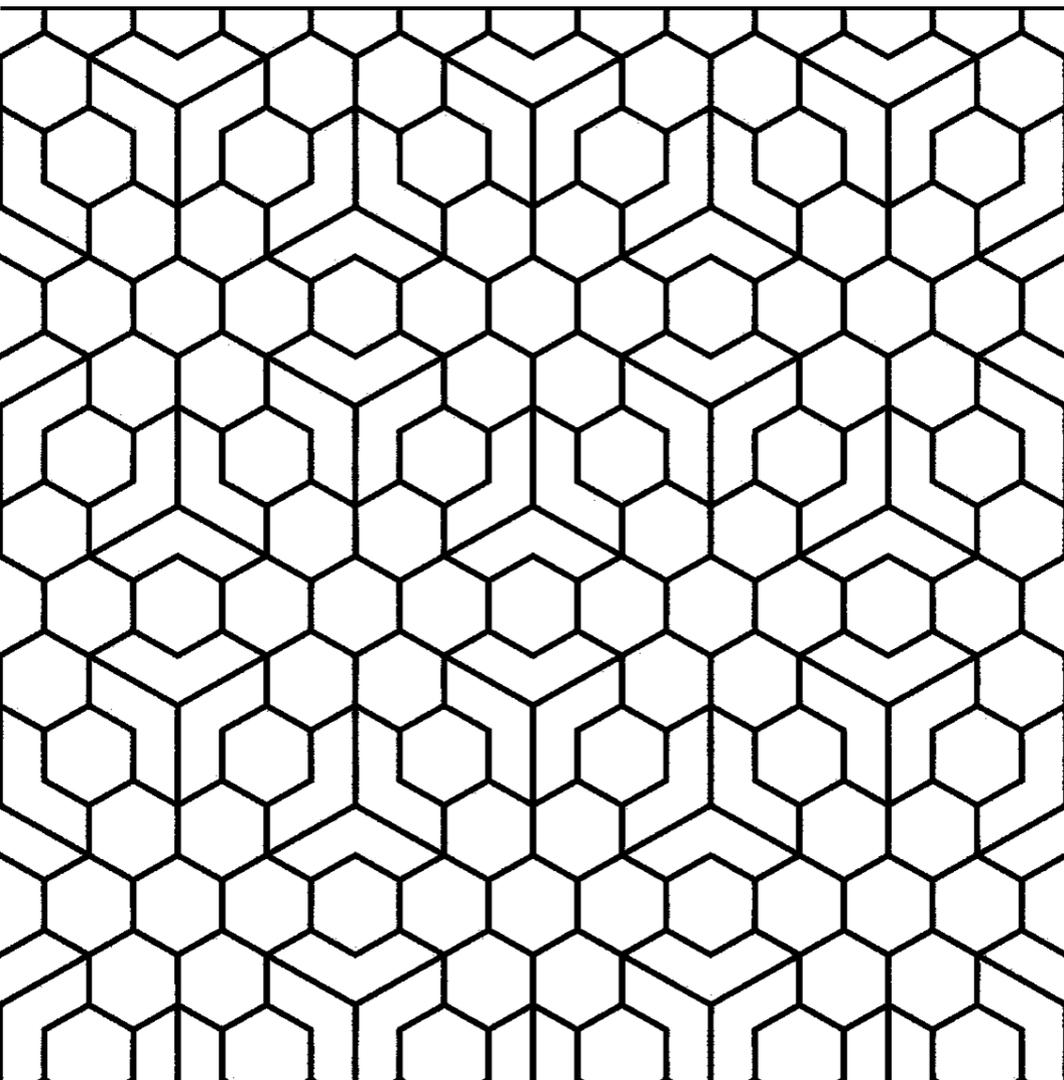


THE PARASITE STATE

IN THEORY AND PRACTICE

Torkil Lauesen



1 | INTRODUCTION

The concept of the parasite state as an effect of imperialist exploitation is a controversial question within Marxist theory. Although it was a significant issue in Lenin's writing on imperialism and in his struggle against reformism and national chauvinism within the Second International, it has been somehow ousted and marginalized by subsequent mainstream Marxist theory.¹ It became a taboo to relate the huge inequality in global working class wages and livings standards to imperialism. Post Lenin, the parasite state theory has only been voiced by small political groups and individuals. However, in recent years, the theory of the parasite state together with its "cousin," the theory of the labor aristocracy, has again gained some ground in the debate. The industrialization of the global South and the formation of transnational production chains have made the imperialist aspect of neoliberal globalization very visible. The effect in the imperialist center, in term of deindustrialization and the subsequent raise of the service, sales and entertainment sector, combined with the political effect, a growing right wing populism in Europe and North America puts the parasite state theory on the agenda again. Amin's (2018) book *Modern Imperialism, Monopoly Finance Capital, and Marx's Law of Value*, Cope's (2015) *Divided World Divided Class*, and Smith's (2016) *Imperialism in the Twenty-First Century* exemplify this trend.

In the following, I will outline the theory of the parasite state, from its first formulation by Hobson in 1902, up through the twentieth century and provide an analysis of the parasite state in today.

2 | HOBSON

J. A. Hobson (1858–1940) was an English left leaning liberal economist critical toward imperialism. In his book *Imperialism—A Study* published in 1902, he provided an economic study of the imperialist system, in which he explains why capital needs colonial markets and relies on the exploitation of foreign territories (Hobson, 1902). Hobson not only coined and popularized the term *imperialism*;

¹ A search for article on the subject parasite state gives no result except for some reference to Lenin writings.

he also first spoke of the colonizing power as a “parasite” on the colony. He expected the future rulers of European countries to consist of a wealthy elite, mainly working in finance. They would keep the masses content by paying them relatively high wages for service-oriented jobs. In the racist language of his time, Hobson anticipates the following result of the colonial intervention in China:

In a word, the investors and business managers of the West appear to have struck in China a mine of labor power richer by far than any of the gold and other mineral deposits which have directed imperial enterprise in Africa and elsewhere; it seems so enormous and so expansible as to open up the possibility of raising whole white populations of the West to the position of “independent gentlemen,” living, as do the small white settlements in India or South Africa, upon the manual toil of these laborious inferiors. . . . Such an experiment may revolutionize the methods of Imperialism; the pressure of working-class movements in politics and industry in the West can be met by a flood of China goods, so as to keep down wages and compel industry [of Western workers]. (Chapter V, Part II, p. 314)

