Political Economy

LESSON X.

IMPERIALISM

(Part I)

LONDON
MARTIN LAWRENCE LTD.

PRINTED IN ENGLAND BY
THE GARDEN CITY PRESS LIMITED,
LETCHWORTH, HERTS.

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LESSON X. IMPERIALISM

INTRODUCTION

MARX investigated the productive relationships of capitalist society in their origin, growth and decay.

He established the fact that capitalism is the highest stage of development in commodity production; that under it, labour power has also become a commodity; that it continues to develop in conformity with the basic principle of the law of value. In the efforts of the capitalists to gain greater profits, competition leads to constant technical improvements, to the concentration of production and to the centralisation of the capital of many lesser capitalists in the hands of a few big capitalists: this in turn hastens the general process of concentration. Such accumulation of capital swells the ranks of the industrial reserve army, worsens the position of the working class, and leads to the absolute degradation of the workers.

These concentrated large-scale industries, controlled by a handful of the wealthiest capitalists, bring into being the material prerequisites for planned socialist production, while on the other hand they awaken a growing sense of revolt in the proletariat, which mobilises its forces in the course of the steadily sharpening class struggle for the revolutionary overthrow of capitalism and the initiation of the revolutionary dictatorship of the proletariat, with the object of "liquidating" classes and building up the socialist order of society. Marx forecast this development in 1867.

"Along with the constantly diminishing number of the magnates of capital . . . grows the mass of misery, oppression, slavery, degradation, exploitation; but with this, too, grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised by the very mechanism of the process of capitalist production

itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated." (*Capital*, Vol. i, Chap. xxii, p. 837, Kerr Edition.)

This discovery of the historical necessity for the revolutionary transition from capitalism to socialism was made by Marx and Engels before the appearance of the first volume of *Capital*. In the *Communist Manifesto* (1848) we read :

"Above all, the bourgeoisie produces its own gravedigger. Its decline and the victory of the proletariat are equally inevitable."

Yet the realisation of the proletarian revolution only began seventy years after the appearance of the *Communist Manifesto* in October 1917. The period covered by the revolutionary activities of Marx and Engels was one in which capitalism was still developing on the up-grade. It is true, of course, that the class antagonisms within bourgeois society were becoming more acute, yet, regarded on the whole, capitalism still had sufficient opportunities for further development. Capitalism has not yet entered the period which Lenin defined as "capitalism in transition, or more precisely, as dying capitalism."

A new epoch in capitalist development—the imperialist epoch—began at the turn of the century. Lenin analysed the principal stages of the change as follows :

1. 1860-70 : the highest, final stage of the development of free competition : the beginnings of monopoly may just be discerned.
2. After the crisis of 1873, a period of wide development of cartels, still unusual and transitory : they constitute a transient phenomenon.
3. The boom at the end of the nineteenth century and the crisis of 1900-3. Cartels become one of the basic

features of economic activity. Capitalism has become imperialist.

Marx, who died in 1883, and Engels, who died in 1895, could not investigate this period of capitalism's decline and of the proletarian world revolution. It was Lenin who furnished the analysis of imperialism. He was the most outstanding and most consistent of the disciples of Marx and Engels and he further developed their teachings to cover this epoch. Stalin writes of the relation of Marxism and Leninism:

"Lenin 'added' no 'new principles' to Marxism nor did Lenin abolish any of the 'old' principles of Marxism. Lenin always was and remained a loyal and consistent pupil of Marx and Engels, and wholly and entirely based himself on the principles of Marxism. But Lenin did not merely carry out the doctrnies of Marx and Engels. He developed these doctrines further. What does that mean? It means that he developed the doctrines of Marx and Engels in accordance with the new conditions of development, with the new phase of capitalism and with imperialism. This means that in developing further the doctrines of Marx in the new conditions of the class struggle Lenin contributed to the general treasure of Marxism something new as compared with what they could create in the pre-imperialistic period of capitalism. Moreover, the contribution made by Lenin to the general treasure of Marxism is based wholly and entirely on the principles laid down by Marx and Engels. In that sense we speak of Leninism as Marxism of the epoch of imperialism and proletarian revolutions." (Stalin, *Leninism*, Vol. ii, which see for a full analysis of the relation between the teachings of Lenin and Marx and Engels.)

"The great service rendered by Lenin and consequently what is new in Lenin's teaching is that—seeking support in the fundamental principles of *Capital*—he has provided an analysis based on Marxism of imperialism as the last stage of capitalism and laid bare its diseases and the conditions governing its inevitable decay. . . .

"Lenin was also the first of the Marxists to subject imperialism to a really Marxist analysis as a new, and the final, stage in the development of capitalism, the first to pose the question as to the possibility of the victory of socialism in individual capitalist countries in a new light and to answer it in the *affirmative*." (Stalin, *15th Party Conference* C.P.S.U.)

Lenin provided the proletariat with an effective weapon for the revolutionary overthrow of capitalism, for the victory of the proletarian revolution, for the victory of socialism. No really working-class programme of action can be drafted, no truly proletarian strategy and tactics can be thought out, without Lenin's theory of imperialism. Further, any break with the Leninist theory of imperialism must ultimately lead to a break away altogether from the proletarian revolution.

In this section of our course we turn to the study of this vital development.

The first point dealt with is the movement towards concentration and monopoly. But concentration, being part of the development of capitalism, takes place in various guises, as part of the machinery of capitalism. We have therefore next to consider the mechanism of concentration under capitalism—joint stock companies, Stock Exchange manipulation, etc.

This leads to a further consideration. "We shall," says Lenin, "only have a very insufficient, incomplete and poor notion of the real power and role of present-day monopolies, if we do not take into consideration the part played by the banks."

The development towards monopoly has led to the corresponding growth, using again the mechanism of the financial institutions, of the small inner group of imperialist bosses, whom Lenin dubbed the Financial Oligarchy.

"The domination of capitalist monopolies inevitably becomes, in conditions of commodity production and private property, the domination of a financial oligarchy." (Lenin, *Imperialism.*)

The Financial Oligarchy is the small group in charge of the banks, insurance companies, and the masses of liquid capital, held by them on behalf of the *rentiers.* They become merged with those controlling industry and production. And they also spread out to control the whole State. "A monopoly, once it is formed, and when it once controls thousands of millions, penetrates inevitably into every part of public life." (Lenin.)

They spread, too, *overseas.* Through the export of

capital they provide the legal capitalist mechanism for exploitation of the millions of workers and provide the basis for world-wide plunder.

This point is next considered, together with the questions of the struggle for the decision of the world between the different Finance Oligarchy groups.

The effect on the working class, the temporary bribing of the "aristocracy," the corruption of the Social-Democratic leaders, expressed in their imperialist policy, is an integral part of a study of Leninism.

Throughout we must bear in mind the four leading economic characteristics of imperialism as summarised by Lenin:

1. Monopoly has grown up out of concentration of production at a very advanced stage of the latter's development.
2. Monopolies have led to the intensive seizure of the most important sources of raw materials, especially for the coal and iron industry.
3. Monopoly has sprung from the banks, which have achieved the "personal union" of industrial and banking capital.
4. Monopoly has grown out of colonial policy. (Lenin, *Imperialism.* These are only the heads of Lenin's analysis. See Lesson XI for fuller analysis.)

I. FROM FREE COMPETITION TO MONOPOLY

1. CONCENTRATION OF CAPITAL

The fundamental determining characteristic of imperialism is the rise of monopolies. Imperialism is monopolist capitalism. Capitalist monopolies (cartels, syndicates, concerns, trusts and the like) do not emerge by chance nor through any whim of the capitalists. They are a necessarily concomitant product of capitalist development; *they arise out of the concentration of capital.*

The process towards the gathering together of production in ever larger plants has acquired astounding dimensions. Taking Germany as an instance we find that out of every 1,000 industrial plants in 1882, three were large-scale plants, in 1895 six, in 1907 nine, and in 1925 eighteen. Again, of every 100 persons employed in industry in 1882 twenty-six worked in large-scale plants, in 1895 thirty-four, in 1907 forty-eight, and in 1925 fifty-five. These figures give evidence of the powerful concentration of the all-decisive productive force of society—labour power. Nevertheless, this concentration of workers is more powerful because in large-scale plants labour is considerably more productive. Germany's census of 1925 revealed that 80 per cent. of all the motor power is concentrated in less than two-hundredths of the total number of working plants in that country—in the 32,761 plants with over 50 employees; while the overwhelming majority of plants (almost 90 per cent.)—the 1,614,080 plants employing up to five persons—possess only some 7·4 per cent. of the country's motor power.

In Britain it was estimated that the "typical" size of a cotton-spinning firm more than doubled between 1884 and 1911, increasing from 25,000 to 60,000 spindles. In pig iron it more than doubled between 1882 and 1913 and nearly trebled between 1882 and 1924.[1]

[1] Accurate figures for Britain are not available, owing to the

In the U.S.A. the proportion of wage earners employed by corporations rose from 70·6 to 86·6 between 1914 and 1919. Of businesses producing a value exceeding one million dollars the proportions changed as follows :

	Per cent. of all Workers	Per cent. of Production.	Per cent. of Net Production
1904	25·6	38·0	29·9
1921	48·4	59·0	62·3

This concentration thus offers the large-scale plant enormous advantages and makes for a state of things which Lenin, working even on pre-war evidence, aptly describes as :

" A few tens of thousands of big enterprises are everything: millions of small ones are nothing." (Lenin, *Imperialism*, p. 4.)

The effect of the crisis has been to intensify this process. So great a degree of concentration at which a relatively small number of large-scale enterprises dominate in practically all branches of national economy leads to

" the concentration of production approaching very nearly to monopoly. For some tens of enterprises can easily act in concert, whilst on the other hand, the difficulty of competition and the tendency to monopoly arise precisely from the importance of enterprises." (Lenin, *loc. cit.*, p. 5.)

We see, then, that the concentration and centralisation of capital effected through capitalist competition leads capitalism to monopoly. In their turn, these same monopolies accelerate the process of the concentration and centralisation of capital to a still greater extent.[1]

reticence and muddle of the capitalists. But for concentration read company-making reports, especially the Railways, Vickers, I.C.I., etc. These appear in the newspapers.

[1] In a pamphlet by Dietrich Klagge, National-Socialist and former Minister in Braunschweig, entitled *War on Marxism* (F. Eher, Munich, 1931), we actually read : " *It is high time that, finally, the hypnotising doctrine that there exists a natural law of concentration in economic life and that the future inevitably lies with the large-scale enterprise should be recognised in all its utter puerility* " (p. 15).

" It does not follow as a natural law that the peasant holding and small-scale and middle-sized working plant are going to be destroyed, rather are they going to strengthen " (p. 16).

" *We know now that the concentrating international development they*

2. CHIEF FORMS OF MONOPOLIST ORGANISATION

Before the growth of these combines and monopolies can be fully described, however, we must turn to the technique, the actual mechanical contrivances, through which big capital works, which was flung up to further the process of concentration.

