nationalization of the process of production in *L'internationalisation du capital.*

16. See C. Palloix, *Problemes de la croissance en economie ouverte*, Maspero, Paris, 2nd edition, 1973.

17. With its variant, the Heckscher-Ohlin-Samuelson theorem.

18. See Christian Palloix, *L'economie mondiale capitaliste*, Maspero, Paris, 2 Vol., 1971.

19. B. Drugman has clearly enunciated this role of the State in his recent work, *Etat, lutte de classes et reproduction elargie du capitalisme*, Centre de Recherche Economique et Sociale, University of Grenoble, December 1973.

20. See Marx, *Capital*, Volume 1, p. 215. All quotes from *Capital* are from the Progress Publishers' edition of 1965.

21. See P. Bye and A. Mounier, *L'internationalisation du capital des industries agricoles et alimentaires*, Grenoble, IREP, December 1972.

22. See Suzanne de Brunhoff, *La Politique Monetaire, (Monetary Policy)*, Paris, Presses Universitaires de France, pp. 181-183: "Money in capitalism is today incorporated into a credit system detached from its money-commodity base: gold as the fixed standard of price. From this results new monetary conditions for the financing of accumulation. But there is no way that the capitalist system can completely avoid the problem of the reproduction of the general equivalent. Money which is integrated in the financial flux, even if it is initially a pure commercial credit money (seemingly dematerialized), must, in order to be validated, find an anchorage point. We saw this when we showed the role of the central bank as the place where equivalences are expressed. The problem of a truly international currency has not been resolved."

23. Even though this conflict can reflect the requirements of autonomy (of the standards of production from the monetary and financial standards) every standard of production is in the last instance subject to the monetary and financial standard (which is what happens to the Ministry of Industry).

24. Any number of economists, of political scientists, of sociologists "discover" the multinational firm which puts everything into question — where they see a "rupture," there is only a "maturing" of the capitalist mode of production. What they have not "seen" is that the capitalist mode of production has been international from its very beginnings.

25. See the writings of Arghiri Emmanuel and the subsequent controversy which developed around his work.

26. See the Methodological Appendix at the end of this paper.

27. See the theoretical advances made in the analysis of this point in the Methodological Appendix.

28. See Karl Marx, *Capital*, Volume 1, p. 215.

29. This is often called the "tertiarization" of the economy.

30. The level at Fos-sur-Mer.

31. It is increasingly irritating to watch the discovery of a set of Marxist concepts in positivist discussions, in discussions of political economy. Everyone today uses and abuses the terms "mode of production," "social formation," "internationalization of capital," "relations of production," "productive capital," "commodity capital," "forces of production." Add class struggle and the dictatorship of the proletariat and your terminology will be quickly dropped.

32. Whoever speaks of the struggle conducted by "capital" implies the existence of its counterpart, the proletariat.

Methodological Appendix

CONCEPTUALIZING THE INTERNATIONALIZATION OF CAPITAL

from Christian Palloix, *L'internationalisation du capital*, Paris, Maspero, 1975.
translated by Margaret Bald and David Levey*

One can take two approaches to the analysis of the internationalization of capital: a functional one or a structural[1] one.** Only the latter approach offers a theoretical framework which includes the essence of the contradictory process of internationalization. The functional approach sees the internationalization of capital as nothing more than the movement of capital beyond a nation's borders. This is central to classical Smithian and Ricardian thought on foreign trade,[2] and is reflected in neo-neoclassical thought. The structural approach considers the process of internationalization to be *included in* the very movement of capital itself, as internal and essential, at the very heart of the contradictory process of the expansion of capital.

At the present stage of our research, our conceptual apparatus defines the process of internationalization from both the functional and structural viewpoints by means of the following concepts:
concepts:

—the self-expansion of capital
—capital as a social relation

*Corrections on this translation have been made by Patrick Clawson, Robert Cohen and Sean Gervasi

**In the French edition, Palloix distinguished between a functional and an "organic" aproach. The latter approach has been called a structural one for this translation. However, it should be clear that by a structural approach, we mean one that considers the process of internationalization to be inherent in the very movement of capital itself.

—the fractions of capital

—the division of the system of production into industrial and financial branches

—the division of the system of production into departments

I. Internationalization and the Self Expansion of Capital[3]

The theoretical analysis of the internationalization process based on the self-expansion of capital leads to a view of the process which is more functional than structural, even if the structural view is alluded to in this approach.

A. The Self Expansion of Individual and Social Capital

Whether examined from the perspective of individual capital or of social capital, the self-expansion of capital poses the problem of the *transformation* of functional *forms* which capital assumes and throws off in succession. These forms are the productive form (P), the commodity form (C), and the money form (M).

> The two forms assumed by capital-value at the various stages of its circulation are those of *money-capital* and *commodity-capital*. The form pertaining to the stage of production is that of *productive capital*. The capital which assumes these forms in the course of its total circuit and then discards them and in each of them performs the function corresponding to the particular form, is *industrial capital*, industrial here in the sense that it comprises every branch of industry run on a capitalist basis.
>
> Money-capital, commodity capital, and productive-capital do not therefore designate independent kinds of capital whose functions form the content of likewise independent branches of industry separated from one another. They denote here only special functional forms of industrial capital, which assumes all three of them one after the other.[4]

The transformation process must not be viewed in a purely formal way; e.g., as a purely formal transformation within the process of circulation. This is because the transformation process, on the one hand, arises from the process of production and, on the other hand, implies a revolution in value:

