

# Why Capitalism Is Leaving The U.S., In Search Of Profit



*Richard D. Wolff*

Early U.S. capitalism was centered in New England. After some time, the pursuit of profit led many capitalists to leave that area and move production to New York and the mid-Atlantic states. Much of New England was left with abandoned factory buildings and depressed towns evident to this day. Eventually employers moved again, abandoning New York and the mid-Atlantic for the Midwest. The same story kept repeating as capitalism's center relocated to the Far West, the South, and the Southwest. Descriptive terms like "Rust Belt," "deindustrialization," and "manufacturing desert" increasingly applied to ever more portions of U.S. capitalism.

So long as capitalism's movements stayed mostly within the U.S., the alarms raised by its abandoned victims remained regional, not becoming a national issue yet. Over recent decades, however, many capitalists have moved production facilities and investments outside the U.S., relocating them to other countries, especially to China. Ongoing controversies and alarms surround this capitalist exodus. Even the celebrated hi-tech sectors, arguably U.S. capitalism's only remaining robust center, have invested heavily elsewhere.

Since the 1970s, wages were far lower abroad and markets were growing faster there too. Ever more U.S. capitalists had to leave or risk losing their competitive edge over those capitalists (European and Japanese, as well as U.S.) who had left earlier for China and were showing stunningly improved profit rates. Beyond China, other Asian, South American, and African countries also provided incentives of low wages and growing markets, which eventually drew U.S.

capitalists and others to move investments there.

Profits from those capitalists' movements stimulated more movements. Rising profits flowed back to rally U.S. stock markets and produced great gains in income and wealth. That chiefly benefited the already rich corporate shareholders and top corporate executives. They in turn promoted and funded ideological claims that capitalism's abandonment of the U.S. was actually a great gain for U.S. society as a whole. Those claims, categorized under the headings of "neoliberalism" and "globalization" served neatly to hide or obscure one key fact: higher profits mainly for the richest few was the chief goal and the result of capitalists abandoning the U.S.

Neoliberalism was a new version of an old economic theory that justified capitalists' "free choices" as the necessary means to achieve optimal efficiency for entire economies. According to the neoliberal view, governments should minimize any regulation or other interference in capitalists' profit-driven decisions. Neoliberalism celebrated "globalization," its preferred name for capitalists' choosing to specifically move production overseas. That "free choice" was said to enable "more efficient" production of goods and services because capitalists could tap globally sourced resources. The point and punchline flowing from exaltations of neoliberalism, capitalists' free choices, and globalization were that *all citizens benefited when capitalism moved on*. Excepting a few dissenters (including some unions), politicians, mass media, and academicians largely joined the intense cheerleading for capitalism's neoliberal globalization.

The economic consequences of capitalism's profit-driven movement out of its old centers (Western Europe, North America, and Japan) brought capitalism there to its current crisis. First, real wages stagnated in the old centers. Employers who could export jobs (especially in manufacturing) did so. Employers who could not (especially in service sectors) automated them. As U.S. job opportunities stopped rising, so did wages. Since globalization and automation boosted corporate profits and stock markets while wages stagnated, capitalism's old centers exhibited extreme widening of income and wealth gaps. Deepening social divisions followed and culminated in capitalism's crisis now.

Second, unlike many other poor countries, China possessed the ideology and organization to make sure that investments made by capitalists served China's own development plan and economic strategy. China required the sharing of

incoming capitalists' advanced technologies (in exchange for those capitalists' access to low-wage Chinese labor and rapidly expanding Chinese markets). The capitalists entering the Beijing markets were also required to facilitate partnerships between Chinese producers and distribution channels in their home countries. China's strategy to prioritize exports meant that it needed to secure access to distribution systems (and thus distribution networks controlled by capitalists) in its targeted markets. Mutually profitable partnerships developed between China and global distributors such as Walmart.

