CHAPTER 11

The international capitalist system

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Introduction to part three and chapter 11

This Part, and chapter, presents the international mode of existence of the capitalist system. As before, this chapter keeps on abstracting from contingencies. Division 1 outlines the chapter’s focus and its methodological status. Along with that mode of existence, nations are introduced: national economies and nation-states. The two substantial divisions of this chapter, in terms of content, focus on the two main forms of international economic relations: international trade (Division 2) and the international movement of capital as manifested in the international migration of production (Division 3). We will see that in the character of its effects, international trade is not fundamentally different from intra-national regional sector-wise specialisation of production. However, the consequences of the international migration of production are rather far-reaching.

All of the systematic main sections of Chapters 1–10 apply to any full-fledged capitalist nation. This also applies for the current chapter. It is merely in the non-systematic amplifications of the earlier chapters that I have referred to averages of particularly the OECD-21 between 1870 and 2015, one reason being that only for this country group are such long run data available. In the amplifications of the current chapter data on a world scale and for world country groups will be presented. Their availability is limited, in terms of both the categories that pertain to this chapter and the number of years.

Scheme 11.1 presents the outline of this chapter. The chapter can be relatively brief because it builds on all the earlier chapters in the way as set out in Division 1.

Division 1. The international mode of existence of the capitalist system

11§1 The exposition of the international capitalist system: programmatic delineations and method

I begin with a terminological note. As before I always use the term ‘state’ in reference to a ‘central state’! For the purposes of this chapter I define a ‘nation’ as the geographical territory over which a state (i.e. central state) has jurisdiction.

1 Some central states result from a union or federation of (what I call) ‘subordinate states’ in terms of full jurisdiction.
Most often this coincides with a ‘country’, though a state may have jurisdiction over more than one country. In this chapter I will not use the latter distinction, whence the terms ‘nation’ and ‘country’ are used interchangeably.

The exposition in the main systematic sections of Parts One and Two is about each full-fledged capitalist nation. In the exposition of Part Three, nations are ‘merely’ different regarding:

1. their geographical location;
2. the historical point in time at which they became full-fledged capitalist (encompassing capitalist production and the accumulation of capital resulting from it), which implies especially also the adoption of their state’s granting of the Hard Core rights and legislative framework as presented in Chapter 6;
3. the degree of intensity of all the other legislative frameworks as presented in Chapters 7–9;
4. given the population of a country, the degree of the reached accumulation of capital – that degree being co-determined by the legislative ‘accumulation of capital frameworks’ (7D2–7D4).

Next to these, Part Three merely makes explicit that for reasons of profit capitalist enterprises (or rather one category of capitalist enterprises) seek to expand across national borders. Rather than revisiting all of the exposition of Parts One
and Two in this international perspective, my investigative question for Part Three (i.e. the present chapter) is whether, and if so how, the earlier systematic exposition of the conditions for the reproduction of the capitalist system – as well as the conclusions drawn from it – are affected by the capitalist system’s international mode of existence. Most of this question will be answered implicitly. That is, I implicitly posit that the earlier exposition is not affected by this mode of existence, except for the matters that I do treat in the current chapter.

As it turns out the main exception regards one form of the international movement of capital (this form being the international migration of production), which I treat in 11D3. This also regards one aspect of international trade (11D2) that I nevertheless treat as more encompassing than that one aspect, so as to contrast the international movement of capital with it.

The above regards the programme for the exposition in the current Part (and chapter). I will not go into matters of the international financial constellation that in fact derive from the two forms mentioned. In particular the exposition keeps on abstracting from historical and prevailing contingencies, that is, entities and processes that are not necessary for the reproduction of the capitalist system (Explication 11§1-a). It might be argued that, strictly speaking, there is no outright necessity for international trade and international movement of capital. However, as we will see later on, there are system-inherent tendencies towards it. Implicitly it is posited that such system-inherent tendencies do not apply for the matters that I abstract from (Explication 11§1-a).

In this perspective the current Part (chapter) presents no necessary conditions of the existence of the capitalist system (these were completed with Chapters 1–3 and 6–8), but rather a main mode of existence of capitalism as well as manifestations of that mode. However, as we will see, the actualisation of each of the tendencies to international trade and to international movement of capital require as a condition particular state-granted rights.

11§1-a Explication. Abstraction from contingencies
Parts One and Two of this book did not deal with contingencies – not even with all kinds of discrimination regarding gender, ethnicity and religion, and even if these co-determine the concrete existence of the capitalist system. The reason is that capitalism can exist without these. For the current Part the same applies for war, international power politics (hegemonies) and (variants of) colonialism, and for similar phenomena not listed. All the phenomena just mentioned are tremendously important. And all these may be more important for the lives of people than the exploitative character of capitalism. The self-imposed restriction for this book, again, is that capitalism can
exist without these, though it should be borne in mind that capitalism has not done away with these.

11§2 The world’s nations and their economic ranking in terms of the per capita income

Indirectly this chapter will refer to the international trade (11D2) and the international direct investment (11D3) of all the 217 countries of the world. I will not pronounce if, and to what extent, these countries are characterised as full-capitalist (including capitalist production) in the sense of Chapters 1 and 6 – that would require a full study of its own. Because of the organisation’s membership criteria, the 34 OECD countries and the 7 non-OECD countries of the European Union are definitively capitalist – but that is very far from an inclusive list.

For pragmatic reasons I will assume that the vast majority of the 217 countries is full capitalist. For pragmatic reasons I will also assume that these have reached in divergent degrees the capitalist maturity of the OECD-21 – with its maturity problems – as set out in Chapter 10.

Recall the diachronic movement of the OECD-21 state expenditure 1870–2015 as presented in Graph 10.12. I propose that contemporary capitalist nations can be variously characterised in terms of not only their accumulation of capital, but also of the intensity of their state’s regulative frameworks and expenditure. Roughly we could think of a classification of nations according to the latter as in Graph 11.2 (replacing the horizontal diachronic axis of Graph 10.12 by a synchronic classification).

[continued]

GRAPH 11.2 Stylised synchronous country classification
However, this does not imply that all these capitalist nations go through the same history as the OECD-21. This has to do with the diffusion of technology and techniques of production as well as with distinct mixtures of the intensity of regulative frameworks. Technology, techniques and especially also the state of public education and the communications part of infrastructure are important accelerators that make their histories different. (To be sure, the histories are also different because of historical contingencies such as those of colonialism, imperialism and wars.)

In order to make this chapter manageable as a broad outline, I pragmatically assume that the economic level of a nation can be captured by its GDP per capita in international comparison. I add immediately that (as with the OECD-21’s 1920 or 2015 GDP per capita) this tells us nothing at all about the degree of the appropriation of surplus-value or the distribution of income and wealth. A relatively low GDP per capita may go along with a distribution of income that is far more skewed than with a relatively high GDP per capita (recall, for the OECD-21, the development of the top 10% income shares between 1910 and 2010 as shown in Graph 8.23).

For the per capita income of countries I make use of the classification by the World Bank into four income categories of ‘High Income’, ‘Upper Middle Income’, ‘Lower Middle Income’ and ‘Low Income’. See Amplification 11§2-a, which defines these categories and shows their shares in the world GDP. See Table 11.3 for the abbreviations of income country groups that are used throughout this chapter (HIC, UMC, LMC and LIC).

**Table 11.3  World Bank definitions of four country income categories from high to low income (2015)**

<table>
<thead>
<tr>
<th>Income groups</th>
<th>Abbreviation</th>
<th>GNI per capita (2015) income range</th>
</tr>
</thead>
<tbody>
<tr>
<td>High income</td>
<td>HIC</td>
<td>$12,476 or more</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>UMC</td>
<td>$4,036 – $12,475</td>
</tr>
<tr>
<td>Lower middle income</td>
<td>LMC</td>
<td>$1,026 – $4,035</td>
</tr>
<tr>
<td>Low income</td>
<td>LIC</td>
<td>$1,025 or less</td>
</tr>
</tbody>
</table>

**Source:** World Bank, database World Development Indicators (Updated 17 November 2016)
Amplification. Ranking of nations into four categories in terms of their per capita income, and the shares of these categories in world GDP

The World Bank classifies countries in terms of their per capita income, as shown in Table 11.3. (GNI is the abbreviation for gross national income.)

Table 11.4 makes the link from the OECD-21 to the 'high income' category. This table shows for 2015 that whereas the OECD-21 encompassed 13% of the world population, it acquired 56% of the world GDP. At the other end, 9% of the world population categorised as 'low income' acquired 1% of the world GDP.