> The transformation . . . does not merely concern the functional form of capital but also the magnitude of its value; in the second place, however, the transformation is not the result of a merely formal change of position pertaining to the circulation process, but of a real transformation experienced by the use-form and value of the commodity constituents of the productive capital in the process of production.[5]

The transformation process is in this way closely linked to the transformation of values into prices of production.[6]

Two preconditions for the process of transformation are: (1) the existence of free laborers, and (2) the existence of commodities:

> The existence of the latter [free wage-laborers] on a social scale is a *sine qua non* for M—C, the conversion of money into commodities, to be able to represent the transformation of money-capital into productive-capital.[7]
>
> One of the most obvious peculiarities of the movement in circuits of industrial capital, and therefore of capitalist production, is the fact that on the one hand the component elements of productive capital are derived from the commodity market and must be continually renewed out of it, bought as commodities; and that on the other hand, the product of the labor-process emerges from it as a commodity and must be continually sold anew as a commodity.[8]

1. The Self Expansion of Individual Capital

The unfolding of the cyclical conversion process in which individual capital assumes and discards various functional forms — the process of transformation called *the circuit of self expansion of individual capital* — is presented by Karl Marx[9] in the expanded formula of the circuit of capital. In this formula, a distinction is made between the purchase of labor-power (L) and purchase of the means of production (Mp) in the transformation of the money form (M) into the productive form (P). The productive form passes through the commodity form (C) which then takes the character of L and of Mp. On the other hand, the transformation of the productive form (P) into the money form (M) always occurs by means of the commodity (C), giving rise to surplus-value (c—m—c) created in the development of the productive form and *materialized* during its conversions into successive concrete forms: commodity ($C' > C$, with $C' = C + c$), money ($M' > M$, with $M' = M + m$), commodity ($C' = C + c$).

The expanded formula for the self-expansion

process of individual capital (the transformation process) is:

$$M-C\begin{cases} M-L \\ \qquad\qquad \ldots P \ldots \\ M-Mp \end{cases} \left| \begin{array}{c} C' \\ = \\ C \\ + \\ c \end{array} \right| \begin{array}{c} - \\ \\ - \\ \\ - \end{array} \left| \begin{array}{c} M' \\ = \\ M \\ + \\ m \end{array} \right|$$

where the advanced value, M, is recovered in the form M′ at the end of the self-expansion process.

2. *The Self-Expansion of Social Capital*

As Karl Marx writes, " . . . the circuits of the individual capitals intertwine, presuppose and necessitate one another, and form, precisely in this interlacing, the movement of the total social capital."[10] The concept of social capital (as a social relation and not as a "material thing") is *born* of the interlacing of individual capitals. This interlacing gives way to a course of self-expansion of *industrial* capital in the broadest sense; i.e., before its differentiation into industrial capital, banking capital, commercial capital, etc. The self-expansion of capital unfolds as the *unity* of the three specific circuits of capital:

> The actual circuit of industrial capital in its continuity is therefore not alone the unity of the processes of circulation and production but also the unity of all its three circuits (money-capital, productive-capital, and commodity-capital).[11]

Independently of the fact that capital is a social relation and not a "thing" as the neo-neoclassical economists claim, what we mean by *the self-expansion of social capital* is a phenomenon which is not simply the *sum* of the self-expansion of individual capitals.[12] In the first place, the self-expansion of social capital differs from the self-expansion of individual capital in the sense that it is the *unity* of three circuits of self-expansion:[13]

—the circuit of money-capital M. . M′ (I)
—the circuit of productive-capital P . . P′ (II)
—the circuit of commodity capital C′ . . C′ (III)

In the formula developed below of the circuit of social capital, even the circuit of money capital (M . . M′) cannot be identified with the circuit of individual capitals:

$$\overbrace{M-C\begin{cases} M-L \\ \qquad\qquad \ldots P \ldots C'-M'-C' \\ M-Mp \end{cases}}^{I} \quad \overbrace{\qquad\qquad\qquad\qquad}^{II} \quad \underbrace{\qquad\qquad\qquad\qquad}_{III} \begin{cases} M-L \\ \qquad\qquad \ldots P' \ldots C' \\ M-Mp \end{cases}$$

The concept of social capital does not refer here to a pure summation of the self-expansion of individual capitals. Rather, it refers to the self-expansion of industrial capital in the most general and most abstract sense, before its differentiation into specific industrial capitals. In this process, which occurs in order to assure the transformation operation, industrial capital assumes the forms of fractions of capital called industrial capital (in a narrow sense), banking capital, and commercial capital.

In this regard, it is important to carefully define the *self-expansion of social capital*, since the movement of self-expansion bears on the very understanding of the concept of capital. This self-expansion of capital as a social relation[14] is carried out through the purchase of labor power (M—L), or variable capital, and through the purchase of the means of production (M-Mp), or constant capital. On the other hand, there is the *reproduction* of social capital through the schemas of simple and enlarged reproduction of social capital.[15]

While referring to the structure of social capital as a social relation — a structure which includes constant capital and variable capital as an expression of this social relation in the process of accumulation of capital — *the self-expansion* of social capital is distinguished from the self-expansion of *individual* capital because it relies on an *additional form* of capital. Even though the self-expansion of individual capital M—C—M′ *presupposes* the commodity, the self-expansion of social capital *hinges* on the category of the *commodity*. the central category of the transformation process. Without the "commodity," there is no transformation of money-capital into productive-capital and, conversely, no self-expansion of capital (whether it be individual or social). Thus, the commodity category is anchored in the division of the production system into "industrial and financial branches" which *gives rise to* the self-expansion of capital. The concept of social capital in the process of self-expansion is not only based on a social structure, but it also recreates a structure of the productive system within the course of

self-expansion, since the latter reflects the *existence* of the commodity which depends upon the very division of the production system.

