

IMPERIALISM, THE HIGHEST STAGE OF CAPITALISM

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Preface

The pamphlet here presented to the reader was written in the spring of 1916, in Zurich. In the conditions in which I was obliged to work there I naturally suffered somewhat from a shortage of French and English literature and from a serious dearth of Russian literature. However, I made use of the principal English work on imperialism, the book by J. A. Hobson, with all the care that, in my opinion, that work deserves.

This pamphlet was written with an eye to the tsarist censorship. Hence, I was not only forced to confine myself strictly to an exclusively theoretical, particularly economic analysis of facts, but to formulate the few necessary observations on politics with extreme caution, by hints, in an allegorical language—in that accursed Aesopian language—to which tsarism compelled all revolutionaries to have recourse whenever they took up their pens to write a “legal” work.

It is painful, in these days of liberty, to reread these passages of the pamphlet, which have been distorted, cramped, compressed in an iron vise on account of the censor. About the fact that imperialism is the eve of the socialist revolution; that social-chauvinism (Socialism in words, chauvinism in deeds) is the utter betrayal of Socialism, complete desertion to the side of the bourgeoisie; that this split in the working-class movement is bound up with the objective conditions of imperialism, etc., I had to speak in a “slavish” tongue, and I must refer the reader who is interested in the subject to the articles I wrote abroad in 1914-17, a new edition of which is soon to appear. Special attention should be drawn to a passage on pages 119-20.¹ In order to show the reader, in a guise acceptable to the censors, how shamelessly the capitalists and the social-chauvinists who have deserted to their side (and whom Kautsky opposes with so much inconsistency) lie on the question of annexations; in order to show how shamelessly they *screen* the annexations of *their* capitalists, I was forced to quote as an example—Japan! The careful reader will easily substitute Russia for Japan, and Finland, Poland, Courland, the Ukraine, Khiva, Bokhara, Estonia or other regions peopled by non-Great Russians, for Korea. I trust that this pamphlet will help the reader to understand

¹ See pp. 124-126 of this book. —Ed.

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the fundamental economic question, viz., the question of the economic essence of imperialism, for unless this is studied, it will be impossible to understand and appraise modern war and modern politics.

Author

Petrograd,
April 26, 1917

Preface to the French and German Editions²

I

As was indicated in the preface to the Russian edition, this pamphlet was written in 1916, with an eye to the tsarist censorship. I am unable to revise the whole text at the present time, nor, perhaps, would this be advisable, since the main purpose of the book was and remains: to present, on the basis of the summarized returns of irrefutable bourgeois statistics, and the admissions of bourgeois scholars of all countries, a *composite picture* of the world capitalist system in its international relationships at the beginning of the twentieth century—on the eve of the first world imperialist war.

To a certain extent it will even be useful for many Communists in advanced capitalist countries to convince themselves by the example of this pamphlet, *legal from the standpoint of the tsarist censor*, of the possibility—and necessity—of making use of even the slight remnants of legality which still remain at the disposal of the Communists, say, in contemporary America or France, after the recent almost wholesale arrests of Communists, in order to explain the utter falsity of social-pacifist views and hopes for “world democracy.” The most essential of what should be added to this censored pamphlet I shall try to present in this preface.

II

It is proved in the pamphlet that the war of 1914-18 was imperialistic (that is, an annexationist, predatory, plunderous war) on the part of both sides; it was a war for the division of the world, for the partition and re-partition of colonies, “spheres of influence” of finance capital, etc.

Proof of what was the true social, or rather, the true class character of the war is naturally to be found, not in the diplomatic history of the war, but in an analysis of the *objective* position of the ruling *classes* in *all* the belligerent countries. In order to depict this objective position one must

² This preface was first published under the title “Imperialism and Capitalism” in *Communist International*, No. 18, dated October 1921. —Ed.

not take examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always possible to select any number of examples or separate data to prove any proposition), but the *whole* of the data concerning the *basis* of economic life in *all* the belligerent countries and the *whole* world.

It is precisely irrefutable summarized data of this kind that I quoted in describing the partition of the world in 1876 and 1914 (in Chapter VI) and the distribution of the railways all over the world in 1890 and 1913 (in Chapter VII). Railways are a summation of the basic capitalist industries: coal, iron and steel; a summation and the most striking indices of the development of world trade and bourgeois-democratic civilization. How the railways are linked up with large-scale industry, with monopolies, syndicates, cartels, trusts, banks and the financial oligarchy is shown in the preceding chapters of the book. The uneven distribution of the railways, their uneven development—sums up, as it were, modern monopolist capitalism on a world-wide scale. And this summary proves that imperialist wars are absolutely inevitable under *such* an economic system, *as long as* private property in the means of production exists.

The building of railways seems to be a simple, natural, democratic, cultural and civilizing enterprise; that is what it is in the opinion of bourgeois professors, who are paid to depict capitalist slavery in bright colours, and in the opinion of petit-bourgeois philistines. But as a matter of fact the capitalist threads, which in thousands of different intercrossings bind these enterprises with private property in means of production in general, have converted this railway construction into an instrument for oppressing *a thousand million* people (in the colonies and semicolonies), that is, more than half the population of the globe inhabiting the dependent countries, as well as the wage slaves of capital in the “civilized” countries.

Private property based on the labour of the small proprietor, free competition, democracy, all the catchwords with which the capitalists and their press deceive the workers and the peasants—are things of the distant past. Capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of “advanced” countries. And this “booty” is shared between two or three powerful world marauders armed

to the teeth (America, Great Britain, Japan), who involve the whole world in their war over the sharing of *their* booty.

III

The Brest-Litovsk Peace Treaty dictated by monarchist Germany, and the subsequent much more brutal and despicable Versailles Treaty dictated by the “democratic” republics of America and France and also by “free” England, have rendered a most useful service to humanity by exposing both the hired coolies of the pen of imperialism and the petit-bourgeois reactionaries, although they call themselves pacifists and Socialists, who sang praises to “Wilsonism,” and who insisted that peace and reforms were possible under imperialism.

The tens of millions of dead and maimed left by the war—a war to decide whether the British or German group of financial marauders is to receive the most booty—and those two “peace treaties,” are with unprecedented rapidity opening the eyes of the millions and tens of millions of people who are downtrodden, oppressed, deceived and duped by the bourgeoisie. Thus, out of the universal ruin caused by the war a world-wide revolutionary crisis is arising which, however prolonged and arduous its stages may be, cannot end otherwise than in a proletarian revolution and in its victory.

The *Basel Manifesto of the Second International*, which in 1912 gave an appraisal of the very war that broke out in 1914 and not of war in general (there are different kinds of wars, including revolutionary wars), this *Manifesto* is now a monument exposing the utter shameful bankruptcy and treachery of the heroes of the Second International. That is why I reproduce this *Manifesto* as a supplement to the present edition,³ and again and again I urge the reader to note that the heroes of the Second International are as assiduously avoiding the passages of this *Manifesto* which speak precisely, clearly and definitely of the connection between that impending war and the proletarian revolution, as a thief avoids the place where he has committed a theft.

³ The *Manifesto* is omitted in the present edition. —Ed.

IV

Special attention has been devoted in this pamphlet to a criticism of “Kautskyism,” the international ideological trend represented in all countries of the world by the “most prominent theoreticians” and leaders of the Second International (Otto Bauer and Co. in Austria, Ramsay MacDonald and others in England, Albert Thomas in France, etc., etc.) and a multitude of Socialists, reformists, pacifists, bourgeois democrats and parsons.

This ideological trend is, on the one hand, a product of the disintegration and decay of the Second International, and, on the other hand, the inevitable fruit of the ideology of petit bourgeoisie, who, by the whole of their conditions of life; are held captive to bourgeois and democratic prejudices.

The views held by Kautsky and his like are a complete renunciation of the very revolutionary principles of Marxism which that writer has championed for decades, especially, by the way, in his struggle against socialist opportunism (of Bernstein, Millerand, Hyndman, Gompers, etc.). It is not a mere accident, therefore, that the “Kautskyans” all over the world have now united in practical politics with the extreme opportunists (through the Second, or the Yellow International) and with the bourgeois governments (through bourgeois coalition governments in which Socialists take part).

The growing world proletarian revolutionary movement in general, and the Communist movement in particular, can not dispense with an analysis and exposure of the theoretical errors of “Kautskyism.” The more so since pacifism and “democracy” in general, which lay no claim to Marxism whatever, but which, like Kautsky and Co., are obscuring the profundity of the contradictions of imperialism and the inevitable revolutionary crisis to which it gives rise, are still very widespread all over the world. To combat these tendencies is the bounden duty of the Party of the proletariat, which must win away from the bourgeoisie the small proprietors who are duped by them, and the millions of toilers who have been placed under more or less petit-bourgeois conditions of life.

V

A few words must be said about Chapter VIII entitled: "The Parasitism and Decay of Capitalism." As already pointed out in the text, Hilferding, ex-"Marxist," and now a comrade-in-arms of Kautsky and one of the chief exponents of bourgeois, reformist policy in the Independent Social Democratic Party of Germany,⁴ has taken a step backward on this question compared with the *frankly* pacifist and reformist Englishman, Hobson. The international split of the whole working-class movement is now quite evident (the Second and the Third Internationals). The fact that armed struggle and civil war is now raging between the two trends is also evident: the support given to Kolchak and Denikin in Russia by the Mensheviks and "Socialist-Revolutionaries" against the Bolsheviks; the fight the Scheidemanns, Noskes and Co. have conducted in conjunction with the bourgeoisie against the Spartacists⁵ in Germany, the same thing in Finland, Poland, Hungary, etc. What is the economic basis of this world-historic phenomenon?

Precisely the parasitism and decay of capitalism which are characteristic of its highest historical stage of development, i.e., imperialism. As is proved in this pamphlet, capitalism has now singled out a *handful* (less than one-tenth of the inhabitants of the globe; less than one-fifth at a most "generous" and liberal calculation) of exceptionally rich and powerful states which plunder the whole world simply by "clipping coupons." Capital exports yield an income of eight to ten billion francs per annum,

⁴ A Centrist party set up in April 1917. The bulk of the party consisted of the Kautskyite Labour Commonwealth. The Independents preached "unity" with the open social-chauvinists, justified and defended them and demanded the rejection of the class struggle. In October 1920, a split took place at the congress of the ISDPG in Halle. In December a considerable part of the party merged with the Communist Party of Germany. The Right-wing elements formed a separate party and took the old name of ISDPG, which existed until 1922. — *Ed.*

⁵ The Spartacists—members of the Spartacus League, a revolutionary organization of German Left-Wing Social-Democrats, formed in the early period of World War I under the leadership of Karl Liebknecht, Rosa Luxemburg, Franz Mehring, Clara Zetkin and others. It was also known as the *Internationale* group. The Spartacists conducted revolutionary propaganda among the masses against the imperialist war and exposed the predatory policy of German imperialism and the treachery of the opportunist Social-Democratic leaders. But the Spartacists failed to free themselves from semi-Menshevik fallacies on cardinal questions of theory and policy. They propagated a semi-Menshevik theory of imperialism, rejected the

at prewar prices and according to prewar bourgeois statistics. Now, of course, they yield much more.

Obviously, out of such enormous *superprofits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their “own” country) it is *possible to bribe* the labour leaders and the upper stratum of the labour aristocracy. And the capitalists of the “advanced” countries are bribing them; they bribe them in a thousand different ways, direct and indirect, overt and covert.

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

Unless the economic roots of this phenomenon are understood and its political and social significance is appreciated, not a step can be taken toward the solution of the practical problems of the Communist movement and of the impending social revolution.

Imperialism is the eve of the social revolution of the proletariat. This has been confirmed since 1917 on a worldwide scale.

N. Lenin

July 6, 1920

Marxist interpretation of the principle of self-determination of nations (i.e., up to and including secession and the formation of independent states), denied the possibility of national liberation wars in the imperialist epoch, underestimated the role of the revolutionary party and bowed to the spontaneity in the working-class movement (see the *History of the Communist Party of the Soviet Union (Bolsheviks), Short Course*, Eng. ed., Moscow, 1950, pp. 42-45). A criticism of the mistakes of the German Lefts is given in Lenin's “The Junius Pamphlet” (*Collected Works*, 4th Russ. ed., Vol. XXII, pp. 291-305), “A Caricature of Marxism and ‘Imperialist Economism’” (*ibid.*, Vol. XXIII, pp. 16-64), and other works, and in Stalin's letter “Some Questions Concerning the History of Bolshevism” (*Works*, Eng. ed., Moscow, 1955, Vol. XIII, pp. 86-104). In 1917 the Spartacists joined the Centrist Independent Social-Democratic Party of Germany, but remained organizationally independent. After the revolution in Germany in November 1918, they broke with the Independents and in December of the same year founded the Communist Party of Germany. — *Ed.*

Imperialism, the Highest Stage of Capitalism

During the last fifteen to twenty years, especially since the Spanish-American War (1898), and the Anglo-Boer War (1899-1902), the economic and also the political literature of the two hemispheres has more and more often adopted the term “imperialism” in order to describe the present era. In 1902, a book by the English economist J. A. Hobson, *Imperialism*, was published in London and New York. This author, whose point of view is that of bourgeois social reformism and pacifism which, in essence, is identical with the present point of view of the ex-Marxist, K. Kautsky, gives a very good and comprehensive description of the principal specific economic and political features of imperialism. In 1910, there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, *Finance Capital* (Russian edition: Moscow, 1912). In spite of the mistake the author commits on the theory of money, and in spite of a certain inclination on his part to reconcile Marxism with opportunism, this work gives a very valuable theoretical analysis of “the latest phase of capitalist development,” the subtitle of the book. Indeed, what has been said of imperialism during the last few years, especially in an enormous number of magazine and newspaper articles, and also in the resolutions, for example, of the Chemnitz and Basle congresses which took place in the autumn of 1912, has scarcely gone beyond the ideas expounded, or, more exactly, summed up by the two writers mentioned above....

Later on, we shall try to show briefly, and as simply as possible, the connection and relationships between the *principal* economic features of imperialism. We shall not be able to deal with non-economic aspects of the question, however much they deserve to be dealt with. We have put references to literature and other notes which, perhaps, would not interest all readers, at the end of this pamphlet.⁶

⁶ In the present edition the author's references and notes are given as footnotes. — *Ed.*

Chapter I.

Concentration of Production and Monopolies

The enormous growth of industry and the remarkably rapid process of concentration of production in ever-larger enterprises are one of the most characteristic features of capitalism. Modern censuses of production give the most complete and most exact data on this process.

In Germany, for example, out of every 1,000 industrial enterprises, large enterprises, i.e., those employing more than 50 workers, numbered three in 1882, six in 1895 and nine in 1907; and out of every 100 workers employed, this group of enterprises employed 22, 30 and 37, respectively. Concentration of production, however, is much more intense than the concentration of workers, since labour in the large enterprises is much more productive. This is shown by the figures on steam engines and electric motors. If we take what in Germany is called industry in the broad sense of the term, that is, including commerce, transport, etc., we get the following picture. Large-scale enterprises 30,588 out of a total of 3,265,623, that is to say, 0.9 per cent. These enterprises employ 5,700,000 workers out of a total of 14,400,000, i.e., 39.4 per cent; they use 6,600,000 steam horsepower out of a total of 8,800,000, i.e., 75.3 per cent, and 1,200,000 kilowatts of electricity out of a total of 1,500,000, i.e., 77.2 per cent.

Less than one-hundredth of the total enterprises utilize *more than three-fourths* of the total steam and electric power! Two million nine hundred and seventy thousand small enterprises (employing up to five workers), constituting 91 per cent of the total, utilize only 7 per cent of the total steam and electric power! Tens of thousands of huge enterprises are everything; millions of small ones are nothing.

In 1907, there were in Germany 586 establishments employing one thousand and more workers, nearly *one-tenth* (1,380,000) of the total number of workers employed in industry, and they utilized *almost one-*

third (32 per cent) of the total steam and electric power.⁷ As we shall see, money capital and the banks make this superiority of a handful of the largest enterprises still more overwhelming, in the most literal sense of the word, i.e., millions of small, medium and even some big “masters” are in fact in complete subjection to some hundreds of millionaire financiers.

In another advanced country of modern capitalism, the United States of America, the growth of the concentration of production is still greater. Here statistics single out industry in the narrow sense of the word and group enterprises according to the value of their annual output. In 1904 large-scale enterprises with an output of one million dollars and over numbered 1,900 (out of 216,180, i.e., 0.9 per cent). These employed 1,400,000 workers (out of 5,500,000, i.e., 25.6 per cent) and their output amounted to \$5,600,000,000 (out of \$14,800,000,000, i.e., 38 per cent). Five years later, in 1909, the corresponding figures were: 3,060 enterprises (out of 268,491, i.e., 1.1 per cent) employing 2,000,000 workers (out of 6,600,000, i.e., 30.5 per cent) with an output of \$9,000,000,000 (out of \$20,700,000,000, i.e., 43.8 per cent).⁸

Almost half the total production of all the enterprises of the country was carried on by *one-hundredth part* of these enterprises! These 3,000 giant enterprises embrace 258 branches of industry. From this it can be seen that, at a certain stage of its development, concentration itself, as it were, leads right up to monopoly; for a score or so of giant enterprises can easily arrive at an agreement, while on the other hand, the hindrance to competition, the tendency towards monopoly, arises from the very dimensions of the enterprises. This transformation of competition into monopoly is one of the most important—if not the most important—phenomena of modern capitalist economy, and we must deal with it in greater detail. But first we must clear up one possible misunderstanding.

American statistics say: 3,000 giant enterprises in 250 branches of industry, as if there were only a dozen enterprises of the largest scale for each branch of industry.

But this is not the case. Not in every branch of industry are there large-scale enterprises; and moreover, a very important feature of capi-

⁷ Figures taken from *Annalen des deutschen Reichs*, 1911, Zahn.

⁸ *Statistical Abstract of the United States*, 1912, p. 202.

talism in its highest stage of development is so-called *combination* production, that is to say, the grouping into a single enterprise of different branches of industry, which either represent the consecutive stages in the processing of raw materials (for example, the smelting of iron ore into pig iron, the conversion of pig iron into steel, and then, perhaps, the manufacture of steel goods)—or are auxiliary to one another (for example, the utilization of scrap, or of by-products, the manufacture of packing materials, etc.).

Combination, [writes Hilferding] levels out the fluctuations of trade and therefore assures to the combined enterprises a more stable rate of profit. Secondly, combination has the effect of eliminating trade. Thirdly, it has the effect of rendering possible technical improvements, and, consequently, the acquisition of superprofits over and above those obtained by the 'pure' (i.e., non-combined) enterprises. Fourthly, it strengthens the position of the combined enterprises compared with that of 'pure' enterprises, strengthens them in the competitive struggle in periods of serious depression, when the fall in prices of raw materials does not keep pace with the fall in prices of manufactured goods.⁹

The German bourgeois economist, Heymann, who has written a book especially on "mixed," that is, combined, enterprises in the German iron industry, says: "Pure enterprises perish, they are crushed between the high price of raw material and the low price of the finished product." Thus we get the following picture:

There remain, on the one hand, the big coal companies, producing millions of tons yearly, strongly organized in their coal syndicate, and on the other, the big steel plants, closely allied to the coal mines, having their own steel syndicate. These giant enterprises, producing 400,000 tons of steel per annum, with a tremendous output of ore and coal and producing finished steel goods, employing 10,000 workers quartered in company houses, and sometimes owning their own railways and ports,

⁹ *Finance Capital*, Russ. ed., pp. 286-87.

are the typical representatives of the German iron and steel industry. And concentration goes on further and further. Individual enterprises are becoming larger and larger. An ever-increasing number of enterprises in one, or in several different industries, join together in giant enterprises, backed up and directed by half a dozen big Berlin banks. In relation to the German mining industry, the truth of the teachings of Karl Marx on concentration is definitely proved; true, this applies to a country where industry is protected by tariffs and freight rates. The German mining industry is ripe for expropriation.¹⁰

Such is the conclusion which a conscientious bourgeois economist, and such are the exception, had to arrive at. It must be noted that he seems to place Germany in a special category because her industries are protected, by high tariffs. But this circumstance could only accelerate concentration and the formation of monopolist manufacturers' combines, cartels, syndicates, etc. It is extremely important to note that in free-trade England, concentration also leads to monopoly, although somewhat later and perhaps in another form. Professor Hermann Levy, in his special work of research entitled *Monopolies, Cartels and Trusts*, based on data on British economic development, writes as follows:

In Great Britain it is the size of the enterprise and its high technical level which harbour a monopolist tendency. This, for one thing, is due to the great investment of capital per enterprise, which gives rise to increasing demands for new capital for the new enterprises and thereby renders their launching more difficult. Moreover (and this seems to us to be the more important point) every new enterprise that wants to keep pace with the gigantic enterprises that have been formed by concentration would here produce such an enormous quantity of surplus goods that it could dispose of them only by being able to sell them profitably as a result of an enormous increase in demand; otherwise, this surplus would force prices down to a

¹⁰ Hans Gideon Heymann, *Die gemischten Werke im deutschen Grosseisengewerbe* (*Combined Plants in the German Big Iron Industry—Tr.*), Stuttgart, 1904, (SS. 256, 278).

level that would be unprofitable both for the new enterprise and for the monopoly combines.

In England—unlike other countries where protective tariffs facilitate the formation of cartels—monopolist alliances of entrepreneurs, cartels and trusts arise in the majority of cases only when the number of the chief competing enterprises is reduced to “a couple of dozen or so.” “Here the influence of the concentration movement on the formation of large industrial monopolies in a whole sphere of industry stands out with crystal clarity.”¹¹

Half a century ago, when Marx has writing *Capital*, free competition appeared to the overwhelming majority of economists to be a “natural law.” Official science tried, by a conspiracy of silence, to kill the works of Marx, who by a theoretical and historical analysis of capitalism proved that free competition gives rise to the concentration of production, which, in turn, at a certain stage of development, leads to monopoly. Today, monopoly has become a fact. The economists are writing mountains of books in which they describe the diverse manifestations of monopoly, and continue to declare in chorus that “Marxism is refuted.” But facts are stubborn things, as the English proverb says, and they have to be reckoned with, whether we like it or not. The facts show that differences between capitalist countries, e.g., in the matter of protection or free trade, only give rise to insignificant variations in the form of monopolies or in the moment of their appearance; and that the rise of monopolies, as the result of the concentration of production, is a general and fundamental law of the present stage of development of capitalism.

For Europe, the time when the new capitalism *definitely* superseded the old can be established with fair precision: it was the beginning of the twentieth century. In one of the latest compilations on the history of the “formation of monopolies,” we read:

Isolated examples of capitalist monopoly could be cited from the period preceding 1860; in these could be discerned the embryo of the forms that are so common today; but all this undoubtedly represents the prehistory of the cartels. The

¹¹ Hermann Levy, *Monopole, Kartelle und Trusts*, Jena, 1909, SS. 286, 290, 298.

real beginning of modern monopoly goes back, at the earliest, to the 'sixties. The first important period of development of monopoly commenced with the international industrial depression of the 'seventies and lasted until the beginning of the 'nineties.

If we examine the question on a European scale, we will find that the development of free competition reached its apex in the 'sixties and 'seventies. Then it was that England completed the construction of its old-style capitalist organization. In Germany, this organization had entered into a fierce struggle with handicraft and domestic industry, and had begun to create for itself its own forms of existence.

The great revolution commenced with the crash of 1873, or rather, the depression which followed it and which, with hardly discernible interruptions in the early 'eighties, and the unusually violent, but short-lived boom about 1889, marks twenty-two years of European economic history.

During the short boom of 1889-90, the system of cartels was widely resorted to in order to take advantage of the favourable business conditions. An ill-considered policy drove prices up still more rapidly and still higher than would have been the case if there were no cartels, and nearly all these cartels perished ingloriously in the smash. Another five-year period of bad trade and low prices followed, but a new spirit reigned in industry; the depression was no longer regarded as something to be taken for granted: it was regarded as nothing more than a pause before another boom.

The cartel movement entered its second epoch: instead of being a transitory phenomenon, the cartels became one of the foundations of economic life. They are winning one field of industry after another, primarily, the raw materials industry. At the beginning of the 'nineties the cartel system had already acquired—in the organization of the coke syndicate on the model of which the coal syndicate was later formed—a cartel

technique which could hardly be improved. For the first time the great boom at the close of the nineteenth century and the crisis of 1900-03 occurred entirely—in the mining and iron industries at least—under the aegis of the cartels. And while at that time it appeared to be something novel, now the general public takes it for granted that large spheres of economic life have been, as a general rule, removed from the realm of free competition.¹²

Thus, the principal stages in the history of monopolies are the following: 1) 1860-70, the highest stage, the apex of development of free competition; monopoly is in the barely discernible, embryonic stage. 2) After the crisis of 1873, a lengthy period of development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. 3) The boom at the end of the nineteenth century and the crisis of 1900-03. Cartels become one of the foundations of the whole of economic life. Capitalism has been transformed into imperialism.

Cartels come to an agreement on the conditions of sale, terms of payment, etc. They divide the markets among themselves. They fix the quantity of goods among themselves to be produced. They fix prices. They divide the profits among the various enterprises, etc.

