

THE BLACK GHETTO AS COLONY: A THEORETICAL CRITIQUE AND ALTERNATIVE FORMULATION

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I. Introduction

The objective of giving a comprehensive economic analysis of the situation of blacks in America is difficult enough on its own terms. This is not for lack of information on "the facts." For, in recent years, there has appeared an enormous output of empirical and statistical studies dealing with various aspects of the black situation pertaining to income levels, unemployment, education, housing, etc. The need is rather for a framework of analysis that is appropriate and relevant to the situation — a framework that would help to identify cause and effect and the mechanisms that are at work to change or perpetuate the situation. That framework must be such as to account for the specificity of the conditions in which blacks are observed to exist as well as, and at the same time, to explain how those conditions fit into the broader context of American capitalism. These criteria suggest the inherent difficulty of providing such a framework. The difficulty is further compounded if standard and familiar tools and constructs are being rejected. The task is therefore challenging. But the need is great and pressing.

As an initial step, all one can hope to do is to point out the inadequacies of existing alternatives and to put forward some tentative generalizations as a basis for further discussion and criticism. This is what is done here. The objectives of this paper are (a) to examine critically and at a theoretical level the analytical basis of the popular conception that the "black ghetto" constitutes an internal colony within the American economy, and (b) to counterpose to it an alternative formulation of the role of blacks in American capitalism.

The dominant or orthodox approach to analysis of the black situation involves an application and adaptation of neoclassical economic theory.¹ This approach has been subjected to a variety of criticism and challenges to it have come from various directions. The colonial hypothesis is seen by its proponents as one such challenge. The neoclassical approach is not explicitly dealt with in this paper. Nevertheless, it should be evident that what is said here has definite and direct implications for a critique of that approach. These considerations will be taken up in a subsequent paper.

II. The Ghetto As Colony

At one level the idea of the ghetto as an "internal colony" can be regarded as a political slogan. It has also been put forward as an analytical proposition intended to explain the position of blacks in America. These two aspects are of course necessarily related since any such proposition has its counterpart in political slogans. But it is only as an analytical proposition that this idea is considered here. In examining it I shall focus on the formulation developed recently by Tabb² since this is perhaps the most comprehensive attempt made so far to put the economic meaning and implications of this idea on a firmer footing.³

In appraising this formulation one is handicapped by the absence of any clear statement of what the underlying theoretical framework is that the author is using. He explicitly rejects what he calls "conventional economic analysis". He wants to examine the economic and political system *as a system* and the role of the black ghetto in it. He tells us also that "the models developed and the approach taken are in the nineteenth century tradition of political economy as practiced by Ricardo, Mill and Marx" (p. 2). But as to what the particular content of this approach is, we are not told except to say that it is "interdisciplinary" which is not very helpful. The content of

Marx's political economy is in any case quite different from that of the others. The reader is really left to reconstruct the framework, such as it is, from the details which are presented.

The specific idea is that:

In its relations with the dominant white society, the black ghetto stands as a unit apart, an internal colony exploited in a systematic fashion (p. 21).

Tabb recognizes that this idea "has its limitations" though these are never clearly identified. He recommends it however as "a most useful organizing framework". Why? Because "Through it, current policy alternatives may be viewed in a more meaningful perspective than heretofore" (p. 21).

The operative terms in the identification of the colonial situation are "a unit apart" and "systematic exploitation". Tabb further indicates that there are two key relationships involved: "(1) economic control and exploitation, and (2) political dependence and subjugation. Both necessitate separation and inferior status" (p. 23).

From here on the problem is treated mostly in a descriptive fashion. We are shown how blacks are confined by segregation to ghetto housing in the "central city." They "export" their labor to the surrounding white economy and "import" a wide range of goods and services from outside. In the sale of their labor there is discrimination against blacks through various forms of union restrictions as well as the qualifications and application procedure set up by employers. Blacks are thus "confined to . . . low-paying, hard and unpleasant jobs . . . the worse jobs the society has to offer" (pp. 26-27). Relative to their numbers, blacks also share in unemployment to a greater extent than whites. Income per capita for blacks is lower than for whites and (in the past decade) blacks have accounted for an increasing percentage of "the poor." In their purchase of goods and services, blacks have to pay higher prices than whites and, as consumers, are subject to various abusive practices by sellers and their agents.

Business in the ghetto is largely owned by whites who live outside it. Similarly, important jobs in the public sector of the local community (teachers, policemen, judges, social workers, postmen) are held by white outsiders. Black "natives" serve as minor functionaries and middlemen between other natives and the "colonist businessmen." A limited few (the "acculturated natives") are allowed into top administrative and political

positions but “the vast majority are excluded from higher-status positions through a network of economic, social and political barriers” (p. 27). Elected political leaders are powerless since they are “dependent on political and economic power outside the ghetto if they are to achieve anything for their people” (p. 30). “Foreign aid” is given in return for cooperation and compromise. And finally, law and order are enforced by “a foreign army of occupation – the police.”

As is evident from this description, there are undoubtedly similarities of form between the classic colonial situation and the position of blacks in American society. Beyond this, however, there is a need to expose the basic determinants and driving forces underlying these forms. If it turns out at that level that the two situations are very close or the same, that is all well and good. But if they are basically different then one would be mistaken in taking the similarity of form as indicative of a deeper similarity. Additionally, as a guide to action, such a mistaken view is bound to be a serious handicap. More specifically, what is required is a systematic analysis of the internal situation in America on its own terms in the light of some basic set of principles. Such principles would enable us to identify exactly what constitutes a colonial situation in terms of the crucial set of production relations as well as political and social conditions which distinguish it. In this light, we could examine to what extent the actual situation of blacks in America corresponded to that situation.

Throughout Tabb’s presentation, the relevance of the colonial analogy is sustained more by metaphor, that is to say by use of terms that *evoke* a metropolis-colony relationship or a “typical underdeveloped nation” (p. 23), than by a systematic analysis of the above sort. Such terms as “foreign firms,” “local economy,” “exports,” “imports,” “local native class,” “neo-colonial rule,” are certainly colorful and evocative. But their use begs the question of how deep the analogy really goes.

The chief advantage claimed by Tabb for adopting the colonial analogy is that “It allows the application to the ghetto of theoretic tools of analysis used in the study of developing nations” (p. 3). But there is no explicit discussion of the particular tools to which he refers. Neither does he indicate how they help to achieve his main purpose which is, explicitly, “to describe the economic factors which help explain the origins of the black ghetto and the mechanisms through which exploitation and deprivation are perpetuated” (p. vii). What we do

find, in a brief reference (p. 22) to "the development perspective," is a listing of the usual stereotyped features supposed to be characteristic of "the typical less-developed country" and taken, as Tabb admits, from the "introductory chapters of a standard development textbook." These features are then transferred to fit the situation of the ghetto in America. Thus it becomes that the ghetto is characterized by low per capita income, high birth rate, little saving, limited markets, shortage of local entrepreneurship, export-import imbalance and even "international demonstration effect." Needless to say, these are merely descriptive characteristics and do not by themselves explain anything.

