but more importantly because of the designated function of silver under British hegemony, which was to facilitate the ‘drain’. Had the US returned to bimetallism, it would have put downward pressure on the global market SGR, which would have meant an appreciating Indian Rupee that made the ‘drain’ more expensive for Britain.

The McKinley-Bryan election (1896) represented a dilemma for the US as the world’s leading industrial exporter of that time. Although McKinley aligned US interests with Britain by affirming the gold standard, as US president, he also implemented protectionist policies like the Dingley Act (1897)⁴¹⁰. This shows that as the leading mercantile rival, especially one that fought Britain for its independence in 1776, the US had enough autonomy that it could raise tariffs against the reigning currency hegemon, while also benefiting from capital imports from that currency hegemon. Had Bryan won, it would have meant throwing US industrial production behind the value of silver, which would have put downward pressure on the global market SGR. This would have undermined British efforts to ‘drain’ their ‘silver’

⁴⁰⁶ Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems* (University of Chicago Press, 1995), p. 364

⁴⁰⁷ Matthew O’Brien, *The Most Expensive Election Ever: ... 1896?* (The Atlantic, [website](#), 2012)

⁴⁰⁸ Watchung (Reddit), “Dubious” - a Republican Party anti-Free Silver political cartoon published in *Wasp magazine*, 1896. Transcript in comments ([Reddit](#), image [only](#), originally published: 2020)

⁴⁰⁹ California State Library, *The Wasp – 1896* ([Archive.org](#), digitized: 2012, originally published: 1896), p. 655-6

⁴¹⁰ Karl Rove, 2015, p. 214

standard extractive colonies like India, and to exact indemnities from China, which would also have undermined the British ‘gold’ standard. Therefore, Bryan was objectively an anti-imperialist insofar as he threatened to undermine the British arbitrage mechanisms necessary for maintaining the core-periphery relations of national exploitation. This is fitting given that Bryan advocated for Indian independence, accusing British rule of being “far worse, far more burdensome to the people, and far more unjust” than he had been led to believe, because in his judgement, “England acquired India for England’s advantage, not for India’s”⁴¹¹. Aside from the influence of domestic gold producers, that McKinley won represents the victory of those forces within the US that wanted to intensify the hegemon-rival synergy between the US and Britain, which benefited from a stable exchange rate between the Dollar and the Pound, as both were officially fixed to gold.

The British Invasion of South Africa

The seminal theorist of ‘imperialism’, John Hobson, denounced the British invasions of the Dutch-Afrikaner ‘Boer’ republics of South Africa as an ‘imperialist’ war in his earlier book, *The War in South Africa* (1900)⁴¹² that was published before *Imperialism* (1902). His reasons ultimately revolved around his theoretical opposition to ‘imperialism’ (see Ch. 2), which was that it served only the interests of financial capitalists, ran contrary to the interests of the British working-class, and was a “drain” upon the “material and moral resources of Britain”⁴¹³, while that denying that India was drained. Therefore, ‘imperialism’ (in Hobson’s ‘underconsumptionist’ definition) was certainly not structurally necessary for the British nation as a whole, whereas the definition offered by this thesis contends that it was, especially considering that according to Narsey, from 1890 to 1914, Britain had entered a permanent financial crisis owing to shortages of physical gold relative to the issuance of paper Pound Sterling notes⁴¹⁴. This crisis was triggered by Britain’s ‘Lehman Brothers’ moment, namely the collapse of Barings Bank in 1890, which was made worse by a £1 million withdrawal by Russia that year. In the 1889-1910 period, the US posted major

⁴¹¹ Robert W. Cherny, *A Righteous Cause: The Life of William Jennings Bryan* (University of Oklahoma Press, 1985), p. 82

⁴¹² John Hobson, *The War in South Africa: Its Causes and Effects* (London, James Nisbet & Co Limited, 21 Berners Street, 1900)

⁴¹³ John Hobson, 1902, p. 125

⁴¹⁴ Wadan Narsey, 2016, p. 74

increases in its official reserves, followed by France and Germany, and all of these countries had larger official reserves (valued in £) than Britain (see Table 3). However, US reserves just before the outbreak of WW1 were larger than those of Germany, France, and Britain combined, putting the US in a strong position to become the next currency hegemon. Britain's gold debts grew during this period, meaning an increasing reliance on forcing India to buy British government securities with its gold reserves, which is why India alone increased its reserves in Britain from £2.3 million in 1893, to £35.6 million in 1912 – the latter figure only slightly larger than the official reserves of Britain in 1910 (see Table 3)⁴¹⁵.

Table 3. Official Reserves (£ million)⁴¹⁶

	1889	1899	1910	Change: 1889 – 1910
United States	87	141	289	202
France	50	74	130	80
Germany	18	29	39	21
Britain	18	29	31	13

British gold reserves were further tested when Japan began withdrawing its Chinese indemnity payments, in gold, through British banks in 1896⁴¹⁷. This was followed by substantial purchases of gold by Germany from South Africa in 1898, using British banks as intermediaries. Alarmed at Germany buying £1.92 million worth of gold from South Africa in 1898, *The Economist* warned that Berlin and Paris could soon overtake London as the leading bullion market⁴¹⁸. According to Narsey, fears that this gold was aiding the rise of mercantile Germany, was the decisive factor behind the second British invasion and annexation of 'Boer' South Africa from 1899 to 1902⁴¹⁹.

These geopolitical factors are why Narsey believes that “from 1909 onwards ... war was looming”, that “London began to face general gold reserves shortages”, and that every empire was building a “war chest of gold reserves”⁴²⁰. Understood in this context, the discovery of

⁴¹⁵ Wadan Narsey, 2016, p. 78

⁴¹⁶ Wadan Narsey, 2016, p. 77

⁴¹⁷ Wadan Narsey, 2016, p. 75

⁴¹⁸ Jean Jacques Van-Helten, *Empire and High Finance: South Africa and the International Gold Standard 1890-1914* (Journal of African History, 1982), p. 541

⁴¹⁹ Wadan Narsey, 2016, p. 75

⁴²⁰ Wadan Narsey, p. 74-77

gold in South Africa would have deeply concerned Britain, seeing the development as both an *opportunity* and *threat*. In 1886, gold had been discovered in Transvaal, sparking the Witwatersrand⁴²¹ gold rush (near the cities of Pretoria and Johannesburg), with production reaching 4% of the world total by 1888, before steadily rising to a sizable 31% in 1898, based on data provided by Hobson being compared again world totals (see Table 4). Therefore, the *opportunity* for Britain was from capturing this region to bolster its gold reserves in order to maintain the hegemon-rival social contract; while the *threat* came from allowing this gold to flow to its mercantile rivals, without at least some of that gold being captured by British banks, especially given that Russia and Germany were owed the largest gold-denominated indemnities by China post-1901.

Table 4. Production of Gold (ounces)⁴²²

Year	South Africa (A)	World (B)	A as % of B
1887	23,125	5,116,861	0.5%
1888	208,121	5,330,775	4%
1889	369,557	5,973,790	6%
1890	494,817	5,749,306	9%
1891	729,268	6,320,194	12%
1892	1,210,868	7,094,266	17%
1893	1,478,477	7,618,811	19%
1894	2,024,163	8,764,362	23%
1895	2,277,640	9,615,190	24%
1896	2,280,892	9,783,914	23%
1897	3,034,678	11,420,068	27%
1898	4,295,608	13,877,806	31%

Returning to the definition of ‘imperialism’, according to Hobson, only certain “sectional interests”⁴²³ benefited from ‘imperialism’, which in the case of South Africa, led Hobson to argue that the British invasion of South Africa was by “Jew-Imperialist design” [sic], the idea being that the British Cape Colony, headed by PM Cecil Rhodes, waged that war, not to serve national interests, but because Rhodes had been influenced by German and Russian Jewish financiers in particular who wanted greater access to Boer gold than what South African

⁴²¹ From which the South African currency name ‘Rand’ is derived.

⁴²² John Hobson, 1900, p. 269 | J.D. Magee, 1910, p. 54-55

⁴²³ John Hobson, 1902, p. 167

President Paul Kruger was willing to give them⁴²⁴. By contrast, this thesis contends that British ‘imperialist’ aggression against South Africa was the logical conclusion of the same underlying processes of national exploitation that allowed Britain to become the pre-eminent industrial ‘capitalist’ state in the first place. British national interests determined which nations under their power would be plundered, and which nations would industrialise and experience rising incomes by producing in exchange for the proceeds of that plunder. Once the British national interest was decided in this manner, British financial institutions would logically have preferred to export capital to those nations with rising incomes, while the depositors at those institutions would have routinely purchased drain/indemnity induced goods with their Pound Sterling balances. The role of the British state was to ensure that the conveyer-belt of commodities (and money/bullion) from its extractive colonies and otherwise subjugated peripheries like China were sufficient to maintain faith in the British currency. It followed that the British desire for physical gold, satiated to some extent by invading ‘Boer’ South Africa, was an expression of the national interest insofar as it would have helped to maintain the credibility of the ‘gold’ standard.

The End of British Currency Hegemony

At the outbreak of war in 1914, Britain had abandoned the gold standard to pay for mounting military expenses, as did the other major warring parties, Austria-Hungary, France, Germany, and Russia⁴²⁵. This greatly aided the industrial development of the United States, especially during its phase of neutrality from 1914-17, as it imported gold from all these countries as payment for industrial goods, which helped transform the US into a net-creditor by 1919, which also left the US as the only major state power capable of maintaining a gold standard into the 1920s. The year 1919 represents the transition of the US into a net-creditor, however, the US continued acting like a mercantile rival until 1944 when it finally took on the responsibilities of currency hegemony at Bretton Woods.

In that same period, Britain turned into a net-debtor between 1919 and 1931 when it ended gold convertibility, largely because of debts owed to the US. Even when the US devalued

⁴²⁴ John Hobson, 1900, p. 11-12

⁴²⁵ Leland Crabbe, *The International Gold Standard and U.S. Monetary Policy from World War I to the New Deal* (Federal Reserve Bulletin, originally published: Jun. 1989), p. 4

their currency against gold in 1934 from \$20.67 per ounce to \$35, this triggered an influx of gold into the United States to be exchanged for Dollars to purchase industrial goods⁴²⁶.

Although on the winning side of WW1, Britain soon experienced difficulties performing the role of the currency hegemon, especially in the aftermath of the Great Depression, which was triggered by the New York stock exchange crashing in October 1929. In such circumstances, Britain was expected to stimulate investment by exporting capital to the financial markets of its mercantile rivals, however, was unable to meet these demands, compelling it to end convertibility to gold in September 1931, only six years after resuming gold-convertibility, thereby triggering large movements of gold into the United States.

That Britain was unable to perform its currency hegemon role was observed by Charles Kindleberger, within the framework of Hegemonic Stability Theory', which argued that the maintenance of an economically "liberal" system of global trade required a "hegemon" or "leader" willing to carry the burden of "stabilizing" such a system, especially in times of financial crises, by a) maintaining a "relatively open market for distress goods", b) providing "counter-cyclical long-term lending" (i.e. capital exports), and c) "discounting" (delays on debt repayments). According to Kindleberger, "the world economic system was unstable unless some country stabilised it, as Britain had done in the 19th century and up to 1913" but by 1929 "the British could not, and the United States wouldn't"⁴²⁷. Essentially, Britain had carried the 'burden' of currency hegemony in the past, thereby significantly reducing the ill effects of previous economic crises, however, because Kindleberger's intention was to determine the *causes* of the Great Depression, it apparently sufficed to simply observe *that* Britain was unable to perform this role any longer, rather than taking the enquiry further to understand the reasons *why* Britain was no longer able to perform that role.

According to Utsa Patnaik, "understanding how Britain was able both to run very large current account deficits with its major trading partners [i.e., mercantile rivals] and at the same time export capital to them, is also to understand why from the second half of the 1920s, it was no longer able to do so and increasingly went into a terminal decline"⁴²⁸. In other words, rather than asking *why* the world economy crashed in 1929, why not ask *what* kept the system

⁴²⁶ Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (United Kingdom: Cambridge University Press, 1990), p. 667

⁴²⁷ Charles P. Kindleberger, *The World in Depression 1929-1939* (University of California Press, Berkeley, Los Angeles, 1973), p. 292

⁴²⁸ Utsa Patnaik, *India in the World Economy 1900 to 1935: The Inter-War Depression and Britain's Demise as World Capitalist Leader* (Social Scientist, 2014), p. 14

going during the period identified by Kindleberger with British “leadership/hegemony”? The answer, according to Utsa Patnaik, lies in the material foundations of British currency hegemony, namely that it possessed a large extractive periphery, most importantly India, that it could ‘drain’. However, “the foundation of the entire structure of Britain's long imperium was destroyed with the decline in export earnings of its colonies”⁴²⁹ according to Utsa Patnaik, most importantly those expropriated from India, which were the second highest in the world (after the US) from 1890 to 1930⁴³⁰. This “decline” was directly caused by the downturn in agricultural prices from 1925 onwards, which was caused by increasing supply from the mercantile states, initially the USA, Germany, and Australia, followed in 1930 by Soviet wheat exports expanding “twenty-three times” according to Kindleberger⁴³¹.

The effects of this 1925 downturn are reflected in India’s trade surplus, which grew from 1900-26 and then fell consistently until 1938, thereby undermining Britain’s ability to offset its trade deficits with surpluses expropriated from India, thereby deepening Britain’s deficits with its mercantile rivals. From 1890 until that peak in 1928, “India alone had the second largest net exchange earnings in the world after the USA” to quote Utsa Patnaik⁴³², thereby underscoring its importance to the balancing of Britain’s deficits. The growing magnitude of Britain’s reliance on the periphery to maintain currency hegemony becomes apparent when considering that Indian surpluses as a percentage of the entire British empire’s trade deficits with the rest of the world, rose from 17.3% in 1900 to 40% in 1913 just prior to the outbreak of war when mercantile Germany was in a strong/challenging position⁴³³. Although the physical quantity of Indian exports reached its peak by 1928 to compensate for the declining prices⁴³⁴, Indian surpluses as a percentage of the entire British empire’s trade deficits fell to 26.5% in 1928, just a year prior to the stock market crash that triggered the great depression. According to British economic historian Richard Sidney Sayers, ending convertibility to gold was due to the “illiquid position of London as an international financial center”, that is, the

⁴²⁹ Utsa Patnaik, 2014, p. 31

⁴³⁰ Utsa Patnaik and Prabhat Patnaik, *A Theory of Imperialism: With A Commentary from David Harvey* (Columbia University Press, 2017), p. 124

⁴³¹ Kindleberger, *The World in Depression 1929-1939* (University of California Press, 2013, originally published: 1973), p. 93

⁴³² Utsa Patnaik, 2014, p. 6

⁴³³ Utsa Patnaik, 2014, p. 32

⁴³⁴ Utsa Patnaik, 2014, p. 17

reality that Britain's financial liabilities were greatly in excess of the gold and foreign exchange reserves they possessed⁴³⁵.

The decision to end gold convertibility triggered capital flight from Britain to the United States and was followed immediately by the erection of tariffs by Britain around its empire called the 'sterling area' (including both core and periphery), just as the United States had erected tariffs a year earlier in June 1930. However, according to Kindleberger, "by 1931, British capacity for leadership had gone"⁴³⁶, or in the terminology of this thesis, the currency hegemon stepped down from its role as a consequence of the long-term development of its mercantile rivals, which put pressure on its trade balances, thereby compelling Britain to squeeze its peripheries further until it could no longer repay its liabilities in gold. Understood within the context of WW1, the currency hegemon first defeated one mercantile rival, namely Germany, but eventually ceded currency hegemony to the *other* mercantile rival, namely the United States, which by joining the war only near its end had transformed itself, while industrialising, into a net-creditor nation that extended loans to belligerents on both sides of the war, specifically to Germany, Britain and France, thereby building up substantial gold reserves relative to its rivals⁴³⁷.

Conclusion: Conflicting Political Interests

The argument made by Kindleberger and HST more broadly, that a liberal "free trade" environment requires a "hegemon/leader", will naturally attract criticism for appearing to justify US dominance under the pretext of self-professed altruism. Kindleberger acknowledged that his argument resembled that of the "the white man's burden", criticisms that he rejected on the grounds that the US took up "leadership" reluctantly, thus making it a genuine burden rather than a contrived one⁴³⁸. This is correct insofar as hegemony in the sense of "leadership" implies a social contract between the currency hegemon and its mercantile rivals, one in which the former, on the back of its industrial strength, practices *relative* unilateral "free trade" and exports capital, while guaranteeing its currency to an

⁴³⁵ Wadan Narsey, *British Imperialism and the Making of Colonial Currency Systems* (Palgrave MacMillan, 2016), p. 163

⁴³⁶ Charles Kindleberger, 1973, p. 296

⁴³⁷ Charles Kindleberger, 1973, p. 27

⁴³⁸ Charles Kindleberger, 1973, p. 303

agreed standard, most typically gold, against which all other currencies and commodities are measured.

Given the paradoxes of ‘hegemony’, the characterisation of it as a “burden” by Kindleberger is entirely compatible with the theory of ‘imperialism’ advanced thus far, insofar as it merely embodies the subjective consciousness of the former leading mercantile rival – the US – after reluctantly inheriting currency hegemony from its predecessor – Britain, for whom in turn upholding that social contract had indeed become a burden. However, the growth of this burden came from the hegemon’s industrialising mercantile rivals with whom it ran trade deficits and exported capital to, not from its periphery which involuntarily provided the surpluses needed to offset those deficits, that too at heavy cost to their captive populations, which were decimated by famines that killed tens of millions.

The rise and decline of British currency hegemony provides important original insights into the reasons why the term ‘imperialism’ is so confused in the first place. When the term was being originally popularised in the early 20th century, European workers would have associated ‘imperialism’ with being conscripted to fight in WW1 – the bloodiest global conflict ever witnessed in human history until that point. Therefore, they would have been receptive to arguments about why even the peacetime economic processes associated with this term also ran counter to their own interests. In this context, the original theorists (except Kautsky) presented an ‘underconsumptionist’ or ‘export of capital’ oriented definition of the term, in which ‘imperialism’ does not benefit the working-classes in the ‘capitalist’ cores of the world’s empires.

In this context, why would Indian patriots, like Naoroji, a contemporary of Hobson, have any interest whatsoever in challenging this popular European perception by offering reasons for why Britain, including its workers, did benefit from ‘imperialism’ as national exploitation, including by draining India? What interest would Naoroji have in proving these original theorists wrong, theorists who considered him a colleague at the Second International, and in the case of Lenin and Luxemburg, also supported Indian independence? Attempting such refutation would be counter-productive to the Indian national struggle for independence, which is perhaps why Naoroji’s arguments to the British working-class that they would benefit from *not* draining India and other extractive colonies were somewhat disingenuous.

On the one hand, Naoroji argued that Britain benefited from draining India of its wealth, but on the other hand, appealed to the working-class of Britain with the argument that if Britain ceased the drain, thereby allowing Indian incomes to rise, that this would be good for British workers, because Indians would buy more British goods. At a speech in 1901, Naoroji put the question to the British people like this: “Why should you not derive good substantial profits from a commercial connection with India? The reason is simple. The people are so impoverished that they cannot buy your goods”⁴³⁹. In other words, it appears that Naoroji used the same ‘underconsumptionist’ arguments employed by the original theorists Hobson, Lenin, and Luxemburg in the service of the Indian national economic interest, by putting to the British working-class that India could become an even *larger* market for British goods if the ‘drain’ ceased and Indian incomes were allowed to increase. In the same speech, Naoroji offered that, “if you would allow us [India] to prosper so that we might be able to purchase one or two pounds’ worth of your produce per head, there would be no idle working-classes in this country [Britain]”⁴⁴⁰ – clearly appealing to British working-class interests in the context of the industrial decline they were experiencing.

This raises the question, what if the Britain and its settler colonies, including the working-classes, benefited *more* from the ‘drain’ than they did from Indians buying their goods? Stated differently, what if they benefited more from India as a free source of commodity *supply* than as a source of monetary *demand*? This is why the Patnaiks note that “the greater the surplus extracted from the colony, the smaller is its role as a market for metropolitan goods” (emphasis added), or in other words, that there is an “inherent contradiction between the ‘source-of-surplus-extraction’ role of the colonies and their ‘market provider’ role”⁴⁴¹. Transforming India into a source of demand would undermine its function as a source of supply. An attentive audience member could have asked this question, and Naoroji could hypothetically have articulated a convincing rebuttal, but given this “inherent contradiction”, such a rebuttal would have been a ‘noble lie’ to invoke Plato.

Given this contradiction between truth and power, that IPE perspectives are underrepresented in Marxist discourse across the English-speaking West as the Patnaiks generally allege may not be out of malice as much as the reality that the Indian national movement needed to

⁴³⁹ Dadabhai Naoroji, ed. G.A. Natesan & Co, “The Condition of India”, originally published: 1901a, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 231

⁴⁴⁰ Dadabhai Naoroji, 1901a, p. 229

⁴⁴¹ Utsa Patnaik and Prabhat Patnaik, 2021, p. 174

convince the British working-class that they would benefit from ceasing the drain, and from supporting Indian demands for national liberation. Therefore, it is unsurprising that some contemporary Marxist discourse in the English-speaking West opposes the notion that the British working-class benefited from ‘imperialism’⁴⁴², especially when it would appear that ‘the Indians themselves’, like Naoroji, appeared to be arguing that the said working-class would benefit from ending the ‘drain’, that is, would benefit from ending ‘imperialism’ as national exploitation. Just as Lenin was attempting to mobilise for revolution (with his theory of ‘imperialism’), Naoroji was also serving a political agenda (liberating India), one which may have involved concealing from British workers that they benefited from the ‘drain’, which in turn ‘backed’ the value of their hegemonic ‘gold’ standard currency.

Although Hobson did not advocate India’s freedom, he denied that Britain benefited from exploiting India, which would certainly have been preferable to Indians than the more accurate opinions of actual British administrators of that era like Lord Randolph Churchill (father of Winston Churchill) who in a memo to the British Treasury wrote, “it need hardly be said that it is in consequence of the large obligatory payments which the Government of India has to make in England in gold currency that the fall in the exchange value of the rupee affects the public finances” (cited in Naoroji)⁴⁴³. If British workers and their advocates like Hobson believed that their lives would improve if they freed India, then that was preferable for India regardless of the accuracy of that belief. Realistically, the working-classes of the exploiting nations only suffered from ‘imperialism’ insofar as hegemon-rival contradictions culminated in ‘inter-imperialist’ warfare of the kind they would ultimately be conscripted to fight, namely WW1. However, this ‘imperial’ working-class did benefit from the peacetime operation of ‘imperialism’ as the act of maintaining the core-periphery relations of national exploitation. This explains why these two contradictory subjectivities arising from different national contexts have not yet synthesised their perspectives to form a unified theory of imperialism capable of explaining both war and national exploitation, or more specifically, of

⁴⁴² For example, according to Marxist academic Bill Dunn (University of Sydney), there is a “paucity of evidence that empire ‘paid’” and “if even national gains [from ‘imperialism’] are questionable, it becomes particularly doubtful that *workers* in the imperialist countries benefited”. Source: Bill Dunn, *Global Political Economy: A Marxist Critique* (Pluto Press, London, 2009), p. 123-4

⁴⁴³ Dadabhai Naoroji, ed. G.A. Natesan & Co, “Indian Currency Committee of 1898 – Appendix B”, originally published: 1898, in *Speeches and Writings of Dadabhai Naoroji* (Sunkurama Chetti Street, Madras, 1917), p. 111

explaining how relations of national exploitation create long term tendencies towards warfare.

