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Imperialism, the final stage of capitalism

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IMPERIALISM

the Final Stage of Capitalism

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PREFACE

This book was written in Zurich in the spring of 1915. owing to the conditions under which I was working, I had only limited access to the French and English literature on the subject, and only very little material in the Russian language. I consulted, however, the most important English work on the subject, J. A. Hobson's *Imperialism*, which deserves careful reading. While writing this book I bore in mind the limitations imposed by the Russian censorship. For that reason I was compelled, not only to confine myself to a theoretical, economic discussion of the subject, but to veil my frequent references to political events under the parables and allusions which Czarism compelled revolutionary writers to resort to, whenever they set out to produce "lawful" literature.

It is painful in these days of freedom to read over certain passages of this book in which the thought of the censorship prevented me from making certain definite statements or from enlarging upon certain important points. When I wished to say what Imperialism stood for on the eve of the Socialist revolution, when I wished to say that social-patriotism, that is lip-service to Socialism coupled with patriotic deeds, was a complete betrayal of Socialism, a desertion to the bourgeois camp, and that this schism in the labor movement stood in certain relations to certain concrete conditions of Imperialism,—I had to confine myself to allusions and suggestions, or to refer the reader to a reprint of the "illegal" articles I wrote between 1914 and 1917. There is a passage in particular where, in order to tell the reader, without running foul of the censor, what shameless lies are spread by capitalists and their allies the social-patriots (rather inconsistently attacked by Karl Kautsky), how shamelessly they protect the annexations brought about by the capitalists of their own nationality, I had to go to Japan for my illustrations. The careful reader will readily substitute Russia for Japan, and instead of Korea read Finland, Poland, Courland, Ukraine, Khiva, Bokhara, Esthonia and other territories inhabited by people who are not Great Russians.

I hope this book will be of assistance to the reader in studying the economic problem which must be considered closely if one wishes to understand rightly the present war and contemporary politics: the problem of the economic essence of Imperialism.

N. Lenin.

Petrograd, May 9, 1917.

IMPERIALISM
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IN the past ten or fifteen years, or let us say since the Spanish-American War (1898) and the Boer War (1899-1902) economists and political writers of the old world and of the new have more and more frequently resorted to the use of the word "Imperialism" in order to characterize the period in which we are living.

In 1902 there appeared in London and New York a book entitled *Imperialism* by the English economist J. A. Hobson. Starting from a social-reformist and pacifist point of view, essentially identical to that held by Karl Kautsky, Hobson wrote a strong and detailed analysis of the fundamental traits, economic and political, of Imperialism.

In 1910 there appeared in Vienna a book by the Austrian Marxist Rudolf Hilferding entitled *Finance-Capital.* While the author was mistaken in his views on the currency theory and made many efforts to reconcile Marxism and opportunism, this book contains the most valuable analysis of "the latest step in the development of Capitalism," as its sub-title reads. In reality the various articles on Imperialism published in recent years, and whatever was said on the subject in the resolutions of the Chemnitz and Basel Socialist Congresses (which were held in the fall of 1912, one a Congress of the Socialist Internationl, the other a Congress of the German Social-Democratic Party), were inspired by the ideas in those two books.

We will endeavor to explain as simply as possible the relations between the fundamental economic manifestations of Imperialism. Important as the extra-economic side of the question may be, we shall not enlarge upon it.

dustry. That might mean to some readers that each branch of industry is being exploited by 12 large concerns. This would be a wrong interpretation of the statistical data. We do not find large corporations interested in every branch of industry; but one of the most important characteristics of Capitalism, when Capitalism has reached its highest degree of development, is a tendency to combination. By which is meant that various forms of industry are placed under a unified control. Let us take, for example, the transformation of raw materials, the smelting of ore, the manufacture of iron into steel, of steel into various finished products; or else the utilization of waste products or sub-products, the production of packing materials and so on, industries which are all of assistance one to the other.

