

Understanding Capitalism through Lohia

SUNIL

Extending Lohia to our times, we can infer an important truth about capitalism. Capitalist development cannot take place without colonial or neocolonial exploitation. In the absence of external colonies or neocolonies, capitalism tries to create internal colonies, but they are not enough for full-fledged modern industrial development, which requires both exploitation of labour and the plunder and destruction of natural resources on a global scale. If internal colonial exploitation is fundamental to capitalism and unequal exchange in various forms is one of its important mechanisms, the Third World can be liberated only when it breaks away from the present system of international trade, exchange and finance and looks at ways of building an alternative society in all senses.

Capitalism looked supreme, unchallenged and unchallengeable a few years ago. But not much later, modern capitalist civilisation has been facing many crises and failures. Recently, the capitalist world has been going through the worst recession since the 1930s, which has also shaken the neo-liberal faith in free and efficient functioning of the market. Suddenly there seems to be a consensus about the need for state intervention and for more and stricter regulation.

There were 860 million hungry people in the world by the turn of the last century. Despite global summits and Millennium Development Goals, the number has now crossed one billion. Every sixth person on earth is now underfed and malnourished. This is the gravest, the starkest and the most naked failure of modern capitalist civilisation. Three centuries of industrialisation, modern development and progress of science and technology have failed to provide for the most basic needs of all humankind. Wars, violence, terrorism, conflicts and tensions (at the individual, family, community and global levels) are also continuing and growing. The demise of the Soviet camp and the end of the cold war has not resulted in any significant reduction in global military expenditure. Added to this are the latest worries about environment and global warming. The ecological crisis is to many a serious and deep concern, and the International Scientific Conference on Climate Change in Copenhagen summit failed to produce any concrete, binding agreement to cut emissions.

There are a growing number of people who can see the systemic failure of modern capitalist civilisation. They desire to change it and are looking for alternatives. But the first task is to understand its basic flaws and analyse them. Here lies the problem. For, there is a lot of ideological confusion and chaos on this front. Karl Marx was a great thinker who provided the most vivid, detailed, powerful and convincing analysis of capitalism. His ideas inspired many revolutions and revolutionaries. But today, after one and a half centuries, several problems have become apparent in classical Marxist theories and analysis. History did not go the way he predicted. The world did not polarise into the owners of means of production and the proletariat. The capitalist mode of production has still not become universal at the world level, two and a half centuries after it developed in western Europe. There are many pre-capitalist, feudal or non-capitalist institutional structures (such as the caste system in India) still prevailing or flourishing. Besides, revolutions did not take place in western Europe as predicted by Marx. With Russia, other east European countries, China and Vietnam having gone back to capitalism, Cuba is perhaps the only, though minuscule, exception to the global dominance of capitalism. Lately, there has been a wave of anti-globalisation, and anti-capitalist and anti-us regimes in Latin America. But even

An earlier version of this paper was presented at a seminar on Rammanohar Lohia organised by the Sahitya Akademi in Delhi on 18-20 February 2010.

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these new socialist countries such as Venezuela, Bolivia and Ecuador do not operate on strict Marxist lines.

There are now many movements, agitations and conflicts all over the world but we do not find a growing, militant workers' movement of any significant size. Trade union movements are on the decline in India as well as in other parts of the world. However, there are frequent uprisings by farmers and peasants, tribes and unorganised workers, though peasants as a class should have withered away as per Marx. There are also growing movements of local communities asserting their rights over water, forest, land (*jal-jungle-jamin*) and other natural resources. Natural resources have become the focus of conflict at the local, regional and international levels. There are also increasing conflicts based on identity – whether it be religious or ethnic – often in reaction to the onslaught of capitalist-imperialist civilisation. Much of the existing resistance to imperialism is on ethnic, religious or national grounds. All this does not fit into a strict Marxian framework.

On the whole, there has been much divergence, difference and digression from what Marx concluded. While his tools are still helpful, his theories, assumptions, conclusions and predictions have not come true. This demands an explanation. Unless historical processes and contemporary events are better analysed and explained, it is hard to find a way out.

Lohia and the External Dynamics of Capital

Rammanohar Lohia was one of the many philosophers and thinkers who tried to amend and correct Marx. Let us see whether he can be of some help. He wrote an essay titled *Economics after Marx* in 1943,¹ in which he tried to look at Marxism from the point of view of poor, colonial, non-European people. He found certain flaws and shortcomings in the theories of Marx and tried to correct them.

Lohia pointed out that Marx's analysis of surplus value was limited because exploitation of workers in a factory in a capitalist country was only part of the story. Another important source of surplus value was the exploitation of labour in the colonies. Emphasising this, he said that colonial peasants and workers were the real proletariat whose lives were devastated by capitalism. "Surplus value, which makes up the entire profits and high earnings of the capitalist system, is derived mainly from colonial farms, fields and mines. The inner imperial circle of the capitalist structure revolves in a way as to draw with great suction the labour yield of the outer colonial circle" (Lohia 1943: 26). Because of this colonial exploitation, workers in capitalist countries were able to get a (even if very small) part of the surplus extracted from the colonies. Therefore, it was possible to increase both wages and profits at the same time in capitalist countries, postponing a conflict indefinitely. That was why no revolution took place at the centre of capitalist development.

