WHY CHINA'S CAPITAL EXPORTS CAN WEAKEN IMPERIALISM

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Abstract: The rise of China has prompted US geostrategic thinkers over the past decade to talk about the degree to which another "world war" is inevitable, and has also contributed to growing accusations that China is "imperialist." It will be argued that it is possible to accuse China of "imperialism" under the definitional outline Vladimir Lenin popularised, but only because, in his model of the world, he considered the export of capital to be a defining feature of imperialism; however, this is flawed because his model had no theoretical space for the mechanisms of national exploitation that prevailed at that time, most importantly the "drain" of wealth from India. This is because Lenin's model was borrowed from that of John A. Hobson, who outright denied the "drain." At the time, the claim of the "drain" was pioneered by Indian economist Dadabhai Naoroji, who in turn greatly influenced contemporary pioneers about the topic, namely Utsa Patnaik and Prabhat Patnaik, whose framework offers useful insights. After reconstructing the term "imperialism," it will be argued that Chinese capital exports are actually weakening national exploitation, which is weakening imperialism and raising tensions, not towards "inter-imperialist" conflict, but "hegemon–rival" conflict.

Keywords: China; capital exports; imperialism; currency

Introduction

The rising power and influence of China has prompted many US geostrategic thinkers within the "realist" tradition to discuss the extent to which another "world war" is inevitable, if not advocate the necessity of aggressively containing China, which has prompted references to the 5th century BC Athenian general Thucydides, who famously wrote, “it was the rise of Athens and the fear that this instilled in Sparta that made war inevitable” (*Yicai Global* 2017). Accordingly, the rise of China and the fear this instils in the US has also been accompanied by growing accusations that China is “imperialist.” This is important because regardless of the precise meaning of the term, which will be discussed in due course, there is no doubt that the term is pejorative, often taking the form of an accusation, and that is because it was originally popularised by Marxist-Leninist theory in that manner. Therefore, military conflict with China will increasingly be justified by the US and its allies, on the grounds that China is an “imperialist” power. In this context, the term “imperialism” must be clarified so it does not become an ideological weapon to “manufacture consent” *for* aggressive war, especially given the term was popularised with the *opposite* intention by Vladimir Lenin, who wanted to *end* WWI (World War I).

Addressing the Second Congress of the Comintern in 1920, according to Lenin, “the characteristic feature of imperialism consists in the whole world . . . being divided into a large number of oppressed nations and insignificant number of oppressor nations”—what can be called “national exploitation,” and that “about 70% of the world’s population, belong to the oppressed nations”—a clear reference to those nations subjugated by multiple rival empires (Lenin 1920). However, *it will be argued* that the definition according to Lenin in *Imperialism, the Highest Stage of Capitalism* (Lenin [1917] 1963) does not explain the mechanisms of *national* exploitation, only *class* exploitation. Drawing on the methodology and insights of Utsa and Prabhat Patnaik (2017), *it will be argued* that this theoretical shortcoming obscured the largest historically significant episodes of *national* exploitation that were in operation during Lenin’s lifetime, the mechanisms by which they operated, and the manner in which they continue exerting influence today. Finally, it will be argued that a more relevant reconstruction of “imperialism” is possible, one capable of both identifying the mechanisms of national exploitation in operation today, as well as the underlying economic logic to the apparent “inevitability” of warfare between the pre-eminent power and the rising power as per the Thucydides trap. This can be done by complementing the “core–periphery” dialectic, popularised by neo-Marxists like Immanuel Wallerstein, with what can be called the “hegemon–rival” dialectic, which can be *inferred* from the works of Utsa Patnaik and Prabhat Patnaik (2017), as well as Giovanni Arrighi ([1994] 2010).

The Accusations of “Chinese Imperialism”

The rising power/influence of China has prompted many US geostrategic thinkers over the past decade to talk about the degree to which another “world war” is inevitable, including Henry Kissinger, who warned that if the leaders of the US and China did not discuss the limits of their confrontation then world war would ensue. According to Kissinger,

> our leaders and their leaders have to discuss the limits beyond which they will not push threats, and how to define that . . . you can say this is totally impossible, but if it is, we will slide into a situation similar to World War I. (*Russia Today* 2020)

According to "cold warrior" and former adviser to US President Reagan, Graham Allison, who contributed greatly to the "Thucydides trap" as a geopolitical concept within the Anglo-American "realist" discipline, "war between the US and China in the decades ahead is not just possible, but much more likely than currently recognized" (*Yicai Global* 2017). By contrast, China appears to downplay discussion about war, according to Chinese President Xi Jinping in 2017: "We must all strive to avoid falling into the Thucydides Trap; the notion that a great power is bound to seek hegemony doesn't apply to China, which lacks the gene that spawns such behavior" (*Yicai Global* 2017). Indeed, for the past three decades, China's long-term strategy for dealing with the US is informed by the unwarlike maxim, "hide your strength, bide your time," which was originally coined in 1989 by the Chinese Communist Party leadership under Deng Xiaoping (Heydarian 2014).