"Combination," Hilferding writes, "compensates the various fluctuations of the market and therefore raises the average of profit. Secondly, it reduces the number of business transactions. Thirdly, it permits the attainment of technical perfection, which means higher profits than can be secured by independent concerns. Fourthly, it strengthens the position of the enterprises which have combined, against the independent ones, and protects them against competition in times of depression or crisis, when the prices of finshed products are dropping quicker than the prices of raw materials." (3)

Heymann, a German bourgeois economist who has studied combinations in the iron industry of Germany, says that "independent firms are ruined by the high prices of raw materials combined with the low prices of finished products." "We see," he adds, "large coal mining corporations producing millions of tons of coal, combined into strong coal mining syndicates, and closely allied to large steel plants which are in their turn combined into steel syndicates. Those giant combinations which may produce half a million tons of steel a year, which mine enormous quantities of ore and coal, which turn out enormous amounts of finished steel products and employ tens of thousands of laborers huddled in crowded workingmen's towns, who own sometimes their own railroad lines and their own seaports, are characteristic of the iron industry in

Germany. And the concentration of industries is going on apace. Individual enterprises enlarge constantly their scope and size. More and more of them engaged in similar or different forms of industry combine into gigantic corporations backed or directed by half a dozen large Berlin banks. The development of the metallurgical industry in Germany confirms what Marx once wrote about concentration. Of course this applies to a country where industry is favored by protective duties and special transportation rates. The metallurgical industry of Germany is ripe for expropriation." (4)

Such is the conclusion reached by a good bourgeois economist. We must notice that he places Germany in a class by herself owing to the advantages which industry derives in that country from high protective duties. Such protection may hasten the process of concentration and the organization of monopolistic groups, trusts, syndicates, etc. But it is interesting to note that in England, a free trade country, concentration also leads to monopoly, more slowly it is true, and in a different form. This is what Prof. Herman Levy writes in a special treatise on "Monopolies, Cartels and Trusts," dealing with the economic developments in Great Britain:

"In Great Britain, the growth of industrial enterprises and their high technical level have a tendency to create monopolies. The concentration of industries makes the centralization of industries reach enormous sums; the result is that new corporations cannot be organized without a huge initial investment, and therefore fewer and fewer are being organized. Also, and this is much more important, every new enterprise which wishes to compete with the giant corporations created by industrial concentration must produce such an enormous quantity of goods that the sale profits will only be possible by increasing unusually the demand for these goods; if the demand does not increase, prices drop to a level which is disastrous not only for the new concern but for all its allies." In Great Britain, monopolistic unions of industrial enterprises, cartels and trusts only begin to be organized in one given industry when the number of the main competing enterprises is reduced to about "two dozen."

In other countries, of course, protective tariffs make the organization of trusts much easier. "The influence of concentration upon the birth of monopoly in large industries appears here with crystal-like clearness." (5)

Half a century ago, when Marx wrote *Capital*, free competition was considered by the majority of economists as one of "nature's laws." Official science attempted through a conspiracy of silence to kill Marx's book, which by its theoretical and historical analysis of Capitalism proved that unrestrained competition leads to industrial concentration, and that concentration upon reaching a certain point results in monopoly. At present, monopoly is an established fact. Economists are blacking mountains of paper describing the various forms assumed by monopoly, and they keep shouting that Marx was wrong. But facts remain facts. And facts demonstrate that the difference we observe between various capitalist countries, for instance between those who have free trade and those who have protective tariffs, cause but insignificant variations in the form assumed by monopolies in those countries, and only slightly hasten or delay their appearance; and that monopolies due to the concentration of industry seem to be the absolute rule in the present stage of capitalist development.

One can tell with relative accuracy when the crucial change from the old competitive Capitalism to the new Capitalism took place in Europe. It was at the dawn of the twentieth century. A recent book on the history of monopoly states that "before the year 1860 there were several isolated instances of monopoly in which is seen the embryo of the various forms of monopoly with which we are now familiar. But the actual history of the trusts does not begin until 1860. The first organization of large monopolies dates from the world-wide commercial depression which took place between 1870 and 1890. As far as Europe is concerned the period extending from 1860 to 1870 marked the final stage in the development of free competition. Then England completed the structure of the capitalist organization according to the old style. In Germany the older Capitalism entered into a struggle with the national trade and industry and began to assume its peculiar form. The great change began with the panic of 1873, or rather with the depression which followed it, and which, barring a slight revival of commercial activity in the early eighties and an unusually strong but very short period of prosperity in 1889, affected those 22 years of the economic history of Europe.