The main weapon evolved is that of the joint stock company. The idea of this is that, as the raising of capital to finance a large plant is beyond the means of one capitalist, or maybe he does not want to put his own money into a concern into which he can fool others to go, numbers of other capitalists come in with their funds, in return for a share of the profits. Thus a company is formed of, say, £50,000. This will be divided into 50,000 £1 shares (or shares of any denomination or even of none, the so-called shares of no par value, which just represent one fiftieth-thousand of whatever is going). An offer is made, through a bank, or through special institutions called "underwriters," to the capitalists at large who subscribe their pound or whatever it may be. Their commitment, however, is limited, in the great majority of cases, to the value of their investment: if the company goes bankrupt no calls, beyond any unpaid portion of their shares, can come to them. After this, the shares are saleable on the Stock Exchange, their price varying up and down according to the speculators' hopes of profit. (The "par" value is the nominal value; in this case £1, but it is often quoted in units of 100.)

talk of is by no manner of means a natural necessity, but only essential for the aims of Zionism. Overtly and covertly, it is being promoted by Jewry throughout the world, since it is only through any such development that the lust for power of world Jewry can be realised" (p. 28).

Similar sort of "theoreticians" are found in Britain and the U.S.A. among the Distributivists; the proposals, e.g. of G. K. Chesterton and H. Belloc, and in slightly other forms, of the Douglas Credit Schemes. These are the "theories" of the petit-bourgeois, which is being squeezed by the trusts, dressed up in various nationalist and semi-religious jargon. Incidentally, this does not mean that some of their attacks on the monopolists are not accurate, e.g. Belloc's novels on the finance oligarchy are useful as well as diverting, but the *theory* at the back is all nonsense.

The shares are often divided into two main categories: preference, which give a promise of a fixed rate of dividend, and ordinary, which get a dividend according to the amount remaining to be divided. The latter have nominally a greater risk—and a greater chance. They also give the right to control the policy of the company, to elect the directors, attend annual meetings and so on. Each share counts as one in the voting, so that big shareholders can exercise a proportionately larger control. There are many other sub-divisions of shares.

There are also the bank overdrafts and debentures, which are claims for a fixed rate of payment, with much greater powers of foreclosure than the preference shareholders possess. Nominally debentures have no right of control unless their interest is in arrears. Actually, often, the "Trustees" for the debenture holders do have a big say. A big overdraft, secured by debentures held by the bank, will, of course, give virtual control of the policy to the bank. Thus, our company with £50,000 capital makes a profit of say, £9,000, after paying rent, directors' fees, etc., and it will pay:

On bank overdraft of £20,000 at 7 per cent.	£1,400
On Debentures of £20,000 at 5 per cent. ...	£1,000
On Preference shares £30,000 at 6 per cent.	£1,800
On Ordinary Shares of £20,000 at 20 per cent.	£4,000
	£8,200

and carry the balance to reserve to pay out a later day.

A further complication is that profits, or sometimes bogus values, are issued as "bonus" shares. In this case the company issues shares to the existing shareholders new shares in proportion to the amount they already hold (50 per cent., 100 per cent. and so on).

Alternatively when a company is re-formed the property is valued at an excessive figure, and the promoters make off with the "plums." In both these cases, the capitalists then demand a "fair dividend" on the new shares: it disguises the rate of dividend they are receiving. Thus, in the example given above, supposing the 20,000 ordinary shares had been "watered"

by the issue of a 100 per cent. bonus, the real rate of dividend would be 40 per cent., or if a company with property worth £20,000 had been sold for £40,000 to a new set of shareholders, the same would be true. This is not of first-rate importance as it only affects the verbal, nominal divisions of surplus value, not its total amount. But even this is an important agitational point, as it is a very general practice and (as, e.g. in the cases of cotton, railways, electrical supply) gets bedded into the usual " order of things " for capitalism, part of the tissue of property claims for which legal protection and compensation is demanded.

The tremendous growth of joint stock companies can be seen from the following table:

	British Companies Registered	Paid-up Capital £m.
1884	8,692	475
1900	29,730	1,623
1905	39,616	1,954
1913	60,754	2,426
1919	73,341	3,083
1924	90,918	4,356
1929	108,698	5,200
1931	114,295	5,515

The organisation of the joint stock company has spread out over practically the whole of production. It has opened the way to endless jobbery and corruption.

In two ways, especially, the joint stock principle aided the creation of characteristics of monopoly imperialism.

1. It gave immense facilities for amalgamations, grouping, centralised control over masses of workers and productive processes. 2. It gives huge opportunities for speculation with the money of the *rentier* class (which lives on unearned income).

The control of a typical joint stock company is vested in the hands of one or two directors, who look after finance and policy, the whole chicanery and wangling of modern business, and the works are run by either one or two managers (production manager, commercial

manager, works foreman, etc.). Then there is the coterie of family hangers-on, sons or nephews of the "big man" and—the masses of the shareholders.

The numbers of shareholders in leading concerns are often produced as an argument of the "distribution" of capital, and of its "democratic spread," leading to weakening of class antagonisms. The answer to such arguments is to be found in figures of the actual distribution of income to the capitalists and workers.

The *rentier* capitalists spread their risks—invest in packets in lots of companies. The effect of this is that a small group can, by a fairly small holding and using the central office to get "proxies," control the company. A 40 per cent. shareholding is quite enough. Actually in many cases (e.g. the former Buckland group in South Wales) the proportion held was much lower. The joint stock company offers facilities for mobilisation of capital, for the despotic overlordship of the biggest monopoly holders over enormous sums of invested capital belonging to other people. By forming trust (or holding) companies to control other companies whole "pyramids" of control are built up.

Even as frank a defender of capitalism as Robert Liefmann is compelled to admit:

"In addition, these capitalists control big banks and insurance companies, and with the aid of the huge amounts of capital which stream into these they come to be the masters over entire branches of trade and make them serve their interests with what is a comparatively small amount of their own capital and therefore with very little risk to themselves. It is not too much to say that by making suitable use of all this machinery created by present-day credit and real-asset facilities (by credit and assets substitution*), through banks, trusts, companies, insurance societies, clearing-houses and the like, it is made possible for these men of finance to control two hundred times the amount of capital they possess themselves." (*Cartels and Trusts*, Stuttgart, 1924, p. 95.)

Of course, where control is really needed by the big boss: in trust companies, financial concerns and so on,

* The transfer or depositing of securities in place of cash.

or in the dummy "nominee" companies put up by the banks, the capitalist public is not let in.

More particularly, great advantages accrue to the founders and the wire-pullers of joint stock companies out of what is called the promoter's profits.

If we take the case of a company which has issued a thousand shares at £50 each and is thus possessed of a capital of £50,000, we find that, with the average rate of profit running to 10 per cent., a profit of £5,000 per annum is made. If we assume, further, that part of this profit is placed to reserve capital or, as the case may be, is used to extend plant and equipment, this means that in this way out of the total profits only £4,000 falls due for distribution as profits, which would amount to £4 per share or 8 per cent.

We are aware (see Lesson Six, p. 28), that, as a rule, the rate of interest is below the average rate of profit. Let us take it that in the present instance the average rate of interest amounts to 5 per cent. It is clear that if the dividend is higher than the average rate of interest whoever has a capital of £50 will prefer to become the owner of one of these shares and to pocket a profit of £4 instead of putting the money into the bank and getting only £2 10s. for it—if that.

This difference between dividends and the rate of interest leads, however, to a steady advance in the demand for shares and consequently to an advance in its actual price over its nominal value (par). For a £50 share one would really have to pay a good deal more. Even if its quoted price were to amount to £70 10s. it might be worth while buying, as the dividend of £4 would, even then, still work out at 5·3 per cent. Only if the price of the shares concerned amounted to £80 would the dividend of £4 amount to 5 per cent., which is to say that it would equal the average rate of interest —as we have taken it to stand at. But even in that case the demand for shares would not be bound to drop off, for as soon as the share price *begins* to rise the shares will be eagerly bought up in expectation primarily of large profits consequent on the rise in their price on the stock market.

Now, who reaps the benefit of this difference between the nominal value of the share and its actual price as quoted on the market? First and foremost, the promoters of the company, or it may be the banking partnership standing behind them (hence the term "promoters' profits"). They know before others can get to know how high the dividends are going to be. As a rule, too, newly issued shares are not immediately put into circulation. The banks—which are always part-promoters of companies—hold back part of the shares until the amount of the dividend is known. By selling them off later on they reap huge promoters' profits inasmuch as the market value of the shares is then far above their nominal value. And it is precisely the founders of these companies who determine for the time being the price of their shares. Not infrequently it happens that dividends are given out as being much higher than they afterwards prove upon being paid out. Often, too, enterprises working at a loss are actually represented as going concerns. There have even been cases of the issue of shares of undertakings that simply did not exist at all. In cases of such plundering of the public the venal Press has its own special part to play. The pursuit of promoters' profits is an important factor in the spread of the joint stock companies. Examples of corruption in this speculation are too numerous to give. The "playing of the market" with all sorts of rumours, lies, etc., selling shares to companies under other names and so on have always been common. They are the basis of many failures. But the decline of capitalism makes this practice more general.

As a very elastic form assumed by the centralisation of capital the share-form of enterprises facilitates to an extraordinary degree the process of concentration and the formation of capitalist monopolies. By acquiring what is called the "control packet," which is to say the acquisition of a decisive block of shares, in a joint stock company, a big undertaking is placed in the position of having at its disposal other undertakings whose capital may exceed its own many times over. This is how giant

monopolies arise, concerns to which dozens of trusts belong.

Engels in his time pointed out that with the transformation of large producing and transport bodies into joint stock companies, the superfluousness of the bourgeoisie for the management of the modern forces of production is made plain for all to see.

"All the social functions of the capitalist are now performed by salaried employees. The capitalist has no further social function than that of pocketing dividends, tearing off coupons and gambling on the Stock Exchange, where the different capitalists despoil one another of their capital." (*Socialism: Utopian and Scientific*, p. 71.)

The Social-Democrats use this position of the absentee shareholder to argue for the setting up of public corporations. Take away the capitalist boss: or, as in the London Passenger Transport Bill, call him another name: remove the shareholders but give them a claim on the profits of the industry by issuing State stock. While in this way certain problems which face the capitalists *as a whole* in relation to mismanagement and corruption in particular industries, can be liquidated by State capitalism (e.g. the Post Office has always been in this category and is cited in Labour Party Study Course *The Socialisation of Industry* as an ideal); in practice capitalist production and inequality remain.

They give enormous facilities to the extension of the idle, parasitic rich. Now they simply have a State guarantee for this plunder.

Not only of course do the parasites live by "coupon clipping" on the surplus value produced by the workers whom they have never seen, and provided to them by mortgages, debt payments, corporation payments and so on. They can at the same time indulge in orgies of speculation. The U.S.A. capitalists, with the ground carefully worked by the "insiders," ran the price of shares to unheard-of heights in the 1929 boom. At the slightest provocation they start again. Speculators' profits can also be made by anticipating a further fall of price. ("Bulls" are speculators who buy for a rise, "Bears" those who sell for a fall.)

3. SPREAD OF MONOPOLIES

In every branch of capitalist production monopolies hold sway. This applies not only to the internal position of the imperialist countries but also to their relation with the colonial peoples. Thus we find not only that the means of transport, production of iron and steel, supply of milk or provision of groceries for the home market are becoming more and more monopolised, but that the production of millions of workers and peasants in India and Africa comes through the channels of the big monopolistic marketing and plantation companies.

The various forms which monopolies take vary. The earliest form which began to be apparent, even before the end of the nineteenth century,[1] was that of the cartel or price agreement or gentlemen's agreements by which various independent firms fix on a minimum price at which to sell their goods and possibly even arrange a quota, limiting the production of each firm to a particular amount and make a pool out of which to compensate the firms which were not producing so fully as others. This form of agreement is still extremely widespread.