Chapter 7. The End of Inter-Imperialism and the Foundations of US

Fiat Currency Hegemony

Introduction

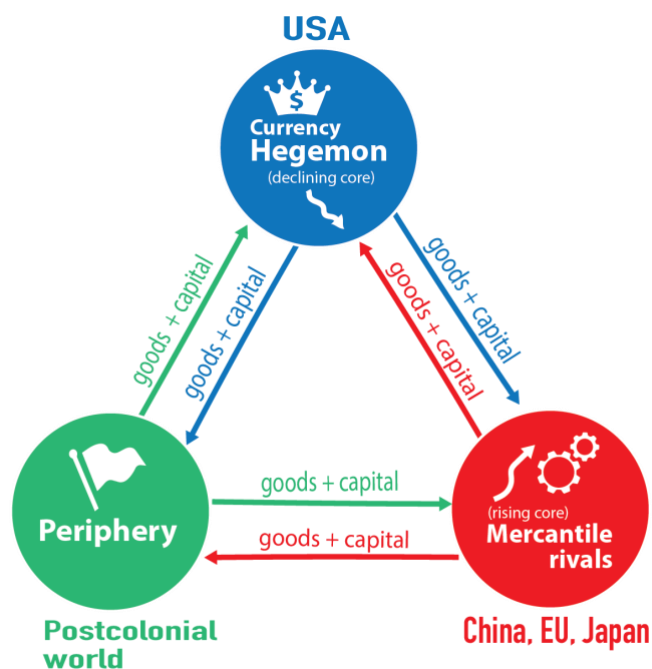
The contemporary debate about ‘imperialism’ within Marxist discourse in the English-speaking West raises the question of which countries should be pejoratively labelled ‘imperialist’ (see Ch. 1), which has so far been answered with the abstract definition that an ‘imperialist’ state is one that seeks to either violently establish, maintain, or advance core-periphery relations of national exploitation. This chapter applies this abstract definition to the task of reconstructing a periodisation of the 20th century that is capable of answering the following questions. If the original theorists conceptualised ‘inter-imperialist war’ to capture the historically specific concrete geopolitical divisions of the WW1 era, then similarly, how can the same be done to account for the subsequent geopolitical divisions, especially after WW2 during the era of US currency hegemony? Did the global dynamic of ‘inter-imperialism’ observed by the original theorists continue after WW1, or did it come to an end, and if so, *how* did it end? If it ended, what came in its place, and how does it relate to the theory of imperialism advanced thus far? To answer these questions, it will be demonstrated that the era of ‘inter-imperialist war’ *ended* after WW2 as a consequence of three major 20th century transformations, thereby giving way to new global divisions, characterised by a *single* imperialist alliance led by the US, in opposition to the USSR/Russia and the postcolonial world.

The term imperialism is also supposed to explain the relationship between peacetime relations of national exploitation and the tendency towards warfare, which in the era of US imperialism begins with inheriting an interest in maintaining the core-periphery relations historically established by conquest in an increasingly postcolonial world. However, because the US does not preside over a *formal* empire like its predecessor Britain, the US was compelled to abandon the gold standard in 1971, which it replaced with the world’s first ever hegemonic *fiat* currency, based on the strategy of Petrodollar-neoliberalism. Accordingly, in this cycle, the US inherits currency hegemony from Britain, and also inherits the imperialist imperative to maintain the core-periphery trade relations historically established by *formal* empires, at the expense of the world’s *former* extractive colonies, or postcolonial periphery.

The mercantile rivals are those states that manage to industrialise by producing in exchange for the hegemonic currency, but only a limited number of such states can be accommodated, leading to rising hegemon-rival contradictions. These contradictions raise the plausible necessity for the US to ‘sabotage’ the growing synergy of rival-periphery combined development.

In this cycle, the US established currency hegemony on the implied understanding that to accommodate a small number of ‘Western’ mercantile rivals, it became necessary to maintain the underdeveloped poverty of the postcolonial periphery, however, after the US ended the gold standard in 1971, it became necessary to accommodate more mercantile rivals, most importantly China, in order to expand the supply of commodities backed by US Dollars. Unlike in previous SCAs, relations between the currency hegemon, mercantile rivals, and the periphery are completely quid-pro-quo, hence the movement of goods and capital in both directions (see Figure 5).

Figure 5: US Currency Hegemony



The objective of this chapter is to demonstrate that in order to maintain the global role of the US Dollar as the world reserve currency, in order to keep US Dollar inflation under control,

and in order to maintain the global demand for US Dollars, the US can only accommodate a limited number of mercantile rivals within its alliance and must endeavour to keep the postcolonial periphery from developing into mercantile rivals. Furthermore, because the US could not simply expropriate wealth as Britain did, investment and trade with the periphery and mercantile rivals had to be conducted on a quid-pro-quo basis, meaning increasing outflows of US Dollars, as well as rising debts and deficits. Therefore, even though *formal* imperialism rapidly ended after WW2, imperialism persisted insofar as the US-led alliance pursued a geostrategy that can be divided into two components. Firstly, to preserve the economic advantages established by the *former* empires, against their *former* extractive colonies and otherwise subjugated peripheries, by coercing the latter to sell primary commodities for US Dollars, most importantly oil/petroleum, and secondly, to limit the growth and development of mercantile rivals outside of this US-led alliance.

The End of Inter-Imperialism

Assuming the ongoing permanence of the ‘inter-imperialism’ model is understandable given that when the four original theorists conceptualised ‘imperialism’, their model of the world was of ‘inter-imperialist’ rivalry, which made sense for that time because *for them* it captured the concrete geopolitical division that prevailed from 1870 until WW1. However, of those four original theorists, Kautsky stands out because he did not treat ‘inter-imperialism’ as a permanent state of global relations, and instead presented four possibilities, of which ‘inter-imperialism’ was only one. In accordance with this insight from Kautsky, it can be reasoned that this period of ‘inter-imperialism’ ended as a consequence of the following three transformations.

The first transformation is that of the Russian empire into the Soviet Union following the 1917 Bolshevik revolution, which then provoked the staunch opposition of all the other empires. This was logical for two reasons that go beyond merely the fear that the Bolsheviks would export working-class revolution. The first reason is that the USSR under the leadership of Vladimir Lenin, was the first among the empires fighting WW1 to make anti-imperialism and the promotion of global racial equality abroad a major pillar of its state ideology and foreign policy. The second reason was that owing to its sizable natural resource endowment, the USSR, under the leadership of Joseph Stalin, was able to develop into an industrialising

mercantile state from the 1930s onwards, *without* requiring an *external* periphery, while generating ‘even’ development within its borders and zones of influence. Combining these reasons, the USSR posed an economic challenge to those states/empires that either had large extractive colonies that would be undermined by Soviet subversion, such as Britain and France, or aspired to acquire extractive colonies of their own, including at the expense of the USSR, such as the Axis powers of WW2, namely Italy, Germany, and Japan.

The second transformation is that the imperialist states that fought each other in WW1 lost control over their extractive colonies and otherwise subjugated peripheries after WW2, thereby compelling them (with the exception of Russia) to join forces under the leadership of the United States. Having failed to defeat the USSR, the former Axis powers (i.e., Italy, Germany, and Japan) were absorbed into this US-led alliance, which is dominated, but not exclusively comprised of former empires, and is united by the geostrategy of preserving, if not advancing, the economic advantages historically established by violence against the world’s former extractive colonies, most importantly with regards to trade and capital movements. The financial aid outlays of the US in the immediate post-WW2 era under the ‘Marshall plan’ reveals important information about the division of the world, further vindicating the concept of a US-led alliance comprised of NATO and Japan, given that 72% of the aid went to Western Europe, while Japan, South Korea, and Taiwan received 15%⁴⁴⁴. According to the theory being advanced thus far, these nations formed a relatively privileged club insofar as they are the ones that the US encouraged to industrialise in a mercantile manner, by producing high value-added goods in exchange for US Dollars, whereas the states outside this ‘club’ are either independent mercantile rival states (i.e., the USSR), or the postcolonial camp for which mercantile development is discouraged.

The third transformation (related to the second) is the victory of national liberation movements in exploited nations under imperialist rule, which constitutes a major break from the pre-WW1 era insofar as it represents subjugated extractive peripheries transforming into independent postcolonial nation states possessing their own agency, with the Non-Aligned Movement formed after the Bandung Conference in 1955 being the salient global institutional expression of this transformation. The emergence of the postcolonial camp represented an anti-imperialist revolution insofar as it introduced the formal necessity of *quid-pro-quo*

⁴⁴⁴ Table No. 1074 – U.S. Government Foreign Grants and Credits, by Program, Postwar to 1953, [Statistical Abstract of the United States](#) (United States Census Bureau, 1954)

relations with that camp. Whereas previously these nations were underdeveloped by various empires that exploited them, in the 20th century they won for themselves greater freedom to take advantage of hegemon-rival contradictions and therefore to *potentially* develop into mercantile states themselves, thereby escaping their inherited periphery status. As a result, the emergence of mercantile postcolonial nations from among the former peripheries becomes a new possibility, whereas during the era of *formal* empires, the realities of national exploitation would have rendered such an outcome impossible. China for example, after having been subjugated by eight empires led by Britain in 1901, then invaded by Japan in 1937, emerged as a postcolonial nation that was able to take advantage of rivalry between the United States and USSR to become the most productive (in absolute terms) mercantile rival in the world today.

The “holy alliance of imperialists” predicted by Kautsky as one possible outcome of WW1 actually happened after WW2 insofar as the former empires accepted the leadership of the United States and became the leading mercantile rivals to US currency hegemony. To maintain this hegemon-rival relationship, US imperialism constitutes all attempts to maintain the core-periphery trade-relationships with the growing camp of independent postcolonial nations that had previously been the extractive peripheries of those former empires. Neo-Marxists Baran and Sweezy had divided the post-WW2 world into ‘capitalist’ and ‘socialist’ camps, however, because the theory of ‘imperialism’ being advanced emphasises *national* exploitation, rather than *class* exploitation, it would be more accurate to posit an alternate dichotomy, that of imperialist and anti-imperialist camps. The former referring to the US-led alliance insofar as it attempted to *maintain* the economic advantages violently won by the former empires within its camp against their former peripheries, the latter refers to those states, such as the USSR and postcolonial camp, with an interest in *weakening* those economic advantages, even if their rationale for doing so was/is purely self-interested.

The hostility to the USSR prevalent among the world’s empires and aspiring empires *before* WW2 prefigured the geopolitical divisions inherited by the United States *after* WW2 during the cold war, in which the former empires (and their settler colonies), including the Axis states, would indeed close ranks under US leadership in opposition to the Soviet and postcolonial camps. Had the Axis invasions of WW2 succeeded in establishing new core-periphery relations of national exploitation, then inter-imperialism could have continued with the Axis powers being accommodated with colonies of their own, either to plunder or settle,

just as Britain, France, Holland, Spain, and Portugal had done before them. However, the Eurasian military efforts, particularly of the USSR and China in resisting this Axis aggression at great human cost to themselves, represented a pivotal historic moment insofar as it paved the way for decolonisation after WW2, and compelled the empires that had fought each other in WW1, including the Axis states, to coalesce into a *single* imperialist alliance after WW2, led by the United States, in opposition to both the USSR and the growing postcolonial camp of nations. For these reasons, ‘inter-imperialism’ should be rejected for the post-WW2 era and replaced with this particular version of ‘campism’.

New Hegemon, Weaker Foundations (1945-71)

US imperialism is qualitatively different from all preceding imperialisms insofar as the US does not preside over a formal empire in the sense of having direct military and political control over their extractive peripheries. Unlike Britain, which according to Bagchi could “transfer capital resource from the non-white colonies to the white ones and support industrial growth in the latter”⁴⁴⁵, the US was faced with a rapidly decolonising world, which according to the Patnaiks resulted in the “weakening of imperialism” in the period leading up to the ‘Nixon shock’ of 1971. The answer, according to the Patnaiks, Bagchi, and Desai, is that in the absence of an easily plundered subjugated periphery of the kind that had guaranteed the stability of the British gold standard (1816-1931), the US gold standard was destined for a shorter ‘innings’ than that of its predecessor. The argument is that if imperialism constitutes attempts to maintain the said core-periphery relations, then imperialism did indeed weaken in the post-WW2 era, as evidenced by the relatively short lifespan of the US gold standard.

As the dominant industrial power after WW2, the US established a new era of global currency hegemony at the July 1944 Bretton Woods conference, where all forty-four participating nations agreed to peg their currency at a fixed exchange rate to the US Dollar (including the USSR), which in turn the US government promised to exchange at \$35 per ounce of gold, however, this era of US currency hegemony eventually broke down in 1971 when the US government under President Nixon ended the convertibility of its currency to

⁴⁴⁵ Amiya Kumar Bagchi, 1972, p. 1565

gold, also known as the ‘Nixon shock’. The US could only sustain a gold standard currency for 27 years because unlike Britain, it did not have any extractive colonies that could churn out exports for free on anywhere near the scale achieved by Britain, which is an insight advanced by the Patnaiks⁴⁴⁶ and Desai⁴⁴⁷. Therefore, in the previous era of formal empires, extractive peripheries were simply plundered for their resources by administrative means, whereas upon gaining independence, access to those resources would require ostensibly *quid-pro-quo* approval, with some degree of negotiation, in exchange for the US Dollar.

Further illustrating the relative weakness of the US gold standard (1944-71) is that from its inception, it was never as redeemable as the British gold standard. In the case of the latter, any holder of British Pound Sterling could exchange their holdings for gold at the rate of 1£ for 123.274 grains (or 7.99 grams) of gold, whereas under Bretton Woods, only the central banks of governments could redeem their US Dollars for gold, and if governments faced balance of payments deficits, then they could devalue their currency against the US Dollar to boost exports. It follows logically that mercantile rivals would be more inclined to demand the convertibility of their Dollar holdings to gold, while the extractive colonies would be more inclined to devalue their currencies against the US Dollar.

The US, *despite* possessing large quantities of its own resources, did not possess any significant external periphery that could be plundered, let alone one containing a sizable percentage of the world’s population (as Britain did). From the perspective of those postcolonial nations, they could now take advantage of competition between the major capital exporters, leading to a period in which core-periphery trade relations weakened in favour of those nations, allowing them to industrialise to some degree – a process greatly aided by US-Soviet competition. In other words, the era of US currency hegemony was destined to lack the relatively more stable foundations of its predecessor and would in the post-1971 era “rest on a series of dangerously unstable financial arrangements” to quote Desai, ultimately culminating in the 2007-08 crisis.

Although US imperialism lacks the surety of formal imperialism for the extraction of wealth from the periphery, its system of currency hegemony is stronger than that of Britain. The US has stronger control over its rivals insofar as they accepted US currency hegemony, rather

⁴⁴⁶ Utsa Patnaik and Prabhat Patnaik, 2017, p. 132

⁴⁴⁷ Radhika Desai, 2013, p. 126

than attempting to establish their own independent rival currency hegemonies and associated bullion standards. Therefore, while it was necessary for Britain to establish a gold standard in order to compete with rival bullion standards, the subordination of most countries to the US Dollar at Bretton Woods, made it possible for the US to foist a purely fiat currency on the world from 1971 onwards, which is unprecedented in the history of currency hegemony.

The Brief Period of Tactical US Anti-Imperialism

The US under President Roosevelt initially supported decolonisation, however, according to the theory being advanced, US support for decolonisation was tactical because it sought to break the monopoly of the existing empires, particularly that of Britain, thereby expanding the global use of the US Dollar among the growing camp of postcolonial nations. However, to maintain currency hegemony, it became necessary for US geostrategy to maintain the global core-periphery relations inherited from the era of formal empires for as long as possible, relations that began weakening due to the growing independence of the postcolonial camp that the US had initially supported.

The initial brief phase of tactical anti-imperialism from the US can be traced back to the Atlantic Conference negotiations in August 1941 (mentioned earlier) at which British PM Winston Churchill requested greater material support from the US against the Axis in WW2, however, Roosevelt's response was to declare that "America won't help England in this war simply so that she will be able to continue to ride roughshod over colonial peoples"⁴⁴⁸. These demands followed an economic logic, which is that from the perspective of the dominant industrial power, Roosevelt demanded that "one of the preconditions of any lasting peace will have to be the greatest possible freedom of trade", that is, "no artificial barriers" blocking US entry into the markets of Britain's periphery colonies. Roosevelt appeared to agree with the national exploitation or 'drain' thesis in general, accusing Britain of presiding over a policy, "which takes wealth in raw materials out of a colonial country, but which returns nothing to the people of that country in consideration", referring to the "people of India and Africa, of

⁴⁴⁸ Elliott Roosevelt, *As He Saw It* (Duell, Sloan and Peace, New York, 1946, originally published: 1945), p. 25

all the colonial Near East and Far East” who were being kept, “as backward as they are”, because of “Empire trade agreements” imposed by Britain⁴⁴⁹.

In response, Churchill appeared to implicitly agree with the ‘drain’ theory advanced by Indian political economy, protesting that, “there can be no tampering with the Empire’s economic arrangements” because “they’re the foundation of our greatness”, thereby vindicating the argument that national exploitation is the defining feature of imperialism⁴⁵⁰. Finally, at the insistence of Roosevelt, and despite the reluctance of Churchill, the Atlantic Charter produced by these negotiations included an article on self-determination, promising that after the war, Britain would, “respect the right of all peoples to choose the form of government under which they will live” and “wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them” – statements of principle that would form the basis of the 1945 UN Charter⁴⁵¹. According to Giovanni Arrighi another possible motivation behind Roosevelt’s insistence on decolonisation was that he believed the world wars had created favourable conditions for revolutions across the Eurasian continent that would enlarge the Soviet sphere of influence. Therefore, to stem the tide of socialist revolution, Roosevelt felt it necessary to support national liberation movements led by the domestic bourgeoisie, in the hopes that it would inoculate these nations from Communism⁴⁵².

The process by which the US inherited hegemony from Britain can therefore be said to have *weakened* imperialism insofar as it contributed to the dissolution of the world’s formal empires, however, the interests of US currency hegemony, would eventually conflict with the postcolonial world insofar as the independence of the latter would *weaken* the core-periphery relations established by the former empires within the US-led camp. Sri Lankan political economist S.B.D. De Silva (someone adjacent to IPE), who served as the Deputy Director of Economic Research in the Central Bank of Ceylon, argued in his major work, *The Political Economy of Underdevelopment* (1982), that “after encouraging the decolonization movement, the USA later organized the suppression of national forces wanting a complete break in

⁴⁴⁹ Elliott Roosevelt, 1945, p. 35-37

⁴⁵⁰ Elliott Roosevelt, 1945, p. 35-37

⁴⁵¹ Elliott Roosevelt, 1945, p. 43

⁴⁵² Giovanni Arrighi, *Marxist Century, American Century: The Making and Remaking of the World Labour Movement* (New Left Review 179, Jan-Feb. 1990), p. 46

centre-periphery relations”⁴⁵³, especially given the political and economic challenges posed by the USSR which sought combined development with the postcolonial world.

In summary, decolonisation was a means for the US to establish currency hegemony insofar as it removed the barriers erected by the former empires, but having done that, the US also inherited an imperialist interest in ensuring that the postcolonial world continued to perform the same function, that of generating export surpluses of primary commodities at “non-increasing supply price[s]” to quote the Patnaiks⁴⁵⁴. The Roosevelt era represented a brief period of anti-imperialism, representing a combination of the president’s own sympathy for national liberation, but more importantly the need to expand the global market for the US Dollar. Tactical anti-imperialism by the US later played an important role in undermining British and French imperial power during the Suez crisis (1956), which was triggered by Egyptian president Gamal Abdel Nasser nationalising the Suez Canal, which had been owned by British and French shareholders. To pressure Nasser to reverse the decision, Israel, Britain, and France launched an invasion of Egypt that ultimately failed because of US and Soviet diplomatic pressure which demanded that the aggressors withdraw⁴⁵⁵.

US-Soviet Competition Aids Postcolonial Development

In contrast with the original theorists (except Kautsky) who considered the export of capital an act of imperialism, this thesis maintains that the export of capital to the postcolonial world contributed towards the *weakening* of imperialism. Competition between the US-led alliance and the USSR for influence over the trade relations of the newly independent postcolonial world contributed to a period characterised by the diffusion of industrial development globally. For the US, this required an initial outpouring of US Dollars, backed by the gold standard, to countries across the world, thereby accelerating the decline of US currency hegemony.

Regardless, the US felt compelled to take this path, because according to CIA director Allen W. Dulles, in a speech to the US Chamber of Commerce in April 1958 titled *Khrushchev’s*

⁴⁵³ S.B.D. De Silva, *The Political Economy of Underdevelopment* (Routledge Library Editions, Taylor & Francis Group, London & New York, 2011, originally published: 1982), p. 483

⁴⁵⁴ Utsa Patnaik and Prabhat Patnaik, 2017, p. xvii

⁴⁵⁵ Office of the Historian, [The Suez Crisis, 1956](#) (US Department of State, accessed May 2022)

Challenge, the threat from the USSR was not military but economic. In Dulles' own words, although "the USSR does not intend to use its military power in such a way as to risk general war", it was still important for the US, "to understand the seriousness of the Soviet economic threat"⁴⁵⁶. The unpublished internally circulated, draft version of the speech, declassified in 2000, is far more revealing of US intentions than the publicly delivered version, particularly the parts that were removed⁴⁵⁷. In one removed passage, Dulles defines the challenge with the imperative that the US "cannot afford to be second to the Soviets in responding to the legitimate economic development needs of the newly created nations"⁴⁵⁸, which helps explain why the US-led alliance exported historically unprecedented amounts of capital to the postcolonial world in the post-WW2 era.

According to another CIA document that was declassified in 2012, the total amount of capital that flowed to the "Third World" (i.e., postcolonial nations) from 1954-68 amounted to \$74.6b in 1970 (\$493 billion in current US Dollars)⁴⁵⁹. Although these transfers undoubtedly contributed to some industrial development in the postcolonial world, they were also the means by which the US entrenched the role of the Dollar as the standard for international transactions. Although capital exports from the USSR (4%), China (1%), and Eastern Europe (1%) were much smaller, accounting for a total of 6% of capital flows to the postcolonial world⁴⁶⁰, Albert Szymanski pointed out that the Soviets in particular offered the advantage of allowing repayment in the goods produced in the factories built with their loans, whereas borrowings from the US-led alliance required repayment in the same currency⁴⁶¹.

The Soviet provision of energy resources in exchange for postcolonial currencies was of major benefit to India in the post-WW2 era. According to Indian political economist Santosh K. Mehrotra, "while payments of interest and repayment of principal on Western loans are in hard currency, Soviet loans are repaid in Rupees; the Rupees are utilised by the USSR for the purchase of goods and services in India"⁴⁶². To provide an example of this, Mehrotra notes

⁴⁵⁶ Allen W. Dulles (a), [Khrushchev's Challenge – \[delivered speech\]](#) (Central Intelligence Agency, 1958), p. 7

⁴⁵⁷ See pencil marks crossing out quoted passages.