"At the time of the short revival of activity which took place in 1889-1890, the trusts (known in Germany as cartels) took advantage of temporary conditions to enlarge their sphere of action. The result of that ill-advised move was a rise in prices which was quicker and stronger than it would have been otherwise, and most of those trusts went down in ignominious bankruptcy." Another five years of bad business and low prices followed, but the traders only saw in that depression a sort of pause preceding a new period of prosperity.

"And then a second chapter was opened in the history of the trusts. Instead of being a passing phenomenon, trusts show themselves one of the fundamental institutions in economic life. They invade one field of industrial activity after another, in particular the industries which utilize raw materials. As early as the beginning of the nineties, we notice the organization of the coke syndicate, on the model of which the coal syndicate was also organized, which was the last word in organization. The great revival of trade at the end of the 19th century and the crisis of 1903 were the work of the trusts, at least as far as the mining and iron industries were concerned. It was quite an innovation in those days. In our days, however, we realize that the largest part of our economic life is, generally speaking, no longer dominated by free competition." (6)

Accordingly, we can divide the history of monopolies into three periods: 1.—the period, extending from 1860 to 1870, marking the ultimate point in the development of free competition, and during which period monopolies were only in the embryonic stage. 2.—After the crisis of 1873, trusts began to develop rapidly, but even then they were exceptional phenomena, not established institutions. 3.—During the revival of trade which marked the end of the 19th century and the crisis of 1900-1903, trusts became the very foundation of all economic life. Capitalism then began to transform itself into Imperialism.

Trusts agree among themselves as to terms of sale, credits, etc. They divide the country into territories within whose limits they do not compete among themselves. They determine in advance the quantity of goods to be produced. They fix prices. They divide up the profits among the various concerns belonging to the organization, etc.

In 1896 there were in Germany 250 trusts (cartels), and in 1905 there were 385, comprising 12,000 concerns. (7) But we all know that those figures were far below the truth. Industrial statistics for the year 1907 show that 12,000 large German corporations used over 50% of all the available steam and electric power. In the United States, there were in 1900 a total of 185 trusts, and 250 in 1907. American statistics divide all industrial enterprises according to whether they are owned by individuals, firms or corporations. Corporations in 1904 owned 23.6%, in 1909 owned 25.9%, or over one-fourth of all industrial enterprises. In 1904 these corporations employed 70.6%, and 75.6% in 1909, or three-fourths of all the available labor. In 1904 these organizations produced $10,900,000,000 worth of goods, and $16,300,000,000 in 1909, which is respectively 73.7% and 79% of the total production in the United States.

Trusts and cartels often produce 70% or 80% of the whole output of one given industry. The Rhenish Westphalian Coal Syndicate in1893 mined 86.7%, and 95.4% in 1910 of all the coal mined in the rigion.

Monopolies of that type have gigantic incomes and their capacity for production is fabulous. In the United States the Standard Oil Co., the well known petroleum trust, was organized in 1900. Its capital was $150,000,000. It issued $100,000,000 worth of common stock and $106,000,000 of prefered stock. Stockholders received the following dividends from 1900 to 1907: 48, 48, 45, 44, 36, 40, 40, 40 per cent.; or a total of $341,000,000 in dividends. From 1882 to 1907 the net profits were $889,000,000. Out of this sum $606,000,000 was paid out in dividends, and the balance added to the capital reserve. (8) The Steel Trust, the United States Steel Corporation, employed in its various plants in 1907 as many as 210,180 laborers and clerks. The largest mining concern in Germany, the Gelsenkirchner Berwerkgesellschaft, employed, in 1908, 46,048 laborers and clerks. (9) In 1902 the Steel Trust turned out 9,000,000 tons of steel a year. (10) In 1901, the trust produced 66.3%, and 56.1% in 1908, of all the steel produced in the United States. (11) It mined in the same years respectively 43.3% and 46.3% of all the iron ore.