Tabb's main theses, as summarized by him (pp. 2-3, 11), consist of the following propositions:

- (1) "... substantial black deprivation, segregation, and exploitation do exist objectively."
- (2) "... these forms of discrimination are systematic, endemic to the form of internal colonialism that has developed in this country."
- (3) "... they are continued because important segments of white society profit from such arrangements. . ."
- (4) "... political influence follows economic power, and those with vested interests use their power to resist progressive reform."
- (5) "... a great number of structural reforms are needed. . ."; "Such reforms are nearly impossible to bring about. . ."
- (6) "Success in changing the living conditions in the ghetto necessitates the rupture of the colonial relationship which now exists between the ghetto and the larger society."

While one might agree with some of these points, at least in their broad outline, there still remain fundamental questions as to the correctness of the analysis upon which they are based. One such question has to do with the meaning of the term "exploitation" as used in this context. Another is whether discrimination and segregation are necessary and/or sufficient conditions for the existence of exploitation, however defined. Tabb attributes the persistence of these conditions to the fact that they satisfy the "profit motive." But how does the general

category of profit motive apply to the particular circumstances of the ghetto? Who, in any case, profits or benefits from these conditions?

To this last question, Tabb provides the answer (p. 11):

“... many people gain from the status quo: owners of ghetto housing and small businesses, privileged white workers protected from black competition, employers who play upon each race’s hatred against the other, and all who gain when society’s dirty work is done cheaply by others.”

At one level, the empirical one, the amount and distribution of such gains are matters for further discussion. For instance, even though “many people” gain it may be that some gain much more than others. It would be interesting to know who the former are and how much is the difference that they gain. It would be interesting to know also what is the exact source of the amount which they gain. On these empirical questions, Tabb’s discussion is not of much help. He does not in fact take us much beyond the general statement quoted above, except for a more detailed discussion of the case of ghetto housing (pp. 12-20) and the ghetto merchant (pp. 37-40). And from that discussion, he concludes that both the landlord and the merchant do “not appear to be making high profits.” This compounds the problem of understanding what is meant by “exploitation.”

At a more analytical level, we should like to know what are the mechanisms through which such gains accrue. On this score also, Tabb’s discussion is not of much help. One of his chief insights on this is the claim that

“... blacks act as a buffer pool, keeping labor costs from rising. In this way the entire white society benefits by receiving goods and services more cheaply and white unemployment is cushioned” (p. 27).

At its very best this claim begs all the important questions. At its worst, it is just bad economics by any standard. (If wages of white workers are held down how do *they* benefit? Why, in any case, should prices be lower merely because labor costs are kept from rising?)

What all of this points to is the need not so much for an empirical discussion as for a theoretical framework with which to carry out the analysis of the questions posed above. Accordingly in what follows I shall try to focus on certain

theoretical considerations. This means that the discussion is necessarily *abstract*. I make no apology for this. What has been conspicuously absent from current discussions is the use of theory to understand reality. And without proper theory, we shall be hopelessly lost. The discussion is based furthermore on the presumption that it is the internal logic and laws of capitalism, as related to the particular historical conditions of America, which we need to understand. Only by such understanding can we adequately come to grips with the position of black people in America. For this purpose, neither the terminology nor tools of standard "development economics" are of much help.

III. An Alternative Formulation

That black people in America are in some sense discriminated against, segregated and oppressed could hardly be denied, though the exact sense in which these terms are used remains to be specified. They might best be used to refer to overt (and covert) restraints and abuses of various sorts associated with patterns of individual behavior, or institutional restrictions and such like, that are effected against blacks on account of race. It is something else to say that blacks are exploited. What specifically does this mean?

Within the framework of conventional economic analysis there is one meaning to be assigned to this term.⁴ Exploitation exists when the wage rate is less than the value, at market prices, of the marginal product of labor. The two would supposedly be equal under conditions of perfectly competitive equilibrium. Thus, under perfect competition, exploitation in this sense does not exist. Its existence is due to "market imperfections." A problem with this construction, viewed at a theoretical level, is that it is "necessary to appeal to perfect competition in order to find a criterion of exploitation"⁵: exploitation is defined by the wage rate being *different from what it is supposed to be under perfect competition*. Without this bench-mark we are therefore unable to discuss the problem. Besides, the existence of exploitation is tied to phenomena of the market (the elasticities of supply and demand) which are themselves not explained. They are supposed to reflect "market imperfections." But if market imperfections are the determining factor, how do we account for them? And why do they persist over time?⁶

There is an alternative formulation, this one in fact coming

from Marx, in which the concept of exploitation has another and totally different meaning.⁷ It is this conception which is employed in the following discussion. In this framework, exploitation consists in an excess of the value, in units of labor-time, that labor produces over the value that the worker receives plus the costs of raw materials and replacement of depreciated equipment. The ratio of this surplus to the value of wages constitutes the *rate of exploitation*. Such a surplus exists under capitalism *irrespective of the degree of competition*. It arises out of the specific terms and conditions of exchange of labor, the most basic of which being the fact that the worker owns only his own labor-time (and not even that, under slavery) while the employer owns the means of production. Exploitation in this sense is derived from the conditions of "unequal exchange" of the commodity which the worker sells, his labor-time. On this formulation, all workers, both black and white, are "exploited" in the strict sense of this term though they may not all be equally exploited. Differences in the rate of exploitation are associated in turn with differences among workers arising from their different locations in the production system, their different historical conditions of development, the possible existence of an "aristocracy of labor," etc. These features matter insofar as they affect the conditions of exchange of labor and hence the value paid for labor. One such feature which is of crucial importance for purposes of this discussion is *racial discrimination*.

This alternative formulation is relevant to the question of the role of slavery in the history of American capitalism. For instance, Tabb argues (p. 25) that "the contribution of slave labor to the capital accumulation process" was a "very sizeable factor in American development." In seeking an analytical basis for this argument, it is the surplus as defined above which can be seen to have constituted the source of that contribution.⁸ But what then would be the basis for his claim (p. 26) that, in future, the "black population may make less of a contribution?" That contribution continues to exist as long as blacks continue to render their labor to American capital. It would decrease only if there occurred a reduction in the rate of exploitation and/or in the total amount of black employment.

With this formulation it becomes possible furthermore to see certain basic issues involved in the colonial hypothesis. For instance, one way of putting the idea of an internal colony would be to argue that the rate of exploitation is higher for

black labor than for white or that, in other words, there is "super-exploitation" of black labor. This was one of the criteria which Marx himself used to distinguish between the condition of "colonial labor" and that of domestic labor in the metropolis. At one level, this is an empirical proposition. It is therefore subject to being refuted or supported by appropriate tests. The question to be asked is whether there is a systematic pattern of underpayment of black labor relatively to whites *for the same task, same level of skill and same level of productivity*. The emphasis here is important and makes it clear that this is not an easy question to answer empirically. Obvious and well-known statistics on disparities between black and white *incomes* as such are not directly, if at all, relevant to the question.

In the absence of adequate statistics we might consider the plausibility of the argument in terms of the conditions which might cause such a situation to exist. To do this, it is as well first of all to get certain problems out of the way. Chief among these is the well known fact of *task segregation*. This, in and of itself, does not constitute super-exploitation. Indeed to the extent that there is competition between blacks and whites for employment in the tasks to which blacks are segregated there is a *prima facie* case for the non-existence of super-exploitation. Competition in this case would ensure that homogeneous units of labor sell at the same value.