**Table 11.4  World country income groups: shares of world GDP and average per capita income in 2015**

<table>
<thead>
<tr>
<th></th>
<th>Number of countries</th>
<th>Population (in billion)</th>
<th>Share of World population</th>
<th>Share of World GDP</th>
<th>GNI per capita, †</th>
<th>GDP per capita‡</th>
<th>GDP per capita, PPP*</th>
<th>Index LIC = 1 (GDP cap. PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD-21</td>
<td>21</td>
<td>0.9</td>
<td>13%</td>
<td>56%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other OECD: high income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-OECD: high income</td>
<td>46</td>
<td>0.1</td>
<td>1%</td>
<td>2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High income (sum row 1–3)</td>
<td>78</td>
<td>1.2</td>
<td>16%</td>
<td>64%</td>
<td>41,366</td>
<td>39,577</td>
<td>44,696</td>
<td>27</td>
</tr>
<tr>
<td>Upper middle income</td>
<td>56</td>
<td>2.6</td>
<td>35%</td>
<td>28%</td>
<td>8,186</td>
<td>7,834</td>
<td>15,832</td>
<td>10</td>
</tr>
<tr>
<td>Lower middle income</td>
<td>52</td>
<td>2.9</td>
<td>40%</td>
<td>8%</td>
<td>2,935</td>
<td>1,988</td>
<td>6,423</td>
<td>4</td>
</tr>
<tr>
<td>Low income</td>
<td>31</td>
<td>0.6</td>
<td>9%</td>
<td>1%</td>
<td>620</td>
<td>616</td>
<td>1,645</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>217</td>
<td>7.3</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

† Current US$ (Atlas method).
‡ Current US$
* Current international $.
** Mexico and Turkey are UMC countries.

**Data source:** World Bank, database World Development Indicators (Updated 17 November 2016)

Graph 11.5 shows the development of the world GDP shares of the high-, middle- and low-income categories – for as far as World Bank data go back (1960). It can be seen that from 1960–2015 the share of the 78 high-income countries (HIC) decreased from 78% to 64%. Most of this decrease was absorbed by a share increase of the 56 upper-middle income countries (UMC) – and a very minor part by the two lower categories. That seems good for these 78 countries (35% of the world population in 2015). However, as Graph 11.6 shows, 84% of the UMC share increase was absorbed by the share increase of China from 1995 (an UMC, with 19% of the world population in 2015), which is quite an achievement within two decades.

**GRAPH 11.5  World GDP shares of the high-, middle- and low-income categories: 1960–2015**

DATA SOURCE: World Bank, database World Development Indicators (Updated 21 December 2016)

**GRAPH 11.6  World GDP shares of the upper-middle income category and of China: 1960–2015**

DATA SOURCE: see Graph 11.5
The final Table 11.7 of this section shows a brief overview of the countries’ conditions of most elementary decent life. In comparison with high-income countries, people in low-income countries live shorter (¾) and in much poorer conditions. Many of the measures in this table have improved over the years for which data are available. However, it will not do to tell someone that he should be happy because he received only 10 cane strokes today, in comparison with yesterday’s 20. The same applies for any comparison between full-capitalism and prior modes of production.

**Table 11.7** *Indicators measuring lack of most elementary conditions of life: high-, middle- and low-income countries around 2015*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Year</th>
<th>HIC</th>
<th>UMC</th>
<th>LMC</th>
<th>LIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of world population</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Prevalence of underweight, weight for age (%)</td>
<td>2014</td>
<td>1.1</td>
<td>2.5</td>
<td>22.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Prevalence of undernourishment (%) (of population)</td>
<td>2015</td>
<td>8.2</td>
<td>14.0</td>
<td>26.1</td>
<td></td>
</tr>
<tr>
<td>Poverty headcount ratio at $3.10 a day (2011 PPP)</td>
<td>2013</td>
<td>0.9</td>
<td>9.9</td>
<td>46.3</td>
<td>72.0</td>
</tr>
<tr>
<td>Life expectancy at birth, total (years)</td>
<td>2014</td>
<td>80.6</td>
<td>74.4</td>
<td>67.3</td>
<td>61.3</td>
</tr>
<tr>
<td>Physicians (per 1,000 people)³</td>
<td>2011</td>
<td>2.92</td>
<td>1.99</td>
<td>0.75</td>
<td>0.07</td>
</tr>
<tr>
<td>Children out of school (%)</td>
<td>2013</td>
<td>3.7</td>
<td>4.4</td>
<td>10.2</td>
<td>16.2</td>
</tr>
<tr>
<td>Improved water source (%)</td>
<td>2015</td>
<td>0.5</td>
<td>5.0</td>
<td>10.5</td>
<td>34.4</td>
</tr>
<tr>
<td>Improved sanitation facilities (%)</td>
<td>2015</td>
<td>0.6</td>
<td>20.0</td>
<td>48.0</td>
<td>71.7</td>
</tr>
<tr>
<td>Population living in slums (%)</td>
<td>2014</td>
<td>23.3</td>
<td>32.0</td>
<td>65.2</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** World Bank, database World Development Indicators (Updated 17 November 2016)

³ Physicians include generalist and specialist medical practitioners.
Division 2. The tendency to international trade

11§3 The tendency to international trade
The enterprises’ cross-national border sale of output is called export, and the cross-national border purchase of input is called import. In principle the profit-seeking motives of enterprises for interregional-national trade or international trade are not different. They seek expansion at the output side and minimal costs at the input side. It is just the case that enterprises are forced to trade in general, but not necessarily forced to trade internationally.

There are various obstacles to international trade. One is that this trade requires agreement between agents – that is, enterprises and banks – to accept at some exchange rate each other’s money (now ‘currency’). In principle this is similar to the domain extension set out in 2§9 prior to the introduction of a Clearing Bank and especially prior to the latter’s imposing its currency on other (now national) banks. Especially for long-term contracts, international exchange rates imply risks and uncertainties. Another (initial) obstacle for international trade is that enterprises are confronted with different state regulations about products and trade.

A particular impetus for enterprises seeking output expansion internationally relates to their economically optimal technical scale. Depending on the size of a country – thus limits of the ‘extent of the market’ – this scale may require international expansion. Another (which may but need not be related to the former) is the national market limits to the further concentration of capital within a single enterprise (this is ‘concentration’ in the sense of absolute size).

11§4 The state-granted right to export and import
In principle it is at the discretion of the state to (not) put confines on international trade. It is a matter of a particular state’s ‘framing’ this, whether it encodes non-confines (‘freedom’) as an extension of enterprises’ property rights (that might be repealed), or contrariwise any confines as a restriction of property rights (that might be repealed). The framing matters ideologically, but the effect is the same.

Whereas an actual right to export will usually not be conflicting for a state (contingently there might be strategic reasons to repeal such a right), this is different for imports. For the latter there are, or there may be, conflicting interests between the potential importing enterprise and the nationally operating enterprises (as imports affect their output). The ‘framing’ referred to matters for the dealing with such conflicts.
Amplification. International trade in historical perspective

The following two graphs show the historical development of international trade from 1870 measured in percentage of GDP. Graph 11.8 shows for world trade a steady increase until the First World War. From 1917–45 protectionist measures caused a considerable decline, the 1917 level being paralleled only in 1974. Afterwards international trade takes further up – with troughs during recessions (severely in 2009).

Trade data decomposed for the four World Bank income classifications (see 11§2-a) are available from 1960, though for the low-income countries only from 1990. Generally the data for the high-income category parallel those for world trade (note that in 2015 their share of world GDP was 64%) – see Graph 11.9. The trade of the other categories is much more volatile. That graph shows this for the low-income countries. (An additional graph for these and the other income categories is included in Appendix 11.A under 11§3 – Graph 11.8-a – together with their export–import balances.)

**Graph 11.8** Sum of world exports and imports in % of world GDP (divided by two), 1870–2011

Data source: Ortiz-Ospina and Roser 2017 (based on Klasing and Milionis 2014, and Penn World Tables Version 8.1)

The effect of international trade on the sector-structures of production

One main effect of international trade is a degree of specialisation of production between nations, thus affecting the sector-structures of production. In principle this is not different from regional specialisation within a nation. During that process regional wage structures will generally be affected, but after a period of adaptation the process does not necessarily affect average regional wages. The same applies for international specialisation.\(^5\) A main difference is that for regions of a nation, workers might – instead of adapting their skills to the new regional production structure – migrate to other national regions. Internationally this is most often excluded (see further 11D3, 11§10-a).

Whereas intra-nation regional specialisation maintains the national production diversity, international trade generates non- or restricted versatile structures of national production. Once a nation has given up sectors of production, it is often very difficult to recuperate these, and if possible at all, this will take much time. This implies that once a nation has ‘freely’ opted for a non- or restricted versatile structure of production, voluntary (‘free’) trade turns into enforced trade.

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\(^5\) To be sure, this chapter does not deviate from the general a-moral discourse of this book in its main systematic sections. Sector-structure changes are often dramatic for the workers concerned.
11§6 The (uneven) effect of international trade on surplus-value

International trade is, like any trade, driven by profit motives of enterprises. Mainstream economists since Adam Smith and David Ricardo have argued that international trade is also advantageous for nations, to the extent that they specialise in the production in which they are relatively efficient (exporting those products and importing products that they do not or scarcely produce). This theory of ‘comparative advantage’ has been questioned on both theoretical and empirical grounds.6

One major empirical point is that regarding the world GDP shares of the high-, middle- and low-income countries, hardly any convergence was to be observed from 1960 (the first year for which country income aggregates are available) until about 2005 – that is, when China had joined the international trade scene (and with the exclusion of China that was still the case in 2015). See 11§2-a, Graphs 11.5–11.6.