The history of capitalist development is the history of the increasing poverty of colonial masses and their reduction into starving and landless labour. The worst sufferers under capitalism are the colonial masses. Not the working classes in capitalist countries, but the colonial masses are the principal grave-diggers of capitalism. Imperial labour can at best be an ally of colonial toilers in the destruction of capitalism (Lohia 1943: 29-30).

It follows, for Lohia, that "...we must therefore abandon the Marxist understanding of capitalism as a self-moving west European

entity. Capitalism from its origin to its most recent development has moved mainly on the imperial dynamic" (Lohia 1943: 25).

Lohia acknowledged that Marx was quite well aware of the great colonial plunder and loot. He had written extensively on it but did not integrate it into his basic analysis of the functioning of the capitalist dynamic. In a footnote, Lohia wrote,

Some persons will here remark that the two dynamics are present in Marxist studies of capitalism. Nobody questions that. The issue is whether the two dynamics are so interconnected and the basic laws of this interconnection so discovered as to give a consistent understanding of the world (Lohia 1943: 17).

Lohia strongly contested Vladimir Lenin's famous assertion that imperialism was the last and final stage of capitalism. Rather, for him, imperialism was the first stage of capitalism. They were twins that grew together. Without colonies in America, Asia and Africa, the industrial revolution in western Europe could not have taken place. Lancashire and Manchester could not have come up without India and the other British colonies. "History's record shows that, unsupported by British rule over India, not the Indian artisans, but the Lancashire industry would have died in its infancy" (Lohia 1943: 10). "Britain did not give railways to India; India gave Britain her railways and the engineering industry" (Lohia 1943: 11).

All this is by now quite well studied and documented by several Marxist historians themselves. But Lohia's assertion was that this must logically lead to a reconstruction of the theory of capitalist development. He wrote,

Marx's initial fallacy was to have examined capitalism in the abstract, to have wrenched it outside of its imperialist context. Marx was not unaware of imperialist exploitation and his disciple, Lenin, was even more keenly aware of it. But imperialism is with both Marx and Lenin a tumour of capitalism, an odorous after-growth, and this has at best awakened an unintelligent concern for the colonial races (Lohia 1943: 16).

Lohia also looked at the business cycles and periodic crises of capitalism from this angle. Their source has to be traced outside the capitalist centre. To quote him,

To say that industrial crises are caused by the lag between a people's production and their purchasing power or that they are overcome by inventions and heavier capitalisation is to state some half-truths and outward appearances. Industrial crises, in addition to partially resulting from the capitalist distribution of internal incomes, have more largely been due to the time-lag between the exhaustion of an old imperial dynamic and the discovery of a new one (Lohia 1943: 27).

Lohia's Predecessors and Successors

Rosa Luxemburg was the first Marxist scholar to point out this basic shortcoming in her analysis of Marx. In her book *The Accumulation of Capital*, first published in 1913, she pointed out that there was a problem in Marx's diagram of accumulation and enlarged reproduction. It was not complete without solving the problem of realisation of surplus value, which could not be done within a capitalist society. She said that Marx's assumption that the capitalist mode of production prevailed universally was wrong and "capitalism in its full maturity also depends in all respects on non-capitalist strata and social organisations existing side by side with it" (Luxemburg 1951: 365). She narrated in detail the exploitation and plunder in Arab countries, Turkey,

Algeria, India, China and America in her book and linked it to the three requirements of capital accumulation from the non-capitalist world – one, realisation of surplus value (that is, market for its products); two, material elements of constant capital (raw material); and three, cheap labour. She affirmed in clear terms that “capital needs the means of production and the labour power of the whole globe for untrammelled accumulation; it cannot manage without the natural resources and the labour power of all territories” (Luxemburg 1951: 365). She also emphasised that power and force was always used in this process and that primitive accumulation always continued.

It is a matter of regret that these important hints and insights were not taken up and followed up by other Marxist scholars for a long time. In parallel with the untimely death of this revolutionary scholar (she was killed at the age of 49 during a workers’ uprising in Berlin in 1919), her ideas were also buried. Lohia did not refer to her anywhere. But it seems that being well acquainted with the German language and left wing debates in Weimar Germany (he carried out his doctoral research in Berlin), he might have been aware of her writings and was influenced by her. Later, some other scholars dealt with the questions of unequal exchange and the colonial, neocolonial linkages of development and underdevelopment. Notable among them were two from the Marxist camp, both from the Third World, Andre Gunder Frank and Samir Amin.

