

Leon Trotsky's Analysis of the Emerging Global Role of US Capitalism

By Nick Beams

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The WSWS organized a panel on "The Cultural, Economic and Geo-strategic Thought of Leon Trotsky: A Retrospective Analysis 70 years after His Assassination," at the 42nd annual convention of the Association for Slavic, East European, & Eurasian Studies (formerly the American Association for the Advancement of Slavic Studies), held November 18-21 in Los Angeles. About 1,400 historians, political scientists, economists, and literary scholars presented papers on a wide array of topics.

The first paper, by David North, chairman of the WSWS Editorial Board, was published yesterday. The second paper, by Nick Beams, national secretary of the Socialist Equality Party (Australia) and a member of the International Editorial Board of the World Socialist Web Site is presented here today. Mehring Books had a display of its literature in the exhibit hall alongside.

As with all of Trotsky's theoretical work, his study and analysis of the United States and its rise to global prominence was bound up with the development of the perspective for world socialist revolution.

Trotsky, above all, conceived of the Russian Revolution as the opening shot of the world revolution. His theory of Permanent Revolution, elaborated in 1905, examined the issues confronting the Marxist movement in Russia on the basis of an analysis of the deepening global economic and political contradictions of world capitalism.

As David North, chairman of the *World Socialist Web Site* editorial board, has noted: "Trotsky's approach represented an astonishing theoretical breakthrough. As Einstein's relativity theory—another gift of 1905 to mankind—fundamentally and irrevocably altered the conceptual framework within which man viewed the universe and provided a means of tackling problems for which no answers could be found within the straitjacket of classical Newtonian physics, Trotsky's theory of Permanent Revolution fundamentally shifted the analytical perspective from which revolutionary processes were viewed. Prior to 1905, the development of revolutions was seen as a progression of national events, whose outcome was determined by the logic of its internal socio-economic structure and relations. Trotsky proposed another approach: to understand revolution, in the modern epoch, as essentially a world-historic process of social transition from class society, rooted politically in nation-states, to a classless society developing on the basis of a globally-integrated economy and internationally-unified mankind."^[1]

The theory of Permanent Revolution proved to be the key strategic conception that opened the way for the Bolshevik Party to lead the insurgent, revolutionary struggle of the Russian working class that erupted at the beginning of 1917 to the actual conquest of political power.

The Russian Revolution was the high point of an international upsurge that began in the years preceding World War I, re-emerged again in the last period of that conflict, and then deepened and broadened after October 1917.

As anticipated by the Bolsheviks, revolutionary struggles emerged in

the aftermath of the revolution in Russia, but they were pushed back. This did not result from unfavourable objective conditions, but from the fact that there was no party comparable to the Bolsheviks capable of leading and organizing the struggle for power.

As Trotsky was to later write: "Not until the post-war mass ferment had already begun to ebb did young Communist parties begin to take shape, and even then only in rough outline."^[2]

With the receding of the post-war revolutionary upsurge, signified above all by the defeat of the March Action in Germany, the Third Congress of the Communist International, in June-July 1921, initiated a new orientation. Before launching the struggle for power, the young communist parties had to win the masses through the tactic of the united front and the fight for a program of transitional demands.

The French occupation of the Ruhr in January 1923, and the subsequent economic and political crisis, once again placed the conquest of political power on the agenda in Germany. But the German Communist Party failed to orient its work to meet the new situation. While a date was set for launching a revolutionary struggle for power, the KPD leadership called it off at the last moment. As the leader of the party Heinrich Brandler was later to explain, while he "did not oppose the preparations for the uprising of 1923" he did not "view the situation as acutely revolutionary."^[3] The vacillations in the leadership of the KPD meant that the German October ended in a political fiasco.

The failure of the German Revolution opened up a period of capitalist stabilization in post-war Europe, in which the United States played the leading economic and political role. In 1924, the Dawes plan for the restabilization of the German currency and economy through a deflationary program, and the provision of large loans from the United States, brought the leaders of the European capitalist powers face to face with a new reality: the vast shift in economic, and therefore political, power across the Atlantic that had occurred in the decade since the outbreak of World War I.

Immediately, Trotsky began to examine the implications of this new factor in world economics and politics.