The number of cartels in Germany was estimated at about 250 in 1896 and at 385 in 1905, with about 12,000 firms participating.¹³ But it is generally recognized that these figures are underestimations. From the statistics of German industry for 1907 we quoted above, it is evident that even these 12,000 very big enterprises concentrate certainly

¹² Th. Vogelstein, *Die finanzielle Organisation der kapitalistischen Industrie und die Monopolbildungen* (Financial Organization of the Capitalist Industry and the Formation of Monopolies—Tr.) in *Grundriss der Sozialökonomik* (Outline of Social Economics—Tr.), VI Abt., Tübingen, 1914. Cf., also by the same author: *Organisationsformen der Eisenindustrie und Textilindustrie in England und Amerika* (The Organizational Forms of the Iron and Textile Industry of England and America—Tr.), Bd. I, Lpz., 1910.

¹³ Dr. Riesser, *Die deutschen Grossbanken und ihre Konzentration im Zusammenhange mit der Entwicklung der Gesamtwirtschaft in Deutschland* (The German Big Banks and Their Concentration in Connection with the Development of the General Economy in Germany—Tr.), 4. Aufl., 1912, S. 149; Robert Liefmann, *Kartelle und Trusts und die Weiterbildung der volkswirtschaftlichen Organisation* (Cartels and Trusts and the Further Development of Economic Organization—Tr.), 2. Aufl., 1910, S. 25.

more than half the steam and electric power used in the country. In the United States of America, the number of trusts in 1900 was 185 and in 1907, 250. American statistics divide all industrial enterprises into those belonging to individuals, to private firms or to corporations. The latter in 1904 comprised 23.6 per cent, and in 1909, 25.9 per cent, i.e., more than one-fourth of the total industrial enterprises in the country. These employed in 1904, 70.6 per cent, and in 1909, 75.6 per cent, i.e., more than three-fourths of the total wage earners. Their output amounted at these two dates to \$10,900,000,000 and to \$16,300,000,000, i.e., to 73.7 per cent and 79.0 per cent of the total, respectively.

Not infrequently cartels and trusts concentrate in their hands seven- or eight-tenths of the total output of a given branch of industry. The Rhine-Westphalian Coal Syndicate, at its foundation in 1893, concentrated 86.7 per cent of the total coal output of the area, and in 1910 it already concentrated 95.4 per cent.¹⁴ The monopoly so created assures enormous profits, and leads to the formation of technical productive units of formidable magnitude. The famous Standard Oil Company in the United States was founded in 1900:

It has an authorized capital of \$150,000,000. It issued \$100,000,000 common and \$106,000,000 preferred stock. From 1900 to 1907 the following dividends were paid on the latter: 48, 48, 45, 44, 36, 40, 40, 40 per cent in the respective years, i.e., in all, \$367,000,000. From 1882 to 1907, out of total net profits amounting to \$889,000,000, \$606,000,000 were distributed in dividends, and the rest went to reserve capital.¹⁵

In 1907 the various works of the United States Steel Corporation employed no less than 210,180 workers and other employees. The largest enterprise in the German mining

¹⁴ Dr. Fritz Kestner, *Der Organisationszwang. Eine Untersuchung über die Kämpfe zwischen Kartellen und Aussenseitern* (*Compulsory Organization. An Investigation of the Struggle Between Cartels and Outsiders—Tr.*), Berlin, 1912, p. 11.

¹⁵ R. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Eflektewesen* (*Holding and Finance Companies—A Study in Modern Capitalism and Securities—Tr.*), I. Aufl., Jena, 1909, p. 212.

industry, the Gelsenkirchen Mining Company (*Gelsenkirchener Bergwerksgesellschaft*) in 1908 had a staff of 46,048 workers and office employees.¹⁶

In 1902, the United States Steel Corporation already produced 9,000,000 tons of steel.¹⁷ Its output constituted in 1901, 66.3 per cent, and in 1908, 56.1 per cent of the total output of steel in the United States.¹⁸ The output of ore was 43.9 per cent and 46.3 per cent, respectively.

The report of the American Government Commission on Trusts states:

Their superiority over competitors is due to the magnitude of its enterprises and their excellent technical equipment. Since its inception, the Tobacco Trust has devoted all its efforts to the substitution of mechanical for manual labour on an extensive scale. With this end in view it bought up all patents that had anything to do with the manufacture of tobacco and spent enormous sums for this purpose. Many of these patents at first proved to be of no use, and had to be modified by the engineers employed by the trust. At the end of 1906, two subsidiary companies were formed solely to acquire patents. With the same object in view, the trust built its own foundries, machine shops and repair shops. One of these establishments, that in Brooklyn, employs on the average 300 workers; here experiments are carried out on inventions concerning the manufacture of cigarettes, cheroots, snuff, tinfoil for packing, boxes, etc. Here, also, inventions are perfected.¹⁹

Other trusts also employ so-called developing engineers whose business it is to devise new methods of production and to test

¹⁶ *Ibid.*, p. 218.

¹⁷ Dr. S. Tschierschky, *Kartell und Trust*, Gottingen, 1903, p. 13.

¹⁸ Th. Vogelstein, *Organisationsformen*, p. 275.

¹⁹ *Report of the Commissioner of Corporations on the Tobacco Industry*, Washington, 1909, p. 266, cited according to Dr. Paul Tafel, *Die nord amerikanischen Trusts und ihre Wirkungen auf den Fortschritt der Technik (North American Trusts and Their Effect on Technical Progress—Tr.)*, Stuttgart, 1913, p. 48.

technical improvements. The United States Steel Corporation grants big bonuses to its workers and engineers for all inventions suitable for raising technical efficiency, or for reducing cost of production.²⁰

In German large-scale industry, e.g., in the chemical industry, which has developed so enormously during these last few decades, the promotion of technical improvement is organized in the same way. By 1908 the process of concentration of production had already given rise to two main “groups” which, in their way, were also in the nature of monopolies. First these groups constituted “dual alliances” of two pairs of big factories, each having a capital of from twenty to twenty-one million marks: on the one hand, the former Meister Factory at Frankfurt and the Cassella Factory at Frankfurt am Main; and on the other hand, the aniline and soda factory at Ludwigshafen and the former Bayer factory at Elberfeld. Then, in 1905, one of these groups, and in 1908 the other group, each concluded an agreement with yet another big factory. The result was the formation of two “triple alliances,” each with a capital of from forty to fifty million marks. And these “alliances” have already begun to come “close” to one another, to reach “an understanding” about prices, etc.²¹

Competition becomes transformed into monopoly. The result is immense progress in the socialization of production. In particular, the process of technical invention and improvement becomes socialized.

This is something quite different from the old free competition between manufacturers, scattered and out of touch with one another, and producing for an unknown market. Concentration has reached the point at which it is possible to make an approximate estimate of all sources of raw materials (for example, the iron ore deposits) of a country and even, as we shall see, of several countries, or of the whole world. Not only are such estimates made, but these sources are captured by gigantic monopolist combines. An approximate estimate of the capacity of markets is also made, and the combines “divide” them up amongst themselves by agree-

²⁰ Dr. P. Tafel, *ibid.*, p. 49.

²¹ Riesser, *op. cit.*, third edition, p. 547 *et seq.* The newspapers (June 1916) report the formation of a new gigantic trust which combines the chemical industry of Germany.

ment. Skilled labour is monopolized, the best engineers are engaged; the means of transport are captured: railways in America, shipping companies in Europe and America. Capitalism in its imperialist stage leads right up to the most comprehensive socialization of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialization.

Production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The general framework of formally recognized free competition remains, but the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, more burdensome and intolerable.

The German economist, Kestner, has written a book especially devoted to “the struggle between the cartels and outsiders,” i.e., the capitalists outside the cartels. He entitled his work *Compulsory Organization*, although, in order to present capitalism in its true light, he should, of course, have written about compulsory submission to monopolist combines. It is instructive to glance at least at the list of the methods the monopolist combines resort to in the present day, the latest, the civilized struggle for “organization”: 1) stopping supplies of raw materials (“one of the most important methods of compelling adherence to the cartel”); 2) stopping the supply of labour by means of “alliances” (i.e., of agreements between the capitalists and the trade unions by which the latter permit their members to work only in cartelized enterprises); 3) stopping deliveries; 4) closing of trade unions; 5) agreements with the buyers by which the latter undertake to trade only with the cartels; 6) systematic price cutting (to ruin “outside” firms, i.e., those which refuse to submit to the monopolists. Millions are spent in order to sell goods for a certain time below their cost price; there were instances when the price of benzine was thus reduced from 40 to 22 marks, i.e., almost by half!); 7) stopping credits; 8) boycott.

Here we no longer have competition between small and large, technically developed and backward enterprises. We see here the monopolists throttling those which do not submit to them, to their yoke, to their dictation. This is how this process is reflected in the mind of a bourgeois

economist:

Even in the purely economic sphere, [writes Kestner] a certain change is taking place from commercial activity in the old sense of the word towards organizational speculative activity. The greatest success no longer goes to the merchant whose technical and commercial experience enables him best of all to estimate the needs of the buyer, and who is able to discover and, so to speak, ‘awaken’ a latent demand; it goes to the speculative genius [?!] ...who knows how to estimate, or even only to sense in advance the organizational development and the possibilities of certain connections between individual enterprises and the banks....

Translated into ordinary human language this means that the development of capitalism has arrived at a stage when, commodity production still “reigns” and continues to be regarded as the basis of economic life, it has in reality been undermined and the bulk of the profits go to the “geniuses” of financial manipulation. At the basis of these manipulations and swindles lies socialized production; but the immense progress of mankind which achieved this socialization, goes to benefit ... the speculators. We shall see later how “on these grounds” reactionary, petit-bourgeois critics of capitalist imperialism dream of going *back* to “free,” “peaceful,” and “honest” competition.

The prolonged raising of prices which results from the formation of cartels, [says Kestner] has hitherto been observed only in relation to the most important means of production, particularly coal, iron and potassium, but has never been observed in relation to manufactured goods. Similarly, the increase in profits resulting from this raising of prices has been limited only to the industries which produce means of production. To this observation we must add that the industries which process raw materials [and not semimanufactures] not only secure advantages from the cartel formation in the shape of high profits, to the detriment of the finished goods industry, but secured also a *dominating position* over the latter which did

not exist under free competition.²²

The words which we have italicized reveal the essence of the case which the bourgeois economists admit so reluctantly and so rarely, and which the present-day defenders of opportunism, led by K. Kautsky, so zealously try to evade and brush aside. Domination, and violence that is associated with it, such are the relationships that are typical of the “latest phase of capitalist development”; this is what inevitably had to result, and has resulted, from the formation of all-powerful economic monopolies. We will give one more example of the methods employed by the cartels. Where it is possible to capture all or the chief sources of raw materials, the rise of cartels and formation of monopolies is exceptionally easy. It would be wrong, however, to assume that monopolies do not arise in other industries in which it is impossible to corner the sources of raw materials. The cement industry, for instance, can find its raw materials everywhere. Yet in Germany this industry too is strongly cartelized. The cement manufacturers have formed regional syndicates: South German, Rhine Westphalian, etc. The prices fixed are monopoly prices: 230 to 280 marks a carload, when the cost price is 180 marks! The enterprises pay a dividend of from 12 per cent to 16 per cent—and it must not be forgotten that the “geniuses” of modern speculation know how to pocket big profits besides what they draw in dividends. In order to prevent competition in such a profitable industry, the monopolists even resort to sundry stratagems: they spread false rumours about the bad situation in their industry; anonymous warnings are published in the newspapers, like the following: “Capitalists, don’t invest your capital in the cement industry!”; lastly, they buy up “outsiders” (those outside the syndicates) and pay them “compensation” of 60,000, 80,000 and even 150,000 marks.²³ Monopoly hews a path for itself everywhere without scruple as to the means, from paying a “modest” sum to buy off competitors to the American device of “employing” dynamite against them.

The statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favourable light. On the contrary, monopoly which is created in *certain* branches of

²² Kestner, *op. cit.*, p. 254.

²³ L. Eschwege, “Zement” in *Die Bank*, 1909, Vol. 1, p. 115 *et seq.*

industry, increases and intensifies the anarchy inherent in capitalist production *as a whole*. The disparity between the development of agriculture and that of industry, which is characteristic of capitalism in general, is increased. The privileged position of the most highly cartelized, so-called heavy industry, especially coal and iron, causes “a still greater lack of coordination” in other branches of industry—as Jeidels, the author of one of the best works on “the relationship of the German big banks to industry,” admits.²⁴

“The more developed an economic system is,” writes Liefmann, an unblushing apologist of capitalism, “the more it resorts to risky enterprises, or enterprises abroad, to those which need a great deal of time to develop, or finally, to those which are only of local importance.”²⁵ The increased risk is connected in the long run with the prodigious increase of capital, which overflows the brim, as it were, flows abroad, etc. At the same time the extremely rapid rate of technical progress gives rise to increasing elements of disparity between the various spheres of national economy, to anarchy and crises. Liefmann is obliged to admit that: “In all probability mankind will see further important technical revolutions in the near future which will also affect the organization of the economic system” ...electricity and aviation.... “As a general rule, in such periods of radical economic change, speculation develops on a large scale.” ...²⁶

Crises of every kind—economic crises most frequently, but not only these—in their turn increase very considerably the tendency towards concentration and towards monopoly. In this connection, the following reflections of Jeidels on the significance of the crisis of 1900, which, as we have already seen, marked the turning point in the history of modern monopoly, are exceedingly instructive:

Side by side with the gigantic plants in the basic industries, the crisis of 1900 still found many plants organized on lines that today would be considered obsolete, the “pure” (non-com-

²⁴ O. Jeidels, *Das Verhältnis der deutschen Grossbanken zur Industrie mit besonderer Berücksichtigung der Eisenindustrie* (*The Relationship of the German Big Banks to Industry, with Special Reference to the Iron Industry—Tr.*), Leipzig, 1905, p. 271.

²⁵ R. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften*, p. 434.

²⁶ *Ibid.*, pp. 465-66.

bined) plants, which had arisen on the crest of the industrial boom. The fall in prices and the falling off in demand put these “pure” enterprises into a precarious position, which did not affect the gigantic combined enterprises at all or only affected them for a very short time. As a consequence of this the crisis of 1900 resulted in a far greater concentration of industry than the crisis of 1873: the latter crisis also produced a sort of selection of the best equipped enterprises, but owing to the level of technical development at that time, this selection could not place the firms which successfully emerged from the crisis in a position of monopoly. Such a durable monopoly exists to a high degree in the gigantic enterprises in the modern iron and steel and electrical industries owing to their very complicated technique, far-reaching organization and magnitude of capital, and, to a lesser degree, in the engineering industry, certain branches of the metallurgical industry, transport, etc.²⁷

Monopoly! This is the last word in the “latest phase of capitalist development.” But we shall only have a very insufficient, incomplete, and poor notion of the real power and the significance of modern monopolies if we do not take into consideration the part played by the banks.

²⁷ Jeidels, *op. cit.*, p. 108.

Chapter II.

The Banks and Their New Role

The principal and original function of banks is to serve as middlemen in the making of payments. In doing so they transform inactive money capital into active, that is, into capital yielding a profit; they collect all kinds of money revenues and place them at the disposal of the capitalist class.

As banking develops and becomes concentrated in a small number of establishments, the banks grow from humble middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and of the sources of raw materials of the given country and in a number of countries. This transformation of numerous humble middlemen into a handful of monopolists represents one of the fundamental processes in the growth of capitalism into capitalist imperialism; for this reason we must first of all deal with the concentration of banking.

In 1907-08, the combined deposits of the German joint-stock banks, each having a capital of more than a million marks, amounted to 7,000,000,000 marks; in 1912-13, these deposits already amounted to 9,800,000,000 marks. An increase of 40 per cent in five years; and of the 2,800,000,000 increase, 2,750,000,000 was divided amongst 57 banks, each having a capital of more than 10,000,000 marks. The distribution of the deposits between big and small banks was as follows:²⁸

PERCENTAGE OF TOTAL DEPOSITS

	In 9 big Berlin Banks	In the other 48 banks with a capital of more than 10 million marks	In 115 banks with a capital of 1-10 million marks	In the small banks (with a capital of less than 1 million marks)
1907-08	47	32.5	16.5	4
1912-13	49	36.0	12.0	3

²⁸ Alfred Lansburgh, *Fünf Jahre deutsches Bankwesen* (*Five Years of German Banking—Tr.*), in *Die Bank*, 1913, No. 8, p. 728.

The small banks are being ousted by the big banks, of which only nine concentrate in their hands almost half the total deposits. But we have left out of account many important details, for instance, the transformation of numerous small banks practically into branches of the big banks, etc. Of this we shall speak later on.

At the end of 1913, Schulze-Gaevernitz estimated the deposits in the nine big Berlin banks at 5,100,000,000 marks, out of a total of about 10,000,000,000 marks. Taking into account not only the deposits, but the total bank capital, this author wrote:

At the end of 1909, the nine big Berlin banks, *together with their affiliated banks*, controlled 11,300,000,000 marks, that is, about 83 per cent of the total German bank capital. The Deutsche Bank, which *together with its affiliated banks* controls nearly 3,000,000,000 marks, represents, parallel with the Prussian State Railway Administration, the biggest and also the most decentralized accumulation of capital in the old world.²⁹

We have emphasized the reference to the “affiliated” banks, because this is one of the most important distinguishing features of modern capitalist concentration. The big enterprises and the banks in particular, not only completely absorb the small ones, but also “annex” them, subordinate them, bring them into their “own” group of “concern” (to use the technical term) by acquiring “holdings” in their capital, by purchasing or exchanging shares by a system of credits, etc., etc. Professor Liefmann has written a voluminous “work” of about 500 pages describing modern “holding and finance companies,”³⁰ unfortunately adding “theoretical” reflections of a very poor quality to what is frequently undigested raw material. To what results this “holding” system leads as regards concentration is best illustrated in the book written on the big German banks by Riesser, himself a “banker.” But before examining his data, we will quote

²⁹ Schulze-Gaevernitz, “Die deutsche Kreditbank” in *Grundriss der Sozialökonomik (The German Credit Bank in Outline of Social Economics—Tr.)*, Tübingen, 1915, pp. 12 and 137.

³⁰ R. Liefmann, *Beteiligungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen*, I. Aufl., Jena, 1909, p. 212.

a concrete example of the “holding” system.

The Deutsche Bank “group” is one of the biggest, if not the biggest, of the big banking groups. In order to trace the main threads which connect all the banks in this group, it is necessary to distinguish between “holdings” of the first, second and third degree, or what amounts to the same thing, between dependence (of the lesser banks on the Deutsche Bank) in the first, second and third degree. We then obtain the following picture:³¹

		Dependence, 1 st degree	Dependence, 2 nd degree	Dependence, 3 rd degree
The Deutsche Bank has holdings	Permanently	In 17 other banks	9 of the 17 have holdings in 34 other banks	4 of the 9 have holdings in 7 other banks
	For an indefinite period	In 5 other banks	—	—
	Occasionally	In 8 other banks	5 of the 8 have holdings in 14 other banks	2 of the 5 have holdings in 2 other banks
<i>Totals</i>		In 30 other banks	14 of the 30 have holdings in 48 other banks	6 of the 14 have holdings in the 9 other banks

Included in the eight banks dependent on the Deutsche Bank in the “first degree,” “occasionally,” are three foreign banks: one Austrian (the Wiener Bankverein) and two Russian (the Siberian Commercial Bank and the Russian Bank for Foreign Trade). Altogether, the Deutsche Bank group comprises, directly and indirectly, partially and totally, 87 banks; and the total capital—its own and others’ which it controls—is estimated at between two and three billion marks.

It is obvious that a bank which stands at the head of such a group, and which enters into agreement with half a dozen other banks only slightly smaller than itself for the purpose of conducting exceptionally big and profitable financial operations like floating state loans, has already outgrown the part of “middleman” and has become a combine of a handful of monopolists.

³¹ Alfred Lansburgh, “Das Beteiligungssystem im deutschen Bankwesen” (*The Holding System in German Banking—Tr.*), in *Die Bank*, 1910, p. 500.

The rapidity with which the concentration of banking proceeded in Germany at the end of the nineteenth and the beginning of the twentieth centuries is shown by the following data which we quote in an abbreviated form from Riesser:

SIX BIG GERMAN BANKS

Year	Branches in Germany	Deposit banks and exchange offices	Constant holdings in German joint-stock banks	Total establishments
1895	16	14	1	42
1900	21	40	8	80
1911	104	276	63	450

We see the rapid expansion of a close network of canals which cover the whole country, centralizing all capital and all revenues, transforming thousands and thousands, of scattered economic enterprises into a single national capitalist, and then into a world capitalist economy. The “decentralization” that Schure-Gaevernitz, as an exponent of present-day bourgeois political economy, speaks of in the passage previously quoted, really means the subordination of an increasing number of formerly relatively “independent,” or rather, strictly local economic units, to a single centre. In reality it is *centralization*, the enhancement of the role, the importance and the power of monopolist giants.

In the older capitalist countries “banking network” is still more close. In Great Britain and Ireland, in 1900, there were in all 7,151 branches of banks. Four big banks had more than 400 branches each (from 447 to 689); four had more than 200 branches each, and eleven more than 100 each.

In France, *three* very big banks, Crédit Lyonnais, the Comptoir National and the Société Générale, extended their operations and their network of branches in the following manner.³²

³² Eugen Kaufmann, *Das französische Bankwesen*, Tübingen, 1911, pp. 356 and 362.

	Number of branches and offices			Capital in million francs	
	In the provinces	In Paris	Total	Own capital	Borrowed capital
1870	47	17	64	200	427
1890	192	66	258	265	1,245
1909	1,033	196	1,229	887	4,363

In order to show the “connections” of a big modern bank, Riesser gives the following figures of the number of letters dispatched and received by the Disconto-Gesellschaft, one of the biggest banks in Germany and in the world (its capital in 1914 amounted to 300,000,000 marks):

	Letters received	Letters dispatched
1852	6,135	6,292
1870	85,800	87,513
1900	533,102	626,043

The accounts of the big Paris bank, the Crédit Lyonnais, increased from 28,535 in 1875 to 633,539 in 1912.³³

These simple figures show perhaps better than lengthy disquisitions how the concentration of capital and the growth of bank turnover are radically changing the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, a bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, this operation grows to enormous dimensions we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society: for they obtain the opportunity—by means of their banking connections, their current accounts and other financial operations—first, to *ascertain exactly* the financial position of the various capitalists, then to *control* them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally *entirely determine* their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimen-

³³ Jean Lescure, *L'épargne en France (Savings in France—Tr.)*, Paris, 1914, p. 52.

sions, etc.

We have just mentioned the 300,000,000 marks capital of the Disconto-Gesellschaft of Berlin. This increase of the capital of the bank was one of the incidents in the struggle for hegemony between two of the biggest Berlin banks—the Deutsche Bank and the Disconto. In 1870, the first was still a novice and had a capital of only 15,000,000 marks, while the second a capital of 30,000,000 marks. In 1908, the first had a capital of 200,000,000, while the second had 170,000,000. In 1914, the first increased its capital to 250,000,000 and the second, by merging with another first-class big bank, the Schaaffhausenscher Bankverein, increased its capital to 300,000,000. And of course, this struggle for hegemony went hand in hand with the more and more frequent conclusion of “agreements” of an increasingly durable character between the two banks. The following are the conclusions that this development of banking forces upon specialists in banking who regard economic questions from a standpoint which does not in the least exceed the bounds of the most moderate and cautious bourgeois reformism:

Commenting on the increase of the capital of the Disconto-Gesellschaft to 300,000,000 marks, the German review, *Die Bank*, wrote:

Other banks will follow this same path and in time the three hundred men, who today govern Germany economically, will gradually be reduced to fifty, twenty-five or still fewer. It cannot be expected that this latest move towards concentration will be confined to banking. The close relations that exist between individual banks naturally lead to the bringing together of the industrial syndicates which these banks favour.... One fine morning we shall wake up in surprise to see nothing but trusts before our eyes, and to find ourselves faced with the necessity of substituting state monopolies for private monopolies. However, we have nothing to reproach ourselves with, except for having allowed things to follow their own course, slightly accelerated by the manipulation of stocks.³⁴

This is an example of the impotence of bourgeois journalism which

³⁴ A. Lansburgh, “Die Bank mit den 300 Millionen” in *Die Bank*, 1914, 1, p. 426.

differs from bourgeois science only in that the latter is less sincere and strives to obscure the essence of the matter, to conceal the wood by trees. To be “surprised” at the results of concentration, to “reproach” the government of capitalist Germany, or capitalist “society” (“ourselves”), to fear that the introduction of stocks and shares might “accelerate” concentration in the same way as the German “cartel” specialist Tschierschky fears the American trusts and “prefers” the German cartels on the grounds that they “may not, like the trusts, excessively accelerate technical and economic progress”³⁵—is not this impotence?

But facts remain facts. There are no trusts in Germany; there are “only” cartels—but Germany is *governed* by not more than three hundred magnates of capital, and the number of these is constantly diminishing. At all events, in all capitalist countries, notwithstanding all the differences in their banking laws, banks greatly intensify and accelerate the process of concentration of capital and the formation of monopolies.