This is more or less a description of what the world economy looks like today. Hobson suggested that capitalists might buy the docility of western working classes by sharing the rents obtained by the exploitation of low wage Chinese labor. China has indeed become the productive industrial center of the world, while the countries of Western Europe and North America have primarily turned into consumer and service societies:

We have foreshadowed the possibility of an even larger alliance of Western States, a European federation of great Powers which, so far from forwarding the cause of worldcivilization, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they supported great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. (Chapter VII, part II, p. 364)

Hobson foresaw the development of the parasite state:

The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the South of England, in the Riviera and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a larger body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods; all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa. . . . Let those who would scout such a theory (it would be better to say: prospect) as undeserving of consideration examine the economic and social condition of districts in Southern England today which are already reduced to this condition, and reflect upon the vast extension of such a system which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. (Chapter V, p. 314)

This parasitism bring to mind life in the wealthy parts of today's London, Paris, Rome, New York, Los Angeles, and tourist arrears in southern Europe and North America.

3 | LENIN

Hobson's book on imperialism influenced both Lenin and Trotsky. It is apparent from Lenin's notebooks that he had studied Hobson carefully. Lenin gives several references and quotes Hobson in his writing on imperialism. Lenin adopted the terms imperialism and parasitism, but extended the analysis. Lenin (1917) summarized the creation of parasite states thus:

The export of capital, one of the most essential economic bases of imperialism, still more completely isolates the rentiers from production and sets the seal of parasitism on the whole country that lives by exploiting the labor of several overseas countries and colonies. (p. 298)

When Lenin wrote a preface for the 1920 edition of *Imperialism as the Highest Stage of Capitalism* in German and French, he emphasized the system's parasitic element:

A few words must be said about Chapter VIII, "Parasitism and Decay of Capitalism." As already pointed out in the text, Hilferding, ex-"Marxist," and now a comrade-in-arms of Kautsky and one of the chief exponents of bourgeois, reformist policy in the Independent Social-Democratic Party of Germany, has taken a step backward on this question compared with the frankly pacifist and reformist Englishman, Hobson. The international split of the entire working-class movement is now quite evident (the Second and the Third Internationals). The fact that armed struggle and civil war is now raging between the two trends is also evident – the support given to Kolchak and Denikin in Russia by the Mencheviks and Socialist Revolutionaries against the Bolsheviks; the fight the Scheidemanns and Noskes have conducted in conjunction with the bourgeoisie against the Spartacists in Germany; the same thing in Finland, Poland, Hungary, etc. What is the economic basis of this world historical phenomenon?

It is precisely the parasitism and decay of capitalism, characteristic of its highest historical stage of development, i.e., imperialism. As this pamphlet shows, capitalism has now singled out a handful (less than one-tenth of the inhabitants of the globe; less than one-fifth at a most "generous" and liberal calculation) of exceptionally rich and powerful states which plunder the whole world simply by "clipping coupons." Capital exports yield an income of eight to ten thousand million francs per annum, at pre-war prices and according to pre-war bourgeois statistics. Now, of course, they yield much more.

Obviously, out of such enormous superprofits (as they are obtained over and above the profits which capitalists squeeze out of the workers of their "own" country) it is possible to bribe the labor leaders and the upper stratum of the labor aristocracy. And that is just what the capitalists of the "advanced" countries are doing:

they are bribing them in a thousand different ways, direct and indirect, overt and covert.

This stratum of workers-turned-bourgeois, or the labor aristocracy, who are quite philistine in their mode of life, in the size of their earnings and in their entire outlook, in the principal prop of the Second International, and in our days, the principal social (not military) prop of the bourgeoisie. For they are the real agents of the bourgeoisie in the working-class movement, the labor lieutenants of the capitalist class, real vehicles of reformism and chauvinism. In the civil war between the proletariat and the bourgeoisie they inevitably, and in no small numbers, take the side of the bourgeoisie, the “Versaillais” against the “Communards.”

Unless the economic roots of this phenomenon are understood and its political and social significance is appreciated, not a step can be taken toward the solution of the practical problems of the communist movement and of the impending social revolution. (Lenin, 1917, pp. 193–194)

Lenin develops Hobson's theory of the parasite state by including the labor aristocracy and its political representatives—the social democrats—in the parasitism. He thereby also highlighted the power sharing between labor and capital in the management of the parasite state in the form of parliamentarianism.

4 | POWER-SHARING

The parasite state is for sure a capitalist state. It is based on the accumulation of capital and private property is protected by law. However, the parasite state is a special form of capitalist state. Its political form is that of parliamentary democracy. There is universal suffrage and welfare for the majority of the working class. Even though the welfare state has come under pressure by neoliberal policies, politicians of all stripes remain committed to its most basic frame. The parasite state is certainly not a dictatorship of the

bourgeoisie. But who then has the power in the parasite state? Moreover, what is the nature of its class struggle?

The form a particular state takes depends on the class struggle that shapes it. The parasite state needs to protect the capitalist mode of production. However, as a parliamentary democracy, it also needs to consider the balance of power between the classes that uphold it. There is nothing new in power sharing between classes in the ruling of the state. The absolutist state of the seventeenth century stood for a power-sharing agreement between the feudal aristocracy and the emerging bourgeoisie. The modern democratic parasite state represents a power sharing between capitalists and the working class. Its government does not represent the sole interests of capitalists or of the working class; it represents the interests of a particular mode of production global capitalism. The modern democratic state is a compromise that has allowed easing of the working class's misery in the global North, within the capitalist order and on the back of the countries of the global South.

Already Marx describes the power sharing in running the state. In a series of articles published from 1848 to 1850 under the heading “Class Struggle in France,” Marx described the bourgeois republican state of the nineteenth century. Its constitution granted political rights to the classes it exploited. The bourgeoisie was not in full control. Marx (1850) wrote:

The comprehensive contradiction of this constitution, however, consists in the following: The classes whose social slavery the constitution is to perpetuate – proletariat, peasantry, petty bourgeoisie – it puts in possession of political power through universal suffrage (sic). And from the class whose old social power it sanctions, the bourgeoisie, it withdraws the political guarantees of this power. It forces the political rule of the bourgeoisie into democratic conditions, which at every moment help the hostile classes to victory and jeopardize the very foundations of bourgeois society. From the first group it demands that they should not go forward from political to social emancipation; from the others that they should not go back from social to political restoration.