The US–China relationship, beginning with the recognition of the People's Republic of China by US President Nixon in 1972, was founded on the understanding that China would develop its productive forces by generating export surpluses in exchange for the US dollar, but ever since the "global" financial crisis of 2007–2008 (more like "North Atlantic" financial crisis), the US has turned increasingly hostile towards China, particularly under the Trump presidency from 2016 onwards. According to Donald Trump's Vice President Mike Pence in October 2018, "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, Pence accused China of "using that stolen technology, the Chinese Communist Party is turning plowshares into swords," thereby accusing China of preparing for war against the US, which logically would only have compelled China to do just that (Pence 2018). In October 2020, Chinese President Xi Jinping delivered a speech to Chinese People's Liberation Army troops in Guangdong, instructing them to "put their minds and energy on preparing for war," which is the latest development in the intensification of US–China tensions (Westcott 2020).

In this context, China also stands accused of "imperialism," increasingly by outlets that explicitly advocate US interests, such as, for example, *The National Interest* magazine, which in 2019 published articles authored by Dok and Thayer, alleging that "Imperialist China Is Invading Africa" (Dok and Thayer 2019), and that "Sino-imperialism" refers to the "risk of falling under the control of China largely through Chinese economic investment and loans" (Dok and Thayer 2020).

In December 2015, *Jacobin*, a publication marketed as "Marxist," published an article by Dr. Ho-Fung Hung (2015) suggesting that because the "export of capital" is central to Lenin's popular definition of the term "imperialism," China, as a growing major capital exporter, is an imperialist power. 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" (Hung 2015; emphasis added). Given the emphasis on "sometimes," Hung is suggesting that even without any military projection by China, the BRI would still be an "imperialist expansion" (Hung 2015). More recently in July 2020, Hung contended that "the dynamics of US–China rivalry is an inter-imperial rivalry driven by inter-capitalist competition" (Hung 2020), which he again justified with reference to Lenin. Regardless of whether these authors even identify as Marxists, their characterisation of China as "imperialist" is entirely consistent with the "export of capital" definition advanced by Vladimir Lenin in *Imperialism, the Highest Stage of Capitalism* (Lenin [1917] 1963), which in turn was influenced by *Imperialism: A Study*, authored by John A. Hobson ([1902] 2005); 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" (Lenin [1917] 1963). Drawing upon the insights of the Indian political economy, best represented today by the works of Utsa Patnaik and Prabhat Patnaik (2017), it will be argued that the term "imperialism" advanced by Lenin was substantially flawed *even for its time*. This is insofar as it did not capture the actual mechanisms of *national* exploitation in operation during Lenin's lifetime, that is, the actual mechanisms by which nations exploit nations.

What Did Lenin Mean by "Imperialism"?

The definition of "imperialism" proposed by Lenin in his pamphlet *Imperialism, the Highest Stage of Capitalism* (Lenin [1917] 1963) was developed, during WWI, with the intention of empowering the "Communists in advanced capitalist countries" with arguments for convincing the working classes of the various empires participating in WWI to use the opportunity to launch simultaneous socialist revolutions. For this purpose, Lenin proposed a general theory for explaining the war/militarism of his era, contesting that unless the "economic essence of imperialism" is studied, "it will be impossible to understand and appraise modern war and modern politics." According to Lenin, the "true class character of the war" was that it was driven from *within* each empire by the interests of "finance capital," whereas the working class in particular possessed both the interests and agency to end the war, especially given they were the ones being conscripted to fight in a conflict that ultimately claimed 17 million lives, the bloodiest conflict in human history until that point.

What does Lenin mean by stating that "imperialism" is the "highest stage of capitalism"? According to Lenin ([1917] 1963): "Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital." According to this metanarrative, the *era* of "free competition" is what defined "old capitalism," which prevailed until the 1860s/1870s, when it began negating itself through the "merging of bank capital with industrial capital," thus producing the *era* of "imperialism," that is, the "monopoly stage of capitalism," referring to the eventual *subordination* of "industrial capital" by "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." Lenin observed that although formally banks functioned as intermediaries between different branches of industry by recycling deposits into loans, "when 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 empire.

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" to seek higher profits in "backward countries" (Lenin [1917] 1963), 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, a reference to the scramble for Africa and naval subjugation of China.

The Divergence Between Naoroji and Hobson

Two books were published in 1901 and 1902 respectively, the first by Indian nationalist, economist, and politician Dadabhai Naoroji ([1901] 2013) titled *Poverty and Un-British Rule in India*; the second by British social-liberal John A. Hobson ([1902] 2005) titled *Imperialism: A Study*. The former, Naoroji, influenced the Indian political tradition, based on his empirical research, which claims to have demonstrated that Britain exacted a very large surplus or "drain" of wealth from India during the era of the British Raj (1757 to 1947). Regarding the former, to offer an indication of his influence, Naoroji has been called "the venerable father of Indian political economy" by Namboodiripad (2010, 65), who was the first Chief Minister of Kerala and a former General-Secretary of the Communist

Party of India (Marxist). In contemporary Marxist discourse, Naoroji's empirical research has been expanded upon further by Utsa Patnaik and Prabhat Patnaik, whose insights have fundamentally reconceptualised the discourse about the meaning of "imperialism" (see Patnaik and Patnaik 2017).

Regarding the latter, Hobson ([1902] 2005) provided the foundational text for Lenin's understanding of "imperialism," which poses a problem insofar as Hobson's model of imperialism *denied* the fundamental economic and historic realities of his own lifetime, most importantly, the *fact* that Britain expropriated a very large "drain" or surplus from its extractive colonies, most importantly India. Hobson was of the opinion that British rule *benefited* India, albeit marginally, by "checking the corruption and tyranny of native princes," by introducing "a public system of schools and colleges," by 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" (287–288; emphasis added). According to Hobson, "there are *some* who maintain that British government is draining the economic life-blood of India" (emphasis added), and that "one-third of the money raised by taxation flows out of the country"; however, ultimately Hobson 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 Britain (288). Hobson was clearly alluding to Naoroji, whose book had been published a year earlier, without even mentioning his name (perhaps as a gesture of disrespect), let alone discussing his exhaustive empirical research on the "drain."