According to the Commission on Trusts held at the end of the war there were then already at least 500 such agreements in British industry, and the Act under which the coal-mines of Britain are managed closely corresponds to this operation. However, this is really only the first stage.

The further stage comes in the actual merging of separate firms. This can either be an amalgamation by agreement between various independent firms under which shares are exchanged, directorates are combined and so on : so, of course, it can be the forcible bringing together of a lot of small firms into the grip of one larger one, which threatens that if they do not come in on its own terms they will be bankrupted. This is generally called the trust, or from the German the concern. It may link up firms either vertically, i.e. from the

[1] Again, in many industries cartels existed under merchant capital, but this is not relevant to the present position.

raw material to the finished production and marketing organisation, or horizontally, i.e. a union of a large number of different firms all doing the same process.

Examples of the first in Britain are, for instance, Guest, Keen and Nettlefolds, which owns its own ore- and coal-mines, its iron and steel plant and engineering workshops; or again the United Dairies, which in many cases owns its own farms, its wholesale distributing and also its retail organisation.

The influence of the monopoly organisations of capital is not confined exclusively to individual branches of national economy independently of each other.

Under modern capitalism the *combine*, the association of plants of different branches of industry into a single undertaking, has undergone special development. This is, indeed, " a very important characteristic of capitalism in its highest stage of development." (Lenin, p. 5.)

" The ' combine' . . . represents either the different stages in the working of a raw material (for example, the melting of iron ore, the making of steel, the manufacture of different steel articles), or which are auxiliary to one another (for example, the utilisation of waste, or of secondary products, the manufacture of packing, etc.)." (Lenin, *Imperialism*, p. 5.)

We have to deal here with " vertical " mergers as distinct from the monopoly organisations described above, which amalgamate enterprises of the same kind (" horizontal " associations). Similarly, we speak of " mixed " as distinct from " pure " working plants.

The sway of these monopolies has created a totally different economic position in contrast to the days of free competition where the economy was one of dispersed *entrepreneurs* unknown to one another and producing for an unknown market.

" Concentration has arrived at such a point that it is becoming possible to make an approximate inventory of all sources of raw material (such as all the mineral deposits of a country, and even, as we shall see, of several countries or of the whole world). Not only is such an inventory made, but

the sources are seized by gigantic monopolist alliances." (Lenin, p. 14.)

Examples of the second sort are the Bleachers' Association, or the Coats Sewing Cotton amalgamation. Actually, however, the development of capitalism has made these distinctions rather unimportant. The main essential point about a concern is that it is a great centre of capitalist power over production. It is the unqualified dictator over its affiliated enterprises, and while cartels and syndicates may fall apart with relative ease, the concerns constitute a very firm and monopolistic association of capital welding all the affiliated sections into a single unified organisation.

As J. P. Morgan once said: "You cannot unscramble eggs"; though in certain cases, under the stress of the crisis, the British finance oligarchy have had to break up the rather chaotic trusts which have been formed in the period of expansion, it was only to make them still larger and more logical monopolies, under the control of banking interests (e.g. Vickers).

The various technical methods by which trusts are formed are numerous. One method is the complete exchange of shares and the formation of a new company; this took place, for instance, in the case of the Imperial Chemical Industries. Another is the interlocking of directorates, each director having a few shares in the various companies with which he is connected. (For instance, the Vickers organisation under Douglas Vickers, or the South Wales Coal and Steel Combine under Lord Rhondda.) In other cases a holding company is formed which holds shares in a large number of subsidiary organisations. This trust company is the origin of the word "trust" and was used by the American Standard Oil Company.

The final and most definite form of trust organisation is that set up at the instigation of the banks or the State which compulsorily buys out smaller companies and forces them into one big new company (for instance, the National Shipbuilding Corporation or the Lancashire Cotton Corporation, or the whole of the grid system of the National Electricity Board).

The Roosevelt Government has declared in its National Industrial Recovery Bill " to promote organisation of industry," that it is acting " for the purpose of co-operative action among trade groups," " to induce and maintain united action of labour and management under adequate governmental sanction and supervision." In actual fact these state-formed trusts are based on the designs of the capitalists and, too, tie down the workers still more rigorously. In Britain, a parallel drive is taking place, for instance in coal, iron and steel, cotton, agriculture, electricity supply, etc.

5. MONOPOLY AND COMPETITION

It would be completely wrong to believe that monopolies eliminate competition altogether, thus doing away at the same time with the anarchy of capitalist production.

Capitalism and commodity-production, whose most characteristic feature is free competition, still remain the basis for the sway these monopolies exercise. Arising out of this basic fact there is a constant war of competition going on between the mass of the small commodity producers who still continue to exist and the big capitalist undertakings ; competition, again, between the capitalist undertakings in those branches of industry in which there is as yet no monopoly ; and competition, once more, between those new working plants which are constantly springing up without belonging to any monopolist body, the outsider, both against one another and against the monopoly-holders.

For the purpose of setting up, maintaining and extending their monopoly the monopolists are forced, however, to compete with the outsiders *as well as among themselves*. A peculiar competitive struggle is waged inside the cartels for " quotas." Struggle is carried on, further, between those cartels producing finished goods and those supplying semi-finished goods ; again, between such monopolist bodies as produce the same commodity or whose various lines of production can replace one another in certain ways (as, for example, electricity—gas—petroleum ; oil and coal ; synthetic

and natural oil, etc.); then, finally, among the monopoly-holders for what they consider their due share of their different goods in the ordinary householder's budget (the so-called competition waged to obtain the "consumer's dollar"), and so on.

Under the domination of free competition the division of social labour among the different branches of capitalist production is effected by the outflow of capital from those branches in which the rate of profit is below the average into branches of industry yielding a higher rate of profit. The result is that the market price shows a tendency to be levelled out to the price of production, i.e. to a price equal to the costs of production ("cost price") plus average profit. (See Lesson VI.) In this manner all capitalists obtain a profit which fluctuates round the average rate of profit, that is, they receive in accordance with the amount of their capital a share in the total surplus value which is squeezed out of the working class. The domination of monopolies leads, however, to the existence side by side of different rates of profit. For owing to the fixing of monopoly prices the monopolies raise profits in the monopolised branches above the average, thereby lowering profits to below the average in the unmonopolised branches which are obliged to buy the manufactures of the former, as means of production. It is then made much more difficult by the monopolies for any levelling out in the rate of profit to take place as the result of an outflow of capital to the monopolised branches. This inequality in the division of surplus value evokes, on the one hand, sharper competition between the capitalists in the monopoly and in the non-monopoly branches of industry which compels the latter on their part to join together in order to resist any lowering of their profits. On the other hand, this circumstance leads to greater competition inside the monopoly branches of production because capital forces its way from the non-monopoly into the monopoly branches. Finally, it engenders a struggle in the non-monopoly branches of production themselves in which the endeavour to place the rising cost of production on the consumer handicaps

the work of marketing the goods produced. Thereby the difference in the rate of profit obtained in the various branches of production as established by the rule of the monopolies goes to sharpen the competitive struggle among the capitalists. Monopolies thus result in any deviation of prices from value or, it may be, of price of production and profits from the average rate of profit being still greater and lasting still longer.

Monopolies are incapable of doing away with the foundations of capitalism and its essential feature—free competition. In the upshot, then, the final method adopted by the monopoly-holders in the materialisation of their monopolistic plans is that of employing direct coercion towards those who will not toe the line. Even if the laws of capitalist competition may be restricted in part by the effects of such competition, they assert themselves through the sharpening of all the contradictions inherent in capitalism, through the crises which become increasingly difficult and more protracted upon each fresh appearance. Regarded on the whole, then, we observe a bitter sharpening of competition all along. The road out from all their entanglements is sought for by the capitalists in new wars.

"We are now dealing no longer with competition between small and big industry, or between technically developed and backward enterprises. We see here the monopolies throttling those which do not submit to their yoke, to their dictation." (Lenin, *Imperialism*, p. 16.)

This altered character of the competitive struggle is inseparably bound up with the qualitative changes which are the result of the transformation of the capitalism of the competition of small, unrelated units into monopoly competition.

"The dominating position of big capital and amount of pressure which it can bring to bear—this is the most typical fact in the modern phase of capitalist development; this is what must inevitably result, and does result, from the formation of all-powerful economic monopolies." (Lenin, *Imperialism*, p. 17.)

There is also the competition which is carried on on a world-wide scale between the monopolist groups of the

various imperialist powers. In the case of a few commodities a world monopoly or " corner " is occasionally set up by one group alone and bitter competition with the other groups sets in either to secure a part of this (by war if necessary) or to provide substitute commodities. In the case of other commodities powerful groups will come to a truce to divide the world market and squash inconvenient outsiders and exploit the primary producers (oil is a case in point). But these instances do not abolish competition ; they lift it to a higher sphere. Always we have the tremendous pressure of new areas being opened up, new explosions of productive force upsetting the relationships secured by the imperialist powers dominant at any moment, and as Lenin pointed out :

" Finance capital and the trusts are aggravating instead of diminishing the differences between the rates of development of different parts in the world economy. When the alignment of forces are modified, where, *under capitalism*, can the solution of contradictions be found, if not in the resort to war ?

" . . . Compare the ideas of Kautsky about ' peaceful ' ultra-imperialism with this stern reality ; with the vast diversity of economic and political conditions, with the extreme disproportion of the rate of development of different countries, with the violent struggles of imperialist states. As for the international cartels in which Kautsky sees the embryo of ultra-imperialism, do they not provide us with an example of the partition of the world and its repartition—of the transition from peaceful sharing-out to war-like sharing-out, and vice versa ? " (*Imperialism*, pp. 112-13.)

6. POSITION OF THE WORKING CLASS UNDER MONOPOLY CAPITALISM

The rule of the monopolies brings about no improvement but rather worsening of the position of the working class. Failing as they do to eliminate competition and, on the contrary, making it still more acute and raising it to a higher level, these monopolies are vitally concerned in laying the burden of their growing difficulties to an increasing extent on the shoulders of the

working class and the labouring masses generally. They intensify labour, lengthen working hours and lower wages—either directly or by raising prices on articles of mass consumption for the workers—whereby they advance the degree of their exploitation. This fiercer exploitation of the working class is further facilitated by the monopolist bodies being able to regulate competition on the labour market, which they do by making it binding on their members not to go beyond certain rates of wages, to support each other during strikes, to maintain blacklegs and stool-pigeons, to keep " black lists " of revolutionary workers, to organise lock-outs, and so on. The result is that in the epoch of monopoly capitalism real wages are sinking everywhere in all capitalist countries and there is a steady advance towards the absolute degradation of the working class.

Thus wages in Germany (Prussia specially considered), fell by 20 per cent. from 1900 to 1912 (Tyszka, *Wages and Cost of Living in Western Europe in the Nineteenth Century*).

During the first stage of the imperialist epoch the capitalists in the trading imperialist countries found it possible to raise wages for a section of the working class, the aristocracy of labour ; but ever since the turn of the century things have been going the other way. Figures were given in Lesson V. The tremendous drive against the workers under conditions of monopoly is described, for instance, in *The Condition of the Working Class in Britain* by Hutt. The effect of monopoly is shown in another way by speed-up, which is applied by the " rationalised " concerns.

7. MONOPOLY CAPITALISM AND SOCIALISM

Monopolies covering the vastly greater part of production connote a higher stage in the socialisation of productive forces within the framework of capitalism than was the case in the period of pre-monopolist capitalism. Everything indicates that under monopoly capitalism the *prerequisites* of socialism have matured in all their ripeness—the extraordinarily far-reaching concentration of production, the management of scores and

hundreds of gigantic works from one centre, the due consideration paid to market conditions, the thorough survey of all sources of raw material, the necessity for and practicability of organising production and guiding it on planned principles not only in a single plant but in a whole complex of plants of different branches of production.