Today's constitutions of liberal democracies still serve the same purpose. They protect private property and ensure the ongoing economic dominance of the bourgeoisie, while granting political rights to all citizens, workers included. Consequently, class struggle is reduced to the question of which class is able to draw the biggest benefit in a race confined by the

requirement of best possible capitalist accumulation. Using the example of England, Friedrich Engels illustrated this in the introduction to his book *Socialism: Utopian and Scientific* written in 1880:

It seems a law of historical development that the bourgeoisie can in no European country get hold of political power – at least for any length of time. ...Adurable reign of the bourgeoisie has been possible only in countries like America, where feudalism was unknown, and society at the very beginning started from a bourgeois basis. And even in France and America, the successors of the bourgeoisie, the working people, are already knocking at the door. . . . The industrial and commercial middle-class had, therefore, not yet succeeded in driving the landed aristocracy completely from political power (in England) when another competitor, the working-class, appeared on the stage. . . . Their claims to the franchise, however, gradually became irresistible; while the Whig leaders of the Liberals “funked,” Disraeli showed his superiority by making the Tories seize the favorable moment and introduce household suffrage in the boroughs, along with a redistribution of seats. . . . All these measures considerably increased the electoral power of the working-class, so much so that in at least 150 to 200 constituencies that class now furnished the majority of the voters. But parliamentary government is a capital school for teaching respect for tradition; if the middle-class look with awe and veneration upon what Lord John Manners playfully called “our old nobility,” the mass of the working-people then looked up with respect and deference to what used to be designated as “their betters,” the middle-class. . . . But the English middle-class – good men of business as they are – saw farther than the German professors. They had shared their powers but reluctantly with the working-class. They had learnt, during the Chartist years, what that puer robustus sed malitiosus, the people, is capable of. Since that time, they had been compelled to incorporate the better part of the People's Charter in the Statutes of the United Kingdom. Now, if ever, the people must be kept in order by moral means and the first and foremost of all moral means of action upon the masses is and remains – religion. (Engels, 1892, pp. 110–115)

A well-functioning state is vital for the capitalist world system. The state makes sure that the necessary infrastructure for production and trade is in place. It controls public institutions, and, at times, even the means of production. The liberal parliamentary state in the Global North has been a secure rear base for

imperialism. However, the democratic order of the parasite state has also another function besides mere political management as Ali Kadri (2017) writes: “Democracy. . . is another name for the distributional function of the state reasserting the international division of labor.” Parliamentarism is a form of political struggle for the division of the social product—inclusive the spoils of imperialism.

5 | THE DEVELOPMENT OF THE SOCIAL DEMOCRATIC WELFARE STATE

Therefore, the parasite state does not mean the end of class struggle; it has been waged back and forth within the framework of capitalism. From the beginning of the century to the Great Depression, capitalist classes unquestionably dominated the state. The economic crises in the 1930s became the breakthrough for the labor movement in terms of governmental power. The Keynesian consumption-based economics, implemented by social democrats in Europe and the “New Deal” policy by the Roosevelt administration in the United States, combined with the expansion of social welfare programs, infrastructure projects and construction of public housing, pulled capitalism out of the depression in the mid-1930s. This political line continued after the Second World War with revitalized U.S. capitalism as the hegemonic power. The imperialist countries devised an institutional settlement or compromise between capital and labor within the nation. In West Germany, strong social democrat governments, for example, those under the leadership of Willy Brandt, implemented welfare capitalism. Besides pensions, unemployment insurance and health care programs paid by the employer, this took the form of codetermination and union membership on corporate boards. Japan developed a system of corporate paternalism with lifetime employment and corporate organized benefits for the workers. Even in the United States of America, where organized labor was weaker, there are examples of institutional agreements between capital and labor. “The Treaty of Detroit” between the United Auto Workers and General Motors in 1950 was followed by similar deals with Ford and Chrysler. Workers promised not to strike in exchange for which they received health, unemployment, and pension benefits, expanded vacation time, and cost-of-living adjustments to wages. The Treaty of Detroit was used as a model for labor-corporation agreements in a variety of other industries. The Treaty, along with other gains made by the unions over the next decade, moved

autoworkers in America into the middle class, with wages, since the war, nearly doubling and home ownership becoming common among workers (Barnard, 1983).

To secure their cooperation, reformist labor and capital had to get rid of the minority radical left. The capitalist class could not accept radical syndicalism or communism as part of the political power sharing. Their wage demands were not acceptable to capital in the short run and in the long run, their aim was to abolish capitalism. The communist parties in Europe had approached the reformist wing of the labor movement in the late 1930s and again after the Second World War, which has strengthened the communist position, due to their participation in the struggle against the fascists. The aim was a united front against capital, but the communist courtship was in vain. The reformist part of the workers movement chose the capitalist side and jointly they marginalized communist and other radical fractions of the working class from political power. The capitalist welfare state reached its apogee in the late 1960s and early 1970s, often with social democrats in government, establishing the new suburban lifestyle for the higher end of the working class and middle class in the United States, Canada, Australia, New Zealand, and North Western Europe. In Sweden, besides extensive welfare programs, the Social Democrat Prime Minister Olaf Palme managed to create a system of profit sharing between capital and labor. A certain percentage of company profits was paid into central wage-earner funds.