Thus, since the self-expansion of individual capital is carried out on the basis of the *maximization of the rate of profit,* the self-expansion of social capital is central in giving rise to the *equalization of rates of profit.* This comes about through the way in which social capital enters into production, confronted with a productive system which is divided into industrial and financial branches. The question of *self-expansion* gives a specific content to the concept of social capital. This is a dual conception which refers on the one hand to the *social relation* which is capital, and on the other hand, to the dividing up of this relation in self-expansion — the division of the productive system into industrial and financial branches and into departments.[16]

B. The Self-Expansion of Social Capital on a World Scale

The process of "internationalization" in relation to the self-expansion of social capital does not refer simply to the extension of the process of the self-expansion of capital beyond national boundaries. It is not a simple reflection of the extension of either the circuit of commodity capital (C'—M'—C' . . P . . C') (the first to assert itself at the world level), or the circuit of money capital (M'—C' . . P . . C'—M'), or the circuit of productive capital (P. . C'—M'—C' . . P) beyond the boundaries of the advanced capitalist social formations. Saying that self-expansion occurs on a world scale is not sufficient to define the process of internationalization. Such a definition would then be purely descriptive and not theoretical.

The "internationalization" of the self-expansion of social capital is defined by the fact that the process of converting the functional "money" form into the commodity form and into the productive form (and vice versa) can no longer be fully realized inside of a single capitalist social formation. In effect, the central element in this process of transformation, the *commodity,* is no longer produced in one nation. It is no longer limited in this way. The commodity, or rather the commodity-group, can only be conceptualized, produced, and realized at the *level* of the world market. This tendency is becoming more and more pronounced.[17]

This new characteristic means that *commodities* exist — are conceived, produced and realized — more and more only at the level of the world market and not within the advanced capitalist social formations. It imprints the process of "internationalization" on the entire process of transformation and on the process of self-expansion. It shapes both the internationalization of the circuit of commodity-capital, the internationalization of the circuit of money-capital, and the internationalization of the circuit of productive capital. Thus, there is a double world structure of capital, where capital is a social relation and is also divided up into branches and sectors in its process of self-expansion. From this essential character of the internationalization of the self-expansion of social capital flows its self-expansion on a world scale, as an extension of the circuit of social capital beyond the bounds of the advanced capitalist social formation; this movement gives rise to a functional and descriptive understanding of itself.

II. Internationalization and Capital as a Social Relation

The process of understanding capital from the perspective of *self-expansion* calls attention to the specific way in which *capital* is divided up into industrial and financial branches and into departments. Thus, the process of internationalization refers to such a structural conceptualization of capital. The concept of internationalization as well as the concept of capital depend here on an approach based on the process of self-expansion. The question of accumulation and of the mode of accumulation of capital enable us to see capital as a *social* relation, a class relation, underlying and included in the movement of self-expansion which assures reproduction.

> "We have seen that capitalist production does not only create commodities and surplus value, but also reproduces to an ever increasing extent the class of wage-laborers . . . "[18]

The relations which arise from the heart of the movement of the self-expansion of social capital stamp capital with the seal of social relations; they are the concrete manifestation of capitalist relations of production, the *relation of exploitation* (necessary labor — surplus labor) in the process of production itself. The capital-relation which is produced in the self-expansion of capital exists neither *within* production alone[19] nor *within* circulation alone; it *exists* and is *reproduced* within the *unity* of production and of circulation, as Marx points out very clearly:

> "The capital-relation during the process of production arises only because it is inherent in the act of circulation, in the different fundamental economic conditions in which buyer and seller confront each other, in their class relation.[20]

It is quite evident, however, that the forms which the fundamental capitalist relation assumes differ depending on the place where they are analyzed. The process of production itself is characterized by relations of exploitation and of cooperation within the labor process; *both* production and circulation are characterized by social relations (class relations) imprinted in determining the value of capital. There are two sides of this social relation, of capital, which can be analyzed within the process of internationalization as a social relation by grasping both of its aspects: the functional one and the structural one.

A. The Functional Approach to the Internationalization of Capital

We can use the following method to identify the points within the general circuit of social capital where capital as a social relation will be internationalized by placing them in brackets:

$$\underbrace{\boxed{M-C\begin{cases}L\\Mp\end{cases}}}_{1}\ldots P\ldots\underbrace{\boxed{\left|\begin{array}{c}C\\+\\c\end{array}\right|-\left|\begin{array}{c}M\\+\\m\end{array}\right|-\left|\begin{array}{c}C\\+\\c\end{array}\right|}}_{2}\begin{cases}L\\Mp\end{cases}\ldots P\ldots C'$$

Bracket 1 designates where capital is internationalized in its functional aspect, as a social relation in its process of *self-expansion.* Bracket 2 indicates where *self-expanded capital* has incorporated the movement of internationalization. The process of internationalization of capital incorporated into the various forms which capital assumes as a social relation "transcends" the process of production but is also an expression of it.

1. The Internationalization of Capital in its Process of Self-Expansion: M—L/M—Mp

We have here one of the most characteristic forms which the capitalist relation assumes in the self-expansion of capital: the purchase of labor power as a commodity confronts the purchase of the means of production, thus radically setting apart the labor force from other factors.