The fact that blacks are observed to get lower wages than whites with the same skills also does not necessarily represent super-exploitation. It could reflect instead the fact that, because of discrimination and chronic shortage of employment, blacks are forced into low-paid unskilled jobs even though their skills are appropriate to a higher job classification. The wage is paid according to the average level of skill required for the job but the worker has a higher level of skill than that required. This case essentially constitutes an under-utilization of labor, or what we might call "capitalist waste" because of the fact that such underutilization is endemic to capitalism. It also affects both white and black workers. The special feature which one should see operating in this case is that, in the presence of chronic unemployment, discrimination plays an active and determining role in *rationing* the available total of employment and unemployment.

There are two conditions which could conceivably give rise to a situation of super-exploitation. One is the existence of a

differential ability as between white and black labor to enforce the rules of exchange which ensure that their labor sells at its value in their respective job categories. This could be the case, for instance, where it can be shown that black trade union representation is relatively less developed and therefore less militant. It could occur also in regions and industries where the reserve army of black unemployed is relatively more swollen so as to weaken the bargaining power of black labor relatively to that of white labor. The question this raises is whether or not such differential ability is widespread and systematic. One needs to see some evidence on this. Meanwhile I remain open to persuasion.

A second possible condition is the direct intervention by some intermediary, such as the state, so as to alter the wage determination process to the disadvantage of black workers. Minimum wage legislation and quota arrangements sometimes have this effect. But here again the question is how widespread and systematic are such types of intervention. A clear case which would support the argument is that of a situation like South Africa where the state acts directly to guarantee a supply of labor to industry at a wage which the workers themselves do not determine. But that could hardly be said to represent the general situation of American blacks.

If the condition of super-exploitation did in fact exist, we could see why there would be a definite and powerful economic interest in preserving the "internal colony" defined in this way. For with the same degree of capital intensity of production it would be possible for firms to make a higher rate of profit operating with black labor than with white labor. Suppose, on the other hand, it was merely a case of the existence of a uniform rate of exploitation to which therefore the seemingly "colonial" institutions made no difference. It would then be a matter of indifference whether those institutions are dismantled as long as the conditions for continuing to make profits at the normal rate remained intact. There would in fact be considerable room for flexibility. This would be perceived by the more progressive and far-sighted white capitalists. These are the ones — the vanguard of their class — who would then be in the forefront of the movement for "civil rights," "black capitalism" and such popular slogans.

To this it must be added that there is a contradiction which the existence of super-exploitation would create for the system as a whole. For if the wages of a substantial segment of the

working class were to be held down in this way, this would give rise to a problem of "realizing" the surplus because of the contraction of domestic demand which the condition of low wages would imply. In genuinely colonial situations, this sort of contradiction does not arise. This is because, in practice, the foreign capitalists, operating mostly in extractive industries and production of export crops, realize their surplus less, if at all, through sales to the colonial market than through sales on their "home" market. There is of course a general problem of "realization" for the American economy which has been analyzed for instance by Baran and Sweezy.⁹ This basic and general problem would be aggravated by the existence of super-exploitation, but the latter situation must first be shown to exist.

Whatever the rate of exploitation of black labor *vis a vis* white labor, the surplus extracted from black labor enters into the aggregate amount available to the system as a whole and is redistributed among the capitalists. Exactly how it gets redistributed depends on the exact structure and organization of the economy in terms of the size and capital intensity of individual firms, the degree of monopoly power exercised by such firms, the redistributive role of the state operating through taxes, subsidies, and state expenditures, and so on. Under ideal conditions of competition and in the absence of an active state sector, the redistribution would be such as to equalize the rate of profit on invested capital owned by each firm. Firms with a greater quantity of invested capital per worker than the average would get a greater amount of surplus per worker than the average. Those with a lesser quantity of capital per worker would get correspondingly less surplus. These ideal conditions are never in practice achieved and hence the rate of profit is never actually found to be equalized. But as long as strong competitive forces exist in the economy these forces would set up a strong tendency in that direction. The persistence and growth of monopoly as well as active intervention by the state sets up tendencies in the opposite direction.

From the point of view of blacks, this general argument raises a number of basic questions to which I am at this point unable to find an answer. To what extent if at all does black labor as a group contribute an amount of surplus to sectors of capital that do not directly employ black labor? Alternatively we might ask: To what extent, if at all, do sectors of capital that directly employ black labor obtain an amount of surplus from white

labor over and above what they obtain from black labor? These are largely matters for empirical investigation. The answer to these questions has far reaching implications for our understanding of the interrelations among different sectors of capital in the American economy in respect of their share in the profits obtained from employment of black labor. And furthermore, to what extent are the respective shares augmented or decreased by the activities of the state sector? Finally we might ask: To what extent, if at all, does white labor share in the surplus extracted from black labor? In regard to this last question, the possible existence of a "labor aristocracy" of white labor and the redistributive role of the state are the important considerations for further analysis. The answer to this particular question is crucial for our understanding of the objective relation in terms of production between white and black labor.

IV. Discrimination and Exploitation

A sharp distinction should be made between exploitation in the sense defined above and the more common use of the term to refer to the existence of higher prices of goods sold in the ghetto. The essential feature of the former is that it refers to production relations between worker and employer. But the exact sense in which higher prices of goods traded in ghetto markets constitutes exploitation has never been made clear.

Price discrimination is one interpretation that has been suggested. This interpretation comes out of the framework of the conventional analysis. Against this, it is possible to argue that the fact of higher prices is attributable to the particular structure of production and ownership in the ghetto. Specifically, the great multiplication of independent capitals involved in middleman activities between producer and consumer necessitates a markup at each intermediate stage. This necessarily results ultimately in a higher price to the consumer in the "black" market even if the profit margin at each stage corresponds to the average rate of profit for the system as a whole. The price could conceivably be lower, at the same rate of profit, if these activities were combined within a single ownership unit having a smaller total of capital. This reasoning would thus help to explain, for instance, the difference between prices charged by Macy's downtown and prices charged for the same goods in the shop at the corner. It is the difference in the total amount of invested capital which explains this difference.

The argument here is perfectly consistent with the analysis of

exploitation as set out in the previous section. The origin of the surplus which the ghetto merchant gets is in the labor employed with units of merchant capital plus (or minus) an amount transferred through the price mechanism from (to) other sectors to the extent that this sector employs relatively more (or less) capital per worker than the rest. This has the implication that if ghetto merchants have a higher capital intensity than average they get only part of their surplus from the black labor they employ. The rest comes from the labor employed in other sectors, which may be white labor. Alternatively, if their capital intensity is lower, they lose some of the surplus to other sectors so that other capitalists share in the general rate of exploitation of black labor even though they may not directly employ black labor. Whether the capital intensity of merchant capital operating in the ghetto is higher or lower than average I am unable to say. This is, partly, an empirical problem. One would have to include in capital (perhaps in "variable capital") the implicit credit which the merchant provides in allowing customers to "pay later," a standard practice in ghetto shops. In addition one would have to take account of a possible difference in the degree of competition as between this sector and other sectors in the economy.