The banking system “presents indeed the form of common book-keeping and of the distribution of the means of production on a social scale, but only the form,” wrote Marx in *Capital* half a century ago (Russ. trans. Vol. III, part II, p. 144).³⁶ The figures we have quoted on the growth of bank capital, on the increase in the number of the branches and offices of the biggest banks, the increase in the number of their accounts, etc., present a concrete picture of this “common bookkeeping” of the *whole* capitalist class; and not only of the capitalists, for the banks collect, even though temporarily, all kinds of money revenues—of small businessmen, office clerks, and of a tiny upper stratum of the working class. It is “common distribution of means of production” that, from the formal aspect, *grows* out of the modern banks, numbering some three to six of the biggest in France, and six to eight in Germany, control billions and billions. In *substance*, however, the distribution of means of production is by no means “common,” but private, i.e., it conforms to the interests of big capital, and primarily, of huge, monopoly capital, which operates under conditions in which the masses of the population live in want, in which the whole development of agriculture hopelessly

³⁵ S. Tschierschky, *op. cit.*, p. 128.

³⁶ Karl Marx, *Capital*, Ger. ed., Berlin, 1959, Vol. III, p. 655. — *Ed.*

lags behind the development of industry, while within industry itself the “heavy industries” exact tribute from all other branches of industry.

In the matter of socializing capitalist economy the savings banks and post offices are beginning to compete with they are more “decentralized,” i.e., their influence extends to a greater number of localities, to more remote places, to wider sections of the population. Here is the data collected by an American commission on the comparative growth of deposits in banks and savings banks:³⁷

DEPOSITS (IN BILLIONS OF MARKS)

	England		France		Germany		
	Banks	Savings Banks	Banks	Savings Banks	Banks	Credit Societies	Savings Banks
1880	8.4	1.6	?	0.9	0.5	0.4	2.6
1888	12.4	2.0	1.5	2.1	1.1	0.4	4.5
1909	23.2	4.2	3.7	4.2	7.1	2.2	13.9

As they pay interest at the rate of 4 per cent and 4 1/4 per cent on deposits, the savings banks must seek “profitable” investments for their capital, they must deal in bills, mortgages, etc. The boundaries between the banks and the savings banks “become more and more obliterated.” The Chambers of Commerce of Bochum and Erfurt, for example, demand that savings banks be “prohibited” from engaging in “purely” banking business, such as discounting bills; they demand the limitation of the “banking” operations of the post office.³⁸ The banking magnates seem to be afraid that state monopoly will steal upon them from an unexpected quarter. It goes without saying, however, that this fear is no more than the expression of the rivalry, so to speak, between two department managers in the same office; for, on the one hand, the billions entrusted to the savings banks are in the final analysis actually controlled by these very same bank capital magnates, while, on the other hand, state monopoly in capitalist society is merely a means of increasing and guaranteeing

³⁷ *Statistics of the National Monetary Commission*, quoted in *Die Bank*, 1910, 1, p. 1200.

³⁸ *Die Bank*, 1913 pp. 811, 1022; 1914, p. 713.

the income of millionaires in one branch of industry or another who are on the verge of bankruptcy.

The change from the old type of capitalism, in which free competition predominated, to the new capitalism, in which monopoly reigns, is expressed, among other things, by a decline in the importance of the Stock Exchange. The review, *Die Bank*, writes: "The Stock Exchange has long ceased to be the indispensable medium of circulation that it was formerly when the banks were not yet able to place the bulk of new issues with their clients."³⁹

"Every bank is a Stock Exchange,' and the bigger the bank, and the more successful the concentration of banking, the truer does this modern aphorism become."⁴⁰ "While formerly, in the 'seventies, the Stock Exchange, flushed with the exuberance of youth" (a "subtle" allusion to the Stock Exchange crash of 1873, to the company promotion scandals,⁴¹ etc.), "opened the era of the industrialization of Germany, nowadays the banks and industry are able to 'do it alone.' The domination of our big banks over the Stock Exchange ... is nothing else than the expression of the completely organized German industrial state. If the domain of the automatically functioning economic laws is thus restricted, and if the domain of conscious regulation by the banks is considerably enlarged, the national economic responsibility of a few guiding heads is immensely increased," so writes the German Professor Schulze-Gaevernitz,⁴² an apologist of German imperialism, who is regarded as an authority by the imperialists of all countries, and who tries to gloss over a "detail," viz., that the "conscious regulation" of economic life by the banks consists in the fleecing of the public by a handful of "completely organized" monopolists. The task of a bourgeois professor is not to lay bare the entire mechanism, or to expose all the machinations of the bank monopolists, but rather to present them in a favourable light.

³⁹ *Die Bank*, 1914, 1, p. 316.

⁴⁰ Dr. Oscar Stillich, *Geld und Bankwesen*, Berlin, 1907, p. 169.

⁴¹ These occurred during the widespread establishment of joint-stock companies in the early seventies to the nineteenth century, which was accompanied by all manner of fraudulent operations by bourgeois businessmen, who were making a great deal of money, and by wild speculation in real estate and securities. — *Ed.*

⁴² Schulze-Gaevernitz, *Die deutsche Kreditbank in Grundriss der Sozialökonomik*, Tübingen, 1915, p. 101.

In the same way, Riesser, a still more authoritative economist and himself “a banker,” makes shift with meaningless phrases in order to explain away undeniable facts:

The Stock Exchange is steadily losing the feature which is absolutely essential for national economy as a whole and for the circulation of securities in particular—that of being not only a most exact measuring-rod, but also an almost automatic regulator of the economic movements which converge on it.⁴³

In other words, the old capitalism, the capitalism of free competition with its indispensable regulator, the Stock Exchange, is passing away. A new capitalism has come to take its place, bearing obvious features of something transient, a mixture of free competition and monopoly. The question naturally arises: *to what* is this new capitalism “passing”? But the bourgeois scholars are afraid to raise this question.

Thirty years ago, businessmen, freely competing against one another, performed nine-tenths of the work connected with their business other than manual labour. At the present time, nine-tenths of this “brain work” is performed by *officials*. Banking is in the forefront of this evolution.⁴⁴

This admission by Schulze-Gaevernitz brings us once again to the question: to what is this new capitalism, capitalism in its imperialist stage, developing?

Among the few banks which remain at the head of all capitalist economy as a result of the process of concentration, there is naturally to be observed an increasingly marked tendency towards monopolist agreements, towards a *bank trust*. In America, not nine, but *two* very big banks, those of the billionaires Rockefeller and Morgan, control a capital of eleven billion marks.⁴⁵ In Germany the absorption of the Schaaffhausenscher Bankverein by the Disconto-Gesellschaft to which we referred

⁴³ Riesser, *op. cit.*, 4th ed., p. 629.

⁴⁴ Schulze-Gaevernitz, *Die deutsche Kreditbank in Grundriss der Sozialökonomik*, Tübingen, 1915, p. 151.

⁴⁵ *Die Bank*, 1912, 1, p. 435.

above, was commented on in the following terms by the *Frankfurter Zeitung*,⁴⁶ an organ of the Stock Exchange interests:

The concentration movement of the banks is narrowing the circle of establishments from which it is possible to obtain credits, and is consequently increasing the dependence of big industry upon a small number of banking groups. In view of the close connection between industry and the financial world, the freedom of movement of industrial companies which need banking capital is restricted. For this reason, big industry is watching the growing trustification of the banks with mixed feelings. Indeed, we have repeatedly seen the beginnings of certain agreements between the individual big banking concerns, which aim at restricting competition.⁴⁷

Again and again, the final word in the development of banking is monopoly.

As regards the close connection between the banks and industry, it is precisely in this sphere that the new role of the banks is, perhaps, most strikingly felt. When a bank discounts a bill for a firm, opens a current account for it, etc., these operations, taken separately, do not in the least diminish its independence, and the bank plays no other part than that of a humble middleman. But when such operations are multiplied and become an established practice, when the bank “collects” in its own hands enormous amounts of capital, when the running of a current account for a given firm enables the bank—and this is what happens—to obtain fuller and more detailed information about the economic position of its client, the result is that the industrial capitalist becomes more completely dependent on the bank.

At the same time a personal union, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice

⁴⁶ *Frankfurter Zeitung* (*Frankfort Newspaper*)—a German bourgeois newspaper published in Frankfort-on-Main from 1856. — *Ed.*

⁴⁷ Quoted by Schulze-Gaevernitz, *ibid.*, p. 155.

versa. The German economist, Jeidels, has compiled most detailed data on this form of concentration of capital and of enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 others, making a total of 751 companies. In 289 of these companies they either had two of their representatives on each of the respective Supervisory Boards, or held the posts of chairmen. We find these industrial and commercial companies in the most diverse branches of industry: insurance, transport, restaurants, theatres, art industry, etc. On the other hand, on the Supervisory Boards of these six banks (in 1910) were fifty-one of the biggest industrialists, including the director of Krupp, of the powerful “Hapag” (Hamburg-American Line), etc., etc. From 1895 to 1910, each of these six banks participated in the share and bond issues of many hundreds of industrial companies (the number ranging from 281 to 419).⁴⁸

The “personal union” between the banks and industry is supplemented by the “personal union” between both and the government. “Seats on Supervisory Boards,” writes Jeidels, “are freely offered to persons of title, also to ex-civil servants, who are able to do a great deal to facilitate” (!) “relations with the authorities.” ... “Usually, on the Supervisory Board of a big bank, there is a member of parliament or a Berlin city councilor.”

The building, so to speak, of the big capitalist monopolies is therefore going on full steam ahead in all “natural” and “supernatural” ways. A sort of division of labor is being systematically developed amongst some hundreds of kings of finance who reign over modern capitalist society:

Simultaneously with this widening of the sphere of activity of certain big industrialists [joining the boards of banks, etc.] and with the allocation of provincial bank managers to definite industrial regions, there is a growth of specialization among the directors of the big banks. Generally speaking, this specialization is only conceivable when banking is conducted on a large scale, and particularly when it has widespread connections with industry. This division of labour proceeds along two

⁴⁸ Jeidels, *op. cit.*; Riesser, *op. cit.*

lines: on the one hand, relations within industry as a whole are entrusted to one director, as his special function; on the other, each director assumes the supervision of several separate enterprises, or of a group of enterprises in the same branch of industry or having similar interests. [Capitalism has already reached the stage of organized *supervision* of individual enterprises.] ...One specializes in German industry, sometimes even in West-German industry alone [the West is the most industrialized part of Germany], others specialize in relations with foreign states and foreign industry, in information about the personality of industrialists and others, in Stock Exchange questions, etc. Besides, each bank director is often assigned a special locality or a special branch of industry; one works chiefly on Supervisory Boards of electric companies, another chemical, brewing, or beet-sugar plants, a third in a few isolated industrial enterprises, but at the same time works on the Supervisory Boards of insurance companies.... In short, there can be no doubt that the growth in the dimensions and diversity of the big banks' operations is accompanied by an increase in the division of labour among their directors with the object (and result) of, so to speak, lifting them somewhat out of pure banking and making them better experts, better judges of the general problems of industry and the special problems of each branch of industry, thus making them more capable of acting within the respective bank's industrial sphere of influence. This system is supplemented by the banks' endeavours to elect to their Supervisory Boards men who are experts in industrial affairs, such as industrialists, former officials, especially those formerly in the railway service or in mining, [etc.].⁴⁹

We find the same system only in a slightly different form in French banking. For instance, one of the three biggest French banks, the *Crédit Lyonnais*, has organized a financial research service (*service des études financières*), which permanently employs over fifty engineers, statis-

⁴⁹ Jeidels, *op. cit.*, p. 157.

ticians, economists, lawyers, etc. This costs from six to seven hundred thousand francs annually. The service is in turn divided into eight departments: one specializes in collecting information concerning industrial establishments, another studies general statistics, a third with railway and steamship companies, a fourth, securities, a fifth, financial reports, etc.⁵⁰

The result is, on the one hand, the ever-growing merger, or, as N. I. Bukharin aptly calls it, coalescence, of bank and industrial capital and, on the other hand, the growth of the banks into institutions of a truly “universal character.” On this question we think it necessary to quote the exact terms used by Jeidels, who has best studied the subject:

An examination of the sum total of industrial relationships reveals the *universal character* of the financial establishments working on behalf of industry. Unlike other kinds of banks, and contrary to the demand sometimes expressed in literature that banks should specialize in one kind of business or in one branch of industry in order to prevent the ground from slipping from under their feet—the big bank are striving to make their connections with industrial enterprises as varied as possible regarding locality and branch of industry and are striving to eliminate the unevenness in the distribution of capital among localities and branches of industry resulting from the historical development of individual enterprises. ...One tendency is to make the connections with industry general; another tendency is to make them durable and close. In the six big banks both these tendencies are realized, not in full, but to a considerable extent and to an equal degree.

Quite often industrial and commercial circles complain of the “terrorism” of the banks. And it is not surprising that such complaints are heard, for the big banks “command,” as will be seen from the following example. On November 19, 1901, one of the big, so-called Berlin “D” banks (the names of the four biggest banks begin with the letter D) wrote to the Board of Directors of the German Central Northwest Cement Syndicate in the following terms:

⁵⁰ An article by Eug. Kaufmann on French banks in *Die Bank*, 1909; 2, p. 851 *et seq.*

As we learn from the notice you published in a certain newspaper of the 18th inst., we must reckon with the possibility that the next general meeting of your syndicate, to be held on the 30th of this month, may decide on measures which are likely to effect changes in your undertaking which are unacceptable to us. We deeply regret that, for these reasons, we are obliged henceforth to withdraw the credit which had been hitherto allowed you.... But if the said next general meeting does not decide upon measures which are unacceptable to us, and if we receive suitable guarantees on this matter for the future, we shall be quite willing to open negotiations with you on the grant of a new credit.⁵¹

As a matter of fact, this is small capital's old complaint about being oppressed by big capital, but in this case it was a whole syndicate that fell into the category of "small" capital! The old struggle between small and big capital is being resumed at a new and immeasurably higher stage of development. It stands to reason that the big banks' enterprises, worth billions, can accelerate technical progress with means that cannot possibly be compared with those of the past. The banks, for example, set up special technical research societies, and, of course, only "friendly" industrial enterprises benefit from their work. To this category belong the Electric Railway Research Association, the Central Bureau of Scientific and Technical Research, etc.

The directors of the banks themselves cannot fail to see that new conditions of national economy are being created; but they are powerless in the face of these phenomena.

Anyone who has watched, in recent years, [writes Jeidels] the changes of incumbents of directorships and seats on the Supervisory Boards of the big banks, cannot fail to have noticed that power is gradually passing into the hands of men who consider the active intervention of the big banks in the general development of industry to be necessary and of increasing importance. Between these new men and the old bank

⁵¹ Dr. Oscar Stillich, *Geld- und Bankwesen*, Berlin, 1907, p. 148.

directors, disagreements of a business and often of a personal nature are growing on this subject. The issue is whether or not the banks, as credit institutions, will suffer from this intervention in industry, whether they are sacrificing tried principles and an assured profit to engage in a field of activity which has nothing in common with their role as middlemen in providing credit, and which is leading the banks into a field where they are more than ever before exposed to the blind force of trade fluctuations. This is the opinion of many of the older bank directors, while most of the young men consider active intervention in industry to be a necessity as great as that which gave rise, simultaneously with big modern industry, to the big banks and modern industrial banking. The two parties are agreed only on one point: that there are neither firm principles nor a concrete aim in the new activities of the big banks.⁵²

The old capitalism has had its day. The new capitalism represents a transition towards something. It is hopeless, of course, to seek for “firm principles and a concrete aim” for the purpose of “reconciling” monopoly with free competition. The admission of the practical men has quite a different ring from the official praises of the charms of “organized” capitalism sung by its apologists, Schulze-Gaevernitz, Liefmann and similar “theoreticians.”

At precisely what period were the “new activities” of the big banks finally established? Jeidels gives us a fairly exact answer to this important question:

The connections between the banks and industrial enterprises, with their new content, their new forms and their new organs, namely, the big banks which are organized on both a centralized and a decentralized basis, were scarcely a characteristic economic phenomenon before the nineties; in one sense, indeed this initial date may be advanced to the year 1897, when the important “mergers” took place and when, the first time, the new form of decentralized organization was introduced to suit

⁵² Jeidels, *op. cit.*, pp. 183-84.

the industrial policy of the banks. This starting point could perhaps be placed at an even later date, for it was the crisis of 1900 that enormously accelerated and intensified the process of concentration of industry and of banking, consolidated that process, for the first time transformed the connection with industry into the actual monopoly of the big banks, and made this connection much closer and more active.⁵³

Thus, the twentieth century marks the turning point from the old capitalism to the new, from the domination of capital in general to the domination of finance capital.

⁵³ *Ibid.*, p. 181.

Chapter III.

Finance Capital and the Financial Oligarchy

A steadily increasing proportion of capital in industry, [writes Hilferding,] ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an increasing share of its funds in industry. Thus, to an ever-increasing degree the banker is being transformed into an industrial capitalist. This bank capital, i.e., capital in money form, which is thus actually transformed into industrial capital, I call “finance capital.” ... Finance capital is capital controlled by banks and employed by industrialists.⁵⁴

This definition is incomplete in so far as it is silent on one extremely important fact: the increase of concentration of production and of capital to such an extent that concentration leads, and has led, to monopoly. But throughout the whole of his work, and particularly in the two chapters which precede the one from which this definition is taken, Hilferding stresses the part played by *capitalist monopolies*.

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of this term.

We now have to describe how, under the general conditions of commodity production and private property, the “business operations” of capitalist monopolies inevitably become the domination of a financial oligarchy. It should be noted that the representatives of bourgeois German—and not only German—science, like Riesser, Schulze-Gaevernitz, Liefmann and others, are all apologists of imperialism and of finance capital. Instead of revealing the “mechanics” of the formation of an oligarchy,

⁵⁴ R. Hilferding, *Finance Capital*, Russ. ed., Moscow, 1912, pp. 338-339.

its methods, the size of its revenues “innocent and sinful,” its connections with parliaments, etc., etc., they obscure and embellish them. They evade these “vexed questions” by pompous and vague phrases, appeals to the “sense of responsibility” of bank directors, by praising “the sense of duty” of Prussian officials, giving serious study to the petit details of absolutely ridiculous parliamentary bills for the “supervision” and “regulation” of monopolies, playing spillikins with theories, like, for example, the following “scientific” definition, arrived at by Professor Liefmann: “*Commerce is an occupation having for its object: collecting goods, storing them and making them available.*”⁵⁵ (The Professor’s italics.) ...From this it would follow that commerce existed in the time of primitive man, who knew nothing about exchange, and that it will exist under Socialism!

But the monstrous facts concerning the monstrous rule of the financial oligarchy are so glaring that in all capitalist countries, in America, France and Germany, a whole literature has sprung up, written from the bourgeois point of view, but which, nevertheless, gives a fairly truthful picture and criticism—petit-bourgeois, naturally—of this oligarchy.

The “holding system,” to which we have already briefly referred above, should be made the cornerstone. The German economist, Heymann, probably the first to call attention to this matter, describes the essence of it in this way:

The head of the concern controls the principal company [literally: the “mother company”]; the latter reigns over the subsidiary companies [“daughter companies”] which in their turn control still other subsidiaries [“grandchild companies”], etc. In this way, it is possible with a comparatively small capital to dominate immense spheres of production. Indeed, if holding 50 per cent of the capital is always sufficient to control a company, the head of the concern needs only one million to control eight million in the second subsidiaries. And if this “interlocking” is extended, it is possible with one million to control sixteen million, thirty-two million? etc.⁵⁶

⁵⁵ R. Liefmann, *op. cit.*, p. 476.

⁵⁶ Hans Gideon Heymann, *Die gemischten Werke im deutschen Grosseisenindustrie*, Stuttgart, 1904, pp. 268-269.

As a matter of fact, experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs,⁵⁷ since a certain number of small, scattered shareholders find it impossible, in practice, to attend general meetings, etc. The “democratization” of the ownership of shares, from which the bourgeois sophists and opportunist so-called “Social-Democrats” expect (or say that they expect) the “democratization of capital,” the strengthening of the role and significance of small-scale production, etc., is, in fact, one of the ways of increasing the power of the financial oligarchy. Incidentally, this is why, in the more advanced, or in the older and more “experienced” capitalist countries, the law allows the issue of shares of smaller denomination. In Germany, the law does not permit the issue of shares of less than one thousand marks denomination, and the magnates of German finance look with an envious eye at England, where the issue of one-pound shares (= 20 marks, about 10 rubles) is permitted. Siemens, one of the biggest industrialists and “financial kings” in Germany, told the Reichstag on June 7, 1900, that “the one pound share is the basis of British imperialism.”⁵⁸ This merchant has a much deeper and more “Marxian” understanding of imperialism than a certain disreputable writer who is held to be one of the founders of Russian Marxism⁵⁹ and believes that imperialism is a bad habit of a certain nation...

But the “holding system” not only serves enormously to increase the power of the monopolists; it also enables them to resort with impunity to all sorts of shady and dirty tricks to cheat the public, for directors of the “mother company” are not legally responsible for the “daughter company,” which is supposed to be “independent,” and *through the medium* of which they can “pull off” *anything*. Here is an example taken from the German review, *Die Bank*, for May 1914:

The Spring Steel Company of Kassel was regarded some years ago as being one of the most profitable enterprises in Germany. Through bad management its dividends fell from 15 per cent to nil. It appears that the Board, without consulting

⁵⁷ Liefmann, *Beteiligungsgesellschaften*, etc., 1st ed., p. 258.

⁵⁸ Schulze-Gaevernitz in *Grundriss der Sozialökonomie*, V, 2, p. 110.

⁵⁹ Lenin meant G. V. Plekhanov. — *Ed.*

the shareholders, had loaned *six million marks* to one of its “daughter companies,” the Hassia, Ltd., which had a nominal capital of only some hundreds of thousands of marks. This commitment, amounting to nearly treble the capital of the “mother company,” was never mentioned in its balance sheets. This omission was quite legal and could be hushed up for two whole years because it did not violate any point of company law. The chairman of the Supervisory Board, who as the responsible head had signed the false balance sheets, was, and still is, the president of the Kassel Chamber of Commerce. The shareholders only heard of the loan to the Hassia, Ltd., long afterwards, when it had been proved to have been a mistake...[the writer should put this word in quotation marks] ...and when Spring Steel shares dropped nearly 100 per cent, because those in the know were getting rid of them....

This typical example of balance-sheet jugglery, quite common in joint-stock companies, explains why their Boards of Directors are willing with a far lighter heart to undertake risky transactions than individual businessmen. Modern methods of drawing up balance sheets not only make it possible to conceal doubtful undertakings from the ordinary shareholder, but also allow the people most concerned to escape the consequence of unsuccessful speculation by selling their shares in time while the individual businessman risks his own skin in everything he does....

The balance sheets of many joint-stock companies put us in mind of the palimpsests of the Middle Ages from which the visible inscription had first to be erased in order to discover beneath it another inscription giving the real meaning of the document. [Palimpsests are parchment documents from which the original inscription has been obliterated and another inscription imposed.]

The simplest and, therefore, most common procedure for mak-

ing balance sheets indecipherable is to divide a single business into several parts by setting up “daughter companies”—or by annexing such. The advantages of this system for various objects—legal and illegal—are so evident that big companies which do not employ it are quite the exception.⁶⁰

As an example of a huge monopolist company that extensively employs this system, the author quotes the famous General Electric Company (to which we shall refer again later on). In 1912, it was calculated that this company held shares in 175 to 200 other companies, dominating them, of course, and thus controlling a total capital of about 1,500,000,000 marks.⁶¹

All rules of control, the publication of balance sheets, the drawing up of balance sheets according to a definite form, the public auditing of accounts, etc., the things about which well-intentioned professors and officials—that is, those imbued with the good intention of defending and embellishing capitalism—discourse to the public, are of no avail. For private property is sacred, and no one can be prohibited from buying, selling, exchanging or mortgaging shares, etc.

The extent to which this “holding system” has developed in the big Russian banks may be judged by the figures given by E. Agahd, who for fifteen years was an official of the Russo-Chinese Bank and who, in May 1914, published a book, not altogether correctly entitled *Big Banks and the World Market*.⁶² The author divides the big Russian banks into two main categories: a) banks that come under the “holding system,” and b) “independent” banks—“independence,” however, being arbitrarily taken to mean independence of *foreign* banks. The author divides the first group into three sub-groups: 1) German holdings, 2) British holdings,

⁶⁰ L. Eschwege, “Tochtergesellschaften” (“Subsidiary Companies”—*Tr.*) in *Die Bank*, 1914, 1, p. 545.

⁶¹ Kurt Heinig, “Der Weg des Elektrotrusts” (“The Path of the Electric Trust”—*Tr.*) in *Neue Zeit*, 1912, 30 Jahrg., 2, p. 484.

⁶² E. Agahd, *Grossbanken und Weltmarkt. Die wirtschaftliche und politische Bedeutung der Grossbanken im Weltmarkt unter Berücksichtigung ihres Einflusses auf Russlands Volkswirtschaft und die deutsch-russischen Beziehungen*, Berlin, 1914. (*Big Banks and the World Market. The economic and political significance of the big banks on the world market, with reference to their influence on Russia's national economy and German-Russian relations.*—*Tr.*)

and 3) French holdings, having in view the “holdings” and domination of the big foreign banks of the particular country mentioned. The author divides the capital of the banks into “productively” invested capital (in industrial and commercial undertakings), and “speculatively” invested capital (in Stock Exchange and financial operations), assuming, from his petit-bourgeois reformist point of view, that it is possible, under capitalism, to separate the first form of investment from the second and to abolish the second form.