The "drain" imposed on India consisted of Britain setting aside a third of the tax revenues they raised from the Indian population to purchase goods from India, as well as expropriating India's foreign-exchange earnings (Patnaik 2017a). Indians then needed to borrow back their plundered wealth, 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" (Ganguli 1965, 97). Drawing upon Naoroji's empirical research, Utsa Patnaik calculated that this amounted to a net transfer of wealth or one-way "drain" from India to Britain of roughly £9.2 trillion (or $44.6 trillion in USD) between 1765 and 1938 (Sreevatsan 2018). That period, when extended to the end of WWII (World War II) to include the Bengal famine (1943), coincided with the worst famines ever experienced in Indian history, killing up to 49–51 million people (Kumar and Desai 1983, 546–550; Grove 2006, 81–83), most of it directly attributable to British policy, according to the literature on the subject.[1] From 1765 to 1938, this "drain" of wealth created the conditions for the first Industrial Revolution in Britain, and the subsequent export of capital, goods, and settlers.

Drawing on Hobson's model, which denied the "drain," Lenin assumed that the motivation behind "imperialism," especially by Britain, was to secure external sources of *demand*, whereas for Naoroji Britain was motivated to secure external sources of *supply*, both of goods and capital, particularly from India. Hobson argued, therefore, 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" (Hobson 1902 [2005], 85; emphasis added). Similarly, according to Lenin,

> surplus capital will be utilized *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*. (Lenin [1917] 1963; emphasis added)

The overall implication showed that "the masses" (the working class of the capital-exporting country) did not benefit from "imperialism," which certainly aligned with his political message.

The motivation behind exporting capital was, according to Lenin, 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*" (Lenin [1917] 1963; emphasis added); however, the assumption here was that of "capitalism" *spreading evenly* which is why Lenin also wrote, "the export of capital 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." 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 industrial development by externally originating capital, which is also *at the economic expense* of the imperial power. The economic mechanism central to "imperialism" for Hobson was essentially capital flight, which workers generally have an interest in opposing insofar as they would prefer that capital be invested at home, rather than invested in production overseas, that would then compete with home industry. Therefore, the theory of "imperialism" was originally intended to serve the interests of the working classes of the hegemon (Britain), it was not interested in examining national exploitation between "oppressor" and "oppressed" nations that came later with Lenin's reconceptualisation in 1920, which also incidentally came about in dialogue with Indian Marxist M. N. Roy who was one of the leading theoreticians at the Comintern at the time.[2]

According to Lenin ([1917] 1963; emphasis added), “the principal spheres of investment of British capital are *the British colonies*,” but in that case, why did such capital exports not “accelerate” capitalist development in India as it did in the Anglo settler-colonies, since both were “British colonies” according to Lenin’s categorisation? To this question, Naoroji ([1901] 2013), argued that a distinction had to be drawn 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) colonies-for-plunder like India that were simply robbed by colonial state taxation. By contrast, Lenin ([1917] 1963) did not differentiate between a) and b), which becomes apparent from the statistical data he cited, according to which 69% of the capital exported by Britain, France, and Germany (see Figure 1) was invested in settler-colonies, categorised by Lenin under the headings “Europe” and “America,” although presumably the figure would be even higher if the remaining 31% invested in “Asia, Africa, and Australia” differentiated between settler-colonies like Australia and South Africa, and colonies-for-plunder like India. According to the Patnaiks, around 81% of British capital exports or “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” (Patnaik and Patnaik 2017, 184), that is, to the a) the settler-colonies, but also Europe not to the b) colonies-for-plunder.

In the final analysis, Hobson was wrong, Naoroji was right, but because Hobson was of the opinion that “imperialism” did not benefit the British working class, whose interests were his primary concern, why would Indian nationalists like Naoroji have any interest in proving him wrong by offering reasons why Britain (including workers) benefited from draining India? Similarly, for Lenin to proclaim that his working-class audience *benefited* from “imperialism” would have been counter-productive to his anti-war efforts.

Reconstructing Imperialism as National Exploitation

The divergence between Naoroji and Hobson embodies the divergence between two radically different trajectories in economic history, with India and China experiencing an *absolute* decline in incomes and rising mortality as a consequence of the financial tribute exacted by military subjugation to foreign powers, chief among them Britain. By contrast, the zones where most of the exported capital travelled to were parts of the world that have since the 19th century experienced *growing* incomes, which is why they tend to be “first-world” countries. However, in more orthodox schools of Marxism there is no perceived difference, at a theoretical level, between these two divergent outcomes; rather, they are both cases of “capitalism” involving the exploitation of workers and/or peasants by the capitalist class.