An official report on the trusts made to the American government states that "the superiority of the trusts over their competitors is due to the huge size of their plants and their superior efficiency. From the very beginning of its organization the Tobacco Trust took all possible measures to replace manual labor by mechanical labor. It bought out for that purpose all the patents covering every detail of the tobacco industry, spending huge amounts of money on these purchases. Many patented processess were found to be imperfect and had to be improved by engineers in the trust's employ. At the end of 1908 two subsidiary concerns had been organized for the sole purpose of buying out patents. The trust also set up its own foundry, machinery plants and repair shops. One of these establishments, located in Brooklyn, employs some 300 people who devote all their time to trying out and improving new processes for the manufacture of cigarettes, small cigars, plug, tin wrappers, boxes, etc." (12) "Other trusts retain in their employ so-called developing engineers, whose duty is to devise new methods of production and to introduce technical improvements. The Steel Trust offers to its engineers and workingmen high bonuses for suggestions tending to perfect the technique of production or to cut down the cost of production." (13)

The large industrial concerns of Germany have adopted the same means to promote industrial efficiency, especially in the chemical industry, which has developed so enormously in the past decade. In that industry the concentration process had brought about in 1908 the formation of two leading "groups" which in a way constituted a sort of monopoly. At first these two groups were allied to two groups of two large plants each with a capital of some twenty million marks: on one side the former Meister works, in Chochst and Kassel and Frankfurt on the Main, and on the other, the Alinine and Soda Works of

Ludwigshafen and the former Baier Works in Elberfeldt. In 1905 the first group, in 1908 the other group, concluded agreements with one more large chemical plant. The capitalization of each of the two groups rose to forty or fifty million marks, after which the two groups began to hold conferences, to discuss price fixing. In June 1916 a gigantic trust united in one organization all the chemical enterprises of Germany.

Thus competition is replaced by monopoly. We observe a giant process of socialization of all the industries. It is principally the technical side and the improvements in methods which are affected by that process.

We are very far from the old system of free competition between scattered traders, knowing nothing about each other, and producing merchandise for an uncertain market. Concentration has gone so far that it now enables us to take an almost accurate inventory of all the sources of raw material, for instance of all the iron ore fields, not only in one country but in groups of countries, even in the whole world. And not only are such resources fully inventoried, but they are put under one single control by giant monopolistic combinations.

Markets are appraised, too, and divided up among those great combinations. The monopolies secure the best of skilled labor, the best trained engineers, they purchase means of communication and transportation, railroads in the United States, steamship lines in Europe and the United States. Capitalism, in its imperialistic form, organizes a general socialized form of production, and actually drags capitalists, willy-nilly, consciously or unconsciously, into a new form of social production, takes them out of a world of free competition to put them into a world of absolute socialization. Production becomes communistic, but property remains a private affair. Socialized means of production remain the private property of a small number of individuals. The general structure of a system of free competition remains standing, but the domination of a few monopoly holders upon the rest of the community becomes a hundred times heavier, a hundred times more obvious, more unbearable.

The German economist Kestner has devoted a special treaties to the struggle between the cartels and "outsiders," that is between organizations and concerns who remain independent. Kestner entitled his book *Compulsory Organization*, but should have called it "Compulsory Submission to Monopolistic Combinations." It is most instructive to pass in review the various up-to-date and civilized instruments of warfare which monopolies use in order to bolster up their organization: 1.—Curtailment of the supply of raw materials; one of the most efficient ways of compelling independents to join the trusts. 2.—Curtailment of the labor supply by means of agreements with the workingmen whereby the latter will only hire themselves to members of the trust. 3.—Curtailment of the means of transportation. 4.—Curtailment of sales. 5.—Agreements with retailers who are to buy exclusively from the trust. 6.—Price-cutting by agreement, to drive out of the market all independent dealers who refuse to submit in the trust's dictation; prices may be sacrificed making sales below cost; for instance in the benzine industry prices were cut at times from 40 to 22 marks, almost 50%. 7.—Curtailment of credit. 8.—Boycott.