Here are the figures he supplies:

BANK ASSETS

(According to Reports for October-November 1913)
in millions of rubles

Groups of Russian Banks	Capital invested		
	Productivity	Speculativity	Total
a 1) Four Banks: Siberian Commercial, Russian, International, and Discount Bank	413.7	859.9	1,272.8
a 2) Two Banks: Commercial and Industrial, and Russo-British	239.3	169.1	408.4
a 3) Five Banks: Russo-Asiatic, St. Petersburg Private, Azov-Don, Union Moscow, Russo-French Commercial	711.8	661.2	1,373.0
(11 banks) <i>Total:</i>	1,364.8	1,689.4	3,054.2
b) Eight banks: Moscow Merchants, Volga-Kama, Junker and Co., St. Petersburg Commercial (formerly Wawelberg), Bank of Moscow, (formerly Ryabushinsky), Moscow Discount, Moscow Commercial, Moscow Private	504.2	391.1	895.3
(19 banks) <i>Total:</i>	1,869.0	2,080.5	3,949.5

According to these figures, of the approximately four billion rubles making up the “working” capital of the big banks, *more than three-fourths*, more than three billion, belonged to banks which in reality were only “daughter companies” of foreign banks, and chiefly of the Paris banks (the famous trio: Union Parisienne, Paris et Pays-Bas and Société Générale), and of the Berlin banks (particularly the Deutsche Bank and Discon-

to-Gesellschaft). Two of the biggest Russian banks, the Russian (Russian Bank for Foreign Trade) and the International (St. Petersburg International Commercial Bank), between 1906 and 1912 increased their capital from 44,000,000 to 98,000,000 rubles, and their reserves from 15,000,000 to 39,000,000 “employing three-fourths German capital.” The first bank belongs to the Berlin Deutsche Bank “concern” and the second to the Berlin Disconto-Gesellschaft. The worthy Agahd is deeply indignant at the fact that the majority of the shares are held by the Berlin banks, and that, therefore, the Russian shareholders are powerless. Naturally, the country which exports capital skims the cream: for example, the Berlin Deutsche Bank, in placing the shares of the Siberian Commercial Bank on the Berlin market, kept them in its portfolio for a whole year, and then sold them at the rate of 193 for 100, that is, at nearly twice their nominal value, “earning” a profit of nearly 6,000,000 rubles, which Hilferding calls “promoter’s profits.”

Our author puts the total “capacity” of the principal St. Petersburg banks at 8,235,000,000 rubles, about 8¼ billion, and the “holdings,” or rather, the extent to which foreign banks dominated them, he estimates as follows: French banks, 55 per cent; English, 10 per cent; German, 35 per cent. The author calculates that of the total of 8,235,000,000 rubles of functioning capital, 3,687,000,000 rubles, or over 40 percent, fall to the share of the syndicates *Produgol* and *Prodamet*⁶³—and the syndicates in the oil, metallurgical and cement industries. Thus, owing to the formation of capitalist monopolies, the merging of bank and industrial capital has also made enormous strides in Russia.

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issue of stock, state loans, etc., strengthens the domination of the financial oligarchy and levies tribute upon the whole of society for the benefit of monopolists. Here is an example, taken from a multitude of others, of the “business” methods of the American trusts, quoted by Hilferding: in 1887, Havemeyer founded the Sugar Trust by amalgamating fifteen small firms, whose total capital amounted to

⁶³ *Produgol*—an abbreviation for the Russian Society for Trade in Mineral Fuel of the Donets Basin, founded in 1906. *Prodamet*—the Society for Marketing Russian Metallurgical Goods, founded in 1901. — *Ed.*

6,500,000 dollars. Suitably “watered,” as the Americans say, the capital of the trust was declared to be 50,000,000 dollars. This “over-capitalization” anticipated the monopoly profits, in the same way as the United States Steel Corporation anticipates its future monopoly profits in buying up as many iron ore fields as possible. In fact, the Sugar Trust set up monopoly prices, which secured it such profits that it could pay 10 per cent dividend on capital “watered” *sevenfold, or about 70 per cent on the capital actually invested at the time the trust was formed!* In 1909, the capital of the Sugar Trust amounted to 90,000,000 dollars. In twenty-two years, it had increased its capital more than ten-fold.

In France the domination of the “financial oligarchy” (*Against the Financial Oligarchy in France*, the title of the well-known book by Lysis, the fifth edition of which was published in 1908) assumed a form that was only slightly different. Four of the most powerful banks enjoy, not a relative, but an “absolute monopoly” in the issue of bonds. In reality, this is a “trust of big banks.” And monopoly ensures monopolist profits from bond issues. Usually a borrowing country does not get more than 90 per cent of the sum of the loan, the remaining 10 per cent goes to the banks and other middlemen. The profit made by the banks out of the Russo-Chinese loan of 400,000,000 francs amounted to 8 per cent; out of the Russian (1904) loan of 800,000,000 francs the profit amounted to 10 per cent; and out of the Moroccan (1904) loan of 62,500,000 francs it amounted to 18.75 per cent. Capitalism, which began its development with petit usury capital, is ending its development with gigantic usury capital. “The French,” says Lysis, “are the usurers of Europe.” All the conditions of economic life are being profoundly modified by this transformation of capitalism. With a stationary population, and stagnant industry, commerce and shipping, the “country” can grow rich by usury. “Fifty persons, representing a capital of 8,000,000 francs, can control 2,000,000,000 francs deposited in four banks.” The “holding system,” with which we are already familiar, leads to the same result. One of the biggest banks, the Société Générale, for instance, issues 64,000 bonds for its “daughter company,” the Egyptian Sugar Refineries. The bonds are issued at 150 per cent, i.e., the bank gains 50 centimes on the franc. The dividends of the new company were found to be fictitious, the “public”

lost from 90 to 100 million francs. "One of the directors of the Société Générale was a member of the board of directors of the Sugar Refineries." It is not surprising that the author is driven to the conclusion that "the French Republic is a financial monarchy"; "it is the complete domination of the financial oligarchy; the latter dominates over the press and the government."⁶⁴

The extraordinarily high rate of profit obtained from the issue of securities, which is one of the principal functions of finance capital, plays a very important part in the development and consolidation of the financial oligarchy. "There is not a single business of this type within the country that brings in profits even approximately equal to those obtained from the flotation of foreign loans," says the German magazine, *Die Bank*.⁶⁵

"No banking operation brings in profits comparable with those obtained from the issue of securities!" According to the *German Economist*, the average annual profits made on the issue of industrial stock were as follows:

Year	Per cent
1895	38.6
1896	36.1
1897	66.7
1898	67.7
1899	66.9
1900	55.2

"In the ten years from 1891 to 1900, *more than a billion* marks were 'earned' by issuing German industrial stock."⁶⁶

During periods of industrial boom, the profits of finance capital are immense, but during periods of depression, small and unsound busi-

⁶⁴ Lysis, *Contre l'oligarchie financière en France (Against the Financial Oligarchy in France—Tr.)*, 5th ed., Paris, 1908. pp. 11, 12, 26, 39, 40, 48.

⁶⁵ *Die Bank*, 1913, No. 7. p. 630.

⁶⁶ Stillich, *op. cit.*, p. 143, also W. Sombart, *Die deutsche Volkswirtschaft im 19. Jahrhundert (German National Economy in the Nineteenth Century—Tr.)*, 2. Aufl., 1909, p. 526, Anlage 8.

nesses go out of existence; the big banks acquire “holdings” in them by buying them up for a mere song, or participate in profitable schemes for their “reconstruction” and “reorganization.” In the “reconstruction” of undertakings which have been running at a loss, “the share capital is written down, that is, profits are distributed on a smaller capital and continue to be calculated on this smaller basis. Or, if the income has fallen to zero, new capital is called in, which, combined with the old and less remunerative capital, will bring in an adequate return. Incidentally,” adds Hilferding, “all these reorganizations and reconstructions have a twofold significance for the banks: first, as profitable transactions; and secondly, as opportunities for securing control of the companies in difficulties.”⁶⁷

Here is an instance. The Union Mining Company of Dortmund was founded in 1872. Share capital was issued to the amount of nearly 40,000,000 marks and the market price of the shares rose to 170 after it had paid a 12 per cent dividend for its first year. Finance capital skimmed the cream and earned a trifle of something like 28,000,000 marks. The principal sponsor of this company was that very big German Disconto-Gesellschaft which so successfully attained a capital of 300,000,000 marks. Later, the dividends of the Union declined to nil: the shareholders had to consent to a “writing down” of capital, that is, to losing some of it in order not to lose it all. By a series of “reconstructions,” more than 73,000,000 marks were written off the books of the Union in the course of thirty years. “At the present time, the original shareholders of the company possess only 5 per cent of the nominal value of their shares,”⁶⁸ but the banks “earned something” out of every “reconstruction.”

Speculation in land situated in the suburbs of rapidly growing big towns is a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly of ground rent and with monopoly of the means of communications, since the rise in the price of land and the possibility of selling it profitably in allotments, etc., is mainly dependent on good means of communication with the centre of the town; and these means of communication are in the hands of large companies which are connected, by means of the holding system

⁶⁷ *Finance Capital*, p. 172.

⁶⁸ Stillich, *op. cit.*, p. 138, and Liefmann, p. 51.

and by the distribution of positions on the directorates, with the interested banks. As a result we get what the German writer, L. Eschwege, a contributor to *Die Bank*, who has made a special study of real estate business and mortgages, etc., calls a “bog.” Frantic speculation in suburban building lots; collapse of building enterprises (like that of the Berlin firm of Boswau and Knauer, which raked in as much as 100,000,000 marks with the help of the “sound and solid” Deutsche Bank—the latter, of course, acting through the holding system, i.e., secretly, behind the scenes, and getting out of it with a loss of “only” 12,000,000 marks), then the ruin of small proprietors and of workers who get nothing from the fictitious building firms, fraudulent deals with the “honest” Berlin police and administration for the purpose of gaining control of the issue of building site tenders, building licenses, etc., etc.⁶⁹

“American ethics,” which the European professors and well-meaning bourgeois so hypocritically deplore, have, in the age of finance capital, become the ethics of literally every large city in every country.

At the beginning of 1914, there was talk in Berlin of the formation of a “transport trust,” i.e., of establishing “community of interests” between the three Berlin transport undertakings: The city electric railway, the tramway company and the omnibus company.

We have known, [wrote *Die Bank*] that this plan is contemplated since it became known that the majority of the shares in the bus company had been acquired by the other two transport companies.... We may fully believe those who are pursuing this aim when they say that by uniting the transport services, they will secure economies, part of which will in time benefit the public. But the question is complicated by the fact that behind the transport trust that is being formed are the banks, which, if they desire, can subordinate the means of transportation, which they have monopolized, to the interests of their real estate business. To be convinced of the reasonableness of such a conjecture, we need only recall that the interests of the big bank that encouraged the formation of the Elevated

⁶⁹ In *Die Bank*, 1913, p. 952, L. Eschwege, *Der Sumpf*; *ibid.*, 1912, 1, p. 223 *et seq.*

Railway Company were already involved in it at the time the company was formed. That is to say: the interests of this transport undertaking were interlocked with the real estate interests. The point is that the eastern line of this railway was to run through land which, when it became certain the line was to be laid down, this bank sold at an enormous profit for itself and for several partners in the transactions.⁷⁰

A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into every sphere of public life, regardless of the form of government and all other “details.” In the economic literature of Germany one usually comes across obsequious praise of the integrity of the Prussian bureaucracy, and allusions to the French Panama scandal⁷¹ and to political corruption in America. But the fact is that *even* the bourgeois literature devoted to German banking matters constantly has to go far beyond the field of purely banking operations and to speak, for instance, about “the attraction of the banks” in reference to the increasing frequency with which public officials take employment with the banks, as follows: “How about the integrity of a state official who in his inmost heart is aspiring to a soft job in the Behrenstrasse?”⁷² (the street in Berlin in which the head office of the Deutsche Bank is situated). In 1909, the publisher of *Die Bank*, Alfred Lansburgh, wrote an article entitled “The Economic Significance of Byzantinism,” in which he incidentally referred to Wilhelm II’s tour of Palestine, and to “the immediate result of this journey, the construction of the Baghdad railway, that fatal ‘great product of German enterprise,’ which is more responsible for the ‘encirclement’ than all our political blunders put together.”⁷³ (By encirclement is meant the policy of Edward VII to isolate Germany and surround her with an imperialist anti-German alliance.) In 1911, Eschwege, the contributor to this same magazine to whom we have already referred, wrote an article entitled “Plutocracy and Bureaucracy,” in which he exposed, for example,

⁷⁰ “Verkehrstrust” in *Die Bank*, 1914, 1, p. 89.

⁷¹ The exposure in France in 1892-93 of incredible abuses, corruption of politicians, officials and the press bribed by the French Panama Canal Company. — *Ed.*

⁷² “Der Zug zur Bank” (The Attraction of the Bank—*Tr.*) in *Die Bank*, 1914, 1, p. 79.

⁷³ *Ibid.*, p. 301.

the case of a German official named Volker, who was a zealous member of the Cartel Committee and who, it turned out some time later, obtained a lucrative post in the biggest cartel, i.e., the Steel Syndicate. Similar cases, by no means casual, forced this bourgeois author to admit that “the economic liberty guaranteed by the German Constitution has become in many departments of economic life, a meaningless phrase” and that under the existing rule of the plutocracy, “even the widest political liberty cannot save us from being converted into a nation of unfree people.”⁷⁴

As for Russia, we will limit ourselves to one example. Some years ago all the newspapers announced that Davydov, the director of the Credit Department of the Treasury, had resigned his post to take employment with a certain big bank at a salary which, according to the contract, was to amount to over one million rubles in the course of several years. The Credit Department is an institution, the function of which is to “coordinate the activities of all the credit institutions of the country” and which grants subsidies to banks in St. Petersburg and Moscow amounting to between 800 and 1,000 million rubles.⁷⁵

It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism at which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means the singling out of a small number of financially “powerful” states from among all the rest. The extent to which this process is going on may be judged from the statistics on emissions, i.e., the issue of all kinds of securities.

In the *Bulletin of the International Statistical Institute*, A. Neymarck⁷⁶ has published very comprehensive, complete and comparative

⁷⁴ *Ibid.*, 1911, p. 825; 1913, 2, p. 962.

⁷⁵ E. Agabfd, *op. cit.*, p. 202.

⁷⁶ *Bulletin de l'institut international de statistique*, t. XIX, livr. II, La Haye, 1912. Data

figures covering the issue of securities all over the world, which have been repeatedly quoted in part in economic literature. The following are the totals he gives for decades:

TOTAL ISSUES IN BILLIONS OF FRANCS
(Decades)

1871-1880	76.1
1881-1890	64.5
1891-1900	100.4
1901-1910	197.8

In the 1870s, the total amount of issues for the whole world was high, owing particularly to the loans floated in connection with the Franco-Prussian War, and the company-promoting boom which set in in Germany after the war. On the whole, the increase is relatively not very rapid during the three last decades of the nineteenth century, and only in the first ten years of the twentieth century is an enormous increase observed of almost 100 per cent. Thus the beginning of the twentieth century marks the turning point, not only in regard to the growth of monopolies (cartels, syndicates, trusts), of which we have already spoken, but also in regard to the growth of finance capital.

Neymarck estimates the total amount of issued securities current in the world in 1910 at about 815,000,000,000 francs. Deducting from this sum amounts which might have been duplicated, he reduces the total to 575-600 billion, which is distributed among the various countries as follows: (We will take 600,000,000,000.)

concerning small states, second column, are approximately calculated by adding 20 per cent to the 1902 figures.

FINANCIAL SECURITIES CURRENT IN 1910
(in billions of francs)

Great Britain	142	} 479
United States	132	
France	110	
Germany	95	
Russia	31	
Austria-Hungary	24	
Italy	14	
Japan	12	
Holland	12.5	
Belgium	7.5	
Spain	7.5	
Switzerland	6.25	
Denmark	3.75	
Sweden, Norway, Rumania, etc.	2.5	
Total	600	

From these figures we at once see standing out in sharp relief four of the richest capitalist countries, each of which holds securities to amounts ranging approximately from 100 to 150 billion francs. Of these four countries, two, England and France, are the oldest capitalist countries, and, as we shall see, possess the most colonies; the other two, the United States and Germany, are leading capitalist countries as regards rapidity of development and the degree of extension of capitalist monopolies in industry. Together, these four countries own 479,000,000,000 francs, that is, nearly 80 per cent of the world's finance capital. In one way or another, nearly the whole of the rest of the world is more or less the debtor to and tributary of these international banker countries, these four "pillars" of world finance capital. It is particularly important to examine the part which the export of capital plays in creating the international network of dependence and connections of finance capital.

Chapter IV.

The Export of Capital

Typical of the old capitalism when free competition had undivided sway, was the export of *goods*. Typical of the latest stage of capitalism, when monopolies rule, is the export of *capital*.

Capitalism is commodity production at its highest stage of development, when labour power itself becomes a commodity. The growth of internal exchange, and particularly of international exchange, is the characteristic distinguishing feature of capitalism. Uneven and spasmodic development of individual enterprises, of individual branches of industry and individual countries, is inevitable under the capitalist system. England became a capitalist country before any other, and by the middle of the nineteenth century, having adopted free trade, claimed to be the “workshop of the world,” the purveyor of manufactured goods to all countries, which in exchange were to keep her supplied with raw materials. But in the last quarter of the nineteenth century, *this* monopoly was already undermined, for other countries, sheltering themselves by “protective” tariffs, developed into independent capitalist states. On the threshold of the twentieth century we see the formation of a new type of monopoly: firstly, monopolist capitalist combines in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous “superabundance of capital” has arisen in the advanced countries.

It goes without saying that if capitalism could develop agriculture, which today frightfully lags behind industry everywhere, if it could raise the standard of living of the masses, who are everywhere still half-starved and poverty-stricken, in spite of the amazing technical progress, there could be no talk of a superabundance of capital. This “argument” is very often advanced by the petit-bourgeois critics of capitalism. But if capitalism did these things it would not be capitalism; for both uneven development and a semi-starvation level of existence of the masses are fundamental and inevitable conditions and premises of this mode of production.

As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. The possibility of exporting capital is created by the fact that a number of backward countries have already been drawn into world capitalist intercourse; main railways have either been or are being built there, the elementary conditions for industrial development have been created, etc. The necessity for exporting capital arises from the fact that in a few countries capitalism has become "overripe" and (owing to the backward stage of agriculture and the impoverished state of the masses) capital cannot find a field for "profitable" investment.

Here are approximate figures showing the amount of capital invested abroad by the three principal countries:⁷⁷

CAPITAL INVESTED ABROAD
(In billions of francs)

Year	Great Britain	France	Germany
1862	3.6	—	—
1872	15.0	10 (1869)	—
1882	22.0	15 (1880)	?
1893	42.0	20 (1890)	?
1902	62.0	27-37	12.5
1914	75-100.0	60	44.0

⁷⁷ Hobson, *Imperialism*, London, 1902, p. 58; Riesser, *op. cit.*, pp. 395 and 404; P. Arndt in *Weltwirtschaftliches Archiv*, Bd. 7, 1916, p. 35; Neymarck in *Bulletin*; Hilferding, *Finance Capital*, p. 492; Lloyd George, Speech in the House of Commons, May 4, 1915, reported in the *Daily Telegraph*, May 5, 1915; B. Harms, *Probleme der Weltwirtschaft*, Jena, 1912, p. 235 *et seq.*; Dr. Siegmund Schilder, *Entwicklungstendenzen der Weltwirtschaft (Trends of Development of World Economy—Tr.)*, Berlin, 1912, Band 1, p. 150; George Paish, "Great Britain's Capital Investments, etc.," in *Journal of the Royal Statistical Society*, Vol. LXXIV, 1910-1911, p. 167 *et seq.*; Georges Diouritch, *L'expansion des banques allemandes à l'étranger, ses rapports avec le développement économique de l'Allemagne (Expansion of German Banks Abroad in Connection with the Economic Development of Germany—Tr.)*, Paris, 1909, p. 84.

This table shows that the export of capital reached formidable dimensions only in the beginning of the twentieth century. Before the war the capital invested abroad by the three principal countries amounted to between 175,000,000,000 and 200,000,000,000 francs. At the modest rate of 5 per cent, the income from this sum should have reached from 8 to 10 billion francs a year. A solid basis for imperialist oppression and the exploitation of most of the countries and nations of the world, for the capitalist parasitism of a handful of wealthy states! How is this capital invested abroad distributed among the various countries? Where is it invested? Only an approximate answer can be given to this question, but one sufficient to throw light on certain general relations and connections of modern imperialism.

APPROXIMATE DISTRIBUTION OF FOREIGN CAPITAL (CIRCA 1910)
(In billions of marks)

	Great Britain	France	Germany	<i>Total</i>
Europe	4	23	18	45
America	37	4	10	51
Asia, Africa and Australia	29	8	7	44
<i>Total</i>	70	35	35	140

The principal spheres of investment of British capital are the British colonies, which are very large also in America (for example, Canada) not to mention Asia, etc. In this case, enormous exports of capital are bound up most closely with vast colonies, of the importance of which for imperialism we shall speak later. In the case of France the situation is different. French capital exports are invested mainly in Europe, primarily in Russia (at least ten billion francs). This is mainly loan capital, government loans and not investments in industrial undertakings. Unlike British, colonial imperialism, French imperialism might be termed usury imperialism. In the case of Germany, we have a third type; colonies are inconsider-

able, and German capital invested abroad is divided most evenly between Europe and America.

The export of capital affects and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export may tend a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world.

The countries which export capital are nearly always able to obtain certain “advantages,” the character of which throws light on the peculiarity of the epoch of finance capital and monopoly. The following passage, for instance, occurred in the Berlin review, *Die Bank*, for October 1913:

A comedy worthy of the pen of Aristophanes is lately being played on the international capital market. Numerous foreign countries, from Spain to the Balkan states, from Russia to Argentina, Brazil and China, are openly or secretly coming into the big money market with demands, sometimes very persistent, for loans. The money market is not very bright at the moment and the political outlook is not promising. But not a single money market dares to refuse a foreign loan for fear that its neighbour may forestall it, consent to grant a loan and so secure some reciprocal service. In these international transactions the creditor nearly always manages to secure some extra benefit: a favourable clause in a commercial treaty, a coaling station, a contract to construct a harbour, a fat concession, or an order for guns.⁷⁸

Finance capital has created the epoch of monopolies, and monopolies introduce everywhere monopolist principles: the utilization of “connections” for profitable transactions takes the place of competition on the open market. The most usual thing is to stipulate that part of the loan that is granted shall be spent on purchases in the creditor country, particularly on orders for war materials, or for ships, etc. In the course of the last two decades (1890-1910), France has very often resorted to this method. The export of capital abroad thus becomes a means for

⁷⁸ *Die Bank*, 1913, 2, p. 1024.

encouraging the export of commodities. In this connection, transactions between particularly big firms assume a form which, as Schilder⁷⁹ “mildly” puts it, “borders on corruption.” Krupp in Germany, Schneider in France, Armstrong in England are instances of firms which have close connections with powerful banks and governments and cannot easily be “ignored” when a loan is being arranged. France, when granting loans to Russia, “squeezed” her in concluding the commercial treaty of September 16, 1905, in which she stipulated for certain concessions to run till 1917. She did the same thing when the Franco-Japanese commercial treaty was concluded on August 19, 1911. The tariff war between Austria and Serbia, which lasted with a seven months’ interval, from 1906 to 1911, was partly caused by competition between Austria and France for supplying Serbia with war materials. In January 1912, Paul Deschanel stated in the Chamber of Deputies that from 1908 to 1911 French firms had supplied war materials to Serbia to the value of 45,000,000 francs.

A report from the Austro-Hungarian Consul at São Paulo (Brazil) states:

The construction of the Brazilian railways is being carried out chiefly by French, Belgian, British and German capital. In the financial operations connected with the construction of these railways the countries involved stipulate for orders for the necessary railway materials.

Thus finance capital, literally; one might say, spreads its net over all countries of the world. An important role in this is played by banks founded in the colonies and by their branches. German imperialists look with envy at the “old” colonizing countries which have been particularly “successful” in providing for themselves in this respect. In 1904 Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches); France had 20 with 136 branches; Holland 16 with 68 branches; and Germany had “only” 13 with 70 branches.⁸⁰ The American capitalists, in their turn, are jealous of the English and German:

⁷⁹ Schilder, *op. cit.*, pp. 346, 350 and 371.

⁸⁰ Riesser, *op. cit.*, 4th ed., p. 375; Diouritch, p. 283.

In South America, [they complained in 1915] five German banks have forty branches and five English banks have seventy branches.... England and Germany have invested in Argentina, Brazil, and Uruguay in the last twenty five years approximately four billion dollars and as a result enjoy together 46 per cent of the total trade of these three countries.⁸¹

The capital-exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital has led to the actual division of the world.

⁸¹ *The Annals of the American Academy of Political and Social Science*, Vol. LIX, May 1915. p. 301. In the same volume on p. 331, we read that the well-known statistician Paish, in the last issue of the financial magazine *The Statist*, estimated the amount of capital exported by England, Germany, France, Belgium and Holland at \$40,000,000,000, i.e. 200,000,000,000 francs.

Chapter V.

The Division of the World Among Capitalist Combines

Monopolist capitalist combines, cartels, syndicates and trusts divide among themselves, first of all, the home market, seize more or less complete possession of the industry of a country. But under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market. As the export of capital increased, and as the foreign and colonial connections and “spheres of influence” of the big monopolist combines expanded in all ways, things “naturally” gravitated towards an international agreement among these combines, and towards the formation of international cartels.