"Capitalism, in its imperialist phase, arrives at the threshold of the complete socialisation of production. To some extent it causes the capitalists, whether they like it or not, to enter a new social order, which marks the transition from free competition to the socialisation of production." (Lenin, *Imperialism*, pp. 14-15.)

Yet this does not signify that within the frame of monopoly capitalism the foundations of socialism, the socialist productive relations themselves, already arise. The socialisation of the productive forces under capitalism may go to any length at all, yet the productive relations still remain capitalistic.

"Production becomes social, but appropriation remains private. The social means of production remain the private property of a few. The framework of nominally free competition remains, and the yoke of a few monopolists on the rest of the population becomes a hundred times heavier, burdensome, and intolerable." (Lenin, p. 15.)

The development of monopolies and their close integration with the state bureaucracy was described by Lenin more vividly as

"'regulating economic life' in such a manner as to create a *military prison* for the workers (partly for the peasants) and a *paradise* for the bankers and capitalists." (*Threatening Catastrophe*, p. 15.)

In developing the material and technical prerequisites of socialism monopoly capitalism at the same time drives to its extreme what is the fundamental contradiction in capitalism—that between the social character of labour and capitalist appropriation; that is, it drives on the revolutionary proletariat as well, the force which must sweep away the productive relationships of capitalism. But the transition period lying between capitalism and

socialism begins not in the period of the rule of the monopolist bourgeoisie but only at the moment when the dictatorship of the bourgeoisie is overthrown and the dictatorship of the proletariat set up.

Monopoly capitalism marks the eve of the socialist *revolution*, but certainly not the commencement of a "peaceful mergence of capitalism with socialism," as Social-Democratic revisionist theory maintains.

8. SOCIAL-DEMOCRATIC FALLACIES ON ORGANISED CAPITALISM

As early as the end of the nineteenth century when the monopoly alliances first began their triumphant march the opportunist wing of Social-Democracy—Eduard Bernstein at its head—claimed that the further concentration of production might lead to a state of things under which crises would be overcome. Similarly, Bernstein made the assertion that the position of the working class was improving with the development of capitalism and that the class struggle was slackening. At the time Kautsky opposed Bernstein's views, doing so, however, inconsistently and in a conciliatory spirit. He maintained that capitalism's further development would lead to a moderation of crises and to an entirely relative impoverishment of the proletariat.

Lenin made the point very clearly, in his chapter on "Critique of Imperialism" in *Imperialism*, that a petty bourgeois opposition was forming against the cruder aspects of imperialism, manifested by the "jingo" imperialists. Kautsky, he pointed out, deserted Marxism, because he did not fight this "opposition which is really reactionary in its economic basis." In fact, Kautsky became practically identified with it. He argued that free competition without any sort of monopoly or imperialist grip would be more profitable for capitalism! But this argument, of course, is merely pious and hypocritical. Monopoly and imperialism have grown out of "free" capitalism, "which has," says Lenin, "become impossible once it has given birth to monopoly."

The Social Democratic theoreticians have now

become much more identified with praises of monopoly and imperialism. For a fuller discussion of this point, see next Lesson (XI).

In his *Finance Capital* in 1910 Rudolf Hilferding depicted a " general cartel " towards which capitalism was striving and with whose advent capitalism was to be transformed into a " capitalism " minus commodity production and without the anarchy so peculiarly its own and without competition, i.e. into a " consciously regulated society in ' antagonistic ' form." (R. Hilferding, *Finance Capital*, p. 295.)

In investigating the sources of the surplus profits obtained by the cartels Hilferding devoted his attention mainly to the drop in the profits suffered by branches of production not ruled over by cartels, as also to the decline in the incomes of the unproductive classes. He was most concerned to show that cartel profits did not actually arise out of the exploitation of the working class and the labouring masses (Ibid., pp. 289 and 292.) To do so, however, meant tucking away from view the acute sharpening of class antagonisms under monopolist rule.

Social-Democracy of to-day has adopted this theory as an official dogma of the Second International, the same theory of " organised capitalism "—in a disguised form, it is true—which had been announced as long ago as before the war in the chief work of its leader Hilferding. Yet it did so in face of the contradictions of capitalism which the crisis made more glaring still. The sole difference between their present assertions and what was then said in *Finance Capital* consists in the fact that to-day the theory of " organised capitalism " is no longer dressed up in the old revolutionary phraseology nor as a possible but still far-off future state—instead as a state of capitalism already coming into being which is being transformed into socialism by Social-Democracy with the aid of the bourgeois State.

A case in point where we find this theory most openly and unashamedly advanced is where the Social-Democratic theoretician Naphtali voices the view that " the era of socialism has begun," or in the words of the

Social Democrat Alfred Braunthal, according to whom we " are already in the transition stage to another economic system." (A. Braunthal, *The Present-day Economic System and its Laws*, Berlin, 1930, p. 23.) It is commonly found, too, in Britain, this argument, that by tightening the grip of the financiers really a step is taken towards socialism.

It need no longer cause any surprise, therefore, if Social-Democracy to-day rejects the general law of capitalist accumulation and steady degradation of the working class discovered by Marx. Marx taught that under capitalism labour power is a commodity which, like every other commodity, is ultimately determined by its value even if its price is, on the average, paid at below its true value. As against this axiom Rudolf Hilferding declared at the Kiel Congress of his party in 1927: " The rate of wages is determined by politics," and called on the workers to vote for the Socialist Party of Germany in order that it might raise wages through its activities in a bourgeois parliament. What was to happen we all know now! It led to the betrayal and to Fascism.

That is how the Social-Democrats expound the epoch of monopolist rule in their own and the bourgeoisie's interests as a period of transition. What the monopoly organisations do show is that capitalism is dying and that all the objective prerequisites are already there for the socialist revolution of the proletariat. The Social-Democrats take the opposite line of hoodwinking the workers with the prospect of a peaceful and harmonious transition to socialism on the basis of present-day capitalism.

Actually, however, monopolist rule signifies, not any diminution of the anarchy prevailing in production, no steady advance in the state of general organisation, but the opposite :

> " Monopoly, which has sprung from free competition, does not drive the latter out of existence, but co-exists over it and with it, thus giving rise to a number of very acute and very great contradictions." (Lenin, p. 94.)
>
> " That combines do away with crises is only a tale for the

marines, used by bourgeois economists who set out to justify capitalism at all costs. On the contrary, when monopoly appears in *certain* branches of industry, it increases and intensifies the chaos proper to capitalist production *as a whole.*" (Ibid., p. 18.)

The anarchy of modern production and its attendant crises will disappear only with the abolition of the capitalist method of production. The present crisis which began at the end of 1928 started at a time when the monopoly organisations in capitalist countries wielded an unbounded sway in industry. Conditions under it contrast miserably with the steady development, unattended by crises, of production in the one country of the dictatorship of the proletariat. There is history's verdict as to the soundness of the Leninist theory of monopoly-capitalism as the prelude to the proletarian revolution. It is also the most telling proof of the apologist nature of the Social-Democratic theories of organised capitalism.

QUESTIONS

1. Why does the concentration of production lead to monopoly?
2. What are joint stock companies; what is their significance in the process of monopolisation?
3. Why do monopolies fail to eliminate competition and sharpen it instead?
4. What are the forms acquired by competition under monopolism; in what consists their main difference from free competition?
5. What are the effects of monopolist rule on the position of the working class and the labouring masses generally?
6. Why is monopoly capitalism the prelude to the proletarian revolution?
7. What class standpoint lies behind the social-democratic theory of monopoly capitalism as organised capitalism?

II. Finance Capital and the Rule of the Finance Oligarchy

The transformation of capitalism of the days of free competition into monopoly capitalism influences all aspects of economic life and leads to very substantial changes in all fields of capitalist economy. Foremost of all these, changes are seen in the relations between industry and the banks.

I. CHANGE IN ROLE OF THE BANKS

In the period of pre-monopoly capitalism the banks acted the part principally of *intermediaries*; they concentrated in their hands any moneys of the capitalists which had been set free for the time being as well as the savings of other sections of the population, and with the aid of this money they lent money or overdrafts to production and trade. These credits were in the great majority of cases short-term arrangements, which means that connections between the banks and industry were not so lengthy, nor so strong, as they are to-day when the banks grant large and long-term credits. Corresponding with the lesser degree of concentration in production, banking capital was as yet also weakly concentrated. There were a multitude of banks between whom bitter competition raged.

The process of the concentration and building up of monopolies took place among the banks as well. In banking, too, we have now to deal with powerful monopoly bodies. Then a steady concretion of industrial and banking capital into *finance capital* is taking place. It is this process of the formation and emergence of finance capital which we propose to follow in its general features.

Various tendencies combined to bring about a steady concentration of banking. Industry needs ever more credits, especially long-term credits. The organic composition of capital becomes ever higher and the proportion of constant capital grows fast, making greater calls for "liquid accommodation." Moreover the irregular

development of industry by fits and starts, calls for bigger resources on the part of the banks.

The war and post-war period saw the joint stock banks encroaching more and more on the functions of other capitalists, e.g. bill brokers, foreign exchange, company promoters and so on.

2. CONCENTRATION OF THE BANKS

In certain respects the concentration and centralisation of the banks differ from that process as it occurs in industry. Bankers' profits depend primarily on the difference between the moneys obtained as interest (on the " assets " side of banking as a business), and what is paid out as interest (on the " liabilities " side of the business), after deducting business expenses. As regards this difference itself, it is determined by the volume of business done. Interest in the case of the assets side of banking is naturally higher than on the liability side. The larger the " banking capital," i.e. the sum total of its own money and that of other people's obtained through the liabilities side of the business (deposits, etc.), the more extensive will be the asset business (the lending-out of money), which the bank can undertake. The banks are inclined, therefore, to increase their own capital only in so far as such a step ensures it opportunities for making up its total capital by means of other people's money and drawing increased profits out of the speculations in which it engages. The concentration of the banks thus takes the shape, first and foremost, of an increase in the amount of outside money paid in as deposits which it controls, as well as in the extension of its operations generally. Owing to the nature itself of banking operations the concentration of the banks can be effected much more speedily than any analogous concentration in industry.

In the last forty years some of the most striking developments in concentration of interests have occurred in the banking world. To-day the " Big Five " banks control nearly 90 per cent. of the joint stock banking capital in England and Wales. In 1890 there were 104 joint stock banks in England and Wales, having 2,203

branches and capital and reserves of £67·8 million. In 1932, the number was reduced to 16 (two of whom are subsidiaries of others in the group) with 10,178 branches and £134·5 million capitalisation. The figures are:

THE JOINT STOCK BANKS OF ENGLAND AND WALES

Year.	Banks.	No. of branches.	Capital and reserves. Million £.	Deposits. Million £.
1890	104	2,203	67·8	368·7
1900	77	3,757	73·8	586·7
1910	45	5,202	80·9	720·7
1915	37	6,027	81·7	992·6
1920	20	7,612	128·2	1,961·5
1925	18	8,873	134·8	1,806·8
1930	16	10,082	144·3	1,976·8
1931	16	10,178	134·5	1,821·0
1932	16	10,066	135·2	2,064·3

From *The Economist*, May 13th, 1933.