6 | THE MANAGERIAL CLASS

The shared power between capital and labor on the institutionalized level created a managerial class of wage earners, drawing element from both the capitalist class, the middle class, and even working class members breaking the social barriers. Members of the managerial class smoothly slide between positions in the top levels of society: business, administration, labor unions, and academic world. Corporate managers become politicians, former social democrat ministers, and trade unions become business consultants or managers of investments and corporate firms—and all them flow in and out of top positions in the state and international administration of capitalism. The managerial class covers a large spectrum of from middle class to the status of

new upper class besides capitalists earning wages of millions of dollars, as Duménil and Lévy (2011):

A straightforward quantitative expression of this secular tendency is the invasion of the upper segments of the income pyramid by wages compared to capital income (rents, dividends, and interest). Considering the top 1 percent of households in the income pyramid, prior to the Great Depression in the United States, capital income still amounted to 1.5 more than wages, emphasizing the capitalist nature of the fractile; in 2012, the ratio had been inverted as wages were 4 times larger than capital income. Nowadays, even within the top 1/1000th of the income pyramid, wages are twice larger than capital income. (p. 2)

This managerial class focus is the well-being of the capitalist system, trying to smoothen the corporation between the capita and the working class, and trying to solve the contradictions of the system. In that capacity, the managerial class has played crucial role in the shifting balance of power in the alliance between capital and labor. From the middle of the 1930s through the postwar, compromise between capital and labor expressed in new deal in the United States of America and the reconstruction of Western Europe under the leadership of the Social Democrats, a new social order was set up, an alliance between working class and the managerial class. However, this form of capitalism lost is steam in the beginning of the 1970s. As a result of the crisis of the 1970s, the capitalist class counterattacked in the form of neoliberalism. The managerial class shifted partner from labor the capital and the alliance swung to

the right. The succession of the social orders is clearly reflected in the trends of purchasing powers and income inequality.

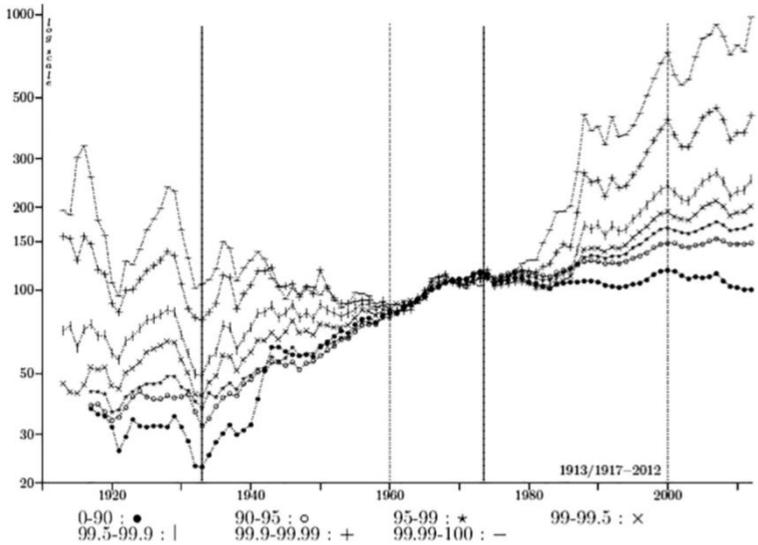


FIGURE 1 Average yearly income per household in seven fractiles (constant dollars, 1960–1973 = 100).
Source. Piketty and Saez (2003)

Figure 1 shows the average yearly income in constant purchasing power per household in each fractile of the income pyramid since World War I in the United States. The fractiles are listed under the figure. (For example, 0-90 refers to all households with the exception of the upper 10%, and the fractile 99.99-100 refers to the top 1/10,000th of households with the most elevated income.) The logarithmic scale provides a clearer view of growth rates. The variables have been rescaled to 100 for the average of the period 1960-1973 when the growth rates of purchasing powers were almost the same for the various fractiles. The vertical continuous lines in 1933 and 1974 delineate the three social orders above; the dotted lines in 1960 and 2000 separate two subperiods within the second and third periods.

7 | THE PARASITE STATE THEORY

Even though the parasite-state theory played a significant role in Lenin's writing, this line of thinking was not pursued by the communist movement or in academic circles in the following decades. It is in the late 1960s, when the welfare state flourished simultaneously with fierce anti-imperialist struggle in the Third world that the parasite state theory surfaced again. It is in the cracks in the international communist movement centered on the Sino-Soviet split that a number of new political groups articulated the parasite theory often in connection with an anti-imperialist current.

One of them was the Communist Working Circle (CWC) in Denmark, formed in 1963.² As a result of discussions, experience with trade union activities on factories and solidarity work in support of Vietnam and the Palestinian struggle, the “theory of the parasite state” gradually crystallized. A series of articles written by Gotfred Appel under the heading “Perspectives for our Struggle” were published in 1966 in “Kommunistisk Orientering” (Communist Orientation). One of these articles stated: “The working class has no chance of toppling the capitalist class and introducing socialism before the foundation of the capitalist class has been undermined by the struggle and at least partial victory of the peoples of Asia, Africa, and Latin America” (Kommunistisk Arbejds kred, 1966a). There was no possibility for revolution

² I was affiliated KAK (CWC) from around 1970 until the organization was dissolved in 1989.

in the Western countries and none would arise “before the capitalist class loses the opportunity to exploit the former and the remaining colonies” (Kommunistisk Arbejdsreds, 1966b). It was necessary to fight reformism and revisionism in a working class “whose main base is the so-called labor aristocracy” (1966b, p. 7). The labor aristocracy “had to fight for higher wages and better living conditions, but only the super profits allowed the capitalist class to give in to some of their demands” (1966b, p. 7). The CWC held the view that the working class in the developed countries of Western Europe and North America are bribed, in so far as their standard of living and hence their economic and cultural needs and “trade union” demands are based on decades of sharing in the imperialist world's former colonial, now “neo-colonial” plunder. This bribery should not be understood in such a way that one can actually calculate how large a part of the wage-packet's contents is payment for the value of labor, and how large a part is bribery. It should be understood as meaning that the whole of the imperialist world's economic, industrial, technical, cultural and social development in the last analysis is based upon robbery and plunder in the former colonies and dependent countries, now the “Third World”.

CWC used terms such as parasite state and bribing to emphasize its political perspective. The word bribe suggests a conscious motive on behalf of both the receiving and the giving end. However, individual capitalists did not hand individual workers any “bribes” to prevent them from making revolution. The working class had to fight for higher wages and the improvement of their living conditions. These struggles created a dynamic that allowed capital to use the payment of higher wages to extend its markets. Democratic institutions and the welfare state followed, based on the exploitation of the colonies. In this context, the term parasite state remains at least analytically accurate.