To differentiate between these two divergent outcomes, it is important to establish a theoretical difference between *class* and *national* exploitation. Importantly, when imperialism is understood as *national* exploitation, the starting point is qualitatively different from that of *class* exploitation. This is because, according to Prabhat Patnaik (2012), imperialism is "imminent in the money form," which is an idea that proceeds as follows. According to Prabhat Patnaik (2009), Marx rejected the notion of money being simply yet another commodity, which is in reference to *Capital*, Volume I, in which Marx points out that "commodities" have a dual character of both "use-value" and "exchange value" (Marx [1867] 1965, 500), the former being its practical application in the real world, the latter being the ratio at which a commodity exchanges with other commodities. Money by contrast is not sought for its "use-value" and as such has its own *unique* dual character in the sense of being both a "medium of circulation" and a "measure of values," the latter being a claim on use-values, or a means of storing wealth, or a "hoard" which Marx also called it (Marx [1867] 1965, 77–78). The model of *class* exploitation assumes a "closed economy" in which workers' wages and capitalists' profits are denominated in the *same* currency, which in turn exposes the inadequacy of treating money as a universal commodity, given that the *actually existing* world system features *multiple* states and currencies. However, if money is not just a means of exchanging "use-values," rather also a "measure of value," this necessitates a conceptual model capturing *competition* among wealth storing mediums (i.e. currencies) all of whom are competing to promise the greatest anti-inflationary returns, that is, *the greatest claim on use-values in future*.

The Patnaiks' analysis of money is useful for transcending the entirely valid neo-Marxist observation of the "core–periphery" dialectic by complementing it with a separate but overlapping "hegemon–rival" dialectic, namely that of the "currency hegemon" and the "mercantile rival." Regarding the "core–periphery" dialectic, according to Immanuel Wallerstein, the world could be divided 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. However, the problem is that categorising nation-states in this manner presents a *static* image of the world that is *frozen in time*, rather than a *dynamic* model for explaining how this system *negates* itself by its own logic. 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 pressures (Wallerstein 2004, 28). Complementing this well-established "core–periphery" dialectic, the "hegemon–rival" dialectic features a "hegemon," which refers to the state with the currency that dominates global trade, as well as multiple mercantile "rivals," which refer to those states that manage to industrialise by producing in exchange for the hegemonic currency. Here the term "currency hegemony" is used in the same sense Giovanni Arrighi used the term when he identified the four systemic cycles of accumulation under 1) Genoese-Iberian, 2) Dutch, 3) British, and 4) US "hegemony" (Arrighi [1994] 2010, Xi). According to the Patnaiks, who similarly identify the "hegemony of the US dollar," the "hegemon" must allow "a current account deficit against itself by its rivals," because if they refused by enacting "protectionist measures" then it would undermine their hegemony. They 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," the latter two referring to the "mercantile rivals" of the present era (Patnaik and Patnaik 2017, 89).

History demonstrates that past acts of imperial violence created the "core–periphery" arrangement witnessed by Wallerstein, but what happens when that arrangement is *peacefully* subverted over time, either by the deindustrialisation of the "core" or the industrialisation of the "periphery," or both? Does that mean "imperialism" ceases to exist, or alternatively, does it mean that the emerging "core" states become the new imperial powers, even if they did not employ violence to attain that position? Responding to these problems, David Harvey has argued that "the old categories of imperialism do not work too well in these times," calling them "crude and rigid," preferring instead to "work with a theory of uneven geographical development" (Patnaik and Patnaik 2017, 169). To justify his argument, Harvey cites the example of China, which has indeed become more "core-like" in its "production processes" (to borrow Wallerstein's terminology), leading him to question, "does this mean China is the new imperialist power?" (Harvey 2018). Answering "yes" to such a question would be to assume that "core" is synonymous with "imperial power," but what if the state in question did not reach "core" status by engaging in national exploitation?

Addressing the 13th Annual Forum of the World Association for Political Economy in 2018, Chinese Marxist Enfu Cheng alluded to this question, stating:

> On this point, China should make clear that when its spokespeople say that their country is progressing to the "center" of the world economic arena, this does not mean that China intends to follow in the tracks of the new and old imperialist nationalism and colonialism of Western "center" countries. (Cheng 2018, 537)

Indeed, to label a country "imperialist" for simply advancing their productive forces cheapens the concept of "imperialism," preventing it from attaining its true potential. Furthermore, there is an ethical difference between a state that violently enforces a "core–periphery" relationship upon conquered nations, and a country like China that engages with other states on a "win–win" or *quid pro quo* basis as Cheng (2018, 537) also points out. To obscure this ethical difference would be to condemn development and romanticise poverty; rather, one should differentiate between those states that seek to *maintain* the "core–periphery" structures originally founded by the violent conquests of past successive empires, and those states that, even by acting in their own self-interests, are *weakening* those dependency structures.

Returning to the "hegemon–rival" dialectic, what allows the hegemon to issue the currency that dominates global trade? In the case of Britain, hegemony was attained by conquest, creating a polarisation between "core" and "periphery" within the British Empire that effectively "backed" the value of the British pound sterling with the freely acquired surpluses. Because Britain had access to the largest "drain" *relative* to all the other world powers, practising *relative* free trade made logical sense for Britain; however, doing so stimulated the development of its mercantile rivals, which refer to those states that manage to catch up to the currency hegemon by industrialising under tariffs. In the lead-up to WWI, the hegemony of Britain ended as a consequence of growing trade deficits with its mercantile rivals, most importantly the US and Germany. These trade deficits began outweighing the surpluses Britain could drain from its exhausted subjugated peripheries, leading to speculative attacks on the gold-pound standard, which Britain was compelled to end by 1931. For more on this particular claim, see "India in the World Economy 1900 to 1935: The Inter-War Depression and Britain's Demise as World Capitalist Leader" by Utsa Patnaik (2017b).