> What lies back of $M-C\begin{cases}L\\Mp\end{cases}$ is distribution; not distribution in the ordinary meaning of distribution of articles of consumption, but the distribution of the elements of production itself, the material factors which are concentrated on one side and labor power, isolated on the other.
>
> The means of production, the material part of productive capital must therefore face the laborer as such, as capital, before the act M—L can become a universal, social one.[21]

a) the international generalization of the act M—L, the international generalization of the wage-labor relation is an objective process, as is the "external" reproduction of capital which takes place beyond international borders.

In 1970, the capital of the 500 largest U.S. firms bought the labor power of 15 million workers in the USA and that of 12 to 13 million workers overseas. The act M—L for *Fortune's* top 500 corporations is thirty to fifty percent of the world's total. Immigrant workers represent exactly the same process of internationalization of capital under the form M—L/M—Mp internalized within national boundaries. The functional character of the process of internationalization resides in the logic of this approach which sees the generalization of the act M—L as a process maintaining itself in the search for low wages, in the low "foreign" cost of labor-power.

b) parallel to the internationalization of M—L, the internationalization of capital in its process of self-expansion also occurs in the act M—Mp, where the self-expansion of hegemonic capital assures its reproduction by intersecting with other capitals.

This intersecting of capitals of diverse national origins can be represented in the following manner (M_1 is hegemonic capital and M_2 is dominated capital):

$$\begin{array}{l}
M_1-C_1\begin{cases}L\\ \\ \ldots\ldots \underbrace{Mp}_{} \ldots\ldots P_1 \ldots\ldots C'_1-M'_1\end{cases}\\
\qquad\qquad\qquad\qquad\qquad\qquad M'_2\\
\qquad\qquad\qquad\qquad\qquad\qquad |\\
\longrightarrow \qquad\qquad\qquad\qquad C'_2\\
\qquad\qquad\qquad\qquad\qquad\qquad \vdots\\
\qquad\qquad\qquad\qquad\qquad\qquad P_2\\
\qquad\qquad\qquad\qquad\qquad\qquad \vdots\\
\qquad\qquad\qquad\qquad\qquad\qquad C_2 \qquad\qquad \longleftarrow M_3\\
\qquad\qquad\qquad\qquad\qquad\qquad |\\
\qquad\qquad\qquad\qquad\qquad\qquad M_2
\end{array}$$

In this schema C'_2, which comes from the process of self-expansion of dominated capital, M_2, is snatched up in the process of self-expansion of capital M_1. It enters as Mp into the productive process P_1, while the fraction of capital M_1 used for the purchase of C'_2 becomes the condition for the realization of this commodity and its conversion into M'_2.

The self-expansion of any capital constantly "traverses" the reproduction of other capitals in their own self-expansion. The internationalization of capital, from the perspectives of M—Mp and M—L, thus defines an internationalization of the process of self-expansion of an internal, national capital through its intersection with other capitals which are also expanding on an international scale. The functional

approach is inherent in this analysis because internationalization is defined as foreign self-expansion, across borders, during the intersecting operation.

If M_1 designates the self-expansion of the hegemonic strata of capital (U.S. capital, for example), M_2, the dependent self-expansion of European capital, and capital M_3 (capital which self-expands in Africa, for example, or in Latin America) is dependent on M_2 and passes in its self-expansion through C_2. M_2, it must be noted, serves a relay capital between M_1 and M_3. From the perspective of the functional approach, different chains of dependence become apparent, the process of internationalization pushing its various antennae into different areas — Brazil, Ivory Coast, etc. — *on behalf* of the hegemonic strata of capital. The principal fault of such an analysis is that, by *overemphasizing* the center-periphery division, it leads into a theory of super-imperialism.

2. *The Internationalization of Self-Expanded Capital: c—m—c/C—M—C*

Within the whole of this act, which is broken down into C′—M′ and M′—C′, we again find the development which we have already noted: following on the process of the self-expansion of capital, a capital immediately appears which initiates its process of self-expansion. We will not concentrate on this aspect; i.e., internationalization as an expression of the intersecting of the self-expansion of capitals which loosen their internal constraints. Here, we are only concerned with the concretization of capitalist relations within the total act of circulation[22] under its forms of surplus value and profit (the opposition of c—m—c against C—M—C).

The commodity C′ appears as the functional form of the separation of surplus value from capital-value (c separated from C); in the same way, M′ is the act of separation of profit from capital-value (m separated from M):

> It is only in the circuit described by C′ itself that C equal to P and equal to the capital-value can and must separate from that part of C′ in which surplus-value exists, from the surplus product in which the surplus-value is lodged. It does not matter whether the two things can be actually separated, as in the case of yarn, or whether they cannot, as in the case of a machine. They always become separable as soon as C′ is transformed into M′. [23]

The entire act of circulation makes it clear that the *separation* of c and C, of m and M, *depends on a process which is set in motion on a world-wide level.* The internationalization of capital as a social relation through the opposition of the relations c/C and m/M is seen both in fact and in theory (in so far as the functional approach is concerned). Internationalization of the income from capital, or profit, is clearly evident in the earnings of U.S. capital in Latin America, Europe, Asia and elsewhere. The same is true for the profits of Japanese capital and European capital engaged in international operations.

In theory, the internationalization of capital as a social relation is seen in a very narrow manner in Emmanuel's thesis of "unequal exchange".[24] On one hand, Emmanuel's theory reveals all the faults which result from a narrow theoretical approach to the total circuit of social capital. This approach deals with just the internationalization of circulation (the act c—m—c), and forgets that the distribution relationship is only the reverse of the relation of production M—L/M—Mp, giving rise to all the erroneous conclusions drawn from such a narrow approach. On the other hand, Emmanuel falls completely into the trap of the functional approach in which internationalization is seen in *the recovery or loss of surplus value at the border*, at the moment of the transfer of a block of embodied value (low wages) toward another block of embodied value (high wages), blocks which result again in the traditional center-periphery conceptualization.