⁴⁵⁸ Allen W. Dulles (b), [Khrushchev's Challenge – \[internally circulated unpublished draft version\]](#) (Central Intelligence Agency, 1958), p. 7

⁴⁵⁹ CIA Document, [Global Capital Flows to the Third World](#) (Central Intelligence Agency, Directorate of Intelligence, Trade and Aid Conference Paper, London, England, 1970, declassified 2012), p. 7

⁴⁶⁰ CIA Document, 1970, p. 5

⁴⁶¹ Albert Szymanski, 1979, p. 153

⁴⁶² Santosh K. Mehrotra, *India and the Soviet Union: Trade and Technology Transfer* (Cambridge University Press, originally published: 1990), p. 128

that “India plays no role in relieving the USSR’s hard currency trade deficits with the DMEs [Developed Market Economies]” and that’s because Soviet arms and oil exports to India “are not paid for in hard currency” which “might be very much to the USSR’s economic and political disadvantage”⁴⁶³. If US currency hegemony depends on maintaining the patterns of trade inherited from the history of formal imperialism, then the Soviet Union arguably acted as an anti-imperialist force insofar as it compelled the US to use the economic ‘carrot’ rather than the military ‘stick’ in its engagement with the postcolonial world.

That Soviet foreign policy *weakened* the power of the former empires over their former peripheries is also reflected in the record of the United Nations, which in December 1960 passed Resolution 1514 (XV), that is, the “declaration on the granting of independence to colonial countries and peoples”, largely as a consequence of the USSR and postcolonial camp out-voting the US-led alliance. Indeed, the passing of this resolution was initiated by Soviet Premier Nikita Khrushchev in September 1960, followed by draft resolutions from forty-two postcolonial nations across Asia and Africa⁴⁶⁴. Although the General Assembly adopted the resolution 89 to zero, there were saliently, nine abstentions, four of which ‘possessed’ overseas colonies (i.e., Britain, France, Portugal, Belgium, and Spain), and three of which were settler colonial states with conquered indigenous nations within their borders (i.e., United States, South Africa, and Australia), with the Dominican Republic as the only postcolonial nation to abstain.

Referring to the Soviet Union as an “imperialist” state as British Trotskyist Tony Cliff did (and as his followers still do) is understandable given the original theorists, including Lenin, had constructed a model of ‘inter-imperialism’. However, such labelling is wrong according to the theory of imperialism *as national* exploitation being advanced thus far, because if imperialism strives for establishing and maintaining relations of national exploitation, then a distinction must be made between US currency hegemony, which depends on *maintaining* those relations, and the USSR – a mercantile rival that acted to *weaken* those relations through combined development with the postcolonial periphery.

⁴⁶³ Santosh K. Mehrotra, 1990, p. 206

⁴⁶⁴ Edward McWhinney, [*Declaration on the Granting of Independence to Colonial Countries and Peoples*](#) (Audiovisual Library of International Law, 1960)

Identifying the US-led Western Imperialist Imperative

The allegation that US-led Western imperialism seeks to essentially keep the Soviet and postcolonial world from developing economically is reflected in the US geostrategic literature. According to US geostrategist George Kennan in 1946 who helped shape the policy of ‘containment’ against the USSR, “toward colonial areas and backward or dependent peoples, Soviet policy, even on official plane, will be directed toward *weakening* of power and influence and contacts of advanced Western nations” (emphasis added). In the post-WW2 era, the US-led alliance was confronted with a world in which they would have to purchase imports from the postcolonial world, rather than simply expropriating them by administrative means as Britain had previously done. Soviet Premier Nikita Khrushchev was aware of this factor, declaring in May 1958 that, “we realize that the countries of Western Europe are interested in the raw materials which they are getting from countries of the East. But this does not in the least mean that the imperialists may impose by force their own predatory terms for the exploitation of the wealth of these countries”, instead, such “raw materials for the Western nations must be ensured ...by developing mutually beneficial trade relations, so that those countries may be properly compensated”⁴⁶⁵ – this was from a speech delivered to a delegation headed by President Gamal Abdel Nasser of the United Arab Republic⁴⁶⁶.

US geostrategy honestly acknowledged the importance of maintaining the core-periphery arrangement inherited from the formal systems of imperialism inherited from the era of *formal* imperialism. According to Kennan: “We have about 50 percent of the world’s wealth, but only 6.3 percent of its population. In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships which will permit us to *maintain this position of disparity*”⁴⁶⁷ (emphasis added). In 1958, according to Walt Rostow, who was an advisor to US President Eisenhower at the time, “if Asian, Middle Eastern and African nationalism exploited by the Soviet bloc becomes a destructive force ...[then] European supplies of oil and other essential raw materials may be jeopardised”. Furthermore, “the location, natural resources and populations of the underdeveloped areas are such that, should they become effectively attached to the

⁴⁶⁵ Nikita Khrushchov, 1959, p. 379

⁴⁶⁶ United Arab Republic (1958-71) was the union of modern-day Egypt and Syria

⁴⁶⁷ William R. Clark, *Petrodollar Warfare: Oil, Iraq, and the Future of the Dollar* (New Society Publishers, 2005), p. 24

Communist bloc, the U.S. would become the second power in the world ... the economic and military strength of Western Europe and Japan will be diminished... Our military security and our way of life as well as the fate of Western Europe and Japan are at stake in the evolution of the underdeveloped areas”⁴⁶⁸. Some years after offering this assessment of why the US should fear growing ties between the USSR and the postcolonial world, Rostow would later become National Security Advisor (1966-69) under President Johnson.

Although France is part of this US-led Western imperialist alliance, it has also maintained its own relatively smaller sphere of currency hegemony over its former extractive colonies, making it the most extensive sub-imperialist state within the said Western alliance, while simultaneously remaining a mercantile rival to the global currency hegemony of the US. Regarding this smaller sphere, as it currently stands, the French allocation of Euros is supplemented by the foreign exchange earnings of its former extractive colonies in Africa, according to a financial arrangement by which France issues these nations with local currency – CFA Francs – that are guaranteed a fixed exchange rate with the Euro, and before that, with the French Franc. The trade-off is that countries in the CFA Franc zone must deposit 50 percent of their foreign exchange reserves with the French treasury in Paris, meaning that these countries cannot expand the money supply beyond what they earn through exports⁴⁶⁹. Although this arrangement is *ostensibly* voluntary, Fanny Pigeaud and Ndongo Samba Sylla note that France resorted to covert warfare involving local collaborators, such as assassinations and coups, to intimidate countries into keeping the CFA Franc, which succeeded in the cases of Mali, Togo, and Madagascar, but failed in the cases of Guinea and Mauritania, which both defied France by escaping this system⁴⁷⁰.

Identifying the end of inter-imperialism and the subsequent division of the world into imperialist and anti-imperialist camps for the reasons mentioned also corroborates well with the voices of the postcolonial world. The idea that US currency hegemony inherits an interest in suppressing the combined development of the USSR and postcolonial periphery was reflected in the conceptualisation of ‘imperialism’ in *Neo-Colonialism: The Last Stage of Imperialism* (1965) by Kwame Nkrumah – Ghanaian national liberation leader, president, postcolonial theorist, and co-founder of the Non-Aligned Movement. According to Nkrumah,

⁴⁶⁸ S.B.D. De Silva, 1982, p. 493

⁴⁶⁹ Pigeaud and Sylla, 2021, p. x

⁴⁷⁰ Fanny Pigeaud and Ndongo Samba Sylla, *Africa’s Last Colonial Currency: The CFA Franc Story* (Pluto Press, 2021), p. 40

“neo-colonialism” embodied the extent to which the economic relations established by formal empires persisted even after the postcolonial world had gained formal independence.

In this “stage” of imperialism according to Nkrumah, “foreign capital is used for the exploitation rather than for the development of the less developed parts of the world”, which then “increases, rather than decreases, the gap between the rich and the poor countries of the world”. However, much like Naoroji, there is nothing *inherently* “imperialist” about the export of capital for Nkrumah, who contends that, “the struggle against neo-colonialism is not aimed at excluding the capital of the developed world from operating in less developed countries”, but rather “aimed at preventing the financial power of the developed countries being used in such a way as to impoverish the less developed”. To ensure that capital injections into the postcolonial periphery would steer industrial development in a mercantile direction, Nkrumah stressed that it must be “in accordance with a national plan” outlined by the postcolonial state. According to Nkrumah in 1966, “the countries mainly importing these raw materials are the United States, Western Europe and Japan” whereas “the Soviet Union and the developing countries have at their disposal sufficient quantities of domestic raw materials”⁴⁷¹. This observation can only lead to the conclusion that combined development between the USSR and postcolonial world was mutually beneficial but also detrimental to the interests of the US-led alliance, or in the language of this thesis, the currency hegemon was threatened by rival-periphery synergy. That the US responded to the publication of Nkrumah’s book by cancelling \$25 million worth of aid to Ghana helps vindicate the conceptualisation of imperialism advocated by Nkrumah and shared by this thesis⁴⁷².

Post-1971 Fiat Currency Hegemony

On 15 August 1971, US President Richard Nixon announced his decision to “suspend temporarily”⁴⁷³ the conversion of US Dollars to gold at \$35 per ounce. The decision, never since reversed, was unprecedented in the history of currency hegemony because for the first

⁴⁷¹ Kwame Nkrumah, *Neo-Colonialism: The Last Stage of Imperialism* (New York, International Publishers, 1966), p. 85

⁴⁷² Cyprian Uchenna Udegbonam, *Neo-colonialism and Africa’s Development: A Critical Review* (Department of Political Science Chukwuemeka Odumegwu Ojukwu University, Igbariam campus, ISSN online 2225-0972, Vol. 10, No. 10, 2020), p. 73

⁴⁷³ Richard Nixon (ed. John Woolley and Gerhard Peters), [Address to the Nation Outlining a New Economic Policy: “The Challenge of Peace”](#) (US Santa Barbara, The American Presidency Project)

time, the world reserve currency was a fiat currency backed by nothing but confidence in its ability to keep inflation under control across a broad range of commodities. The implicit promise on the part of the US to convert the Dollars held by foreign central banks worked so long as countries preferred to hold Dollars rather than gold, however, in 1967, the United States ran its first current account deficit, compelling it to stop supplying the Gold Pool in 1968, which caused the market price of gold to begin rising above the \$35 per ounce. According to analysis published by Leonard Dudley and Peter Passell, this came as a result of expenditures on the Vietnam war, according to which, “the United States would have been in a state of international payments surplus in 1967 in the absence of Vietnam War expenditures”⁴⁷⁴. The first major challenge to the Dollar-gold standard came from France. By the 1960s, French President Charles De Gaulle began speaking out against this system, calling it an “exorbitant privilege” of the US, a phrase coined by his Finance Minister Valéry Giscard d’Estaing, and by 1965 De Gaulle requested that US balance of payments deficits with France be settled in gold, in other words, France no longer wanted to hold US Dollars which they demanded be exchanged for gold at the officially quoted price of \$35 per ounce. After the suspension of sales to the Gold Pool, the US informed France that it would suspend gold sales to France until the latter’s WW1 debts were repaid⁴⁷⁵. The proverbial ‘straw that broke the camel’s back’ came on the 13th of August 1971 when Britain, which had also exhausted its gold reserves by 1968⁴⁷⁶, requested that the US exchange Dollars for gold, which prompted US President Richard Nixon to announce the end of convertibility to gold in an address two days later⁴⁷⁷.

Perhaps the first attempt to consider the implications of the 1971 Nixon shock on the meaning of ‘imperialism’ came from Michael Hudson, who, writing one year later, argued that, “at the root of this new form of imperialism” or what he calls *Super-Imperialism* as per the title of his book, “is the exploitation of countries and their governments by a *single* government, that of the United States”⁴⁷⁸ (emphasis added), which corroborates well with the conclusion of the previous chapter, which conceives of a *singular* imperialism after WW2 led

⁴⁷⁴ Leonard Dudley and Peter Passell, *The War in Vietnam and the United States Balance of Payments* (MIT Press, USA, The Review of Economics and Statistics, Vol. 50, No. 4, Nov. 1968), p. 443

⁴⁷⁵ Barry Eichengreen, *Exorbitant Privilege: The Rise and Fall of the Dollar* (Oxford University Press, 2011), p. 4

⁴⁷⁶ Michael Hudson, *Super-Imperialism: The Economic Strategy of American Empire, Third Edition* (Islet Verlag, Dresden, 2021, originally published: 1972), p. 340

⁴⁷⁷ Barry Eichengreen, 1990, p. 60

⁴⁷⁸ Michael Hudson, 2021 (op: 1972), p. 25 (note: this thesis cites two different versions of the same book, one from 2003, and this from 2021)

by the US. Also, like this thesis, Hudson does not locate ‘imperialism’ within the agency of the industrial capitalist class but within the realm of US currency hegemony, that is, located in the ability of the US to print paper money without being restrained by gold standard liabilities. Unique to ‘super-imperialism’ is that the currency hegemon firstly repudiates its gold debts, establishes a purely fiat currency, until eventually it transforms from “a creditor to a debtor”⁴⁷⁹ so that the “privilege of running free deficits belongs to one nation alone”⁴⁸⁰, the USA. Accordingly, countries around the world are encouraged to buy US treasury securities with their US Dollars, however, buying US companies is considered an “unfriendly act”⁴⁸¹.

The Hudson perspective aligns well with the theoretical synthesis presented in chapter 4 because it is not fettered by the Western Marxist ‘hangover’ of treating ‘capitalism’ as a global system. By assuming that capitalists (industrial or financial) are the driving source of agency behind ‘imperialism’, this ‘hangover’ lends itself easily to the idea that there are *multiple* imperialisms in the post-WW2 era. However, if “imperialism is immanent in the money form” as Prabhat Patnaik described it, then Marxist discourse logically leads to the same conclusion identified by Hudson, who identifies the specific function the US can uniquely perform, that other countries cannot replicate without experiencing hyper-inflation.

Observing the history of US currency hegemony in the post-WW2 era, the Patnaiks divide the post-WW2 era into two periods, “the postcolonial dirigiste period” characterised by the “weakening of imperialism”, that is, the weakening of global core-periphery trade-relations, followed by the “neoliberal period” from the 1970s onwards, during which “imperialism” strengthened, by which they mean, the US-led alliance of former empires strengthened their trade-relations with postcolonial states comprised of former extractive peripheries⁴⁸². After the collapse of the gold standard, the US needed new pillars to support their currency. Two answers can be identified as constituting these pillars, a) neoliberalism, and b) the Petrodollar, referred to by Prabhat Patnaik as the “oil-dollar standard”⁴⁸³, both of which contributed to a period of imperialism strengthening according to the Patnaiks, insofar as it

⁴⁷⁹ Michael Hudson, 2021 (op: 1972), p. 28

⁴⁸⁰ Michael Hudson, 2021 (op: 1972), p. 31

⁴⁸¹ Michael Hudson, *Super-Imperialism: The Origin and Fundamentals of U.S. World Dominance, Second Edition* (Pluto Press, London, 2003, originally published: 1972), p. ix

⁴⁸² Utsa Patnaik and Prabhat Patnaik, 2017, p. 192

⁴⁸³ Prabhat Patnaik, 2009, p. 207

strengthened the US Dollar relative to the currencies of the non-OPEC postcolonial world in particular.

The challenges to US currency hegemony that emerged in the 1970s after the gold standard ended are because of two factors of relevance to the theory of imperialism advanced thus far, the relationship between, a) the currency hegemon and the postcolonial periphery, and b) the currency hegemon and its mercantile rivals. Regarding a), following the end of the gold standard, the US strategy towards the postcolonial periphery was to effectively divide them into non-OPEC and OPEC, that is, into net-importers and net-exporters of oil. Regarding b), as a consequence of the large outflows of Dollars by the US to pay for the Vietnam war, the mercantile rivals (of the US) in Europe (specifically France) and Japan started selling their Dollars for gold, thereby rapidly depleting US gold reserves from 1969 onwards, thus prompting the 1971 decision to end the gold standard.

For the non-OPEC states, the US strategy greatly overlaps with the economic substance of ‘neoliberalism’, which sought to expand the scale of global production in exchange for the US Dollar by encouraging postcolonial nations to dismantle their dirigiste economic policies. For the OPEC states, the solution for the US was to convince them to price their oil in Dollars and reinvest the proceeds in the Anglo-American banking system, which gave the US a new unofficial backing in oil/petroleum (rather than gold), commonly known as the ‘Petrodollar’, which refers to the decision made by the United States in 1975 to negotiate a deal with the OPEC states, especially Saudi Arabia, in which they would price oil in US Dollars and invest those Dollars in the US financial system in what can be called Petrodollar recycling.

Discussing ‘neoliberalism’ is within the scope of reconceptualising ‘imperialism’ insofar as the two terms are used in the same context with reference to the actions and ideology of the US. According to David Harvey who has contributed greatly to defining the term ‘neoliberalism’, the term “refers to a class project that coalesced in the crisis of the 1970s”. However, the definition Harvey provides, although not inaccurate, analyses the term from the perspective of *class* rather than *nation*, in that the political use of the term is said to have, “legitimised draconian policies designed to restore and consolidate *capitalist class* power”⁴⁸⁴ (emphasis added). However, this perspective for defining the term effectively obscures the extent to which ‘neoliberalism’ was not *just* a “class project” but *also* a ‘national’ project, one

⁴⁸⁴ David Harvey, *The Enigma of Capital, and the Crises of Capitalism* (Oxford University Press, 2010), p. 10

driven by the interests of the United States as part of its strategy for upholding global currency hegemony. As an ideology, neoliberalism promotes the following ideas, that a) all nations and classes would benefit from governments withdrawing from political and economic life as much as possible, thereby ceding ground to private market forces, and that b) the only role for the state is to punish coercive acts and enforce mutually consensual contracts. However, drawing on the work of Braudel⁴⁸⁵ and Arrighi⁴⁸⁶, neoliberalism can also be explained as the ideological expression of US currency hegemony at the “autumn” stage of its seasonal lifecycle when the economy shifts to net current account deficits. Indeed, the term itself implies a *revival* of liberalism, which was originally an expression of British currency hegemony at a similar stage of its lifecycle.

In Britain, the coincidence of net capital exports with deindustrialisation created the conditions for opponents of economic liberalism like John Hobson, whose stated opposition to what he called ‘imperialism’ was indeed his opposition to capital flight from Britain on the grounds that it had undermined British industry, turning it into a net-importer of goods. Similarly, opponents of “neoliberalism” like David Harvey have pointed out that trade/capital liberalisation greatly contributed to the deindustrialisation of the US as a consequence of industrial capitalists offshoring production. However, it must also be acknowledged that although this was bad for the US working-class, it was beneficial for China, which by producing for US Dollars, and acquiring technology from foreign investment, then reinvesting the proceeds towards China’s own independent mercantile development, took greatest advantage of the US neoliberal project in the long term.

There is an important parallel between the use of the term ‘imperialism’ by Hobson and Lenin, and the use of the terms, ‘neoliberalism’ and ‘globalisation’, by David Harvey, which is that all three terms embody working-class opposition in industrialised countries to the export of capital to take advantage of cheaper labour overseas rather than investing at home for lower profits, resulting in a ‘race to the bottom’ for that specific working-class. For example, Harvey identifies “unemployment at home and offshoring taking the jobs abroad”⁴⁸⁷ as one of the central features of “neoliberalism” as a political project, and argues that, “the

⁴⁸⁵ Fernand Braudel, *Civilization and Capitalism, 15th–18th Century, Vol. 3, The Perspective of the World* (New York, Harper and Row, translated by Sian Reynolds, 1984), p. 246

⁴⁸⁶ Giovanni Arrighi, *The Long Twentieth Century – Money Power and the Origins of our Time* (Verso, London, New York, 2010, originally published: 1994), p. 6

⁴⁸⁷ David Harvey, [Neoliberalism Is A Political Project](#) (Jacobin, 2016)

long-term effect [of globalization] was to reduce the power and privilege of working-class movements in the global north precisely by putting them into competitive range of a global labour force that could be had at almost any price”⁴⁸⁸. In other words, Hobson and Harvey were/are articulating the perspective of the working-class in the capital-exporting countries (which for the US lasted until 1985), not the perspective of the nations subjugated by those capital-exporting countries.

The inflationary spiral triggered by US President Nixon ending Dollar-gold convertibility in 1971, only intensified with the Arab-led OPEC oil embargo in 1973. This compelled the US government to tighten monetary supply from 1979 onwards to counter inflation by raising interest rates in what’s called the ‘Volcker shock’, which was named after the then Chairman of the US Federal Reserve, Paul Volcker⁴⁸⁹. The effect of that decision was to drastically reduce the supply of US Dollars, which from the perspective of the postcolonial world was deeply damaging to income growth. This is because incoming loans from the US had to be repaid in US Dollars, which required generating larger export surpluses in exchange for the same amounts of US Dollars. This implied vulnerability the US Dollar, which could be manipulated at will by US monetary policy reduced postcolonial export revenues and with it the ability to repay the loans. According to Susan George, from 1982 onwards, the *outflow* of money leaving postcolonial nations to pay off debts grew larger than the *inflow* entering as investment or loans⁴⁹⁰, which by the end of the 1987 reached a magnitude approximating four Marshall plans, or six by 1990 according to another study⁴⁹¹. According to World Bank data (cited by Vijay Prashad), in 1970 the fifteen most heavily indebted nations owed \$17.9b in external public debt, around 9.8% of their GNP, however, by 1991, this had increased to \$1.4 trillion, or 126.5% of the total exports of these countries, and by 2018, the combined net-debt of the postcolonial world reached \$3.7 trillion Dollars⁴⁹².

Eventually, under the rubric of ‘neoliberalism’, these indebted postcolonial nations were left with little option but to take out further loans from the World Bank and IMF to pay off their commercial creditors, that were issued on the condition that they undergo ‘structural

⁴⁸⁸ David Harvey, [Realities on the Ground: David Harvey replies to John Smith](#) (Review of African Political Economy, 2018)

⁴⁸⁹ David Harvey, 2010, p. 261

⁴⁹⁰ Susan George, *A Fate Worse Than Debt* (Penguin Books, 1990, originally published: 1988), p. 251

⁴⁹¹ Miles Cole, [Debts to History](#) (New Internationalist, 1999)

⁴⁹² Vijay Prashad, [In the Ruins of the Present](#) (Tricontinental Working Document, originally published: 2018), p.

adjustment programs' (SAPs), usually summarised as demanding: a) the liberalisation of trade, b) the liberalisation of monetary policy, c) the limitation of government spending, and d) the privatisation of state assets⁴⁹³. All of these measures also strengthened US currency hegemony insofar as they effected major changes to the prevailing global arrangement of core-periphery relations. The original commercial debts incurred by these nations tended towards financing policies of import-substitution industrialisation (ISI), that is mercantile development in the language of this thesis, during what the Patnaiks call the "postcolonial dirigiste period"⁴⁹⁴. Such development involved imposing restrictions (i.e., tariffs and quotas) on imports so that scarce/precious foreign exchange reserves, either earned by exports, or taken out as loans, could be prioritised towards importing capital goods, i.e., technology and machinery.