This is a new stage of world concentration of capital and production, incomparably higher than the preceding stages. Let us see how this supermonopoly develops.

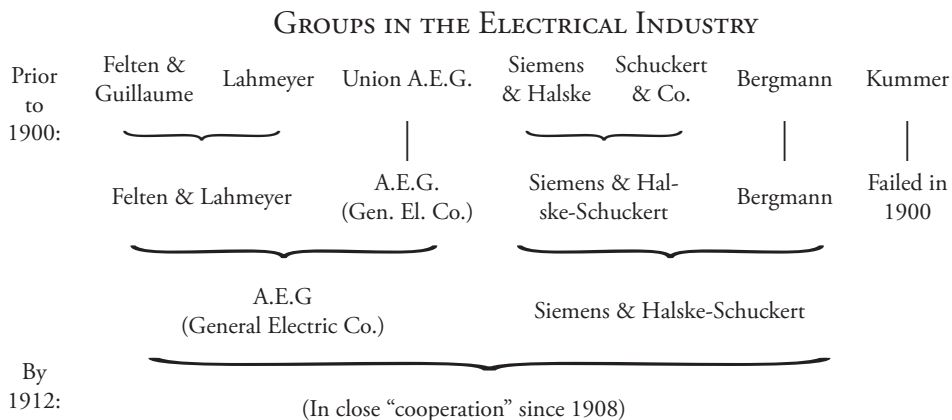
The electrical industry is the most typical of the latest technical achievements, most typical of capitalism at the *end* of the nineteenth and beginning of the twentieth centuries. This industry has developed in the two most advanced of the new imperialist countries, the United States and Germany. In Germany, the crisis of 1900 gave a particularly strong impetus to its concentration. During the crisis, the banks, which by this time had become fairly well merged with industry, enormously accelerated and intensified the ruin of relatively small firms and their absorption by the large ones. “The banks,” writes Jeidels, “in refusing a helping hand to the very companies which are in greatest need of capital bring on first a frenzied boom and then the hopeless failure of the companies which have not been attached to them closely enough.”⁸²

As a result, after 1900, concentration in Germany progressed with giant strides. Up to 1900 there had been eight or seven “groups” in the electrical industry. Each consisted of several companies (altogether there were 28) and each was backed by from 2 to 11 banks. Between 1908 and

⁸² Jeidels, *op. cit.*, p. 232.

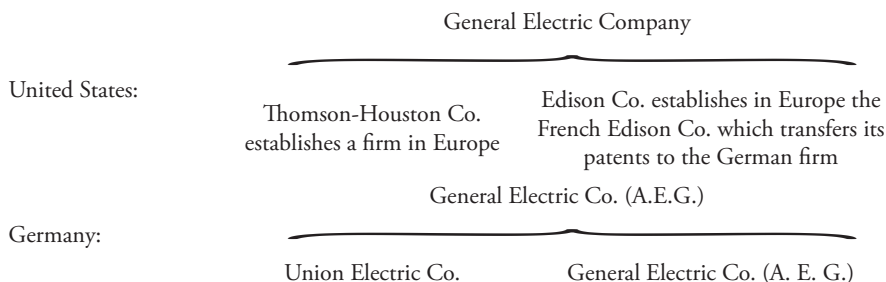
Imperialism, the Highest Stage of Capitalism

1912 all these groups were merged into two, or one. The diagram below shows the process:



The famous A.E.G. (General Electric Company) which grew up in this way, controls 175 to 200 companies (through the "holding" system), and a total capital of approximately 1,500,000,000 marks. Of direct agencies abroad alone, it has thirty-four, of which twelve are joint-stock companies, in more than ten countries. As early as 1904 the amount of capital invested abroad by the German electrical industry was estimated at 233,000,000 marks. Of this sum, 62,000,000 were invested in Russia. Needless to say, the A.E.G. is a huge "combine"—its manufacturing companies alone number no less than sixteen—producing the most diverse articles, from cables and insulators to motor cars and flying machines.

But concentration in Europe was also a component part of the process of concentration in America, which developed in the following way:



Thus, *two* electrical “Great Powers” were formed: “there are no other electric companies in the world *completely* independent of them,” wrote Heinig in his article “The Path of the Electric Trust.” An idea, although far from complete, of the turnover and the size of the enterprises of the two “trusts” can be obtained from the following figures:

		Turnover (Mill. marks)	No. of employees	Net profits (Mill. marks)
America: General Electric Co. (G.E.C.)	1907	252	28,000	35.4
	1910	298	32,000	45.6
Germany: General Electric Co. (A. E. G.)	1907	216	30,700	14.5
	1911	362	60,800	21.7

Well, in 1907, the German and American trusts concluded an agreement by which they divided the world between themselves. Competition between them ceased. The American General Electric Company (G.E.C.) “got” the United States and Canada. The German General Electric Company (A.E.G.) “got” Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey and the Balkans. Special agreements, naturally secret, were concluded regarding the penetration of “daughter companies” into new branches of industry, into “new” countries formally not yet allotted. The two trusts were to exchange inventions and experiments.⁸³

The difficulty of competing against this trust, which is practically world-wide, controls a capital of several billion, and has its “branches,” agencies, representatives, connections, etc., in every corner of the world, is self-evident. But the division of the world between two powerful trusts does not preclude *redivision* if the relation of forces changes as a result of uneven development, war bankruptcy, etc.

An instructive example of attempts at such a redivision, of the struggle for redivision, is provided by the oil industry.

“The world oil market,” wrote Jeidels in 1905, “is even today still divided between two great financial groups—Rockefeller’s American Standard Oil Co., and Rothschild and Nobel, the controlling interests of the Russian oil fields in Baku. The two groups are closely connected. But

⁸³ Riesser, *op. cit.*; Diouritch, *op. cit.*, p. 239; Kurt Heinig, *op. cit.*

for several years five enemies have been threatening their monopoly":⁸⁴ 1) The exhaustion of the American oil fields; 2) the competition of the firm of Mantashev of Baku; 3) the Austrian oil fields; 4) the Rumanian oil fields; 5) the overseas oil fields, particularly in the Dutch colonies (the extremely rich firms, Samuel, and Shell, also connected with British capital). The three last groups are connected with the big German banks, headed by the huge Deutsche Bank. These banks independently and systematically developed the oil industry in Rumania, for example, in order to have a foothold of their "own." In 1907, the foreign capital invested in the Rumanian oil industry was estimated at 185,000,000 francs, of which 74,000,000 was German capital.⁸⁵

A struggle began for the "division of the world," as, in fact, it is called in economic literature. On one side, the Rockefeller "oil trust," wishing to capture everything, formed a "daughter company" right in Holland, and bought up oil fields in the Dutch Indies, in order to strike at its principal enemy, the Anglo-Dutch Shell trust. On the other side, the Deutsche Bank and the other German banks aimed at "retaining" Rumania "for themselves" and at uniting it with Russia against Rockefeller. The latter possessed far more capital and an excellent system of oil transportation and distribution. The struggle had to end, and did end in 1907, with the utter defeat of the Deutsche Bank, which was confronted with the alternative: either to liquidate its "oil interests" and lose millions, or submit. It chose to submit, and concluded a very disadvantageous agreement with the "oil trust." The Deutsche Bank agreed "not to attempt anything which might injure American interests." Provision was made, however, for the annulment of the agreement in the event of Germany establishing a state oil monopoly.

Then the "comedy of oil" began. One of the German finance kings, von Gwinner, a director of the Deutsche Bank, through his private secretary, Stauss, launched a campaign *for* a state oil monopoly. The gigantic machine of the huge German bank and all its wide "connections" were set in motion. The press bubbled over with "patriotic" indignation against the "yoke" of the American trust, and, on March 15, 1911, the Reichstag

⁸⁴ Jeidels, *op. cit.*, p. 193.

⁸⁵ Diouritch, *op. cit.*, p. 245.

by an almost unanimous vote, adopted a motion asking the government to introduce a bill for the establishment of an oil monopoly. The government seized upon this “popular” idea, and the game of the Deutsche Bank, which hoped to cheat its American partner and improve its business by a state monopoly, appeared to have been won. The German oil magnates already saw visions of enormous profits, which would not be less than those of the Russian sugar refiners.... But, firstly, the big German banks quarrelled among themselves over the division of the spoils. The Disconto-Gesellschaft exposed the covetous aims of the Deutsche Bank; secondly, the government took fright at the prospect of a struggle with Rockefeller, for it was very doubtful whether Germany could be sure of obtaining oil from other sources (the Rumanian output was small); thirdly, just at that time the 1913 credits of a billion marks were voted for Germany’s war preparations. The oil monopoly project was postponed. The Rockefeller “oil trust” came out of the struggle, for the time being, victorious.

The Berlin review, *Die Bank*, wrote in this connection that Germany could fight the oil trust only by establishing an electricity monopoly and by converting water power into cheap electricity.

But, [the author added] the electricity monopoly will come when the producers need it, that is to say, when the next great crash in the electrical industry will be standing at the door, and when the gigantic, expensive electric stations which are now being put up at great cost everywhere by private electrical “concerns,” which are already obtaining partial monopolies from towns, from states, etc., can no longer work at a profit. Water power will then have to be used. But it will be impossible to convert it into cheap electricity at state expense; it will also have to be handed over to a “private monopoly controlled by the state,” because private industry has already concluded a number of contracts and has stipulated for heavy compensation.... So it was with the nitrate monopoly, so it is with the oil monopoly; so it will be with the electric power monopoly. It is time our state socialists, who allow themselves to be blinded by a beautiful principle, understood, at last, that

in Germany the monopolies have never pursued the aim, nor have they had the result, of benefiting the consumer, or even of handing over to the state part of the promoter's profits; they have served only to facilitate at the expense of the state, the recovery of private industries which were on the verge of bankruptcy.⁸⁶

Such are the valuable admissions which the German bourgeois economists are forced to make. We see plainly here how private and state monopolies are interwoven in the age of finance capital; how both are but separate links in the imperialist struggle between the big monopolists for the division of the world.

In mercantile shipping, the tremendous development of concentration has ended also in the division of the world. In Germany two powerful companies have come to the front: the Hamburg-Amerika and the Norddeutscher Lloyd, each having a capital of 200,000,000 marks (in stocks and bonds) and possessing shipping tonnage to the value of 185 to 189 million marks. On the other side, in America, on January 1, 1903, the so-called Morgan trust, the International Mercantile Marine Co., was formed which united nine American and British steamship companies, and which possessed a capital of 120,000,000 dollars (480,000,000 marks). As early as 1903, the German giants and this American-British trust concluded an agreement to divide the world in connection with the division of profits. The German companies undertook not to compete in the Anglo-American traffic. Which ports were to be "allotted" to each was precisely stipulated; a joint committee of control was set up, etc. This agreement was concluded for twenty years, with the prudent provision for its annulment in the event of war.⁸⁷

Extremely instructive also is the story of the formation of the International Rail Cartel; The first attempt of the British, Belgian and German rail manufacturers to form such a cartel was made as early as 1884, during a severe industrial depression. The manufacturers agreed not to compete with one another in the home markets of the countries involved, and they divided the foreign markets in the following quotas: Great Britain

⁸⁶ *Die Bank*, 1912, 1, p. 1036; 1912, 2, p. 629; 1913, 1, p. 388.

⁸⁷ Riesser, *op. cit.*, p. 125.

66 per cent; Germany 27 per cent; Belgium 7 per cent. India was reserved entirely for Great Britain. Joint war was declared against a British firm which remained outside the cartel, the cost of which was met by a percentage levy on all sales. But in 1886 the cartel collapsed when two British firms retired from it. It is characteristic that agreement could not be achieved during subsequent boom periods.

At the beginning of 1904; the German steel syndicate was formed. In November 1904, the International Rail Cartel was revived, with the following quotas: England 53.5 per cent; Germany 28.8, per cent; Belgium 17.67 per cent. France came in later and received 4.8 per cent, 5.8 per cent and 6.4 per cent in the first, second and third years respectively, over and above the 100 per cent limit, i.e., out of a total of 104.8 per cent, etc. In 1905, the United States Steel Corporation entered the cartel; then Austria and Spain. "At the present time," wrote Vogelstein in 1910, "the division of the world is completed, and the big consumers, primarily the state railways—since the world has been parcelled out without consideration for their interests—can now dwell like the poet in the heaven of Jupiter."⁸⁸

We will mention also the International Zinc Syndicate which was established in 1909 and which precisely apportioned output among five groups of factories: German, Belgian, French, Spanish and British; and also the International Dynamite Trust, which, Liefmann says, is "quite a modern, close alliance of all the German explosives manufacturers who, with the French and American dynamite manufacturers, organized in a similar manner, have divided the whole world among themselves, so to speak."⁸⁹

Liefmann calculated that in 1897 there were altogether about forty international cartels in which Germany had a share, while in 1910 there were about a hundred.

Certain bourgeois writers (whom K. Kautsky, who has completely abandoned the Marxist position he held, for example, in 1909, has now joined) have expressed the opinion that international cartels, being one of the most striking expressions of the internationalization of capital, give

⁸⁸ Vogelstein, *Organisationsformen*. p. 100.

⁸⁹ Liefmann, *Kartelle und Trusts*, 2. A., p. 161.

the hope of peace among nations under capitalism. Theoretically, this opinion is absolutely absurd, while in practice it is sophistry and a dishonest defense of the worst opportunism. International cartels show to what point capitalist monopolies have developed, and *the object* of the struggle between the various capitalist combines. This last circumstance is the most important; it alone shows us the historico-economic meaning of what is taking place; for the *forms* of the struggle may and do constantly change in accordance with varying, relatively particular and temporary causes, but the *substance* of the struggle, its class *content*, positively *cannot* change while classes exist. Naturally, it is in the interests of, for example, the German bourgeoisie, to whose side Kautsky has in effect gone over in his theoretical arguments (we will deal with this later), to obscure the *substance* of the present economic struggle (the division of the world) and to emphasize now this and now another *form* of the struggle. Kautsky makes the same mistake. Of course, we have in mind not only the German bourgeoisie, but the bourgeoisie all over the world. The capitalists divide the world, not out of any particular malice, but because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. And they divide it “in proportion to capital,” “in proportion to strength,” because there cannot be any other method of division under commodity production and capitalism. But strength varies with the degree of economic and political development. In order to understand what is taking place, it is necessary to know what questions are settled by the changes in strength. The question as to whether these changes are “purely” economic or *non-economic* (e.g., military) is a secondary one, which cannot in the least affect the fundamental views on the latest epoch of capitalism. To substitute the question of the form of the struggle and agreements (today peaceful, tomorrow warlike, the next day warlike again) for the question of the *substance* of the struggle and agreements between capitalist combines is to sink to the role of a sophist.

The epoch of the latest stage of capitalism shows us that certain relations between capitalist combines grow up, *based on* the economic division of the world; while parallel and in connection with it, certain relations grow up between political combines, between states, on the basis of the territorial division of the world, of the struggle for colonies,

of the “struggle for economic territory.”

Chapter VI.

The Division of the World Among the Great Powers

In his book, on “the territorial development of the European colonies,” A. Supan,⁹⁰ the geographer, gives the following brief summary of this development at the end of the nineteenth century:

PERCENTAGE OF TERRITORY BELONGING TO THE EUROPEAN
COLONIAL POWERS (INCLUDING THE UNITED STATES)

	1876	1900	Increase or decrease
Africa	10.8%	90.4%	+79.6%
Polynesia	56.8%	98.9%	+42.1%
Asia	51.5%	56.6%	+5.1%
Australia	100.0%	100.0%	—
America	27.5%	27.2%	-0.3%

“The characteristic feature of this period,” he concludes, “is, therefore, the division of Africa and Polynesia.” As there are no unoccupied territories—that is, territories that do not belong to any state—in Asia and America, it is necessary to amplify Supan’s conclusion and say that the characteristic feature of the period under review is the final partition of the globe—final, not in the sense that a *repartition* is impossible; on the contrary, repartitions are possible and inevitable—but in the sense that the colonial policy of the capitalist countries has *completed* the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future *only* redivision is possible, i.e., territories can only pass from one “owner” to another, instead of passing as ownerless territory to an “owner.”

Hence, we are passing through a peculiar epoch of world colonial

⁹⁰ A. Supan, *Die territoriale Entwicklung der europäischen Kolonien*, 906, p. 254.

policy, which is most closely connected with the “latest stage in the development of capitalism,” with finance capital. For this reason, it is essential first of all to deal in greater detail with the facts, in order to ascertain as exactly as possible what distinguishes this epoch from those preceding it, and what the present situation is. In the first place, two questions of fact arise here: is an intensification of colonial policy, a sharpening of the struggle for colonies, observed precisely in this epoch of finance capital? And how, in this respect, is the world divided at the present time?

The American writer, Morris, in his book on the history of colonization,⁹¹ has made an attempt to sum up the data on the colonial possessions of Great Britain, France and Germany during different periods of the nineteenth century. The following is a brief summary of the results he has obtained:

COLONIAL POSSESSIONS

Year	Great Britain		France		Germany	
	Area (mil. sq. m.)	Pop. (mil.)	Area (mil. sq. m.)	Pop. (mil.)	Area (mil. sq. m.)	Pop. (mil.)
1815-30	?	126.4	0.02	0.5	—	—
1860	2.5	145.1	0.20	3.5	—	—
1880	7.7	267.9	0.70	7.5	—	—
1899	9.3	309.0	3.70	56.4	1.0	14.7

For Great Britain, the period of the enormous expansion of colonial conquests is that between 1860 and 1880, and it was also very considerable in the last twenty years of the nineteenth century. For France and Germany this period falls precisely in these twenty years. We saw above that the development of premonopolist-capitalism, of capitalism in which free competition was predominant, reached its limit in the 1860s and 1870s. We now see that it is *precisely after that period* that the tremendous “boom” in colonial conquests begins, and that the struggle for the territorial division of the world becomes extraordinarily keen. It is beyond doubt, therefore, that capitalism’s transition to the stage of

⁹¹ Henry C. Morris, *The History of Colonization*, New York, 1900, Vol. II, p. 88; Vol. I, p. 419; Vol. II, p. 304.

monopoly capitalism, to finance capital, *is connected* with the intensification of the struggle for the partition of the world.

Hobson, in his work on imperialism, marks the years 1884-1900 as the epoch of intensified “expansion” of the chief European states. According to his estimate, Great Britain during these years acquired 3,700,000 square miles of territory with a population of 57,000,000; France acquired 3,600,000 square miles with a population of 36,500,000; Germany 1,000,000 square miles with a population of 14,700,000; Belgium 900,000 square miles with 30,000,000 inhabitants; Portugal 800,000 square miles with 9,000,000 inhabitants. The pursuit of colonies by all the capitalist states at the end of the nineteenth century and particularly since the 1880’s is a commonly known fact in the history of diplomacy and of foreign politics.

In the most flourishing period of free competition in Great Britain, i.e., between 1840 and 1860, the leading British bourgeois politicians were *opposed* to colonial policy and were of the opinion that the liberation of the colonies; their complete separation from Britain was inevitable and desirable. M. Beer, in an article, “Modern British Imperialism,”⁹² published in 1898, shows that in 1852, Disraeli, a statesman who was generally inclined towards imperialism, declared: “The colonies are millstones round our necks.” But at the end of the nineteenth century the heroes of the hour in England were Cecil Rhodes and Joseph Chamberlain, who openly advocated imperialism and applied the imperialist policy in the most cynical manner!

It is not without interest to observe that already at that time these leading British bourgeois politicians saw the connection between what might be called the purely economic and the politico-social roots of modern imperialism. Chamberlain advocated imperialism as a “true, wise and economical policy,” and pointed particularly to the German, American and Belgian competition which Great Britain was encountering in the world market. Salvation lies in monopolies, said the capitalists as they formed cartels, syndicates and trusts. Salvation lies in monopolies, echoed the political leaders of the bourgeoisie, hastening to appropriate the parts of the world not yet shared out. And Cecil Rhodes, we are informed by

⁹² *Die Neue Zeit*, XVI, 1, 1898, p. 302.

his intimate friend, the journalist Stead, expressed his imperialist views to him in 1895 in the following terms: "I was in the East End of London" (working-class quarter) "yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for 'bread,' 'bread!' and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism.... My cherished idea is a solution for the social problem, i.e., in order to save the 40,000,000 inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands to settle the surplus population, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war, you must become imperialists."⁹³

This is what Cecil Rhodes, millionaire, a king of finance, the man who was mainly responsible for the Anglo-Boer War, said in 1895. True, his defense of imperialism is crude and cynical, but in substance it does not differ from the "theory" advocated by Messrs. Maslov, Sudekum, Potresov, David and the founder of Russian Marxism, and others. Cecil Rhodes was a somewhat more honest social-chauvinist....

To present as precise a picture as possible of the territorial division of the world and of the changes which have occurred during the last decades in this respect, we will utilize the data furnished by Supan in the work already quoted on the colonial possessions of all the powers of the world. Supan takes the years 1876 and 1900; we will take the year 1876—a year very aptly selected, for it is precisely by that time that the premonopolist stage of development of West-European capitalism can be said to have been completed, in the main—and the year 1914, and instead of Supan's figures we will quote the more recent statistics of Hübner's *Geographical and Statistical Tables*. Supan gives figures only for colonies; we think it useful, in order to present a complete picture of the division of the world, to add brief figures on non-colonial and semicolonial countries, in which category we place Persia, China and Turkey: the first of these countries is already almost completely a colony, the second and third are becoming such. We thus get the following summary:

⁹³ *Ibid.*, p. 304.

COLONIAL POSSESSIONS OF THE GREAT POWERS

(Million square kilometres and million inhabitants)

	Colonies				Metropolitan countries		Total	
	1876		1914		1914		1914	
	Area	Pop.	Area	Pop.	Area	Pop.	Area	Pop.
Great Britain	22.5	251.9	33.5	393.5	0.3	46.5	33.8	440.0
Russia	17.0	15.9	17.4	33.2	5.4	136.2	22.8	169.4
France	0.9	6.0	10.6	55.5	0.5	39.6	11.1	95.1
Germany	—	—	2.9	12.3	0.5	64.9	3.4	77.2
United States	—	—	0.3	9.7	9.4	97.0	9.7	106.7
Japan	—	—	0.3	19.2	0.4	53.0	0.7	72.2
<i>Total for 6 Great Powers</i>	40.4	273.8	65.0	523.4	16.5	437.2	81.5	960.6
Colonies of other powers (Belgium, Holland, etc.)							9.9	45.3
Semicolonial countries (Persia, China, Turkey)							14.5	361.2
Other Countries							28.0	289.9
<i>Total for the whole world</i>							133.9	1,657.0

We clearly see from these figures how “complete” was the partition of the world on the borderline between the nineteenth and the twentieth centuries. After 1876 colonial possessions increase to enormous dimensions, more than fifty per cent, from 40,000,000 to 65,000,000 square kilometres in area for the six biggest powers; the increase amounts to 25,000,000 square kilometres, fifty per cent larger than the area of the metropolitan countries (16,500,000 square kilometres). In 1876 three powers had no colonies, and a fourth, France, had scarcely any. By 1914 these four powers had acquired colonies of an area of 14,100,000 square kilometres, i.e., about fifty per cent larger than that of Europe, with a population of nearly 100,000,000. The unevenness in the rate of expansion of colonial possessions is very great. If, for instance, we compare France, Germany and Japan, which do not differ very much in area and population, we will see that the first has acquired almost three times as much colonial territory as the other two combined. In regard to finance capital, France, at the beginning of the period we are considering, was also, per-

haps, several times richer than Germany and Japan put together. In addition to, and on the basis of, purely economic conditions, geographical and other conditions also affect the dimensions of colonial possessions. However strong the process of levelling the world, of levelling the economic and living conditions in different countries, may have been in the past decades as a result of the pressure of large-scale industry, exchange and finance capital, considerable differences still remain; and among the six powers mentioned we see, firstly, young capitalist countries (America, Germany, Japan) whose progress has been extraordinarily rapid; secondly, countries with an old capitalist development (France and Great Britain), whose progress lately has been much slower than that of the previously mentioned countries, and thirdly, a country which is economically most backward (Russia), where modern capitalist imperialism is enmeshed, so to speak, in a particularly close network of precapitalist relations.

Alongside the colonial possessions of the Great Powers, we have placed the small colonies of the small states, which are, so to speak, the next objects of a possible and probable "redivision" of colonies. Most of these small states are able to retain their colonies only because of the conflicting interests, friction, etc., among the big powers, which prevent them from coming to an agreement in regard to the division of the spoils. The "semicolonial" states provide an example of the transitional forms which are to be found in all spheres of nature and society. Finance capital is such a great, it may be said, such a decisive force in all economic and in all international relations, that it is capable of subjecting, and actually does subject to itself even states enjoying the fullest political independence; we shall shortly see examples of this. Of course, finance capital finds most "convenient," and is able to extract the greatest profit from *such* a subjection as involves the loss of the political independence of the subjected countries and peoples. In this connection, the semicolonial countries provide a typical example of the "middle stage." It is natural that the struggle for these semidependent countries should have become particularly bitter in the epoch of finance capital, when the rest of the world has already been divided up.