Following this reconstruction, "imperialism" refers to the mechanisms of *national* exploitation, whereas "capitalism" refers to the mechanisms of *class* exploitation. A state becomes an empire, or imperialist when it establishes a "core–periphery" relationship of national exploitation at the expense of a conquered nation(s). There can be many of these relationships in the sense of multiple co-existing empires; however, there is usually one that exacts the largest tribute or "drain" from its "periphery." If the empire with the largest "periphery" manages to become the world's leading industrial power, then they *may* choose to establish currency hegemony over the empires or states they have *not* conquered. This involves the hegemon keeping its markets open for the goods of its rivals, thereby stimulating their industrial development. This is what creates the conditions for the Thucydides trap, that is, conflict between the hegemon and its mercantile rivals, but also for the subjugated peripheries of the various empires to launch national liberation struggles to free themselves from imperial rule.

These wars can be called "hegemon–rival" wars, rather than "inter-imperialist" wars. In the case of the latter, both sides would need to preside over their own respective systems of "core–periphery" national exploitation for the conflict to be "inter-imperialist," which in Lenin's time was certainly the norm. However, "hegemon–rival" conflict simply captures the *purely* economic contradiction of how the relationship between the "free trade" hegemon and its "mercantile" rivals evolve over time, regardless of whether the powers in question preside over their own systems of national exploitation or not. Hegemony *may* be founded upon imperialism and it usually is, but it need not necessarily be the case. Similarly, a mercantile rival may also be founded upon imperialism, but not necessarily. Central to the "hegemon–rival" dialectic is the Thucydides trap, the basic notion that contrasts the *decline* of the pre-eminent hegemon with the *rise* of the rising mercantile rival, positing this as the engine for mounting economic contradictions to be resolved by other means, warfare.

What Is Imperialism in the Post-colonial Era?

What is imperialism in the post-colonial era after WWII? In this era, which extends into the present day, imperialism constitutes all attempts by the former empires to maintain the economic advantages won against their former colonised extractive colonies. Therefore, imperialism is the attempt to *maintain* the core–periphery relations, or to quote Radhika Desai, to "maintain unevenness," however, there is an argument to be made that imperialism did indeed weaken in the post-WWII era, as evidenced by the short lifespan of the US gold standard (Desai 2013, 30).

Why was it that the US could only sustain a gold standard currency for 27 years, whereas Britain maintained a gold standard for over a century? The answer, according to the Patnaiks 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. This is because, unlike Britain, which according to Indian Marxist Amiya Kumar Bagchi could "transfer capital resource from the non-white colonies to the white ones and support industrial growth in the latter" (Bagchi 1972, 1565), 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. According to the Patnaiks,

> if the United States had had access to colonial "drain" in the era of the Bretton Woods system, as Britain had during the gold standard, then there would have

> been no outpouring of dollars, no build-up of claims against the United States, just as there had been no build-up of claims against Britain during the gold standard years despite its running persistent current deficits vis-a-vis other metropolitan powers. (Patnaik and Patnaik 2017, 145)

Similarly, according to Desai, "bereft of colonies, the United States could never replicate these arrangements [of Britain], and its liquidity provision through deficits would first drain its gold reserves" (Desai 2013, 126). In the previous era of formal empires, the (would be) post-colonial nations were simply plundered for their resources, 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.

What does "imperialism" mean in the post-colonial era? During the era of *formal* empires before WWII, direct military subjugation ensured the smooth transfer of surplus from the subjugated periphery (i.e. Asia and Africa) to the hegemon (i.e. Britain). However, after the war, Asia and Africa gained independence (Latin America gained independence from the Iberian empires in the 19th century). According to the Patnaiks, the immediate post-WWII era (until around the 1970s) represented the "weakening of imperialism" in the sense that core–periphery relations weakened in this period (Patnaik and Patnaik 2017, 192). Therefore, having emerged out of WWII in the strongest position, the US established hegemony on the basis of its industrial supremacy at the time; however, unlike Britain's *formal* empire, the US was faced with a rapidly decolonising world, making it possible for newly independent post-colonial states to have their own industrial revolutions by developing in a mercantile manner, and by producing in exchange for the US dollar.

This "weakening of imperialism" phase identified by the Patnaiks happened because in the previous era of formal empires, the periphery nations were simply plundered, whereas upon gaining independence, access to their resources requires ostensibly *quid pro quo* approval. Ironically, this created the conditions for the export of capital by the new hegemon to the newly independent post-colonial world, not as an act of "imperialism" rather as a consequence of imperialism *weakening*. In this reconstructed definition, there is nothing inherently "imperialist" about the export of capital by the US; rather, imperialism consists of the hegemon trying to maintain the value of its currency by freezing the global "core–periphery" relations that it inherited from the preceding hegemon *by any means necessary*.

