

**Marxist View of Economy (II)**  
**\*Theory of Surplus Value**  
**\*Leninist View of Imperialism**  
**Analysis, Critique and Counterproposal**  
(Draft Edition)



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## IN TRODUC TION

In many parts of the world, young men and women have dedicated their lives to revolution. Many of them have died for their cause. If we study the cases of Nicaragua, El Salvador, Vietnam, or Angola, we can recognize that people were stimulated to participate in revolution, not because workers were being deprived of the "surplus value" (Karl Marx's view), but because of a commitment to "national liberation". This view largely has its origins in the writings of Lenin.

### I. HISTORICAL ORIGIN OF LENIN'S THEORY OF IMPERIALISM

In 1883, Karl Marx died, and twelve years later his first disciple, Friedrich Engels died. The relationship between these two men is of great interest to the student of Marxism. Engels was a faithful follower of Marx and his theories. In all his works relating to the dialectic, such as Anti-Duhring and Dialectics of Nature, Engels attempted to prove the validity of Marx's analyses.

With the death of Engels in 1895, the worldwide "social-democratic" movement (what we know today as the communist movement) was left without a leader. Eventually, there came to the forefront Eduard Bernstein of Germany. Bernstein was a convert to Marx from Herr Eugen Duhring, as a result of Engel's work, Anti-Duhring.

At first, Bernstein faithfully followed the Marxist teachings, but later, he recognized that the economic analyses of Marx were not accurate. Certain predictions of Marx regarding capitalistic society were not fulfilled. As a result <sup>1</sup> Bernstein challenged the validity of Marx's assumptions.

In order to understand more clearly these predictions and assumptions of Marx, one has first to consider the important Marxist concept of SURPLUS VALUE.

#### The Concept of Surplus Value

Marx described three fundamental factors needed to

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<sup>1</sup>

Pierre Favre and Monique Favre, Les Marxismes apres Marx, (Paris: Presses Universitaires de France), 1970, pp.18-25.

produce goods: raw materials, machinery and human labor.

In the production of a shirt, for example, the three factors are: fabric, machinery, and the worker who actually makes the shirt.

According to Marx, the first factor, fabric is not the usual source of profit for the manufacturer, what is important is what one does with the fabric. In each shirt, let us say that he invests \$1.00 of fabric.

Secondly, he says machinery is not the source of profit. The owner of the factory realizes that one day the machine must wear out, and another machine will have to be purchased. Therefore, the machine undergoes a process of depreciation.

Suppose a shirt-producing machine costs \$100,000. The factory owners calculate that it will need to be replaced in four years. If for 360 days a year the machine helps to produce 60 shirts a day, then during the four years the owner needs to recover each day approximately \$1.00 for each shirt, so that in four years a new machine can be purchased.

The third factor is human labor. For each shirt produced, let us say that the laborers receive an average of \$2.00.

Let us say, for example, that the market cost of the shirt was \$7.00. Then there is a difference of \$3.00 between the market and production cost. This difference is what Marx termed the "surplus value" or the profit.

Marx asked who or what generated the \$3.00 of surplus value. The price of raw material or fabric could not be the source. Also, the profit could not result from machinery because of depreciation. Marx therefore concluded that it was the workers who produced the profit.

Marx developed the theory of surplus value based on his study of especially David Ricardo and Adam Smith. He claimed that the worker was the source of all profit or "surplus value."

To the query, where does this surplus value go? Marx's answer was, "In the capitalist's pocket." The capitalist, in Marx's way of thinking, was nothing more than a "blood sucker" living off the sweat and the blood of the worker.

For Marx, the remedy to this situation was obvious--the elimination of capitalists, and of the people

who are controlling the means of production (machines et. al.).

By eliminating this class of people, the worker would finally be able to receive a just salary. Marx maintained that in the capitalist system, the worker was only receiving the salary necessary to keep him alive (and therefore working). The rest of the money he deserved, known as the surplus value, was going into the capitalist's pocket.<sup>2</sup>

A recently published document appeared in Nicaragua; Socialism, Marxism, Communism--I Am Afraid, How About You? It contains the same explanation of surplus value that we have outlined above. This demonstrates that even today in communist countries, the theory is accepted.