In terms of this analysis, what basis is there for the common argument that blacks are exploited as consumers? The relation between the *money* wage which black workers get and the prices paid for the goods they buy in ghetto shops reflects the *real* wage of black workers. To say that blacks are "exploited" because they pay higher prices than whites for the same (or inferior) goods and with the same money wage is to repeat the hypothesis that there is super-exploitation of blacks *in their capacity as workers*. This takes us back to the previous discussion of super-exploitation and nothing more needs to be added here. To say, in addition, that blacks are exploited *in their capacity as consumers* is to engage in the error of double counting.

V. Spheres of Exploitation: The Petty-Capitalists

I should go on to point out that what needs to be recognized is the existence of different *spheres of exploitation* for different groups of capitalists. In this connection a basic feature of the ghetto is that it is a sphere which is controlled by the petty capitalist, represented usually by the small family-owned business. We may lump together in this general category the

landlords, merchants, repair shops, small manufacturing enterprises, etc. that proliferate in the ghetto. And we may call this the *petty-capitalist sphere*. (In fact the ghetto is only a *part* of this sphere.)

A distinguishing feature of this sphere is that the capitalist employs a small labor force of mostly black labor ("it is good for the business"). In the extreme, where no outside labor is employed, it is the labor of the family itself which is exploited (before the sons and daughters go off to college). Furthermore, it is usually the case that some of the capitalists are white and therefore "foreign."

But the central point is that these are, for the most part, *marginal* capitalists who as a result of the grinding logic of the long-term requirements of capitalist reproduction and expansion are *on the verge of being eaten up*. For, because of the small size of its capital the firm usually has a low borrowing power. Coupled with its small absolute size of internal profit (regardless of whether the *rate* of profit is higher or lower than average), this means a basic inability to expand significantly the scale of its operation, to rationalize and modernize its technique of production and therefore to withstand the competition of capital from other spheres which is always pressing upon it.

Some do hold their own in this sphere and even manage to expand. Others move out or, if they do not, their sons and daughters do. The rest survive only for a while on a progressively diminishing margin of profit and are eventually driven out of business (for instance, by the new department store or shopping center). The ones who do survive (and grow) are, by necessity, the toughest and meanest. This has nothing to do with whether or not they beat their wives and stay away from church or synagogue. They are tough and mean with respect to their application of the capitalist rules of the game. The victims of their toughness and meanness are *black* workers and consumers. Since some of the capitalists themselves are *white* their behavior always takes on the *outward appearance* of "white racism".

The point to see now is that it is in the direct interest of the petty capitalist, individually and as a sub-class, to maintain this sphere and to safeguard his interest in it, more specifically, to safeguard the interest of his capital. But, in this regard, his objective position is as if he were caught in a vice (avoid the pun). He is pressed on the one hand by blacks who *self-consciously* seek to ruin him as an "exploiter."¹⁰ At the same time he is surrounded by competing and larger capitals which

(to a greater or lesser degree depending on his actual line of business) seek to absorb his market and drive him out of business.

VI. Ghetto Housing: A Case in Point

Consider now the case of the housing market in the ghetto. From the viewpoint of the present analysis the problem involved here is really quite simple.

White landlords and real-estate brokers operate in the ghetto though they may live outside it. (It is this *spatial* dimension which, in my opinion, is the basic source of the confusion on which the colonial analogy is based.) In many cases they acquire their capital through a process of "primitive accumulation," that is, through deceptive manipulation of land titles of illiterate blacks, "legal" seizures and outright theft. In other cases, it is through their own saving and use of retirement funds by which they purchase a partial equity in the building, the rest being held through mortgage by a financial capitalist (the bank or mortgage company). Whatever the case, they acquire a foothold as owner and stand ready to receive the benefits of their capital, which is to say, to reap the fruits of the surplus from labor applied in the long past in constructing the housing unit, apartment building, etc. (Where the property is just plain land, as in southern agriculture, the surplus would be pure ground rent.)

Where interest is paid on a mortgage, which is the general case, the rate is dictated by the general conditions of profitability in the system as a whole, that is to say, by the general rate of profit in other spheres of exploitation. This means that the owner must earn at least as much surplus in his actual sphere as to enable him to meet his interest costs. The conditions of operation of the business in this sphere may also be such as to impose greater risk of capital loss (whether real or only expected) than in other spheres. This would add a premium to the rate of profit he seeks to obtain, and hence to the rents he would charge. And in seeking to maximize his net earnings he would generally try to squeeze as much as he can over and above this amount.¹¹ We thus have here a sufficient condition for the existence of higher rents on ghetto housing.

The fact is also that the landlord usually has a small amount of his own capital in the business and a correspondingly small amount of retained profits. And he is extremely limited in his ability to borrow additional capital. He is thereby limited in his

ability to expand or undertake substantial capital improvements to the building. Given the margin left over after meeting his interest costs and taxes, he may even be unable to maintain existing services and needed repairs to the building, with the result that the building deteriorates and quickly falls apart. All of this explains the observed state of decay of ghetto housing.

This explanation of ghetto rents and slum conditions is fundamentally related to the dictates of the capitalist rules of the game operating upon *all* enterprises as much as upon the slum landlord. In addition, it is related to the specific location of the slum landlord in the system and the particular features of his business.¹² We can also see from this why the slum landlord stands to benefit from using, and would actively seek to command, the power of the state in making, implementing and enforcing legislation concerning rents, building codes, property taxes, etc. Furthermore, his class position would make his influence more effective than that of his victims. Finally, the fact of residential segregation enables him better to control and exploit his particular sphere of operation. Recognizing this, he would rationally and calculatedly seek to maintain such segregation. He might not have been responsible for its initial creation. It is not his "preference" (revealed or otherwise) that it should continue to be so. He might even make large financial contributions to the NAACP and participate in civil-rights marches. But, rational capitalist as he is, he clearly recognizes where his true self-interest lies and struggles to ensure that it continues to be met.

This last point, one should see, identifies a mechanism for the persistence of segregation, given its initial existence, quite independently of any appeal to individual "tastes" or "preferences."¹³ Indeed, the actual social behavior of the individual owner operating in this sphere may be such as to indicate *particular forms* of opposition to segregation and discrimination. But as owners they operate within a structure which for each of them is predetermined. Recognizing the possibilities of making profits within that structure, each and all of them, in their day to day pursuit of profits, act to reinforce and maintain that structure.¹⁴ Furthermore, there is no necessary inconsistency in their total behavior. The reason for this is to be seen in the particular forms of opposition with which they choose to identify, namely those forms which attack discrimination broadly and vaguely defined rather than the concrete structures which are crucial for the maintenance of profits.

What the argument does not explain is the *initial existence* of segregation. This is understandable. To do that we should have to go back into the specific historical conditions under which black labor was introduced into the American system, that is, the condition of enslavement of blacks, and the processes by which these conditions subsequently developed so as to produce the current situation. It is not my purpose to get into that problem at this point.