Frank, an economist from Latin America, emphasised that development and underdevelopment were essentially two sides of the same coin, that is, capitalism which operated not at the national level, but at the international level. Foreign capital and foreign trade, slavery and conquests all contributed to “development” in the metropolitan centre and “underdevelopment” in the periphery. And note that it was not pre-feudal or feudal slavery, but “capitalist slavery”, as vividly described in Eric Williams’ book *Capitalism and Slavery*. He questioned the Marxist belief that the impact of capitalism on other parts of the world would bring a similar transition from feudalism to capitalism everywhere. Indeed, he questioned the wisdom of applying these concepts and categories from European history as such to other parts of the world. He pointed out that Marx’s understanding of India and other Asian countries was poor and it had been wrong on his part to think that contemporary industrially developed countries such as England showed the not yet developed ones “a picture of their future state”. While Marx’s mistake may be understandable because he did not have sufficient evidence at the time of his writing, his successors were committing the same mistake, applying faulty and un-Marxist logic and analysis, Frank noted.

Frank also questioned the tendency of Lenin and others to restrict the use of the word “imperialism” to the period beginning with the end of the 19th century. “But there was empire before the last half of the 19th century ... Why refer to that as ‘colonialism’ or ‘mercantilism’, rather than as ‘imperialism’ as well?” (Frank 1975: 57). He argued that there was a similarity, unity and continuity between mercantilism and capitalism, and therefore between colonisation and imperialism. For him, the principal contradiction was between the developed metropole and the underdeveloped periphery, and not the class struggle within the metropole. Like Lohia, he suggested that the principal struggle

for emancipation from exploitation and dependent underdevelopment would take place at the periphery.

Thus, writing more than two decades after Lohia, Frank theorised in a surprisingly similar fashion. It is not clear whether he had read Lohia or come in contact with him. The only difference between them is that Frank saw modern industrialisation in a positive light and lamented that the countries on the periphery were not able to opt for it. That meant that he did not feel it necessary to have an alternative model of development. He also thought that socialist countries such as the USSR and China had broken the chain of dependence, underdevelopment and colonialism. But later events proved otherwise. These countries failed essentially because they tried to follow the same path of industrialisation and development.

Liberation of the Periphery

Amin, another contemporary Marxist economist, took a slightly different line. In his book *Unequal Development*, the Egyptian dwelt extensively on the mechanism of unequal exchange and the “development of underdevelopment”. He did not agree with Luxemburg and argued that expansion and extension of markets by disintegration of pre-capitalist societies was not necessary for the realisation of surplus value in capitalist societies (Amin 1976: 173). Yet, it did occur at a later stage and it played the role of a catalyst and acted as an accelerator of growth at the centre (Amin 1976: 286). He also acknowledged the role of primitive accumulation of capital at the centre and the periphery, and the plunder in the colonies.

Amin recognised that Marx neglected the colonial question and did not tackle the question of international exchange. And therefore he wrongly assumed that India would become a capitalist country like Britain (Amin 1976: 139, 187). In a more recent book, Amin said that Marx overestimated the revolutionary role of the bourgeoisie (Amin 1999: 20-21). So he wrongly expected that it would spread the capitalist mode of production throughout the world and transform it. Capitalism’s historical development shows that polarisation between the central and peripheral economies is inherent to it. Amin held that Marx’s *Capital* was an analysis of the pure capitalist mode of production, not a theory of the world capitalist system.

According to Amin, the constitution of a world system had not only made possible the development of socialist trends at the periphery, but also shifted the principal nucleus of the forces of socialism from the centre to the periphery (Amin 1999: 196-97). The transition must start with the liberation of the periphery (Amin 1999: 383). Such a transition requires much more than the extension of public ownership, or the expansion of heavy industry. There should be a radical revision of economic choices and the use of modern techniques for an immediate improvement in productivity of the masses and for their betterment. Copying the technology of the developed world was not likely to answer the problems of the underdeveloped world, but it did not mean a rejection of the modernistic prospect. Criticising the “protest” movement of the west, he said that complete socialism would necessarily be based on a modern economy with high productivity and “there can be no conflict between growth and the construction of a worldwide socialist civilisation” (Amin 1999: 384-85). He

described the USSR as “capitalism without capitalists”, but seemed to be quite impressed with China.

Thus, while we find that Amin is in agreement with Lohia in several respects, there are also some fundamental differences. The key difference is whether one thinks that imperialist-colonial exploitation is a modern phenomenon or that it is inherent to the development of capitalism. This determines the answer to the question whether modern industrial development is possible without a colonial dynamic in a socialist society. There seems to be a belief among Marxist scholars that modern technology, modern industries and modern consumption patterns are essentially signs of progress and that they cannot be done away with.

Industrialisation and Exploitation

This was recently articulated by Prabhat Patnaik (2007), a well-known Marxist economist associated with the Communist Party of India (Marxist). Writing in the wake of the controversy over the incidents in Singur and Nandigram, he accepted that industrialisation based on large industries, whether in India or China (whether in the corporate or public sector), was problematic and that it did not solve the employment problem. He also acknowledged its destructive fallout on surrounding populations, including the peasantry. But then he clarified that this did not mean that industrialisation should not occur. His reason for this was that large industries provide us with a whole range of “use-values” which are part and parcel of everyday life now. The alternative suggested by him was industrialisation through the public sector or peasants’ cooperatives, which was hardly convincing.