After formulating the parasite state theory, CWC had heated discussions with both Maoists and Moscow-loyal communists in Denmark, Norway, and Sweden. A series of articles published in “Kommunistisk Orienteering” under the title “Two Lines” in 1968–1969 was a polemic directed at the Swedish Communist Alliance Marxist-Leninists (Kommunistiska förbundet marxist-leninisterna, KFML). Eventually, CWC skepticism with regard to the Western working classes' revolutionary potential also had consequences for the relationship with the Communist Party of China. CWC's originally warm and close relations with the CPC were severed in 1969, because CWC publicly proclaimed its profound disagreement with the Chinese evaluation of what they termed “an unprecedentedly gigantic revolutionary

mass movement” among the workers of Western Europe and North America. In a letter addressed to China's embassy in Copenhagen and directly to the CPC, the CWC criticized the revolutionary rhetoric used in Chinese reports on developments in Europe and North America. A March 1968 article in the Peking Review, for example, claimed that:

“the American and British people have absolutely no common interests with the monopoly capitalist groups which bleed them white” (Ribao, 1968, p. 23).

Similar wording was used to describe the situation in Indonesia:

“In serious financial difficulties, the Indonesian fascist military regime ruthlessly exploited the broad masses of the working people and bled them white in order to meet increasing military and administrative expenditures for maintaining its military dictatorial rule.”(Ribao, 1968, p. 30)

In a letter addressed to CPC, CWC stated:

Dear Comrades, let us put it frankly: We do not agree with the evaluation of the present situation in our part of the world which seems to underlie the use of exactly the same wording to describe the situation in Indonesia and Latin America on the one hand and the situation in Great Britain and Capitalist West Europe on the other hand, and we earnestly request you to consider the need to differentiate. Actually there is an abyss of difference between the economic conditions and the material and spiritual life of the broad masses of the working people in our capitalist-imperialist countries, and those of the broad masses of the working people of Indonesia and of Asia, Africa and Latin America as a whole. They cannot and they should not be treated or described alike. Our monopoly capitalists are not bleeding the working class white. That is what imperialism and local exploiters are doing in Indonesia, yes, in India, yes – but not in Denmark, not in Sweden, not in France, not in Great Britain. (Kommunistisk Arbejdsreds, 1969)

To this, CWC added a number of concrete examples illustrating the standard of living of workers in Denmark. Unfortunately, the CPC could not accept such criticism and broke off all contact with the KAK.

Up through the 1970s the CWC elaborated its parasite state theory in a series of articles and pamphlets. After political and personal disagreements, the former leader Gotfred Appel left the organization in a split in 1978. However, a

main fraction under the name of Manifest–Communist Working Group continued the development of the parasite state theory by incorporating the political economic theory of unequal exchange from Arghiri Emmanuel and Samir Amin and many historiographical and sociological elements from the work of Immanuel Wallerstein and the world system school. By uniting experience from the workers movement and anti-imperialist solidarity work with academic radical theory from the 1970s, Manifest–Communist Working Group were able to formulate a coherent economic and political theory of the parasite state (Manifest Communist Working Group, 1986).

CWC was not alone in the rediscovery of the parasite theory. In the late 1960s and early 1970s, CWC had a sister organization “Aurora” in Sweden, and in North America, both “Liberation Support Movement” and “Weathermen” shared the theories of imperialist parasitism. In addition, a number of individuals contributed to the development of the parasite state theory in this period. The South African Hosea Jaffe in his book “the Pyramids of Nation” described the connection between imperialism and the parasite state Jaffe (1980). H. W. Edwards from United Kingdom in “Labor Aristocracy, Mass Base of Social Democracy” described the alliance between capital and labor in the imperialist countries (Edwards, 1978).

In the late 1970s and 1980s, different groups and individuals of Maoist orientation in the U.S. also voiced the theory of the parasite state. Among them were “Prairie Fire Organizing Committee” and “Line of March”. In the late 1980s and up through the 1990s, the “Maoist Internationalist Movement” (MIM) inspired by J. Sakai’s influential book: “Settlers: The Mythology of the White Proletariat” and H. W. Edwards’s book “Labor Aristocracy: Mass Base for Social Democracy” contributed to the development of the parasite state theory. Many anonymous writes wrote for MIM; however, Henry Park (writing under the pseudonym MC5) was the leading figure in the group.

Park observed the increased importance of manufacturing production in the Global South simultaneous with the he growth of the unproductive sectors in the parasite state (MC5, 1997).

“Somehow we must explain the radical growth of unproductive labor sectors in the oppressor nations so that they are now about 75 percent of the oppressor nation workers, while the combined agriculture and industry employment in Asia remains at 75 percent. One answer is that a new form of the transfer of value occurred through manufactured exports from the South to the North.”

Nevertheless, the 1990s and the first decade of the new millennium was in general a poor period for the theory of imperialism and the parasite state theory in particular. There was of course Samir Amin, who insisted on the relevance of imperialism, but he was largely isolated in this respect around the turn of the millennium.

8 | THE PARASITE STATE AND NEOLIBERAL GLOBALIZATION

In the mid-1970s, the social democratic welfare state began to erode under the impact of neoliberalism, a development necessary for continued capital accumulation. Capital had to escape from the combined pressure from Third world national liberation struggles and the mounting strength of trade unions and social democracy in the North culminating in the so-called “oil-crises.”

With neoliberalism, the bourgeoisie got the upper hand again in the power sharing with labor. As a paradox, some of the European Social democratic parties contributed to this process inspired by Tony Blair's so-called New Labor, exponent of the managerial class. The liberalization of transnational movements of capital and goods weakened the necessary Keynesian instrument for regulating capitalism. At the time, many social democrats shared the conviction that neoliberal globalization was necessary for the continuation of capital accumulation, which was the fundament of the welfare state. Furthermore, they counted on benefitting from a new division of labor in which the high end of production was reserved to a skilled and highly educated working class in the global North.

In 1980, the numbers of industrial workers in the Global South and Global North were about equal. In 2010, there were 541 million industrial workers in the Global South, while only 145 million remained in the Global North (Suwandi & Foster, 2016).