Nevertheless, international trade is ‘advantageous for nations’ if this means the enterprises of nations. This is so, because, as argued below, international trade has a positive effect on the ratio of surplus-value to wages ($e = \Pi/wL$).7

More specifically international trade has the general effect of a relative decrease in the price of the real-wage bundle – that is, given the general rate of inflation.

For what follows it is recalled that the average national real-wage level (now ‘national’) is determined, in brief, by the interconnection of the productive power of labour, the rate of accumulation of capital, and the rate of unemployment (2§6). Given these determinants and the prevailing sector production structure (11§5) the real-wage is taken as given at each point in time.

International ‘free trade’ deals are geared at removing trade barriers, especially import duties and import prohibitions (or various substitutes for it). However, at each given production structure – and when some commodity or a close substitute is still produced within a country, enterprises in that country are not forced to import: they will import only when the import price is lower than the national price. Thus when there are national substitutes, imports have a price decreasing effect. This affects the price of the real-wage bundle – either directly for wage goods or indirectly for means of production as inputs for the production of wage goods.

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7 Section 2§5, equation 2.5. What I set out below is, against the background of 2D2, an international variant of what Marx posited as a tendential increase in ‘relative surplus-value’ (Capital I, Part Four).
The previous paragraph also indicates the constraints for a particular nation of the surplus-value effects. The less versatile a nation’s production structure has grown, the more it is forced to import at whatever the world market price is (11§5). This means, or may mean, that the international trade effect on surplus-value is an uneven one for nations.

11§7  **International trade: ‘structural national conservation of capital accumulated’**

With both national and international trade we have a, what I call, ‘structural national conservation of capital accumulated’. That is, structurally the capital accumulated nationally covers national production and employment (expanded on in Explication 11§7-a).

As we will see in the next division, this is different for the second main lever of the internationalisation of the capitalist system – internationalisation of production. There this conservation no longer holds, making it fundamentally different from international trade.

11§7-a  **Explication. National structural conservation of capital accumulated**

We have seen in Chapter 5 that the capitalist system is characterised by a recurrent cyclical over-accumulation and destruction of capital. ‘Structural national conservation of capital accumulated’ applies on the capital accumulated over cycles. The point of this structural conservation is that we have a (now national) structural accumulation of capital vis-à-vis a (now national) growth of the labour force, to which the exposition of 2D2 applies.

With international trade this remains to be the case, irrespective of changes in the sector-structure of production (11§5) or in the relative surplus-value (11§6). Changes of these also occur independently of international trade, though perhaps on a smaller or slower scale. When exports and imports of commodities, or commodified services, are roughly in balance, this national conservation of capital is not affected.

This balance is relevant because it indirectly measures national production and national employment. Regarding the period 1960–2015 (for which we have data differentiated for World Bank country income categories), this conservation as measured by the ‘external balance on goods and services’ in percentage of GDP, occurred on a world scale and for the HIC category within a small margin, though not for the other income categories. Table 11.10 shows the 1960–2015 average per year for that measure.
TABLE 11.10  *External balance on goods and services in % of GDP; WB income categories, average per year 1960–2015*

<table>
<thead>
<tr>
<th>Category</th>
<th>External balance goods and services</th>
<th>World GDP share</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>+ 0.1%</td>
<td></td>
<td>217</td>
</tr>
<tr>
<td>HIC (high income)</td>
<td>+ 0.1%</td>
<td>64%</td>
<td>78</td>
</tr>
<tr>
<td>UMC (upper middle income)</td>
<td>+ 1.1%</td>
<td>28%</td>
<td>56</td>
</tr>
<tr>
<td>LMC (lower middle income)</td>
<td>- 2.2%</td>
<td>8%</td>
<td>52</td>
</tr>
<tr>
<td>LIC (low income)</td>
<td>- 14.2%§8</td>
<td>1%</td>
<td>31</td>
</tr>
</tbody>
</table>

**Data source:** World Bank, World Development Indicators, External balance on goods and services (% of GDP), updated 16 December 2016

§8  The unsustainability of (international) distance trade

International trade has been stagnating and staggering for quite a period (Graph 11.8); however, its increase from about 1970 to 2015 was enormous.9 Along with it goes the transportation of the trade. Their environmental (including climate) costs are not accounted for in the monetary-value dimension (MVD). It is unlikely that this level of international trade (and all the more any further increase) is sustainable in terms of the aggravating environmental damage.10 However, given the developed international sector-structures of production (11§4), this poses an enormous problem that cannot be resolved in the medium-term, and in some cases not even in the long-term.11

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8  1990–2015: earlier data are not available.
9  Ortiz-Ospina and Roser (2017) suggest that a considerable amount of this increase was due not to international inter-sector trade (e.g. exportation of manufactures and importation of coffee), but rather to international intra-sector trade (e.g. France both importing and exporting cars to and from Germany).
10  The following data regard greenhouse gas emissions in the European Union. The share of transport in the total of these emissions was 14.9% in 1990. In 2014 this had increased to 23.3% (Eurostat 2016, Figure 3). To be sure, not all of this regards trade. On the subject of international trade specifically, Erickson et al. (2013) quote a study from Peters, Minx, Weber and Edenhofer, reporting that the emissions embodied in [internationally] traded goods and services had increased from 4.3 Gt CO2 in 1993, or 20% of global emissions, to 7.8 Gt CO2 in 2008, or 28% of global CO2. This, on the other hand, does not tell us how much emissions reduction could be gained from international trade reduction.
11  It can be resolved for international intra-sector trade – see the one but last footnote. Considering the long run, the question is to what extent the implementation costs of a possible...
However, this is not ‘merely’ an international problem, but also a regional problem within large area nations (Amplification 11§8-a).

11§8-a Amplification. The seven largest countries of the world in terms of land area
The seven largest countries out of 217 are (ranked in order of land area): the Russian Federation, China, the United States of America, Canada, Brazil, Australia and India. The following table shows the sums of their world shares in land, population and GDP.

<table>
<thead>
<tr>
<th>World shares of the 7 largest countries in land area</th>
</tr>
</thead>
<tbody>
<tr>
<td>land area</td>
</tr>
<tr>
<td>42%</td>
</tr>
</tbody>
</table>

This table merely serves as a ‘blow-up’ for any nation in the world that has specialising regions of production, and hence transportation costs that may not be accounted for in the MVD. Thus transport associated with international trade is a huge problem, but it is in fact a problem of any distance trade and traffic whose costs are not fully accounted for.

Division 3. The tendencies to international movement of capital
and to international migration of production

11§9 The tendency to the international movement of capital
Enterprises seek to increase their rates of profit by the processes of production and accumulation of capital (1D5, 2D1). These processes are manifest in a number of tendency forces of the enterprises’ market interaction. One manifestation takes the form of plant-wise capital movements within a sector of production, or of capital movements between sectors of production (4D1). Another manifestation regards the (conglomerate) centralisation of capital (4D5).

emergence of sufficient emissions-reducing transport techniques would be smaller than the implementation costs of reversals of the international sector-structures of production.
Because these are tendency forces in general, these operate – in principle – also internationally in the form of a tendency to the international movement of capital, though under more complicated conditions than nationally (see 11§11 and 11§12).

11§10  The state-granted right to the international movement of capital
The international movement of capital (IMC) is conditioned by a two-sided expansion of the enterprises’ property rights as granted by the state.

First, in legally granting enterprises or any other agents the right to IMC, the emigrant state expands (fully or limited) the legal right to property (cf. 6§10). Second, in allowing foreign enterprises to immigrate capital, the immigrant state expands the property right (fully or limited) for the immigrant enterprise(s) or other agents.

As with international trade, it is a matter of a particular state’s ‘framing’ these rights, whether it encodes non-confines (‘freedom’) as an extension of enterprises’ property rights (that might be repealed), or contrariwise any confines as a restriction of property rights (that might be repealed). The framing matters ideologically – especially in case of conflicting interests regarding IMC (see 11§13) – but the effect is the same.

11§10-a  Amplification. The asymmetric freedom of international movement/migration for capital and labour
Although in most nations labour (any person) is free to emigrate, most nations put severe restrictions on the immigration of labour (persons). Thus in the states’ granting of (expanded) claimed rights, enterprises and workers (persons) are again treated asymmetrically. This means indeed that the propagation of economic freedom is partisan and ideological.

This does not imply that immigration of labour is prohibited altogether. It rather depends on the interests of enterprises in face of the available labour capacity – thus the potential migration of labour is used as a reservoir so as to guarantee a degree of unemployment (2§6). (I add that this asymmetry means that there is no free labour market even from the mainstream economics perspective.)