VII. The Corporate Capitalist Sphere

We may go on to distinguish as a general category a second sphere of exploitation which we may call the corporate capitalist sphere. As a matter of definition, this consists of the "big" capitalists. They employ large amounts of labor and the size of their capital is large. They are engaged in manufacturing industries (like steel, autos, computers, petroleum, machinery, etc.), in banking and finance, merchandising (wholesale and retail) and in agriculture ("agri-business"). They are often-times and increasingly so, conglomerate and/or multinational in the scope of their operations. Within the domestic economy they may be highly oligopolistic. But, viewing the world capitalist system as a whole, they must be considered to be subject to a considerable degree of competition (in a greater or lesser degree from one line to another). In their domestic activities some directly employ, in particular cities and plants, a large proportion of black labor, others a small and insignificant proportion. They all employ directly and indirectly some amount of black labor to the extent that there is interdependence in production. They all sell their products, in greater or smaller amounts, directly or indirectly, to the "black" market. But since their sphere of operation is nationwide and world-wide their degree of dependence on domestic black labor and on domestic black consumers is small relatively to that of petty capitalists.

As indicated above it is difficult to say with any precision to what extent this sector of capital shares in the general rate of exploitation of black labor. If there were *no* direct employment of black labor that share could be positive or negative depending on the size and direction of certain transfers due to the price mechanism, to monopoly conditions and to the role of the state. We know that it is at least positive since there is in fact direct employment of black labor though the amount of such employment varies from industry to industry.

The situation is complicated by the fact that the capitalists themselves are unaware of the actual amount of their share. This is because the surplus actually accrues to them in the indirect form of money profits rather than in the direct form of labor. They may not therefore be aware of the extent of their own dependence on black labor for the surplus they receive.

The *fact* of a dependence of the corporate capitalist sphere on black labor and on black consumers is not in doubt. This is for the reasons just indicated. What is in doubt is the *amount* of such dependence measured, for instance, in terms of the relative size of the surplus extracted from black labor and the proportion of sales to black consumers and producers operating in the black sector.

But, regardless of the actual magnitude of such dependence which may exist at any one point of time, there is an additional dimension which needs to be taken into account. This is that the petty-capitalist sphere (and in this respect we have to speak of the entire sphere, not only of the black ghetto) constitutes a reserve upon which the corporate sphere can feed as the latter expands. What is involved here is the other side of the process identified previously in analyzing the position of the petty capitalists. For it is the corporate sphere which is always, in some degree, pressing upon the petty-capitalist sphere. It works its way in by eating into the markets held by the petty capitalist, thereby reducing the latter's sales. It operates also by drawing away, in good times, the latter's skilled and semi-skilled labor force over and above that which is released by rationalization or decline of petty-capitalist production.

The degree to which the corporate sphere presses upon the petty-capitalist varies with the overall rate and direction of expansion of the former. The particular form and mode of penetration may also vary depending on the exact pattern and needs of expansion. In this connection the dynamics and momentum of the corporate sphere in its *international* operations are a crucial determinant.

When capital in the corporate sphere, by virtue of its hegemony in the international arena, is able rapidly to expand its markets for exports, domestic production expands by drawing upon labor from the petty-capitalist sphere. The overall employment effect is lessened the more expansion takes place through foreign investment rather than through domestic production. When however, as in recent times, that hegemony is broken so that foreign sales and investment slow down, the

corporate owners in seeking for alternative outlets would turn to the internal markets available in the petty-capitalist sphere. Consequently the process of penetration of that sphere may at such times become intensified, taking the form of a quest for markets and investment outlets.

The employment effect operates also in wartime. It is then due largely to the expanded role of the state sector. It operates partly through the increased production of armaments which draws upon skilled and semi-skilled labor. In addition it operates through expansion of the manpower of the army drawing upon the large pool of unskilled labor tied up in the services sector of the petty-capitalist sphere and in non-employment.

From this analysis we can see that there are two basic sets of forces upon which the dynamics of penetration of the petty-capitalist sphere by the corporate capitalists depend. One is war. The second, in peacetime, is the state of the international economy and the ability of the corporate capitalists to maintain or improve their position in it. It should also be evident from this that it is impossible to separate the dynamics of such penetration and the corresponding evolution of the petty-capitalist sphere from the process of operation of American imperialism.

The question we can now ask is: what is the consequence of this process for the position of blacks in the economy? One obvious consequence is that black employment rises and falls with the expansion of the corporate sector (and the state). This is the employment effect. Both black and white labor share in this to an extent dependent upon the strength of discriminatory practices in employment. Such practices tend to weaken as the system absorbs more and more of the pool of available labor. They weaken both on the side of the employer as he seeks to obtain additional labor and on the side of the white labor-unions who find less need to ration the total of employment when that total is expanding rapidly. A similar process operates in reverse when the system slows down or contracts except that the gains obtained by black labor in the upswing may not all be completely eroded in the downswing.

Another important consequence has to do with the quest for markets and investment outlets by the corporate capitalists. In the first place, they bring to bear upon this effort all the high-powered sales techniques developed in the corporate sphere. Since the market is "black" they must give exposure to

the black consumer and to his "tastes" which themselves undergo a transformation in the process. In the second place, it is "good for the business" to hire a token number of blacks especially on the sales staff and in the front office. In the third place it aids the sales effort to establish local franchised distributorships and units of the chain store preferably operated, if not owned, by blacks. Fourthly, for the purpose of selling producer goods to small local manufactures it is useful to upgrade their technical methods of production and to grant them credit for this purpose. It may even be useful to discriminate against white manufacturers in favor of black-owned enterprises. Finally, the extension of credit and provision of working capital are but the beginning of the penetration of corporate *capital* into this sphere. The whole operation can be carried out with great success under the umbrella of the slogan of "black capitalism."

What is happening throughout this operation is that crucial elements of the structure which enable the *white* petty-capitalist to maintain his position in this sphere are being eroded. In particular, his greater access to credit which, though limited, gave him the edge over the aspiring black capitalist is now not so much greater. Black workers from the higher categories may even be able to cross over into the rank of petty-capitalist as a result of their own saving and that of family and friends or as a result of being set up in business by a corporate sponsor or by the state. Moreover, the white petty-capitalist can neither produce nor sell as cheaply the commodities which the newly "awakened" black consumers now buy. This serves further to weaken his position. In addition, the opening of alternative employment opportunities for black labor weakens his hold on the labor he employs. (Whether this causes a reduction in the rate of exploitation from what it was before remains very much in doubt.)

In these various ways the corporate capitalists thus act *sometimes* to break down the "face of white racism," discrimination and segregation.¹⁵ Unlike the petty-capitalists, they have a demonstrable economic interest in doing so. The interests of the two sectors of capital appear in fact to be in direct opposition. This raises important questions as to the role that the state plays in this situation. I shall leave such questions open at present.

VIII. Limitations of Corporate Capitalism

There are crucial limitations upon the general process of expansion as well as that of penetration of the petty-capitalist sphere by corporate capital as identified in the previous sections. Such limitations arise from the very nature of capital and the environment in which it operates. These must be understood in order to appreciate why it is that the economic system cannot be relied upon to eliminate, by its own momentum, the oppressive conditions that affect black people.