B. *The Structural Approach to the Internationalization of Capital*

The process of internationalization, as an organic element inscribed within the contradictory movement of capital, masks the two forms which the capitalist relation assumes within the self-expansion of capital. Only the structural approach to internationalization reveals the real *capitalist* content of internationalization: *the law of uneven development.*

1. *The Internationalization of Capital and the Process of Production: the Law of Uneven Development*

Viewing the internationalization of capital from M—L/M—Mp draws our attention to the expansion of the extraction of both absolute and relative surplus value. The internationalization process is not evident in capitalist relations, but is inscribed within the very movement of capital, as a process which cannot be separated from it.

In fact, the relation M—L/M—Mp is not a formal relation which unfolds only within circulation; it is a relation which conceals the *transformation* of advanced capital-value into productive capital, *within* the process of production. The movement of capital, in

the purchase of labor power and the purchase of the means of production, implies the fusion of these two elements which confront each other within the production process. Thus the movement of capital conceals internationalization as an internal process, because this relation (M—L/M—Mp) is a *total entity*, which implies at the same time the *unity* and the *differentiation* of capital in relation to the aim of the production process: the extraction of surplus value. The movement of capital includes at one and the same time both the necessity for movement *towards an equalization of conditions of production and of exchange* and towards the *differentiation of production and of exchange* in order to respond to the perpetually insoluble problem of the extraction of surplus value (absolute and relative). The movement of capital creates the dynamic and historic *differentiation* within the capitalist mode of production which is explained in part by Lenin's law of uneven development.

The internationalization process is not a reality external to capital, a reflection, a result (a spatial overflowing, an intersecting of foreign capitals). The internationalization process, within its constituted domain, is a result of the world-wide universality of the capitalist mode of production (this is what differentiates the process of internationalization from imperialism). Internationalization manifests itself both as an expression of: the *national division* (into social formations); the universality of the capitalist mode of production (the generalization of wage-labor); and the *law of uneven development*. It takes this form in order to assure the continual increase of the rate of surplus value on the basis of the fusion of M—L and M—Mp within the process of production.

The internationalization of capital and the workings of the internal national economy are not antagonistic, not two *alternative* realities, but are two phenomena which constantly mirror each other, amplifying each other in their own historic development because they are both shaped and moulded by *capital*. Internationalization has its roots in the law of uneven development; it assures the reproduction of world-wide inequalities, not as a final goal of capital, but as a condition for increasing the rate of surplus value through M—L, through M—Mp, and through their fusion within the process of production.

In a structural approach, the act M—L, within the process of the internationalization of capital is not simply the international purchase of labor power (a functional form), but the *international differentiation of the working class* (whose cooperation is broken up internationally, in a paradoxical manner). This differentiation occurs through the deskilling of workers, reconversion, the differentiation of labor processes, and the differentiation of the production-reproduction of labor power and the *value* of labor power. From this organic differentiation of capitalist relations flows the functional aspect which capital assumes within the external extension of the internationalization process, through both the international purchase of labor power by the hegemonic strata (the search for low wages) and the intersecting of diverse capitals within the operation of self-expansion.

As opposed to the functional approach, which would *logically* tend to conclude that the unification of the working class may be attained through increased cooperation, the structural approach to the internationalization of capital at the level of the act M—L brings to light the intrinsic tendency of capital. Thus, in its international aspect, capital prevents any unity of the international working class by dividing up different working classes, taking advantage of areas of uneven development and amplifying existing schisms. The internationalization of capital is antagonistic to the international class struggle of the proletariat which attempts to reestablish the unity of the working class.

2. *The Internationalization of Capital and Distribution*

Insofar as distribution relationships in the process of self-expansion of capital are only the other side of the relations of production, it is possible to conceive of the international distribution of surplus value, from the functional perspective of internationalization, as only the expression of its organic process: an international differentiation of the national and internal processes of self-expansion so that the *international* transfer of surplus value is *assured*.

Nevertheless these relations of international distribution require that the act of circulation, C_t, be able to negate national and internal laws of value (national and internal prices of production) and substitute transfer prices for them. We must remember that capital is attempting to base itself on international value. Insofar as the self-expansion of dominant U.S. or Japanese capital "passes through" the self-expansion of distinct capitals which it subjugates through the presence of subsidiaries — and this is precisely the role of subsidiaries — the dominant capitals "snatch up" the products of other capitals or products of other modes of production in order to transform them into "commodities" within the C'—M'—C' circuit of hegemonic capital. The product of the productive process of dependent capitals only becomes a "commodity" within the "commodity group" controlled by the hegemonic layer of capital. A basic product, like the steel of the dependent capitals is "snatched up" by hegemonic capital, to be transformed into a commodity within the economic chains hegemonic capital controls, passing

along the line of the commodity groups for housing, energy, transports, packing, etc.

Hegemonic capital, through the control which it exercizes on C'—M'—C', includes in its sphere of circulation the products of other capitals in the same manner as earlier, when the international circulation of commodities "snatched up" the products of modes of production other than the capitalist mode of production in order to turn them into commodities through the process of circulation.

3. *The Internationalization of Capital, International Value, and World Prices*

The law of value, whatever may be the expression that one gives to it (the social sanction of particular concrete works, the distribution of social labor time among different productive activities, the validation of socially necessary labor time, etc.) is reflected *first* in the division of social labor into necessary labor and surplus labor and in the *struggle* over these two fractions of social labor, of which one (surplus labor, surplus product, surplus value) is appropriated by a class (the capitalist class).