This is where Lohia becomes relevant. Industrialisation requires huge capital, which can be created only through colonial, neo-colonial or internal colonial exploitation (including that of agriculture). It requires cheap labour, the supply of which is ensured through destitution, destruction and dispossession of the peasantry, rural artisans, and such other classes. Such industrialisation also implies extraction and destruction of natural resources on a large scale, creating environmental crises. Moreover, the lifestyle or “use-values” provided by this industrialisation can only be made available to a part of the world population. All this is quite well-accepted and recognised now, but Marxist intellectuals do not seem to be ready to integrate it into their thinking and analyses. The modern lifestyle and modern technology are essential for them but they are not ready to see the link and its implications, or recognise the historical experience. Is it, then, a matter of faith for them rather than logic and analysis?

This relates to technology or what is called “forces of production” in Marxist discourse. It is believed that the development of forces of production is necessary for, and is a precondition to, building a socialist society. The development of capitalism is therefore a necessary stage which every country has to pass through, it is argued. This argument is used in current debate to justify the projects in Singur, Nandigram and other places. But it is based on the idea that capitalism has been progressive and revolutionary all over the world, including on the periphery. But a more correct reading of world history would show, as Lohia argued, that capitalism as it developed historically had been destructive and exploitative for a large part of the world population, and is still so.²

Capitalism after Lohia

On the basis of his analysis of capitalism, Lohia concluded that since there were no new territories to be colonised and a new imperial dynamic was impossible, “capitalism has entered the phase of a general crisis” (1943: 28). “The limits of the world are reached. Capitalism’s insatiable expansiveness has come up against a dead wall” (1943: 14). However, capitalism proved much more cunning and powerful. It devised new forms of an imperial dynamic by which it could transgress the limits of colonial exploitation and survive and flourish. As with Marx, Lohia’s prediction did not prove right. But his insight is useful in further understanding the functioning of capitalism.

What Lohia could not see when writing his 1943 essay but implied in his later writings and speeches was that capitalism would devise neo-colonial, neo-imperial methods of exploitation. After first world war, the colonies became politically independent, but their economic subjugation and exploitation continued in various ways, through instrumentalities such as foreign aid, foreign capital, foreign trade and foreign technology. The World Bank and its sister institutions (such as the Asian Development Bank), the International Monetary Fund and the World Trade Organisation maintained and strengthened this system. Through their aid, attached conditions, packages and agreements, they made the governments of Third World countries adopt policies and models of development that more or less fed this essentially dependent and exploitative relationship.

There is now a growing recognition that international trade is based on unequal exchange. Much earlier, Lohia showed this by a simple calculation. Assuming that labour power is essentially the same everywhere and that differences in productivity are due to saved labour through the imperial-colonial process, he pointed out that the labour of two crore Indians was exchanged for that of 10 lakh British people. “Behind this fantastic exchange lies the history of layer upon layer of saved labour from generations of tillers and miners of India, China, Java, Malaya, Africa, South America, and other lands, which has continually been converted into the gigantic machines of England, Germany, and Japan” (Lohia 1943: 23).

There are, of course, some changes in the typical colonial pattern of trade. Some industries from rich capitalist countries have shifted to the Third World mainly to benefit from cheaper labour and lax environmental rules and regulations. But they are controlled and owned by multinational corporations (MNCs) and the profits and royalties go to the rich countries as before. There are also changes in the composition and pattern of trade, and one can now find a significant proportion of manufactured goods in Third World exports. The US and other capitalist countries have now specialised in “services”, which are their main export. This is a new international division of labour, where the Third World produces real goods (from agriculture, mines or industries) and exports them. The capitalist countries provide them with various services at prices determined by them. The terms of trade are stacked up against developing countries. The latest phase of globalisation and the WTO agreements are nothing but a search for, and legitimisation and legalisation of, new avenues for exploiting Third World people. Capitalism survives and thrives with its insatiable lust for profit and wealth, derived from increasing

exploitation, loot and plunder at the global level. This is necessary for its survival. Periodic crises essentially occur when limits are reached and the existing avenues of exploitation start drying up.

Lately, there is a realisation that capitalist development is not based on the exploitation of human labour alone. It is also based on the increasing use, extraction, and destruction of nature and natural resources. Both are intertwined, intermixed and essential for capital accumulation and growth. Natural resources such as land, soil, forests, minerals, water, fish, and so on are drawn from all over the world for the profit and consumption of a rich minority of capitalist countries. The large population of the non-capitalist world, which is dependent on nature for its life and livelihood, is displaced, dispossessed and deprived in this process. It also suffers due to increasing pollution and destruction of natural resources.

