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Capitalism and Economic Imperialism

The Mechanics of Expropriation

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With 'recovery' the dominant economic theme in the capitalist media the unqualified inference is we all benefit. Left out is the fundamental tension of capitalism—profits care not whether they derive from zero-sum transfers or from shared growth. Unless social power is considered in association with economic production zero-sum transfers can provide the illusion of prosperity from the facts of immiseration. One particular example is the for-profit prison system where drug laws designed to target inner-city black and brown youth combined with racist policing under stop-and-frisk and driving-while-black policies feed a for-profit prison system where connected privateers profit from the deprivation of a captive citizenry.

The economic-social nexus at work in for-profit prisons is a microcosm of the imperial tendencies of the capitalist West. Its parts are the integration of state and private functions where presumed social legitimacy derives from the state function (right to imprison) and the structure (private prisons) derives its economic legitimacy from capitalist 'efficiency.' The broader context is political-economic relations as they have developed historically with the result of a social taxonomy (race, class) with embedded place in the existing social hierarchy. The explicit relation of domination and control affected by prisons to the systemic theft of labor of slavery finds its contemporary expression in for-profit prison labor with the 'innovation' of technocratic cost containment through deprivation that provides the 'added' profit motive. Quite explicitly here one person's table is full because another's has been emptied.

The strategies used to legitimate this system are fundamentally political—social taxonomy is history embedded in current relations. Statisticians call 'crime' statistics resulting from racist laws and policing 'selection bias' because the premise—the social artifact of 'crime,' is predetermined to derive from subsets of the population and the strategies of crime suppression 'prove' the predetermination by overwhelmingly targeting these subsets. The result that few 'white collar' criminals are in prison is a function of rich whites writing the laws and the police practice of partitioning the types of 'crime' they target and enforce to exclude rich whites. This tendency has multiplied with the ascension of finance capitalism with the predictable consequence economic 'freedom' is the freedom of the financier class to imprison historic and new under-classes under the veil of 'efficiently' providing a state function at a profit. The innovation is the mode of exploitation, not its purpose.

Of relevance here is the history embedded in social classes, the fact of these classes, and the social divisions produced by economic exploitation. The history of race in America, with its extended accoutrement of theoretical apologetics, provides the illusion of binary taxonomy, a convenient 'other' to be conquered with 'divide and conquer' imperial strategies. Blacks, and increasingly browns, have historically been excluded from political and economic participation to the extent their economic production has been stolen from them and put forward as the product of those who did the stealing. To the extent economic power buys political power, stolen slave labor is reified across history as a tool of economic domination.

The suggestion slavery is an existing mode of economic production in the U.S. in 2013 is twenty steps beyond outrageous to most Americans because the formal institution was 'abolished' one hundred and fifty years ago. I leave it to readers to decide the semantic matter yourselves with reference to the work of scholars Michelle Alexander and Kahlil Gibran Muhammad. The points of current relevance are slavery was a (radically egregious) mode of political economy premised on domination and control to expropriate labor from its producers; this stolen labor was put forward as the product of the people and institutions that stole it; and it bought exponentially greater social power for them as it aggregated and time abstracted it from its source.

The 'innovation' learnt from the 'end' of slavery was degrees of the same political-economic outcomes can be produced without it. The remnants of social catastrophe left behind by incarnations of European and American imperialism and related 'world' wars provided the 'natural' states of existence conducive to labor 'freely' choosing to work for multi-national corporations for subsistence wages. The unstated fact of history is people by degree 'got by' for millennia with no help from, or need for, the institutions Western capitalists today put forward as indispensable. Where history didn't suffice 'free-trade' agreements supported by conspicuously imperialist economic theory produced the local misery necessary for Western capitalism to 'come to the rescue.'

In contemporary terms examples of related rentier capitalism abound. The deification of the finally departed Steve Jobs of Apple Computer ignores his use of the remnants of empire (Brits in China and India) as 'natural' source of a willing and pliable workforce from whom under relevant theories of capitalism he stole a significant proportion of his wealth while claiming Apple's product as his own and he used his rentier wealth as a political tool to influence government policies and avoid just taxes that pay for the social and institutional context without which history could just as well have placed him on the receiving end of its 'largesse.' Evidence from Mr. Job's pathetic existence is: absent the power of labor to force just compensation, imperial capitalism will take it for itself.