11§10-b  Amplification. International movement of capital as measured by ‘Foreign Direct Investment’ (FDI) and its pattern 1970–2015
The international movement of capital on a considerable world scale is a fairly recent phenomenon, dating from the middle of the 1980s. Prior to this, most states controlled and limited cross-border movement of capital – and many still do, in full or above a threshold.
As a main quantitative indicator for it I adopt the ‘Foreign Direct Investment’ (FDI). Most of my data on FDI are from the World Bank, which defines FDI as follows.

‘Foreign direct investment are the net inflows [or outflows] of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments.’ The series show either ‘net inflows (new investment inflows less disinvestment) in the reporting economy from foreign investors’ or ‘net outflows of investment from the reporting economy to the rest of the world’. And: ‘FDI data do not give a complete picture of international investment in an economy. Balance of payments data on FDI do not include capital raised locally ... In addition, FDI data omit non-equity cross-border transactions such as intra-unit flows of goods and services.’ Finally, the WB uses the ‘weighted average’ as ‘aggregation method’.\[12\]

Source: WB metadata for the series

Because the WB uses the term ‘net’ to account for disinvestments, I use the term ‘netted’ FDI or FDI ‘sum’ for the inflows minus outflows. All FDI country group averages as presented below are weighted averages as calculated by the World Bank.

World FDI is much dominated by the FDI of the high-income countries (HIC) – their share of world GDP being 64% in 2015. It can be seen from Graph n.11 and Graph n.12 that world inflows and outflows of FDI beyond 1% of world GDP take off only from the second half of the 1980s, and that the same applies for the FDI of the HIC in terms of their GDP. (Similar graphs for the middle- and low-income countries are shown in Appendix 11.A under 11§10.)

It can also be seen from these graphs that the fluctuations from about 2000 are considerable. One reason is that FDI also reflects international mergers and take-overs – including vast banking mergers and take-overs prior to and after the 2007/08 financial crisis.

\[12\] However, for purposes of characterising ‘average capitalist nations’, unweighted averages are often preferable (as I did in Part Two). In order not to complicate the graphs below, I have declined to present two measures.
Relevant for this division, however, are foremost the ‘netted’ FDI inflows and outflows (the black line in Graphs 11.11 and 11.12) and especially also those for the middle- and low-income countries. These are shown in Graph 11.13. It can be seen that for all of the middle- and low-income country groups, the netted
FDI was positive since data are available – though with quite some fluctuation throughout.\textsuperscript{14} (For the low-income countries a restricted number of full data are only available from 2005.)

\textbf{Graph 11.13} Netted FDI inflows and outflows as % of GDP of the country group; averages of the high-income, middle-income and low-income countries (HIC, UMC, LMC, LIC); 1970–2015

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{graph1113.png}
\end{figure}

\textit{Data source:} see Graph 11.11. At the time of retrieving the data, those for the low-income countries on both inflows and outflows were available only for a scarce number of years (2005–07 and 2009–14)

\section{International movement of capital and the tendency to the international migration of production}

There are two main forms of the international movement of capital (IMC) – summarised in Table 11.14.

The first form is the ‘international centralisation and concentration of capital’, which is associated with ‘economic power driven mergers and take-overs’. This form and the drive are no different from the national centralisation of capital (4D5). However, in international form the size of the resulting entities (that is, the concentration of capital) may grow much beyond what would be possible nationally. The resulting entities tend to operate multinationally (as

\footnote{\textsuperscript{14} The post-2007 decrease for the upper-middle countries is, to a considerable extent, due to a decrease for China.}
multinational corporations) and to bring together assets and finance capital from multinational origin.\textsuperscript{15}

Equity transactions are the main process through which this centralisation and concentration of capital is reached.

The second form of IMC involves an ‘international migration of production’ (IMP).\textsuperscript{16} The process through which it is reached is via a gradual ‘restructuring of capital’ (cf. 4§2-b): the new plant investment in the original country is damped, substituting it by investment in another country.\textsuperscript{17} This second form encompasses two variants.

One variant is primarily ‘commodity markets driven’. It relates to the geographical distance of selling markets and/or to the supply chain structure as including the related networks. In this case enterprises move (part of) their production to nearby the selling or the supply markets. In this case the international migration of production in effect substitutes for international trade. In principle this variant is not different from intra-national regional relocations of enterprises.

The other variant is primarily ‘labour market driven’, that is, wage-costs driven. In fact this regards the seeking of relatively abundant labour-capacity markets (as applying on one of the two main conditions for the accumulation of capital – cf. 2D2).

In the remainder of this division the focus will be on the general preconditions for the international migration of production and on its labour-market and wages effects. Although in the two variants distinguished the primary drives are different, each one (also) has similar labour-market effects. It is just that when the labour market is the primary drive, the wages effects are larger than when commodity markets are the primary drive. Further, although the drives may be different, empirically we cannot read off from international migrations of production what the drives are. In the remainder of this division, therefore, I take these variants together as ‘international migration of production’ in general.

\textsuperscript{15} The UNCTAD World Investment Report 2017 shows in its Annex Tables 24 and 25 a measure of this for a top 200 non-financial enterprises for the year 2016.

\textsuperscript{16} In the medium- or long-term, a migration of production (relocations from one country to another) might also result from mergers and take-overs. However, these do not start this way.

\textsuperscript{17} I note that the international ‘outsourcing’ of production has the effect of a partial migration of production, but it is not a movement of capital. In fact this is a particular form of international trade, and the importation of the goods or services at hand is also measured as international trade.
Another focus in the remainder of this division is on this migration of production from the high-income countries (HIC) to the middle- and low-income countries (UMC, LMC and LIC) and from the middle-income countries (UMC and LMC) to the low-income countries (LIC). (See the details of this country classification in 11§2-a.)

International migration of production only most rarely takes the form of full migration of an enterprise – at least it does not start that way. Instead it is most often carried out by multinational enterprises, taking the form of a partial migration via subsidiary corporations (the initial corporation being the holding company), either via take-overs, or via participations, or via establishing a complete new branch (the latter are called ‘greenfield investments’).18

The generation of each of these forms of the ‘international movement of capital’ (IMC) has in fact a tendency character (as forces engendering these that may be counteracted).

Each of these forms of IMC is a component of the ‘Foreign Direct Investment’ (FDI – cf. 11§10-b) – see further 11§11-a.

<table>
<thead>
<tr>
<th>TABLE 11.14  The forms of the ‘international movement of capital’</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>International movement of capital (IMC)</strong></td>
</tr>
<tr>
<td><strong>Forms</strong></td>
</tr>
<tr>
<td>(1) international centralisation and concentration of capital</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>(2) international migration of production (IMP)</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

11§11-a Amplification. The forms of the ‘international movement of capital’ as components of the FDI

Information about the decomposition of FDI as to the type of FDI is limited, and especially so for country groups (at least the WB and UNCTAD databases do not provide these). In an Annex of the UNCTAD World Investment Report 2017 there is some limited information about the FDI subcategory of Greenfield investments from 2003–16. A greenfield investment is a form of FDI where a parent company builds its operations in a foreign country from the ground up (see also the last footnote). This subcategory is relevant for the ‘internal-

18 https://www.investopedia.com/terms/g/greenfield.asp.
tional migration of production’. However, the UNCTAD information regards
announced greenfield investment projects. In this regard, it remarks: ‘The value
of announced greenfield projects indicates the capital expenditure planned by
the investor at the time of the announcement. Data can differ substantially
from the official FDI data as companies can raise capital locally and phase their
investments over time, and a project may be cancelled or may not start in the
year when it is announced’ (p. 39, n. 2). Because limited information is often
better than no information, Table 11.15 brings together the relevant UNCTAD
data. Because of the reasons stated in the quotation above I use 2003–16 aver-
ages.

Developing economies are roughly all the world economies apart from the
World Bank’s category of high-income countries (11§2-a). Table 11.15 shows, as a
rough indicator, that greenfield investments are the dominant part of the FDI inflow into developing economies (89% for the indicator).19

**Table 11.15  Total FDI inflows and announced greenfield FDI inflows; World and developing economies, 2003–16**

<table>
<thead>
<tr>
<th>Announced greenfield FDI projects = AG-FDI</th>
<th>2003–16 average per year in billion US$</th>
<th>2003–16 average per year in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing economies = DE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>total FDI inflow: World</td>
<td>1363</td>
<td></td>
</tr>
<tr>
<td>total FDI inflow: Developing economies</td>
<td>543</td>
<td></td>
</tr>
<tr>
<td>total FDI inflow: ratio DE to world inflow</td>
<td></td>
<td>40%</td>
</tr>
<tr>
<td>share of DE in world AG-FDI</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>AG-FDI: World</td>
<td>811</td>
<td></td>
</tr>
<tr>
<td>AG-FDI: Developing economies</td>
<td>486</td>
<td></td>
</tr>
<tr>
<td>World ratio of AG-FDI to total FDI inflow</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>DE ratio of AG-FDI to total FDI inflow</td>
<td></td>
<td>89%</td>
</tr>
</tbody>
</table>

**Data Source:** UNCTAD 2017, Annex Tables 1 and 19

---

19 As an aside, I note that in its World Investment Report 2017 the UNCTAD has a graph (its Figure 1.12) headed as ‘External sources of finance for developing economies, 2007–2016’, in which it includes (next to FDI) a line graph for ‘Portfolio investment’. I do not understand how this is a source of finance unless this would solely regard newly issued shares, bonds or direct placements.