That is why there is a growing conflict over natural resources. The global environmental crisis cannot be understood without linking it with this basic, inherent characteristic of capitalist development. That the us and other rich capitalist countries are not ready to significantly reduce their levels of emission of greenhouse gases is logical and natural. They cannot do it without endangering and destabilising their economies and risking another recession. Their prosperity is based on continuous aggression against nature and people. It is futile to look for a solution to this crisis within the capitalist structure of the world. It demands a radical change and a radical alternative.

Extending Lohia's Analysis

A growing number of movements and agitations in India over displacement (such as Narmada, Singur, Nandigram, Kalinganagar, Posco, and Dadri) are essentially linked to the same process. They have reminded many Marxist scholars of a similar phenomenon in England during the 16th to 18th centuries, which was called "primitive accumulation of capital" by Marx. Large numbers of peasants were dispossessed of their land to facilitate the grazing of sheep, which supplied the needs of the wool industry. Marx rightly pointed out that it helped industrialisation in two ways – it supplied raw material as well as cheap labour. Displacement helped in building an "industrial reserve army of labour". An important feature of this process was the use of force or law (state power) in place of the market mechanism.

A similar process is taking place after three or four centuries in India as it ushers in a new phase of industrialisation. But to go on calling it "primitive accumulation" is a mistake. It is not primitive, but a continuous and in-built process of capitalism.³ In one form or another, it has always been taking place in one part or another of the world. It began with Columbus "discovering" America in 1492, and the history of the last five centuries tells a story of continuous loot, plunder, exploitation, slavery, barbarism and colonisation in America, Africa, Asia and Australia by the European people. How can any analysis of capitalism afford to ignore this?⁴ At no stage in its development has capitalism or the accumulation of capital depended exclusively on the market mechanism. Free market or free trade is a myth. State power, wars, aggression and violence were used to forcefully appropriate natural and physical resources and exploit (or annihilating) indigenous people. There are many who have pointed out that rent, and not profit alone, has been a major form of surplus extraction.⁵

Colonial exploitation is so fundamental to capitalist development and modern industrialisation that Third World countries trying to imitate the same development model ended up creating internal colonies. Frank, Sachchidanand Sinha, an Indian socialist thinker in Lohia's tradition, and some others have introduced and dwelt on the concept of the "internal colony".⁶ Internal colonies need not only be geographical units. Whole sectors of an economy may have a colonial relationship with other sectors. The tribal and backward regions of India, its villages and the agricultural sector have been treated mostly as internal colonies. That is the fundamental cause of the agricultural crisis in India. The Indian peasantry is doubly exploited, by Indian as well as global capitalist forces. Internal colonisation is also the factor behind the dissatisfaction in backward regions and the growing demand for separate states in India. Lohia did not dwell on internal colonies as such, but it was implicit in his analysis. He compared colonial exploitation with the town-village relationship in a number of places.

Absurd Aspiration

But internal colonies are not sufficient. The need to extract natural resources and exploit labour for capitalist industrialisation is so great that without external colonies, there can only be a limited industrialisation. Therefore, it is impossible for the Third World to replicate the capitalist development based on modern industrialisation in developed countries. It cannot provide proper and well-paid employment to the populations of these countries.⁷ Rather, it destroys traditional livelihoods and creates a reserve army of unemployed labour, ready for the benefit of local and global capital. Lohia, during a speech in 1952, pointed out this impossibility in a simple manner.⁸ He compared the available capital per worker in India and the rich capitalist countries. It was Rs 150 worth of tools per person in India and Rs 10,000 in the us. Bridging this gap would require a huge amount of money and given the available funds in five-year plans, it would take more than 200 years. "The whole thing is so absurd; any intelligent man would laugh it out," he said (Lohia 1963: 102-03). After nearly six decades, we can see that he was quite right. The gap has been widening at the global level (and within India too) because the very system of capitalist growth thrives on exploiting and devastating vast regions and populations in other parts of the world. "The entire absurdity of bringing two-thirds of the world to the living standards, to the production equipment, of one-third of the world is apparent, and I have given the statistical proofs," said Lohia (1963: 104). A similar impossibility and absurdity is pointed out by ecologists today when they tell us that at least three earths are needed if everyone is to attain the level of consumption in the us.

That was also the basic contradiction in the Soviet experience. Leaders and rulers of the Soviet revolution tried to follow the same path of industrialisation and wanted to achieve a similar level of prosperity that was attained by the rich capitalist countries. But they did not have the facility of colonial or neo-colonial exploitation. It was also against the principles of equality and justice professed by them. Later, they, to a limited extent, tried to develop a kind of colonial relationship with the non-Russian part of the ussr, China and east European countries. Exploitation and the transfer of surplus from agriculture was a must for the kind of development the Soviet leaders wanted to follow. Forced collectivisation of farms was Joseph

Stalin's response to the resistance offered by Russian peasants. It was another brutal instance of primitive accumulation of capital. The failure of the Soviet experiment was due to the contradiction that is inherent and in-built into modern industrial development, whether it be in a capitalist economy or a communist regime.