The process of internationalization, as a process organically tied to capital, indicates that the development of the struggle between necessary labor and surplus labor is circumscribed: on one hand, within the framework of the world-wide universality of the capitalist mode of production (the tendency to equalization of conditions of production and of exchange) to the extent that capital can only reproduce itself on the basis of its *unity*; on the other hand, within the framework of *division* of the never-maintained unity of capital and the capitalist mode of production (the law of uneven development as a tendency to differentiation of conditions of production and of exchange). This results in *instability* in the international value system, so that the development of the internationalization process is regulated in a chaotic manner. As a result, international value must be extended to try to equalize the conditions of production and of exchange — as a system of production and exchange *norms* — in such a way that the internationalization of capital is maintained and affirmed, and optimal conditions for the extraction of surplus value are generalized. In other respects, however, it is necessary for capital to extend the differentiation of conditions of production and exchange on an international level in order to *increase* the rate of surplus value. In this way, having taken into account the international primacy of the process of differentiation, the role of the law of international value is constantly negated by its own conditions of existence, while being constantly reborn within the course of its own negation.

The concretization of this frantic instability of international value, within the course of its chaotic existence, is the always aborted, but continuous, search for a stable international standard of value for the international monetary system — an old Ricardian dream. This is a necessary, but impossible search. The norms which define international value through the tendency to equalize the conditions of production and of exchange operate through a generalization of the optimum rates of surplus value within diverse industrial and financial branches. Once these norms are put in place they must immediately cede their place to new norms, based on the differentiation of conditions of production and of exchange that are needed to increase the rate of surplus value. Anarchic and chaotic instability marks the rule of international value and gives it a special character. This has led some authors to refuse to conceive of international value as something imposed upon national values.

If international value "regulates" the international system chaotically and in an anarchic manner, nevertheless, because of its inherent nature, it fully reproduces its own essence — namely, inequality in development. International value is not imposed any less on various internal national economies, which are forced to align themselves to international norms of production and exchange which are revealed to their full extent in the national economies.

Any direct international management of the law of international value is unattainable within the capitalist mode of production (there can be no such thing as super-imperialism or ultra-imperialism; we should have no illusions about the managerial capacities of supranational organizations such as the International Monetary Fund). The management-sanction of the law of international value occurs in a *differentiated* and *divided* manner through the practices of different nation-states.

Another consequence of this *instability* of international value is the difficulty of standardizing international rates of profit. This gives free rein to the international differentiation of rates of profit among the more or less hegemonic strata of capital and to their engagement-disengagement in the different industrial and financial branches. International prices of production do not appear in the establishment of *prices of production*: there is no *direct* international conversion of systems of international values into world production prices. The transformation of international values passes through internal, national frameworks of management-sanction, with a *shifting of* internal national values towards international values. There is a transformation of those international values into prices of production according to the law of management-

international value. The world price is not a true price of production; it is a transfer price for the developing differentiation of systems of production. Thus, world prices *drive inflation* because they reflect the instability of the law of international value and the anarchic and chaotic character of the internationalization of capital. The instability of world prices and their inflationary character are a result of the internationalization of capital.

III. Internationalization and Fractions of Capital

Within the course of the self-expansion of social capital, identified by Marx with industrial capital in the broad sense, it is necessary that fractions of capital be *fixed* both within the process of production and within the process of circulation. This permits the adoption of new techniques and assures the conversion of the functional norms of capital and of money-capital into productive capital (by commodity-capital) and of productive capital into money capital (by commodity-capital):

> But it (industrial capital) can be such a unity only if all the different parts of capital can go through the successive stages of the circuit, can pass from one phase, from one functional form to another, so that the industrial capital, being the whole of all these parts, exists simultaneously in its various phases and functions and thus describes all three circuits at the same time. The succession (*das Nacheinander*) of these parts is here governed by their co-existence (*das Nebeneinander*), that is to say, by the division of capital.[25]

Both the technical and the social division of capital are concretized by the fractions of capital which assure the chain of transformations: commercial capital, banking capital, industrial capital (in the narrow sense), and financial capital.[26] The regrouping of certain individual elements of these fractions of capital into hegemonic strata, commanding and giving impulse to the extraction of surplus value, makes it look like certain elements occupy a particular position and control the productive and financial system — "big capital" or "monopoly capital."

A functional view of the internationalization of fractions of capital focuses on the "joint ventures" which link the diverse parts of internal national capitals at an international level and which *would be internationalized* (a tautology) within such a process; e.g., joint ventures between large commercial and deposit banks, joint ventures of large multinational industrial firms, etc. A structural understanding of the internationalization of fractions of capital emphasizes the role these fractions play in the international conversion of the functional forms of capital, thus reflecting the internationalization of these fractions in relation to the "commodity." The control of the economic chain for commodities occurs at the international level.

In fact, the internationalization of fractions of capital depends more on the hegemonic strata which command and shape the international differentiation of conditions of production and of exchange. Internationalization, from a structural point of view, refers less to the fractions of capital — industrial capital, commercial capital, and banking capital — and more to the hegemonic strata of capital that control the production of absolute and relative surplus value in the industrial and financial system.