## **II. THE THREE LAWS WHICH PREDICTED THE FALL OF CAPITALISM**

Marx predicted, however, that capitalism would come to an end. He cited three laws at work which would cause this:

### **A. The Law of the Centralization of Capital**

Marx insisted that while certain larger companies would continue to buy newer and better developed machinery, the smaller and medium-sized companies would not be able to keep up. Eventually, the smaller outfits would be forced to close down because of being unable to compete. Likewise, the larger firms would form monopolies and by price-fixing and other procedures would destroy the competitor. Ultimately wealth would be concentrated in just a few hands.

### **B. The Law of Decreasing Profits**

As the owner buys more machinery, he will need less workers. However, not machines but workers produce profit. For that reason, his profits would go down.

### **C. The Law of Increasing Poverty**

Increased machinery will oblige owners to lay off workers. Unemployment will rise, the lack of work will

<sup>2</sup>

Karl Marx, Capital, Vol. 1, (New York: International Publishers), 1974, pp. 186-198.

cause thousands to wander hungry on the streets. The workers will realize that the cause of their suffering is the capitalist. They will then rise up in arms and destroy their oppressor.

Because of these three principles, Marx was certain that the capitalist society was destined to fall.<sup>3</sup>

### III. BERNSTEIN, LENIN AND THE PREDICTIONS OF MARX

#### A. Bernstein

At the beginning of the 20th century, profits were increasing, not decreasing. Instead of falling, the salary of the European worker was improving.

Engels's successor Bernstein, therefore, questioned the "scientific" nature of Marx's teachings, however Bernstein did not question Marx's good intentions. Bernstein began to feel that what was essential was to respect Marx's intentions to better the situation of the worker. This could be done, however, inside the democratic process and without recourse to violent revolution.

#### B. Lenin's View

Though many agreed with Bernstein's analysis, there was one man who very strongly opposed such concepts. This was Vladimir Lenin. Lenin is chief architect of communism as it is applied today. The strategy established by Lenin in What Is To Be Done? (1902) is the same that was applied in Nicaragua, Cuba and elsewhere.

Lenin developed the concept of a revolutionary vanguard. The workers, he believed would never be able to arrive at a "proletariat consciousness" by themselves. For this reason, an intellectual elite and a newspaper were needed to educate the workers.

Lenin was not a worker, but the son of a noble family. He was trained as a lawyer. (Fidel Casto was a lawyer and Che Guevara a doctor. Ho Chi Minh and Mao Tse Tung were both students when they accepted communism.

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<sup>3</sup>ibid. pp. 612-716.

<sup>4</sup> Pierre Favre and Monique Favre, op. cit.

Interestingly almost no major revolutionaries were workers, they were all sons of the "bourgeoisie".)

Lenin maintained that it was not necessary for a society to pass through the stage of capitalism. (see Section II) Based on the experiences of Fr. Gapon, an orthodox priest, Lenin decided that he would create a revolution, not with workers, but with peasants. The same phenomena occurred in China, Vietnam, Nicaragua and even in El Salvador.

#### IV. IMPERIALISM: THE HIGHEST STAGE OF CAPITALISM

In 1916 Lenin wrote the very important text; Imperialism: The Highest Stage of Capitalism. This text served to justify Marx's three laws on why the capitalist economy had to fall.

The Englishman, J.A. Hobson had an important influence on Lenin's views.<sup>5</sup> Hobson argued that war and colonialism were sparked by Europe's desire for overseas investment. He observed that profits on domestic investments had declined. In order to control the situation and prevent the conditions that would push the workers to revolution, the capitalists had been forced to reach out to new markets.

Lenin adopted, but also modified certain views of Hobson.

Imperialism, according to Lenin, was described as capitalism's final stage. The high rate of profit on overseas investment was, in fact, keeping capitalism alive. Through his 1916 Imperialism: The Highest Stage of Capitalism, Lenin open the way for several important observations:

##### A. Centralization of Capital is Occurring

Lenin affirms that as Marx's laws predicted, a centralization of capital has occurred. (This was to counter Bernstein) In support of Marx, Lenin cites U.S. Steel, General Electric and the Rhine-Westphalien Coal Company as examples of larger firms that were capturing greater and greater shares of the market. They are thereby edging out their smaller competitors. Therefore, in his analysis Marx was correct.

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<sup>5</sup> Vladimir Lenin, Imperialism, The Highest Stage of Capitalism, (New York: International Publishers), 1974, p.7.

## B. Bribery of the Worker of the Developing World

In the developed world, Lenin maintained that a new force was emerging through the union of the financial world and the industrial sector. The financiers of the developed world had initiated a strategy in order to maintain themselves. This would be accomplished through the exportation of capital.