The Patnaiks argue that "neoliberalism" from the 1970s onwards represents the strengthening of "imperialism" insofar as the US began leveraging its hegemony to exact economic concessions from the post-colonial world, most importantly by demanding, a) cutbacks on state spending, b) trade liberalisation, and c) capital account liberalisation (Patnaik and Patnaik 2017, xvi). This resulted in the agrarian capacity of the post-colonial world in particular being reconstructed in the image of Western purchasing power, resulting in the diversion of agrarian land towards export crops, leaving less available for local consumption. Indeed, the Patnaiks, along with their political party, the Communist Party of India (Marxist), largely attribute the mass protests across India to this ongoing structurally driven immiseration, which they accuse the current Modi government of exacerbating further by enacting new laws that experts like P. Sainath say will depress prices for farmers even further, resulting in further income deflation for the masses (Mukherjee 2020). However, there is also another side to "neoliberalism," namely, that it was a period in which the pre-eminent hegemon stimulated the development of China, which is now the leading mercantile rival to the US. This allowed the US to back its currency with the products of cheaper Chinese labour in the medium term, but rather than remaining content with producing clothing and cheap manufactures for the US the Chinese leadership proceeded to close the technological gap between itself and the US, which until 1991 was more pre-occupied with containing the Soviet Union.

To Western audiences, "neoliberalism" represents merely a victory for the capitalist class. For example, according to David Harvey, who has contributed greatly to defining "neoliberalism," the term "refers to a class project that coalesced in the crisis of the 1970s" (Harvey 2010, 10). However, the definition Harvey provides, although not inaccurate, analyses the term from the perspective of the working classes in the West, in that the political use of the term is said to have "legitimised draconian policies designed to restore and consolidate capitalist class power." However, this perspective for defining the term effectively erases from its definition that "neoliberalism" was not *just* a "class project" but *also* a "national" project, one driven by the interests of the United States as part of its strategy for upholding global currency hegemony. According to this reconceptualised model, neoliberalism also importantly represents a divergence *within* the post-colonial camp of nations, particularly between India and China, the former drifting back towards the terms of trade that prevailed under British rule, the latter forging ahead towards technological parity with the US.

The process by which a mercantile rival attains hegemony can have the unintended consequence of weakening the core–periphery relations that the previous hegemon had established. For example, the US demanded that Britain decolonise in exchange for support during WWII. At a 1941 conference with Britain, 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 1946, 25).

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 Charter (Roosevelt 1946, 43). Therefore, the US contributed towards weakening the "core–periphery" relations established by Britain, which it did as a means of attaining currency hegemony, but once in the position of the hegemon the US sought to freeze the "core–periphery" relations. Former US official George Kennan, one of the architects of the US post-war order, embodies this particular logic of hegemony:

> 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*. (cited in Desai 2013, 96; emphasis added)

This involves obstructing the industrial evolution of its peripheries into mercantile rivals, *regardless* of whether they industrialise by "capitalist" or "socialist" means, as this is merely a question of internal class structure.

In hindsight, US attempts to freeze global "core–periphery" relations have clearly failed. By 1950, the US share of exports in manufactured goods peaked at 26.6% of the world total, which by 1967 had fallen to 20.6% (Magdoff 1969, 27). Eventually, for the US, the trade surpluses turned to deficits in 1977 (World Bank 2020), and from 1985 onwards, the US has become a net-debtor that relies on loans from the rest of the world (Kilborn 1985), most importantly loans from China, which is the leading mercantile rival to US hegemony today. Even the invectives against China by the Trump administration reveals an ailing hegemon lashing out at its leading mercantile rival, or "this mercantilist totalitarian system," which is how Trump's former adviser Steve Bannon described China (PBS 2019).

Drawing on Trotsky's dichotomy of "uneven and combined development," it has been suggested by Priya Chacko and Kanishka Jayasuriya (2017), that China seeks to maintain uneven development through the "regulatory geography" that governs the BRI. If this were true, then one could argue that China is "imperialist" for seeking to "maintain unevenness," which is how Desai defines the term (although she does not make this specific argument). Anticipating such criticism, this paper encourages a dialectical approach towards history, which begins by noting the double-edged nature of currency hegemony. On the one hand, the

US can "print" its imports, thereby allowing the US to run the largest absolute net current account deficit and net-external debt on earth, without experiencing too serious inflation. On the other hand, the ability of the US to "print" their imports, undermines the productive forces within the US over the long term, resulting in growing inequality and societal breakdown of the kind currently being witnessed there, where 40% of US Americans do not have $400 for emergency expenses (Youn 2019). By contrast, China runs the largest absolute surpluses of both goods and capital, which offers more options for the world's former colonised peripheries across the post-colonial world, and greater competition for the Anglo-American financial empire, and its associated lending institutions, chiefly the World Bank and International Monetary Fund (IMF). In other words, even if China seeks to maintain uneven development, the fact that they are in competition with the US is positive for post-colonial countries insofar as it gives the latter more options for developing in a mercantile manner, resulting in the tendency towards *combined* development rather than *uneven* development. In other words, "hegemon–rival" economic competition can structurally facilitate peripheral post-colonial development, regardless of whether the hegemon or rival wants this to happen—this is what happened when the US under Roosevelt was the rising rival against British hegemony.

If "imperialism" theory was originally supposed to consciously mobilise against the hegemon–rival warfare of the kind that took place in WWI, then perhaps the more definitive question would be to ask which side, the hegemon or the rival, has the greater interest in peace, and conversely the greater interest in war? The answer is both theoretical and historically contextual.

The evidence suggests that the current hegemon has an interest in destabilising the outside world in order to prompt financial flows into the US banking system. According to Brookings Institute expert Dr. Eswar Prasad (2014), 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. Given that "geopolitical tensions" appear to cause (or at least coincide with) a strengthening of the US dollar, this raises the plausible necessity of economic/military aggression by the US to preserve the hegemony of the dollar. According to this geostrategy, the US financial system offers itself as the solution, or "safe-haven," to the "geopolitical tensions" that the US contributed towards in the first place. Although Prasad does not acknowledge any causal relationship between the US financial system and US military power, he also uses 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 extortion (Prasad 2014, 22). There is so much turmoil that countries around the world seem willing to pay this huge price in order to protect themselves; in other words, "turmoil" is good for US dollar hegemony because of the influx of "protection money" that comes with it.