The first limitation has to do with the fact that, at any one time, there are only a small number of investment possibilities in the petty-capitalist sphere that would be considered worthwhile *by the standards of corporate capital*. These are the investment projects which, first of all, are compatible with the existing expertise, managerial know-how and techniques of production of corporate enterprises. Such cases correspond simply to an extension of existing production facilities into the petty-capitalist sphere without substantial modification or prior investment in research and development (R&D). In the ranking of possible investment projects, these would be first in line because these are the projects to which production is already adapted and which the sales effort is already geared to handle. By the same reasoning we can see why investment in lines of activity that are basically "new" would be subject to severe limitations. These would require additional outlays on R & D, on redesigning of plant and equipment, and on market research. The market may not be large enough to enable production at a profitable scale. Expected profits may not be great enough to compensate for the risk and uncertainty involved. Limitations arising from the cost of R & D and from risk and uncertainty may be counteracted to some extent by action of the state. In some lines, the state may even lead the way. But there are limitations in turn upon the ability of the state to undertake such actions.

The investment projects must, secondly, be capable of generating a sizeable margin of profit such as to enable the firms to continue to grow. The argument here is based on the presumption that profits are desired for growth rather than growth for the sake of profits. This is by now a fairly well recognized principle of corporate decision-making. On this criterion a considerable range of investment possibilities in the petty-capitalist sphere would be ruled out. By the same criterion such possibilities would remain, at least for a time, as

sanctuaries for the petty-capitalists.

A second limitation consists of "externalities" associated, for instance, with the costs of training labor and upgrading the skills of the semi-skilled and unskilled. Although commonly referred to as "externalities" this limitation must be seen as arising from the very nature of the corporation as a profit-making institution. This means that it is not in the business of granting largesse to "the poor" and unskilled, except as a tax dodge, for the mere purpose of increasing their employment. For blacks, discrimination and segregation play a crucial determining role here. Discrimination in the education system, at all levels, prevents them from acquiring the "qualifications" needed for entry into skilled jobs. In addition, task segregation *on the job* prevents them from gaining the "experience" needed to move into higher skill categories (the situation is self-perpetuating as long as experience can be acquired only on the job). For these reasons, blacks suffer a relative disadvantage in terms of their share in any given increase in employment resulting from corporate expansion. This argument says also that corporate expansion into the black sector is itself limited by the condition of lack of skills.

Here again government policy can play a role through job training programs, employment subsidies, bonus schemes and such like,¹⁶ but only a limited one. Besides, there is the institutional fact of closed shops and other restrictive practices of white labor unions. Such restrictions are the more intense, and hence harder to break down, the greater the existing margin of unemployment in the system and the greater the expectation that unemployment is likely to worsen.

A third and major limitation is due to the fact that the process of overall expansion is inherently unstable, following an ineluctable pattern of boom and recession, and (when averaged over peak and trough) occurs at a low overall rate. Blacks make gains in terms of expanded employment, promotion, growth of black business, etc. during the boom but lose out again during the ensuing recession. Since the overall rate of expansion is low the overall rate at which blacks can gain, given the circumstances governing discrimination and their rate of erosion, is correspondingly low. Traditional fiscal and monetary policies pursued by the state as well as the newer forms of "automatic stabilizers" have failed historically to offset this process and provide for smooth expansion at a higher rate. There is nothing to suggest that the situation is likely to become significantly

different in the foreseeable future. The structural reasons for the inability of the state to perform a more effective role in this and other areas requires a deeper analysis than I can go into here.

It needs to be added finally that, whatever the overall rate at which the system as a whole expands, the rate of expansion of the black sector is likely to be lower than the overall rate. This is because of the existence, to begin with, of *relative deprivation* (in terms of real income) of blacks compared to whites. Such deprivation, because of the limitations it imposes on the size and structure of markets for consumption goods, acts as an obstacle to increased penetration of the black sector by corporate capital. A slower rate of expansion of black real-income compounds the problem over time. The result may well be that the *overall rate itself* is lower than it would be otherwise.¹⁷ A similar point came up previously in discussing the implications of super-exploitation. It was pointed out then that the existence of a depressed standard of living of the working class (or a substantial segment of it) would create a problem of "realization of surplus" for the system as a whole. In the present case, however, the problem is attributable not to super-exploitation (which may or may not exist) but to the fact of relative deprivation of blacks.

XI. The Reserve Army of (Black) Unemployed

Blacks suffer from considerable unemployment and at a higher rate relative to their numbers than whites. We need not go into the statistics of this. It is, in any case, quite certain that available statistics considerably understate the actual situation as regards both black and white unemployment. We know moreover that the existence of such unemployment, when averaged over boom and slump, has been a chronic condition of American capitalism.

In order to explain the phenomenon of black unemployment, we do not need to resort to a mechanistic "queuing theory of the labor market" (cf. Tabb, pp. 115-116). We need to see, first of all, the fact of discrimination against blacks in employment. We need to see, secondly, the fact of a chronic shortage of employment opportunities relative to the total number of hands (both black and white) seeking work. Given the existence of a chronic shortage of employment, racial discrimination serves as a convenient mechanism for *rationing* the total amount of available jobs. The familiar phrase "blacks are the last hired and

the first fired" expresses one aspect of this mechanism as related to variations in the total amount of employment. But, given the total amount of employment, the mechanism also operates to channel blacks into low-paid unskilled jobs. This would explain, for instance, the observed preponderance of blacks in janitorial and domestic services.

It seems true to say, moreover, that discrimination and unemployment are causally related.¹⁸ This is for reasons already indicated. Discriminatory practices on the part of white trade unions tend to become harder the greater the existing margin of unemployment in the economy and the greater the expectation that unemployment is likely to worsen. Such practices tend to weaken on the side of both employers and unions when unemployment is diminishing during the boom. Since the greatest booms have been associated with war, we find that it is in wartime that blacks are relatively "well off."

That there are also specific historical conditions giving rise to the existence of discrimination hardly needs to be stated. We need not go into these here. What requires further explanation is the existence of chronic unemployment. There is ample basis for such an explanation in a combination of the Keynesian theory of unemployment and the Marxian theory of the "reserve army of the unemployed". The Marxian theory adds potentially greater explanatory power because it is rooted in a theory of the inter-related processes of self-expansion of capital and technical change. It is at these more fundamental levels of the operation of a capitalist economy that the causes of unemployment, and hence of black unemployment, must be sought.

In brief, what this theory suggests is that unemployment is intimately related to the process of capital accumulation and the associated pattern of technical change. On average, the overall rate of accumulation and the rate of growth of productivity due to technical change is such that not enough employment is being created to take up the existing slack plus the labor that is displaced by the new techniques that are being introduced. Thus, a certain amount of unemployment is continuously being reproduced as the system as a whole expands. Such unemployed labor constitutes a "reserve army" upon which the system can draw when the rate of accumulation rises above average. It is replenished when the rate of accumulation falls. The system is furthermore dependent upon the continued existence of such a reserve army. This is for the reason that it

weakens the bargaining power of the workers and thereby prevents rising wages from eating into profits.

I shall not go into the empirical problem of application of this theory to the specific facts of American economic history. As I indicated at the outset, my chief concern is with *theoretical* considerations. The point is that we have here a relevant and powerful theory. To apply it to the position of blacks, *at a theoretical level* we need to introduce the mechanism of discrimination as a rationing device which is itself, as argued above, causally related to the size of the reserve army. Within the framework of this theory, the existence of discrimination means not only that blacks suffer a greater incidence of unemployment but also that they have a greater probability of rejoining the reserve army as it is continuously reproduced. We can thus see why there should be a chronically high rate of black unemployment relatively to that of whites. This condition is one of the factors suggested above which might account for a higher rate of exploitation of black labor than of white labor, if such a higher rate can be shown to exist. But, in that event, super-exploitation is to be explained by the operation of forces in the economy as a whole rather than as a consequence of any presumed "colonial" relations.