The industrialization of the South goes hand in hand with the rise of unproductive labor in the North. Today, about half of the workforce in the North is involved in unproductive labor. As an article in the Economist put it in 2012:

“[F]actory floors today often seem deserted, whereas the office blocks nearby are full of designers, IT specialists, accountants, logistics experts, marketing staff, customer relations managers, cooks and cleaners” (Economist, 2012).

In addition, and most importantly, the financial and management control of production remained in the imperialist centers. The financial centers of the world remain London, New York, Frankfurt and Tokyo. As Knauss (2015) concludes:

The expansion of finance, as with marketing, logistics coordination, and other prominent types of unproductive labor commonly seen in the North in recent decades, provides a strong indication that transfers of value remain a prominent feature of global political economy in the 21st century.

As the movement of capital and goods became more and more transnational, simultaneous with a growing gap in wage and living standards between North and South, the restrictions on the movement on labor became more important to upholding this division of the world. The benefits of the well fare state became tightly linked to citizenship.

The neoliberal parasite state tries to unite the government and the people in a national symbiosis: only citizens are entitled to state benefits, while noncitizens are excluded. This establishes a national interest that is identified with the interests of both the state and the citizen. The citizens live in the bosom of the welfare state. The philosopher M. G.E. Kelly calls this “biopolitical imperialism,” he writes:

I will argue that biopolitics constitutes a missing link in explaining how imperialism involves the ordinary people of the First World. For one thing, biopolitics provides a mechanism by which the profits of imperialism may be spread to a whole population. By uniting us in a single population, moreover, biopolitics generates solidarity between people and elites. (Kelly, 2015, p. 19)

This indicates that the parasite state not only expresses itself in the form of consumer society but also in the way that the state provides for the population. The poorest people in social welfare states can receive government benefits that are ten times higher than the average income of an Indian worker. In Denmark, an unemployed on social well fare gets between 1.500 and 2.300 dollars per month (Ministry of employment, <https://bm.dk/ydelsers-satser/satser-for-2018/kontanthjaelp/>). A textile worker in India gets 150–200 dollars per month (Bizvibe, n.d.).

The development of the neoliberal parasite state had not only consequences for the working class in terms of increased consuming power and the nature of their labor. The health sector, the school systems and care for children and the elderly, which was public sector in the old social democratic welfare state, became more and privatized. Moreover, the welfare state became less institutionalized and more individualized as the speculative and financial aspects of capitalism penetrated the middle and huge part of the working classes in essential aspect of their life, namely, housing and pensions.

The relatively high wages in the Global North and enticement in the neoliberal tax system and housing market encouraged substantial parts of the working class in the global North to invest parts of their income in buying their own homes. The real estate market has been booming in most cities in the global North, creating profits for real estate owners higher than what they might earn by their wage labor. In sum, if you have a professional career, you have a housing career, climbing up the ladder in size and location and at the same time making extra profits.

Another factor that links the working classes of the Global North to global capital is the pension system. During the period between the decline of the social democratic welfare state and the rise of neoliberalism, the occupational pension system had a breakthrough. An employment pension is now enrolled in most labor collective agreements. Pension funds have become increasingly common. They provided finance for capital and social security for the working class on an individual basis. Pension systems vary greatly from country to country, and from industry to industry, but there are some common features. The pension's funds are invested in stocks, bonds, and other securities, including real estate speculation. The days when the state alone was responsible for workers' pensions are long gone. If we look at pensions globally, it is not surprising that there is considerable variation. This corresponds to the variation in wages. The OECD countries have the highest pension coverage and the highest pension expenditures in the world. In most cases, coverage is above 90%, the uncovered population consisting of self-employed professionals, part-time workers, and the unemployed (World Bank, 2012). The former Soviet republics and the countries of Eastern Europe have experienced a serious decline in coverage since joining the global capitalist market. We find the lowest coverage, less than 10% of the working population, in South Asia and sub-Saharan Africa (Romero-Robayo, Palacios, Pallares-Miralles, & Whitehouse, 2012).

In 2013, in the United States, the number participating in pension plans was 130.6 million. Payments for future pensions become pension funds, which are coadministered by capital and labor. In June 2014, the United States had US\$24.5 trillion in retirement and pension assets (US\$15.5 trillion in private funds, US\$9 trillion in public funds; Federal Reserve Board of Governors, 2014). The sums are huge. On a regional basis, North America's pension funds represented the largest asset base at a global level, having reached US\$27.21 trillion in 2014, up from US\$15.8 trillion in 2008 (PWC, 2016). In North America, approximately 30% of financial capital consists of pension funds. In Western Europe, it is 40% (Allianz, 2014). Pension funds are especially important to the stock market where large institutional investors dominate. They are the top category of investments worldwide, ahead of mutual funds, insurance companies, currency reserves, sovereign wealth funds, hedge funds, and private equity. In 2014, pension funds allocated 44% of their total portfolio to equities, 28% to bonds, 26% to alternatives, and 2% to money market products. The Japanese Government Pension Investment Fund is the world's largest public pension fund, overseeing US\$1.5 trillion. If we look at the top 300 pension fund assets between 2009 and 2014, and split them by fund domicile, we find that the United States and Japan own half of the world's retirement wealth, the United States 38% and Japan 12%.

Next is the Netherlands: with a population of only 17 million people (0.23% of the global population), the country holds 7% of pension assets. Norway and Canada follow close behind with 6% each (Watson & Thinking Ahead Group, 2015). In North America, pension funds' overseas investments represented 16% of the region's total portfolio in 2008, reaching 21% in 2014. In Europe, the average percentage of pension fund portfolios allocated to foreign markets increased from 32% in 2008 to 34% in 2014 (PWC, 2016). We can conclude from this survey of the pension system that many workers in the Global North have invested heavily in stocks and bonds via their retirement accounts. In other words, their well-being in retirement is directly linked to the well-being of capitalism. They have much more to lose than their chains. Large parts of the population of the Global North will live as pensioners off their own capital. Again, this phenomenon shows that the concept of the parasite state is far from obsolete.