We are no longer witnessing a struggle between small and large concerns, between old-fashioned and forward-looking concerns. We actually see monopolies throttling all those who are unwilling to submit to their absolute domination. This is the way in which the bourgeois economist Kestner views the process; "In the field of purely economic activity we notice an abandonment of commercial activity in the former sense of the world in favor of new forms of organization and speculation. The greatest measure of success is no longer attained by the merchant who, by dint of technical skill and commercial sense, is best able to satisfy the requirements of his customers, and, so to speak, to bring forth a demand which is in a latent stage, but to the man with genius for speculation, who is above all things able to take into account or to discover the various threads of organization, the possible connection between certain enterprises and certain banks."

Translated into human language, this means: The development of Capitalism has proceeded to the point where the production of merchandise is no longer the fundamental function of business, where it is already shorn of its importance, and where the big prizes go to men with a head for financial tricks. The concrete basis of all these tricks is the socialization of production, and the enormous advance made by mankind which has conditioned that socialization only serves to fill the speculator's pockets.

We shall now see how the reactionary critics of capitalistic Imperialism dream of a return to free, "peaceful" and "honest" competition.

"The constant rise in prices caused by the organization of trusts," Kestner writes, "is only noticeable thus far in the case of the most important means of production, coal, iron, etc., but it is not noticeable in the case of financial products. The resultant increase in profits has been limited to the industry supplying the means of production. We may add that the industry producing raw materials, not finished products, not only makes larger profits, owing to the organization of trusts, at the expense of industries turning out finished products, but assumes toward the latter industries a *dictatorial attitude* which was unheard of under the system of free competition."

The words I have italized allude to facts which bourgeois economists are so loath to admit, and from which the partisans of modern opportunists, with Karl Kautsky in the lead, are trying to escape. Domination and its concomitant oppression are the characteristic trait of the latest phase in the development of Capitalism, they are the unavoidable corollary of the formation of all-powerful economic monopolies.

Here is one more example of the way in which trusts conduct their warfare. Wherever the main sources of raw materials can be easily placed under one control, trusts are easily organized and monopolies established. But it would be a mistake to assume that monopolies do not establish themselves in branches of industry the raw materials of which can not be easily cornered. The materials necessary in the cement industry can be found anywhere on earth. Yet that industry is strongly concentrated in Germany. The cement factories have been united into local syndicates: the South-German, the Rheinish-Westphalian Syndicates, etc. Their products fetch monopoly prices, from 230 to 280 marks per carload, the cost of production being only 180 marks. Cement stock pays between 12% and 16% in dividends, and we must not forget that the geniuses of the world of speculation reap larger profits in addition to dividends.

In order to discourage competition in an industry which is so profitable, the monopolists resort to all sorts of stratagems. They spread alarming rumors about the unfavorable conditions obtaining in the cement business; anonymous advertisements appear in papers, which read: Capitalists, don't invest your funds in cement stocks. They buy independents out of the field, giving them some sixty, eighty or one hundred and fifty thousand marks for the plants. (16) Monopolies force their way in everywhere, regardless of the means that must be employed, from a bribe to make a competitor quit to an explosion of dynamite.

Bourgeois papers, always ready to applaud Capitalism, are full of stories of panics forstalled by trusts. The truth is, however, that the growth of monopolies in certain fields of industry accentuates still more the chaotic ways, the lack of system and responsibility characteristic of capitalist industry. The privileged position in which the most strongly organized industries, the coal and iron industries find themselves, creates even more erratic conditions in other industrial fields, as Jeidels, the author of one of the best books on the relations between the large German banks and industry, is compelled to admit. (17) "The more developed industry becomes," to quote Liefmann, a staunch defender of Capitalism, "the more readily it turns to risky undertakings, sometimes in foreign fields, to undertakings which demand years to mature, or which have only a local importance." (18)

Greater and greater risks attach to the giant combinations of capital which spread all over the nation and even beyond the borders. And at the same time the accelerated development of technique brings in its wake more and more elements of irresponsibility, a greater chaos, panics. "Mankind will witness in a not remote future," Liefmann writes, "profound revolutions in the technical field, which will be felt even in national economy." He alludes, of course, to new electrical devices, the flying machine, etc., and he adds: "As a general rule, in such times of radical changes, speculation is especially reckless."