Using Marx's terminology, Lohia pointed out that it was erroneous to think that one could destroy the capitalist relations of production while retaining the capitalist forms of production. "A genuine socialism would have to think in terms of destroying both the capitalist relations of production and the capitalist forces of production, or at least vastly remodelling them" (1963: 110). Modern industries, technology and lifestyles were products of capitalism. One needs to look for alternatives to them to build an alternative society. What Lohia said six decades ago is being recognised and accepted by more and more people now, especially in the wake of economic and ecological crises.

Lohia pointed out another flaw in Soviet and Marxist thinking. It tried to abolish private property, but it did not think it necessary to abolish *moha*, or attachment to wealth and luxuries. He said,

As long as the emotional lure of private property exists, Marxism or any similar social doctrine will be continually at war with its own handiwork. Private property may be abolished in a major way, but the desire for unequal comfort or show will continually make erosions on the social order (Lohia 1963: 117).

Later developments have proved that Lohia's warning was correct. For instance, Russia's youth always had an attraction and craze for the lifestyle of capitalist societies. This was one weakness which ultimately made them opt "back" for capitalism. China is also not an exception to this reading of capitalism. Its exemplary growth rate of around 10% during the last two decades has impressed both the right and the left. It is a model of success of globalisation for the World Bank as well as the Indian prime minister. Its "market socialism" has impressed the two major communist parties of India, and they have never offered a serious critique of it. Apparently, it has no colonies and no MNCs. But there are concrete facts and developments to be noted.

This growth has come with great inequality, including regional and sectoral ones. China's income distribution has become more skewed than India's (Aiyer 2006a; Bhaduri 2006). Growth and industrialisation has been concentrated in a few cities and areas on the east coast neighbouring Hong Kong. The large majority of Chinese lives in poverty, and faces unemployment and destitution. There is a huge amount of migration in search of employment from the hinterland to special economic zones (SEZs), where they are ruthlessly exploited. Working conditions are very bad. The rate of mining accidents in China is one of the highest in the world (Aiyer 2006b). There has been large-scale displacement of farmers from land for dams, SEZs, industries, highways and urban development.⁹ There is growing discontent beneath the iron cover of the dictatorial regime. It is not just communities such as the Tibetans and Uyghurs that feel they are being treated as colonies; thousands of mass protests take place every year all over China (Mohanty 2007). Growth has also brought an environmental crisis and China is home to 16 of the world's 20 most polluted cities, according to the World Health Organisation (WHO). Moreover, lately China has been trying to establish a

somewhat neo-colonial relationship with many Third World countries in Asia, Africa and Latin America, drawing on their natural resources (minerals and land) and capturing their markets. Its military power has also been augmented with the ambition of joining the club of superpowers. China's case proves the rule that capitalist development based on modern industrialisation can come only at the cost of the majority, creating colonies, depriving and exploiting peasants and workers, and destroying nature and nature-linked livelihoods.

Road to the Financial Crisis

This analysis helps us understand the recent financial crisis as well, and it should lead us to take note of some important facts related to the present imperial, neo-colonial, unequal world system that are directly related to the crisis. One, for the last two and a half decades, the balance of trade of the US has been continuously negative. This means it has been importing more and exporting less. Its deficit has increased with time and was equal to 6% of its gross domestic product (GDP) in 2004. So, it is drawing 6% of its national income from the rest of the world without giving goods and services in exchange. Two, a growing proportion of the exports of the US and other developed countries consists of services, which are arbitrarily valued by them. Terms of trade moved against the developing countries to the extent of 15% between 1980 and 2004. Removing the edifice of prices, currencies and exchange rates, the greatly unequal nature of international trade can be seen from that Latin America exports six times the tonnage it imports and the European Union imports four times the tonnage it exports (Martinez-Alier 2008). Three, this greatly unequal exchange is maintained and sustained by the hegemony of the dollar. The US pays for surplus imports with its paper currency, which is happily accepted and hoarded by other economies who want to maintain a large reserve of foreign exchange in the wake of liberalisation of financial transactions (including speculative ones) and freer convertibility of currencies. Through its economic, political and military power, the US has also kept the dollar artificially overvalued. This overvaluation has reached such an extent that the current dollar-rupee rate is almost three times what it should be according to purchasing power parity. This artificially enhances the purchasing power of the US at the world level to a great extent. Four, the US also has the highest foreign debt in the world. Capital and wealth from all over the world has been coming to the US treasury and its banks in the form of petro-dollars, Eurodollars, Japanese dollars and Chinese dollars. Five, for the last few decades, Americans have stopped saving while spending with borrowed money. The rate of personal household savings in the US was 9% in the 1980s, it declined to 5% in the 1990s and came down to 0.6% between 2005 and 2007.