9 | THE PARASITE STATE IN CRISIS

However, the sharing of power between labor and capital is not a harmonious marriage but a constant struggle. As neoliberal globalization developed, it created mounting tensions. The initial benefits from globalization

began to vanish. Outsourcing of industrial jobs has created pressure on wages. Constant neoliberal reforms have eroded the social democratic welfare state. Imperialist wars and the inequalities of the world have created streams of refugees and immigrants and thereby pressure on the borders of the global North. A pressure is transferred on the welfare system. Capitalism's current structural crisis has also thrown the parasite state into crisis. Because of the neoliberal demands, the governments of the social welfare states are no longer able to distribute power and riches to the satisfaction of both capital and the working class. It has become more difficult for the working class in the Global North to pressure capital, and it has become much more difficult for the state to act as a mediator between the classes. This is reflected in the only two answers that currently seem available to those worried about their privileges: either they embrace neoliberal parties in the hope that these will produce more riches; or they embrace right-wing parties in the hope that these will at least protect the riches they have. Neither answer challenges the system, but they contradict one another and cause much political tension.

What complicates the picture is that some fractions of capital in the Global North also oppose neoliberal globalization. They do not want or cannot outsource, and therefore have to compete with cheap labor. National-conservative currents prefer military power to uphold global privileges rather than multicultural globalization. The current difficulties of the EU reflect the consequences of this. Transnational corporations and the financial sector still champion unrestricted globalization and demand a strong and centralized EU to ensure it. Meanwhile, the national-conservative factions of capital unite with the workers that would like to return to stronger nation states. No one engaged in parliamentary politics can ignore these developments. Consequently, the traditional parties of the European parasite states desperately seek a compromise that satisfies the demands of both the people and transnational capital.

The situation is somewhat different in the United States, where social democracy and left-wing parties have never had the same political influence. Trump's supporters mainly come from the lower middle class and the privileged sections of the working class: skilled white male workers in blue-collar industries with above-average income and a fair bit to lose (Rothwell & Diego-Rosell, 2016). Trump has brought them together with the national-conservative factions of capital under the promise to "Make America Great Again." The proposed strategy combines economic protectionism with military might. It is a very risky project. Trump cannot undo the effects of neoliberalism. Apple

electronics, Nike shoes, and Levi's jeans will never be produced in the United States again as long as U.S. wages are 10 times those of China. Tariff barriers can at best throw sand in the gears of the global chains of production, but the effects will be minimal.

10 | THE FUTURE OF THE PARASITE STATE

New class alliances are forming in the Global North, causing divisions within both capital and the working class. Not only do they threaten the EU and other neoliberal institutions but they also impede the management of the parasite state.

Neoliberal globalization has created divisions within the northern working class between those who benefit from the new global division of labor and those who are paying for the outsourcing of industrial jobs and the cuts in social services. We are moving toward an hourglass society. Wages drift apart, as they are increasingly determined by the new global division of labor, which includes (legal and illegal) labor migration.

The working class in the Global North can today be divided into the following main groups: Illegal immigrants work in agriculture (e.g., as strawberry pickers in Spain or as tomato pickers in Italy), as cleaners, dishwashers, and so on. They belong to the “black economy” and receive the lowest wages. Much of their income is sent home to their families. They affect the wages of unskilled labor but remain outside the welfare system. They are victims of social exclusion and racism.

Legal immigrants work in construction, health, transportation, catering, cleaning, and other industries that cannot easily be outsourced. Their jobs can be unionized or not. They often accept lower wages than the traditional workforce and affect the wages of both unskilled and skilled workers. They, too, are regular victims of racism.

Unskilled and skilled workers are found across all industries: textile, machinery, electronics, automobile, or shipbuilding. Their wages are affected by the relocation of industry to the South and by competition from legal and illegal immigration. In recent years, they have stagnated or even fallen. This is especially true for countries with weak trade unions, for example, the United States. Many of these workers support right-wing movements and parties.

Skilled workers in niche sectors such as biotechnology, pharmaceuticals, environmental technology, and so on, still experience a rise in wages. They are at the top of the labor aristocracy. However, there is no security that their jobs would not be outsourced in the future. This section of the working class is drawn toward neoliberal social democracy.

The administrative and creative classes work in management, finance, logistics, design, development, branding, and marketing. They make up the Northern end of the global chains of production and their wages are still increasing. They tend to support ongoing neoliberal globalization.

The rising gaps in income are reinforced by the better earners being able to evade taxes and to invest in various pension funds and in real estate. The rich get richer, the poor get poorer, and society's class structure increasingly resembles an hourglass. Those on the losing end will not passively accept this. Tensions between them and the neoliberal elite will intensify. Many workers will ally themselves with the national-conservative factions of capital, such as the military-industrial complex other security-related industries, and important sections of the agricultural industry, with both big and small farmers feeling the pressures of neoliberal monopoly capital.

In their struggle against capital, the working classes of the parasite state face a dilemma: on the one hand, neoliberalism is dismantling the welfare state, which was the result of working-class struggles; on the other hand, neoliberalism is a requirement for globalized production which supplies cheap consumer goods and which—via taxes on the relatively high wages in the Global North—maintains the welfare state. In other words, the relationship between the labor aristocracy and capital is ambivalent. On the global level, the labor aristocracy still benefits from the capitalist order, but on the national level, it must fight harder and harder to receive its share. It wishes to preserve capitalism, but in a form, that protects its privileges. This is becoming increasingly difficult. One consequence is that members of the labor aristocracy have largely abandoned working-class identity. They see themselves, first and foremost, as citizens of a privileged nation state. This explains those deserting social democratic parties and veering toward the political right.

The future of the parasite state will be characterized by two main class alliances: one brings together those at the bottom of the hourglass, troubled sections of the middle class, and the national conservative factions of capital; the other brings together transnational capital, the higher middle class, and skilled workers in niche sectors. The power-sharing agreement between capital

and labor will continue to create tensions. The parasite state and the labor aristocracy are far from the final answers. The tensions will intensify with capitalism's structural crisis.

The theory of the parasite state has its political consequences in terms of anti-imperialist strategy and tactic.³ With respect to class struggle in the Global North, it is mandatory to distinguish the forces that only want to protect their share of the imperialist cake from those that interact with class struggles in the Global.