In Scotland the number of joint stock banks fell from 10 in 1890 (with 975 branches and £14·8 million capital and reserves) to 8 in 1931 (with 1,663 branches and £30·7 million capital and reserves). Four of these 8 are subsidiaries of the Big Five.

Amongst English private banks (some owned by the Big Five) the position has been:

Year	No. of Banks.	Capital and reserves. Million £.
1895	38	11·8
1913	8	3·6
1920	5	3·1
1931	4	3·2
1932	4	2·4

The reduction is due to amalgamations with the joint stock banks.

The "Big Five" run numerous subsidiaries amongst the other large banks (joint stock and private) in the country. Lloyds owns Cox and Co. and the Bank of London and South America; The National Provincial has purchased Coutts and Co. and Grindlay and Co.; the Westminster has the Westminster Foreign Bank Ltd., etc.; Barclays runs the Union Bank of Manchester Ltd., etc.

The Banks and their Directorate Connexions

The 174 directors of the six leading British banks hold 1275 other directorates.[1] The 38 directors of Barclays Banks hold 202 other directorships (including 29 in shipping, 20 in finance houses and investment trusts and 24 in insurance); the 25 Westminster directors hold 211 other seats, including 37 on foreign and overseas banks and 29 in finance and investment companies. The National Provincial's 21 have a moderate 152 other seats (with 17 in insurance), but the Midland's 32 hold no less than 291 (21 in textiles, 65 in finance and investment, 24 on British Banks and discount houses and 24 in iron, coal and steel). Lloyds' 33 have 245 other directorates—16 on foreign banks, 25 in finance and investment concerns, 22 in insurance, 14 in iron, coal and steel, and 9 in electric power. The 25 of the Bank of England average 7 other directorates apiece (totalling 12 in iron, coal and steel, 11 in shipping, 22 in finance and investment, etc.).

These banks exclude the very powerful "private" banks—the Rothschilds, Morgans, etc.

It becomes plain how far right Lenin was when he stated that "Once more, the last word in the development of the banks is monopoly." (Lenin, p. 34.)

What is true of Britain applies to other capitalist countries; so that, for example, in 1913 more than half of all the capital of the forty biggest German banks was concentrated in eight giant banks, while in 1926 six out of seventeen of Germany's big banks controlled over 70 per cent. of the total banking capital. How insignificant the role of the small banks is in Germany may be gleaned from the fact that as early as before the war they accounted for only 1 per cent. of the country's entire banking capital. Since then the crisis has carried the process further.[2]

[1] The information is based on semi-official directorates for 1932. Changes take place but the general position, which is all we are concerned with, is indicated.

[2] The process of concentration in the U.S.A. has certain peculiarities due to the survival into the twentieth century of nineteenth-century forms of banking. This merits separate study. But the

This far-reaching process of the concentration and centralisation of banking is a component part of the monopolist transformation of Capital. It leads to monopoly rule in banking as well and thus strengthens the sway of monopoly capital in its entirety. With that change, however, there is a fundamental alteration in the part played by the banks.

"In proportion as banking operations develop, and as they become concentrated in a small number of establishments, the banks become transformed, and instead of being modest go-betweens they become powerful monopolies dealing with almost all capital and with almost all capitalists (and small proprietors); and similarly dealing with the biggest part of the means of production and of the sources of raw materials of a country or of several countries." (Lenin, *loc. cit.*, p. 22.)

With the aid of a close network of branches and agencies the banks come to cover entire countries,

"centralising all capital and all sources of revenue, transforming hundreds of scattered economic enterprises into a nationalist capitalist unity, then into an international capitalist unity." (Lenin, *loc. cit.*, p. 26.)

This circumstance leads to a further strengthening of the power wielded by monopoly capital whereby, as we have seen, the basic contradictions of capitalism are not diminished but rendered more acute.

3. BANKING AND INDUSTRIAL CAPITAL

Complaints are often heard to the effect that industrial capital is held by banking capital in what amounts to a state of terrorisation. Undoubtedly the role played by the banks is extending enormously owing to the monopolist character of all capital, yet simultaneously the connexions between banking capital and industrial capital are becoming closer and closer and leading to their fusion. We observe a typical example of the fusion of banking and industrial capital in the monopoly

present crisis has brought about a complete upheaval here as well. Of course, the fact of the Finance Oligarchy control, an enormous centralisation of power by a few financiers, holds in the U.S.A., it is only the surface peculiarities—the actual mechanism which differs.

organisation most frequently designated as the concern. The Kreuger concern, the A.E.G. (Electric) of Germany, and others may be regarded as cases in point. But the most glaring example of how far the merging of banking with industrial capital has gone under the influence exercised by the monopolistic transformation of capital is furnished by the American concerns run by Rockefeller and Morgan.

Even prior to the Imperialist War, Morgan, according to Robert Liefmann's calculations, was in control of the monstrous capital of $22,250,000,000, i.e. nearly one-fifth of the national wealth of the U.S.A. During the war the power of the Morgan group waxed still greater until the capital it controlled reached the vast sum of $40,000,000,000, of which $4,000,000,000 were invested in the banks.

In these figures one has evidence of the way monopolistic banking and industrial capital mutually interlink.

The process bringing about the concentration of banking and industrial capital is further observable in the fact that the biggest monopoly organisations and the big banks exchange representatives with each other. Trusts delegate their directors to sit on the controlling bodies of the banks, the latter, in their turn, sending their representatives to attend similar meetings of the equivalent bodies of the trusts and like organisations.

4. FINANCE CAPITAL AND FINANCIAL OLIGARCHY

From the fusion of banking with industrial capital there emerges finance capital.

We see, then, that by its very nature finance capital is most closely bound up, indeed, with capitalism's monopolistic character. It was only on reaching that high degree in the concentration and centralisation of production which gave rise to monopolies that the formation of finance capital could be effected. It is for this reason Lenin writes:

"The concentration of industry: the monopoly arising therefrom: the fusion of banking and industry: these are the steps in the rise of finance capital and the notion contained in the term." (Lenin, *loc. cit.*, p. 43.)

The rise of finance capital brings us to the overlordship of the finance oligarchy, a small handful of financiers, which is master over armies millions strong of wage-slaves and the productive forces of society and holds the governments of the foremost capitalist countries in immediate dependence. *The rule of finance capital—the unbounded might of the financial oligarchy, as, for instance, the absolute despotic power of the Morgans and Rockefellers—is an inevitable consequence of the monopolistic transformation of capital.*

The finance oligarchy is the dominant group in monopolist society. It consists of the leaders of the big banks and monopolies. The group is not exact and precise; its centre is firm though people drift in and out of its circumference. It has a practically complete dominance of the State. In some countries, e.g. where strong landlord elements prevail, its dominance is not complete. In Britain, where an old-rooted quasi-feudal governing class remain, the two elements fuse. The powerful financier is entered into "Society," received in the Royal Enclosure at Ascot.

The recently divulged bribes to politicians, the interlink between the money market and the Treasury and so on are part of the machinery of control. They, or their representatives, sit in the House of Lords and Commons and Senate and Congress. Prominent Civil Servants pass from the State to the financial apparatus, etc. The balance inside the finance oligarchy differs in different countries.

The finance oligarchy is therefore distinct from the State apparatus, but it largely controls it. It is distinct from the idle parasitical element. It is distinct from the industrial capitalists, who still remain in nominal charge of sections of production. It is also, in a degree, separate from the pure financial interests, stock exchange, company promoters, foreign bankers, etc. But by its control of the monopolies, of the enormous banking and insurance resources, of the big overseas companies, it can dominate and control the whole economy. It is the *active* element in imperialism. Its numbers are even fewer than the 8,000 (·09 of the income tax payers) who,

in Britain, receive over £10,000 a year, with an average income of £22,000. The Morgan interests in U.S.A. control about one-fourth of the corporate wealth of that country. This power " is concentrated in 167 persons in the Morgan combination who hold more than 2,450 interlocking directorships in corporations."

The developing crisis, which lops away many of the subterfuges of bourgeois democratic controls, brings the finance oligarchy more openly into dictatorship. It operates through the State to enforce more drastic rationalisation (e.g. the British electricity supply, railways, road transport, coal and iron and steel, agricultural products; the U.S.A. National Industry Recovery and Farm Relief Bills, etc.).

The machinery through which the finance oligarchy works has been developed from the organisation of capitalism. The names are the same as readers of, say, Bagehot's *Lombard Street* learnt fifty years ago, but the purposes it serves are quite different. There is a vast superstructure created to deal with the distribution of surplus value among the parasites, including, of course, the struggle between one group and another.

In Britain the centre of the organisation is the Bank of England. This Bank corresponds to the Central Banks of other imperialist powers. It works very closely with the Treasury, the Government Department which deals with finance. The Bank of England and the Treasury manage between them the volume of money, notes and credit, issued. The Bank holds the gold supply. The Bank controls credit by its manipulation of the stock exchange (" open market operations ") and by its interest policy, because the price of credit money is determined by it. Also it can dictate policy to the lesser breeds of the hierarchy by its ukases.

Flanking the Central Bank are the Joint Stock Banks. In Britain five of these dominate, though there are several others which are also " members of the clearing house " (i.e. act as joint stock brokers). The phrase " joint stock " simply means that they are limited companies. These banks in Britain have a network of branches all over the country. In U.S.A. the Federal

Reserve Banks and the big commercial banks correspond to their role but they are less integrated than the British "Big Five." The present crisis, however, swept away many of the smaller banks and led to the great extension of branch or chain banking. These banks deal with the ordinary concerns. They loan them "advances," short-term credits on which to trade (though during the recent crisis these short-term loans have become "frozen," i.e. not enough surplus value has been turned out to repay them). The drain of interest, which is maintained at a high level (5 per cent. to 7 or 8 per cent.) is enormous. On every ton of coal, for instance, it amounts to about 3d. The active directors (the banks have a full quota of nominal guinea-pig directors) and the managers run this huge concern.

The distinction made by bourgeois writers between British banks which did not and German banks which did actively participate in industrial concerns has been wiped out by the crisis. They are very actively interested now. But in the high peak of British industrial capitalism there was a connection, though then it was with local banks; as the big monopoly joint stock banks were built up they tended to leave to other sections of the finance oligarchy the task of long-term financing in industry. Of course, in Britain forms of industrial capital survived later than in most countries, but this allocation of function between different sections of the financiers does not mean that finance capital was not the dominate factor in Britain, in the imperialist epoch. On the contrary. A special role is filled by the merchant bankers. These banks do not do so much ordinary banking business (deposits, short advances and so on), but they arrange loans and investments. They manage enormous masses of money in order to control production. They are the banks chiefly concerned in overseas investments, but have also, during the crisis, become concerned with home production.

These private banks also play a large part in the exchange of gold, silver and precious metals and in the foreign exchange market.

There is also a special branch of manipulators in each of these branches, but they are rather the secondary ranks in the hierarchy. The same remark applies to most of the stock exchange operators—the buyers and sellers of Government and company stocks and shares (i.e. symbols of the right to surplus value). Some, however, of the big brokers are important but the steady drives of the banks, investment houses, insurance companies and so on has diminished the role of the " pure " stockbroker.

The insurance companies also play a big part, with their huge resources. The investment trusts also concentrate in the hands of their directorates further big resources.

Taking only shares quoted on the Stock Exchange, totalling £18,371 million, " institutional firms " of this nature control £1,700 million. Naturally their interests are concentrated in certain directions. Banks have an investment of £750 million, building societies (75 per cent. of whose money is invested in property) £25 million, two-thirds of the £1,000 million held by Life Assurance companies is on the Stock Exchange, and the Investment Trusts have £300 million.