IV. The Internationalization Process and the Division of Capital into Industrial and Financial Branches

The concept of the branch or "industry" (R. Borrelly) follows from a conception of capital which reflects the dominance of the tendency to equalization of conditions of production and exchange over their tendency to differentiation, and the dominance of the tendency to equalization of rates of profit which follows from the maximization of rates of profit:

> Capitalism cannot constitute a durable system without a law of internal coherence. But a law which governs the functioning of capitalism must necessarily be compatible with its essential characteristics, and must take account of, rather than deny, the most obvious facts. Inequality can be ascertained superficially without finding out how things work. Equality reflects an ultra-simplifying principle, which depends upon the limiting case, but doesn't attempt to elaborate an all-encompassing theory. The acceptance of the tendency to equalization, on the contrary, takes into consideration this intuition in its dynamic reality; that is to say, the search for a rule which can explain the inequalities which are only the manifestation of a constantly active but also contradictory tendency.[27]

The conceptual approach to the industrial system, using the branch or industry, is hotly contested by those who adhere to an approach by departments,[28] who emphasize *only* the tendency to differentiation of conditions of production and of exchange; that is, the tendency to differentiation of the rates of profit. On the other hand, the division of the system of production into industrial branches must not obscure the reality of the division into departments.

A. The Branch Concept, as a Means of Understanding the Division of Capital and the System of Production[29]

a) The concept of a branch implies a dynamic system of relations among the *commodity-product*, the *productive process*, and the *process of circulation*. The concept of a commodity, which comes from the process of production, is central to an understanding of the branch. A commodity is defined by two characteristics:

—its reproducibility (the basic element in this case is a commodity within a process of industrial reproduction);

—the fact that it is the manifestation of the law of value, as a system of transformation of values into prices of production (capital invested in the "commodity" is subject to the law of the tendency of equalization of rates of profit; however, the simple "product," which may be produced within a branch, is thus situated at a certain "distance" from the law of value).

b) The branch appeared as a "combination," and "agglomeration" of historically specific industries which have developed one after the other; thus, the branch is a combination of technical processes producing use values (products), within a dominant economic chain which produces exchange values and which is characterized by certain "commodities."

The *economic chain*, (which includes the self-expansion of capital according to the law of value as regulator) *dominates* the technical processes always in flux, which are specific to industries and assures the *flexibility* of the industrial and financial branches in recoordinating, recomposing, and differentiating the existing technical procedures, while implanting new ones. The *economic chain* transmits production and exchange norms to the production process and the circulation process. This most clearly reveals the action of the law of value. In this way, the economic chain is closely linked to the *engineering* industry which conceptualizes and manages the production and exchange norms.

Technical processes shape the organization of machines used to produce products as use values. A product, as a use value, can be produced by different technical processes; i.e., there are different ways to organize similar machines or machines which are quite different.

From among the alternative choices, the economic chain *tends* to impose a dominant technical process for a limited time. From this comes the rule: a branch is characterized by the *tendency* toward a dominant *production process*. This is the counterpart of the tendency to a particular organization of the system of machines, and the tendency to the standardization of a particular labor process.

c) We must distinguish *economic branches* (where the economic chain is integrated downstream toward other branches), from the other branches which are part of the industrial system.

B. The Process of Internationalization of Industrial and Financial Branches

The process of internationalization encompasses each element which enters into the definition of the branch: the commodity, the production process, and the process of circulation. More importantly, however, it reacts back upon the dynamic aspect of the branch, the economic chain which shapes it. As part of the internationalization process, different industrial and financial branches switch from a "commodity" strategy within their internal, national context to a strategy of "*commodity-groups*" or "commodity sub-groups" at the level of the world market. This establishes a dominant production process at the international level and a process of specific international circulation of the *products* which are part of the production and realization of the commodity-group.

The economic chain, which unites different industrial branches, tends for this reason to operate only on the world level. It shapes the establishment of internal, national technical processes on a world-wide basis, thus furnishing the products which enter into the commodity-group. Such technical processes can be completely changed to be adapted to national economies. Economic chains are regulated by hegemonic groups of capital.

The international economic chain provides that conditions of production and exchange tend to equalize through the imposition of production and exchange norms and through the generalization (and the transfer) of technical processes. This generalization of technical processes, which occurs while they are maturing and provides for the implementation of more modern technical procedures, is given the strange name "transfer of technology." The transfer of technology to less developed areas often involves technical processes which are among the most sophisticated. It *never* reflects a shift of the economic chain occuring during the internationalization of capital.

But the international economic chains produce conditions for differentiation even while they are dominated by the tendency to equalization. Technical processes which have matured continue to be utilized in some areas at the very time that they are being replaced by new processes elsewhere. The international economic chain is continually in flux, calling on other chains which are needed to provide for the increasing rate of surplus value required by hegemonic capital.

V. Internationalization and the Division into Departments

As a counterpart to the industrial branch structure of capital and of the production system which allows the dominance of the tendency to equalization, the division into departments allows for a structure of capital and of the production system that responds to the differentiation of conditions of production and of exchange and the *apparent* differentiation of the rates of profit.

Among those who take a *one-sided* view of the division of capital and the production system into departments (and not into branches) to explain capital's *self-sustained disequilibrium* are Gillard, Deleplace, other members of the SIFI group and certainly many others.