Has there ever been an admission by the US government or its affiliated institutional advocates that they favour instability in Eurasia? According to George Friedman (2009), founder of Stratfor, a US geostrategic think-tank that has been called "the Shadow CIA" by NewsCorp publication *Baron's*, "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 argues that "to maintain the Eurasian balance of power is—and will remain—the driving force of US foreign policy throughout the twenty-first century," and that "US actions will appear irrational, and would be if the primary goal is to stabilize the Balkans *or the Middle East*" (Friedman 2009, 46; emphasis added). This is from his book titled *The Next 100 Years: A Forecast for the 21st Century*, which was written in 2009, on the eve of the immensely destructive Arab Spring wars. The term "imperialism" must identify where the impetus towards warfare is coming from if the purpose is to mobilise against it. In the present context, the evidence suggests that it is the declining pre-eminent hegemon that has an interest in military escalation, because from its perspective trade relations with the rest of the world are getting *worse*, whereas for the rising mercantile rival trade relations with the rest of the world are getting *better*, without any need to exercise force.

Finally, if imperialism consists of the hegemon trying to maintain the value of its currency by obstructing the industrial evolution of peripheries into mercantile rivals, then it logically follows that capital exports from mercantile rivals like China to the periphery economies of Africa can *undermine* the economic advantages that the pre-eminent hegemon (i.e. the US) had hitherto taken for granted, thereby *undermining imperialism*.

China transformed into a net-exporter of capital in 2000 (see Figure 1), and since 2015 has grown to become the largest net-exporter of capital in the world, but like the exports of capital by Britain these exports are an *industrialising* force in the countries they are exported to, rather than a *deindustrialising* force, which is what defined the national exploitation of India, China, and African nations by Britain. That Africa is rapidly industrialising as a consequence of Chinese investment is widely acknowledged. According to the IMF, "Sub-Saharan Africa is the second-fastest-growing region of the world today, trailing only developing Asia" (Sayeh 2013); according to the American Enterprise Institute (AEI), "the value of China's overseas investment and construction combined since 2005 exceeds $2 trillion" (AEI 2020), with $304 billion invested in sub-Saharan Africa alone. Chinese investment is rising, while US and European investment is falling in Africa—since 2011, China represents 40% of

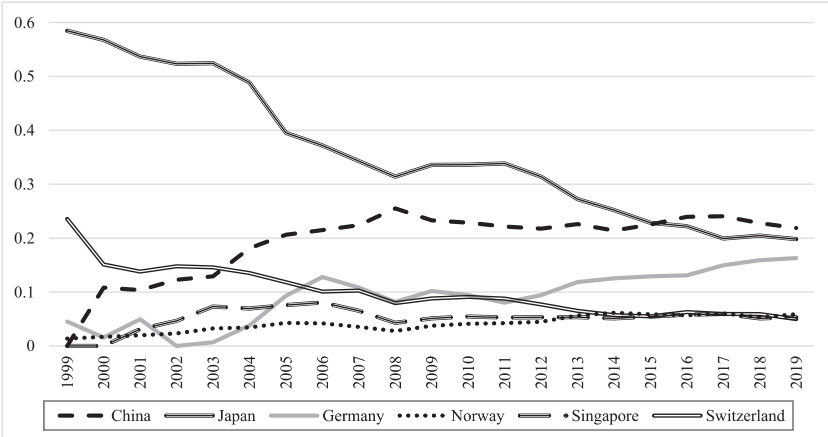

Figure 1 Largest Capital Exporters as a % of Total Global Capital Exports

Source: IMF (2020).

the investment for developing Africa's infrastructure, whereas the US share declined from 24% to 6.7%, while the European share fell from 44% to 34% (Huang 2016). According to Dr. Parag Khanna, author of *The Future Is Asian*, the reason why China established the Asian Infrastructure Investment Bank (AIIB) was because the World Bank turned away from financing major infrastructure projects more than five decades ago (Khanna 2019). Therefore, by aiding the industrialisation of Africa, China's capital exports perform a similar role to British capital exports to its settler-colonies and to Western Europe, insofar as it results in the diffusion of industrial production. It is the most important thing that China is not *draining* Africa of its wealth following military conquests the way Britain drained Asia and Africa. Indeed, China does not have a military presence in Africa, merely an economic one, founded on its current status as the industrial supply depot of the world economy. Naturally, the processes of industrialisation have always had negative consequences of the kind referred to by Dok and Thayer (2019, 2020) (i.e. environmental damage and pollution), which then adds the emotive thrust behind the charge of imperialism against Chinese capital exports, but these are the consequences of industrialisation *everywhere*, including *within* Britain and other advanced capitalist countries.