Although the relegation of the US Dollar to an ostensibly fiat currency in 1971 did not end its role as the world's reserve currency, it did begin a strategic shift towards the Middle East. In 1975, US political scientist Robert W. Tucker (cited in Bacevich) began to argue that the US had little choice *but* to aggressively intervene in the Middle East region⁴⁹⁵. Tucker, alluding to the Great Depression, warned that "a disaster resembling the 1930s" would unfold "if the present situation goes on unaltered", and therefore argued that to "insist that before using force one must exhaust all other remedies, when the exhaustion of all other remedies is little more than the functional equivalent of accepting chaos" (emphasis added). Having established the Petrodollar, the United States underwent a "great shift" according to Bacevich, who notes that "from the end of World War II to 1980, virtually no American soldiers were killed in action while serving in that region" (i.e., the Middle East), whereas "since 1990 virtually no American soldiers have been killed in action anywhere *except* in the Greater Middle East"⁴⁹⁶. In 1979, Paul Wolfowitz, then an official at the Department of Defence, published a "Limited Contingency Study" which argued that the United States had "a vital and growing stake in the Persian Gulf", a consequence of "our need for Persian-Gulf oil and because events in the Persian Gulf affect the Arab-Israeli conflict". Wolfowitz's plan identifies the strategic interest of the United States to maintain control over the energy transit

⁴⁹³ David Harvey, *A Brief History of Neoliberalism* (Oxford University Press, 2007, originally published: 2005), p. 29

⁴⁹⁴ Utsa Patnaik and Prabhat Patnaik, 2017, p. 192

⁴⁹⁵ Andrew J. Bacevich, 2016

⁴⁹⁶ Andrew J. Bacevich, 2016, p. 11

routes of Eurasia that are also important insofar as they are crucial as transit routes of oil to the Chinese market⁴⁹⁷.

How US Imperialism is Supported by Warfare

US imperialism constitutes the imperative to *maintain* the core-periphery trade-relations with the growing camp of independent postcolonial nations, which necessarily also involves the added imperative to *prevent* rival-periphery synergy or combined development between challengers like the USSR, post-Soviet Russia, China, and the postcolonial world. When these imperatives are pursued by any means necessary, the logical conclusion is violence, either by intervention or direct invasion, as well as economic sanctions and asset seizures, and in this manner, US imperialism is enforced by warfare. These imperatives explain the long record of the US overthrowing postcolonial governments that have attempted industrial development by various means and replaced them with typically autocratic governments servile to US economic interests.

US foreign policy in Latin America referenced this imperative as far back as an internal draft memorandum prepared for the US Secretary of State in 1945, which called for the “elimination of excessive economic nationalism”⁴⁹⁸. In 1952 one CIA report (declassified in 2013) warned that “the trend toward radical nationalism in Latin America is adverse to US security interests” because the people of these countries “are no longer willing to accept what they describe as a colonial economic status”, and instead “seek a greater degree of economic independence”⁴⁹⁹. That “status” referred to the reality that Latin America had been (and still largely remains) “a supplier of raw materials and foodstuffs to the highly industrialized countries of North America and Europe and has depended on those countries for nearly all or its requirements of manufactured products”⁵⁰⁰. The US also feared the capacity of Latin

⁴⁹⁷ Andrew J. Bacevich, 2016, p. 16

⁴⁹⁸ Nelson Rockefeller and John E. Lockwood, [*Draft Memorandum by the Assistant Secretary of State \(Rockefeller\) and the Deputy Director of the Office of American Republic Affairs \(Lockwood\) to the Secretary of State 73*](#) (FOREIGN RELATIONS OF THE UNITED STATES: DIPLOMATIC PAPERS, 1945, THE AMERICAN REPUBLICS, VOLUME IX)

⁴⁹⁹ CIA, [*National Intelligence Estimate: Conditions and Trends in Latin America Affecting U.S. Security*](#) (Central Intelligence Agency, 1952, declassified 2013), p. 1, 3

⁵⁰⁰ CIA, 1952, p. 3

American states “to drive hard bargains” on trade, thereby undermining the core-periphery trade relations inherited from the past⁵⁰¹.

The CIA report also stated that “the old order of [Latin American] society was dominated by landed gentry in alliance with the Church and the Army” while recognising that “the majority do not have strong ties to the traditional order”⁵⁰². Therefore, US imperialist strategy has been to consistently ally with domestic ‘comprador’ elites of the “old order”, particularly through military aid to the armed forces of various Latin American states, against typically democratic and/or populist governments that pursued the course of “economic nationalism”. This strategy explains the numerous US-backed military coups across Latin America, most notably in Guatemala (1954), Brazil (1964), Bolivia (1964), Chile (1973)⁵⁰³, Argentina (1976)⁵⁰⁴, Haiti (1991)⁵⁰⁵, and Honduras (2009)⁵⁰⁶.

This strategy also explains the punitive US measures to punish countries for rebelling against the “old order”, most notably, the US embargo on Cuba as punishment for the 1959 revolution that nationalised US corporate property after overthrowing a US-backed military dictator⁵⁰⁷. Similarly, in Nicaragua, Sandinista revolutionaries overthrew the Somoza family dictatorship in 1979, which prompted the US to provide military assistance to counterrevolutionary terrorists, culminating in a bloody civil war that only subsided after the US-backed candidate won the 1990 elections⁵⁰⁸. Finally, in Venezuela, the failed allegedly US-backed coup against the government of President Hugo Chavez in 2002 was followed by an escalating series of US sanctions and asset seizures that have caused considerable economic distress for the people of that country⁵⁰⁹.

Given that this theory of imperialism focuses on the build-up of economic inertia towards hegemon-rival conflict, it becomes necessary to consider the consequences of US geostrategy, which refers to the application of US imperialist imperatives to geographic

⁵⁰¹ CIA, 1952, p. 9

⁵⁰² CIA, 1952, p. 2

⁵⁰³ William Blum, *Killing Hope: US Military & CIA Interventions since World War II* (Zed Books, London, 2004, originally published: 2003), p. 71, 163, 221, 207

⁵⁰⁴ J. Patrice McSherry, *Predatory States: Operation Condor and Covert War in Latin America* (Rowman & Littlefield Publishers, Inc., 2005), p. 1, 5, 93, 114

⁵⁰⁵ William Blum, 2003, p. 370

⁵⁰⁶ Jake Johnston, [How Pentagon Officials May Have Encouraged a 2009 Coup in Honduras](#) (The Intercept, 2017)

⁵⁰⁷ William Blum, 2003, p. 185

⁵⁰⁸ William Blum, 2003, p. 290

⁵⁰⁹ Eva Golinger, *The Chavez Code: Cracking US Intervention in Latin America* (Olive Branch Press, 2006), p. 7 | Clare Ribando Seelke, [Venezuela: Overview of U.S. Sanctions](#) (Congressional Research Service, Jan. 2021)

realities, particularly towards the Eurasian continent, which is where all mercantile rivals to US currency hegemony are located. The US inherited its geostrategic tradition from Britain, most notably from the theories originally advanced by Halford Mackinder to serve the interests of his native Britain, which were then developed further by US American theorist Nicholas Spykman, both of whom influenced Henry Kissinger and Zbigniew Brzezinski – the latter directly advised US foreign policy under President Obama. An examination of US geostrategy reveals a commitment towards preventing Eurasian integration, that is, synergistic or combined development between mercantile rivals and periphery states on the Eurasian continent.

According to Mackinder, the primary threat to British dominance came from the Eurasian “Heartland”, which he termed the “geographic pivot of history” in 1904, on the grounds that this vast region had the greatest potential to produce a state capable of world domination⁵¹⁰. This is because “the spaces within the Russian Empire and Mongolia are so vast, and their potentialities in population, wheat, cotton, fuel and metals so incalculably great, that it is inevitable that a vast economic world, more or less apart, will there develop inaccessible to oceanic commerce”, according to Mackinder. This claim was later summarised by the maxim he issued in 1919; “who controls eastern Europe rules the [Eurasian] Heartland, who controls the [Eurasian] Heartland rules the World Island [i.e., Eurasia], and who rules the World Island rules the World”⁵¹¹. To address the warning implicit in Mackinder’s thesis, US geostrategist Nicholas Spykman raised the importance of maintaining control over the Eurasian “Rimland” (referring to those regions adjacent to the Atlantic, Mediterranean, Indian and Pacific coastlines) in accordance with the following maxim issued in 1944, “who controls the Rimland rules Eurasia, who rules Eurasia controls the destinies of the world”, thereby underscoring the importance of using the Rimland to contain the Heartland⁵¹².

This geostrategy was summarised by Spykman as the “encirclement of the old world”, according to which, he advocated for the US to transform the Rimland regions into a hostile ring that encircled the Eurasian heartland⁵¹³. This US geostrategy after WW2 required that

⁵¹⁰ Halford Mackinder, *The Geographical Pivot of History* (The Geographical Journal, Vol. 23, No. 4, April 1904), p. 421-437

⁵¹¹ Halford Mackinder, *Democratic Ideals and Reality: A Study in the Politics of Reconstruction* (Henry Holt and Company, 1919), p. 186

⁵¹² Francis P. Sempa, [Nicholas Spykman and the Struggle for the Asiatic Mediterranean](#) (The Diplomat, 2015), originally published: 2015

⁵¹³ Nicholas Spykman, *America's Strategy in World Politics* (Institute of International Studies Yale University, 1942), p. 180

the Rimland be politically aligned with, if not subordinate to, the US-led alliance, thereby creating the conditions for internal conflict or civil wars within these states between Rimland and Heartland aligned political factions. In Europe, for the purpose of encircling the Soviet Union, the US consolidated control over the Rimland by establishing the North Atlantic Treaty Organisation (NATO) in 1949, which included from its inception, the former Axis powers of West Germany and Italy. To achieve this consolidation, the US intervened on behalf of the Greek monarchy to help defeat the Communist partisans that had resisted the Axis occupation during WW2, thereby paving the way for Greece to join the Rimland NATO alliance in 1949. Similarly, in East Asia, the US allied with Japan, a former Axis state, against the Heartland centred on China, and by extension against Heartland aligned Communist forces in Korea, Vietnam, Laos, Cambodia, Malaysia, and Indonesia. This resulted in the division of Korea into a Heartland-aligned north and the Rimland-aligned south; in the outright defeat of US-backed Rimland-aligned forces in Vietnam, Laos, and Cambodia; and in the victory of US-backed Rimland-aligned forces in Malaysia and Indonesia against their internal Heartland-aligned Communist opponents.

In West Asia, the US established the Central Treaty Organization (CENTO) or ‘Baghdad Pact’ in 1955 to include Turkey, Iraq, Iran, and Pakistan, its purpose being to encircle the USSR, however, by 1958 Iraq had withdrawn after an Arab nationalist coup overthrew the Hashemite monarchy that had been installed by Britain, and the organisation collapsed following the withdrawal of Iran following the 1979 Islamic revolution. Although Turkey continued under NATO to enforce the policy of encirclement against the Heartland, since 2016, Turkey’s hostility towards Russia has eased, and although Pakistan played a major role in overthrowing the Soviet-aligned government of Afghanistan, which was a major victory for the US-led alliance, in the past decade, Pakistan has grown friendlier with Russia, even participating in joint-military drills⁵¹⁴. Therefore, in West Asia, the tendency towards Eurasian integration has intensified in the 21st century.

The importance of controlling West Asia was anticipated by the US Secretary of Defence Robert McNamara in 1967 for its geostrategic importance and oil/energy resources, judging that: “The Near and Middle East remains of strategic significance to the United States because the area is a political, military, and economic crossroads, and because the flow of Middle East oil is vital to the West”. McNamara further declared: “We also have a strong

⁵¹⁴ Omer Farooq Khan, [Pakistan-Russia hold joint military drill](#) (The Times of India, 2018)

interest in maintaining our alliance relationships with Greece, Turkey, and Iran, *for these three countries stand between the Soviet Union and the warm water ports and oil resources of the Middle East*” (emphasis added)⁵¹⁵. Soviet geostrategy was largely directed towards maintaining influence in the Rimland – indeed according to the CIA in 1970, “in the case of the USSR, 85% of its aid deliveries have gone to the Near East and South Asia”⁵¹⁶. Furthermore, the largest recipients of Soviet aid from 1954-74 were India, Egypt, Afghanistan, Iran, Pakistan, Iraq, Turkey, Algeria, and Syria, further emphasising the importance of the Rimland belt to the respective geostrategies of both the US and USSR⁵¹⁷. This geopolitical arrangement that McNamara sought to preserve has since been undermined, particularly by the entrance of the Soviet/Russian navy into Syria’s ports on the Mediterranean Sea in 1971.

Of relevance to the wars of the 21st century is the region today identified as the ‘Middle East’ by Anglo-US convention, which was identified by Mackinder for its geostrategic importance as “the land of the Five Seas”⁵¹⁸ in reference to the Mediterranean Sea, the Red Sea, the Caspian Sea, the Black Sea, and the Persian Gulf leading into the Arabian Sea. Furthermore, the importance of this region’s oil/energy resources to US Dollar hegemony, especially after 1971, reinforces the necessity to US geostrategy of keeping this region from integrating with the Eurasian heartland. Ultimately, the logic of the US outspending every other country on its military is that by taking advantage of the exorbitant privilege, or seigniorage, that comes with issuing the world reserve currency, such military spending can theoretically pay for itself but only if it succeeds in reinforcing the US imperialist imperative of maintaining global core-periphery relations and preventing rival-periphery synergy.

Conclusion

In its original WW1-era context, the term ‘imperialism’ was intended to describe ‘inter-imperialism’, featuring multiple formal empires, multiple systems of national exploitation, multiple mercantile rivals attempting to establish relations of national exploitation by military

⁵¹⁵ Harry Magdoff, *Age of Imperialism: The Economics of U.S. Foreign Policy* (Modern Reader Paperbacks New York and London, 1969), p. 60

⁵¹⁶ CIA Document A, [Global Capital Flows to the Third World: Trade and Aid conference Paper](#) (Central Intelligence Agency, 1970, declassified 2012), p. 8

⁵¹⁷ Albert Szymanski, *Is the Red Flag Flying? The Political Economy of the Soviet Union Today* (Zed Press, London, 1979), p. 152

⁵¹⁸ Halford Mackinder, 1904, p. 431

force, and therefore multiple imperialisms mutually hostile to each other. However, in the post-WW2 era, national liberation movements successfully ended formal imperialism across most of Asia, Africa, and the Caribbean (most of Latin America liberated itself in the 19th century), which compelled the former empires that had ruled these extractive peripheries to cease direct hostilities with each other, thereby ending inter-imperialism, and to form an alliance under the leadership of the US. However, the end of formal empires did not mean the end of imperialism, rather, imperialism continued insofar as the United States inherited currency hegemony from Britain, which meant inheriting an interest in maintaining the core-periphery trade relations with the growing postcolonial world by any means necessary, including military violence.

Evoking once more the Buddhist parable of the ‘blind men and the elephant’, this ‘campist’ perspective is corroborated by observations from multiple partial perspectives, subjectivities, and interests. Representing the currency hegemon (the USA), Walt Rostow, Allen W. Dulles, and George Kennan all recognised the US interest in maintaining the core-periphery relations of trade with the postcolonial world that were historically established by formal systems of national exploitation, that is, by formal imperialism. Representing the leading mercantile rival, at least of the 1944-71 period (the USSR), Nikita Khrushchev recognised that end of formal imperialism meant that US currency hegemony would need to engage in quid-pro-quo dealings with the postcolonial world. Representing the postcolonial world, Indian political economy has close allies in the perspectives of Ghanaian leader Kwame Nkrumah who contrasted the resource-poor former empires with the resource-rich Soviet and postcolonial world, and from Sri Lankan political economist S.B.D. De Silva who highlighted the general US interest in preventing rival-periphery combined development. This interest also helps explain the hostility towards the USSR by the leading belligerent states of WW1, given that the USSR explicitly threatened to undermine those trade relations by supporting national liberation movements and postcolonial states across the tri-continent.

For the US, pursuing these interests means confronting major contradictions. In order to maintain currency hegemony, the US needed to maintain global unevenness in core-periphery trade relations with the postcolonial world by preventing these predominantly former extractive colonies from developing into mercantile rivals. However, unlike its predecessor Britain which could simply expropriate wealth by administrative means from a large percentage of the world’s population, for the US it was necessary to pay for goods and

services from the rest of the world, resulting in outflows of Dollars, until eventually the gold standard could no longer be maintained. To provide new backing for the US Dollar after 1971, Petrodollar recycling became the compromise in the sense that although it didn't stop the growing US current account deficit, that deficit did not undermine the purchasing power of the US Dollar, because of its importance to the global payments system, thereby creating a defacto oil-backed currency. In a manner similar to the 'drain' of wealth to Britain from India, the US Dollar also allows for one-way transfers of real physical wealth, albeit with the promise to pay in return, resulting in rising levels of debt.

US imperialism can only accommodate a limited number of mercantile rivals within its alliance centred on the former empires, because if postcolonial periphery nations industrialise into mercantile rivals, then it would increase competition for natural resources, thereby bidding up their US Dollar prices. It follows that the US must also prevent rival-periphery synergy, or combined development, of the kind the USSR developed with postcolonial states. However, faced with a rapidly decolonising world after WW2, the US was also compelled to offer economic concessions to postcolonial countries to keep them attached to the US-dominated global trading system. Stated differently, US-Soviet competition structurally facilitated peripheral development, with the most famous case of this being China, which in the period following the end of the US gold standard, began producing in exchange for the US Dollar, thereby 'backing' the hegemonic currency with its export surpluses. Ultimately therefore, even though the US inherited an interest in maintaining the global unevenness of core-periphery trade relations, it was forced to offer economic concessions to postcolonial countries, thereby intensifying hegemon-rival contradictions in the long term.

Chapter 8. The Decline of US Currency Hegemony and the Challenge of the Eurasian Rivals

Introduction

This chapter will ultimately argue that the decline of US currency hegemony incentivises the US towards enticing wealth holders from around the world to move their wealth to US-Dollar denominated assets, and failing at that, towards destabilising the world beyond its borders insofar as doing so stimulates inflows of capital into the US financial system. Unhindered by the assumption that imperialist states export capital, and instead defining imperialism as the need to maintain core-periphery trade relations, it becomes possible to observe how the linear degeneration of US currency hegemony, coincides with rising geopolitical tensions. Marking the beginning of the post-1971 era, the US opened up trade relations with China thereby backing its currency with a new influx of commodities thus putting downward pressure on Dollar-price inflation as a consequence of China agreeing to generate substantial export surpluses in exchange for the hegemonic currency of the US. This *again* re-created the pattern observed throughout history of the currency hegemon stimulating the development of its mercantile rivals in the short-to-medium term, which then creates the conditions for hegemon-rival hostilities in the long-term. This has important implications for the meaning of the term imperialism as an explanation for warfare in that the nature of fiat currency makes it plausibly logical for the currency hegemon to provoke tensions as a means of triggering inflows of capital into the Anglo-American financial sector.

The Voluntary Pillars of US Currency Hegemony

Although there is a clear parallel between imperialism-as-national exploitation and the “exploitation of countries” referred to in Hudson’s definition, it must be acknowledged that US currency hegemony was originally premised on quid-pro-quo trade relations between nations, which came about because formal imperialism ended. Therefore, in regarding US imperialism as the imperative to maintain core-periphery relations, it must be acknowledged that there are important *voluntary* pillars that uphold those relations, particularly in its relationship with the postcolonial periphery.

Regarding these voluntary pillars, Salvatore Babones argues that the US is a “post-imperial tianxia”⁵¹⁹ – the latter term being a Chinese concept borrowed from Zhao Tingyang, who reconceptualised the term for the contemporary era from its ancient roots, and who Babones calls “the most influential living Chinese philosopher of the tianxia concept”. Although this thesis rejects the identification of the US as “post-imperial”, the term “tianxia” expresses the importance of voluntarism to the staying power of US currency hegemony. By itself, the term refers to a global order that implies a “a common or public choice made by all peoples in the world, truly representing the general will” in the form of “a universal political system for the world”⁵²⁰. Babones argues that as “more people put their *individual* interests ahead of those of their *countries* of birth, they come into alignment with the American Tianxia”⁵²¹. Therefore, “tianxia” can be re-interpreted as the US strategy of leveraging the interests of *individuals* within nations against the more general *collective* interests of that nation.

The breakdown of the dirigiste model adopted by many postcolonial states after WW2 represents the success of this strategy. Under the dirigiste strategy of many postcolonial nations, the short-term *individual* interests of the wealthier classes to emulate the ‘first world’ lifestyles prevalent across the US-led alliance by importing high-value added consumer goods, i.e., “conspicuous consumption” to quote Thorstein Veblen⁵²², were deliberately curtailed by state planners in order to serve long-term *collective* goals of independent industrial development, that is, for the state to aspire towards becoming a mercantile rival itself. However, as a consequence of the wealthier classes in these countries being enticed by ‘opening up’ to the US through monetary liberalisation, the influx of imports for ‘conspicuous consumption’ not only undermined ‘infant’ industries, leading to de-industrialisation, they also necessitated the outflow of ‘hard currency’, especially US Dollars, to pay for those imports, thereby depreciating the postcolonial currency in question against the US Dollar.

In the case of India, the Patnaiks argue that the adoption of ‘neoliberal’ IMF-advised reforms in 1991 were largely a consequence of the interests of wealthier Indians, acting out their interests as *individuals*, to enter into *voluntary* relations with the currency hegemon, interests

⁵¹⁹ Salvatore Babones, *American Tianxia: Chinese money, American power, and the end of history* (Policy Press, University of Bristol, 2017), p. 25

⁵²⁰ Salvatore Babones, 2017, p. 4

⁵²¹ Salvatore Babones, 2017, p. 22

⁵²² Thorstein Veblen, *The Theory of the Leisure Class* (Oxford University Press, 2007, originally published: 1899) Ch. IV

which were leveraged against the prevailing ‘Nehruvian socialist’ dirigiste economic order premised on *collective* national controls over imports and exports. According to Utsa Patnaik, the 1991 reforms began with the relaxation of import restrictions, which lead to “a private spending spree by the well to do”⁵²³, which then greatly contributed towards the depreciation of the Indian Rupee. According to Prabhat Patnaik and C.P. Chandrasekhar, “the contradiction between the extant production-pattern and the desired consumption-pattern of the affluent sections of the population contributes to a dismantling of the dirigiste economic regime”⁵²⁴. Therefore, it can be reasoned that the US succeeded in convincing wealthier sections of Indian society that they needed to divert more Indian production towards producing in exchange for US Dollars, which in turn were needed to import the expensive industrial commodities from the core regions of the world that wealthier Indians could afford.