Beijing's "socialism with Chinese characteristics" included a powerful development-focused political party and state. Conjointly they supervised and controlled an economy that mixed private with state capitalism. In that model private employers and state employers each direct masses of employees in their respective enterprises. Both sets of employers function subject to the strategic interventions of a party and government determined to achieve its economic goals. As a result of how it defined and operated its socialism, China's economy gained more (especially in GDP growth) from neoliberal globalization than Western Europe, North America, and Japan did. China grew fast enough to compete now with capitalism's old centers. The decline of the U.S. within a changing world economy has contributed to the crisis of U.S. capitalism. For the U.S. empire that arose out of World War II, China and its BRICS allies represent its first serious, sustained economic challenge. The official U.S. reaction to these changes so far has been a mix of resentment, provocation, and denial. Those are neither solutions to the crisis nor successful adjustments to a changed reality.

Third, the Ukraine war has exposed key effects of capitalism's geographic movements and the accelerated economic decline of the U.S. relative to the economic rise of China. Thus the U.S.-led sanctions war against Russia has failed to crush the ruble or collapse the Russian economy. That failure has followed in good part because Russia obtained crucial support from the alliances (BRICS) already built around China. Those alliances, enriched by both foreign and domestic capitalists' investments, especially in China and India, provided alternative markets when sanctions closed off Western markets to Russian exports.

Earlier income and wealth gaps in the U.S., worsened by the export and automation of high-paying jobs, undermined the economic basis of that "vast middle class" that so many employees believed themselves to be part of. Over

recent decades, workers who expected to enjoy “the American dream” found that increased costs of goods and services led to the dream being beyond their reach. Their children, especially those forced to borrow for college, found themselves in a similar situation or in a worse one. Resistances of all sorts arose (unionization drives, strikes, left and right “populisms”) as working-class living conditions kept deteriorating. Making matters worse, mass media celebrated the stupefying wealth of those few who profited most from neoliberal globalization. In the U.S., phenomena like former President Donald Trump, Vermont’s independent Senator Bernie Sanders, white supremacy, unionization, strikes, explicit anti-capitalism, “culture” wars, and frequently bizarre political extremism reflect deepening social divisions. Many in the U.S. feel betrayed after being abandoned by capitalism. Their differing explanations for the betrayal exacerbate the widely held sense of crisis in the nation.

Capitalism’s global relocation helped [raise](#) the total GDP of the BRICS nations (China + allies) well above that of the G7 (U.S. + allies). For all the countries of the Global South, their appeals for development assistance can now be directed to two possible respondents (China and the U.S.), not just the one in the West. When Chinese entities invest in Africa, of course their investments are structured to help both donors and recipients. Whether the relationship between them is imperialist or not depends on the specifics of the relationship, and its balance of net gains. Those gains for the BRICS will likely be substantial. Russia’s adjustment to Ukraine-related sanctions against it not only led it to lean more on BRICS but likewise intensified the economic interactions among BRICS members. Existing economic links and conjoint projects among them grew. New ones are fast emerging. Unsurprisingly, [additional](#) countries in the Global South have recently requested BRICS membership.

Capitalism has moved on, abandoning its old centers and thereby pushing its problems and divisions to crisis levels. Because profits still flow back to the old centers, those there gathering the profits delude their countries and themselves into thinking all is well in and for global capitalism. Because those profits sharply aggravate economic inequalities, social crises there deepen. For example, the wave of labor militancy sweeping across nearly all U.S. industries reflects anger and resentment against those inequalities. The hysterical scapegoating of various minorities by right-wing demagogues and movements is another reflection of the worsening difficulties. Yet another is the growing realization that the problem, at

its root, is the capitalist system. All of these are components of today's crisis.

Even in capitalism's new dynamic centers, a critical socialist question returns to agitate people's minds. Is the new centers' organization of workplaces—retaining the old capitalist model of employers vs. employees in both private and state enterprises—desirable or sustainable? Is it acceptable for a small group, employers, exclusively and unaccountably to make most key workplace decisions (what, where, and how to produce and what to do with the profits)? That is clearly undemocratic. Employees in capitalism's new centers already question the system; some have begun to challenge and move against it. Where those new centers celebrate some variety of socialism, employees will more likely (and sooner) resist subordination to the residues of capitalism in their workplaces.

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This article was produced by [Economy for All](#), a project of the Independent Media Institute.