His sensitivity to the importance of the United States had been heightened by the brief period he had spent in New York in the first months of 1917. Like many other visitors to that great metropolis, so expressive of the modern age, he could not fail to be affected by the dynamism and power of the economy that had produced it. He later wrote that, for a brief period, he had had a "peep into the foundry in which the fate of man is to be forged."^[4]

The rise of the United States raised a whole series of fundamental questions. What were its implications for the European economic and political order and for relations between the European states? The initial form of American intervention took the form of conciliation—the provision of loans to stabilize the German economy and restore political equilibrium—but what would be the longer term consequences? What were the driving forces of this shift and where would they lead? What were the

implications of the obvious economic growth of the United States for the perspective of world socialist revolution? And, finally, the most important strategic question: Did the rise of the United States and its economic dynamism mean that the Russian Revolution was premature?

Before going into these questions, let me make a more general point about Trotsky's method of analysis—a method that marks the most distinctive feature of his approach as compared to that of every other Marxist of his time, and that makes him so relevant to the present historical epoch.

Trotsky based his geo-political analysis on an examination of the contradiction between world economy—the global development of the productive forces—and the nation-state system of capitalism. For Trotsky, the clashes between the various imperialist powers were not merely the outcome of the conflicting economic and political interests of the various combatants—he detailed those, of course—but were, above all, the expression of something more fundamental.

“Imperialism,” he wrote in the midst of World War I, “represents the predatory capitalist expression of a *progressive* tendency in economic development—to construct human economy on a world scale, freed from the cramping fetters of the nation and the state.”[5] Herein lay the objective necessity for socialism, because it was the only way out of the contradictions that now threatened the whole of human culture.

Trotsky's analysis of the rise of the United States and its global role was conducted from this standpoint. In a speech delivered at the end of 1922, as his attention began to turn to the changes in the post-war situation, he noted that it was only in the recent period that the Communist International had begun to make a differentiation between the US and Europe. While it was true to say that European capitalism was rotting, the same could not be said of the United States. Indeed, American capitalism was thriving. But this observation did not exhaust the question ... it was only the starting point of analysis. The issue was: what were the implications of the rise of America for Europe, and for the world?

Trotsky revisited this question in a major speech on July 28, 1924, entitled *Perspectives of World Development*, delivered in the wake of the restabilization of Germany under the Dawes Plan. He began by drawing attention to the enormous preponderance of the United States, a superiority over its rivals which exceeded even that of Great Britain in its heyday. This, he emphasized, was the central factor in European and world politics. Without recognising this, nothing could be understood.

America's entry onto the path of an active global policy, which began in 1898, was the outcome of the vast economic transformation that had followed the end of the Civil War and the triumph of the industrial North. By the end of the century, however, dynamic American capitalism had outgrown the framework of the North American continent. When World War I broke out, Trotsky explained, the Americans were content, at least for a certain period, to turn the blood of the European “madmen” into dollars. But when the prospect of a German victory emerged, the US intervened directly to counter the threat posed by its most dangerous potential rival.

Trotsky also showed how the peculiar conditions under which American capitalism had developed—the advantages bestowed upon it by the vast resources of an entire continent—had expressed themselves ideologically. American imperialism, while predatory and criminal, was nevertheless able to intervene on the world arena under the banner of pacifism. The vastly higher productivity of labour of American capitalism meant that it could invoke the slogans of “freedom”, the “open door”, “freedom of the seas”, “self-determination of nations”, “no annexations” and so on. Notwithstanding these grand claims, however, America was seeking nothing less than the re-organization of the world under its domination.

We can usefully examine Trotsky's analysis under two headings: the origins of the Great Depression, and the eruption of World War II.

Let me turn to the first. Trotsky deepened his analysis of the rise of the

United States in a major speech delivered in February 1926, entitled *Europe and America*. At its conclusion, he addressed a central historical question: was the perspective of world socialist revolution, on which the Russian Revolution had been grounded, now invalidated by the present situation?

“Is capitalism still capable of developing the productive forces on a world scale and of leading mankind forward? This is a fundamental question. It is of decisive significance for the proletariat of Europe, for the oppressed peoples of the Orient, for the entire world, and, first and foremost, for the destiny of the Soviet Union. If it turned out that capitalism is still capable of fulfilling a progressive historical mission, of increasing the wealth of the peoples, of making their labor more productive, that would signify that we, the Communist Party of the USSR, were premature in singing its *de profundis*; in other words, it would signify that we took power too soon to try to build socialism. Because, as Marx explained, no social system disappears before exhausting all the possibilities latent in it. Confronted with the new economic situation unfolding before us at present, with the ascendancy of America over all capitalist mankind and the radical shift in the correlation of economic forces, we must pose anew this question: has capitalism outlived itself or has it still before it a perspective of progressive work?”[6]

For Europe, the question was definitely answered in the negative. But in America the picture seemed different, and in large parts of Asia and Africa, capitalism had hardly begun to take hold.