A major part of the US strategy is providing incentives to wealth holders to shift their money to the US banking system. According to Salvatore Babones, “today the United States fights entropy by continually receiving fresh injections of money and talent from the rest of the world” and that as a result, “Americans ... don’t have to work as hard as everyone else”⁵²⁵. When Michael Hudson worked at Chase Manhattan bank in 1966, he was directly involved in implementing this strategy at the behest of the US State Department, which wanted US banks to replace Switzerland as the leading sink for global capital flight. With the US on the verge of running balance of payments deficits, Hudson was asked to set up branches in the Caribbean to attract “hot money”, that is money from “corrupt rulers, politicians and kleptocrats, tax evaders, and criminal gangs headed by drug cartels”⁵²⁶. According to figures released in 2016, by Global Financial Integrity (GFI) and the Centre for Applied Research at the Norwegian School of Economics, from 1980 to 2012, developing countries across the Global South have lost an estimated \$16.3 trillion (USD) due to “broad leakages in the balance of payments, trade misinvoicing, and recorded financial transfers”⁵²⁷, i.e., capital

⁵²³ Utsa Patnaik, 1996, p. 2433

⁵²⁴ Prabhat Patnaik and C.P. Chandrasekhar, *Indian Economy Under Structural Adjustment* (Economic and Political Weekly, Vol. 30, No. 47, Nov. 1995), p. 3006

⁵²⁵ Salvatore Babones, 2017, p. 18, 25

⁵²⁶ Michael Hudson, 2021 (op: 1972), p. 336

⁵²⁷ Christine Clough, [New Report on Unrecorded Capital Flight Finds Developing Countries are Net-Creditors to the Rest of the World](#) (Global Financial Integrity, 2016)

flight, which is slightly higher than the current US net-external debt, which currently sits at roughly \$14 trillion USD⁵²⁸.

The collapse of the Soviet Union was another major victory for the US strategy of appealing to the interests of wealthy individuals, which in turn benefited from the successful overthrow of an economically dirigiste state with strong capital controls. After the collapse, Soviet GDP fell by 54% and industrial production by 60% in the 1990-99 period under Russian president Boris Yeltsin⁵²⁹. The IMF succeeded in convincing the Russian government to open its capital account to maximise mobility, which could have generated inflows of capital if the new Russian capitalist class was loyal to their native geography, but they were not, rather they succumbed to the US strategy through their voluntary financial defection⁵³⁰. Therefore, the collapse was a major victory for the US given that \$150 billion Dollars in capital flight left Russia during the Yeltsin era⁵³¹. According to Sergei Glazyev, an advisor to Russian president Vladimir Putin, when the period since the Soviet collapse is extended to 2019, the extent of capital flight from Russia reached \$1 trillion⁵³².

According to Prabhat Patnaik, under conditions of capital mobility, the “preference” of the “third world elite” for “assets located in the first world”, creates the conditions for a downward spiral in the purchasing power of the postcolonial currency in question, so that inflation frightens the elites into selling their currency for US Dollars, which then causes the sold postcolonial currency to depreciate, which then causes further inflation as a consequence of imports becoming more expensive, which in turn causes further elite capital flight⁵³³. To demonstrate the scale of depreciation against the US Dollar, if all currencies were indexed to 100 in 1971 and measured against the US Dollar until 2020 (see Figure 6), then only a small number of currencies appreciated against the US Dollar, such as the Euro, the currencies of oil-exporting OPEC states like Saudi Arabia, Kuwait, Bahrain, UAE, and Qatar, as well as the currencies of Japan, Switzerland, and Singapore. The vast majority of world currencies, which generally overlap with the postcolonial world, have depreciated by several orders of

⁵²⁸ International Monetary Fund (IMF), [International Investment Position by Indicator](#), accessed 11/09/2022

⁵²⁹ Joseph Stiglitz, *Globalisation and its discontents* (Penguin books, 2002), p. 143

⁵³⁰ Joseph Stiglitz, 2002, p. 145

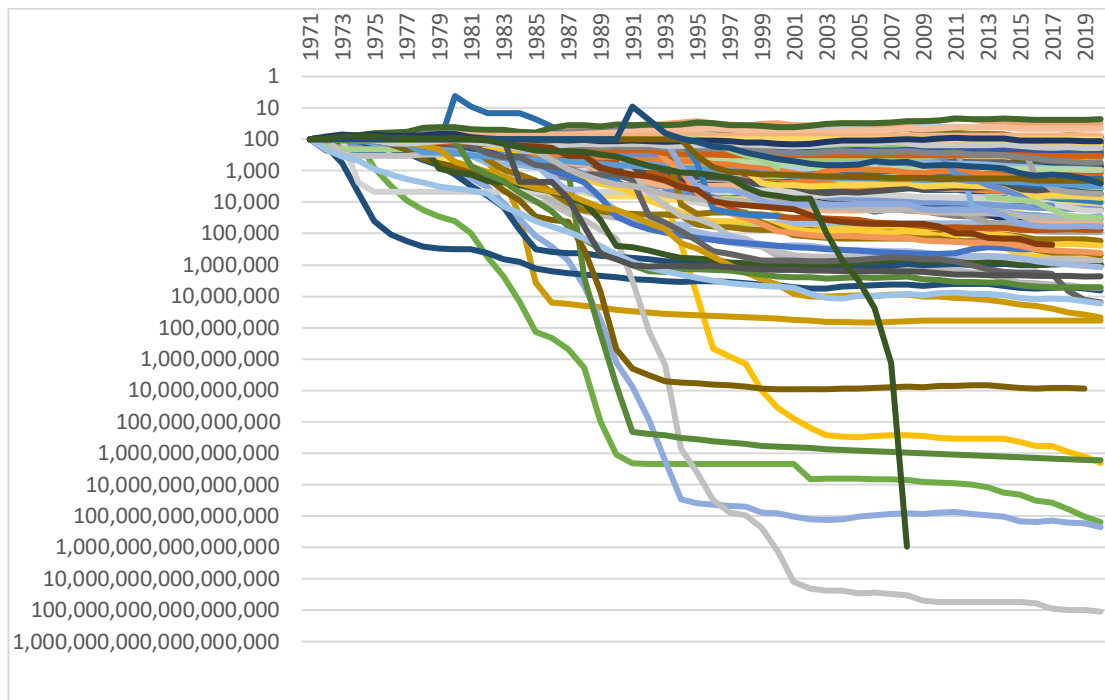
⁵³¹ Editor, [\\$150bn capital flight ravages Russia](#) (The Guardian, May. 1999)

⁵³² The Moscow Times, [Russia Has Lost \\$1 Trillion in Capital Flight Since Fall of U.S.S.R., Says Putin's Economist](#) (The Moscow Times, 24 Oct. 2019)

⁵³³ Prabhat Patnaik, *A Secular Decline in Third World Exchange Rates* (Annual Conference of the Central Bank of the Argentine Republic, 2013), p. 1-2

magnitude (note the logarithmic scale), meaning that larger quantities of exports are needed to offset expensive imports and capital flight. Therefore, while the US Dollar has experienced inflation since 1971, the currencies issued by postcolonial periphery states have experienced even worse inflation.

Figure 6: World Currencies vs. the US Dollar⁵³⁴



If US imperialism constitutes all attempts to maintain core-periphery trade relations with the postcolonial periphery by any means necessary, then it follows that US imperialism would have an interest in promoting economic liberalism insofar as maintaining those trade relations would be the outcome, and would also have an interest in disparaging countries as ‘authoritarian’ should they attempt to control imports, exports, and capital flight by way of dirigiste planning.

Consider the civil unrest in Hong Kong against the attempted proposal by the Hong Kong parliament to introduce a bill that would make it easier for the Chinese government to ‘grab’ accused financial criminals and extradite them back to the mainland. This raised concerns among finance industry stakeholders in Hong Kong who worried that the Chinese government would use the new laws to prevent illegal outflows of money from mainland

⁵³⁴ World Bank, [Official exchange rate \(LCU per US\\$, period average\)](#), accessed 31/12/21

China via Hong Kong to the outside world, thereby undermining the attraction of Hong Kong to mainland Chinese depositors⁵³⁵. To illustrate this, in March 2019, the business community in Hong Kong signalled opposition to the inclusion of “economic and financial crimes in the bill”⁵³⁶, and as a result, elites had already “started moving personal wealth offshore” to evade Chinese financial authorities⁵³⁷. Of the \$16.3 trillion in capital flight from 1980 to 2016, the Chinese share alone is over a quarter at around \$4.6 trillion⁵³⁸, suggesting that even the leading mercantile rival with an advancing economy (China), still has the problem of wealth-holders seeking refuge in the hegemonic currency. The proposed law was withdrawn in October 2019⁵³⁹, following which, in June 2020, then US president Trump announced he would freeze funding to the Hong Kong protest movement⁵⁴⁰. US support for the protests was/is logical insofar as US imperialism does have an interest in undermining economic authoritarianism of the kind that would seek to prevent the outflow of capital.

Chinese citizens are prohibited by capital controls from buying more than \$50,000 USD worth of foreign currency per year, however, enforcing this limit was always difficult. According to the results of a confidential survey published by the Financial Times in April 2017, 81.7% of surveyed households and 88.6% of bankers thought it was possible to circumvent this limit⁵⁴¹. This helps explain why between July 2014 and December 2016 capital flight intensified, thereby prompting the People’s Bank of China (the central bank of China) to burn through \$1 trillion in foreign exchange reserves to defend the value of the Renminbi, which caused China’s foreign exchange reserves to fall from its all-time peak of \$4 trillion USD in mid-2014 to \$3 trillion USD by December 2016⁵⁴². However, China is finding new ways to prevent capital flight by pioneering its own Central Bank Digital

⁵³⁵ Sumeet Chatterjee and Scott Murdoch, [Hong Kong bankers worry that new laws could lead to capital flight](#) (Reuters, May 2020)

⁵³⁶ Jessie Pang and Noah Sin, [Thousands march in Hong Kong over proposed extradition law changes](#) (Reuters, March 2019)

⁵³⁷ Greg Torode, [Exclusive: Hong Kong tycoons start moving assets offshore as fears rise over new extradition law](#) (Reuters, June 2019)

⁵³⁸ Note: The figure for China is derived by subtracting \$11.7 trillion from \$16.3 trillion. Source: Christine Clough, [New Report on Unrecorded Capital Flight Finds Developing Countries are Net-Creditors to the Rest of the World](#) (Global Financial Integrity, 2016)

⁵³⁹ Jessie Pang and Twinnie Siu, [Hong Kong extradition bill officially killed, but more unrest likely](#) (Reuters, October 2019)

⁵⁴⁰ Billy Perigo, [Trump Administration Freezes Funds Intended to Benefit Hong Kong Protesters](#) (Time Magazine, June 2020)

⁵⁴¹ FT Confidential Research, [Fears of weak renminbi fuel Chinese household forex demand](#) (Financial Times, April 2017)

⁵⁴² Lingling Wei, [China Foreign-Exchange Reserves Keep Dropping](#) (The Wall Street Journal, Jan. 2017)

Currency (CBDC) called the e-Renminbi, which according to Chinese fintech expert Richard Turrin, “can be deployed with embedded programming that controls its use and eliminates capital flight”⁵⁴³. This poses a serious problem for US currency hegemony in that the proliferation of CBDCs around the world will enable rival and periphery states to restrict capital flight, thereby undermining an important pillar of support for the US Dollar.

The logic of this US strategy of enticing wealth holders to financially defect by purchasing US Dollars raises the plausible necessity within non-hegemonic nations (periphery or core-mercantile nations), of having a counter-strategy capable of *preventing* domestic elites, not just capitalists, but also higher income groups in general, from bringing down the dirigiste state in the service of their own interests by any means necessary. Therefore, the counter-hegemonic question becomes, how does the dirigiste state prevent its population from emigrating with their wealth, let alone *desiring* the high-value commodities marketed to them by the US-led alliance? Seemingly ‘authoritarian’ answers to this question have been found in East Asia throughout history, where Japan, China, and most recently North Korea have all implemented policies of national seclusion from the outside world.

Japan implemented a policy of national seclusion (*sakoku*) from 1635, when its silver mines and reserves began running out, until 1853, when Japan was finally forced to open itself to trade by the Anglo-American alliance. In that period, Japanese people were prohibited from trading with foreigners, from attempting to leave the country, or from attempting to return, all under penalty of death⁵⁴⁴. In more recent memory, China began erecting a “great firewall” in the 1990s onwards, thereby preventing its online citizens from *voluntarily* joining US social media platforms like Facebook and Twitter, thereby forcing them to use Chinese social media⁵⁴⁵. In the most extreme contemporary case, North Korea, imposes a state monopoly on foreign trade, operates a dirigiste economy that strives for self-sufficiency⁵⁴⁶, and prohibits

⁵⁴³ Richard Turrin, *Cashless: China’s Digital Currency Revolution* (Authority Publishing, 2021), p. 243

⁵⁴⁴ John Nelson, *Myths, missions, and mistrust: The fate of Christianity in 16th and 17th century Japan, History and Anthropology* (History and Anthropology 13:2, 2010), p. 105

⁵⁴⁵ Bang Xiao, [‘I don’t know Facebook or Twitter’: China’s Great Firewall Generation Z cut off from the West](#) (ABC News, Nov. 2018)

⁵⁴⁶ Andrei Lankov, [The Resurgence of a Market Economy in North Korea](#) (Carnegie Moscow Center, Feb. 2016)

foreign media from influencing their people⁵⁴⁷, who are also prohibited from leaving the country without governmental permission⁵⁴⁸.

If the US has an interest in leveraging the interests of the *individual* against the *collective* in nations across the world, then it follows that the US has an interest in condemning countries as ‘authoritarian’ if they impose dirigiste policies on trade, let alone if they implement policies of national seclusion, insofar as these policies prevent individuals in these countries from voluntarily engaging with the US either culturally or economically. Therefore, the US does have a genuine interest in promoting a kind of freedom, particularly the rights and freedoms of *individuals*, insofar as they can be leveraged against the inherently authoritarian attempts of non-hegemonic states to maximise the efficacy of their import-substitution industrialisation policies, which may require resisting – on a national level – the enticing allure of the American financial system.

The Eurasian Revival

Although the collapse of the USSR in 1991 generated the perception of a triumphant US world order, the US had already become a net-debtor some six years earlier. Growing multipolarity has again recreated the conditions for a ‘Thucydides trap’ in which the prevailing hegemon must contend with the growing challenge of ‘multipolarity’, that is, *multiple* mercantile rivals, particularly those located on the Eurasian continent, most importantly China, Russia, India (three of the BRICS powers, the other two being Brazil and South Africa), the European Union, and Iran. In theoretical terms, the challenge to the pre-eminent hegemon comes from the leading mercantile rivals, strengthening economic ties with each other, while bypassing the Dollar, referring most importantly to pan-Eurasian projects like the Belt and Road Initiative, and its associated regional and financial bodies, i.e., the Shanghai Cooperation Organisation, the Asian Infrastructure Investment Bank, and New Development Bank (formerly known as the BRICS bank). This challenge was acknowledged as such by Zbigniew Brzezinski, who as the former US National Security Advisor (1977-81)

⁵⁴⁷ Josh Smith, [North Korea cracks down on foreign media, speaking styles](#) (Reuters, Jan. 2021)

⁵⁴⁸ Hiroyuki Tanaka, [North Korea: Understanding Migration to and from a Closed Country](#) (Migration Policy Institute, Jan. 2008)

was directly involved in implementing US containment strategy, and was close to former US President Barack Obama, whose foreign policy he had endorsed.

According to the geostrategy Brzezinski advanced in *The Grand Chessboard* (1997), “the most immediate task is to make certain that no state or combination of states gains the capacity to expel the United States from Eurasia or even to diminish significantly its decisive arbitrating role”, and also to “prevent the emergence of a hostile coalition that could eventually seek to challenge America's primacy”. For Brzezinski, “the most dangerous scenario would be a grand coalition of China, Russia, and perhaps Iran, an ‘antihegemonic’ coalition united not by ideology but by complementary grievances”, which “would be reminiscent in scale and scope of the challenge once posed by the Sino-Soviet bloc, though this time China would likely be the leader and Russia the follower”⁵⁴⁹. When the US established currency hegemony, the US was the leading industrial power, meaning that demand for US Dollars was largely governed by the demand for US manufacturing output. However, given the industrial foundations that established US currency hegemony in the first place have been eroding steadily, particularly from the 1970s onwards when the trade deficits began, the value of the US Dollar has increasingly lacked its original foundations. Logically therefore, the US must maintain the necessity of its currency in global transactions, which are threatened by all mercantile development outside the US which creates the conditions for bypassing the US Dollar.

The single most important mercantile rival of the 21st century is China, which has certainly been acknowledged by recent US administrations. According to former US president Donald Trump’s former advisor Steve Bannon, China was described as “this mercantilist totalitarian system”, an accusation that the former US vice president Mike Pence substantiated a year earlier in September 2018, by warning that “the Communist Party [of China] has set its sights on controlling 90% of the world’s most advanced industries, including robotics, biotechnology and artificial intelligence”, through the “wholesale theft of American technology”, thereby setting the stage for Trump’s trade war with China. Additionally, according to Pence “using that stolen technology, the Chinese Communist Party is turning plowshares into swords”, thereby accusing China of preparing for war against the US, which

⁵⁴⁹ Zbigniew Brzezinski, *The Grand Chessboard: American Primacy and its Geostrategic Imperatives* (Basic Books, 1997), p. 198

logically would only have compelled China to do just that⁵⁵⁰. Understood in accordance with the theory advanced thus far, the emergence of a “nationalist” and “globalist”⁵⁵¹ factional dispute within the Trump administration represents an admission by the currency hegemon that it must try to save domestic manufacturing in order to maintain demand for US Dollars⁵⁵².

China industrialised into the leading mercantile rival that it is today by taking advantage of competition between the US and USSR/Russia. In the immediate post-WW2 era, Chinese industrial development was largely stimulated by Soviet aid, a factor acknowledged in 1959 by the CIA (declassified, 2013), which observed that “Communist China achieved remarkable progress during 1950-57 in its program of rapid industrialization and militarization, primarily because of the economic, military, technical, and industrial support received from the USSR”⁵⁵³. However, following the recognition of China by the US in 1972, China also developed industrially as a mercantile rival by producing in exchange for the US Dollar, and by receiving investment and technology from the US. In return, the US Dollar gained the backing of Chinese industrial production, albeit at the long-term expense of US industry, which is what angered Trump administration officials like Bannon and Pence.

There is today intensifying competition between the currency of the hegemon, and those of its rivals, the latter referring to the “antihegemonic coalition” referred to by Brzezinski, which have been combining their political efforts to bypass the US Dollar. In 2015 Russia began accepting Chinese yuan in exchange for oil⁵⁵⁴, and more recently in March 2018, China announced plans to establish futures markets with oil priced in its own currency, the Renminbi⁵⁵⁵. These changes have arguably created the conditions for these countries to move towards alternatives to US Dollar pricing, especially in the energy market. According to the Bank of International Settlements (BIS), in 2007, the Chinese Renminbi was barely used for international transactions, registering at 0.46% of global trade invoicing, from where it rose

⁵⁵⁰ Public Broadcasting Service (PBS), [Transcript: Trump's Trade War](#) (PBS Frontline, 2019)

⁵⁵¹ PBS, 2019

⁵⁵² PBS Frontline, [Trump's Trade War](#), originally published: 2019

⁵⁵³ CIA Document, [Economic Intelligence Report: Economic Relations of Communist China with the USSR Since 1950](#) (Central Intelligence Agency, Office of Research and Reports, declassified: 2013, originally published: 1959), p. 1

⁵⁵⁴ Jack Farhy, [Gazprom Neft sells oil to China in renminbi rather than Dollars](#) (Financial Times, 2015)

⁵⁵⁵ Sumeet Chatterjee and Meng Meng, [Exclusive: China taking first steps to pay for oil in yuan this year – sources](#), (Reuters, 2018), accessed 12/12/2018

to 4.36% in 2019, or in absolute terms, from \$15 billion to \$285 billion⁵⁵⁶. Although the composition of China's foreign-exchange reserves is a state secret, its government periodically releases important revelations. In July 2019, China revealed that their holdings of US Dollar denominated assets as a percentage of its total foreign exchange (forex) reserves had fallen from 79% in 2005, to 58% in 2014, the latter figure being *lower* than the global average of 65% in 2014⁵⁵⁷. Since 2006, China has been the largest holder of forex reserves when they overtook Japan, on account of their continuous export surpluses, and by 2020, had just over *double* the forex reserves of Japan, which is the second largest holder⁵⁵⁸.

The Renminbi represents a competitive threat to the US Dollar insofar as China is rolling out plans for the evolution of its currency, *from* purely a 'medium of circulation' for Chinese goods, *into* a 'measure of value', thereby edging it closer to the properties that define US currency hegemony, thereby preparing the ground for a future with multiple competing currency hegemony. Unlike the speculative bubbles that have characterized the US financial system over the past two decades, China offers what Radhika Desai called "patient capital", that is, long-term Chinese capital exports, especially for the development of infrastructure, that is also content with delayed returns, which China can afford because it does not rely on imports of capital to support its currency, unlike the US.

Indeed, according to Parag Khanna, author of *The Future is Asian* (2019), which devotes considerable effort towards assessing the rise of China within the broader Asian economic region, the reason for the formation of the Asian Infrastructure Investment Bank (AIIB) was because "the World Bank turned away from financing major infrastructure projects more than five decades ago"⁵⁵⁹. China also has plans in the near future to conduct "half" its trade in Renminbi and is developing rival digital-currency infrastructure so that it can "evade the long arm of the US Treasury department"⁵⁶⁰. According to Khanna, the US is being forced to compete for capital with China and Asia more broadly, so that "instead of underwriting the US Dollar, Asians are gaining confidence in investing in their own debt and capital

⁵⁵⁶ Vladyslav Sushko, [Triennial Central Bank Survey of Foreign Exchange and Over-the-counter \(OTC\) Derivatives Markets in 2019](#) (Bank of International Settlements, Dec. 2019)

⁵⁵⁷ Zhou Xin, [China gives up two of its best-kept forex reserve secrets](#) (South China Morning Post, 2019)

⁵⁵⁸ World Bank, [Total reserves \(includes gold, current US\\$\) - Japan, China](#) (World Bank website, accessed 30/12/21)

⁵⁵⁹ Parag Khanna, *The Future is Asian* (Weidenfeld and Nicolson, 2019), p. 109

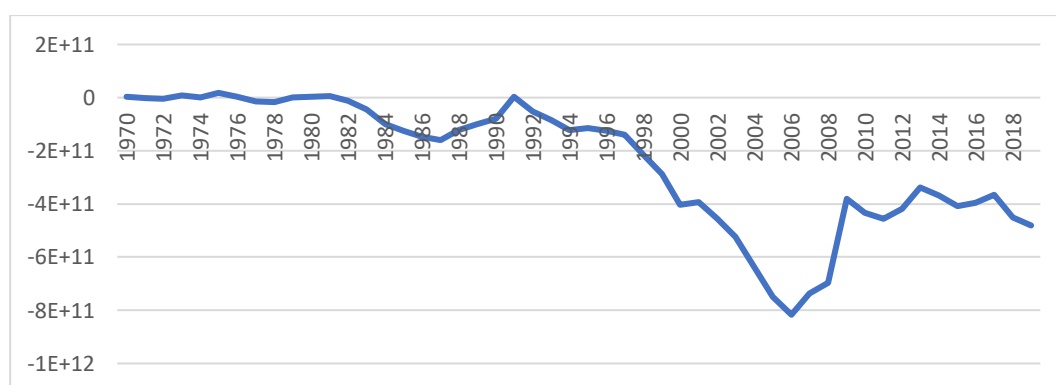
⁵⁶⁰ Parag Khanna, 2019, p. 157

markets”⁵⁶¹. For example, Khanna notes that at present, foreigners own only around 2% of China’s external debt, however, the Chinese government plans to increase this to 15% by issuing “panda bonds” estimated to be valued at “\$3 trillion in liquidity by 2025”, and that these bonds have even been purchased by Standard Chartered in Britain (an important ally of the US-led alliance). Furthermore, in the private sector, China’s financial asset markets are expected to grow from \$3 trillion today to \$15 trillion by 2025⁵⁶².