South. The forces in the Global South will be the offensive and determining factor in the struggle. In the Global North, the anti-imperialist forces will be a minority, yet an important minority in terms of weakening the imperialist “hinterland,” by opposing racism, fascism, military intervention and supporting the struggle in the Global South as far as possible.

If we ignore the contradictions within the working classes and capital of the Global North and do not make use of the cracks these create, our analyses of the parasite state and the labor aristocracy will be incomplete. It is not enough to wait for the workers of the South to overthrow capitalism. We in the Global North must contribute to this as much as possible.

³ For more on this subject, see Lauesen (2018).

REFERENCES

- Allianz. (2014). *Allianz wealth report*. München, Germany: Nationale Zentralbanken und Statistikämter, Allianz SE.
- Amin, S. (2018). *Modern imperialism, monopoly finance capital, and Marx's law of value*. New York: Monthly Review Press.
- Barnard, J. (1983). *Walter Reuther and the rise of the auto workers*. Boston, MA: Little, Brown and Company.
- Bizvibe. (n.d.). Minimum wages in Asia's textile and apparel industry. Retrieved from <https://www.bizvibe.com/blog/minimum-wages-asias-textile-apparel-industry/>
- Cope, Z. (2015). Divided world divided class. Global political economy and the stratification of labour under capitalism. Montreal: Kersplebedeb.
- Duménil, G., & Lévy, D. (2011). The crisis of neoliberalism. In S. Springer, K. Birch, & J. MacLeavy (Eds.), *Handbook of neoliberalism*. Cambridge, MA: Harvard University Press Retrieved from <https://thenextrecession.files.wordpress.com/.../dumenil-neoliberali>
- Economist. (2012). “Back to Making Stuff.” Special report: Manufacturing and innovation. Retrieved from www.economist.com
- Edwards, H. W. (1978). *Labor aristocracy, mass base of social democracy*. Stockholm, Sweden: Aurora.
- Engels, F. (1892). Socialism: Utopian and scientific. The English edition introduction: History (the role of religion) in the English middle-class. In *Marx/Engels selected works* (Vol. 3, pp. 95–151). Moscow, Russia: Progress Publishers.
- Federal Reserve Board of Governors (2014), Federal reserve statistical release, financial accounts of the United States, fourth quarter 2014 (pp. 131–135). Retrieved from www.federalreserve.gov
- Hobson, J. (1902). *Imperialism—A study*. London, England: Allen and Unwin.
- Jaffe, H. (1980). *The pyramids of nations*. Milano, Italy: Victor.
- Kadri, A. (2017). The cordon sanitaire: A single law governing development in East Asia and the Arab world (Foreword page XI). Singapore: Palgrave McMillan.

- Kelly, M. G. E. (2015). *Biopolitical imperialism* (p. 19). Winchester, VA: Zero Books.
- Knauss, S. (2015). Unequal exchange in the 21th century. *Unpublished paper* 29.
- Kommunistisk Arbejdskreds. (1966a). Perspektiverne for vor kamp (part 1). *Kommunistisk Orientering*, 3(3), 8.
- Kommunistisk Arbejdskreds. (1966b). Perspektiverne for vor kamp (part 2). *Kommunistisk Orientering*, 3(4), 6–7.
- Kommunistisk Arbejdskreds. (1969). Unpublished letter to the Chinese embassy. Retrieved from snylterstaten.dk
- Lauesen, T. (2018). *The global perspective, reflection on imperialism and resistance*. Montreal, Canada: Kersplebedeb.
- Lenin, V. I. (1917). Imperialism, the highest stage of capitalism. In *Lenin (1971), collected works* (Vol. 22, p. 284). Moscow, Russia: Progress Publishers.
- Manifest Communist Working Group. (1986). *Unequal exchange and the prospects for socialism in a divided world*. Copenhagen, Denmark: Publishing House Manifest.
- Marx, K. (1850). The class struggles in France, 1848 to 1850, Part II. From June 1848 to June 13, 1849. Written January–October 1850 for the *Neue Rheinische Zeitung* revue. In *Marx/Engels selected works* (Vol. I). Moscow, Russia: Progress Publishers.
- MC5. (1997). Imperialism and its class structure in 1997, edited for proofreading mistakes August 8, 1999, chapter 5, The class structure, labor productivity and the calculation of the profitrate. <https://www.prisoncensorship.info/archive/etext/mt/imp97/index.html>
- Piketty, T., & Saez, E. (2003). Income inequality in the United States, 1913–1998. *Quarterly Journal of Economics*, 118(1), 1–39.
- PWC. (2016). *Beyond their borders: Evolution of foreign investment by pension funds*. Luxembourg: PwC Luxembourg.
- Ribao, R. (1968). Imperialism feverishly prepares conditions for its own doom. *Peking Review*, 11(13), 23.

- Romero-Robayo, C., Palacios, R., Pallares-Miralles, M., & Whitehouse, E. (2012). *World Bank pension indicators and database* (p. 81). Washington, DC: World Bank.
- Rothwell, Jonathan and Pablo Diego-Rosell (2016), Explaining nationalist political views: The case of Donald Trump. Gallup draft working paper. Retrieved from www.ssrn.com
- Smith, J. (2016). *Imperialism in the twenty-first century* (Vol. 2016). New York: Monthly Review Press.
- Suwandi, I., & Foster, J. B. (2016). Multinational corporations and the globalization of monopoly capital. *Monthly Review*, 68(3): 114–131.
- Willis Towers Watson & Thinking Ahead Group. (2015). Global pension assets study 2015, pp. 28. Retrieved from willistowerswatson.com
- World Bank. (2012). International patterns of pension provision II: A worldwide overview of facts and figures (p. 115). Retrieved from www.documents.worldbank.org

TORKIL LAUESEN is a longtime anti-imperialist activist and writer living in Denmark. From 1970 to 1989, he was full-time member of a communist anti-imperialist group, supporting Third World liberation movements. In connection with support work, he has been in Lebanon, Syria, Zimbabwe, South Africa, the Philippines, and Mexico. In the 1990s, while incarcerated, he was involved in prison activism and received a Masters degree in political science from University of Copenhagen. He has recently published: *The Global Perspective: Reflections on Imperialism and Resistance*. Montreal (2019) Kersplebedeb.