Let us quote from Gillard:[30]

> On the most abstract level . . . one must explain why the modes of restoring equilibrium are transformed (why there is no solution of continuity in proportion to development), and how the most characteristic effect of restoring equillibrium is to engender new disequilibria (by extension to other domains than that affected by the initial disequilibrium) . . .[31]
>
> . . . In this sense, heterogeneity is not a statistical phenomenon which one must first represent in numbers, but a *system of interpretation* of the causes of irregularity . . .[32]

It is doubtful that this system of interpretation is an analysis of departments, since it is a theoretical construct which is *very distant* from a proper command of the interpretation of the facts and of the evolution of the capitalist system. Deleplace favors, moreover, a departmental construct in which a so-called "double destination" goods sector polarizes the rate of profit to its own benefit and to the detriment of others. This thesis holds that the heterogeneity of the reproduction of capital comes about through the continual differentiation of rates of profit:

> A glance at the historic evolution of the capitalist economies has led us to distinguish three epochs, which differ in the characteristics of the circuits of capitals and the constraints on reproduction. In the course of the first, the investment of capital in commercial activity by itself reveals the divergence between profit margins. During the second, the separation and the complementary nature of the department of capital goods from that for consumption goods was obtained through a uniformity of the rates of profit. In the course of the third, the predominance of a department of goods with a double destination is established through a polarization of the rates of profit in its favor, and to the detriment of the sector of goods with a specific destination."[33]

The division of capital and of the productive system into departments, if it does account for the differentiation of the conditions of production and of exchange, is not antagonistic to the division into branches which complements it and specifically identifies it. The division into departments shapes both the increase and differentiation of rates of surplus value (absolute and relative). It is based upon the *modes of accumulation of capital*, differing from the division into industrial branches which revolves around the self-expansion of capital.

The division into departments results in particular "groupings" of industrial branches at the nation-state level. Every ordering of departments within the nation-state is the *product* of the internationalization process and of the international differentiation of departments which are appropriate to each social formation. The double division of capital and of the system of production into industrial branches and into departments establishes and reinforces the *law of uneven development.*

NOTES TO APPENDIX

1. See Chapter 1, Section 2 of *L'internationalisation du capital.*
2. For Smith, exports are an external solution to the internal "limits" on market expansion, and thus to the limits on the internal self-expansion of capital. For Ricardo, imports are an external solution to internal declines in the rate of profit. See Christian Palloix, *Problèmes de la croissance en economie ouverte*, Paris, Maspero, 2nd edition, 1973; *L'economie mondiale capitaliste*, Paris Maspero, 2 volumes, 1971.
3. For further development of this point, see C. Palloix, *Les Firmes multinationals et le procès d'internationalisation*, Paris, Maspero, 1973, chapter 5, translated in Hugo Radice, *International Firms and Modern Imperialism.*
4. Marx, *Capital*, volume 2, p. 50
5. *Ibid*, volume 2, p. 97.
6. On the movement of "revolutions of value," see Marx, *Capital*, volume 2, pp. 108ff.
7. *Ibid.*,volume 2, p. 34.
8. *Ibid.*, volume 2, p. 118.
9. *Ibid.*, volume 2, Part I.
10. *Ibid.*, Volume 2, p. 357.

11. *Ibid.*, volume 2, p. 106.

12. See the critique of our work by J.L. Lespes, *Theorie et Pratique*, no. 1, December 1973.

13. For an analysis of the technical characteristics of these circuits, see Christian Palloix, *Les firmes multinationales* . . . , Chapter 5.

14. See Marx, *Capital*, Volume I, Part 3.

15. *Ibid.*, Volume 2, part 2.

16. See Chapter 4 of this book for the distinction between branches and sectors; also see below.

17. It is in this sense that we must interpret Marx's writings on the subject of internationalization during the circuit of the self-expansion of capital. Note Marx's extraordinarily strong passage on the analysis of contemporary capitalism: "It is therefore the universal character of the origin of the commodities, the existence of the market as [a] world market, which distinguishes the process of circulation of industrial capital. What is true of the commodities of others is also true of the money of others." (Karl Marx, *Capital*, Volume 2, p. 113).

18. Marx, *Capital*, Volume 2, p. 34.

19. Compare this with the positions taken by the SIFI group and by Poulantzas.

20. Marx, *Capital*, Volume 2, p. 32.

21. *Ibid.*, Volume 2, p. 33.

22. Let us indicate that one should never take the act of circulation, C_t, as an independent process of circulation, because it is always united with the process of production which precedes it and follows it:

C'—M': conversion of productive capital into money capital to the extent that M' *discloses* the commodity C', an issuance of P.

M'—C': conversion of money capital into productive capital through the separation of C' into L and Mp, whose fusion *is carried out* within P.

23. Marx, *Capital*, Volume 2, p. 91.

24. A. Emmanuel, *Unequal Exchange*, New York, Monthly Review Press, 1972.

25. Marx, *Capital*, Volume 2, p. 106.

26. Palloix, *Les firmes multinationales* . . . , ch. 5, pp. 163-173 for a mre detailed technical analysis.

27. Rolande Borrelly, *Les disparites sectorielles des taux de profit*. Thesis, Grenoble, March 1973, p. 310 (to be published by Presses Universitaires de Grenoble).

28. See the works already cited by the SIFI group, and by L. Gillard, and G. Deleplace and others who take this approach.

29. The reader must continually compare this purposely summary and schematic presentation with the content of various chapters of this book, particularly chapter 4.

30. L. Gillard, *Le Secteur comme concept théoretique: essai d'application à l'analyse de la croissance et des fluctuations*. Thesis, University of Paris I, June 1971.

31. *Ibid.*, p. 539.

32. *Ibid.*, p. 547. One can easily agree with the first part of the above quote, yet the construction of the sectors reveals an overly "theoretical" preoccupation on the author's part.

33. Ghislain Deleplace, *Répartition et accumulation de capital: essai sur al différenciation des taux de profit*. Thesis, University of Paris I, December 1972.