It is clear that the great financial bubble was built on a complex network of drawing surplus from all over the world. The liberalisation of trade and globalisation of finance were, in fact, the latest method of draining resources at the global level. US-led capitalism was trying to survive and thrive as usual on increasing loot and exploitation of human labour and natural resources of the entire world. This bubble collapsed and the crisis occurred essentially because this latest imperial dynamic was reaching its

limits and its contradictions were growing sharper. In this sense, Lohia, writing in 1943, was correct in drawing our attention to the imperial and colonial aspects of such crises. But neglect of this aspect continues to this date not just among mainstream economists but also among Marxist and neo-Marxist ones. They are still looking at the current crisis as an internal problem of developed capitalist economies, again ignoring the imperial, neocolonial dynamic. Lohia complained that Marx was Euro-centric. Now, the Marxists and neoliberal economists are US-centric. The bias continues.¹⁰

Conclusions and Implications

Thus, extending Lohia to our times, we can infer an important truth (or law) about capitalism. Capitalist development cannot take place without colonial or neo-colonial exploitation. In the absence of external colonies or neo-colonies, it tries to create internal colonies, but they are not enough for full-fledged modern industrial development. This exploitation includes, and implies, both exploitation of labour as well as loot, plunder and destruction of natural resources on a global scale. By capitalist development, we mean the kind of industrialisation and consumption patterns which have historically developed in western Europe and the US and which have been attempted in the USSR. It does not make much difference whether the means of production are owned by capitalists or by the state. The countries which look like exceptions either had some kind of imperial advantage at one time, or are now developing imperial relationships with others. Other possibilities are they have been appendages of other capitalist powers, or have built strong and big internal colonies.

There are three processes of exploitation and creation of surplus value in a capitalist system – direct exploitation of workers by their masters or capitalists; colonial, neo-colonial or internal colonial exploitation in various forms; and, plunder, loot and destruction of natural resources by local and multinational capital. These are not always separate or exclusive processes and are often interlinked and intermixed with each other. Marx focused on the first one, Lohia emphasised the second. But now with the richness of further historical experiences, we can combine all of them to gain a better and holistic understanding of the functioning of capitalism. Those accustomed to Marxist tools of analysis may find it difficult to swallow the third category. Believing in the labour theory of value, they may argue that it cannot be a separate category, as natural resources, without the aid and exploitation of labour, cannot be turned into a commodity. Labour is the sole creator of value. But there is the need to take another look at this theory.¹¹ With the growth of modern technology, other sources of energy (coming from the extraction of natural resources) have, to a large extent, replaced human labour and the theory (even the useful concept of “saved labour”) is unable to explain and account fully for this phenomenon. Marx did a great service by putting human labour at the centre, removing the edifice of money and market. Now we can further improve it by adding nature. Putting too much emphasis on labour and neglecting the role of nature, this theory has made people think that there can be unlimited growth with the help of labour. What is needed is only mechanisation and an improvement in productivity. Now, with “limits of growth” on the horizon, this

view needs a correction. In any case, with the so-called primitive accumulation of capital becoming a constant and omnipresent phenomenon, the importance of the third process is self-evident.

Lohia was not alone in pointing out these basic characteristics of capitalism. Gandhi was one who warned against the evils of modern capitalist civilisation and called it a “satanic civilisation” at the beginning of the last century. *Hind Swaraj or Indian Home Rule* was written by him and published in 1909. Gandhi was clear that industrialising India would require colonial exploitation of others, which was neither feasible nor desirable. But he never cared to theorise in an intellectual or academic fashion. It was left to Lohia to express his ideas in a more intellectual way and join in ideological debates. What Lohia said was essentially Gandhian, clothed in more systematic and intellectual apparel.

There are many implications to what has been said. The concept and strategy of class struggle has to be reworked and redefined. The world did not polarise into capitalists and workers. The workers in capitalist industrialised countries and the workers in the organised sector of Third World countries are not the real proletariat and they cannot be the vanguard of a revolution. Because of a defective understanding of capitalism, the communists and even the socialists have been concentrating on unionising organised sector workers for a long time. If economism and sectarianism have developed in the trade union movement in India and elsewhere, it is not because of any mistakes on the part of leadership or lacuna in strategies. It is because of the objective situation in which these organised sector workers are placed. They are very few in number and are in a privileged position compared to the poor masses. Because of the same defective understanding, peasant movements were generally treated with scepticism and the participants branded as “kulaks”. Sometimes agricultural workers were organised against landowning farmers (even those owning five to 20 acres), projecting them as the enemy. These habits and strategies require a thorough rethink and reformulation.

If there is more than one base of exploitation in a capitalist system, the struggle against it has to be more diverse and heterogeneous. The various movements of peasants, tribal communities, dalits, women, artisans, fishermen, hawkers, slum dwellers, unorganised workers, communities facing displacement, and so on have to be brought together and united. Movements of ethnic communities and those for regional autonomy may also join if enlightened by a proper understanding of the root causes of their grievances. Ecological movements may also find common cause with them if they are able to see the necessary link between the destruction of the environment and modern capitalist development. The struggle will necessarily be multidimensional and multifaceted. That is why Lohia called for *sapta kranti* (seven revolutions) and Jayaprakash Narayan for *sampoorna kranti* (total revolution).