We can see furthermore that the role that the black unemployed play is as part of the reserve army of unemployed. In that role, they weaken their own ability to get higher wages as well as that of white labor. Moreover, discrimination plays a determining role here too. We argued above that it acts as a device for rationing the total amount of employment (and unemployment). But in addition, because of the structural division in the working class which discrimination implies, it serves also to weaken the position of the working class as a whole. This, I would suggest, is one of the important factors accounting for the fact that, among advanced capitalist economies, American capitalism is able to sustain the highest rate of chronic unemployment. In the Western European economies, the government trembles when the official unemployment figure rises above *two percent*. But in America, *four or five percent* is regarded as the "acceptable" minimum.

Lastly, what this analysis suggests is that the struggle against discrimination and "racism" in employment is, in part (and an important part), a struggle for *equalizing the distribution of employment and unemployment*. It is in part also (and an inseparable part) a struggle for strengthening the position of

workers as a class and their ability to make demands upon the system. The extent to which black and white workers can come to acquire an awareness of this nature of the struggle (that is, the process of formation of consciousness) is of course not explained by the analysis presented here.¹⁹

X. Conclusion

Enough has been said so far to indicate firm and substantive grounds for challenging the validity and usefulness of the colonial hypothesis. Essentially the grounds for this challenge have been laid by constructing an alternative framework of analysis. This framework views the economic system of American capitalism as an integrated whole, taking account of the national and international scope of the system's operation. It identifies basic elements of structural interdependence in the system consisting of intersectoral flows of surplus extracted from black and white labor, interdependence of markets, intersectoral penetration of capitals, and the need of a "reserve army" of labor. In addition, an attempt has been made to show how the momentum of the system can be explained in this context with specific reference to the conditions that affect black people. The mechanism of the stage hangs over all this in ways which I have not sought to analyze or explain.²⁰

It is this interdependence in terms of both structure and motion which the colonial hypothesis suppresses or ignores. Starting from the correct observation of certain elements of *spatial* separation and *racial* segregation it moves in the direction of viewing the black ghetto as "a unit apart". Neither the factual basis nor the analytical foundation of this view has been established.

If after all that has been said here the situation of blacks in America still cannot be sharply distinguished from classic colonial situations, this is by nature of the case. The reason is evident when one views the problem in historical perspective. The process of capitalist expansion throughout the eighteenth and nineteenth centuries was such as to make nonsense of strictly geographical or even national boundaries. The outcome of this process was to intensify the development of capitalist relations of production in colonial areas and to integrate these areas into an unevenly developed but global capitalist system. In the case of blacks the process also involved the physical removal of African ancestors from the territories of their birth and cultural roots to be transplanted, as slave labor, in the internal

production system of the North American metropolis as well as elsewhere in the Americas and the Caribbean. It is not surprising therefore that one can hardly distinguish, on the surface at any rate, the internal situation in the capitalist metropolis from that in the colony.

Apart from a difference in the level of development and a possible difference in the rate of exploitation, the separation between colony and metropolis was, in part, merely a geographical one, as well as involving obvious cultural and ethnic differences. As far as the colonial state apparatus was concerned, even though it was ultimately responsible to and in some degree integrated into the metropolitan state apparatus, the former had a clearly identifiable role. The role was that of preserving the colonial sphere of exploitation for that particular sector of capitalists operating in the colonies. (*Far from being petty-capitalists, these were actually the dominant sector of capitalists in the metropolis.*) For fulfilling this role, the colonial state had to take on certain specific functions: economic, administrative, military and political, which to a degree set it apart from the metropolitan state. In the performance of these functions, however, there was a necessary interaction between the colonial and metropolitan state. This arose out of the need on the part of the entire state apparatus, in preserving the interests of the *national* capitals, to balance off the interests of one sector of capital against those of other sectors. A significant break in this overall state structure came about with the establishment of a certain degree of autonomous state power in the colonies after "independence," though within the framework of a basically "neo-colonial" economic structure. (One of the important contradictions in the modern era is that between the preservation of this independence of the nation state and the erosion of independence by the international expansion of capital.)

For American blacks, geographical separation does not exist except in the very limited sense of residential segregation. As in the colonies, there are also cultural and ethnic differences between whites and blacks. But the decisive factor in determining whether or not the colonial analogy applies must be seen to lie in considering the possibility of American blacks, as a group, achieving a similar autonomy of state power as in the colonies. For reasons of space, I can only assert here that this possibility is extremely remote and remains merely a matter of wishful thinking. The American system will and can obviously accept a

certain amount of "integration" of blacks into the state apparatus and into the economy at various levels. But those who hold power in this system are not about to, and can never willingly, "preside over" the breakup of the American state.²¹

The basic point to see is that American blacks are, and have always been, organically linked with American capitalism from its very beginning. There are some who wish to opt out of this historical condition. But the alternatives they propose have never been made very clear.²² As long as blacks continue in it then the destinies of black people are inevitably tied up with that system. The struggle to change it in such a way as to benefit the masses of black people, as distinct from the small minority, is a difficult and protracted one. The specific historical conditions of the incorporation of black labor into this system dictate the form and content of that struggle. And in that struggle it is of crucial importance that the categories which inform action derive from a proper scientific understanding of the conditions against which the struggle is directed.

Against this view, the colonial analogy suggests that there is some way in which blacks as a group, regardless of whether they are owners or workers, can benefit from the breakup of a supposedly "colonial" situation. It stretches the imagination to see why, if this were indeed a possibility, black workers should in any way be better off under black owners than under white owners. For this reason, the colonial analogy might be seen as playing a useful ideological role for those who stand to benefit from the "transfer of power" which this is expected to bring about.²³ It plays another role also for those whites who see the black struggle as a vicarious means for waging their own, failing thereby to understand the nature of their own struggle as well as that of blacks.

FOOTNOTES

1. See, for instance, Gary Becker, *The Economics of Discrimination*, Second Edition, Chicago: University of Chicago Press, 1971; Lester Thurow, *Poverty and Discrimination*, Washington: Brookings Institution, 1969.
2. See William K. Tabb, *The Political Economy of the Black Ghetto*, New York: Norton, 1970. The hypothesis of the ghetto as a domestic colony has also been advanced by Kenneth Clark, *Dark Ghetto*, New York: Harper & Row, 1965; Stokely Carmichael and Charles Hamilton, *Black Power: The Politics of Liberation in America*, New York: Random House, 1967; Robert Allen, *Black Awakening in Capitalist America, An Analytic History*, New York: Doubleday, 1969.