The constellation of an immigrant state as condition for the international migration of production – the perspective of potentially migrating enterprises

The inward bifurcation of commodities and of the production process (1§7, 1§11) means that enterprises are indifferent to physical-geographic location: all that counts is the criterion of the integral and the internal rate of profit (1§13, 5§1), be it in a national or international context. However, that same criterion implies that enterprises are not indifferent to the particular state that best serves that interest. For multinational enterprises, a national state is an instrumental entity.

A general condition for the actualisation of international migration of production (11§11) is that the state in those nations can gain compliance for defining the interests of capital as being in the putative general interest (6§6). This merely means that migrating enterprises will migrate to capitalist nations. For the more specific conditions of movement, Figure 11.16 categorises the regulative frameworks of Chapters 6–9 into three broad categories.

**Figure 11.16** Division of regulative frameworks into three main categories as relevant for Chapter 11

<table>
<thead>
<tr>
<th>Hard Core frameworks (HC-FW)</th>
<th>1. Capitalist economic rights</th>
<th>6D4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Allowance rights to existence</td>
<td>6D5</td>
</tr>
<tr>
<td></td>
<td>3. Public security</td>
<td>6D6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital accumulation frameworks (CA-FW)</th>
<th>4. Monetary</th>
<th>7D2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5. Labour-capacity (incl. publ. educ.)</td>
<td>7D3</td>
</tr>
<tr>
<td></td>
<td>6. Infrastructure</td>
<td>7D4</td>
</tr>
<tr>
<td></td>
<td>8. (mode of) Imposition competition</td>
<td>9D1</td>
</tr>
</tbody>
</table>

| Legitimating compliance swc* (LC-FW)    | 7. Social security framework | 7D5 |

**Legend**
- grounded in moment below.
- swc: subordinated working class.
For potentially emigrating enterprises, the immigrant state’s Hard Core frameworks and their full upholding are an absolute precondition for the migration. The Capital Accumulation frameworks are also a requirement. However, as a precondition for the immigration of capital their intensity is flexible in face of the wage level difference between the nations of migration. This – and particularly formal education and infrastructure – again varies for different sectors of production and for the particular type of investment (as, for example, requiring different types and degrees of education). A relatively intensive regulation of competition is (merely) important for the suppliers of the immigrant enterprise.

The category of the social security framework is no direct consideration for the emigrant enterprises for the following two reasons.

First, this framework is relevant for the legitimization of the state (and hence, as argued in 7D5, for the legitimization of the capitalist economy vis-à-vis which the state constitutes a separation-in-unity – 6§7). However, immigrant enterprises are ‘footloose’ to the extent that they calculate a relatively brief pay-back period of, say, 3–5 years. That is, they can re-migrate their investment when the legitimization of the state under consideration is actually under threat.

Second, the actual social security framework (and the concomitant transfers) are only indirectly relevant for immigrating enterprises to the extent that these would affect employers’ social security contributions and corporate taxes.21

The level of the latter (corporate taxes) is a final main determinant of the international migration of production. This regards not so much the statutory tax rates, but rather the effective tax rates – also in face of accounting streams within the international branches of a corporate holding.

In face of the frameworks, and other relevant factors, potentially migrating enterprises calculate the costs and benefits of an international migration of production. Especially because of the comparative frameworks assessment, this is far more complex than for an intra-national migration of production.

11§12-a Amplification. Other determinants
Apart from the conditions indicated in the main text (in brief the intensity of frameworks, wages and taxation), the (non-)migration of enterprises is also determined by differences in:
• institutional labour relations (management–labour, labour-unions, local management vis-à-vis international management);

21 The income taxes of the top management are also relevant, but the bulk of these may be anticipated in the gross wage paid.
local/regional networks of enterprises;
• networks of enterprises and governments (state and local);
• regional markets.

In face of the international movements of production (IMP) between the four grand country categories distinguished by the World Bank (11§2), the following three amplifications expand on the three categories of the state framework that are most relevant for the remainder of this division.

11§12-b Amplification. Formal education

Formal education is a main component of the Capital Accumulation frameworks. In 2015 the formal education differences between high-, middle- and low-income countries were considerable and it seems that these are a major obstacle for widespread IMP to the middle- and low-income countries. Misleadingly the state expenditure on formal education, as shown in Graph 11.17, might suggest that the gap is nearly bridged (even the LIC level for 2005 is above that for the OECD-21 in 1960).

**Graph 11.17 State expenditure on formal education as % of GDP, 1970–2015; high-, middle- and low-income countries**

**Data source:** UNESCO database (December 2016 release; accessed 8 December 2016). 1970–2010 nearest year available; 2015 or last year available.22 (I categorised the UNESCO data for countries according to the World Bank income classification for the year 2015. See Appendix 11.A under 11§12 for more information on the data.)

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22 UMC 2015 (sample value 3.5 omitted because of too many not with 2010 coinciding countries). LIC excludes Zimbabwe because of several figures that are difficult to interpret, including the education expenditure of 44% of GDP in 1994.
However, Graph 11.18 shows that behind the previous flattering figures lurks a distribution of formal education that is more skewed than that of the OECD-21 between 1870 and 1910 (Graph 7.10). Thus it seems that in 2015 the education in many of the middle- and low-income countries is perhaps fitting for an elite top or middle management, but less so for those production floors that require at least moderately skilled labour. On the other hand, in recent decennia the spread of education among the population in those countries increased steeply (as measured by the decrease in their Gini index in Graph 11.18).

**Graph 11.18** Average years of formal schooling, and spread of education in the total population aged 15 years and older (Gini index); averages of high-, middle- and low-income countries 1950–2010

Data source: CLIO Infra database (accessed 12 December 2016). The CLIO data for countries were categorised according to the World Bank income classification for the year 2015.

Graph 11.18 shows averages. China, to take a major example, was in 2010 down to a Gini of 14.5 (scale 100–1), that is, below the HIC average (and not far removed from the USA’s 13.5). The Russian Federation (15.2 in 2010) and Argentina (15.7) also stand out among the UMCs. Among the LMCs Tajikistan, Cambodia, Moldova, Kenya and Armenia are outstanding (ranging from 9.4 to 15.8 in 2010). Given the actual FDI inflow to middle- and low-income countries, there are apparently niches for these (in face of average wage differences).

---

11§12-c Amplification. The communications part of infrastructure
I found no aggregate data for infrastructure (recall from 7§15 that these are also
a gap in the long-run OECD-21 data of before 1995). However, there are data
on the communications part of infrastructure (and, as we will see in the final
section of this chapter, these are very relevant). Graph 11.19 shows the propor-
tions of the population in the high-, middle- and low-income country groups
using the Internet. (Together with formal education this is an important indic-
ator for the degree of widespread information among the population.) In 2015
the middle- and low-income countries indeed move behind the high-income
countries, but especially the upper-middle-income countries kept up fast in the
decade leading up to 2015.

GRAPH 11.19 Individuals using the Internet (% of population); averages of
high-, middle- and low-income countries, 1990–2015

DATA SOURCE: World Bank, database World Development Indicators (last updated 15 November
2017; retrieved 17 November 2017)

11§12-d Amplification. Social security transfers
In 11§15 I will refer to social security expenditure (SSE) in the middle- and low-
income countries. There are few standardised data on these. However, the ILO
provides data on SSE between 2000 and 2011 for nearly all world countries.
To these data I have applied the World Bank country income classification.
Table 11.20 shows the results. It can be seen that in 2000 and 2011 there is quite a
gap between the levels of the OECD-21 and other HICs and those of the middle-
and low-income countries, but that during this period there has been a very
fast increase for the latter (of 24 and 35%).
### Table 11.20 State social security expenditure in % of GDP, 2000–11; averages of World Bank country income categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Category</th>
<th>Nr†</th>
<th>2000‡</th>
<th>2011‡</th>
<th>Change</th>
<th>Historical OECD-21 comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>high income</td>
<td>OECD-21</td>
<td>21/21</td>
<td>21.1</td>
<td>24.7</td>
<td>17.5%</td>
<td>2011</td>
</tr>
<tr>
<td>high income</td>
<td>HIC*</td>
<td>55/78</td>
<td>15.4</td>
<td>17.4</td>
<td>12.9%</td>
<td>± 1980</td>
</tr>
<tr>
<td>upper middle income</td>
<td>UMC</td>
<td>44/56</td>
<td>8.0</td>
<td>9.9</td>
<td>24.4%</td>
<td>± 1955</td>
</tr>
<tr>
<td>lower middle income</td>
<td>LMC</td>
<td>46/52</td>
<td>4.7</td>
<td>6.3</td>
<td>35.5%</td>
<td>± 1945</td>
</tr>
<tr>
<td>low income</td>
<td>LIC</td>
<td>23/31</td>
<td>3.2</td>
<td>4.4</td>
<td>35.5%</td>
<td>± 1940</td>
</tr>
</tbody>
</table>

† x/x = actual/potential maximum number of countries;  
‡ Or nearest year available.  
* Including the OECD-21;  
** This regards the year around which the OECD-21 reached a similar expenditure (interpolated for 1940 and the semi-decades).  
DATA SOURCE: ILO, database Social Protection²⁵

### 11§13 International migration of production: diversity of conflicting interests

International migration of production has very diverse, and conflicting, effects within the country of emigration as well as within the country of immigration. This section endeavours to sum these up in a broad manner (precision would require a single country to single country comparison, as well as a host of assumptions).