Dividing up the world economy in this way, it appeared that capitalism still had a progressive role to play. But such a method of procedure was not correct. Just as in 1905, the Russian Revolution could not be understood as a national phenomenon, nor could the rise of the United States.

America was no longer self-sufficient. It could not be considered in isolation because American expansion depended on a global equilibrium. Europe was dependent on America, but America, in turn, was dependent on Europe.

“[T]he more the United States puts the whole world under its dependence,” Trotsky explained, “all the more does it become dependent upon the whole world, with all its contradictions and threatening upheavals.”[7]

Trotsky's approach is the key to understanding the Great Depression—the most severe economic collapse in the history of capitalism—that was to begin less than four years after this speech.

Mr Ben Bernanke, chairman of the US Federal Reserve, has spent a lifetime pursuing what he calls the “holy grail” of economics: an explanation of the origins of the Great Depression. I venture to suggest he might have had more success had he read a little less Milton Friedman and somewhat more of Trotsky. This is because it is precisely in the inter-relationship, and the contradictions, between Europe and America, which lie at the centre of Trotsky's analysis, where the origins of the Great Depression are to be found.

American capitalism, by means of the assembly line system of production—what Trotsky termed the “conveyor system”—had developed the productivity of labour to an unprecedented degree. But in Europe, this development could not be replicated. Here, the productive forces did not have the room for expansion, as they did in the United States—after all, mass production requires a mass market—but were trapped and constricted within the coils of the European nation-state system. World War I had erupted because capitalism was suffocating within the narrow framework of the European nation-states. But after four years of destruction and impoverishment, the Treaty of Versailles had made the situation even worse.

On the basis of Trotsky's analysis, let us go a little further in examining this situation. Marx once remarked that the realization of surplus value in one place requires its extraction in another. By this, he meant that the

accumulation of capital was not an individual question—however much it might appear that way to a single firm or even to a single capitalist economy—but a social process. American capitalism had, by means of the “conveyor system”, lifted the extraction of surplus value and capital accumulation to new heights. But this development was not matched in Europe.

Thus, notwithstanding the enormous dynamism of American capitalism, the accumulation process could not advance on a global scale. That is why, just six years after the initiation of the Dawes Plan to restabilize Europe, the world capitalist economy plunged into depression, with devastating consequences in its two most advanced components, the United States and Germany.

From the outset, Trotsky made clear that the rise of American imperialism, notwithstanding the “toga” of pacifism in which it wrapped itself, would result in the eruption of a new world war, on an even bigger scale than 1914-18.

The American program of placing the world under its control was a perspective that offered only the “preparation for the greatest international dogfight, with both the Atlantic and the Pacific as the arena ... for it is hard to conceive that the bourgeoisie of all countries will docilely withdraw to the background, and become converted into America’s vassals without putting up a fight ... the contradictions are far too great; the appetites are far too insatiable ...”[8]

Trotsky initially conceived that the main line of division would be between the United States and Britain. Events did not exactly take this form. But if one takes the basic framework of his analysis, subject to the proviso that the more specific a prediction the more conditional it is, then Trotsky’s fundamental perspective was completely verified.

And, considering the outcome of World War II, his prediction that, in whatever form the war emerged, the US would seek to secure for itself the heritage of Britain, also proved remarkably accurate.

In 1928 Trotsky subjected the draft program of the Comintern, prepared by Bukharin and Stalin, to a withering and far-reaching critique. The first draft had not even mentioned the United States, while the second failed to make any assessment of the strategic implications of its rise to global pre-eminence, apart from a few empty generalizations.

Trotsky insisted that the inexorable rise of the United States, and its reduction of Europe to ever more limited rations, would lead to a “monstrous sharpening of inter-state relations ... accompanied by furious paroxysms of military conflict, for states, as well as classes fight even more fiercely for a meager and a diminishing ration than for a lavish and growing one.”[9]

“The draft,” he continued, “does not explain that the internal chaos of state antagonisms in Europe renders hopeless any sort of serious and successful resistance to the constantly more centralized North American republic; and that the resolution of the European chaos through the Soviet United States of Europe is one of the first tasks of the proletarian revolution.”[10]

Trotsky’s concern was the development of a perspective for the Communist International. But the issue he raised—the enormous pressure exerted by the North American Republic on the European powers—was the subject of discussion in other circles.