The developed world's markets had reached their saturation point. Therefore they had begun to export capital to the developing world. Due to this exportation of capital, the owners were able to bribe the workers of the developing world.

How was the bribe accomplished? Let us assume that in the U.S., the prime rate is at 15% p.a.. Instead of lending money in the U.S., the financiers lend their money to countries in the third world. They lend not at the 15% p.a. rate, but at say, 60% p.a..

Furthermore, the developed world is able to dictate terms to the underdeveloped nations, for example, what products they can buy with this money.

Thus Lenin maintains that the financiers and capitalists gain a double profit. First they can charge high interest rates, and secondly, they can stipulate that funds be used for targeted products. <sup>6</sup>

Because of these large profits, imperialists take part of the money earned in the underdeveloped nations and give it to the poor worker who will earn \$3.00 per shirt instead of \$2.00. This will satisfy the workers because they have a little more money, but in fact, it will also keep them sleeping.

## C. The National Liberation Movements

The Leninist interpretation of the situation of the developed world has important strategic implications. Marxist-Leninists slowly realized that a revolution would not occur soon in Germany. In order for the large powers to fall (Germany, United States, England, etc.), their markets had to be slashed. This is the purpose for national liberation movements.

By liberation, Marxist-Leninist mean liberation from economic imperialism (and from the European colonialism

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<sup>6</sup>ibid., pp. 65-66.



that existed in the early century). In studying the revolutions in Vietnam, Nicaragua or Cuba, one recognizes not a Marxist, but the Leninist theme of national liberation. Nevertheless, behind national liberation lies a Marxist analysis of economics and history.

Due to imperialism, the developed world could bribe its workers. Therefore Marxist-Leninists advocate the emergence of national liberation movements throughout the underdeveloped world. If the underdeveloped nations can liberate themselves from the developed world, then the foreign markets of the developed nations will disappear. If the foreign markets disappear, the imperialist nations will no longer be able to bribe their workers. If the workers are not bribed, they will eventually come to recognize their true situation.

Two other laws, at that time, concerning decline in profits and an increase in poverty will be fulfilled. The workers of the developed world will then take to the streets to participate in the revolution. This, therefore, is why Lenin said "the road to Paris goes by way Peking."

Although colonialism has largely disappeared since World War II, leftists maintain that we still find ourselves in a state of "economic imperialism."

According to them, the United States controls the economy of much of Latin America. For that reason they want to support national liberation movements throughout Latin America--their ultimate target being the United States.

Che Guevara insisted that national liberation militants need not be taught Marxism until after their nations have been "liberated." If we study the examples of Nicaragua, Cuba or even Vietnam, we can see that this was the case. In Cuba, people such as Huber Matos and William Morgan fought for "national liberation." They did not fight for communism. Yet that is what they received due to Castro's application of Leninist strategy.

## V. CRITIQUE OF LENIN'S VIEWS ON IMPERIALISM

### A. On the Centralization of Capital

One cannot deny that a great imbalance between the developed and the developing nations exists. Nor can one

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<sup>7</sup> Ibid., p. 107.

deny the existence of large transnational corporations. Nevertheless, Lenin had to acknowledge that at the end of the 19th century, there had already been efforts in some of the developed countries to control such abuses as price-fixing. (which would lead to monopolies or a centralization of capital).

For example, in 1914, the Clayton Antitrust Act was adopted in the United States. This was a significant act to control the formation of monopolies. Similar measures occurred in Europe at the beginning of the century.

Lenin wrote his book on Imperialism in 1916, or two years after the Clayton Act. However, he paid no attention to this legislation aimed at preventing the formation of monopolies.

Marx never anticipated such laws. Within the Marxist historical analysis, it is said that the state can only serve the interest of the dominant class. The state is looked at as the tool of big business. Therefore, such a legal action seemed to be a contradiction to Marx's analysis of history (see section II on Dialectical and Historical Materialism). Although efforts such as the Clayton Anti-trust act were not 100% effective, nor sufficient, Lenin should have recognized that within the leadership of capitalist countries, there were people who were ostensibly conscientious and concerned about stopping the formation of monopolies.

Lenin's failure to note such anti-trust laws is almost equivalent to having someone speak about racial division in the United States without mentioning the work of Dr. Martin Luther King. The reason that Lenin did not mention such efforts is because they would damage his arguments.