The ludicrous yet persistent racial theory used to justify slavery, or at least to try to put a patina of legitimacy on it, is of it rescuing 'backwards' peoples from their pathetic ignorance and introducing them to the glories of 'white' culture through forced servitude and expropriation of their product. Those even vaguely familiar with capitalist practice of recent decades will hear echoes in the glee of Western CEOs telling tales of workers lining up outside their factories (or contracted factories) in China, India, Bangladesh etc. for their little piece of the economic pie. Left unexplained is how precisely they got there and left unsaid is Western capitalists could pay these workers what capitalist theory says they should be paid—their 'marginal product,' but they choose not to. Put another way, Western capitalists are only really capitalists when it come to paying themselves.

The 'commonsense-ism' of consumer economics—why should anyone pay more than they have to for something?—unites Wal-Mart customers with their own immiseration when the power to systematically underpay labor is considered. And in fact, if these brave capitalists provided any market 'benefit' other than stealing other people's labor they should be able to pay labor its product and also become rich. (The set of theories claiming this to be the case is called 'capitalism'). The strategic wonder that separated 'consumer' from 'producer' economics seventy-five or so years ago brought the insight to American labor that capitalist 'competition' would lower the prices of goods and services entirely unrelated to the level of wages. While 'productivity' increases could (more than) bridge this gap in theory, doing so requires prying the expropriated product from Steve Jobs', and his brothers / sisters in economic misery's, cold, dead hands. Please, be my guest.

Finance capitalism's major innovations lie in the mechanics of expropriation. The proceeds of slavery, the wealth produced by forced labor that became the 'property' of slave owners, formed the basis of some proportion of the capital behind finance capitalism. Imperial 'adventures' formed some proportion as well. Mercantilist ('protectionist') trade policies provided state support for infant and favored industries. The point is capitalism didn't derive from capitalism and never existed in John Locke's or Adam Smith's 'state of nature.' Western economics takes as given an existing 'state of the world' theorized to be supportive of 'market' economics without providing an explanation of its historical development. Both passing time and capitalist theory have managed to 'sterilize' the historical roots of capital accumulation in the Western mind.

Likewise, the existing state of the world is hypothesized to be free of historical encumbrances. The storied and now infamous Lehman Brothers investment bank got its start with capital accumulated from expropriated slave labor (link above). From the 1850s through the early 2000s blacks effectively couldn't get a loan from Lehman Brothers or related affiliates. When in the 2000s loans (from expropriated slave labor) were made to people of color they were systematically 'predatory' under legal definitions existing only a few years earlier. The loans made were against property, not directly for economic production. When the housing bubble created by the banks went bust, the entirety of black wealth went with it. More wealth was lost than was 'produced' by the rise in house prices funded at usurious rates with slave money by rich whites.

While historically tragic, the broader point from the evolution of finance capitalism is, as with the legacy of slavery embedded in contemporary social relations, its roots are in strategies of economic imperialism, not in capitalist economic theories. The modern epic of finance capitalism running approximately from 1980 to today began with merchant (investment) banking and (most probably) will end with financial derivatives. The 'leveraged buyouts' of merchant banking destroyed existing economic relations to extract economic value from already existing resources. Demonstrations of the economic value created were all and only financial—stock market gains, because once associated costs were accounted for—externalized costs, shifted costs, etc. the deals amounted to looting. (Mitt Romney's language of 'harvesting' assets is telling because it takes the people who produced economic value out of the picture). Likewise, the reason Wall Street is so intent on undoing derivatives restrictions is to protect its power to extract economic rents through monopoly pricing.

The modes of looting are 'successful' in part because they are abstracted through finance. A 'successful' leveraged buyout that broke existing labor and environmental relations to relocate production to low wage countries didn't, by itself, lower the marginal product of labor nor eliminate the shifted costs of externalized environmental degradation. What it accomplished was the ability to exploit labor by paying it less than its product and to force the costs of environmental destruction onto others unimpeded by regulation. What in earlier epics was clearly imperial looting (and wholesale murder)—e.g. the British in Kenya, washed through the 'cleanser' of finance capitalism finds the wealth of those who produced it in the pockets of those who didn't with nary a gunshot fired.