3. The fact that the hypothesis is "increasingly in vogue with militants" and is "denied vociferously by moderates" seems to be regarded by Tabb as an important criterion (p. 3). To accept that criterion, if one is a "militant", would seem to foreclose the possibility that the hypothesis could be false or misleading (and conversely for a "moderate", whatever those terms might mean). But it is the criterion itself which must be rejected. Besides, as I shall argue, the hypothesis turns out upon further examination to be rather weak.
4. On this, see J. Robinson, *The Economics of Imperfect Competition*, second edition, New York: St. Martin's Press, 1969, Chaps. 25 & 26.
5. See Robinson, *op. cit.*, p. 307.
6. These remarks are only suggestive of the deficiencies involved in the orthodox conception of exploitation. A more systematic evaluation of this conception would require that we examine into its roots in the neoclassical theory of value and the inadequacies of that theory for the purpose of historical analysis. This falls outside the scope of the present discussion. Reference may be made, for instance, to M.H. Dobb, *Political Economy and Capitalism*, London: Routledge, 1940.
7. For a discussion of the general theoretical system and the place of this concept in it, see my paper "On Marx's Scheme of Reproduction and Accumulation," *Journal of Political Economy*, May/June, 1972, pp. 505-522. See also Paul Sweezy, *The Theory of Capitalist Development*, New York: Monthly Review Press, 1942.
8. The economic historians have recently made a fetish of measuring the "rate of return" on slaves in the ante-bellum South. The numbers which they get, to the extent that they are reliable, constitute an estimate of the *money form* of the surplus extracted from slave labor. The concept of surplus as used here must, however, be understood in terms of a quantity of labor. That is to say it is valued in terms of labor units and we may speak of the amount of *surplus value* in this sense. Under slavery, the surplus value is that portion of the total labor of the slaves rendered to the owners in excess of the amount which the slaves get back in the form of their consumption requirements. For theoretical purposes, the concept is well defined and there can be no uncertainty about, nor objection to, its use at this level. There are obvious problems of practical measurement which I need not go into here. It is perhaps necessary to add that, on the terms of the present argument, the surplus extracted from the slaves contributed not only to such capital accumulation as did occur but also to the luxurious consumption of the southern aristocracy.
9. See Paul Baran and Paul Sweezy, *Monopoly Capital*, New York: Monthly Review Press, 1966.
10. I emphasize self-consciously because the black workers who steal from him, "go-slow" on the job (this is supposed to be "laziness") and break the windows of his shop are consciously seeking to deny him the fruits of their labor. It is the "civil rights" leaders and leaders of the press, state and capital (to say nothing of the sociologists and political scientists) who make this out to be random acts of violence and frustration. This point has been partially seen and empirically demonstrated by Blauner ("Internal Colonialism and Ghetto Revolt," *Social Problems*, 16, 1969) and Franklin ("The Political Economy of Black Power," *Social Problems*, 16, (1969). But they otherwise fail to comprehend or to develop the basis of it in the real relations of production. Compare also Tabb's treatment of "black power demands" raised by unidentified and undifferentiated "militants" (Chap. 3). It is this failure which accounts for the serious error of these authors in raising the "anti-colonial movement" articulated by both black capitalists and workers to the level of an "anti-capitalist ideology".

11. He is aided in this by an abundance of potential tenants relative to the number of available units. To this situation he responds by subdividing the building into smaller units, seeking thereby to increase his rents. But at the same time this compounds the problem of physical wear and tear of his capital as well as the risk of capital loss.
12. In this respect it would make no difference to the situation whether the landlord were white or black.
13. Neither is there any need to appeal, as Tabb does (p. 12), to "a tacit (white) societal agreement", whatever that is supposed to mean.
14. The "structure" referred to here must be defined in terms of the sphere of exploitation encompassing black labor and black consumers. The entire petty-capitalist sphere would of course extend beyond this — a point which is being ignored at present.
15. This conclusion is the very opposite of that which Tabb draws from his own discussion. He states for instance (p. 33): "The dismantling of the colonial barriers against blacks carries with it a challenge to the corporate sector, an implicit threat to the dominant position of the profit motive as the determining factor in guiding production decisions." This statement at once says too much and too little. It says too much because there are some barriers the dismantling of which is actually an aid to the profit position of the corporate sector. It says too little because it does not inform us as to the precise ways in which the profit motive is threatened by the dismantling of colonial barriers. Tabb is correctly dubious of attempts to rally around the slogan of "black capitalism" and of the willingness of corporations to undertake substantial programs of "ghetto rehabilitation". But he fails to see how the very actions which the corporations undertake in the name of profits and growth serve (within limits) to erode the structures he describes as "white racism". Nor is he able to identify, in this context, the sources of the contradictions which dictate the terms upon which government policy must be framed. This failure is due to the absence of an analysis of the dynamics of the economic system as a whole.
16. Among "such like", we might include "investment in human capital" another term which has come to acquire the status of a fetish. See Tabb (*passim*).
17. One must bear in mind here that the expansion of corporate capital into the petty-capitalist sphere may be *at the expense of* pre-existing capital which gets driven out of business or through the absorption of pre-existing capital. This means that the *net effect* may be zero expansion or decrease of capital.
18. In this respect, discrimination is not an *independent*, but a *dependent*, variable of the problem.
19. We do know that some segments of both black and white workers come to acquire that consciousness as a result of their own separate struggles. Such groups can therefore play a vanguard role. Moreover, it is important to see that the struggle for equalizing the distribution of unemployment, by itself, may serve to heighten the contradictions in the system to the extent that it forces the state into greater intervention in the "private" sphere.
20. It needs to be emphasized that it is only within the framework of a properly articulated theory of the state that we can understand what can and cannot be done at the level of government policy or what it is that government policy seeks to achieve. Tabb's book has very little to say on this score. Yet he considers the whole range of particular policies and panaceas that have been put forward in recent times. In the absence of a broader view of the role of the state his judgment of them must needs turn on mechanistic considerations of "economic efficiency" (p. 114), and "working with the market" (p. 77) or on *ad hoc* criteria which, for instance, make the social welfare programs into a "tragedy" (p. 103).

21. Tabb seems to point in the same direction when he concludes (p. 31): "The analogy therefore reaches its limit at this point." But the reason he offers for this consideration ("Blacks in the final analysis are American.") is overly superficial, if not naive. Through the words of "militants", he identifies the opposition to independence as consisting of "white property owners" and "corporate executives". He argues also that "an equally important obstacle to black liberation is the working class white" (p. 33) but does not explain the objective factors governing the behavior and attitudes of white workers towards blacks beyond an appeal to the empty notion of "working class authoritarianism." The alternatives to independence which he poses ("Blacks must be integrated into the society or establish a tenuous independence within the white nation" (p. 31) seem not to be a matter of serious analysis. Finally, he requires blacks, in order to "change their own situation", to do what for them alone is impossible: "blacks must remake the total economic and social system of America" (p. 33).
22. This is as true of what one might call the "nationalist" program as it is of the program of "black cooperativism" which Tabb appears to recommend (p. 59) or the program of "black socialism" to which he claims (p. 57) "important sections of the black community" subscribe.
23. I do not consider at all in this paper the meaning of the colonial analogy as a basis for organizing efforts related to such issues as "community control of the ghetto". These are matters of political strategy and tactics which have been arbitrarily left out of the present discussion. It would seem important, however, to examine the analytical basis of the colonial analogy as a necessary precondition to evaluating its political relevance. To this extent, the present discussion is a contribution to that evaluation.