Crises of all kinds, especially in the economic field, but in many other fields too, will in turn accelerate the tendency to concentration and monopoly. Here is a most illuminating interpretation from Jeidel's pen of the crisis of 1900, which, as we know, proved to be the turning point in the history of modern monopolies:

"The crisis of 1900 called into existence, besides gigantic undertakings in the main branches of business, many other undertakings of an antiquated form of organization, independent concerns, which rode the crest of the rising industrial tide. Shrinking prices and a diminishing demand beggared those independent undertakings while it barely affected the large combinations and that only for a short period.

"As a consequence, the crisis of 1900 caused infinitely more industrial concentration than the crisis of 1873: the latter operated of course a certain elimination among the strongest concerns; but the average technique being what it was then, that crisis was not likely to endow with monopolistic characteristics the concerns which had successfully breasted the storm.

"At the present day, the most monopolistic industries are the iron and electric industries whose technique is highly developed, whose organization is through, whose capitalization is enormous; next to them come machinery concerns, certain branches of the metallurgical industry, means of communication, etc." (20)

Monopoly is indeed the latest phase in the evolution of Capitalism. But our understanding of the power and importance of the modern monopolies would be quite superficial and inaccurate, if we did not realize the role played by banking institutions.

II.

The New Role Played by Banks

The primary and essential function of a bank is to act as an intermediary in effecting payments. Besides, banks transform inactive capital into active capital, that is into profit-earning capital, and they gather all sorts of moneys which they place at the disposal of capitalists. Owing to the development of the banking business and its concentration into a few establishments, banks have ceased to be mere intermediaries and have become powerful monopolistic concerns, controlling almost all the capital of all the small and large business enterprises, a large part of the means of production and of the supply of raw material in one country or in several countries. This transformation of a large number of small intermediaries into a handful of monopoly-holders is one of the main phenomena in the transformation of Capitalism into capitalistic Imperialism. We must therefore study closely the concentration of business in the financial world.

In the year 1907-1908, ,the deposits in the banking corporations of Germany having a capital of over one million marks amounted to seven billion marks. In the year 1912-1913, the amount had increased to 9,8000,0000,000 marks. Out of that additional 2,800,-000,000 marks, 2,750,000,000 went to the fifty-seven large banks having a capital of over ten million marks. The following table shows the division of deposits among the large and small banks:

Percentage of Deposits: Nine large Berlin banks: 1907-8, 47% –1912-13, 49%; 48 other banks with a capital of over one billion marks: 1907-8—32.5%—1912-13, 36%; 115 banks with a capital of from one to ten million marks: 1907-8, 16.5%—1912-13, 12%; small banks with a capital of less than one million marks: 1907-8, 4%; 1912-13, 3%.

The small banks are being crowded out by the large ones, nine of which gather almost 50% of all the deposits. And we have not yet considered the fact that a large number of small banks are in realty mere branches of the large ones, but we will take that up later.

According to Schultze Gaeverning, out of a total of deposits at the end of the year 1913, amounting to ten billion marks, 5,100,000,000 marks were on deposit in nine large Berlin banks. Taking into account not merely the deposits, but all the the actual banking capital, this author wrote: "At the end of 1909, nine large Berlin banks and their affiliated concerns controlled 11,300,000,000 marks, which is 83% of all the banking capital of Germany. The Deutsche Bank which, with its affiliated concerns, controls about 3,000,000,000 marks, is the largest and, at the same time, the most decentralized accumulation of capital in the world." (22)

Notice the expression "affiliated concerns," for this is one of the most important details of the modern concentration of capital. Large concerns, and in particular banks, not only absorb smaller concenrns, but cause others to affiliate with them, they dominate them, make them a part of their group, which is the official term for that sort of things; this is done through a "participation" in their affairs, by purchase or exchange of stock, loans, etc. Professor Liefmann has written a book of some five hundred pages on that form of financial operations, which unfortunately contains many trashy and unproved statements. To what extent that system of "participation" leads to concentration is shown clearly in a treatise written by Risser, a banking manipulator, on the subject of the large German banks. But before examining his data we may offer a concrete illustration of the "participation" system.