Framed differently, the language of trade economics assumes polities unencumbered by competing economic interests and existing relations of disproportionate political-economic power. Finance capital derives historically from this internal and external asymmetry and it perpetuates it to the extent historical relations support the mechanics of capital allocation. Concretely, existing social relations are embedded history—consider the example of Lehman Brothers 'allocating' expropriated wealth as imperial tool to, in the systemic sense, expropriate more wealth. And the 'external' history is of related exploitation—cheap clothing made in El Salvador and Nicaragua, India and Vietnam, is only cheap when costs in terms of imperial bloodshed and the confiscated self-determination puppet regimes installed at the behest of Western capital assure.

The language 'at home' is of political and economic freedom unencumbered by history, race, class and present circumstance. By various studies, (relative) economic mobility is lower in the 'free-market' economies of finance capitalism than in the residual 'safety-net' states of Europe. The implication for market fundamentalists is natural endowments are 'pre' determined and exclusive to the U.S. and U.K., else asymmetrical social power based on economic class super-cedes market outcomes. Other theories occasionally arise—genetics, cultural propensities, etc., but as corporate support for programs of social inclusion (gay marriage, rights of handicapped) suggest, explicitly exclusionary theories are bad for business. History is clearly embedded for American blacks—the U.S. remains racist to its core. The lack of economic mobility suggests a nexus of race and class are embedded fact.

The election of Barack Obama to the Presidency poses an interesting question: how can the U.S. be racist when a black man was elected President? An (admittedly rough) analogy is how Peronist Carlos Menem was elected President of Argentina in 1989 with an economic crisis and neo-liberal coup orchestrated by the IMF and international capital under way. The answer is Mr. Menem had already allied with Western bankers and internal and external corporate interests and negotiated the terms of implementing the neo-liberal program inside Argentina before he was elected. He won election after a series of right-wing catastrophes by telling an electorate desperate for decent governance that he would restore economic and political justice. Mr. Menem used his stature and credibility as a Peronist to affect an economic coup for international capital the nominal right in Argentina had lost the credibility to affect.

By 2008, through catastrophic wars and the global economic collapse, the 'official' political right in the U.S. had lost the credibility to govern. Unbeknownst to the electorate, black liberal candidate Barack Obama had already assured allegiance to Wall Street and the corporate-plutocrat state, including most likely promises of 'private' healthcare reform, before he was elected. His governance since has been to help loot the citizenry with phony mortgage 'settlements' and other bank-friendly connivances and the state through bailouts for the benefit of Wall Street; to implement 'private' healthcare reform; to promote economic austerity and to try to cut social insurance programs. Like Carlos Menem before him, Mr. Obama brought the 'liberal' contingent of Congress and the public along with his shift to the economic hard-right far more successfully than doddering fool John McCain or Moneybags McRomney could ever have dreamed of doing.

For those with a sense of humor, Mr. Menem's tenure as stooge for international capital ended mere seconds before the onset of the greatest economic crisis in Argentine history and was only resolved when the citizenry rebelled and told the IMF and Wall Street to piss off. The result was quick and dramatic economic recovery.

Finally, re: last week's column on Ben Bernanke, here is Mr. Bernanke's explanation of how QE (Quantitative Easing) affects financial asset prices. Here is Michael Woodford's explanation of how Mr. Bernanke's explanation is incorrect. Here is Steve Keen's explanation of how Mr. Bernanke's explanation is incorrect. Here is the New York Fed's explanation of QE and excess reserves. Here is Paul Krugman's explanation of what QE accomplishes. Here is Walker Todd (Levy Institute) on excess reserves.

The balance sheet accounts (New York Fed, Steve Keen) have the power of relatively straightforward accounting mechanics behind them. This said, they differ in several material respects. Of interest is there are (at least) four full-blown, substantially unrelated, explanations of what QE does and doesn't do here.

I tend toward the MMT (Steve Keen) explanation but there are implications in the NY Fed piece not covered by Mr. Keen.