In any case – and predicated on the unity of capitalist economies and states – the state that permits the IMP must conceive this as either being in the direct interest of the national enterprises and their owners, or indirectly in their interest because of the state’s requirement of legitimation in the vast majority of the labour population. I note already that the state’s appreciation of this ‘either/or’ may be different for capital emigrant and capital immigrant nations.²⁶

²⁵ http://www.socialsecurityextension.org/gimi/gess/ShowSearchIndicators.action (retrieved 1 November 2017). Excluding the ten countries for which only one datum (2000 or 2011) is available. (Country income classification from WB; see Table 11.3.)

²⁶ I also note that China – as a main example of a nation that seems to approach these mat-
Generally there is a positive effect of IMP inflow on the GDP growth and tax receipts of the nation of immigration of production, and a converse effect on the nation of emigration.

The opposite wages effects are the essence of the differences (in the emigrant nation there is a downward wages effect, and in the immigrant nation an upward wages effect). This implies that the workers of the different countries are played out against each other. However, in principle this is not unlike intra-national inter-sector or regional movements of capital. In each case, rates of unemployment and wage rates tend to equalisation (these are tendencies; actual equalisation is an often long-run gradual process).

States are not driven by altruism vis-à-vis other states. The opposite effects on the tax receipts of the nations’ states might give rise to the idea that the interests of states are counter-posed. However, reasoning from the point of view of the nation of emigration of production, this would assume that the state is an actor independent of the capitalist economy and the interests of capitalist enterprises. In fact the capitalist state grants enterprises the claimed economic rights (of property in means of production and of exploitation) as set out in Chapter 6. The expansion of granted property rights to international migration of production (11§10) is in line with this. This expansion is not only in the interest of the migrating capital (the holding) but also in the interest of the non-emigrant enterprises (wages are pressed down) – that is, provided that with the remaining taxation the level of the accumulation frameworks can be maintained. The possible downside (and trade-off) is the effect on the state’s legitimation in the compliance of labour (see 11§15).

From the same point of view (capitalist economic rights) it is rather the position of the states of immigration of production (capital inflow) that requires further consideration. Those states have to convince the current national enterprises that even if they are confronted with upward wages, they will benefit from the future GDP growth effect, and especially from the amelioration of the ‘capital accumulation frameworks’ (11§12) made possible by the increasing GDP and the state’s taxes. (When wages increase, taxation of wages is facilitated.)

Ultimately, however, the raising of wages somewhat nearer to the world average seems a condition for a stable compliance during production and for the legitimation of states in the compliance of their national working class.27 (This

27 ‘World’ average is the general formulation. Much of the FDI regards intra HIC flows
is indeed a key important factor in a world that has become engrained by international communication and hence knowledge of world-relative income and wealth levels.)

*Figure 11.21* roughly summarises the various conflicting interests (Amplification 11§13-a sets out some qualifications).

**FIGURE 11.21  Diversity of conflicting interests upon global migration of production**

<table>
<thead>
<tr>
<th>Positive (+), no (○) or negative (−) effect: changes</th>
<th>Migration of production</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>nation of emigration</td>
</tr>
<tr>
<td><em>key economy–state effects</em></td>
<td></td>
</tr>
<tr>
<td>wages</td>
<td>−</td>
</tr>
<tr>
<td>tax receipts</td>
<td>−</td>
</tr>
<tr>
<td>when dominated by wages-tax effect†</td>
<td></td>
</tr>
<tr>
<td>tax associated accumulation of capital frameworks</td>
<td>−</td>
</tr>
<tr>
<td>legitimation effect associated with employment and wages</td>
<td>−</td>
</tr>
<tr>
<td><em>effect on surplus-value</em></td>
<td></td>
</tr>
<tr>
<td>of migrating enterprises (subsidiary of holding)</td>
<td>n.a.*</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>n.a.*</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>of non-migrating enterprises (x/x = same sector as migrant / other sector as migrant)</td>
<td>sum +?</td>
</tr>
<tr>
<td></td>
<td>+</td>
</tr>
<tr>
<td></td>
<td>+/○</td>
</tr>
<tr>
<td></td>
<td>○/−</td>
</tr>
<tr>
<td></td>
<td>−?</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(whence wages are raised towards the HIC average) and, to a lesser extent, intra MIC flows (whence wages are raised towards their averages).

FIGURE 11.21  Diversity of conflicting interests (cont.)

<table>
<thead>
<tr>
<th>effect on growth</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>investment</td>
<td>?</td>
<td>+</td>
</tr>
<tr>
<td>consumption (labour)</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>state expenditure</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>GDP</td>
<td>-</td>
<td>+</td>
</tr>
</tbody>
</table>

† Including indirect taxes
* n.a.: not applicable
‡ See 11§12

11§13-a  Explication. Some qualifications regarding the IMP conflicts of interest

Within the confines of the broad outline in this chapter, Table 11.15 is not very detailed. In general, international immigration of production (netted FDI inflow) is GDP expanding, like any investment. There are two main issues that co-determine its effect on the existing enterprises.

First the degree of hidden unemployment and the degree of substitution between self-employment and wage labour. Whereas netted FDI inflow would generally increase the wages sum (wL) and each of the wage rate (w) and the amount of employment (L), their degrees are dependent on the factors just mentioned. The wage rate will increase at least to some extent because the immigrant will compete for the best qualified labour.

A second main factor is whether the FDI is fitted into an existing sector-stratification (Chapter 4) whence it would probably move into its top and directly compete with the existing national enterprises. (By itself this is not spectacular because that is also a normal process in the absence of FDI, though the mechanisms are somewhat different because along with the FDI goes the technical knowledge.) If, on the other hand, the FDI inflow regards a new sector (for this economy), there would not be such direct competition. On the contrary, this would probably be import-substituting and evoke a multiplier of supply chain effects.

Regarding the first factor above it is to be noted that the amount of potential wage labour (the 'extent of the labour market') is dynamically determined by population growth as well as by the competition determined overflow of self-employment to wage-labour. So as to provide an idea about the quantities involved Table 11.22 provides some ILO data that are categorised regionally rather than by country income group.
TABLE 11.22  Wage-labour as a share of wage-labour plus self-employment; world regions and developed economies 1999–2013

<table>
<thead>
<tr>
<th>Region</th>
<th>1999</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>24.6</td>
<td>26.2</td>
<td>6%</td>
</tr>
<tr>
<td>Asia</td>
<td>30.7</td>
<td>40.2</td>
<td>31%</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>59.0</td>
<td>62.8</td>
<td>6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>71.9</td>
<td>80.3</td>
<td>12%</td>
</tr>
<tr>
<td>Eastern Europe and Central Asia</td>
<td>74.9</td>
<td>78.3</td>
<td>4%</td>
</tr>
<tr>
<td>Developed economies</td>
<td>84.1</td>
<td>86.4</td>
<td>3%</td>
</tr>
</tbody>
</table>

Data source: ILO, Global Wage Report 2014/15, Figure 14

11§14  International migration of production: rupture of the ‘structural national conservation of capital accumulated’

Recall from 11§7 the ‘structural national conservation of capital accumulated’ in case of international trade. The international movement of capital along with the international migration of production means that this form of existence of the international capitalist system is fundamentally different from international trade. With this migration the ‘structural national conservation of capital accumulated’, vis-à-vis the labour population growth within a nation, no longer holds. We have effluxes of capital from where it was produced by labour and appropriated and accumulated by the owners of capital (cf. 1§12). Concomitantly we have equivalent influxes of capital into the immigrant nations. Along with it we have, as indicated (11§13), in the emigrant country a downward pressure and in the immigrant country an upward pressure on wages.