#### B. The Bribe of the Worker

At the beginning of the 20th century, the standard of living of the French worker was considerably lower than that of the Scandinavian worker. Nevertheless, Scandinavia did not have colonies to which it could export capital. How can one explain this phenomena? Quite simply Lenin failed to understand the error made by Marx in his analysis of surplus value.

#### C. The Error of Marx in his Analysis of Surplus Value

According to Marx, as we have seen, there are three factors which contribute to the manufacture of a commodity: raw materials, machinery, and the worker. Marx said that the worker was the unique source of profit or surplus value, and that machines were not able by

themselves to produce profit.

But is this really true? As we have seen, every item has two types of value: an exchange value (very important to Marx) and also "use" value. We can say that the exchange value is the objective value. For example, if a person buys an automobile for \$10,000, and another person buys the exact same model, both people probably are going to pay about the same price. This is the exchange value.

Nevertheless, the use value of these automobiles has a subjective dimension. For example, let us say that person A uses his automobile as a taxi while person B uses his automobile only for pleasure. In one year, person A can make \$20,000. But what about person B?

If after one year, they want to sell their cars, and they have equal mileage, each one will receive, probably \$ 5000 due to the fact that the automobiles went through depreciation. This will be the objective value of the vehicles. But this amount has nothing to do with the automobile's subjective or use value. As long as his automobile functions, person A is able to continue to earn \$20,000 per year as a taxi driver.

This is the subjective or use value of the vehicle. Marx did not understand the primordial role of use rather than exchange value. Due to use value, machines can make profit.

Let us take another example: a man works in his own rug boutique six days a week. Five days a week he dedicates to the manufacture of rugs and one day he dedicates to accounting. Each day he makes rugs, he can earn \$40. However, the day he does accounting he must close his shop and therefore, makes no money.

This accounting process is time consuming because he does it manually--- not owning a calculator.

One day he buys a \$10 calculator. Now this calculator has only a \$10 exchange value, yet thanks to such technology, the man is able to do his accounting in one half day instead of a whole day. Thus, instead of making \$200 a week, he can now make \$220 a week. We plainly see that the calculator allows him to produce \$20 more a week. That means that its use value per week is twice as great as its exchange value.

According to Marx, the calculator as a machine cannot produce any value greater than its exchange value. But in reality, we could use the calculator for many years. After the first two hours the rugmaker will be able to earn back the calculator's exchange value. After that,

each week he can make \$20 due to the calculator. After one year, the calculator will help him to earn more than \$1000. If it lasts two years, the machine is able to help him produce \$1990 in profit.

Thus we see that Marx was wrong when he said that machines could not help produce profit. The entire work, therefore, of Lenin to justify the Marxist theory actually has no meaning---Lenin did not understand this fundamental error in Marx's analysis of surplus value.

#### D. The National Liberation Movements

Marxism-Leninism maintains that in order to bring about revolution in the developed nations, it is necessary, first of all, to begin movements of national liberation in the Third World. The Soviets claim to be the champions of Third World nations which claim to seek "liberation". Nevertheless, since the beginning of the 20th century, there is only one nation which has not liberated any of its own colonies; that is Soviet Russia. Let us consider one example which proves their hypocrisy: this is the case of Ogaden.

In 1960, Somalia gained its independence. It had been divided among several countries--- Italy, Britain and Ethiopia. Britain and Italy gave independence to Somalia, but the Emperor Haile Selassie of Ethiopia decided to keep Ogaden, which was the Ethiopian-controlled part of Somalia. In 1974, Somalia became a communist country. They then proceeded in a war against Ethiopia to regain Ogaden.

Somalia needed outside help. The Soviet Union responded by sending to Somalia nearly 5 thousand Cuban soldiers. This war of liberation went relatively well, as did similar operations in Angola, Mozambique, and elsewhere. The Soviet Union and Cuba were truly seen as champions of the oppressed.

In 1975, however, a coup d'etat occurred in Ethiopia. Emperor Haile Selassie was overthrown. For the next three years there was an internal battle for control of Ethiopia. It ended with the inauguration of President Mengistur, in 1977. Mengistur soon proclaimed himself as a Marxist-Leninist.

Even after the start of the Mengistur presidency, Communist Somalia continued in its efforts to liberate Ogaden from Ethiopia. Mengistur therefore asked help from the Soviets, who were already assisting Somalia.

Considering that the Soviets are practical, and considering that Ethiopia with its 30 million inhabitants was a more important country than Somalia (4 million), they simply chose to withdraw the 5,000 Cuban troops from Somalia.