The building societies had total resources of £469 million in 1932. Thirty-one companies control £298 million. Three per cent. of the societies do nearly two-thirds of the total business. The ten largest hold 52 per cent. of the assets, while the two largest together hold 27½ per cent. of the whole.

The directors of these investment trusts, insurance companies and building societies, who manipulate enormous resources, also rank in the inner circles.

Finally, certain of the heads of the big monopolies should be included. Often, of course, these men are represented on banks as well. Sir Josiah Stamp, for instance, head of the L.M.S. Railway, is also on the Bank of England.

The finance oligarchy in Britain links up with the landlord and " old " governing class elements. There are also certain big rentiers who may take no active part in directing the monopolies but nevertheless have

a large influence: they are the big representatives of parasitic interests, such men as the Astors, Derbys, Ellermans, and so on.

The groups which make up the finance oligarchy handle directly the resources of modern imperialism.

5. THE ILLUSION OF STATE CONTROL

The finance oligarchy, the plutocracy, keeps on fusing more and more with the machinery of State by allocating well-paid sinecures to State officials on their control committees. Even the most "democratic" political regime of bourgeois society cannot prevent this subjugation of the whole of public life to the domination of the plutocracy (the rule of the money-bags). Indeed, it does not seek to do so, for the rule of the bourgeoisie is the dictatorship of capital. Which is why all that came of the demand made by the Heidelberg programme of the German Social-Democracy for the initiation of "control by the nation over capitalist cartels, trusts and like interests," the control to be exercised by the "possession of political power" in the "democratic republic" in question, became in working practice a mere welding together of the Social-Democracy's men at the top with the representatives of the capitalist monopolies they were to have controlled. Südekum, for instance, former Minister of Finance in the Prussian Government which by the agreement of January 22nd, 1922, made over millions worth of valuables in one way and another to the Hohenzollerns, happens to be on the committee of six different joint-stock companies. Gustav Bauer, former Chancellor, was chairman of the control committee of the firm of Marx and Simons. Once Speaker of the Prussian Parliament, Leinert obtained the post of chairman of a similar kind of committee as reward for the sale to a certain big concern of the Port of Berlin works. Fritz Ebert, son of the deceased president of the republic, was private secretary to the same Barmat whom Ebert senior so readily assisted in getting his capital across the border and out of Germany. Heilmann, Social-Democrat M.P., was member of control and vigilance committees in six undertakings of the

Barmat concern. Case after case like these could be given without number—and not only in Germany.

In Britain prominent Treasury officials pass to the service of the banks. Ministers of the Crown relinquish City jobs while they " administer the affairs of the capitalists as a whole " in Whitehall, then pass back again to lucrative jobs. The corrupt influences brought to bear were hinted at by Mr. Shinwell, late Minister of Mines in the Labour Government, referring to this very proposal to " control " capital, at the Leicester Conference of the Labour Party.

The hypocritical nature of these proposals to place the banks under State control lies in this; the fact is always most carefully camouflaged that it is precisely under monopolist capitalism that a steadily strengthening interlinking of finance capital with the State apparatus is taking place with the monopoly organisations making ever greater use of the State to serve their own interests.

The capitalist State is an instrument of the class rule of the bourgeoisie. Just as finance capital leads to the finance oligarchy through the fusing of banking with industrial capital, *so, too, does the rule of finance capital lead to the welding together of this finance oligarchy with the machinery of the State.* It is a matter of complete indifference whether the bourgeois State concerned is " democratic " or not.

The demand for control of capitalism's monopoly organisations by the capitalist State of the present day amounts ultimately to allowing the sharks of finance capital to do what they like unhampered in any way. All such demands are therefore the sheerest humbug, a red-herring manœuvre, on the part of bourgeois politicians.

However highly developed and extended the credit system may be under monopoly capitalism, in itself and taken by itself, it is not yet socialist organisation. It is solely an " organific " *prerequisite* of socialism maturing within monopoly capitalism. The banks will become a *means* for the socialist organisation of production only when they are wrested from the capitalists, that is,

only once they pass into the hands of the proletarian State. Nationalisation alone of the banks is not enough in this case; it is essential that the workers' State should also nationalise the means of production.

"Finally, there is no doubt that the credit system will serve as powerful *lever* during the transition from the capitalist mode of production to the *mode of production* introduced by associated labour, though only as an element, however, in combination with other great organic revolutions in the mode of production." (*Capital*, Vol. iii, Part 2, pp. 146-292).

QUESTIONS

1. What change in the role of the banks arises out of monopoly rule?
2. Why and how do "personal alliances" between industry and the banks emerge from the altered role played by the latter?
3. What is finance capital?
4. How is the rule of the finance-oligarchy effected; what forms does it take?
5. Why is control by the bourgeois State over monopoly organisations as demanded by the social-democrats impossible?

III. EXPORT OF CAPITAL

The rule of the monopolies, which inevitably result from the concentration of capital and the merging of banking with industrial capital to form finance capital, which follows unfailingly in the wake of monopoly capitalism, lead, in their turn, to altered relations between the different capitalist countries. While these relationships prior to the epoch of monopoly capitalism were mainly determined by the export of goods, in the period of monopoly capitalism itself they are increasingly embodied in the export of capital.

I. EXPORT OF CAPITAL BEFORE THE WAR

The difference between the export of commodities and capital exports is as follows:

In exporting goods the surplus value is created in the exporting country. The surplus value is realised, transformed into money, exclusively in the country to which the commodity is exported. In exporting capital (in the form of money or of the means of production), the surplus value must first be created in the country importing this capital and then (in the form of interest and profits), be made to flow back to the country exporting the capital. Capital exports signify the investment of capital in a foreign country. It is plain that capital exports produce economic connections between countries quite different from those arising out of the export of goods.

In the days of pre-monopoly capitalism also capital used to be exported to backward countries. The inducement for such export was found in the higher rate of profit obtainable in a backward country (where capital is of a lower organic composition, where there is cheap labour, very often slave labour, etc.), yet the export of capital acquired no outstanding importance; and it was only at the end of the nineteenth, and more especially at the beginning of the twentieth, century that we witness a rapid rise in capital exports, as the following table shows:

Capital invested abroad (milliards of francs)

Year	Britain	France	Germany
1862	3·6	—	—
1872	15	10 (1869)	—
1882	22	15 (1880)	?
1893	42	20 (1890)	?
1902	62	27-37	12·5
1914	75-100	60	44

(Lenin, p. 63.)

From these figures it is to be seen that the export of capital had already begun to mount at the end of the nineteenth century, *this line of export swelling particularly at the beginning of the twentieth century, i.e. when the capitalist monopolies had achieved paramount domination.* It is also to be seen that before the 1914-18 war Britain held first place among the countries exporting capital and France second place. German imperialism began to participate relatively late in this policy of wholesale robbery on an international scale, though it caught up with its rivals remarkably soon and was able up to the war to invest abroad the enormous sum of 44,000,000 francs.

The United States is not given in the above table. Before the war she was of no particular importance as an exporter of capital.

2. EXPORT OF CAPITAL AFTER THE WAR

The world war did not diminish but enhanced the role of capital exports, though it did lead simultaneously to a radical change in the share borne by individual capitalist countries in the world's capital exports.

To begin with, Germany, held down as she was by the system imposed by the Versailles Treaty, was changed from a capital-exporting to a capital-importing country. France succeeded, in the main, in retaining her old positions, indeed, even in extending them; but Britain was made to feel the weight of the United States, which now appears as the dominant force on the international capital market in the present period of capitalist development.

It is in the U.S.A. of all countries that we observe a

particularly rapid and steady rise in the export of capital after the war. Thus in 1923 $267,000,000 were exported from the U.S.A.; in 1924 $997,000,000; in 1925 $1,086,000,000; in 1926 $1,145,000,000; and in 1927 $1,567,000,000.

"The possibility of the export of capital is created by the entry of numerous backward countries into international capitalist life: the most important railway lines are either built or being built there: the elementary conditions for industrial development are in existence, etc. The necessity to export capital comes from the 'over-development' of capitalism in certain countries where (with agriculture backward and the masses impoverished), 'profitable' investments are becoming scarce." (Lenin, pp. 62, 63.)

"In the old type of capitalism, that of free competition, the export of *goods* was the most typical feature. In the modern kind, the capitalism of monopolies, the export of *capital*, becomes the typical feature." (Lenin, p. 61.)

3. IMPERIALIST EXPLOITATION

The export of capital is effected through State and municipal loans, loans for the laying of railways, through the organising of joint-stock companies in backward countries, etc. As a rule, interest and dividends are higher for foreign loans and other operations involving the investment of capital abroad than is the case for home investments. Taking France as an example, we find that this difference in interest on loans amounted to 1·12 per cent. in 1910; to 1·25 per cent. in Britain before the war; to 1·77 per cent. in the U.S.A. in 1924.

Capital exports create not only an outflow channel for the "superfluous" capital of the advanced countries, but in addition new markets as well for the commodities produced in these countries. This is especially true of the railways, whose share in this exported capital is very high.

As a general rule, capital-exporting countries obtain most-favoured nation privileges in the export of goods as well. In making use of this advantage open competition on the world market is replaced by the "arrange-

ments " of finance capital maintained more particularly by the colonial banks and their branches which show no compunction in employing violence, fraud or extortions in conducting their operations. Finance capital thus extends its hold all over the world, certain backward countries sinking into complete dependence upon the creditor States—this being true even of such formally independent countries as Turkey, Persia, and China. Even where no special agreements exist, the world is actually " partitioned off " into spheres of influence apportioned to the various groups of finance capital in the foremost developed countries.

" The export of capital in the countries where it is introduced has a great influence on capitalist development, which it strongly accelerates." (Lenin, p. 64.)

Yet finance capital is constantly endeavouring to influence this development in such a manner that its markets for the purchase of raw materials and the sale of its own commodities are still made certain of in the backward countries which remain suppliers of raw stuffs and buyers of industrial goods. This is secured by seeing to it that the capital exported to these backward countries is not invested chiefly in the production of the means of production, but primarily in branches of industry furnishing fuels and raw materials, and to a certain degree in the light industries as well which produce articles of mass consumption.

As long as imperialism exists, any independent development of the production of the means of production in the colonies and backward countries is checked, these countries being left to act the part of agrarian adjunct to the capital-exporting countries. In their case only capitalism's downfall can offer free scope for development. It is for this reason that the Social-Democrats' contentions as to the " decolonisation " of individual countries under imperialism are tantamount to direct repudiation of the struggle against the imperialist States exploiting these countries.

IV. DIVISION OF THE WORLD BY INTERNATIONAL MONOPOLIES

Everything—the monopolies arising out of the concentration of capital, the formation of finance capital on the foundation thus established, and the resultant preponderance of capital exports over the export of commodities—inevitably leads to struggle between the giant monopolies for the dividing up of markets, sources of raw materials, and zones for the investment of capital, i.e. to a struggle for the dividing up of the world among the capitalist monopolies.

The big monopolists of finance capitalism wage bitter struggle among themselves. At a certain stage in this struggle the primary conditions are created for *temporary* settlements, for the formation of international monopoly alliances designed to dominate the entire world market and divide it up into spheres of influence among the parties to these settlements.