Global Macroeconomic Contradictions Deepen

Ever since the 1971 Nixon shock, the conditions that originally generated demand for the US Dollar have steadily eroded, thereby intensifying global macroeconomic contradictions, particularly between the currency hegemon, and its mercantile rivals. By 1977, six years after the US ended the Dollar-gold standard, the US began permanently running current account deficits (see Figure 7), making it a net-importer of industrial goods, while continuing on as a net-exporter of capital. Eventually, in 1985 (although the IMF puts the year at 1989), the US became a net-debtor nation⁵⁶³ with a growing reliance on fresh injections of capital from the rest of the world, increasingly to meet the demands of private consumption.

Figure 7: US Current Account Balance⁵⁶⁴



⁵⁶¹ Parag Khanna, 2019, p. 164

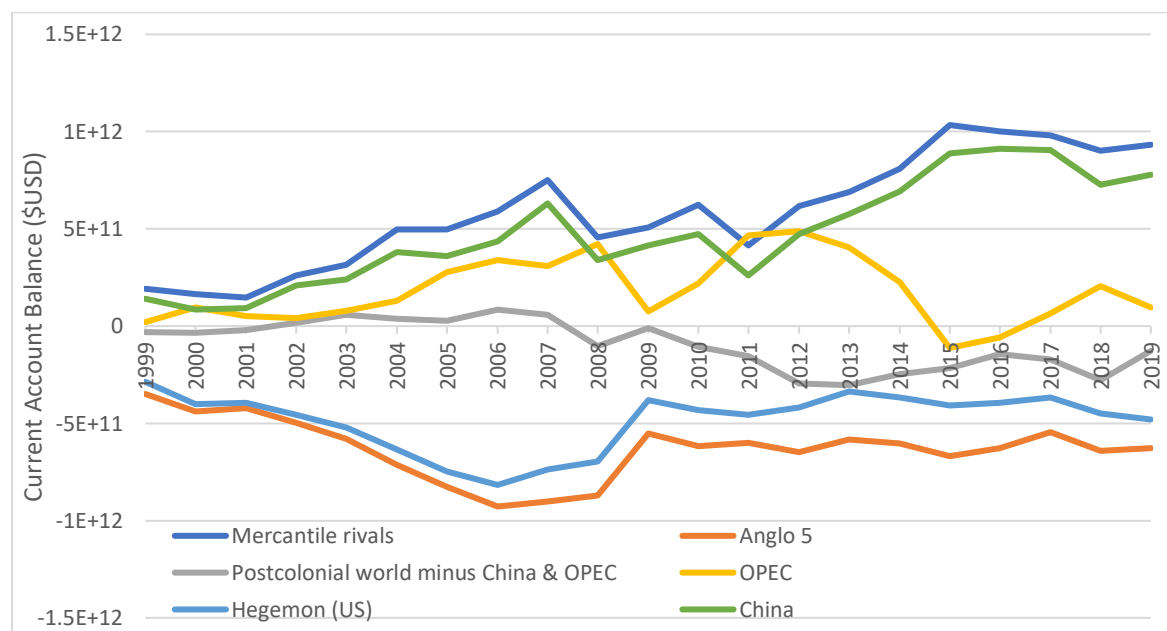
⁵⁶² Parag Khanna, 2019, p. 165

⁵⁶³ Peter T. Kilborn, [U.S. Turns into Debtor Nation](#) (New York Times, 1985)

⁵⁶⁴ World Bank, [Current account balance \(BoP, current US\\$\)](#), accessed 11/09/20

Hegemon-rival and core-periphery contradictions are most visible in terms of global current and capital account balances. Regarding global current account balances (see Figure 8), from 1999 until the 2007/08 crisis, the currency hegemon has been running increasing deficits, while OPEC was posting increasing surpluses, both a by-product of the invasion and occupation of Iraq (and Afghanistan) during that time, which coincided with (if not contributed to) rising oil prices. The Eurasian rivals (China, Russia, and EU) posted increasing surpluses during this period as well, and even the postcolonial world *excluding China and OPEC*, posted increasing surpluses, albeit much smaller. This period was defined by the widening gap between the deficits of the currency hegemon, and the surpluses of the rest of the world (the mercantile rivals and periphery economies). As a consequence of US liquidity drying up following the financial crisis, the gap narrowed by around 2009-10, however, in the subsequent decade, the Eurasian rivals combined, have continued posting historically unprecedented surpluses, while US deficits have increased. Since 2007-08, the postcolonial world (excluding China and OPEC) has been dragged into deficit territory, largely due to the surpluses posted by the mercantile rivals, especially China.

Figure 8: Global Current Account Balances⁵⁶⁵



⁵⁶⁵ World Bank, [Current Account Balances \(\\$USD\)](#), accessed 07/08/20

In contrast to the original theorists who identified the ‘export of capital’ as a necessary attribute of ‘imperialism’, the theory of imperialism being advanced by this thesis contends that the status of the US as a net-debtor since 1985 (i.e., a net-importer of capital) is entirely consistent with the US being imperialist. From 2000-12 (cited in Prasad), the US represented 55% of global capital imports (the second largest was Spain at 6%), whereas in that same period, the largest exporters of capital have been mercantile rivals, i.e., China (16%), Japan (13%), Germany (13%), and Russia (6%), with the important exception of periphery producer Saudi Arabia (7%) due to the sheer quantity of its oil exports⁵⁶⁶. Oil producing/exporting states possess mercantile-like properties insofar as they technically have very high labour productivity (i.e., value of output to input ratio), but are also subject to volatility in export earnings due to their exports being primary commodities rather than value-added goods, thereby giving them periphery-like properties as well. Following the 2007-08 financial crisis, there was a fall in the US share of global capital imports to around 15% in 2008-09, however, in the subsequent decade the US share has increased, hitting 54% in 2019 (see Figure 9), while over that period, China, Japan, and Germany have been the leading capital exporters (see Figure 10). Figure 9 shows that in 1976 the US was a net-creditor, representing over 80% of total global capital exports (although the data was incomplete), however, from 1989 onwards, the US became a net-debtor, in recent years representing over 50% of net-capital imports.

⁵⁶⁶ Eswar Prasad, *The Dollar Trap, How the U.S. Dollar Tightened its Grip on Global Finance* (Princeton University Press, 2014), p. 37-38

Figure 9: US Net Investment Position as % of Total Global Capital Exports/Imports⁵⁶⁷

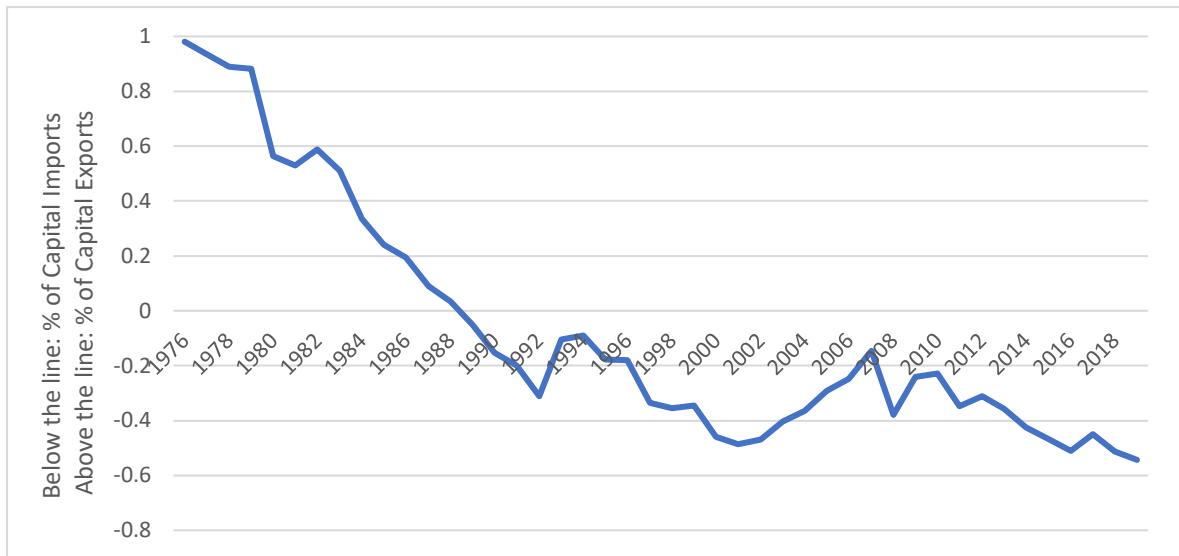
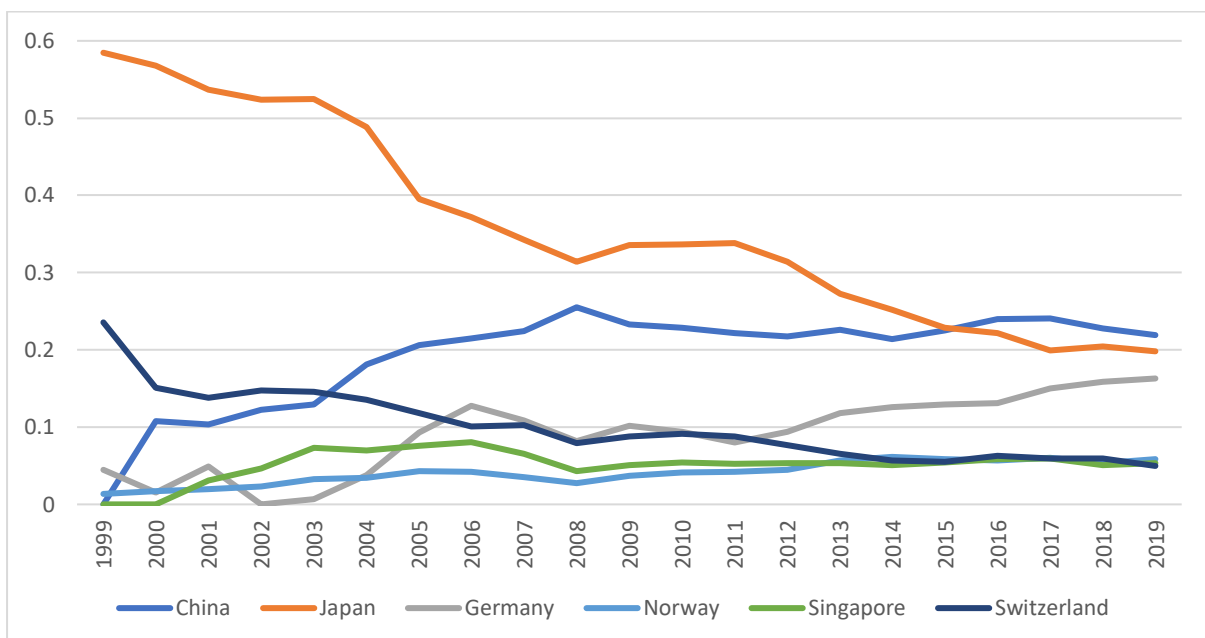


Figure 10: Largest Capital Exporters as a % of Total Global Capital Exports⁵⁶⁸



⁵⁶⁷ International Monetary Fund (IMF), [International Investment Position by Indicator](#), accessed 07/08/20

⁵⁶⁸ International Monetary Fund, [International Investment Position by Indicator](#), accessed 07/08/20

The 2007-08 financial crisis represented a major failure in the ability of the US to sustain its position as the leading net-importer of capital. The US needed to find ‘profitable’ avenues of investment to ensure the willingness of the mercantile rivals to continue buying US debt, however, this invariably caused speculative debt bubbles, which to borrow Desai’s description, “increasingly homed in on Western capitalism’s homelands”⁵⁶⁹. The 2000-01 dot-com crash was fuelled, according to Desai, by liquidity fleeing (and simultaneously causing) the Asian financial crisis in 1997, causing it to head for the US financial system, where it fuelled the subsequent US housing bubble, which was made possible by lifting regulations in 1999 (i.e., repeal of the Glass Steagall Act) on the securitisation of US mortgage debt, or in other words, by the transformation of US consumer debt into US Dollar denominated assets. The eventual wave of mortgage defaults in the US triggered the implosion of these bubbles, culminating in the 2007-08 financial crisis, which deflated the value of US assets by \$6 trillion⁵⁷⁰. This drying up of liquidity never really ended given that global cross-border capital flows have declined 65% since their 2007 peak (cited in Desai)⁵⁷¹. Although the crisis originated in defaults clustered in the US, the sudden drying up of liquidity contributed towards intensifying the Eurozone sovereign debt crisis from 2010 onwards as well, which drove up the rate of borrowing for relatively peripheral member states like Greece.

Despite these trends, claiming that US currency hegemony began weakening from around 1999 onwards is admittedly counter-intuitive insofar as evidence can also be marshalled to suggest that the US Dollar has maintained its global position, at least over the past decade, but when analysed over the long durée, the relative decline of the US Dollar as a ‘measure of value’ also cannot be ignored. According to older IMF data presented by Menzie Chinn and Jeffrey Frankel, the US Dollar’s share of global foreign exchange reserves rose to around 78% by 1975-77, before trending downwards until 1991 (at 46%), at which point the trend reversed and the US Dollar share rose until 2001 when it reached a peak of around 67-71%⁵⁷². The collapse of the USSR (1991) and the capital flight out of Russia that came with it

⁵⁶⁹ Radhika Desai, *The Past and Future of the International Monetary System* (Economic Revival of Russia, Scientific Periodical, 2019), p. 36

⁵⁷⁰ Dean Baker, [It's Not the Credit Crisis, Damn It](#) (The American Prospect, 2008), accessed 07/08/20

⁵⁷¹ Radhika Desai, 2019, p. 49

⁵⁷² Menzie Chinn and Jeffrey Frankel, [The Euro May Over the Next 15 Years Surpass the Dollar as Leading International Currency](#) (National Bureau of Economic Research, 2008), p. 3

contributed towards a trend reversal upwards, representing an increasing global acceptance of the Dollar. According to the most recent IMF data on the Composition of Foreign Exchange Reserves (COFER), from 1999-00 onwards, the US Dollar's share (of global foreign exchange reserves) has fallen to below 70% and today sits at 62%, which is 16% below the 1977-78 average⁵⁷³.

Over the past decade (2010-20), according to the BIS (cited in Kirchner), the US Dollar has gained in transaction usage against the Euro and the Japanese Yen. The US Dollar was on one side of 88% of all global foreign currency transactions in 2019, which is higher than the 2010 share of 84.9%, whereas the share for the Euro fell from 39% to 32.3%, while the Yen fell from 19.8% to 16.8%, over that same period⁵⁷⁴. There are also political explanations for the US Dollar gaining at the expense of the Euro and Yen, most importantly, in October 2016, when the IMF added the Chinese Renminbi to its Special Drawing Rights (SDR) basket, which refers to a financial asset weighted against multiple currencies. When China was included, the US Dollar was not required to accommodate the Renminbi as much as the Euro, Yen, and British pound. Previously, an SDR was weighted at 41.9% US Dollars, 37.4% Euros, 11.3% British Pounds, and 9.4% Yen, however, following the inclusion of the Renminbi, this became 41.73% US Dollars, 30.93% Euros, 10.92% Renminbi, 8.33% Yen, and 8.09% British Pounds⁵⁷⁵.

Institutions embodying US interests have cited such evidence to suggest that the US Dollar has maintained its global position, if not strengthened against its rivals over the past decade and have also drawn the conclusion that the US Dollar is a 'safe-haven' owing to the supposed superiority of US financial institutions. For example, the United States Studies Centre (USSC) at the University of Sydney published a report by Stephen Kirchner, affirming the strength of the US Dollar, arguing that, "the sources of the US Dollar's role in the world economy are widely misunderstood, leading many analysts to *mistakenly* forecast the US Dollar's long-term demise" (emphasis added). Rather Kirchner argues that "the real source of the Dollar's global role is the unrivalled size, depth and liquidity of US capital markets, backed by high quality political and economic institutions that few countries can match either

⁵⁷³ International Monetary Fund (IMF), [Currency Composition of Official Foreign Exchange Reserves \(COFER\)](#), accessed 14/08/20

⁵⁷⁴ Stephen Kirchner, [The 'Reserve Currency Myth': The US Dollar's Current and Future Role in the World Economy](#) (United States Studies Centre, University of Sydney, 2019)

⁵⁷⁵ Siddharth Tiwari, [IMF Adds Chinese Renminbi to Special Drawing Rights Basket](#) (International Monetary Fund website), accessed 17/9/2020

currently or prospectively”, whereas “the euro zone and China are beset by chronically weak political and economic institutions that are also resistant to reform”, thereby guaranteeing the dominance of the Dollar, at least in the “medium-term”⁵⁷⁶. According to Kirchner (USSC), the inherent superiority of US financial institutions makes it a “safe-haven”, and that “this safe-haven bid for US Dollar assets means the US Dollar often behaves in ways that seem counter-intuitive *relative to US economic fundamentals*” (emphasis added). This is correct insofar as those “fundamentals” have been eroding given the growing debt and trade deficits since 1971.

Admittedly, there is some logic to the USSC’s argument that the strength of the US Dollar is due to the inherent superiority of US financial institutions. For example, former IMF and current Brookings Institute economist Eswar Prasad (who Kirchner cites) notes that the US government cannot discriminate against bondholders according to its own laws, this includes, refusing to pay back loans to a specific country, and that naturally, this arrangement motivates global trust in US institutions⁵⁷⁷. Presumably therefore, if the US were economically healthy, one would not expect actions that would undermine that kind of trust, such as, for example, the use of economic sanctions and the freezing of assets, but when they do, this too is presented as an attribute of US Dollar dominance! According to Kirchner, “the dominance of the US Dollar ... does provide the United States with a potentially powerful instrument of international economic coercion”⁵⁷⁸. Unfortunately, therefore, when it comes to explaining *why* the US Dollar behaves in this “counter-intuitive” manner, the answer does not go beyond the alleged inherent superiority of US financial institutions as the ultimate cause. However, when understood in accordance with the theory of imperialism being advanced by this thesis, although the employment of sanctions by the hegemon appears to coincide with the strengthening of US currency hegemony, the need to impose sanctions in the first place betrays/exposes the weakening foundations of that currency hegemony, although admittedly this rests upon denying the humanitarian pretexts cited for these sanctions.

Over the previous decade, the US began leveraging its use of sanctions, particularly against Iran and Russia, both identified by the Brzezinski doctrine as states to be ‘contained’. In 2012, Iran was cut off from SWIFT, the global payments network based in Belgium (an

⁵⁷⁶ Stephen Kirchner, 2019

⁵⁷⁷ Eswar Prasad, 2014, p. 111

⁵⁷⁸ Stephen Kirchner, 2019

EU/NATO member), which facilitates “half of the world’s high-value cross-border payments” and was pressured to do so by the US⁵⁷⁹. Then in 2014, “the US, EU and other states” imposed sanctions on eight-hundred Russian companies and individuals, particularly targeting energy and banking⁵⁸⁰. According to Kindleberger, the US taking on the responsibility of “hegemony” at Bretton Woods amounted to a social contract with the rest of the world, however, the increasing use of sanctions by the US, represents the gradual erosion of that contract with the rest of the world, especially now that US sanctions extend to 21 countries, most notably including North Korea, Venezuela, and Syria, in addition to Iran and Russia⁵⁸¹.

Creating the Conditions for Hegemon-Rival Warfare

Given that ‘imperialism’ theory was originally supposed to consciously mobilise against WWI, which was a form of hegemon-rival warfare, this raises the question; which side, the hegemon, or the rival, has the greater interest in peace, and conversely, the greater interest in war? The degeneration of US currency hegemony offers a logical set of explanatory motives for why military power, in addition to economic coercion by way of sanctions mentioned earlier, would become the last line of defence for the US in protecting the exorbitant privilege or seigniorage of its currency. This is because destabilising the outside world, firstly, prevents rival-periphery synergy, and secondly, triggers financial flows into the US banking system, both for reasons stemming from the qualitative difference between the US Dollar and the currencies of its mercantile rivals.

Regarding this qualitative difference, as Marx pointed out, money is used both as a ‘medium of circulation’ and as a ‘measure of value’, a dichotomy that both Kirchner and Prasad also accept. The evidence suggests that the US Dollar is used primarily as a ‘measure of value’, and only secondarily a ‘medium of circulation’, let alone as a ‘medium of circulation’ for US goods/services, whereas the currencies of its mercantile rivals are used at least relatively in the reverse manner. According to a report published by Gita Gopinath, the current Chief of the IMF, the share of the US Dollar as an invoicing currency is 4.7 times the value share of

⁵⁷⁹ Al Jazeera, [What SWIFT is and why it matters in the US-Iran spat](#) (Al Jazeera, 2018)

⁵⁸⁰ Editor, [Russia Sanctions List](#) (Risk advisory)

⁵⁸¹ US Department of the Treasury, [Sanctions Programs and Country Information](#) (accessed 23 May 2022)

US goods in world imports and 3.1 times the share of US goods in world exports. By contrast, the share of the Euro as an invoicing country is only 1.2 times the EU's share of world imports and exports⁵⁸². This too is cited by Kirchner as evidence for the superiority of US financial institutions, whereas according to the theory of imperialism being advanced by this thesis, the defining feature of currency hegemony is that its money is used more as a 'measure of value' than as a 'medium of circulation', whereas the currencies of its mercantile rivals are held more as a 'medium of circulation' for goods produced by those rivals.

The value of money as a 'medium of circulation' can be measured against the volume of goods that can be purchased with it, or guaranteed against a fixed sum of bullion, however, money that is used primarily as a 'measure of value' cannot be measured against its productive capacity alone, rather, it relies, to a far greater degree, on maintaining the acceptance of the US Dollar by the rest of the world as the universal measure of value, that is, it relies to a far greater degree on global trust, thereby underscoring the precarity of the US Dollar. Therefore, until the "antihegemonic coalition" feared by Brzezinski decides collectively to undermine that trust by deciding upon a new currency, or perhaps upon a basket of currencies, there is no alternative to the "safe haven" role performed by the US Dollar.

Given that the US Dollar became the standard against which all assets are measured through global political consensus at Bretton Woods, toppling its hegemonic role would also require a similar consensus by the mercantile rivals to introduce a new standard for measuring value. To provide an example of the importance of political consensus, in 2015, former US Secretary of the Treasury Henry Paulson, revealed in his book *Dealing with China*, that Russia was attempting to convince China to sell its US debt securities, but that such a scenario was averted because China showed, "admirable resolve in cooperating with our government and in maintaining their holdings of U.S. securities throughout the crisis"⁵⁸³. In this 'game theory' scenario, if a critical mass of countries adhered to some new consensus, then it could unseat Dollar hegemony, but if such a consensus cannot be achieved, then the Dollar will remain the default standard.