Similarly, any socialist project would require an alternative model of industrialisation and development. Even otherwise, attempts to replicate the western type of modern industrialisation in Third World countries are doomed to failure. The only path of development open to them is to break the chain of capitalist development and build an alternative society based on an alternative model of development and industrialisation. It will not only require alternative production relations, but also alternative

technology,¹² alternative lifestyles and alternative values. In other words, what is needed is building an alternative civilisation, and not simply an alternative system of property ownership.

It is futile to aim for the us-Europe kind of prosperity and living standards because that is based on loot and exploitation on a global scale, which cannot be done by all. Everybody's basic human needs can be met, but luxuries may be available only to a few. In the words of Gandhi, "There is enough...for everyone's need, but not for a single person's greed." If neo-colonial and internal colonial exploitation is fundamental to capitalism and unequal exchange in various forms is one of the important mechanisms of exploitation, the Third World countries and their people can be liberated only when they break away from the present system of international trade, exchange and finance. Within a country, local markets, local crafts, local needs, local rights and local cultures have to be given importance and preference. In other words,

self-reliance, decentralisation and diversity will be important principles in building an alternative society. It does not mean autarky (that is, no trade), but it certainly means a limited role for trade and exchange at the higher levels. Perhaps the state, in practice, will never wither away. But it can be downsized, decentralised, democratised and brought down closer to the people.

These are the lessons and conclusions that necessarily flow from an analysis of the experiences of previous centuries. If they are accepted, not many differences remain between Marxism, Socialism, Gandhism and Green politics. Lohia could be the meeting point of Marx and Gandhi. Not only "liberty, equality and fraternity", but also simple life and self-reliance (with decentralisation and localisation) will be the guiding principles of any attempt to build a new socialist civilisation in the 21st century. Lohia was a visionary leader and thinker who could foresee it half a century ago and added to our understanding of capitalism.

NOTES

- 1 This essay was first published in the collection of Lohia's essays and speeches entitled *Marx, Gandhi and Socialism* (Lohia 1963). Lohia left it unfinished and made no corrections when it was published in 1963. Through this article the essay will be referred to as "Lohia 1943", while other citations from the same collection will be referred to as Lohia 1963.
- 2 To be fair, there are a few neo-Marxists who have recognised these historical and contemporary realities and developed alternative theories.
- 3 Lately, many Marxist scholars have recognised this. David Harvey calls it "accumulation by dispossession" in his book, *The New Imperialism* (quoted in Vakulabharanam 2009). Patnaik 2008 calls it "accumulation through encroachment". See also Basu 2007 and Samaddar 2009.
- 4 See Nigam 2007 and Sardar et al 1993 for flaws in the Marxian and European ways of looking at history.
- 5 Basu 2007 thinks that rent extraction and primitive accumulation of capital are fundamental aspects of an economy in this era of global capital.
- 6 See Frank 1975, Sinha 1973 and Sinha 1975. Bhaduri 2007 also finds that the current model of industrialisation in India amounts to a process of internal colonisation.
- 7 Even after five decades of planned development (especially after the Second Five-Year Plan which prioritised and emphasised heavy industries) and two decades of globalisation policies, India could reach a stage where not more than 6% of the workforce was employed in the organised sector (*Economic Survey 2008-09*, tables 10.7 and A52). The organised sector includes all establishments employing 10 or more persons. Contrary to claims by the Left Front chief minister of West Bengal, a leading economist associated with the CPI(M) acknowledged that such industrialisation did not solve the unemployment problem (Patnaik 2007). There has, in fact, been a continuous decline in the absolute number of employment in organised sector since 1997. To use Thorners' phrase, there is net deindustrialisation taking place in India. Thorner and Thorner (1962) showed that deindustrialisation occurred in colonial India between 1881 and 1931, as census statistics showed that the proportion of population employed in industries declined in this period. But the same process is taking place in contemporary India. Modern industrialisation is generally accompanied by deindustrialisation in other parts of the country or other parts of the world.
- 8 This edited speech titled "Marxism and Socialism" is also included in Lohia 1963.
- 9 According to one estimate, 20 million farmers

- have been displaced in China between 1992 and 2005. See Sarkar 2007.
- 10 The latest book on this crisis published by the Monthly Review Press, which is the most intellectually and academically active group of Marxists these days, also suffers from this tendency. Defending their decision to confine the analysis only to advanced capitalist economies, Foster and Magdoff say it quite clearly, "Our decision to impose these limits is based on our conviction that the main contradictions of capitalism are still best perceived, as Marx emphasised in the 19th century, from the standpoint of the pre-eminent capitalist economy at a given stage of its development (in the 19th century, Britain, in the 20th and early 21st century, the United States)" (2009: 21). Krugman (2009) also ignores the fact that the crisis has important international roots.
 - 11 For a discussion on the need for a relook at the labour theory of value, see Sinha 1999, 2008.
 - 12 A forceful argument about the link between modern technology, inequality, dependence and imperialism is presented in Pattanayak 2004.

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