Colonial policy and imperialism existed before this latest stage of capitalism, and even before capitalism. Rome, founded on slavery pur-

sued a colonial policy and practised imperialism. But “general” disquisitions on imperialism, which ignore, or put into the background, the fundamental difference between social-economic systems, inevitably degenerate into the most vapid banality or bragging, like the comparison: “Greater Rome and Greater Britain.”⁹⁴ Even the capitalist colonial policy of *previous* stages of capitalism is essentially different from the colonial policy of finance capital.

The principal feature of the latest stage of capitalism is the domination of monopolist combines of the big capitalists. These monopolies are most firmly established when *all* the sources of raw materials are captured by one group and we have seen what zeal the international capitalist combines exert every effort to make it impossible for their rivals to compete with them by buying up, for example, iron ore fields, oil fields, etc. Colonial possession alone gives the monopolies complete guarantee against all contingencies in the struggle with competitors, including the contingency that the latter will defend themselves by means of a law establishing a state monopoly. The more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desperate is the struggle for the acquisition of colonies.

It may be asserted, [writes Schilder] although it may sound paradoxical to some, that in the more or less discernible future the growth of the urban and industrial population is more likely to be hindered by a shortage of raw materials for industry than by a shortage of food.

For example, there is a growing shortage of timber—the price of which is steadily rising—of leather, and of raw materials for the textile industry.

Associations of manufacturers are making efforts to create an equilibrium between agriculture and industry in the whole of world economy; as an example of this we might mention the International Federation of Cotton Spinners’ Associations in

⁹⁴ C. P. Lucas, *Greater Rome and Greater Britain*, Oxford, 1912, or the Earl of Cromer’s *Ancient and Modern Imperialism*, London, 1910.

several of the most important industrial countries, founded in 1904, and the European Federation of Flax Spinners' Associations, founded on the same model in 1910.⁹⁵

The bourgeois reformists, and among them particularly the present-day adherents of Kautsky, of course, try to belittle the importance of facts of this kind by arguing that it "would be possible" to obtain raw materials in the open market without a "costly and dangerous" colonial policy; and that it "would be possible" to increase the supply of raw materials to an enormous extent "simply" by improving conditions in agriculture in general. But such arguments become an apology for imperialism, an attempt to embellish it, because they ignore the principal feature of the latest stage of capitalism: monopolies. Free markets are becoming more and more a thing of the past; monopolist syndicates and trusts are restricting them more and more every day, and "simply" improving conditions in agriculture means improving the conditions of the masses, raising wages and reducing profits. Where, except in the imagination of sentimental reformists, are there any trusts capable of interesting themselves in the condition of the masses instead of the conquest of colonies?

Finance capital is interested not only in the already discovered sources of raw materials but also in potential sources, because present-day technical development is extremely rapid, and land which is useless today may be made fertile tomorrow if new methods are applied (to devise these new methods a big bank can equip a special expedition of engineers, agricultural experts, etc.), and if large amounts of capital are invested. This also applies to prospecting for minerals, to new methods of working up and utilizing raw materials, etc., etc. Hence, the inevitable striving of finance capital to enlarge its economic territory and even its territory in general. In the same way that the trusts capitalize their property at two or three times its value, taking into account its "potential" (and not present) profits, and the further results of monopoly, so finance capital strives in general to seize the largest possible amount of land of all kinds in all places, and by every means, taking into account potential sources of raw materials and fearing to be left behind in the fierce struggle for the

⁹⁵ Schilder, *op. cit.*, pp. 38-42.

last scraps of undivided territory, or for the repartition of those that have been already divided.

The British capitalists are exerting every effort to develop cotton growing in *their* colony, Egypt (in 1904, out of 2,300,000 hectares of land under cultivation, 600,000, or more than one-fourth, were devoted to cotton growing); the Russians are doing the same in *their* colony, Turkestan, because in this way they will be in a better position to defeat their foreign competitors, to monopolize the sources of raw materials and form a more economical and profitable textile trust in which *all* the processes of cotton production and manufacturing will be “combined” and concentrated in the hands of one set of owners.

The interests pursued in exporting capital also give an impetus to the conquest of colonies, for in the colonial it is easier to employ monopolist methods (and sometimes they are the only methods that can be employed) to eliminate competition, to make sure of contracts, to secure the necessary “connections,” etc.

The non-economic superstructure which grows up on the basis of finance capital, its politics and its ideology, stimulates the striving for colonial conquest. “Finance capital does not want liberty, it wants domination,” as Hilferding very truly says. And a French bourgeois writer, developing and supplementing, as it were, the ideas of Cecil Rhodes quoted above,⁹⁶ writes that social causes should be added to the economic causes of modern colonial policy:

[O]wing to the growing complexities of life and the difficulties which weigh not only on the masses of the workers, but also on the middle classes, “impatience, irritation and hatred are accumulating in all the countries of the old civilization and are becoming a menace to public order; the energy which is being hurled out of the definite class channel must be given employment abroad in order to avert an explosion at home.”⁹⁷

Since we are speaking of colonial policy in the epoch, of capitalist imperialism, it must be observed that finance capital and its correspond-

⁹⁶ See pp. 81-82 of this book.—*Ed.*

⁹⁷ Wahl, *La France aux colonies* (*France in the Colonies—Tr.*), quoted by Henri Russier, *Le partage de l'Océanie* (*The Partition of Oceania—Tr.*), Paris, 1905. p. 165.

ing foreign policy, which reduces itself to the struggle of the Great Powers for the economic and political division of the world,) give rise to a number of *transitional* forms of state dependence. Typical of this epoch is not only the two main groups of countries: those owning colonies, and colonies, but also the diverse forms of dependent countries which, officially, are politically independent, but in fact, are enmeshed in the net of financial and diplomatic dependence. We have already referred to one form of dependence—the semicolony. An example of another is provided by Argentina.

“South America, and especially Argentina,” writes Schulze-Gaevernitz in his work on British imperialism, “is so dependent financially on London that it ought to be described as almost a British commercial colony.”⁹⁸ Basing himself on the report of the Austro-Hungarian consul at Buenos Aires for 1909, Schilder estimates the amount of British capital invested in Argentina at 8,750,000,000 francs. It is not difficult to imagine what strong connections British finance capital (and its faithful “friend,” diplomacy) thereby acquires with the Argentine bourgeoisie, with the circles that control the whole of that country’s economic and political life.

A somewhat different form of financial and diplomatic dependence, accompanied by political independence, is presented by Portugal. Portugal is an independent sovereign state, but actually, for more than two hundred years, since the War of the Spanish Succession (1701-14), it has been a British protectorate. Great Britain has protected Portugal and her colonies in order to fortify her own positions in the fight against her rivals, Spain and France. In return Great Britain has received commercial privileges, preferential conditions for importing goods and especially capital into Portugal and the Portuguese colonies, the right to use the ports and islands of Portugal, her telegraph cables, etc.⁹⁹ Relations of this kind have always existed between big and little states, but in the epoch

⁹⁸ Schulze-Gaevernitz, *Britischer Imperialismus und Englischer Freihandel zu Beginn des 20-ten Jahrhunderts* (*British Imperialism and English Free Trade at the Beginning of the Twentieth Century—Tr.*), Leipzig, 1906, p. 318. Sartorius v. Waltershausen says the same in *Das volkswirtschaftliche System der Kapitalanlage im Auslande* (*The National Economic System of Capital Investments Abroad—Tr.*), Berlin, 1907, p. 46.

⁹⁹ Schilder, *op. cit.*, Vol. I, pp. 160-161.

of capitalist imperialism they become a general system, they form part of the sum total of "divide the world" relations, become links in the chain of operations of world finance capital.

In order to finish with the question of the division of the world, we must make the following additional observation. This question was raised quite openly and definitely not only in American literature after the Spanish-American War, and in English literature after the Anglo-Boer War, at the very end of the nineteenth century and the beginning of the twentieth; not only has German literature, which has "most jealously" watched "British imperialism," systematically given its appraisal of this fact; it has also been raised in French bourgeois literature in terms as wide and definite as they can be made from the bourgeois point of view. We will quote Driault, the historian, who, in his book, *Political and Social Problems at the End of the Nineteenth Century*, in the chapter "The Great Powers and the Division of the World," wrote the following:

During the past few years, all the free territory of the globe, with the exception of China, has been occupied by the powers of Europe and North America. Several conflicts and displacements of influence have already occurred over this matter, which foreshadow more terrible upheavals in the near future. For it is necessary to make haste. The nations which have not yet made provision for themselves run the risk of never receiving their share and never participating in the tremendous exploitation of the globe which will be one of the most essential features of the next century [i.e., the twentieth]. That is why all Europe and America have lately been afflicted with the fever of colonial expansion, of "imperialism," that most noteworthy feature of the end of the nineteenth century.

And the author added:

In this partition of the world, in this furious hunt for the treasures and the big markets of the globe, the relative power of the empires founded in this nineteenth century is totally out of proportion to the place occupied in Europe by the nations which founded them. The dominant powers in Europe, the

arbiters of her destiny, are *not* equally preponderant in the whole world. And, as colonial power, the hope of controlling as yet unassessed wealth, will evidently react upon the relative strength of the European powers, the colonial question “imperialism,” if you will—which has already modified the political conditions of Europe itself, will modify them more and more.¹⁰⁰

¹⁰⁰ J. E. Driault, *Problèmes politiques et sociaux*, Paris, 1907, p. 299.

Chapter VII.

Imperialism, as a Special Stage of Capitalism

We must now try to sum up, put together, what has been said above on the subject of imperialism. Imperialism emerged as the development and direct continuation of the fundamental characteristics of capitalism in general. But capitalism only became capitalist imperialism at a definite and very high stage of its development, when certain of its fundamental characteristics began to change into their opposites, when the features of the epoch of transition from capitalism to a higher social and economic system had taken shape and revealed themselves all along the line. Economically, the main thing in this process is the displacement of capitalist free competition by capitalist monopoly. Free competition is the fundamental characteristic of capitalism, and of commodity production generally; monopoly is the exact opposite of free competition, but we have seen the latter being transformed into monopoly before our eye, creating large-scale industry and forcing out small industry, replacing large-scale by still larger-scale industry, and carrying concentration of production and capital to the point where out of it has grown and is growing monopoly: cartels, syndicates and trusts, and merging with them, the capital of a dozen or so banks, which manipulate thousands of millions. At the same time the monopolies, which have grown out of free competition, do not eliminate the latter, but exist over it and alongside of it, and thereby give rise to a number of very acute, intense antagonisms, frictions and conflicts. Monopoly is the transition from capitalism to a higher system.

If it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism. Such a definition would include what is most important, for, on the one hand, finance capital is the bank capital of a few very big monopolist banks, merged with the capital of the monopolist combines of industrialists; and, on the other, the division of the world is the transition from a colonial policy which has extended without hindrance to ter-

ritories unseized by any capitalist power, to a colonial policy of monopolistic possession of the territory of the world which has been completely divided up.

But very brief definitions, although convenient, for they sum up the main points, are nevertheless inadequate, since very important features of the phenomenon that has to be defined have to be especially deduced. And so, without forgetting the conditional and relative value of all definitions in general, which can never embrace all the concatenations of a phenomenon in its complete development, we must give a definition of imperialism that will include the following five of its basic features: 1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; 2) the merging of bank capital with industrial capital, and the creation, on the basis of this “finance capital,” of a financial oligarchy; 3) the export of capital as distinguished from the export of commodities acquires exceptional importance; 4) the formation of international monopolist capitalist combines which share the world among themselves, and 5) territorial division of the whole world among the biggest capitalist powers is completed. Imperialism is capitalism in that stage of development in which the dominance of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun; in which the division of all territories of the globe among the biggest capitalist powers has been completed.

We shall see later that imperialism can and must be defined differently if we bear in mind, not only the basic, purely economic concepts—to which the above definition is limited—but also the historical place of this stage of capitalism in relation to capitalism in general, or the relation between imperialism and the two main trends in the working-class movement. The point to be noted just now is that imperialism, as interpreted above, undoubtedly represents a special stage in the development of capitalism. To enable the reader to obtain the most well-grounded idea of imperialism possible, we deliberately tried to quote as largely as possible *bourgeois* economists who are obliged to admit the particularly incontrovertible facts concerning the latest stage of capitalist economy.

With the same object in view, we have quoted detailed statistics which enable one to see to what degree bank capital, etc., has grown, in what precisely the transformation of quantity into quality, of developed capitalism into imperialism, was expressed. Needless to say, of course, all boundaries in nature and in society are conditional and changeable, that it would be absurd to argue, for example, about the particular year or decade in which imperialism “definitely” became established.

In the matter of defining imperialism, however, we have to enter into controversy, primarily, with K. Kautsky, the principal Marxian theoretician of the epoch of the so-called Second International—that is, of the twenty-five years between 1889 and 1914. The fundamental ideas expressed in our definition of imperialism were very resolutely attacked by Kautsky in 1915, and even in November 1914, when he said that imperialism must not be regarded as a “phase” or stage of economy, but as a policy, a definite policy “preferred” by finance capital; that imperialism must not be “identified” with “present-day capitalism”; that if imperialism is to be understood to mean “all the phenomena of present-day capitalism”—cartels, protection, the domination of the financiers, and colonial policy—then the question as to whether imperialism is necessary to capitalism becomes reduced to the “flattest tautology,” because, in that case, “imperialism is naturally a vital necessity for capitalism,” and so on. The best way to present Kautsky’s idea is to quote his own definition of imperialism, which is diametrically opposed to the substance of the ideas which we have set forth (for the objections coming from the camp of the German Marxists, who have been advocating similar ideas for many years already, have been long known to Kautsky as the objections of a definite trend in Marxism).

Kautsky’s definition is as follows:

Imperialism is a product of highly developed industrial capitalism. It consists in the striving of every industrial capitalist nation to bring under its control or to annex larger and larger areas of *agrarian* [Kautsky’s italics] territory, irrespective of what nations inhabit those regions.¹⁰¹

¹⁰¹ *Die Neue Zeit*, 1914, 2 (Vol. 32), p. 909, Sept. 11, 1914; cf. 1915, 2, p. 107 *et seq.*

This definition is utterly worthless because it one-sidedly, i.e., arbitrarily, singles out only the national question (although the latter is extremely important in itself as well as in its relation to imperialism), it arbitrarily and *inaccurately* connects this question *only* with industrial capital in the countries which annex other nations, and in an equally arbitrary and inaccurate manner pushes into the forefront the annexation of agrarian regions.

Imperialism is a striving for annexations—this is what the *political* part of Kautsky's definition amounts to. It is correct, but very incomplete, for politically, imperialism is, in general, a striving towards violence and reaction. For the moment, however, we are interested in the *economic* aspect of the question, which Kautsky *himself* introduced into *his* definition. The inaccuracies in Kautsky's definition are glaring. The characteristic feature of imperialism is *not* industrial *but* finance capital. It is not an accident that in France it was precisely the extraordinarily rapid development of *finance* capital, and the weakening of industrial capital, that from the 'eighties onwards, gave rise to the extreme intensification of annexationist (colonial) policy. The characteristic feature of imperialism is precisely that it strives to annex not only agrarian territories, but even most highly industrialized regions (German appetite for Belgium; French appetite for Lorraine), because 1) the fact that the world, is already divided up obliges those contemplating a *redivision* to reach out for *every kind* of territory, and 2) an essential feature of imperialism is the rivalry between several Great Powers in the striving for hegemony, i.e., for the conquest of territory, not so much directly for themselves as to weaken the adversary and undermine *his* hegemony. (Belgium is particularly important for Germany as a base for operations against England; England needs Baghdad as a base for operations against Germany, etc.)

Kautsky refers especially—and repeatedly—to Englishmen who, he alleges, have given a purely political meaning to the word "imperialism" in the sense that he, Kautsky, understands it. We take up the work by the Englishman Hobson, *Imperialism*, which appeared in 1902, and there we read:

The new imperialism differs from the older, first, in substituting for the ambition of a single growing empire the the-

ory and the practice of competing empires, each motivated by similar lusts of political aggrandizement and commercial gain; secondly, in the dominance of financial or investing over mercantile interests.¹⁰²

We see that Kautsky is absolutely wrong in referring to Englishmen generally (unless he meant the vulgar English imperialists, or the avowed apologists for imperialism). We see that Kautsky, while claiming that he continues to advocate Marxism, as a matter of fact takes a step backward compared with the *social-liberal* Hobson, who *more correctly* takes into account two “historically concrete” (Kautsky’s definition is a mockery of historical concreteness!) features of modern imperialism: 1) the competition between several imperialisms, and 2) the predominance of the financier over the merchant. If it is chiefly a question of the annexation of agrarian countries by industrial countries, then the role of the merchant is put in the forefront.

Kautsky’s definition is not only wrong and un-Marxian. It serves as a basis for a whole system of views which signify a rupture with Marxian theory and Marxian practice all along the line. We shall refer to this later. The argument about words which Kautsky raises as to whether the latest stage of capitalism should be called “imperialism” or “the stage of finance capital” is absolutely frivolous. Call it what you will, it makes no difference. The essence of the matter is that Kautsky detaches the politics of imperialism from its economics, speaks of annexations as being a policy “preferred” by finance capital, and opposes to it another bourgeois policy which, he alleges, is possible on this very same basis of finance capital. It follows, then, that monopolies in economics are compatible with non-monopolistic, non-violent, non-annexationist methods in politics. It follows, then, that the territorial division of the world, which was completed precisely during the epoch of finance capital, and which constitutes the basis of the present peculiar forms of rivalry between the biggest capitalist states, is compatible with a non-imperialist policy. The result is a slurring-over and a blunting of the most profound contradictions of the latest stage of capitalism, instead of an exposure of their depth; the result

¹⁰² Hobson, *Imperialism*, London, 1902, p. 324.

is bourgeois reformism instead of Marxism.

Kautsky enters into controversy with the German apologist of imperialism and annexations, Cunow, who clumsily and cynically argues that imperialism is present-day capitalism; the development of capitalism is inevitable and progressive; therefore imperialism is progressive; therefore, we should grovel before it and glorify it! This is something like the caricature of the Russian Marxists which the Narodniks drew in 1894-95. They argued: if the Marxists believe that capitalism is inevitable in Russia, that it is progressive, then they ought to open a tavern and begin to implant capitalism! Kautsky's reply to Cunow is as follows: imperialism is not present-day capitalism; it is only one of the forms of the policy of present-day capitalism. This policy we can and should fight, fight imperialism, annexations, etc.

The reply seems quite plausible, but in effect it is a more subtle and more disguised (and therefore more dangerous) advocacy of conciliation with imperialism, because a "fight" against the policy of the trusts and banks that does not affect the basis of the economics of the trusts and banks is nothing more than bourgeois reformism and pacifism, the benevolent and innocent expression of pious wishes. Evasion of existing contradictions, forgetting the most important of them, instead of revealing their full depth—such is Kautsky's theory, which has nothing in common with Marxism. Naturally, such a "theory" can only serve the purpose of advocating unity with the Cunows!

"From the purely economic point of view," writes Kautsky, "it is not impossible that capitalism will yet go through a new phase, that of the extension of the policy of the cartels to foreign policy, the phase of ultraimperialism,"¹⁰³ i.e., of a superimperialism, of a union of all imperialisms of the whole world and not struggles among them, a phase when wars shall cease under capitalism, a phase of "the joint exploitation of the world by internationally united finance capital."¹⁰⁴

We shall have to deal with this "theory of ultraimperialism" later on in order to show in detail how definitely and utterly it breaks with Marxism. At present, in keeping with the general plan of the present

¹⁰³ *Die Neue Zeit*, 1914, 2 (Vol. 32), p. 921, Sept. 11, 1914. Cf. 1915, 2, p. 107 *et seq.*

¹⁰⁴ *Die Neue Zeit*, 1915, 1, p. 144, April 30, 1915.

work, we must examine the exact economic data on this question. "From the purely economic point of view," is "ultraimperialism" possible, or is it ultra-nonsense?

If by purely economic point of view a "pure" abstraction is meant, then all that can be said reduces itself to the following proposition: development is proceeding towards monopolies, hence, towards a single world monopoly, towards a single world trust. This is indisputable, but it is also as completely meaningless as is the statement that "development is proceeding" towards the manufacture of foodstuffs in laboratories. In this sense the "theory" of ultraimperialism is no less absurd than a "theory of ultra-agriculture" would be.

If, however, we are discussing the "purely economic" conditions of the epoch of finance capital as a historically concrete epoch which opened at the beginning of the twentieth century, then the best reply that one can make to the lifeless abstractions of "ultraimperialism" (which serve exclusively a most reactionary aim: that of diverting attention from the depth of *existing* antagonisms) is to contrast them with the concrete economic realities of present-day world economy. Kautsky's utterly meaningless talk about ultraimperialism encourages, among other things, that profoundly mistaken idea which only brings grist to the mill of the apologists of imperialism, viz., that the rule of finance capital *lessens* the unevenness and contradictions inherent in world economy, whereas in reality it *increases* them.

R. Galwer, in his little book, *An Introduction to World Economics*,¹⁰⁵ made an attempt to summarize the main, purely economic, data that enable one to obtain a concrete picture of the internal relations of world economy on the borderline between the nineteenth and twentieth centuries. He divides the world into five "main economic areas," as follows: 1) Central Europe (the whole of Europe with the exception of Russia and Great Britain); 2) Great Britain; 3) Russia; 4) Eastern Asia; 5) America; he includes the colonies in the "areas" of the states to which they belong and "leaves aside" a few countries not distributed according to areas, such as Persia, Afghanistan, and Arabia in Asia, Morocco and Abyssinia in Africa, etc.

¹⁰⁵ R. Calwer, *Einführung in die Weltwirtschaft*, Berlin, 1906.

Here is a brief summary of the economic data he quotes on these regions:

Principal economic areas	Area	Pop.	Transport		Trade	Industry		
	Million sq. km.	Millions	Railways (thous. km.)	Mercantile Fleet (mil. tons)	Imports & exports (bil. marks)	Output		No. of Cotton Spindles (mil.)
						of Coal (mil. tons)	of Pig Iron (mil. tons)	
1) Central European	27.6 (23.6) ¹⁰⁶	388 (146)	204	8	41	251	19	26
2) British	28.9 (28.6)	398 (355)	140	11	25	249	9	51
3) Russian	22	131	63	1	3	16	3	7
4) East Asian	12	389	8	1	2	8	0.02	2
5) American	30	148	379	6	6	245	14	19

We see three areas of highly developed capitalism (high development of means of transport, of trade and of industry): the Central European, the British and the American areas. Among these are three states which dominate the world: Germany, Great Britain, the United States. Imperialist rivalry and the struggle between these countries have become extremely keen because Germany has only an insignificant area and few colonies; the creation of "Central Europe" is still a matter for the future, it is being born in the midst of a desperate struggle. For the moment the distinctive feature of the whole of Europe is political incohesion. In the British and American areas, on the other hand, political concentration is very highly developed, but there is a vast disparity between the immense colonies of the one and the insignificant colonies of the other. In the colonies, however, capitalism is only beginning to develop. The struggle for South America is becoming more and more acute.

There are two areas where capitalism is little developed: Russia and Eastern Asia. In the former, the density of population is extremely low,

¹⁰⁶ The figures in parentheses show the area and population of the colonies.

in the latter it is extremely high; in the former political concentration is high, in the latter it does not exist. The partition of China is only just beginning, and the struggle between Japan, U.S.A., etc., for it is continually gaining in intensity.

Compare this reality—the vast diversity of economic and political conditions, the extreme disparity in the rate of development of the various countries, etc., and the violent struggles among the imperialist states—with Kautsky's silly little fable about "peaceful" ultraimperialism. Is this not the reactionary attempt of a frightened philistine to hide from stern reality? Are not the international cartels which Kautsky imagines are the embryos of "ultraimperialism" (in the same way as one "can" describe the manufacture of tabloids in a laboratory as ultra-agriculture in embryo) an example of the division *and the redivision* of the world, the transition from peaceful division to non-peaceful division, and vice versa? Is not American and other finance capital, which divided the whole world peacefully with Germany's participation in, for example, the international rail syndicate, or in the international mercantile shipping trust, now engaged in *redividing* the world on the basis of a new relation of forces, which is being changed by methods altogether *non-peaceful*?

Finance capital and the trusts do not diminish but increase in the rate of growth of the various parts of the world economy. Once the relation of forces is changed, what other solution of the contradictions can be found *under capitalism* than that of *force*? Railway statistics¹⁰⁷ provide remarkably exact data on the different rates of growth of capitalism and finance capital in world economy. In the last decades of imperialist development, the total length of railways has changed as follows:

¹⁰⁷ *Statistisches Jahrbuch für das Deutsche Reich* (*Statistical Yearbook for the German Empire*), 1915, *Archiv für Eisenbahnwesen* (*Railroad Archive—Tr.*), 1892. Minor details for the distribution of railways among the colonies of the various countries in 1890 had to be estimated approximately.

RAILWAYS (Thousand kilometres)

	1890	1913	+
Europe	224	346	+122
U.S.	268	411	+143
All colonies	82	210	+128
Independent and semi-independent states of Asia and America	43	137	+94
	125	347	+ 222
Total	617	1,104	

Thus, the development of railways has been most rapid in the colonies and in the independent (and semi-independent) states of Asia and America. Here, as we know, the finance capital of the four or five biggest capitalist states reigns undisputed. Two hundred thousand kilometres of new railways in the colonies and in the other countries of Asia and America represent more than 40,000,000,000 marks in capital, newly invested on particularly advantageous terms, with special guarantees of a good return and with profitable orders for steel works, etc., etc.