Furthermore, given that imperialism consists of the hegemon trying to maintain the value of its currency, it follows that the US would much rather China export capital to the US (particularly by financing the US net-external debt, which is the largest in the world), thereby upholding US dollar hegemony, *rather* than exporting capital to the post-colonial world. The US has an interest in maintaining, if not increasing the flow of capital from China to the Anglo-American financial system, especially to capture capital flight. According to figures released in 2016, by Global Financial Integrity (GFI) and the Centre for Applied Research at the Norwegian School of Economics, since 1980, developing countries have lost an estimated $16.3 trillion (USD) due to "broad leakages in the balance of payments, trade misinvoicing, and recorded financial transfers," i.e. capital flight, of which the Chinese share alone is $4.6 trillion (USD) (Clough 2016). 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 the Chinese showed "admirable resolve in cooperating with our government and in maintaining their holdings of U.S. securities throughout the crisis" (Paulson 2015, 253). However, the willingness of China to continue financing the hegemon's debts seems to be weakening. Although the composition of China's foreign-exchange reserves is a state secret, its government periodically releases important revelations suggesting that in the 2000s, the share of US dollar-denominated assets as a percentage of China's total foreign-exchange reserves peaked, then began falling. In July 2019, China revealed that its holdings of US dollar-denominated assets as a percentage of its total foreign-exchange reserves had fallen from 79% in 2005 to 58% in 2014, the latter figure being *lower* than the global average of 65% in 2014 (Zhou 2019; emphasis added).

The US dollar is pre-eminently held as a global "measure of value" more so than as a "means of exchange," let alone as a "means of exchange" solely for purchasing US goods, whereas the Chinese Renminbi—the currency of the rising mercantile rival—is held, largely as a "means of exchange" for Chinese goods. Today, 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 "means of exchange" for Chinese goods, *into* a "measure of value," thereby edging it closer to the properties that define US currency hegemony. China also has plans in the near future to conduct "half" its trade in Renminbi and is developing rival crypto-currency infrastructure so that it can "evade the long arm of the US Treasury department" (Khanna 2019). Therefore, the US is being *forced to compete* for capital with China, which can only worsen the US current account deficit by potentially raising the cost of borrowing. 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" valued at "$3 trillion in liquidity by 2025," that have even been purchased by Standard Chartered in Britain (an important ally of the US-led alliance), and similarly, in the private sector China's financial asset markets are expected to grow from $3 trillion today, to $15 trillion by 2025 (Khanna 2019, 165).

Does this mean currency hegemony is synonymous with imperialism? No, imperialism is established through the conquest of "core–periphery" relations of national exploitation, the relative economic success of which allows for the *possibility* of currency hegemony. However, this does not mean that currency hegemony is *inherently* imperialist, and that's because it need not be established through conquest; rather, it can *potentially* instead be established through the industrial dynamism and/or resource wealth of the state in question. Attaining hegemony can get to a "late" stage where the hegemon feels compelled to go down the path of disrupting capital exports from the mercantile rivals to the periphery, that is, disrupting "mercantile–periphery" synergy. If China should attain currency hegemony, would they go down that path? The future is unwritten, but it can be said that having currency hegemony does tend to erode domestic industries, especially when the state does not discipline its capitalist class by forcing capital to invest according to state planning requirements, and by preventing the export of capital, which would then escape to stimulate the development of foreign countries.

Conclusion

The rise of China as a net-exporter of capital, and the fear this instils in the US, which is the largest net-importer of capital, helps explain why advocates of US interests have over the past decade become fervent "anti-imperialists" for reasons that are entirely consistent with Lenin's *Imperialism*, which was founded upon the "drain-denialism" of Hobson. However, those reasons do not reflect the "spirit" of what Lenin meant by "imperialism" insofar as it failed to adequately capture the *actual* mechanisms of national exploitation that predominated in Lenin's lifetime, mechanisms that Lenin's 1920 speech invited communists across the world to further construct.

The Leninist theory of imperialism was intended to stop WWI by putting the argument to the European working class that their respective capitalist ruling classes were exporting capital to take advantage of cheap labour and resources overseas, rather than raising wages at home, ultimately leading to war between empires. Ironically, taking advantage of cheap labour in this manner is what the US did when they exported capital to China at the expense of their domestic manufacturing, thereby contributing to the economic rise of China in the first place. Was China a "victim" of US imperialism by receiving these capital inflows? No, this was a *quid pro quo* relationship founded on "capitalist" mechanisms of *class* exploitation; however, there was no *national* exploitation. Now China is doing the same by exporting capital overseas, particularly to Africa, but in this situation, the charge of "imperialism" as the "export of capital" is being weaponised by advocates of US interests to justify the aggressive containment of China, that is, to justify *war*, which is the exact opposite of what Lenin intended, which was to *end* war.

Does this new model offer any insights for avoiding war? Returning to the more familiar ground of *class* exploitation, now is the time to appeal to the US working-class and unemployed poor with the message that if they gave up currency hegemony, industries would return to the US, largely as a consequence of import prices rising. One possible solution is for the hegemon to ask its rivals how many US dollars they are willing to simply destroy (rather than sell off) in exchange for geostrategic concessions, such as the removal of the US military presence from various parts of the world. Indeed, many Americans voted for Trump because of the promise that he would work to close the trade deficit with China and ends US involvement in wars in the Middle East, which shows that Americans would certainly be receptive to the prospect of giving up currency hegemony for the chance to re-industrialise.

Notes

1. Writers who have drawn a causal link between the "drain" and these famines include but are not limited to: Dadabhai Naoroji ([1901] 2013), Utsa Patnaik (2017a), and Amiya Kumar Bagchi (1972), etc.
2. In that 1920 speech, Lenin mentions, "Comrade Roy, who has formulated the supplementary theses."

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