A short time later, Cuban troops arrived in Ethiopia. In May, 1978, those Cubans with the help of East Germans and the Ethiopian military, attacked Somalia, even using napalm.<sup>8</sup>

The Soviets revealed their true face. They aren't liberators; they are hypocrites. They seek only one thing--- power. Lenin once said that imperialism is "the highest stage of capitalism". Are we then to conclude that Communism is "the highest stage of imperialism"?

The communists boast of their international spirit, of their power to transcend race and nationality. But what is the reality? After the death of Stalin, the most experienced communist leader was not Khrushchev, but Mao Tse Tung. If there were truly an international spirit in communism, then the new leader of world communism should have been Mao.

Instead, the Communist leader came to be Nikita Khrushchev, and a great division between China and Russia developed. (It is interesting to note that during the cultural revolution of China, the Chinese referred to "revisionists" as being a "Chinese Khrushchev".) The Sino-Soviet split proves that communism is not able to transcend nationalism; communism serves today as a way to justify Russian Imperialism.

The famous French Sovietologist Alain Besancon points out:

According to Stalin, the 'socialist economy has as its first priority the aim of providing for the basic material and cultural needs of society, through the perfection of socialist production based upon technical superiority.' On the other hand, according to Stalin, the capitalist economy has as its top priority the securing of maximum profits for the capitalist through the exploitation of the majority of the population in a country, and acting in a similar fashion in the developing nations. Capitalists even begin wars in order to

<sup>8</sup> Ezzedrine Mestiri, Les Cubains et L'Afrique, (Paris: Editions Karthala), 224p.

construct their national economies with the prospect of assuring themselves maximum revenues.'

What Mr. Besancon points out is that in reality the policies of the Soviet Union do not concur with Stalin's definition of socialism. They coincide more closely with his definition of capitalism.

According to the magazine Peking Review, between 1955 and 1973, the Soviet Union reported 11 billion dollars in unjust profits from Africa. During the same period their exploitation of Eastern Europe brought 19 billion dollars to the Soviet Union.

Each day the Soviet Union injects 8 million dollars into Cuba, but not without extracting a higher price. The price is blood. The Cuban soldiers multi fight wars of liberation in place of the Soviet army.

Interestingly, a very small class in each communist country lives very well, while the rest of the population is left in misery. In his book, La Corruption en Union Sovietique former Russian functionary Ilja Zemtsov speaks of the living conditions in Azerbaijan near the Iranian border. The majority of the citizens of Azerbaijan are of Islamic origins. 32% of them live in communal residences where each person has only 3 square meters of living space. The author says that even today there are countless thousand of illiterate people along with many children who have never even been to a school. To express the misery of the people, Zemtsov gives one example:

On the 13th of February, 1970, a resident of Kirovobade, a Mrs. Roubaba Gouseinova, 42 years old, with a primary school education, a divorcee with three children, two boys and a girl, covered herself with oil and burnt herself alive.

She had lived for thirteen years in a cave and had asked the city's executive committee nineteen times to find her a dwelling place. This the twentieth time, she chose a different direction. She left a letter on which could be read the words, This time they will give us one.

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<sup>9</sup> Kindly consult the Peking Review of March 29, 1975.  
<sup>10</sup> Ezzedrine Mestiri, op. cit.

<sup>11</sup> Ilja Zemtsov, La Corruption en Union Sovietique. (Paris: Hachette Essais), 1976, p. 128.

Zemtsov maintains that not only in Azerbaijan but in many other places in the Soviet Union, many people still live in caves. They have no running water. Still they have no heat. Is this the grand promise of Communism?

It is said that Communism will liberate us, that it will bring us to a new level of technical superiority. But what kind of technical superiority is this if after 60 years there are still millions of people living in misery?

The Soviet economy is developing only one thing--a powerful war machine. The Soviet Union is able to continue its forward momentum through lies and false promises. Former soviet official Michael Voslensky speaks of a new class in the U.S.S.R. as corrupt as any of its czarist predecessors.

The Soviet Union may have been able to change the system but it has not been able to change the basic human being. Today even more so than before, the exploitation is a reality in Russia.

#### CONCLUSION

As we have seen from the study of these two sections on economics, Marx's view was completely distorted. In developing his economic theories, Marx had only one purpose--- to establish the capitalist's guilt. This would then justify revolution.

When Bernstein called for peaceful, democratic reform, Lenin likewise rejected this position. Lenin's views of imperialism, the same as Marx's economic theories, serve as nothing more than an apologetic for violence.

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