Capitalism is growing with the greatest rapidity in the colonies and in overseas countries. Among the latter, *new* imperialist powers are emerging (e.g., Japan). The struggle among the world imperialisms is becoming more acute. The tribute levied by finance capital on the most profitable colonial and overseas enterprises is increasing. In the division of this "booty," an exceptionally large part goes to countries which do not always stand at the top of the list as far as rapidity of development of productive forces is concerned. In the case of the biggest countries, considered with their colonies, the total length of railways was as follows:

(Thousands of kilometers)

	1890	1913	
U.S.	268	413	+145
British Empire	107	208	+101
Russia	32	78	+46
Germany	43	68	+25
France	41	63	+22
Total for 5 Powers	491	830	+339

Thus, about 80 per cent of the total existing railways are concentrated in the hands of the five biggest powers. But the concentration of the *ownership* of these railways, the concentration of finance capital, is immeasurably greater, for the French and English millionaires, for example, own an enormous amount of shares and bonds in American, Russian and other railways.

Thanks to her colonies, Great Britain has increased the length of “her” railways by 100,000 kilometres, four times as much as Germany. And yet, it is well known that the development of productive forces in Germany, and especially the development of the coal and iron industries, has been incomparably more rapid during this period than in England—not to speak of France and Russia. In 1892, Germany produced 4,900,000 tons of pig iron and Great Britain produced 6,800,000 tons, in 1912, Germany produced 17,600,000 tons and Great Britain, 9,000,000 tons. Germany, therefore, had an overwhelming superiority over England in this respect.¹⁰⁸ The question is: what means other than war could there be *under capitalism* of removing the disparity between the development of productive forces and the accumulation of capital on the one side, and the division of colonies and “spheres of influence” for finance capital on the other?

¹⁰⁸ Cf. also Edgar Crammond, “The Economic Relations of the British and German Empires” in *The Journal of the Royal Statistical Society*, July 1914, p. 777, *et seq.*

Chapter VIII.

The Parasitism and Decay of Capitalism

We now have to examine yet another very important aspect of imperialism to which, usually, insufficient importance is attached in most of the discussions on this subject. One of the shortcomings of the Marxist Hilferding is that he takes a step backward compared with the non-Marxist Hobson. We refer to parasitism, which is characteristic of imperialism.

As we have seen, the deepest economic foundation of imperialism is monopoly. This is capitalist monopoly, i.e., monopoly which has grown out of capitalism and exists in the general environment of capitalism, commodity production and competition, in permanent and insoluble contradiction to this general environment. Nevertheless, like all monopoly, it inevitably engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all progress, disappears to a certain extent, and, further, the *economic* possibility arises of deliberately retarding technical progress. For instance, in America, a certain Owens invented a machine which revolutionized the manufacture of bottles. The German bottle-manufacturing cartel purchased Owens' patent, but pigeonholed it, refrained from utilizing it. Certainly, monopoly under capitalism can never completely, and for a very long period of time, eliminate competition in the world market (and this, by the by, is one of the reasons why the theory of ultraimperialism is so absurd). Certainly, the possibility of reducing cost of production and increasing profits by introducing technical improvements operates in the direction of change. But the *tendency* to stagnation and decay, which is characteristic of monopoly, continues to operate, and in certain branches of industry, in certain countries, for certain periods of time, it gains the upper hand.

The monopoly ownership of very extensive, rich or well-situated colonies, operates in the same direction.

Further, imperialism is an immense accumulation of money capital in a few countries, amounting, as we have seen, to 100-150 billion francs in securities. Hence the extraordinary growth of a class, or rather, of a

social stratum of rentiers, i.e., people who live by “clipping coupons,” who take no part in any enterprise whatever, whose profession is idleness. The export of capital, one of the most essential economic bases of imperialism, still more completely isolates the rentiers from production and sets the seal of parasitism on the whole country that lives by exploiting the labour of several overseas countries and colonies.

“In 1893,” writes Hobson, “the British capital invested abroad represented about 15 per cent of the total wealth of the United Kingdom.”¹⁰⁹ We will remind the reader that by 1915 this capital had increased about two-and-a-half times. “Aggressive imperialism,” says Hobson further on, “which costs the taxpayer so dear, which is of so little value to the manufacturer and trader ... is a source of great gain to the investor.... The annual income Great Britain derives from commissions in her whole foreign and colonial trade, import and export, is estimated by Sir R. Giffen at £18,000,000 for 1899, taken at 2½ per cent, upon a turnover of £800,000,000.” Great as this sum is, it cannot explain the aggressive imperialism of Great Britain. It is explained by the income of 90 to 100 million pounds sterling from “invested” capital, the income of the rentiers.

The income of the rentiers is *five times greater* than the income obtained from the foreign trade of the biggest “trading” country in the world. This is the essence of imperialism and imperialist parasitism.

For that reason the term, “rentier state” (*Rentnerstaat*) or usurer state, is coming into common use in the economic literature that deals with imperialism. The world has become divided into a handful of usurer states and a vast majority or debtor states. “At the top of the list of foreign investments,” says Schulze-Gaevernitz, “are those placed in politically dependent or allied countries: Great Britain grants loans to Egypt, Japan, China and South America. Her navy plays here the part of bailiff in case of necessity. Great Britain’s political power protects her from the indignation of her debtors.”¹¹⁰ Sartorius von Waltershausen in his book, *The National Economic System of Foreign Investments*, cites Holland as the model “rentier state” and points out that Great Britain and France

¹⁰⁹ Hobson, *op. cit.*, pp. 59-60.

¹¹⁰ Schulze-Gaevernitz, *Britischer Imperialismus*, p. 320 *et seq.*

are now becoming such.¹¹¹ Schilder is of the opinion that five industrial states have become “definitely pronounced creditor countries”: Great Britain, France, Germany, Belgium and Switzerland. He does not include Holland in this list simply because she is “industrially little developed.”¹¹² The United States is a creditor only of the American countries.

Great Britain, [says Schulze-Gaevernitz] is gradually becoming transformed from an industrial into a creditor state. Notwithstanding the absolute increase in industrial output and the export of manufactured goods, the relative importance of income from interest and dividends, issues of securities, commissions and speculation is on the increase in the whole of the national economy. In my opinion it is precisely this that forms the economic basis of imperialist ascendancy. The creditor is more firmly attached to the debtor than the seller is to the buyer.¹¹³

In regard to Germany, A. Lansburgh, the publisher of the Berlin *Die Bank*, in 1911, in an article entitled *Germany—a Rentier State*, wrote the following:

People in Germany are ready to sneer at the yearning to become rentiers that is observed among the people in France. But they forget that as far as the bourgeoisie is concerned the situation in Germany is becoming more and more like that in France.¹¹⁴

The rentier state is a state of parasitic, decaying capitalism, and this circumstance cannot fail to influence all the social-political conditions of the countries affected in general, and the two fundamental trends in the working-class movement, in particular. To demonstrate this in the clearest possible manner we will quote Hobson, who is the most “reliable” witness, since he cannot be suspected of leanings towards “Marxist

¹¹¹ Sartorius von Waltershausen, *Das Volkswirtschaftliche System, etc.*, Berlin, 1907, Buch IV.

¹¹² Schilder, *op. cit.*, p. 393.

¹¹³ Schulze-Gaevernitz, *Britischer Imperialismus*, p. 122.

¹¹⁴ *Die Bank*, 1911, 1, pp. 10-11.

orthodoxy”; on the other hand, he is an Englishman who is very well acquainted with the situation in the country which is richest in colonies, in finance capital, and in imperialist experience.

With the Anglo-Boer War fresh in his mind, Hobson describes the connection between imperialism and the interests of the “financiers,” the growing profits from contracts, etc., and writes: “While the directors of this definitely parasitic policy are capitalists, the same motives appeal to special classes of the workers. In many towns, most important trades are dependent upon government employment or contracts; the imperialism of the metal and ship-building centres is attributed in no small degree to this fact.” In this writer’s opinion there are two causes which have weakened the old empires: 1) “economic parasitism,” and 2) the formation of armies composed of subject peoples. “There is first the habit of economic parasitism by which the ruling state has used its provinces, colonies, and dependencies in order to enrich its ruling class and to bribe its lower classes into acquiescence.” And we would add that the economic possibility of such bribery, whatever its form may be, requires high monopolist profits.

As for the second cause, Hobson writes:

One of the strangest symptoms of the blindness of imperialism is the reckless indifference with which Great Britain, France and other imperial nations are embarking on this perilous dependence. Great Britain has gone farthest. Most of the fighting by which we have won our Indian Empire has been done by natives; in India, as more recently in Egypt, great standing armies are placed under British commanders; almost all the fighting associated with our African dominions, except in the southern part, has been done for us by natives.

Hobson gives the following economic appraisal of the prospect of the partition of China:

The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the South of England, in the Riviera, and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters

of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a large body of personal servants and workers in the transport trade and in the final stages of production of the more perishable goods; all the main arterial industries would have disappeared, the staple foods and manufactures flowing in as tribute from Asia and Africa.

We have foreshadowed the possibility of even a larger alliance of Western States, a European federation of great powers which, so far from forwarding the cause of world civilization, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which they supported great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy. Let those who would scout such a theory [it would be better to say: prospect] as undeserving of consideration examine the economic and social condition of districts in Southern England today which are already reduced to this condition, and reflect upon the vast extension of such a system which might be rendered feasible by the subjection of China to the economic control of similar groups of financiers, investors, and political and business officials, draining the greatest potential reservoir of profit the world has ever known, in order to consume it in Europe. The situation is far too complex, the play of world-forces far too incalculable, to render this or any other single interpretation of the future very probable; but the influences which govern the Imperialism of Western Europe today are moving in this direction, and, unless counteracted or diverted, make towards some such consummation.¹¹⁵

The author is quite right: *if* the forces of imperialism had not been

¹¹⁵ Hobson, *op. cit.*, pp. 103, 205, 144, 335, 386.

counteracted they would have led precisely to what he has described. The significance of a “United States of Europe” in the present imperialist situation is correctly appraised. He should have added, however, that, *also within* the working-class movement, the opportunists, who are for the moment victorious in most countries, are “working” systematically and undeviatingly in this very direction. Imperialism, which means the partition of the world, and the exploitation of other countries besides China, which means high monopoly profits for a handful of very rich countries, creates the economic possibility of bribing the upper strata of the proletariat, and thereby fosters, gives form to, and strengthens opportunism. We must not, however, lose sight of the forces which counteract imperialism in general, and opportunism in particular, and which, naturally, the social-liberal Hobson is unable to perceive.

The German opportunist, Gerhard Hildebrand, who was expelled from the Party for defending imperialism, and who could today be a leader of the so-called “Social-Democratic” Party of Germany, supplements Hobson well by his advocacy of a “United States of Western Europe” (without Russia) for the purpose of “joint” action ...against the African Negroes, against the “great Islamic movement,” for the maintenance of a “powerful army and navy,” against a “Sino-Japanese coalition,”¹¹⁶ etc.

The description of “British imperialism” in Schulze Gaevernitz’s book reveals the same parasitical traits. The national income of Great Britain approximately doubled from 1865 to 1898, while the income “from abroad” increased *ninefold* in the same period. While the “merit” of imperialism is that it “trains the Negro to habits of industry” (not without coercion, of course...), the “danger” of imperialism lies in that “Europe will shift the burden of physical toil—first agricultural and mining, then the rougher work in industry—on to the coloured races, and itself be content with the role of rentier, and in this way, perhaps, pave the way for the economic, and later, the political emancipation of the coloured races.”

An increasing proportion of land in Great Britain is being taken out of cultivation and used for sport, for the diversion of the rich. About

¹¹⁶ Gerhard Hildebrand, *Die Erschütterung der Industriebherrschaft und des Industrie-sozialismus* (*The Shattering of the Rule of Industrialism and Industrial Socialism—Tr.*), 1910, p. 229 *et seq.*

Scotland—the most aristocratic playground in the world—it is said that “it lives on its past and on Mr. Carnegie.” On horse racing and fox hunting alone Britain annually spends £14,000,000. The number of rentiers in England is about one million. The percentage of the productively employed population to the total population is declining:

	Population England and Wales	Workers in Basic Industries	Per cent of total population
	(millions)		
1851	17.9	4.1	23%
1901	32.5	4.9	15%

And in speaking of the British working class the bourgeois student of “British imperialism at the beginning of the twentieth century” is obliged to distinguish systematically between the “*upper stratum*” of the workers and the “*lower stratum of the proletariat proper*.” The upper stratum furnishes the bulk of the membership of cooperatives, of trade unions, of sporting clubs and of numerous religious sects. To this level is adapted the electoral system, which in Great Britain is still “*sufficiently restricted to exclude the lower stratum of the proletariat proper*”!! In order to present the condition of the British working class in a rosy light, only this upper stratum—which constitutes a *minority* of the proletariat—is generally spoken of. For instance, “the problem of unemployment is mainly a London problem and that of the lower proletarian stratum, *to which the politicians attach little importance....*”¹¹⁷ He should have said: to which the bourgeois politicians and the “Socialist” opportunists attach little importance.

One of the special features of imperialism connected with the facts we are describing, is the decline in emigration from imperialist countries and the increase in immigration into these countries from the more backward countries where lower wages are paid. As Hobson observes, emigration from Great Britain has been declining since 1884. In that year the number of emigrants was 242,000, while in 1900, the number was 169,000. Emigration from Germany reached the highest point between

¹¹⁷ Schulze-Gaevernitz, *Britischer Imperialismus*, p. 301.

1881 and 1890, with a total of 1,453,000 emigrants. In the course of the following two decades, it fell to 544,000 and to 341,000. On the other hand, there was an increase in the number of workers entering Germany from Austria, Italy, Russia and other countries. According to the 1907 census, there were 1,342,294 foreigners in Germany, of whom 440,800 were industrial workers and 257,329 agricultural workers.¹¹⁸ In France, the workers employed in the mining industry are, "in great part," foreigners: Poles, Italians and Spaniards.¹¹⁹ In the United States, immigrants from Eastern and Southern Europe are engaged in the most poorly paid occupations, while American workers provide the highest percentage of overseers or of the better-paid workers.¹²⁰ Imperialism has the tendency to create privileged workers, and to detach them from the broad masses of the proletariat.

It must be observed that in Great Britain the tendency of imperialism to divide the workers, to strengthen opportunism among them and to cause temporary decay in the working-class movement, revealed itself much earlier than the end of the nineteenth and the beginning of the twentieth centuries; for two important distinguishing features of imperialism were already observed in Great Britain in the middle of the nineteenth century, viz., vast colonial possessions and a monopolist position in the world market. Marx and Engels traced this connection between opportunism in the working-class movement and the imperialist features of British capitalism systematically, during the course of several decades. For example, on October 7, 1858, Engels wrote to Marx:

The English proletariat is becoming more and more bourgeois, so that this most bourgeois of all nations is apparently aiming ultimately at the possession of a bourgeois aristocracy, and a bourgeois proletariat *as well as* a bourgeoisie. For a nation which exploits the whole world this is, of course, to a certain extent justifiable.¹²¹

¹¹⁸ *Statistik des Deutschen Reichs (Statistics of the German Empire—Tr.)*, Bd. 211.

¹¹⁹ Henger, *Die Kapitalsanlage der Franzosen (French Investments)*, Stuttgart, 1913.

¹²⁰ Hourwich, *Immigration and Labour*, New York, 1915.

¹²¹ Karl Marx and Frederick Engels, *Selected Correspondence*, Ger. ed., Berlin, 1953, pp. 131-32. — *Ed.*

Almost a quarter of a century later, in a letter dated August 11, 1881, Engels speaks of "...the worst type of English trade unions which allow themselves to be led by men bought by, or at least paid by, the bourgeoisie."¹²² In a letter to Kautsky, dated September 12, 1882, Engels wrote:

You ask me what the English workers think about colonial policy? Well, exactly the same as they think about politics in general. There is no workers' party here, there are only Conservatives and Liberal Radicals, and the workers merrily share the feast of England's monopoly of the colonies and the world market¹²³ [Engels expressed similar ideas in the press in his preface to the second edition of *The Condition of the Working Class in England*, which appeared in 1892].

This clearly shows the causes and effects. The causes are: 1) exploitation of the whole world by this country; 2) its monopolistic position in the world market; 3) its colonial monopoly. The effects are: 1) a section of the British proletariat becomes bourgeois; 2) a section of the proletariat permits itself to be led by men bought by, or at least paid by, the bourgeoisie. The imperialism of the beginning of the twentieth century completed the division of the world among a handful of states, each of which today exploits (i.e., draws superprofits from) a part of the "whole world" only a little smaller than that which England exploited in 1858; each of them occupies a monopoly position in the world market thanks to trusts, cartels, finance capital and creditor and debtor relations; each of them enjoys to some degree a colonial monopoly (we have seen that out of the total of 75,000,000 sq. km., which comprise the *whole* colonial world, 65,000,000 sq. km., or 86 per cent, belong to six powers; 61,000,000 sq. km., or 81 per cent, belong to three powers).

The distinctive feature of the present situation is the prevalence of such economic and political conditions as could not but increase the

¹²² Karl Marx and Frederick Engels, *Collected Correspondence*, Ger. ed., Berlin, 1950, Vol. IV, pp. 608-09. — *Ed.*

¹²³ *Briefwechsel von Marx und Engels*, Bd. II, S. 290; IV, 453—Karl Kautsky, *Sozialismus und Kolonialpolitik*, Berlin, 1907, p. 79; this pamphlet was written by Kautsky in those infinitely distant days when he was still a Marxist.

irreconcilability between opportunism and the general and vital interests of the working-class movement: imperialism has grown from the embryo into the predominant system; capitalist monopolies occupy first place in economics and politics; the division of the world has been completed; on the other hand, instead of the undivided monopoly of Great Britain, we see a few imperialist powers contending for the right to share in this monopoly, and this struggle is characteristic of the whole period of the beginning of the twentieth century. Opportunism cannot now be completely triumphant in the working-class movement of one country for decades as it was in England in the second half of the nineteenth century; but in a number of countries it has grown ripe, overripe, and rotten, and has become completely merged with bourgeois policy in the form of “social chauvinism.”¹²⁴

¹²⁴ Russian social-chauvinism in its avowed form represented by Messrs. the Potressovs, Chkhenkelis, Maslovs, etc., as well as in its tacit form, as represented by Messrs. Chkheidze, Skobelev, Axelrod, Martov, etc., also emerged from the Russian variety of opportunism, namely, Liquidatorism.

Chapitre IX.

The Critique of Imperialism

By the critique of imperialism, in the broad sense of the term, we mean the attitude towards imperialist policy of the different classes of society in connection with their general ideology.

The enormous dimensions of finance capital concentrated in a few hands and creating an extraordinarily far-flung and close network of relationships and connections which subordinates not only the small and medium, but also even the very small capitalists and small masters, on the one hand, and the increasingly intense struggle waged against other national state groups of financiers for the division of the world and domination over other countries, on the other hand, cause the classes to go over entirely to the side of imperialism. “General” enthusiasm over the prospects of imperialism, furious defense of it and painting it in the brightest colours—such are the signs of the times. The imperialist ideology also penetrates the working class. No Chinese Wall separates it from the other classes. The leaders of the present-day, so-called, “Social-Democratic” Party of Germany are justly called “social-imperialists,” that is, Socialists in words and imperialists in deeds; but as early as 1902, Hobson noted the existence in England of “Fabian imperialists” who belonged to the opportunist Fabian Society.

Bourgeois scholars and publicists usually come out in defense of imperialism in a somewhat veiled form; they obscure its complete domination and its profound roots, strive to push into the forefront particular and secondary details and do their very best to distract attention from essentials by means of absolutely ridiculous schemes for “reform,” such as police supervision of the trusts or banks, etc. Less frequently, cynical and frank imperialists come forward who are bold enough to admit the absurdity of the idea of reforming the fundamental characteristics of imperialism.

We will give an example. The German imperialists attempt, in the magazine *Archives of World Economy*, to follow the movements for national emancipation in the colonies, particularly, of course, in colonies

other than those belonging to Germany. They note the unrest and the protest movements in India, the movement in Natal (South Africa), in the Dutch East Indies, etc. One of them, commenting on an English report of a conference held on June 28-30, 1910, of representatives of various subject nations and races, of peoples of Asia, Africa and Europe who are subject to foreign rule, writes as follows in appraising the speeches delivered at this conference:

We are told that we must fight imperialism; that the ruling states should recognize the right of subject peoples to independence, that an international tribunal should supervise the fulfilment of treaties concluded between the great powers and weak peoples. Further than the expression of these pious wishes they do not go. We see no trace of understanding of the fact that imperialism is inseparably bound up with capitalism in its present form and that, therefore (!), an open struggle against imperialism would be hopeless, unless, perhaps, the fight is confined to protests against certain of its especially abhorrent excesses.¹²⁵

Since the reform of the basis of imperialism is a deception, a “pious wish,” since the bourgeois representatives of the oppressed nations go no “further” forward, the bourgeois representative of an oppressing nation goes “further” *backward*, to servility towards imperialism under cover of the claim to be “scientific.” “Logic,” indeed!

The questions as to whether it is possible to reform the basis of imperialism, whether to go forward to the further intensification and deepening of the antagonisms which it engenders, or backwards, towards allaying these antagonisms, are fundamental questions in the critique of imperialism. Since the specific political features of imperialism are reaction all along the line and increased national oppression resulting from the oppression of the financial oligarchy and the elimination of free competition, a petit-bourgeois-democratic opposition to imperialism arose in the beginning of the twentieth century in nearly all imperialist countries. And the desertion of Kautsky and of the broad international Kautskyan

¹²⁵ *Weltwirtschaftliches Archiv*, Bd. 11, p. 193.

trend from Marxism consists precisely in the fact that Kautsky not only did not trouble to oppose, was not only unable to oppose this petit-bourgeois reformist opposition, which is really reactionary in its economic basis, but became merged with it in practice.

In the United States, the imperialist war waged against Spain in 1898 stirred up the opposition of the “anti-imperialists,” the last of the Mohicans of bourgeois democracy, who declared this war to be “criminal,” regarded the annexation of foreign territories as a violation of the Constitution, declared that the treatment of Aguinaldo, leader of the native Filipinos (the Americans promised him the independence of his country, but later they landed troops and annexed it) as “Jingo treachery,” and quoted the words of Lincoln: “When the white man governs himself, that is self-government; but when he governs himself and also governs others, it is no longer self-government; it is despotism.”¹²⁶ But while all this criticism shrank from recognizing the inseverable bond between imperialism and the trusts, and, therefore, between imperialism and the foundations of capitalism, while it shrank from joining the forces engendered by large-scale capitalism and its development—it remained a “pious wish.”

This is also the main attitude taken by Hobson in his critique of imperialism. Hobson anticipated Kautsky in protesting against the “inevitability of imperialism” argument, and in urging the necessity of “increasing the consuming capacity” of the people (under capitalism!). The petit-bourgeois point of view in the critique of imperialism, the omnipotence of the banks, the financial oligarchy, etc., is adopted by the authors we have often quoted, such as Agahd, A. Lansburgh, L. Eschwege, and among the French writers, Victor Berard, author of a superficial book entitled *England and Imperialism* which appeared in 1900. All these authors, who make no claim to be Marxists, contrast imperialism with free competition and democracy, condemn the Baghdad railway scheme as leading to conflicts and war, utter “pious wishes” for peace, etc. This applies also to the compiler of international stock and share issue statistics, A. Neymarck, who, after calculating the hundreds of billions of francs representing “international” securities, exclaimed in 1912: “Is it

¹²⁶ J. Patouillet, *L'impérialisme américain*, Dijon, 1904, p. 272.

possible to believe that peace may be disturbed ...that, in the face of these enormous figures, anyone would risk starting a war?"¹²⁷

Such simple-mindedness on the part of the bourgeois economists is not surprising; moreover, *it is in their interest* to pretend to be so naïve and to talk "seriously" about peace under imperialism. But what remains of Kautsky's Marxism, when, in 1914, 1915, and 1916, he takes up the same bourgeois reformist point of view and affirms that "everybody is agreed" (imperialists, pseudo Socialists and social-pacifists) on the matter of peace? Instead of an analysis of imperialism and an exposure of the depths of its contradictions, we have nothing but a reformist "pious wish" to wave them aside, to evade them.

Here is a sample of Kautsky's economic criticism of imperialism. He takes the statistics of the British export and import trade with Egypt for 1872 and 1912; it transpires that this export and import trade has grown more slowly than British foreign trade as a whole. From this Kautsky concludes that: "we have no reason to suppose that without military occupation the growth of British trade with Egypt would have been less, simply as a result of the mere operation of economic factors." "The urge of capital to expand ...can best be promoted, not by the violent methods of imperialism but by peaceful democracy."¹²⁸

This argument of Kautsky's which is repeated in every key by his Russian armour-bearer (and Russian shielder of the social-chauvinists), Mr. Spectator,¹²⁹ constitutes the basis of Kautskyan critique of imperialism, and that is why we must deal with it in greater detail. We will begin with a quotation from Hilferding, whose conclusions Kautsky on many occasions, and notably in April 1915, has declared to have been "unanimously adopted by all socialist theoreticians."

"It is not the business of the proletariat," writes Hilferding, "to contrast the more progressive capitalist policy with that of the now bygone era of free trade and of hostility towards the state. The reply of the proletariat to the economic policy of finance capital, to imperialism, cannot be

¹²⁷ *Bulletin de l'Institut International de Statistique*, t. XIX, livr. II, p. 225.