29  This also applies for the international capital movement form of international mergers and take-overs (11§11) in case this is going to result in an international migration of production.
11§14-a Amplification. Winners, losers and winners: national ‘structural conservation of capital accumulated’ versus its international breach

Capital is produced by labour, the surplus-value (integral profit) being appropriated by the owners of the enterprises (1§14, heading 7). Accumulation of capital requires labour and it also requires unemployment. This is a harsh core characteristic of the capitalist system (2D2, in particular 2§6). In a high conjuncture, when unemployment is waning, labour reaps increasing wages. This is so when the national ‘structural conservation of capital accumulated’ holds, that is, in the absence of international migration of production (IMP). With IMP, however, potentially increasing wages in the country from which capital emigrates are reaped in the country of immigration. Workers in the country of emigration feel that this happens behind their backs. They know that the law (i.e. the rights granted to ‘their’ capitalist) is such that they cannot effectively claim the surplus-value that they produced. Owners of enterprises will tell them that the international economic constellation enforces emigration of production.

This is the basis of the workers of the different countries being played out against each other. Those politically responsible, or commentators, might argue and judge that this process is morally desirable because in this way international wages levels become closer. The latter is correct. However, such a judgement is a partial one in two respects.

First, within the country of emigration the employment effect hits one particular layer of the labour population, namely those that become unemployed. This would be different if unemployment would be distributed over the total labour population via worktime reduction. (However, as indicated above, accumulation of capital requires unemployment.)

Secondly, the migration of capital is not motivated by this moral judgement (even when the argument and judgement suits enterprises), but rather by profits higher than the current profits. This means that workers in the country of emigration bear its downside, whereas the enterprises and their owners reap extra profit benefits.

11§14-b Amplification. Comparison of international wage rates

Wage rate comparisons for large world country groups are scarce. The ILO provides such data for the years 2000–15 (but even those are restricted as to the number of countries). Table 11.32 shows these for the full period as well as, in face of the crisis-years, decomposed for three sub-periods.
TABLE 11.23  Average annual real-wage growth 2000–15; World country groups†

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD-21</td>
<td>21/21</td>
<td>0.3</td>
<td>0.5</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>High Income‡</td>
<td>45/78</td>
<td>1.3</td>
<td>2.0</td>
<td>0.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Upper Middle Income</td>
<td>33/56</td>
<td>3.8</td>
<td>4.8</td>
<td>3.1</td>
<td>2.2</td>
</tr>
<tr>
<td>Lower Middle Income</td>
<td>22/31</td>
<td>4.7</td>
<td>5.2</td>
<td>3.4</td>
<td>4.1</td>
</tr>
</tbody>
</table>

† Non-weighted averages. For the 12 low-income countries included in the ILO data there are too many gaps for a proper averages calculation.
‡ Including the OECD-21.


It can be seen from the table that for both the total period and all the sub-periods, real-wages grew on average faster the lower the group income.

11§15  Implications of the tendency to international migration of production for the constellation of capitalist nations

The tendency to international migration of production has far-reaching consequences for the constellation of capitalist nations.

1  The single nation’s balance of forces as determining the nation’s reproduction of the capitalist system

Conditioned by state-granted capitalist economic rights, enterprises are ultimately driven by profit and the accumulation of capital, their comparative success being measured by the rate of profit (Chapters 1 and 6). The reproduction of the capitalist system within each single nation is at each historical conjuncture determined by a particular balance of forces. This balance of forces is different in e.g. 1920, 1980 or 2010. These forces are, most briefly:

(a) The monetary-value productivity of labour, together with the labour-market-related determinants of wages, as resulting in the rate of surplus-value (the rate of labour exploitation) and the rate of accumulation of capital (Chapters 1–2).

(b) The state’s regulatory frameworks of the accumulation of capital and their articulation with taxation and rates of taxation (Chapter 7).

(c) The legitimation of the state and hence of the capitalist system in face of the structure of market wages (cf. point 1) as articulated with taxation-requiring social security transfers (Chapters 2, 7 and 8).

Very broadly (b) reinforces (a) and the latter again accommodates (c). These three result in after-tax rates of profit and in the after-tax distribution of income and wealth among households (Chapter 8). The degree of widespread information about these (engendered by the degrees of widespread public education and of infra-structural means of communication especially in the form of ICT) again affects the state’s legitimation and are a catalyst for increasing social security transfers (10§12; compare Graphs 11.17–11.19).

The resulting single-nation balance of forces stands on itself. However, it is – given the contingent internationally diverging cultures and politico-economic ideologies – co-determined by the degree of widespread information about, in brief, the income and wealth levels and distributions in other nations.

2 The tendency to international migration of production – general remarks

Even if international trade has, or may have, uneven effects on nations (11§6), it does not fundamentally affect a nation’s system-reproductive balance of forces, especially regarding the ‘structural national conservation of capital accumulated’ (11§7). This is different for the international migration of production (IMP) – 11§14.

Below I will not further stress that a proper state’s Hard Core framework is an absolute condition for IMP (11§12).

In what follows I will for convenience keep on using the analytical distinction between high-, middle- and low-income countries; in fact IMP applies across the full continuum of single countries, that is, between each of the high-, middle- and low-income categories, as well as within these.

3 IMP: the effect on wages, taxes and the accumulation of capital frameworks

I start from the balance of forces components (1) and (2) of the first sub-section above. Improvements of the state’s capital accumulation frameworks are accelerators for the accumulation of capital. The main problem is their take-off. For many middle- and low-income countries the with IMP-associated general growth increase, wages increase and along with it the taxation increase, triggers the take-off (cf. 11§13, Figure 11.21). Once this is on substantial track, the two act as self-reinforcing (yet, further IMP would still step-up the process).

For the countries from which capital emigrates we have contrary effects. Average wages and the concomitant taxes and framework expenditures...
become gradually under pressure (which need not immediately imply their actual decrease).

This way the tendency to IMP engenders regarding these factors a very gradual process of convergence between high-, middle- and low-income countries.

4 IMP: legitimation in face of the structure of market wages as articulated with social security transfers

I now turn to the third component of the system-reproductive balance of forces mentioned in the first sub-section. That is, the legitimation of the state and hence of the capitalist system in face of the structure of market wages as articulated with taxation requiring social security transfers (SST). The more skewed the structure of market wages and of incomes generally, the more are SST required for the vast-majority-legitimation of the state. As indicated, the degree of this requirement is catalysed by the degree of widespread information about these skewed structures. Thus the development of the accumulation frameworks (especially widespread public education and the communication part of infrastructure) affects the SST requirement (cf. Graphs 11.17–11.19 and Table 11.20).

In the context of the international migration of production (IMP) the international convergence of SST will move much behind the very gradual convergence of wages and the accumulation of capital frameworks. Nevertheless, with continued IMP the SST convergence is on the horizon.

For the IMP immigrant nations (especially the middle- and low-income countries) this causes mere moderate problems that may fit a restructured balance of forces for these – coming from a relative low, gradually increasing wages and SST will contribute to the vast-majority-legitimation.31

However, this is quite different for the IMP emigrant nations (especially the HICS). For these the wages convergence means the dampening of their increase, and in the end perhaps even their decrease. This by itself affects their vast-majority-legitimation. Along with the downward pressure on wages and the concomitant taxation revenue, the finance of SST squeezes (affecting either the transfers to the broad bottom, or their burden for the broad top of the distribution of income). The question is for how long this will be sustainable for the vast-majority-legitimation of the IMP emigrant countries (see also 10D4, to

31 Nevertheless, the further requirement for SST increases with the difference between the wages of the employed and the resources of those that have no work. Especially the requirement of pension income transfers also increases with increasing life expectancy – see Table 11.7 for the different life expectancies around 2015.
11. THE INTERNATIONAL CAPITALIST SYSTEM [SUMMARY]

which IMP adds a new dimension). For these countries the balance of forces regarding the reproduction of the capitalist system risks to be moving to disruption.

11§15-a Amplification. Risk of disruption of the system-reproductive balance of forces

We have seen in 10D4 (yet abstracting from the international constellation) that continuously increasing SST as a percentage of GDP is for the capitalist system's vast-majority-legitimation requirement a necessity as well as an impossibility (10§12 and 10§14).

International migration of production gradually speeds up for the HICs the capitalist system's SST vulnerability, and adds to this a dampening of wage increases, and perhaps even wage decreases. It seems not unlikely that at least these IMP consequences evoke the repeal of the state-granted right to the emigration of capital (11§10).

Summary and conclusions

The exposition in the main systematic sections of Chapters 1–10 was about each full-fledged capitalist nation. The current chapter made explicit that these nations are different regarding: (1) their geographical location; (2) the historical point in time at which they became full-fledged capitalist as conditioned by their state's granting of capitalist Hard Core rights as concretised in the Hard Core legislative frameworks; (3) the degree of intensity of all the other legislative frameworks; (4) given the population of a country, the degree of the reached accumulation of capital – that degree being co-determined by the legislative ‘accumulation of capital frameworks’.32 This chapter made further explicit that for profit reasons capitalist enterprises seek to expand across national borders.