It was, for instance, a central theme in Adolf Hitler’s unpublished *Second Book*, completed in 1928. Hitler proposed that the chaos of the European economy and nation-state system be resolved through the establishment of a German empire, utilizing resources obtained from the conquest and colonization of the Soviet Union to provide a stable base from which to combat the United States. Within five years, this was to become the program of German imperialism.

As the historian Adam Tooze has noted: “The originality of National Socialism was that, rather than meekly accepting a place for Germany within a global economic order dominated by the affluent

English-speaking countries, Hitler sought to mobilize the pent-up frustrations of his population to mount an epic challenge to this order. Repeating what Europeans had done across the globe over the previous three centuries, Germany would carve out its own imperial hinterland; by one last land grab in the East it would create the self-sufficient basis both for domestic affluence and the platform necessary to prevail in the coming superpower competition with the United States. The aggression of Hitler’s regime can thus be rationalized as an intelligible response to the tensions stirred up by the uneven development of global capitalism, tensions that are of course still with us today.” [11]

Following the Nazi victory in Germany, Trotsky continually pointed to the prospect of a new world war. And the United States, however the conflict began, would be compelled to intervene.

In his remarkable article “Nationalism and Economic Life”, published in *Foreign Affairs* in 1934, Trotsky pointed to the underlying forces driving the US into war. American capitalism had developed the productivity of labour to new heights. But everywhere the most advanced technique in the world found its way blocked by the actions of states, in Europe and Asia, that were based on a much lower technique. This situation could not continue indefinitely.

“Sooner or later,” Trotsky wrote, “American capitalism must open up ways for itself through the length and breadth of our entire planet. By what methods? By *all* methods. A high coefficient of productivity denotes also a high coefficient of destruction. Am I preaching war? Not in the least. I am not preaching anything. I am only attempting to analyze the world situation and draw conclusions from the laws of economic mechanics.” [12]

In the aftermath of World War II, the United States, following the key role played by the Stalinist Communist Parties in suppressing the post-war upsurge of the working class, was able to stabilize the world capitalist order. The spread of its more productive methods to other advanced capitalist countries provided the basis for a new period of capitalist upswing.

But over the past 30 years the United States has been in economic decline, first relatively and now absolutely, an economic fact made apparent by the financial collapse of 2008. Trotsky drew out the explosive implications of the rise of American capitalism. Does he have something to say about its decline? Most definitely.

More than 80 years ago, Trotsky noted: “In the period of crisis the hegemony of the United States will operate more completely, more openly, and more ruthlessly than in the period of boom.”[13] The United States, he wrote, would seek to extricate itself from its maladies at the expense of its rivals, above all in Europe, whether peacefully or through war. Today we can add its rivals in Asia as well. The deepening conflicts over trade, currency levels, balance of payments deficits, as well as the increasingly aggressive military activities of the United States in Iraq and Afghanistan, and now the open diplomatic, as well as military, moves against China, point to the fact that a new convulsive and revolutionary period of world history has begun, driven forward by the same contradiction between world economy and the nation-state system that Trotsky placed at the very centre of his perspective.

Notes:

[1] “Toward a reconsideration of Trotsky’s legacy and his place in the history of the 20th century”, David North, available at <http://www.wsws.org/en/articles/2001/06/dn-j29.html>

[2] *The First Five Years of the Communist International*, Leon Trotsky, Volume I, New Park Publications, London (1973), p. 1

[3] “Dialogue With Heinrich Brandler”, *Marxism, Wars & Revolutions*, Isaac Deutscher, Verso, London (1984) p. 162

[4] *My Life*, Leon Trotsky, Penguin Harmondsworth (1975), p. 288

[5] “Imperialism and the National Idea”, Leon Trotsky in *Lenin’s Struggle for a Revolutionary International*, Monad Press, New York

(1984)

[6] *Europe and America*, Leon Trotsky, Pathfinder Press, New York (2003), p. 78

[7] Op cit, p. 81

[8] Op cit, p. 37

[9] *The Third International After Lenin*, Leon Trotsky, New Park Publications, London (1973), p. 6

[10] ibid

[11] *The Wages of Destruction*, Adam Tooze, Allen Lane, London (2006)

[12] “Nationalism and Economic Life”, *Writings of Leon Trotsky 1933-34*, Leon Trotsky, Pathfinder Press, New York, (1972), pp. 161-162

[13] *The Third International After Lenin*, Leon Trotsky, New Park Publications, London (1973), p. 8

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