1. INTERNATIONAL CARTELS

Owing primarily to the manner in which the figures are kept secret, it is not known exactly what the numbers are of the pre-war cartels nor of the international cartels of to-day. Following Liefmann's estimates, there were about forty international cartels in 1897 in which Germany had some share. By 1910 their number had already risen to one hundred. Harms speaks of 114 international bodies, of which 26 were in mining and smelting, 19 in chemicals, 18 in transport, 15 in textiles, 7 in papermaking, and 5 in the electric trades. Reichert estimates the number of international bodies of this nature at some hundreds. After the break-up of most of the international monopoly associations during the World War they again began to crop up at the end of the war, increased very rapidly, and at the beginning of 1930 had once more reached the figure of at least two hundred, according to the calculations of Tschierschky, an expert on the cartel movement.

As an illustration of this process we may consider the

agreement between two international trusts in the electric industry—the General Electric Company (G.E.C.) of the United States and the General Electric (Allgemeine Elektrizitäts—Gesellschaft or A.E.G.) of Germany which was signed in 1907 (for details see Lenin, p. 68 *et seq.*). In that agreement the two companies pledged themselves to drop the policy of competing against each other which they were then pursuing, to which end they divided the world between them. The G.E.C. was allotted the United States and Canada, the A.E.G. all Europe (excepting Britain), Turkey, and Russia in Asia. Mexico, Central and South America, and Britain were regarded as "neutral zones" in which free competition was allowed. The companies concluding this agreement undertook to exchange patents and inventions. This mutual arrangement was upset by the war. After the war it was renewed on a smaller scale in conformity with the altered relations of the strength of the agreeing sides. In 1922 an agreement was signed which was to have held good for twenty years but was dissolved by a new one in August 1929. This latter agreement provided for the American concern being granted financial control over the German concern, competition on all foreign markets being put a stop to this time.

As another example of an international monopoly we may take the Kreuger Trust, the Swedish-Anglo-American match combine which can be regarded as an international trust from the day it subjected the match industry in Japan, its chief competitor, to its control in 1927. In Germany (whose entire match industry was likewise made subordinate to the trust), it was successful in getting the Reichstag (Parliament) to pass a law, in May 1927, which prohibited the opening of new match factories and any expansion of production in the old. At the end of October 1929 the trust reached an arrangement with Rudolf Hilferding, as Social-Democrat Minister of Finance, which provided for the introduction of a match monopoly through the formation of a single syndicate with powers of compulsion, an embargo on the import of matches and an advance in price of 20 per

cent. (from 2½ to 3 pfennigs per box). In exchange for this service the trust granted the German Government a suitable loan. Similar arrangements were made with numerous other countries and control obtained in others (e.g. with the Bryant and May combine in Britain). However the whole basis was upset by the corruption which was exposed by the crisis. By means of these operations it was intended to cut out the competition being put up by Soviet-made matches, cheap and of good quality.

According to Hilferding himself, this measure was of a Marxist nature:

"The international organisation of industry, he declared as representative of the Socialist Party in the Reichstag, undoubtedly represented a great advance, and whoever made such organisation possible were Marxists in their deed." (*Vorwärts*, November 23rd, 1929.)

2. IMPERIALIST ANTAGONISMS

It is in this rule of the financial oligarchy which the Social-Democrats hold up as the beginning of a peaceful and organised development of world capitalism, as a "Marxian act" of that same finance-oligarchy.

At first glance it might seem as if the competitive struggle and the chaos of capitalist economy must be lessened by the formation of international monopoly organisations and the division of the world's markets among these organisations. A closer examination of the matter, however, shows how nonsensical any such assumption is.

It is certainly true that the monopoly bodies have made a beginning with the economic partitioning of the world market. Actually, the sole foundation for such partitioning is, under capitalism, the correlationship of forces as between the monopoly organisations fighting each other. Every agreement reached is the result of a long-drawn, bitter struggle and as such fixes the relation of forces which has worked itself out in the course of that struggle. The law of unequal development is, however, peculiar to capitalism, particularly in its monopolist stage.

"The law of inequality of development in the period of imperialism signifies development by leaps and bounds in

some countries as compared with others, a rapid ousting of certain countries by others from the world market, periodic re-divisions of an *already divided world* by means of military conflicts and catastrophic wars, the deepening and sharpening of disputes within the inner camp of imperialism." (Stalin, *The Opposition Bloc and Questions of the Revolution in U.S.S.R.*, German edition, 1927, p. 202.)

This means that the relation of forces between the monopoly organisations again changes with extreme rapidity and the allocated quotas set yesterday no longer correspond to-day to the real balance of power between them. The only too certain consequence is a struggle for a fresh re-division of the world, for a commensurate share in the total surplus value.

The monopoly bodies of the capitalists do their utmost to continue their hold over the share they have once gained with so much struggle, to maintain their monopolist's right to the exploitation of markets already won, to protect themselves from being ousted by economically more powerful competitors, and to extend their own spheres of influence at every possible opportunity.

It is to be seen, then, that the same reasons of capitalist development which lead to the economic partitioning of the world among the monopoly organisations render, simultaneously, a new division inevitable. We have here revealed, too, the utter senselessness of the standpoint of bourgeois and Social-Democratic apologists when they contend that the strengthening of international ties and the formation of cartels will promote a strengthening of peaceful tendencies within capitalism.

"Theoretically this opinion is absurd, while in practice it is a sophism and a dishonest defence of the worst opportunism. . . . The *forms* of the struggle can change, and do change constantly, because of various relatively temporary and special causes, but the *essence* of the struggle, its class *content*, *cannot* change while classes exist." (Lenin, pp. 76, 77.)

The international settlements engineered by monopoly bodies are of a provisional nature and do not connote the cessation of hostilities between them. They are only one of the forms acquired by a struggle which is

bound to explode into an open clash at a definite stage of development.

If capitalist monopolies within individual imperialist countries are by their very nature (as *combination* of monopoly and competition) impermanent, international monopolies can be still less so. In the struggle waged by the international monopolies against each other fighting methods may be employed whose use does not come into question at all in the case of the struggle fought between monopolies in the one and the same country; namely, force of arms—war. The struggle of monopolies for the economic dividing of the world changes directly into the struggle of the imperialist States for the territorial division of the world.

QUESTION

Why is struggle for the economic division of the world among the monopoly alliances inevitable and why can this struggle not be avoided by means of agreements among themselves?

V. DIVISION OF THE WORLD AMONG THE IMPERIALIST POWERS

I. COLONIAL POSSESSION

The partitioning of the world among the foremost robbers of international capital came to a close in the last quarter of the nineteenth century, that is, in the period when the development of West-European capitalism in its pre-monopolistic stage had, speaking generally, come to an end. In 1860 Britain possessed colonies covering a total area of 2·5 million square miles with a population of 145 million inhabitants. In 1900 British colonial possessions ran to 9·3 million square miles with 309 million inhabitants. (Compare Lenin, p. 80.)

We find still more glaring confirmation of what has been said above in the expansion of *France's* colonial possessions. In 1860 France possessed only 0·2 million square miles with a population of 3·4 million inhabitants. In 1880 her colonial possessions had grown to 0·7 million square miles with 7·5 million inhabitants. In 1900 she possessed 3·7 million square miles with a population of 56·4 million inhabitants.

German colonial policy was a late growth, yet in spite of that German imperialism succeeded in laying hands on considerable possessions overseas up to the outbreak of the World War. These facts show most clearly that the change from the capitalism of free competition to monopoly capitalism results in a bitter struggle between the foremost capitalist countries for the purpose of winning colonies. The colonial policy of modern capitalist States is organically inter-woven with the far-reaching changes which the capitalism of to-day has experienced as the consequence of its monopolistic transformation.

It is certainly correct that the struggle for colonies already existed in the pre-monopolistic epoch of capitalist development. Under the domination of capitalist monopolies and finance capital, however, this struggle for colonies is driven to its extreme limit. One of the most important objects of this struggle is the *sources of raw materials*. The higher the level of

capitalist development, the sharper the struggle for sources of raw material. By their very nature the monopoly organisations of capital must strive toward monopoly possession of sources of raw materials, which is best effected by getting possession of the countries concerned.

"Colonial possession alone gives complete guarantees of success to the monopolies against all the risks of the struggle against competitors, including the possibility of the latter defending themselves by means of a law establishing a State monopoly. The more capitalism develops, the more the need for raw materials arises; the more bitter competition becomes and the more feverishly the hunt for raw materials proceed throughout the whole world, the more desperate becomes the struggle for the acquisition of colonies." (Lenin, p. 87.)

Colonies do more than ensure the monopoly organisations of sources of raw materials; they also furnish them with markets. Finally, the export of capital most emphatically demands the conquest of colonies, since colonial possession is a surety for the most advantageous conditions for the export of capital.

2. WARS TO RE-DIVIDE THE WORLD

The epoch of monopoly capitalism, the epoch of imperialism, is not indicated by the fact simply that a struggle is being waged for the division of the world, but by the fact that *the partitioning of the world is already finished*, that there are no longer any "free" territories not in possession of the imperialist robbers. This renders a *fresh division* of the world necessary. Hence arises the inevitability of imperialist wars which are the only means to obtain such a re-division.

"The imperialists need war because it is the only means of dividing up the world afresh, dividing up anew the markets, sources of raw material and spheres for capitalist investment." (Stalin, *Political Report to the Sixteenth Party Congress of the Russian Communist Party*; *Leninism*, vol. ii. International Publishers, Modern Books.)

Under monopoly capitalism—when the world market has been shared out among the biggest monopoly organisations of capital and the fundamental contradic-

tions of capitalism criss-cross each other on a world scale—each partial conflict, each local military clash, threatens to break out into an imperialist world war.

It was a war of this kind exactly which led to a general re-division of the world which we had in the imperialist war of 1914-18.

As already stated, German imperialism entered the international arena comparatively late. The other imperialist robbers, Britain first among them, had already laid hold of the bulk of the colonial lands. This constituted an injury to German imperialism's interests. The extraordinarily rapid development of German pre-war imperialism rendered the problem particularly acute and urgent as far as it was concerned. The only way out was war. The World War was intended to bring about a re-division of the world in favour of an "injured" Germany and thus rectify history's "injustice."

On the other hand, British imperialism and its allies which had blundered into the blind alley composed of the antagonisms of interest produced by British imperialism itself were coming up against the competition of their German rival at every step and got ready for war. The war was thus an unavoidable and necessary product of imperialism, a consequence of the monopolistic character of capitalism, German as well as that of the Anglo-French coalition. The war was begun by both imperialist groupings as a war for the re-division of the world among the foremost imperialist States.

The war led to Germany's defeat and to the loss of her colonies. The Versailles Peace fixed this re-division on paper. Germany suffered the loss of all her colonies, which were shared among Britain, France, and Japan. In addition, she lost considerable areas in Europe itself (75,300 square kilometres), with a large part of her sources of raw material. On the territory of what had been Austria-Hungary there came into existence a number of States which are to a greater or lesser extent mere vassals of the victor-nations, more especially of France.

The most important consequence of the war was the

proletarian revolution in Russia, which set up the dictatorship of the proletariat and freed the peoples previously oppressed by tsarism and the bourgeoisie. These freed peoples came together to form the Union of Socialist Soviet Republics. Over part of the former Russian Empire—in Poland, Finland, Lithuania, and Latvia—the bourgeois counter-revolution was successful, thanks to the intervention of the West-European imperialist States and the treachery of the Social-Democracy in crushing the proletarian revolution there and re-establishing the dictatorship of the bourgeoisie.