⁵⁸² Gita Gopinath, [The International Price System](#) (National Bureau of Economic Research, 2015), p. 12

⁵⁸³ Henry Paulson, *Dealing with China: An Insider Unmasks the New Economic Superpower* (Twelve Hachette Book Group, New York, Boston), p. 253

Facts can indeed be mustered to advertise the underlying safety of the US Dollar, but what is the underlying dialectical movement of history as it relates to war? The hegemony of Britain ended as a consequence of the industrial competition from its mercantile rivals, outweighing the surpluses Britain could ‘drain’ from their exhausted subjugated peripheries, leading to speculative attacks on the British gold standard. The US faces a similar challenge in that the foundation of its currency hegemony is faced with a new set of rising mercantile powers, however, it has no gold standard to defend, which prolongs its staying power. Had the US managed since 1944 to maintain the global economic unevenness it had inherited at the time, that is, to “maintain this position of disparity” in the words of Kennan, then the US could continue exercising its exorbitant privilege or seigniorage, however, the industrialisation of its mercantile rivals, especially China, presents the US with a looming expiry date to that ‘privilege’, which is perhaps why Brzezinski warned US geostrategic thinkers about the growing threat to US currency hegemony of an “antihegemonic coalition” with the potential to exclude the US from Eurasia.

According to Prasad, one major “counter-intuitive” quality of the US Dollar is that “uncertainty” triggers wealth-holders to seek the “safe-haven” of US financial institutions. Similarly, according to Kirchner, “the US Dollar appreciates in response to economic policy uncertainty”, before pointing out that from 2010-11 onwards, rising uncertainty has coincided with an appreciation of the US Dollar against a trade-weighted index⁵⁸⁴. This makes sense insofar as uncertainty favours established pre-eminence over future potential, that is, it favours the pre-eminence of US currency hegemony, over the future potential of mercantile rival currencies. According to Prasad, “it is striking that, so far during 2019 – amid all the trade wars, *geopolitical tensions*, and economic and political recriminations against the US – foreign central banks in aggregate have been net purchasers of US Treasury securities” (emphasis added)⁵⁸⁵. That “geopolitical tensions” coincide with the US Dollar strengthening suggests that the US has an incentive to provoke “geopolitical tensions” through economic and/or military aggression.

Although Prasad does not acknowledge any causal relationship between the US financial system and US military power, instead presenting US currency hegemony in

⁵⁸⁴ Stephen Kirchner, 2019

⁵⁸⁵ Eswar Prasad, [Has the Dollar lost ground as the dominant international currency?](#) (Cornell University and Brookings Institution, September 2019), p. 17

Kindleberger/HST terms, that is, as a burden carried by the US for the sake of global financial stability, he also used the phrase “protection money” to refer to the purchase of “US Dollar assets”, which is curious wording insofar as this phrase is also a euphemism for extortion⁵⁸⁶. Similarly, in a speech, Prasad stated, “there is so much turmoil that countries around the world seem willing to pay this huge price in order to protect themselves”⁵⁸⁷, in other words, “turmoil” is good for US currency hegemony because of the influx of “protection money” that comes with it.

Given that Britain’s mercantile rivals were also attempting to maintain gold standard currencies, the mere inability of Britain to maintain the gold standard, unseated its hegemony. However, the US has had no such gold standard obligations since 1971, making it the first purely ‘fiat’ currency hegemon in history, one that relies on loans, or ‘protection money’, from the rest of the world, especially in the post-1985 net-debtor phase of its lifecycle. How can the US maintain the perception that the fiat currency that it issues is superior as a store of value compared to the currencies of its rivals, despite having the weakness of being a net-importer of goods/capital? The US depends on the willingness of the rest of the world to continue purchasing US Dollar denominated assets and debt, which in turn relies on expectations and faith, that is, on perception, more than any “economic fundamentals”. When considering the history of military/economic aggression carried by the US-led alliance (of former empires), particularly against those nations that remain outside of that alliance, this global perception of the US would logically also entail some element of fear.

The decline of US currency hegemony provides clues for examining the motivation for the US invasion of Iraq, and specifically, the extent to which the invasion of Iraq was motivated by oil-related interests, which is popularly placed at the agency of oil industry support for the Bush presidency. However, it must be considered that although Bush and his key advisors, namely Dick Cheney and Condoleezza Rice, were former oil executives, and although oil/energy corporations donated substantially to Bush’s presidential campaign, the invasion of Iraq was *never* the preferred option for Unocal⁵⁸⁸, Chevron⁵⁸⁹, Exxon Mobil⁵⁹⁰, Conoco⁵⁹¹,

⁵⁸⁶ Eswar Prasad, 2014, p. 22

⁵⁸⁷ Politics and Prose (YouTube channel), [Eswar S. Prasad “The Dollar Trap”](#), accessed 9/9/20, see 32:53

⁵⁸⁸ Ken Silverstein, [So You Want to Trade with a Dictator](#) (Mother Jones, May/June 1998)

⁵⁸⁹ Ken Silverstein, 1998

⁵⁹⁰ Eric Thomas, [USA*Engage Welcomes New Chairman Robert W. Haines](#) (USA Engage, Jul. 2003)

⁵⁹¹ Archie W. Dunham, [Alternatives to Unilateral Trade Sanctions](#) (The Washington Times, May. 1997)

and Texaco⁵⁹². These corporations had been lobbying for substantially easing the sanctions on Iraq and Iran for the simple reason that they wanted to develop their energy resources and make profits, suggesting therefore that if the influence of such companies dominated US foreign policy decision-making under Bush, then the invasion of Iraq would have not been their preferred course of action.

Ultimately, US oil companies got *none* of the contracts for developing Iraq's oil fields, rather it was companies from Russia, China and Iran that got those contracts⁵⁹³. Regardless, to claim that US oil companies neither pushed for, nor benefited from the invasion of Iraq, does not rule out other oil-related motivations for the invasion related to US currency hegemony. Regarding the Petrodollar specifically, William R. Clark argued in *Petrodollar Warfare* (2005) that the motivation behind the invasion was the ultimately successful attempt to reverse the decision made by Iraq in September 2000 to switch from pricing its oil in US Dollars (the OPEC standard since 1975), to pricing its oil in Euros, which had been launched one year earlier⁵⁹⁴.

The lesson to be drawn here is that capitalists have a fundamental interest in being able to export capital overseas without being impeded by US sanctions, and do not perceive hegemon-rival contradictions, rather, they simply want to do business even if it involves 'exporting capital' to strengthen countries like Iraq that sought to defect from Petrodollar. There is therefore a contradiction between a) the *national* interests of US imperialism on the one hand, and b) the capitalist *class* interests of US corporations seeking short-term profit maximisation on the other hand. It follows therefore that the interests of profit-maximising capitalist firms can perform an objectively anti-imperialist function insofar as their contribution of capital and technology to develop rival and/or periphery nations will raise their incomes, thereby contributing towards increasing supply prices in the hegemonic currency.

The US has long recognised the growing purchasing power from the rest of the world as an exogenous threat insofar as it generates competition over finite resources, most importantly energy, hence the coinciding drive towards energy self-sufficiency in the US this century. In May 2001, the US government released their National Energy Policy, co-authored by a group

⁵⁹² Archie W. Dunham, 1997

⁵⁹³ Max Fisher, [How Russia And China Got Those Iraqi Oil Fields](#) (The Atlantic, Dec. 2009)

⁵⁹⁴ William R. Clark, *Petrodollar Warfare: Oil, Iraq, and the Future of the Dollar* (New Society Publishers, 2005)

headed by vice president Dick Cheney, according to which, “growth in international oil demand will exert increasing pressure on global oil availability”, noting in particular that, “oil demand is projected to grow three times as fast in non-OECD countries as in OECD countries, which will increase worldwide competition for global oil supplies and put increased pressure on our shared environment”, and that, “China and India will be major contributors to this growth in demand and will rely heavily on imports to meet their needs”⁵⁹⁵. In 2010, China overtook the US as the largest importer of oil from Saudi Arabia (the largest exporter)⁵⁹⁶, and in 2017, China surpassed the US as the world’s biggest crude oil importer⁵⁹⁷, however, this is also due to increasing US energy independence, which by 2019 transformed the US into a net-exporter of shale oil for the first time since the 1940s⁵⁹⁸.

The general notion that the US has an interest in provoking instability is explicitly supported by the advocacy of George Friedman, the founder of Stratfor, a US geostrategic think tank. According to Friedman, “the United States has no overriding interest in peace in Eurasia”, rather “the purpose of these conflicts is simply to block a power or destabilize the region, not to impose order”. Friedman also argued that “to maintain the Eurasian balance of power is – and will remain – the driving force of U.S. foreign policy throughout the twenty-first century”, and that, “U.S. actions will appear irrational, and would be if the primary goal is to stabilize the Balkans *or the Middle East*” (emphasis added) – this is from his book titled *The Next 100 Years: A Forecast for the 21st Century*, which was written in 2009, two years before the immensely destructive wars that followed the ‘Arab Spring’ protests, particularly in Syria and Libya⁵⁹⁹.

In the case of Syria, the US led a coalition of regional states including Turkey, Qatar, Saudi Arabia, and Jordan, that attempted to overthrow the government of President Bashar al-Assad militarily by arming and funding both Syrian and foreign insurgents, which according to the former Qatari foreign minister, cost the coalition \$2 trillion dollars⁶⁰⁰. These attempts failed because Syria resisted with help from Russia and Iran, however, if the intention was also to

⁵⁹⁵ Dick Cheney et al, *Reliable, Affordable, and Environmentally Sound Energy for America’s Future* (Report of the National Energy Policy Development Group, 2001), Ch. 8, p. 16

⁵⁹⁶ Jad Mouawad, [China Growth Shifts Geopolitics of oil](#) (New York Times, 2010)

⁵⁹⁷ David Dodwell, [China’s yuan-denominated oil futures](#) (South China Morning Post, 2018)

⁵⁹⁸ Gregory Meyer, [US is net exporter of oil for the first time in decades](#) (Financial Times, 2019)

⁵⁹⁹ George Friedman, *The Next 100 Years: A Forecast for the 21st Century* (Double Day, 2009), p. 46

⁶⁰⁰ Kevork Almassian, [Hamad bin Jassim: we spent \\$2 trillion to remove Bashar al-Assad \(English subtitles\)](#) (Syriana Analysis, YouTube video, Mar. 2022)

sabotage Eurasian integration as suggested by Friedman, then the destabilisation of Syria was somewhat successful. In the case of Libya, there is evidence to suggest that part of the motivation behind the 2011 NATO invasion of Libya was to sabotage plans by the Libyan leader Col. Muammar Gaddafi to introduce a new gold-backed currency called the Gold Dinar that could potentially have challenged the dominance of the CFA Franc. According to an April 2011 Wikileaks cable sent by former US presidential advisor Sidney Blumenthal to then US Secretary of State Hillary Clinton, Gaddafi's "plan was designed to provide the Francophone African Countries with an alternative to the French franc (CFA)" and that "this was one of the factors that influenced President Nicolas Sarkozy's decision to commit France to the attack on Libya"⁶⁰¹. If these motivations were correct, then it further vindicates the definition of imperialism as the imperative to maintain core-periphery trade relations by any means necessary, including warfare.

The rise of China and the fear this instils in the US has reproduced the cyclical pattern of the currency hegemon stimulating the industrial development of its mercantile rivals, thereby creating the conditions for warfare with the most industrially competent of those rivals. From the Buddhist parable central to the philosophy of this research, it follows that the veracity of the reconceptualised usage of imperialism can be measured by its ability to contextualise the various *subjective* viewpoints of relevance to the term, by contextualising them as *partial* truths revealing different parts of the *whole* truth. For example, US geostrategist John Mearsheimer argues that following the Soviet collapse, the US should have ended its policy of contributing towards the economic growth of China, and instead should have acted to "slow China's rise" by various means, including restricting the transfer of US technology to China⁶⁰².

Mearsheimer contends that "the driving force behind this great power rivalry is *structural*" (emphasis added), which aligns well with the prevailing idea of hegemon-rival contradictions that are resolved through warfare. This raises the same recurring contradiction, this time observed by Mearsheimer, between a) the *national* interests of US currency hegemony and imperialism on the one hand, and b) the *class* interests of US capitalist firms seeking short-

⁶⁰¹ Sidney Blumenthal, [France's Client & Qaddafi's Gold](#) (Wikileaks, Hillary Clinton Email Archive, publicised Jan. 2016, originally published Apr. 2011)

⁶⁰² John J. Mearsheimer, [The Inevitable Rivalry: America, China, and the Tragedy of Great-Power Politics](#) (Foreign Affairs, Dec. 2021)

term profit maximisation on the other hand, in this case, by offshoring US industries to exploit cheaper Chinese labour. These two interests were aligned after 1972 when the US needed China to ‘back’ the US Dollar with supplies of commodities in order to keep inflation under control. However, because this policy required transferring technology to improve Chinese industrial productivity, the US contributed towards transforming China from a former extractive periphery into the leading mercantile rival, thereby undermining its own imperialist imperative to maintain global core-periphery unevenness. Had Mearsheimer’s suggestions been implemented, the US would have needed to restrict the freedom of their own capitalist class to invest overseas and transfer technology as they pleased⁶⁰³.

If the US had managed, in the words of Mearsheimer, to “maintain – if not increase” their technological lead over China, no matter how severe the US current account deficit, demand for US Dollars from China could have been maintained owing to Chinese dependency on US technology. However, given that China “wants to become the leading producer of advanced technologies”, the possibility of that lead closing in the near future presents an expiry date on China’s dependence on the US Dollar. Therefore, Mearsheimer’s fears are entirely rational insofar as Chinese technological independence undermines Chinese dependence on US Dollars. Additionally, China “wants to build a blue water Navy to protect its access to Persian Gulf oil”, the realisation of which would undermine any future military containment strategy of the kind successfully employed against China by Britain in the 19th century⁶⁰⁴.

Critical of successive US governments for facilitating China’s rise, Mearsheimer argues that “there is no comparable example of a great power actively fostering the rise of a peer competitor”, which is contestable insofar as hegemon-rival contradictions are not new, however, there is also no comparable example of a *fiat* currency hegemon with no bullion liabilities, let alone bullion-standard competition from a rival currency. This has *major* implications for the relationship between peacetime trade-relations and warfare, beginning with the recognition that simply causing destruction and instability across the world is enough to instigate the purchase of US Dollar denominated assets.

⁶⁰³ John J. Mearsheimer, 2021

⁶⁰⁴ John J. Mearsheimer, 2021

Conclusion

If the term imperialism is supposed to explain the relationship between a) trade relations founded on national exploitation and b) warfare, then it can be demonstrated that as the US Dollar increasingly depends on loans from the rest of the world, and that this would lay the structural foundations for the provocation of war and instability, by the US, not for territories to *export* capital to, rather for that instability to generate *imports* of capital into the US to keep inflationary pressures at bay. This ability of the US to *delay* its own economic decline through sabotage warfare (the stick approach), combined with the voluntary enticement of the US financial system (the carrot approach), represents an unprecedented evolution in the net-debtor stage of currency hegemony as compared with Britain. For while the US has been a net-debtor for thirty-six years (since 1985), the British net-debtor stage was relatively short, beginning sometime after 1919 and ending shortly thereafter in 1931 when Britain announced they would “suspend for the time being” the convertibility of the pound for gold. Also, the geographic security of the English Channel, which separated Britain from continental Europe, has been replaced by the security of the Atlantic Ocean, from behind which, the US can ‘poke and prod’ the Old World, particularly Eurasia where all mercantile rivals are based.

Given these factors, it would be wrong to conclude that US currency hegemony is simply weaker than its British predecessor due to the relative absence of formal imperialism, because this would obscure the resilience and staying power of the US Dollar, which stems from the unprecedented nature of *fiat* currency hegemony. Unlike British currency hegemony, which depended on trust in the ability of Britain to meet its gold obligations, post-1971 US *fiat* currency hegemony has no equivalent obligation and depends solely on trust in the ability of the US to keep inflation below levels experienced by other countries. Countries around the world are still confronted with global commodities markets that are overwhelmingly priced in US Dollars, especially key strategic commodities such as oil, and the US continues to maintain technological leadership over key areas of production, such as semi-conductors, computer software, aviation, and military equipment. By recognising the factors upholding the continued dominance of the US Dollar, it becomes possible to theorise the structural factors that would place an expiry date on US currency hegemony, specifically when it loses technological leadership, which may pre-empt political decisions by mercantile rivals (i.e., China, Russia, and the EU) to bypass the US Dollar by forming alternative financial markets.

Chapter 9. Thesis Conclusion

Theoretical Innovation

The term imperialism was originally intended by Hobson, Lenin, and Luxemburg to explain the rising geopolitical tensions between empires that led to WW1, but their shared conception had no theoretical space for national exploitation, whereas although the subsequent development of the term through WSA introduced the core-periphery spectrum to capture national divergences in economic development, it did not explain how these peacetime trade relations created the conditions for warfare. This raised the question, how can the term ‘imperialism’ be reconceptualised to explain the relationship between the peacetime trade relations historically established by formal systems of national exploitation, and the tendency towards global warfare? The purpose of this thesis was to demonstrate how the insights of Indian political economy provide an answer to this question, firstly, in the theoretical realm of Marxist economics, and secondly, in the realm of economic history, particularly regarding the centrality of the ‘drain’ of wealth from India to the industrialisation and financial expansion of Britain, which was the first ‘capitalist’ and ‘imperialist’ state according to conventional Marxist discourse.

The answer to this question begins with rejecting the tendency within conventional Marxist discourse to treat imperialism as an appendage of capitalism, and instead by treating capitalism and imperialism as two separate types of exploitation, the former of class exploitation, which assumes the singular universality of money, the latter of national exploitation, which assumes the plurality of money, or multiple currencies. Accordingly, in this thesis, capitalism is demoted from being a world system as per Marxist convention, to being merely a system of class exploitation that exists within the nation state. It follows that the term ‘imperialist’ is pejorative, not for reasons of class exploitation, but for all the inhumane connotations associated with national exploitation.

To answer the question, the term imperialism has been reconceptualised to comprise two separate but intersecting contradictions, a) the core-periphery spectrum, and b) the hegemon-rival dialectic. The former is the typical internal dialectic of an empire that engages in national exploitation, and is defined by the core underdeveloping the periphery, whereas in the case of the latter, typically throughout history, the empire that presides over the core-

periphery relations of national exploitation that generates the largest drain establishes currency hegemony. Therefore, the primary imperative for the 'imperialist' state is to maintain the value of the currency that it issues at the expense of the periphery, or to quote Prabhat Patnaik, "imperialism is immanent in the money form", as evidenced by the centrality of India to British imperialism.

Currency hegemony involves practising relative free trade, which stimulates the industrial development of independent states called the mercantile rivals, that are defined as such insofar as they develop by producing in exchange for the hegemonic currency. Theoretically, the currency hegemon and its mercantile rivals need not necessarily be empires that engage in national exploitation, rather they could simply be states with large endowments of natural resources or they could be productive economies that don't rely on inflicting national exploitation, however, throughout history, it is usually the imperialist state with the largest 'drain' of wealth from its extractive periphery that establishes currency hegemony. This generates rising tensions between states, thereby creating the conditions for generalised hegemon-rival warfare, in the manner of a 'Thucydides trap'. The resolution of such warfare usually results in the emergence of a successor currency hegemon from among the mercantile rivals of the previous cycle, one that also inherits an interest in maintaining the geopolitical and economic advantages won by its predecessors, by any means necessary.

Assimilating Diverse Perspectives

Having defined what exactly the term imperialism as a theory is supposed to achieve, the cyclical laws of economic history can be identified, resulting in the proliferation of new terminology capable of assimilating various ideologies and perspectives of relevance to the term 'imperialism' into Marxist discourse by treating them as an agglomerated picture of the world comprised of subjectively perceived partial truths.

The seminal theorist of the term, John Hobson, looked at the world from the perspective of the British working-class, which had an interest in preventing the export of capital. This perspective is analogous to the opposition to 'neoliberalism' by David Harvey insofar as it emphasises that in the West, the export of capital, i.e., the offshoring of industrial production, was against the interests of the working-class. This opposition to capital exports from Hobson

is central to the *original* definition of ‘imperialism’ and prepared the ground for Lenin to make the argument that the working-classes of the “advanced capitalist countries” did not benefit from imperialism, and thus should turn the war between nations into a war between classes. Therefore, during WW1, Lenin espoused a version of the term that was compatible with Hobson, however, after the war, at the helm of the new Soviet state, and addressing delegates from all over the future postcolonial world at the Comintern in 1920, Lenin essentially redefined imperialism as national exploitation.

This aligned the term more closely with its usage in Indian political economy, which is fitting given that the definition of the term proposed by Lenin in 1920 was developed through dialogue with Indian Marxist, MN Roy. The insight of Kautsky that inter-imperialism was not a permanent state of affairs, but one which could be substantially re-arranged, prepared the ground for the geopolitical division of the world into imperialist and anti-imperialist camps. The assumption prevalent in Western Marxist discourse that ‘inter-imperialism’ continues to accurately capture the current world order is one that treats Lenin purely as a descriptive theorist making historically permanent observations. However, this ignores Lenin’s role as leader of the 1917 revolution in Russia, and the impact this had on influencing the course of history itself, thereby contributing to the emergence of new global divisions that ultimately rendered Lenin’s own WW1-era observation of inter-imperialism increasingly redundant in the post-WW2 era.

Marxist discourse must acknowledge that there are two contradictory definitions of ‘imperialism’ offered by Lenin, the first promoted during WW1, and the second promoted after WW1 in 1920 with Lenin at the helm of the Soviet state. The first identified the export of capital as central to the definition of imperialism, however, as this thesis has shown, the export of capital was an *effect* of national exploitation, not its *cause*. Therefore, the export of capital is not inherently imperialist provided the capital-exporting state does not derive its capacity for exporting capital from exploiting other nations. Indeed, such capital exports can even perform an anti-imperialist function insofar as they weaken the core-periphery trade relations that were historically established by violent conquest. The only reason capital exports are considered pejoratively ‘imperialist’ according to the original theorists Hobson, Lenin, and Luxemburg is because they contradicted the interests of the working-classes within the capital-exporting nation, who would much rather that capital be invested at home. Or in other words, capital exports to independent nations can be anti-imperialist for the same

reason the working-classes of capital-exporting states used the word ‘imperialist’ to capture their disdain for capitalists investing abroad rather than at home.

The term ‘imperialist’ refers to actions, usually of states or blocs of states, that either establish or attempt to establish core-periphery relations of national exploitation, or inherit an imperative to maintain, if not advance those relations. This imperative emerges in the perspectives of George Kennan, Allen W. Dulles of the CIA, and Walt Rostow, who, as the leading architects of the US American post-WW2 order discussed the imperative to maintain global disparity and recognised the USSR as a threat insofar as it sought to disrupt that inherited imperative. This imperative emerges in the perspectives of Dick Cheney and John Mearsheimer, who both recognised rising Asian incomes, particularly in China, as threatening to undermine this US imperative. In the case of Britain – the previous imperialist currency hegemon – this imperative appears to have motivated British officials such as George Curzon, Winston Churchill, Randolph Churchill, and John Maynard Keynes, who all recognised the importance to Britain of exploiting India in particular. This imperative also appears consistently in the ideological substance of anti-Communism. In France, pro-Axis opinion perceived the USSR as threatening to undermine French control over its extractive peripheries. Similarly, the Axis alliance of Germany, Italy, and Japan presented Soviet ideology as threatening their prospects of ever having extractive peripheries of their own, which further compelled their attempts to carve out extractive peripheries and/or settler colonies from the USSR in WW2.