Given the exposition in Parts One and Two, the current Part (chapter) merely focused on the capitalist system's ‘international mode of existence' insofar as it affects the earlier exposition of the conditions for the reproduction of the capitalist system – as well as the conclusions drawn from it. Abstracting from contingencies – as in the earlier exposition – this regards mainly ‘the tendency to the international migration of production' (one form of the international

32 The Hard Core frameworks are those of ‘granted legal capitalist economic rights', 'granted legal allowance rights to existence', and 'public security' (Ch. 6). The Capital Accumulation frameworks regard the 'monetary', 'labour-capacity' (including formal education) and 'infrastructural' frameworks (Ch. 7).
movement of capital), and one aspect of ‘the tendency to international trade’. Throughout the chapter – and especially its Amplifications – these tendencies were presented in reference to the World Bank country income classification of ‘High Income’, ‘Upper Middle Income’, ‘Lower Middle Income’ and ‘Low Income’. (Division 1.)

In much of its impetus, international trade is not fundamentally different from intra-national regional sector-wise specialisation of production. As a result, it does not affect the ‘structural conservation of capital accumulated’ vis-à-vis the labour population growth within a nation. However, much of the international trade has uneven effects between nations.

International trade affects the degree of versatility of the national sector-structures of production. This implies that once a nation ‘freely’ decided to engage in international trade, voluntary (‘free’) trade turns into enforced trade, together with the concomitant terms of trade. Any intended re-increase of versatility, if possible at all, will take much time; and along with it the establishing of (selective) trade barriers will meet counter measures.

International trade has a positive effect on the world average surplus-value of enterprises because this trade presses down – directly or indirectly – the price of the real-wage bundle. However, the less versatile a nation’s production structure has grown, the more it is forced to import at whatever the world market price is. This means, or may mean, that the international trade effect on surplus-value is an internationally uneven one for national enterprises.

Finally, because of the concomitant transport, international trade reinforces environmental damages. Given the developed international sector-structures of production this could be resolved only in a distant future (via rounds of ‘general non-trade agreements’). (Division 2.)

The ‘international migration of production’ (IMP) is, next to the ‘international centralisation and concentration of capital’ (ICC), one of the two main forms of the ‘international movement of capital’. On a substantial world scale these are fairly recent phenomena. (Until about 1990 the international movement of capital, measured as ‘foreign direct investment’, stayed within bounds of 1% of world GDP.)

Whereas ICC greatly affects the degree of economic power as concentrated within single enterprises, the latter as a tendency force and its results is not specifically an international phenomenon affecting the reproduction of the capitalist system. This is different for the tendency to international migration of production (IMP).

With actual migration of production, the ‘structural national conservation of capital accumulated’ vis-à-vis the labour population growth within a nation no longer holds. We have effluxes of capital from where it was produced by labour.
and appropriated and accumulated by the owners of capital. All the further specificities and effects of IMP in fact result from the rupture of this 'conservation'.

The world's nations can be classified as 'High Income', 'Upper Middle Income', 'Lower Middle Income' and 'Low Income' counties. More specifically these can be pictured as a stratification of nations characterised by the following factors that are most relevant to the IMP perspective: (1) average wages levels; (2) taxation of wages (tax receipts being dependent on the wage levels); (3) levels of the state 'accumulation of capital frameworks' (the state's means for it being tax-dependent); (4) the degree of legitimation of the state and hence of the capitalist system in face of the structure of market wages (cf. factor 1) as articulated with taxation-requiring social security transfers. A country's population's degree of widespread information about the skewedness-structure of wages levels, and of incomes generally, is a catalyst for the required level of social security transfers (SST).

The profit-driven IMP (movements along the stratification) is – given the required Hard Core framework – primarily determined by the (potentially migrating) enterprises’ weighing up of factors (1) and (3): wage levels against 'accumulation of capital frameworks'. Actual IMP pushes up the growth of factors (1) through (3) in the country of immigration, and down in the country of emigration. For each of these countries – on a larger scale country groups – the (1) through (3) effects are self-reinforcing. This way the tendency to IMP engenders, regarding these factors, a very gradual process of convergence between high-, middle- and low-income countries.

This gradual convergence also affects factor (4) above. For the IMP immigrant nations (especially the middle- and low-income countries) not only wages but also SST levels tend to be pushed up. This is so because the accumulation frameworks encompass the components of public education and of the communications part of infrastructure (especially ICT); these affect the degree of widespread information in general, and so also the SST-catalysing widespread information about the skewedness-structure of wages and other income levels. This implies that also a gradual convergence of international SST levels is on the (far) horizon. Coming from a relative low, each of the gradual increases in average wages and in SST will contribute to the vast-majority-legitimation in the middle- and low-income countries.

As a tendency the legitimation effects are opposite for IMP emigrant nations (foremost the high-income countries). For these the wages convergence implies the dampening of their increase, and in the end perhaps even their decrease. This by itself affects their vast-majority-legitimation. Along with the downward pressure on wages and the concomitant taxation revenue, the fin-
Conclusions in reference to the main conclusions of Chapter 10

Chapter 10 (10D4) summed up the four main vulnerabilities of the reach of the capitalist state and hence of the reproduction of the capitalist system. Here I briefly return to these in international context – given that Chapter 11 merely focused on the capitalist system’s ‘international mode of existence’ insofar as it affects the earlier exposition.

(1) The inevitably increasing quantity and complexity of regulation. For many middle- and low-income countries (MLIC) this may as yet not be acute, but as for the high-income countries (HIC) they will increasingly be confronted with it.

(2) The insecurities regarding the sufficient regulation of ‘too big to fail’ entities – especially banks. Here the same applies as under (1). (Note that in 2015 the MLIC China hosts four of the five largest banks in the world, and 13 of the 50 largest.)

(3) The insecurities regarding the environment restoration. The HICs have been the prime movers of the damage. The MLICs can claim that the HICs have to take the lead in a major degree, the MLICs themselves having other priorities. In any case, for the survival of the capitalist system (and humankind in general), a vast restructuring of at least the HIC economies is inevitable (68% of world GDP in 2015). Chapter 11 made explicit that, in face of long distance transport, international trade engendered the snare of decreasing versatile national sector-structures of production and hence of enforced international trade and enforced long distance transport.

(4) The increase in the level of the social security transfers in percentage of GDP. It was concluded that whereas increasing social security transfers (SST) as a percentage of GDP is necessary for the vast-majority-legitimation of the state, the increases‘ fading off is equally necessary for the state’s vast-majority-legitimation. The 11D3 outline of the ‘tendency to the international migration of production' added to this the tendential downward pressure on HIC average wages, and conversely for MLIC average wages. Given the world nations’ uneven GDP per capita levels, the tendency-convergences of average wages and of SST tend to be associated with a process of conversely uneven vast-majority-legitimation. This adds to the future system-reproductive vulnerability of the (yet) HICs. In the (very) long-term, however, the HICs show a mirror to the (yet) MLICs: ‘De te fabula narratur’ (of you the tale is told).
Appendix 11.A. Additional detailed graphs and data information

Re 11§4-a International trade 1960–2015
Graph 11.8 presented the development of world exports 1960–2015. Graph 11.8-a decomposes these for the high-, middle- and low-income countries (including their export–import balances). We see that from 1960 until 2007 the exports of all four country categories fluctuate, though in the same upward direction. Thereafter we see a flattening off or a decline (it is too early to judge whether this marks a structural change).

GRAPH 11.8-A  Exports and External Balance of high-, middle- and low-income countries, as % of their GDP; 1960–2015

Re 11§10-b *International movement of capital as measured by 'Foreign Direct Investment' (FDI) and its pattern 1970–2015*

**GRAPH 11.12-A** *FDI inflows and outflows as % of GDP, average of upper-middle-income countries; 1970–2015*

![Graph 11.12-A](image1)

*Data source: see Graph 11.11*

**GRAPH 11.12-B** *FDI inflows and outflows as % of GDP, average of lower-middle-income countries; 1970–2015*

![Graph 11.12-B](image2)

*Data source: see Graph 11.11*

**GRAPH 11.12-C** *FDI inflows and outflows as % of GDP, average of low-income countries; 1970–2015*

![Graph 11.12-C](image3)

*Data source: see Graph 11.11*
Re 11§12-b Expenditure on formal education (Graph 11.17)
Below are the number of data that are available for each year and country category.

<table>
<thead>
<tr>
<th>Countries</th>
<th>Number of data for Graph 11.17</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIC</td>
<td>78</td>
</tr>
<tr>
<td>UMC</td>
<td>56</td>
</tr>
<tr>
<td>LMC</td>
<td>52</td>
</tr>
<tr>
<td>LIC</td>
<td>31</td>
</tr>
</tbody>
</table>

The robustness tests that I did (for example, excluding countries with less than four data) did not fundamentally change the pattern of the graph.

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Graph 11.12-b  
FDI inflows and outflows as % of GDP, average of lower-middle-income countries; 1970–2015  

Graph 11.12-c  
FDI inflows and outflows as % of GDP, average of low-income countries; 1970–2015