¹²⁸ Kautsky, *Nationalstaat, imperialistischer Staat und Staatenbund* (*National State, Imperialist State and Union of States—Tr.*), Nürnberg, 1915, pp. 72 and 70.

¹²⁹ The Menshevik S. M. Nakhimson. — *Ed.*

free trade, but Socialism. The aim of proletarian policy cannot now be the ideal of restoring free competition—which has now become a reactionary ideal—but the complete elimination of competition by the abolition of capitalism.”¹³⁰

Kautsky broke with Marxism by advocating in the epoch of finance capital a “reactionary ideal,” “peaceful democracy,” “the mere operation of economic factors,” for *objectively* this ideal drags us back from monopoly to non-monopolist capitalism, and is a reformist swindle.

Trade with Egypt (or with any other colony or semicolonies) “would have grown more” without military occupation, without imperialism, and without finance capital. What does this mean? That capitalism would have developed more rapidly if free competition had not been restricted by monopolies in general, or by the “connections,” yoke (i.e., also the monopoly) of finance capital, or by the monopolist possession of colonies by certain countries?

Kautsky’s argument can have no other meaning; and *this* “meaning” is meaningless. Let us assume that free competition, without any sort of monopoly, *would* have developed capitalism and trade more rapidly. But the more rapidly trade and capitalism develop, the greater is the concentration of production and capital which *gives rise* to monopoly. And monopolies have *already* arisen—precisely *out of* free competition! Even if monopolies have now begun to retard progress, it is not an argument in favour of free competition, which has become impossible after it has given rise to monopoly.

Whichever way one turns Kautsky’s argument, one will find nothing in it except reaction and bourgeois reformism.

Even if we correct this argument and say, as Spectator says, that the trade of the British colonies with England is now developing more slowly than their trade with other countries, it does not save Kautsky; for it is *also* monopoly, *also* imperialism that is beating Great Britain, only it is the monopoly and imperialism of another country (America, Germany). It is known that the cartels have given rise to a new and peculiar form of protective tariffs, i.e., goods suitable for export are protected

¹³⁰ *Finance Capital*, p. 567.

(Engels noted this in Vol. III of *Capital*).¹³¹ It is known, too, that the cartels and finance capital have a system peculiar to themselves, that of “exporting goods at cut-rate prices,” or “dumping,” as the English call it: within a given country the cartel sells its goods at high monopoly prices, but sells them abroad at a much lower price to undercut the competitor, to enlarge its own production to the utmost, etc. If Germany’s trade with the British colonies is developing more rapidly than Great Britain’s, it only proves that German imperialism is younger, stronger and better organized than British imperialism, is superior to it; but it by no means proves the “superiority” of free trade, for it is not a fight between free trade and protection and colonial dependence, but between two rival imperialisms, two monopolies, two groups of finance capital. The superiority of German imperialism over British imperialism is more potent than the wall of colonial frontiers or of protective tariffs: to use this as an “argument” *in favour* of free trade and “peaceful democracy” is banal, it means forgetting the essential features and characteristics of imperialism, substituting petit-bourgeois reformism for Marxism.

It is interesting to note that even the bourgeois economist, A. Lansburgh, whose criticism of imperialism is as petit-bourgeois as Kautsky’s, nevertheless got closer to a more scientific study of trade statistics. He did not compare only one country, chosen at random, and only a colony with the other countries; he examined the export trade of an imperialist country: 1) with countries which are financially dependent upon it, which borrow money from it; and 2) with countries which are financially independent. He obtained the following results:

¹³¹ Karl Marx, *Capital*, Ger. ed., Berlin, 1959, Vol. III, p. 142. — *Ed.*

EXPORT TRADE OF GERMANY
(Million marks)

		1889	1908	Per cent increase
To Countries Financially Dependent on Germany	Romania	48.2	70.8	47%
	Portugal	19.0	32.8	73%
	Argentina	60.7	147.0	143%
	Brazil	48.7	84.5	73%
	Chile	28.3	52.4	85%
	Turkey	29.9	64.0	114%
<i>Total</i>		234.8	451.5	92%
To Countries Financially Independent of Germany	Great Britain	651.8	997.4	53%
	France	210.2	437.9	108%
	Belgium	137.2	322.8	135%
	Switzerland	177.4	401.1	127%
	Australia	21.2	64.5	205%
	Dutch East Indies	8.8	40.7	363%
<i>Total</i>		1,206.6	2,264.4	87%

Lansburgh did not draw *conclusions* and therefore, strangely enough, failed to observe that *if* the figures prove anything at all, they prove that *he is wrong*, for the exports to countries financially dependent on Germany have grown more rapidly, if only slightly, than those to the countries which are financially independent. (We emphasize the “if,” for Lansburgh’s figures are far from complete.)

Tracing the connection between exports and loans, Lansburgh writes:

In 1890-91, a Rumanian loan was floated through the German banks, which had already in previous years made advances on this loan. It was used chiefly to purchase railway materials in Germany. In 1891 German exports to Rumania amounted to 55,000,000 marks. The following year they dropped to 39,400,000 marks and, with fluctuations, to 25,400,000 in

1900. Only in very recent years have they regained the level of 1891, thanks to two new loans.

German exports to Portugal rose, following the loans of 1888-89, to 21,100,000 (1890); then, in the two following years, they dropped to 16,200,000 and 7,400,000, and regained their former level only in 1903.

The figures of German trade with Argentina are still more striking. Following the loans floated in 1888 and 1890, German exports to Argentina reached, in 1889, 60,700,000 marks. Two years later they only reached 18,600,000 marks, less than one-third of the previous figure. It was not until 1901 that they regained and surpassed the level of 1889, and then only as a result of new loans floated by the state and by municipalities, with advances to build power stations, and with other credit operations.

Exports to Chile, as a consequence of the loan of 1889, rose to 45,200,000 marks (in 1892), and a year later dropped to 22,500,000 marks. A new Chilean loan floated by the German banks in 1906 was followed by a rise of exports to 84,700,000 marks in 1907, only to fall again to 52,400,000 marks in 1908.¹³²

From these facts Lansburgh draws the amusing petit-bourgeois moral of how unstable and irregular export trade is when it is bound up with loans, how bad it is to invest capital abroad instead of “naturally” and “harmoniously” developing home industry, how “costly” are the millions in backsheesh that Krupp has to pay in floating foreign loans, etc. But the facts tell us clearly: the increase in export is *precisely* connected with the swindling tricks of finance capital, which is not concerned with bourgeois morality, but with skinning the ox twice—first, it pockets the profits from the loan; then it pockets other profits from the *same* loan which the borrower uses to make purchases from Krupp, or to purchase railway material from the Steel Syndicate, etc.

¹³² *Die Bank*, 1909, 2, p. 819, *et seq.*

We repeat that we do not by any means consider Lansburgh's figures to be perfect; but we had to quote them because they are more scientific than Kautsky's and Spectator's, and because Lansburgh showed the correct way to approach the question. In discussing the significance of finance capital in regard to exports, etc., one must be able to single out the connection of exports especially and solely with the tricks of the financiers, especially and solely with the sale of goods by cartels, etc. Simply to compare colonies with non-colonies, one imperialism with another imperialism, one semicolonies or colony (Egypt) with all other countries, is to evade and to obscure the very *essence* of the question.

Kautsky's theoretical critique of imperialism has nothing in common with Marxism and serves only as a preamble to propaganda for peace and unity with the opportunists and the social-chauvinists, precisely for the reason that it evades and obscures the very profound and fundamental contradictions of imperialism: the contradictions between monopoly and free competition which exists side by side with it, between the gigantic "operations" (and gigantic profits) of finance capital and "honest" trade in the free market, the contradiction between cartels and trusts, on the one hand and non-cartelized industry, on the other, etc.

The notorious theory of "ultraimperialism," invented by Kautsky, is just as reactionary. Compare his arguments on this subject in 1915, with Hobson's arguments in 1902.

Kautsky:

...Cannot the present imperialist policy be supplanted by a new, ultraimperialist policy, which will introduce the joint exploitation of the world by internationally united finance capital in place of the mutual rivalries of national finance capitals? Such a new phase of capitalism is at any rate conceivable. Can it be achieved? Sufficient premises are still lacking to enable us to answer this question.¹³³

Hobson: "Christendom thus laid out in a few great federal empires, each with a retinue of uncivilized dependencies, seems to many the most legitimate development of present tendencies, and one which would offer

¹³³ *Die Neue Zeit*, April 30, 1915, p. 44.

the best hope of permanent peace on an assured basis of inter-Imperialism.”

Kautsky called ultraimperialism or superimperialism what Hobson, thirteen years earlier, described as interimperialism. Except for coining a new and clever catchword, replacing one Latin prefix by another, the only progress Kautsky has made in the sphere of “scientific” thought is that he gave out as Marxism what Hobson, in effect, described as the cant of English parsons. After the Anglo-Boer War it was quite natural for this highly honourable caste to exert their main efforts to *console* the British middle class and the workers who had lost many of their relatives on the battlefields of South Africa and who were obliged to pay higher taxes in order to guarantee still higher profits for the British financiers. And what better consolation could there be than the theory that imperialism is not so bad; that it stands close to inter- (or ultra-) imperialism, which can ensure permanent peace? No matter what the good intentions of the English parsons, or of sentimental Kautsky, may have been, the only objective, i.e., real, social significance Kautsky’s “theory” can have, is: a most reactionary method of consoling the masses with hopes of permanent peace being possible under capitalism, by distracting their attention from the sharp antagonisms and acute problems of the present times and directing it towards illusory prospects of an imaginary “ultraimperialism” of the future. Deception of the masses—there is nothing but this in Kautsky’s “Marxian” theory.

Indeed, it is enough to compare well-known and indisputable facts to become convinced of the utter falsity of the prospects which Kautsky tries to conjure up before the German workers (and the workers of all lands). Let us consider India, Indo-China and China. It is known that these three colonial and semicolonial countries, with a population of six to seven hundred million, are subjected to the exploitation of the finance capital of several imperialist powers: Great Britain, France, Japan, the U.S.A., etc. Let us assume that these imperialist countries form alliances against one another in order to protect or enlarge their possessions, their interests and their “spheres of influence” in these Asiatic states; these alliances will be “interimperialist,” or “ultraimperialist” alliances. Let us assume that *all* the imperialist countries conclude an alliance for the

“peaceful” division of these parts of Asia; this alliance would be an alliance of “internationally united finance capital.” There are actual examples of alliances of this kind in the history of the twentieth century, for instance, the attitude of the powers to China. We ask, is it “conceivable,” assuming that the capitalist system remains intact—and this is precisely the assumption that Kautsky does make—that such alliances would be more than temporary, that they would eliminate friction, conflicts and struggle in every possible form?

It is sufficient to state this question clearly to make it impossible for any reply to be given other than in the negative, for any other basis under capitalism for the division of spheres of influence, of interests, of colonies, etc., than a calculation of the *strength* of the participants in the division, their general economic, financial, military strength, etc., is *inconceivable*. And the strength of these participants in the division does not change to an equal degree, for the *even* development of different undertakings, trusts, branches of industry, or countries is impossible under capitalism. Half a century ago Germany was a miserable, insignificant country, as far as her capitalist strength was concerned, compared with the strength of England at that time; Japan was the same compared with Russia. Is it “conceivable” that in ten or twenty years’ time the relative strength of the imperialist powers will have remained *unchanged*? Absolutely *inconceivable*.

Therefore, in the realities of the capitalist system, and not in the banal philistine fantasies of English parsons, or of the German “Marxist,” Kautsky, “interimperialist” or “ultraimperialist” alliances, no matter what form they may assume, whether of one imperialist coalition against another, or of a general alliance embracing *all* the imperialist powers, are *inevitably* than a “truce” in periods between wars. Peaceful alliances prepare the ground for wars, and in their turn grow out of wars; the one conditions the other, giving rise to alternating forms of peaceful and non-peaceful struggle out of *one and the same* basis of imperialist connections and relations within world economics and world politics. But in order to pacify the workers and to reconcile them with the social-chauvinists who have deserted to the side of the bourgeoisie, wise Kautsky *separates* one link of a single chain from the other, separates the

present peaceful (and ultraimperialist, nay, ultra-ultraimperialist) alliance of *all* the powers for the pacification of China (remember the suppression of the Boxer Rebellion) from the non-peaceful conflict of tomorrow, which will prepare the ground for another “peaceful” general alliance for the partition, say, of Turkey, on the day after tomorrow, *etc.*, *etc.* Instead of showing the living connection between periods of imperialist peace and periods of imperialist war, Kautsky presents the workers with a lifeless abstraction in order to reconcile them to their lifeless leaders.

An American writer, Hill, in his *A History of Diplomacy in the International Development of Europe* notes in his preface to the following periods in the recent history of diplomacy: 1) the era of revolution; 2) the constitutional movement; 3) the present era of “commercial imperialism.”¹³⁴ Another writer divides the history of Great Britain’s “world policy” since 1870 into four periods: 1) the first Asiatic period (that of the struggle against Russia’s advance in Central Asia towards India); 2) the African period (approximately 1885-1902): that of the struggle against France for the partition of Africa (the “Fashoda incident” of 1898 which brought her within a hair’s breadth of war with France); 3) the second Asiatic period (alliance with Japan against Russia), and 4) the “European” period, chiefly anti-German.¹³⁵ “The political skirmishes of outposts take place on the financial field,” wrote the “banker,” Riesser, in 1905, in showing how French finance capital operating in Italy was preparing the way for a political alliance of these countries, and how a conflict was developing between Germany and Great Britain over Persia, between all the European capitalists over Chinese loans, etc. Behold, the living reality of peaceful “ultraimperialist” alliances in their inseverable connection with ordinary imperialist conflicts!

Kautsky’s obscuring of the deepest contradictions of imperialism, which inevitably becomes the embellishment of imperialism, leaves its traces in this writer’s criticism of the political features of imperialism. Imperialism is the epoch of finance capital and of monopolies, which introduce everywhere the striving for domination, not for freedom. The

¹³⁴ David Jayne Hill, *A History of the Diplomacy in the International Development of Europe*, Vol. I, p. x.

¹³⁵ Schilder, *op. cit.*, p. 178.

result of these tendencies is reaction all along the line whatever the political system, and an extreme intensification of existing antagonisms in this domain also. Particularly intensified become the yoke of national oppression and the striving for annexations, i.e., the violation of national independence (annexation is nothing but the violation of the right of nations to self-determination). Hilferding rightly notes the connection between imperialism and the intensification of national oppression.

In the newly opened up countries, [he writes] the capital imported into them intensifies antagonisms and excites against the intruders the constantly growing resistance of the peoples who are awakening to national consciousness; this resistance can easily develop into dangerous measures against foreign capital. The old social relations become completely revolutionized, the agelong agrarian isolation of "nations without history" is destroyed and they are drawn into the capitalist whirlpool. Capitalism itself gradually provides the subjugated with the means and resources for their emancipation and they set out to achieve the goal which once seemed highest to the European nations: the creation of a united national state as a means to economic and cultural freedom. This movement for national independence threatens European capital in its most valuable and most promising fields of exploitation, and European capital can maintain its domination only by continually increasing its military forces.¹³⁶

To this must be added that it is not only in newly opened up countries, but also in the old, that imperialism is leading to annexation, to increased national oppression, and, consequently, also to increasing resistance. While objecting to the intensification of political reaction by imperialism, Kautsky leaves in the shade a question that has become particularly urgent, viz., the impossibility of unity with the opportunists in the epoch of imperialism. While objecting to annexations, he presents his objections in a form that is most acceptable and least offensive to the opportunists. He addresses himself to a German audience, yet he

¹³⁶ *Finance Capital*, p. 487.

obscures the most topical and important point, for instance, the annexation of Alsace-Lorraine by Germany. In order to appraise this “mental aberration” of Kautsky’s we will take the following example. Let us suppose that a Japanese is condemning the annexation of the Philippines by the Americans. The question is: will many believe that he is doing so because he has a horror of annexations as such, and not because he himself has a desire to annex the Philippines? And shall we not be constrained to admit that the “fight” the Japanese is waging against annexations can be regarded as being sincere and politically honest only if he fights against the annexation of Korea by Japan, and urges freedom for Korea to secede from Japan?

Kautsky’s theoretical analysis of imperialism, as well as his economic and political criticism of imperialism, are permeated *through and through* with a spirit, absolutely irreconcilable with Marxism, of obscuring and glossing over the fundamental contradictions of imperialism and with a striving to preserve at all costs the crumbling unity with opportunism in the European working-class movement.

Chapter X.

The Place of Imperialism in History

We have seen that in its economic essence imperialism is monopoly capitalism. This in itself determines its place in history, for monopoly that grows out of the soil of free competition, and precisely out of free competition, is the transition from the capitalist system to a higher social-economic order. We must take special note of the four principal types of monopoly, or principal manifestations monopoly capitalism, which are characteristic of the epoch we are examining.

Firstly, monopoly arose out of a very high stage of development of the concentration of production. This refers to the monopolist capitalist combines, cartels, syndicates and trusts. We have seen the important part these play in present-day economic life. At the beginning of the twentieth century, monopolies had acquired complete supremacy in the advanced countries, and although the first steps towards the formation of the cartels were first taken by countries enjoying the protection of high tariffs (Germany, America), Great Britain, with her system of free trade, revealed the same basic phenomenon, only a little later, namely, the birth of monopoly out of the concentration of production.

Secondly, monopolies have stimulated the seizure of the most important sources of raw materials, especially for the basic and most highly cartelized industries in capitalist society: the coal and iron industries. The monopoly of the most important sources of raw materials has enormously increased the power of big capital, and has sharpened the antagonism between cartelized and non-cartelized industry.

Thirdly, monopoly has sprung from the banks. The banks have developed from humble middlemen enterprises into the monopolists of finance capital. Some three to five of the biggest banks in each of the foremost capitalist countries have achieved the "personal union" of industrial and bank capital, and have concentrated in their hands the control of thousands upon thousands of millions which form the greater part of the capital and income of entire countries. A financial oligarchy, which throws a close network of dependence relationships over all the economic

and political institutions of present-day bourgeois society without exception—such is the most striking manifestation of this monopoly.

Fourthly, monopoly has grown out of colonial policy. To the numerous old motives of colonial policy, finance capital has added the struggle for the sources of raw materials, for the export of capital, for “spheres of influence,” i.e., for spheres for profitable deals, concessions, monopolist profits and so on, and finally, for economic territory in general. When the colonies of the European powers in Africa, for instance, comprised only one-tenth of that territory (as was the case in 1876), colonial policy was able to develop by methods other than those of monopoly—by the “free grabbing” of territories, so to speak. But when nine-tenths of Africa had been seized (by 1900), when the whole world had been divided up, there was inevitably ushered in the era of monopoly ownership of colonies and, consequently, of particularly intense struggle for the division and the redivision of the world.

The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the tyranny of the cartels. This intensification of contradictions constitutes the most powerful driving force of the transitional period of history, which began from the time of the final victory of world finance capital.

Monopolies, oligarchy, the striving for domination instead of striving for liberty, the exploitation of an increasing number of small or weak nations by a handful of the richest or most powerful nations—all these have given birth to those distinctive characteristics of imperialism which compel us to define it as parasitic or decaying capitalism. More and more prominently there emerges, as one of the tendencies of imperialism, the creation of the “rentier state,” the usurer state, in which the bourgeoisie to an ever-increasing degree lives on the proceeds of capital exports and by “clipping coupons.” It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and certain countries betray, to a greater or lesser degree, now one and now another of these tendencies. On the whole, capitalism is growing far more rapidly than before, but this growth is not only becoming

more and more uneven in general, its unevenness also manifests itself, in particular, in the decay of the countries which are richest in capital (England).

In regard to the rapidity of Germany's economic development, Riesser, the author of the book on the big German banks, states: "The progress of the preceding period (1848-70), which had not been exactly slow, stood in about the same ratio to the rapidity with which the whole of Germany's national economy, and with it German banking, progressed during this period (1870-1905) as the speed of the mail coach in the good old days stood to the speed of the present-day automobile ... which is whizzing past so fast that it endangers not only innocent pedestrians in its path, but also the occupants of the car." In its turn, this finance capital which has grown with such extraordinary rapidity is not unwilling, precisely because it has grown so quickly, to pass on to a more "tranquil" possession of colonies which have to be seized—and not only by peaceful methods—from richer nations. In the United States economic development in the last decades has been even more rapid than in Germany, and *for this very reason*, the parasitic features of modern American capitalism have stood out with particular prominence. On the other hand, a comparison of, say, the republican American bourgeoisie with the monarchist Japanese or German bourgeoisie shows that the most pronounced political distinction diminishes to an extreme degree in the epoch of imperialism—not because it is unimportant in general, but because in all these cases we are discussing a bourgeoisie which has definite features of parasitism.

The receipt of high monopoly profits by the capitalists in one of the numerous branches of industry, in one of the numerous countries, etc., makes it economically possible for them to bribe certain sections of the workers, and for a time a fairly considerable minority of them, and win them to the side of the bourgeoisie of a given industry or given nation against all the others. The intensification of antagonisms between imperialist nations for the division of the world increases this striving. And so there is created that bond between imperialism and opportunism, which revealed itself first and most clearly in England, owing to the fact that certain features of imperialist development were observable there

much earlier than in other countries. Some writers, L. Martov, for example, are prone to wave aside the connection between imperialism and opportunism in the working-class movement—a particularly glaring fact at the present time—by resorting to “official optimism” (*a la* Kautsky and Huysmans) like the following: the cause of the opponents of capitalism would be hopeless if it were precisely progressive capitalism that led to the increase of opportunism, or, if it were precisely the best paid workers who were inclined towards opportunism, etc. We must have no illusions about “optimism” of this kind. It is optimism in regard to opportunism; it is optimism which serves to conceal opportunism. As a matter of fact the extraordinary rapidity and the particularly revolting character of the development of opportunism is by no means a guarantee that its victory will be durable: the rapid growth of a malignant abscess on a healthy body can only cause it to burst more quickly and thus relieve the body of it. The most dangerous of all in this respect are those who do not wish to understand that the fight against imperialism is a sham and humbug unless it is inseparably bound up with the fight against opportunism.

From all that has been said in this book on the economic essence of imperialism, it follows that we must define it as capitalism in transition, or, more precisely, as moribund capitalism. It is very instructive in this respect to note that the bourgeois economists, in describing modern capitalism, frequently employ catchwords and phrases like “interlocking,” “absence of isolation,” etc.; “in conformity with their functions and course of development,” banks are “not purely private business enterprises; they are more and more outgrowing the sphere of purely private business regulation.” And this very Riesser, who uttered the words just quoted, declares with all seriousness that the “prophecy” of the Marxists concerning “socialization” has “not come true”!

What then does this catchword “interlocking” express? It merely expresses the most striking feature of the process going on before our eyes. It shows that the observer counts the separate trees, but cannot see the wood. It slavishly copies the superficial, the fortuitous, the chaotic. It reveals the observer as one who is overwhelmed by the mass of raw material and is utterly incapable of appreciating its meaning and importance. Ownership of shares, the relations between owners of private property

“interlock in a haphazard way.” But underlying this interlocking, its very base, is the changing social relations of production. When a big enterprise assumes gigantic proportions, and, on the basis of an exact computation of mass data, organizes according to plan the supply of primary raw materials to the extent of two-thirds, or three-fourths of all that is necessary for tens of millions of people; when the raw materials are transported in a systematic and organized manner to the most suitable place of production, sometimes hundreds or thousands of miles, when a single centre directs all the consecutive stages of work right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the distribution of oil in America and Germany by the American “oil trust”)—then it becomes evident that we have socialization of production and not mere “interlocking”; that private economic and private property relations constitute a shell which no longer fits its contents, a shell which must inevitably decay if its removal by artificial means be delayed; a shell which may continue in a state of decay for a fairly long period (if, at the worst, the cure of the opportunist abscess is protracted), but which will inevitably be removed.

The enthusiastic admirer of German imperialism, Schulze-Gaevernitz exclaims:

Once the supreme management of the German banks has been entrusted to the hands of a dozen persons, their activity is even today more significant for the public good than that of the majority of the Ministers of State. [The “interlocking” of bankers, ministers, magnates of industry and rentiers is here conveniently forgotten.] ...If we conceive of the development of those tendencies which we have noted carried to their logical conclusion we will have: the money capital of the nation united in the banks, the banks themselves combined into cartels; the investment capital of the nation cast in the shape of securities. Then the forecast of that genius Saint-Simon will be fulfilled: “The present anarchy of production, which corresponds to the fact that economic relations are developing without uniform regulation, must make way for organization

in production. Production will no longer be directed by isolated manufacturers, independent of each other and ignorant of man's economic needs; that will be done by a certain public institution. A central committee of management, being able to survey the large field of social economy from a more elevated point of view, will regulate it for the benefit of the whole of society, will put the means of production into suitable hands, and above all will take care that there be constant harmony between production and consumption. Institutions already exist which have assumed as part of their functions a certain organization of economic labour: the banks." We are still a long way from the fulfillment of Saint-Simon's forecast, but we are on the way towards it: Marxism, different from what Marx imagined, but different only in form.¹³⁷

A crushing "refutation" of Marx, indeed, which retreats a step from Marx's precise, scientific analysis to Saint-Simon's guesswork, the guesswork of a genius, but guesswork all the same.

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¹³⁷ *Grundriss der Sozialökonomik*, p. 146.

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