3. THE MENACE OF WORLD WAR

The re-division of the world to which the war led did not, none the less, solve the contradictions of imperialism but merely reproduced them on an extended scale and created the primary conditions for the struggle for the next re-division of the war which is already directly forcing its attention upon us.

The development of world imperialism after the war led to a new relation of forces between the imperialist States. In especial, the importance of the United States was greatly increased. The division of the world as effected by the Versailles Treaty and the other peace treaties no longer corresponds to the actual relation of forces to-day. That division is " out of date," wherefore a new division is essential—and to that end another world war. The thunder of the heavies and the rattle of the machine-guns on the fields of Manchuria at the very borders of the Soviet Union, is, in essence, the artillery barrage, the prelude, so to say, to a new world war, a war for a re-partitioning of the world, for the smashing of the Soviet Union.

We should not allow ourselves to be misled by the fact that Japanese imperialism's war on China, which is being supported by French imperialism, and to a considerable extent by British imperialism also, is being waged to the accompanying blare of music produced by the Geneva peace promoters. The Disarmament Conference affords an excellent screen for the wire-pullers of world imperialism. Behind the smoke-screen of fine phrases about disarmament they are forging the coali-

tions of the future world war and preparing a war for the re-division of the world—for with the state of things created by the first world war neither the conquered nor the conquerors are satisfied. Antagonisms between Britain and the U.S.A., between Germany and the conqueror-States, between the U.S.A. and Japan, France, Britain and Italy[1] form a knot which, as long as capitalism exists, can be cut by the sword of war only. Comrade Stalin is right, therefore, in saying that:

"To-day none of the capitalist States are satisfied any longer with the old distribution of spheres of influence and colonies. They see that the relation of forces has changed, and that correspondingly markets, sources of raw materials, spheres of influence, etc., must be divided afresh." (Stalin, p. 16.)

4. MILITARISM

The inevitability of war under imperialism makes, for its part, for an enormous increase in land and sea armaments and of the expenditure involved on this head alone. The growth of military expenditure by the five greatest imperialist States of Europe in the last ten years of the nineteenth and beginning of the twentieth centuries is to be seen from the following figures:

Army Estimates and Interest on War Loans.

	1880-89 (Annual average in £100,000s)	1890-99	Increase	1900-13 (Annual average in £million)	Increase
Germany	225	315	+40	673·5	+114
Great Britain	273	370	+35·5	534·3	+ 61
France	343	328	+ 4	420	+ 30
Italy	120	130	+ 8·3	209	+ 61
Russia	249	341	+ 8	530·7	+ 73

From this table it is to be seen most clearly that the greatest increase in army expenditure coincides with capitalism's entry into the monopoly stage of its development. So rapid an increase in the sums expended on military objects leads to the militarisation of the State Budget: military expenditure grows not only absolutely, but also relatively.

[1] We are here considering the antagonisms between the capitalist countries only.

From 1907 to 1912 tsarist Russia's military expenditure increased by 56 per cent. This item's share in the Budget rose from 18 per cent. in 1907 to 23 per cent. in 1912 and to 28 per cent. in 1914. We see the same thing in the case of France, where the army and navy estimates rose from 1,300,000,000 francs in 1910 to 2,000,000,000 francs in 1914. Their share in the Budget thus rose from 32 per cent. to 38 per cent. In Britain much the same thing has happened.

In Germany public expenditure—according to the Budget as published—on the army, navy and the Ministry for Defence swelled 458,500,000 marks in 1924 to 750,000,000 marks in 1931. In 1930 the total cost of Germany's armaments policy ran to 1,215,600,000 marks, representing 14·6 per cent. of the entire Budget.

Such an incredible increase in military expenditure lies as a heavy burden in the form of taxes on the shoulders of the working class and the broad labouring masses and leads to an extraordinary expansion of the Public Debt.

From 1902 to 1911 Germany's Public Debt mounted from 14,100,000,000 to 20,400,000,000 marks, i.e. by more than 6,000,000,000 marks. The State Debt (Germany's Public Debt was made up of federal debt and the debt of the individual States going to make up the German Empire), rose from 2,800,000,000 marks in 1902 to 4,800,000,000 marks in 1911. In the other imperialist countries exactly the same thing was to be observed.

These figures fail, nevertheless, to give a sufficient idea of the actual increase in armaments. The real race in armaments occurred in the period from 1910 to 1914, the period, that is, of immediate preparation for the imperialist war. But these figures do show the organic connection between modern militarism and the imperialist transformation of capitalism.

Since 1914 militarism has swollen enormously. The five conquering nations of the world war: France, Britain, the U.S.A., Italy, and Japan, had together in 1914 the figure of $1,182,000,000 spent on their joint military estimates, this figure changing to $2,324,000,000 in 1930.

5. ARMAMENT INDUSTRIES

The same circumstance is indicated by the development of the *armament industries.*

During the Franco-German War in 1870-71 the Krupp firm was giving employment to 9,000 men. In 1885 its staff had risen in number to 22,000; in 1902 to 44,000; and in 1913 to 88,000. This reveals that the onmarch of the armaments industry in its rapid development thus coincides likewise with the transformation of capitalism into imperialism. The astounding increase in Krupp's staffs corresponded, naturally, with a still greater advance in the productivity of the works in question. Simultaneously with the Krupp firm other armament plants were developing in Germany, France, Britain and other States.

One may easily conceive of how enormous the armaments must be in the capitalist countries to be able to absorb the output of the army, millions strong, of workers employed in the war industries. That this war industry has found no difficulty in marketing its wares is shown by the *steady advance in the dividends yielded by war plants* in all the bigger capitalist countries as well as the increase in the amount of capital put into this industry. We find, for instance, that in 1870 the capital of Vickers, Maxim and Co. amounted to £165,000; in 1907 to £6,200,000; and in 1912 to £8,500,000. So powerful a development of the war industry, of armaments and of military expenditure is a consequence of the sharpening of imperialist antagonisms and the strengthening of imperialism's parasitic character. They, in their turn, only encourage these tendencies towards parasitism and decomposition and promote a yet speedier maturement of military conflicts.

The following figures relative to the war industries of to-day from the case of *Czechoslovakia*—taken at random—are most revealing. In that country there were, in 1931, 70,000 workers employed in six ordnance and machine-gun plants, five artillery equipment factories, fifteen ammunition works, four aircraft motor works, eight gunpowder and explosive works, and ten plants for the manufacture of gas masks and of poison-

ous gases. Similarly, *Poland* gives employment at the present time to about 40,000 workers.

The armaments industry is a model example of the monopolistic organisation of capital and the fusion of industrial with banking capital. It is in this field of national economy that the dovetailing of the financial oligarchy with the heads of the machinery of State is seen to best advantage.

Coming back to the Krupp firm once more, we learn that on the eve of the war representatives of such big German banks as the Diskonto-Gesellschaft, the Dresden Bank, and others sat on the board. It has also been established beyond dispute that the big shareholders of this firm included Wilhelm II, the King of Bulgaria, and a number of other Balkan princes.

It will be readily understood that government orders caused the dividends of these armament works to soar and that the industry exerted a direct influence over politics. This influence was directed towards encouraging armaments and provoking military conflicts. Either way such action fitted in with the interests of the crowned and uncrowned kings of finance capital.

We may here cite a few facts which bear witness to the direction in which, and with what means, the war industrialists influenced the policies of the Big Powers. In 1913 Karl Liebknecht made his famous speech from the floor of the Reichstag in exposure of the Krupp munition works. This worthy firm had instructed its Paris representative—with a view to moving the Government to place big orders—to publish a statement to the effect that the French Government intended to equip its troops with double the number of machine-guns approved in the tentative estimates.

In the same way in Britain, shareholders of the trust which had brought practically the whole of the war industry under its control included Harcourt, Minister for the Colonies in the Government of the time, Hobhouse, Postmaster-General, and other members of the Government. This same trust actually organised a panic for the express purpose of causing its dividends to rise. It was due to the panic of 1909 that the Armstrong Company, which was a member of the said trust, was

able to push its dividends up by 82 per cent., Vickers doing the same by theirs to the extent of 84 per cent. Officials in high Government service were in the pay of this trust. Among the Armstrong shareholders were 60 members of the nobility, 20 army officers of high rank, 8 M.Ps., 8 journalists, 15 baronets, and 20 Knights-Companion of various Orders.

The case of this trust alone is a plain example of the way the financial oligarchy and the machinery of State neatly interlock. Since the war this process has been proceeding apace.[1]

6. THE RACE IN ARMAMENTS AND WAR

The enormous expansion of the machinery of production at the service of the armaments industry and the increased expenditure on army and navy imply a feverish race in armaments on land and sea as well as a strengthening of the fighting forces in the air. Now, heavy guns are not made for the fun of shooting down sparrows, and neither battleships nor submarines are designed for use in the whaling industry. War is the inevitable result of the race in armaments. Militarism is not the cause of war: it is the product solely of the irreconcilable antagonisms of imperialism and a means for their "solution" on an imperialist basis. Once part of the general scheme, however, militarism becomes one of the most important factors making for the rise of imperialist wars. The circumstance that the lords of finance capital, the iron and steel barons and the kings over the armaments industry are interested in war as a means of enrichment plays a very big role indeed. This has been confirmed only too clearly and definitely by the experience of the 1914-18 war. The outcome of imperialism's unequal development and of the irreconcilable antagonisms between the leading imperialist States, was that the war could not be anything else but a war for a complete re-division of the world. Incredible sacrifices were demanded by the war, many millions were killed and crippled, appalling destruction was wrought: in the end the German-Austrian coalition was smashed.

The total cost of the war has been estimated at

[1] See *The Secret International* and *Patriotism Ltd.* (U.D.C., London, 6d. each).

£3,950,000,000 gold. Harvey Fisk puts the direct State expenditure at £4,000,000,000 gold. The World War cost mankind almost ten times as much as did the wars all lumped together that have ever taken place in the period from 1793 to 1905, whose total cost is set at £4,150,000,000.[1]

These figures give some indication of the scale on which the war was waged and its consequences for human society. What the war brought mankind was indescribable suffering, an incredible dislocation of productive forces, and an intolerable burden for several generations to come. Its announced result was the imperialist Treaty of Versailles which effected a division of the world afresh in accordance with the new relation of forces.

"Continents are no longer economically and politically isolated. There are countries belonging to more than one continent. There are not many neighbours in Europe without serious territorial accounts to settle. Can we be sure that these differences will not be thrown into the melting-pot, if a single one of the European States should be dragged into war?" (M. Litvinov, Speech at the Disarmament Conference, February 11th, 1932. See *The Soviet's Fight for Disarmament*, Martin Lawrence Ltd., p. 13.)

The Versailles Treaty did not do away with the contradictions of imperialism, rather did it reproduce them on a wider scale. The antagonisms born of the Versailles Treaty or which have recently arisen out of the working of its terms are necessarily driving modern civilisation on towards a new imperialist war for a redivision of the world.[2]

QUESTIONS

1. Why does the struggle for the economic partitioning of the world among the monopolies change into the struggle for the territorial division of the world among the imperialist States?
2. Why are wars inevitable under capitalism generally and imperialism particularly?

Our next Lesson is devoted to a comprehensive description of imperialism as the last stage of capitalism and a criticism of the theories opposing that view.

[1] *The Secret International*, U.D.C., London.

[2] In this Lesson we have ignored the contradictions existing between the Soviet Union and world imperialism. This question will be dealt with in Lesson XII in connection with the general crisis of capitalism