Here the term ‘anti-imperialist’ refers to actions, usually of states or blocs of states, that weaken the core-periphery relations of national exploitation even if the motivation is self-interested. Aside from the national liberation struggles in the extractive colonies and otherwise subjugated peripheries across Asia, Africa, and Latin America that managed to throw off imperialist rule, hegemon-rival contradictions have also performed an anti-imperialist role.

On these terms, the US performed an objectively anti-imperialist action when they demanded during WW2 that Britain grant national independence to its extractive peripheries, regardless of the reality that this action was motivated by US desires to take currency hegemony from Britain. However, that action led to the US almost instantly adopting the imperialist imperative mentioned earlier as a means of maintaining currency hegemony in the post-WW2

era. The demand for the remonetisation of silver raised by US politician William Jennings Bryan was also objectively anti-imperialist insofar as it would have weakened the 'drain' from Britain's extractive colonies by pushing up the price of silver, therefore, it is also fitting that Bryan supported the Indian independence movement and identified himself as an anti-imperialist populist, putting the concept firmly within the realm of US political thought.

The Soviet Union also performed an objectively anti-imperialist role throughout history insofar as it contributed towards the weakening of core-periphery relations of national exploitation. Among the world's pre-WW1 empires, only in Russia did the conquering nation (i.e., Slavic Russians) lead a revolution that placed central ideological emphasis on the rights of the 70% of the world's population that lived in "oppressed" or exploited nations according to Lenin; and only in Russia did the conquering nation unify a territory with large endowments of natural resources in the form of the Russian empire, that it became possible to proceed towards even/combined development with those nations formerly conquered by that empire. Therefore, animosity towards the USSR from the other former empires was entirely logical insofar as Soviet foreign policy promised to cut the latter off from their conquered extractive peripheries by supporting their national liberation efforts.

Perspectives from the postcolonial periphery tend to affirm the economic division of the world into camps after WW2. India historically had strong ties with the USSR, which continues with Russia today, and Indian political economy generally considers Indo-Soviet trade to have been beneficial for India. Nkrumah recognised that the USSR and postcolonial countries had large amounts of natural resources that the US-led alliance needed for its own industrial growth, which is an argument the Patnaiks extend to the needs of the 'global north' for the tropical commodities of the 'global south'. From the postcolonial perspective, there is nothing inherently imperialist about the export of capital, especially if the state in question can divert that capital towards industrial development, which is what Naoroji desired for India, rather than such capital merely facilitating resource extraction at larger volumes using new machinery. Therefore, quid-pro-quo capitalist relations between the US-led alliance and the independent postcolonial periphery can be anti-imperialist insofar as they threaten to blur the much clearer and sharper geographic boundaries between core and periphery regions of the world that had intensified in the lead-up to WW2. For example, US oil companies wanted to develop Iraqi and Iranian oil infrastructure in the 1990s, but this clashed with the US imperialist strategy of sanctions, invasion, and the apparent destabilisation of the region.

This transition to fiat currency hegemony as the economic means by which the US exercises imperialism, as recognised by financial insider Michael Hudson after the Nixon shock, involves a combination of *consent* and *coercion*. The US employs consent by enticing individuals into the “American tianxia” to quote Babones’ use of the Chinese word for ‘all under heaven’, particularly by enticing the rich in postcolonial countries, to turn against the dirigiste import restrictions of their governments, if not to financially defect by dumping their local currencies in exchange for US Dollar denominated assets as noted by the Patnaiks.

Unlike Britain, which could simply expropriate its extractive peripheries, the US must entice elites from the postcolonial periphery. As for coercion, if imperialism theory was originally intended to mobilise workers against the hegemon-rival warfare of WWI, then the definitive question is to ask, which side, the currency hegemon, or the mercantile rival, has the greater interest in peace, and conversely the greater interest in provoking war? The answer is that geopolitical tensions around the world generate inflows of capital into the US financial system as Eswar Prasad observed, thereby giving the US an incentive to employ coercion to destabilise the outside world, which is an interpretation of US interests that corroborates well with the Anglo-American geostrategic tradition as espoused by Mackinder, Spykman, Brzezinski and Friedman. Unlike the era of formal empires, when the objective was to annex colonial territory either for settlement or extraction, in the current era, simply causing destruction is enough to trigger an exodus of capital into the Anglo-American financial system as “protection money” to quote Prasad.

In previous eras, the growing antagonism between the prevailing hegemon and the upcoming rival produced wars that were waged *directly* between hegemon and rival, however, given the advancements in military technology (i.e. nuclear weapons), particularly by Russia/USSR and China, the threat of ‘mutually assured destruction’ has disincentivised such *direct* warfare, and instead, created the conditions for warfare within postcolonial nations, that take the *form* of ‘civil wars’ but are more accurately highly internationalised ‘world wars’ in *substance*, that are driven by global hegemon-rival antagonisms.

Evolving Currency Hegemony

The reconceptualisation of economic history presented by this thesis reveals an upward Hegelian spiral in the evolution of currency hegemony that embodies the combination of

recurrent or cyclical phenomena with unprecedented linear developments in technology. Observed over the *longue durée*, the evolution of currency hegemony represents a radical transformation in the evolution of trust, from 1) trustless bullion-based currency hegemony (Iberia); to 2) relatively more trust-dependent bullion-standard paper currency hegemony (Britain); to 3) fully trust-dependent fiat currency hegemony (USA).

Iberian bullion-based currency hegemony was relatively ‘trustless’ in the sense that quite apart from ‘assaying’ the purity of Iberian coinage, once payment was received, the holder of Iberian bullion did not depend on any underlying structures of national exploitation to maintain the value of that coinage, unlike with the allegedly bullion backed paper money issued by Britain in the subsequent era. However, with the advent of bullion-backed paper money, recipients had to trust that the currency hegemon could maintain the value of that money by either keeping inflation under control, or failing that, by having sufficient bullion reserves to meet the bullion standard. Britain had no choice but to establish currency hegemony on the basis of a bullion standard because it was competing with multiple empires that were also attempting bullion currency standards of their own. In this context, the year 1971 marks the historically unprecedented transition of the US from exercising *bullion standard* currency hegemony to *fiat* currency hegemony – the latter being fully trust dependent, not only on the capacity of the US to keep inflation under control, but also on the willingness of the US to refrain from imposing sanctions or seizing assets, however, by engaging in these kinds of actions, that trust is currently being severely eroded.

In the post-Westphalian period, multiple northern European rivals had experimented with paper money in ways reasonably successful in Britain and Holland, but more disastrous in France under the financial reign of John Law. Regardless, Law demonstrated to these empires that paper money could be ‘backed’ by colonies of the kind France failed to establish in Louisiana, however, during that period before Plassey (1757), the world’s two largest sinks for bullion – India and China – had yet to be conquered by Britain. By these conquests, Britain gained control over vast productive forces and natural resources that produced in exchange for ‘silver’ standard currency but were drained sums of money priced in ‘gold’ standard currency. In this way, it became possible for Britain to transform silver into the currency used to facilitate the draining of wealth from its extractive colonies, while reserving gold for ‘backing’ its paper currency. By contrast, the relatively primitive bullion-based form

of Iberian currency hegemony was limited in its capacity to arbitrage the value of silver and gold using paper money, rather, it merely exported what it could extract.

The strength of British imperialism is that it was built upon the foundations of formal empire, meaning it could expropriate wealth from its extractive peripheries by administrative means. However, Britain was also obliged to pay its mercantile rivals in gold, especially since these rivals needed backing for their own bullion standards, thereby contributing to the intensification of inter-imperialist or hegemon-rival contradictions. Once Britain could no longer meet these obligations, its currency hegemony effectively ended, British lending reduced, thereby contributing to the depression of the inter-war period. The subsequent strength of US imperialism is that from its inception, the former hegemon (Britain) and its mercantile rivals had agreed to peg their currencies to the US Dollar, rather than attempting their own bullion standard currencies. Therefore, while it was necessary for Britain to establish a gold standard in order to compete with rival bullion standards, the subordination of most countries to the US Dollar at Bretton Woods, made it possible for the US to foist an extremely trust-dependent and purely fiat currency on the world from 1971 onwards, which is unprecedented in the history of currency hegemony.

Under contemporary US *fiat* currency hegemony, the mere market pricing of commodities in US Dollars and the holding of US Dollar denominated assets, reinforces the global trade relations inherited from the era of formal empires. Although there are certainly important parallels between British and US currency hegemony, there are also important differences. On the one hand, US imperialism has weaker control over the periphery than its British predecessor. On the other hand, US imperialism has stronger control over its rivals insofar as they accepted US currency hegemony, rather than attempting to establish rival currency hegemonies. On the one hand, the US could not maintain even a diminished version of the gold standard because decolonisation had obliterated the previous global system of bimetallic apartheid hitherto established by its predecessor Britain. On the other hand, the US had no competition from rival bullion standards, unlike Britain, due to the global acceptance of the US Dollar as the universal ‘measure of value’ at Bretton Woods.

The subjectivity of closed model Marxism, especially in the West, tends to regard the debate about the ‘gold’ standard solely through the lens of *class* exploitation, according to which, its only purpose is to serve the wealthy by preserving the value of their hoarded money, thereby

preventing the expansion of the money supply to alleviate poverty and unemployment. The logic is that preventing the money supply from expanding is beneficial to the wealthy, who would much prefer the high interest rates earned on their scarce liquidity, whereas the working-class would benefit from inflation if the underlying premise for it were the expansion of their purchasing power/consumption relative to the wealthy by way of productive investment. To invoke Marx, under purely ‘closed’ model assumptions, this would be a case of the ‘relations of production’, dominated by pro-deflation wealth holders, stifling the development of the ‘forces of production’, that would come with productive inflation. This captures the ethical thrust of Marxism as political propaganda, which was to convey that the capitalist class no longer had a ‘progressive’ role in economic history, and that the working-class should overthrow them and build socialism. Closed model Marxism leads to a focus on the extent to which the ‘gold’ standard was *illogical* from the perspective of the working-class, however, this ignored the extent to which the ‘gold’ standard was *logical* insofar as it facilitated the exercise of British imperialism and therefore its currency hegemony globally, and involved *arbitraging* the value of money, most importantly, bullion metals like gold and silver, for the sake of maintaining that currency hegemony.

Despite the technological evolution in the nature of currency hegemony, the cyclical phenomena of enforcing the division of the world into core and periphery regions has always been central to the imperialist imperative. In order for the currency hegemon to accommodate a necessarily limited number of mercantile rivals, a significant portion of the world must remain as low-income periphery producers. Accordingly, the US can only maintain their pre-eminent income levels and ‘first world’ living standards by staving off the inflationary threat to the Dollar posed by rival-periphery synergy of the kind that threatens to incrementally bypass the demand for holding US Dollars. To draw an analogy from the ancient Indian epic *The Mahabharatha*, heaven (*swarga*) is the abode of powerful deities called the Devas, who can only maintain their heavenly status by staving off the weaker deities known as Asuras who live in the underworld (*patala*)⁶⁰⁵.

The unprecedented emergence of *fiat* currency hegemony by the US necessitates drastically revising the characteristics of imperialism for the current era to recognise the vast differences between British imperialism as observed by the original theorists, and the current stage of US

⁶⁰⁵ Devdutt Pattanaik, Bibek Debroy, *The Illustrated Mahabharatha: The Definitive Guide to India’s Greatest Epic* (Britain, Dorling Kindersley Limited, Penguin, Random House, 2017), p. 40

imperialism after 1985. When Britain was the dominant imperialist state, it was also the leading *exporter* of capital before WW1 as the original theorists observed, whereas today, the US is the leading *importer* of capital in the form of loans from the rest of the world that are conveniently repaid with more printed US Dollars. While the export of *capital* was never historically a defining feature of imperialism as reconceptualised by this thesis, the export of *inflation* was always central to imperialism insofar as rising prices relative to income, or falling real wages, is what exploited nations experienced. Logically, the more industrially developed mercantile rival states will experience lower inflation than the currency hegemon, whereas postcolonial periphery states experience higher inflation, especially those unable to control national spending. The historic periodisation of the winter stage of US imperialism, beginning in 1985 when the US turned net-debtor, acknowledges the overall economic decline of the US, characterised by rising debts, deficits, and inflation levels not seen since the aftermath of the Volcker shock in the early 1980s⁶⁰⁶.

For the currency hegemon of today, the present trajectory presents vastly different possibilities than those of its predecessors. Unlike Britain, which lost its status as currency hegemon when it ended gold-convertibility in 1931, there is no bullion constraint to US currency hegemony, only the rising ride of US debt, deficits, and inflation. US *fiat* currency hegemony can proceed along the path of ‘quantitative easing’ so that according to the most recent estimates, 80% of all US Dollars currently in circulation were printed in the two years (2020-21) of the Covid-19 pandemic⁶⁰⁷. For the first time in world history, the dominant imperialist imperative is that of *fiat* currency hegemony in decline, beset by no natural limits to the expansion of the money supply, the value of which increasingly depends on suppressing the development of its Eurasian mercantile rivals and the postcolonial periphery by various means in accordance with pre-existing Anglo-American geostrategies. Within the US, the ability to ‘print imports’ has caused substantial deindustrialisation, save for key strategic industries with their own technological monopolies, which means that currency hegemony increasingly ceases to serve the interests of industries within the US that can be replaced with imports from China and from the other Eurasian mercantile rivals.

⁶⁰⁶ In 2021 the official US inflation rate was 6.8%. Source: Lauren Aratani, [US inflation rate rose to 6.8% in 2021, its highest since 1982](#) (The Guardian, Dec 2021)

⁶⁰⁷ Daniel Levi, [80% of all US dollars in existence were printed in the last 22 months \(from \\$4 trillion in January 2020 to \\$20 trillion in October 2021\)](#) (Techstartups.com, accessed 24 May 2022)

This reconceptualisation of economic history prepares the ground for further research into the implications of crypto currency and blockchain technology, which is entirely premised on the ability of cryptographers to create a bullion mine in cyberspace that can only be extracted by the expenditure of computing energy that is also needed to process transactions of the mined digital coinage. Therefore, just as energy must be exerted to expand supplies of gold and silver, the same applies for crypto currencies, whereas expanding the supply of fiat currency requires practically little energy. Fiat currency represents an incentive to produce, which by expanding the supply of commodities, retroactively justifies the expansion of that fiat currency in the first place. This makes fiat currency a promise to expand the *future* supply of commodities and energy, whereas crypto currency is a product of *past* energy expenditure, thereby placing deflationary limits on its expansion.

Given these unprecedented technological developments, crypto currency potentially represents the ‘great return’ of trustless money, which is why Bitcoin and Ethereum are often explained to the public as the contemporary technological equivalent of gold and silver respectively. However, aside from these stateless and decentralised crypto-currencies, perhaps the real challenge to US currency hegemony will come from the global proliferation of central bank digital currencies, as pioneered by China, poses another major challenge to the supremacy of the US Dollar for two reasons, firstly, because it allows money to become ‘programmable’ in ways that can allow states to enforce effective dirigiste controls on monetary inflows and outflows, and secondly, because it allows states to bypass US sanctions, and bypass the need to use US-governed SWIFT and BIS payment gateways.

The theory of ‘imperialism’ proposed by this research raises questions about the threat to humanity posed by ecological degradation. The three-way demarcation of the world into currency hegemon, mercantile rivals, and the postcolonial periphery also implies the division of the world into US-led ‘Western’ zones of net-consumption; and Eastern zones of net-production centred on China as the supply depot of humanity for value-added goods. Supply chains stretched across vast geographical spaces connect these zones, which raises questions about the efficiency of such a system. Given the large diesel-fuelled merchant vessels crossing vast oceans to deliver shipping containers between these zones, the question can be posed, how much energy could be saved by distributing production more evenly across the globe? Answering this empirical and hypothetical question is for future research, however, the answer must acknowledge that such an outcome would be *antithetical* to the existing -

strategy of US currency hegemony, which is to uphold the said three-way demarcation of the world. Therefore, addressing the need for greater energy efficiency in the service of human welfare is futile without offering solutions to problem of declining US currency hegemony.

Given that the US imperialist imperative is to maintain global core-periphery relations, there is also the possibility of ecological concerns being cited by proponents of that imperative to justify demanding that the postcolonial world refrain from industrial development and limit their consumption as part of global efforts to avert anthropogenic climate change catastrophe. These divisions are already in motion, just contrast the attitude of Russian president Vladimir Putin with that of former US president Barack Obama on the question of postcolonial development and ecological sustainability. In 2019, Putin responded to the “how dare you” speech⁶⁰⁸ delivered by Greta Thunberg at the United Nations by stating that “people in Africa or in many Asian countries want to live at the same wealth level as in Sweden” and advised Western climate change movement (symbolised by Thunberg) that they should “go and explain to developing countries why they should continue living in poverty”⁶⁰⁹. By contrast, when Barack Obama addressed a forum of young leaders across Africa in 2013, he stated that “if everybody [in Africa] is raising living standards to the point where everybody has got a car and everybody has got air conditioning, and everybody has got a big house, well, the planet will boil over”⁶¹⁰, suggesting that Africans ought to limit their ambitions.

Given these divergent attitudes towards postcolonial development, it follows that discussions around *how* to address ecological challenges are destined to split along geopolitical lines. On the one hand, the West will encourage consumption reduction, both to control domestic inflation and to limit income growth in the non-West, which may reduce emissions, but could also serve the ulterior goal of stalling the decline US currency hegemony. On the other hand, the non-West, led by China in particular, will emphasise the need for technological solutions that can accommodate the postcolonial desire for human development, especially in the areas of energy efficiency, waste reduction, water management, and renewable energy, or at least energy generation that does not emit greenhouse gasses, including nuclear energy.

⁶⁰⁸ Greta Thunberg, [“How dare you?” - Emotional Greta Thunberg attacks world leaders](#) (The Telegraph UK YouTube channel, Sep. 2019)

⁶⁰⁹ Web Bureau, [‘Go, Explain This To Developing Countries’: Vladimir Putin Attacks Greta Thunberg Over UN Speech](#) (Outlook India, Oct. 2019)

⁶¹⁰ Ronald Bailey, [Obama's Climate Worries About Africans Getting Cars, Air Conditioners, and Modern Houses](#) (Reason Magazine, Jul. 2013)

Alliances for Peace?

At the time of writing, geopolitical tensions have reached levels not seen since the cold war, especially following the Russian invasion of Ukraine in February 2022, leading to growing accusations of ‘imperialism’ by all sides of those tensions. In this context, the purpose of this thesis was to transform the term into scientific term that captured the cyclical laws of economic history so that we may best understand the times we live in.

Today, the value of the US Dollar embodies all Western European conquests since the discoveries and conquests of Christopher Columbus and Vasco De Gama, conquests that initiated the violent subjugation of the tri-continent – Latin America, Asia, and Africa. However, the economic patterns of trade and power relations established by those conquests are rapidly unravelling, to which the response of the US-led alliance is quite logically to engage in sabotage warfare, that is, to engage in the attempted stabilisation of the US Dollar via the destabilisation of the tri-continent by various means. Therefore, identifying the causes behind the escalation of geopolitical tensions in the 21st century cannot be confined to the parameters of the formal justifications for warfare issued by the various sides. Rather, the theory of imperialism being proposed demonstrates that these tensions embody the intensification of hegemon-rival contradictions in the declining stage of US currency, just as the original theorisation of ‘imperialism’ embodied the intensification of hegemon-rival contradictions from 1870 onwards, in the declining stage of British currency, even though this was not stated by the original theorists as the purpose of their theorisation.

Upon recognising that the global tensions being witnessed today have their parallels in past lifecycles of currency hegemony, the question arises, can the same fate be avoided? The answer is that by identifying the structures that create the conditions for warfare, it also becomes possible to identify the global alliances that could alternatively be formed to diffuse the tendencies towards such warfare.

Firstly, the price paid by the US for its currency hegemony is deindustrialisation and mounting inflation, therefore, the conditions are created for a growing share of the US population to perceive the overall imperative of US imperialism as contrary to their interests. This is because the exorbitant privilege or seigniorage of currency hegemony cannot be

enjoyed by those US Americans that have been rendered superfluous by such deindustrialisation, such as those in low-wage employment, those who are unemployed or underemployed, or those whose low-wage jobs are threatened by automation. Under these conditions, dirigiste economic policies geared towards the reindustrialisation of the US and towards a diversified manufacturing base can only be achieved through the imposition of tariffs, which paradoxically would undermine US currency hegemony. This is because the re-introduction of dirigiste controls to the US, including tariffs, would mean closing off its market to the rest of the world to some degree. This would compel the mercantile rivals and periphery states to shift their export production away from producing in exchange for US Dollars, and towards exchange for other currencies, thereby undermining their willingness to uphold US currency hegemony. Indeed, many US Americans voted for Donald Trump because of his promise to reduce the trade deficit with China.

Secondly, the Eurasian mercantile rivals, led by China, are rapidly closing the technological gap between themselves and the US and also intensifying combined development with the postcolonial periphery. This puts the mercantile rivals in a position where if they sell their US Dollar denominated assets and buy financial assets denominated in rival currencies, this could intensify US Dollar inflation. However, such decisions may exacerbate global tensions even further as a consequence of the US provoking geopolitical instability overseas in order to stave off the inflationary threat to the US Dollar. Alternatively, the currency hegemon could ask the governments of its mercantile rivals to forgive US government debts and/or destroy a significant number of US Dollar denominated assets (rather than selling them off), in exchange for geostrategic concessions, such as the removal of the US military presence from various parts of the world, thereby easing global tensions. Indeed, many US Americans voted for Donald Trump because of his promise to end US involvement in overseas wars.

Thirdly, the postcolonial periphery has a long history of propping up the US Dollar both through capital flight and by producing for the US Dollar, however, as the US loses its technological lead, the incentive to prop up the US Dollar diminishes in favour of greater direct trade with the leading Eurasian mercantile rivals, using their own currencies. China, most notably, has established “bilateral swaps” agreements with 41 countries, which threatens to greatly diminish the global use of the US Dollar⁶¹¹. Previous attempts at dirigiste planning across the postcolonial world had capitulated to US demands for trade liberalisation,

⁶¹¹ Hung Tran, [Internationalization of the Renminbi via bilateral swap lines](#) (The Atlantic Council, March 2022)

however, given the technological advances in digital currencies that are currently being rolled out globally, postcolonial governments will have new technocratic tools at their disposal to control spending and capital flight. Naturally, the postcolonial world does include elites that are accustomed to shifting their wealth to US Dollar denominated assets at the expense of their national dirigiste development strategies and at the expense of their national currencies. Therefore, returning to dirigiste planning would require the productive classes across the postcolonial periphery, including workers and the national industrial capitalist class, to politically subordinate those elites.

Given this assessment, there is the possibility of an alliance between those social classes within the US that have been rendered superfluous by the deindustrialisation that comes as a by-product of US currency hegemony, and those social classes within the mercantile rivals and postcolonial periphery that are nationally oriented, as opposed to those that are oriented towards defecting financially by purchasing US Dollar denominated assets, thereby upholding US currency hegemony. Although within every nation there are entrenched social forces with an inherited interest in maintaining the US-led status quo, there are also another set of social forces within every nation that possess the agency and self-interest to oppose that status quo in the service of their own interests. Therefore, by identifying the cyclical laws or structural contradictions of economic history, this reconceptualised theory of imperialism reveals the possibility of forming global alliances that can diminish those contradictions, thereby consciously rebelling against the sense of predetermined inevitability suggested by that theory.

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