The Deutsche Bank Group is one of the largest, if not the largest, among the large banks. In order to estimate properly the threads uniting all the banks of that group, we must define the three degrees of "participation," in other words, the three degrees of dependence in which smaller banks stand in relation to the Deutsche Bank.

"Participation" in the Deutsche Bank

	First degree	Second degree	Third degree
Continuous	17 banks	9 out of 34	4 out of 7
Temporary	5 "		
Occasional	8 "	5 " " 14	2 " " 2
Total	30 banks	14 out of 48	6 out of 9

Among the eight banks in the "first degree of dependence" we find three foreign banks, one Austrian bank, the Bank Verein of Vienna, and two Russian banks, the Siberian Commercial Bank and the Russian Bank of Foreign Commerce. The Deutsche Bank Group included then, in whole or in part,, directly or indirectly, 87 banks; the capital of the bank itself and of the affiliated banks, of which the entire group disposes, amounts to between two and three billion marks.

It is obvious that a bank, heading such a group of other banks, and working in concert with half a dozen slightly less important banks, in order to carry out large and profitable financial operations, for instance to underwrite government loans, is no longer a mere intermediary, but constitutes properly a league of monopoly holders.

The rate at which the concentration of banking concerns has taken place in Germany during the 19th and 20th centuries is well shown by the following table made up from figures furnished by Risser:

Affiliation of Six Large Berlin Banks

	Branches in Germany	Deposit and exchange offices	Participation in German banking corporations	Total
1895	16	14	1	42
1900	21	40	8	80
1911	104	276	63	450

We see how rapidly the thick network of ducts grows which gathers in all the capital of the country and transforms thousands of scattered businessmen into one nation-wide, nay world-wide capitalistic concern. What the word "decentralization" used by Schultze-Gaeverning in a preceeding quotation means is the subjugation by one central concern of a growing number of formerly independent concerns, or rather of economic units whose activity used to be purely local.

It is really centralization in the proper sense of the word, which gives more power, more importance, more resources to giant monopolies.

In older capitalist nations, that network of banks is even more closely woven. In England and Ireland, in the year 1910, the number of branches established by all the banks was 7,151. Four groups of banks had over 400 branches each, the smallest of the four groups having 447 and the largest 639 branches; four other groups had over 200 branches, eleven other groups had over 100 branches.

In France, three large banks, the Credit Lyonnais, the Comptoir National d'Escompte and the Societe Generale increased their operations and the number of their branches as is shown in the table below:

	Number of branches and offices			Amount of capital in millions of francs	
	Provincial towns	Paris	Total	Own capital	Outside capital
1870	47	17	64	200	427
1890	193	66	258	265	1,245
1909	1,033	196	1,229	887	4,363

As a charcteristic example of the "connections" of a large modern bank, Risser mentions the number of letters sent and received by the Disconto Gesellschaft, one of the largest banking concerns in Germany and in the entire world. (In 1914 its capital amounted to 300,000,000 marks.)

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

The number of accounts carried by one Paris bank, the Credit Lyonnais, rose from 28,535 in 1875 to 633,539 in 1912. (26)

Those bare figures show more conclusively than any long dissertations that, with the concentration of capital and the increase in the bank's turn over, the function of a bank becomes entirely different from what it used to be. Thousands of scattered capitalists become one single capitalist. By carrying the accounts of a number of depositors, banks seem to perform a mere technical operation. But when that operation reaches gigantic proportions, a handful of monopoly-holders assumes the control of all the commercial operations of the entire capitalist world, being enabled, through its banking connections, through its current accounts and its various financial operations, first of all to ascertain exactly the condition of the various industrial capitalists, and then to dominate them, to influence their activity by extending to them or withdrawing from them financial assistance, by giving them or refusing them credit; it is able finally to decide their fate, to decide what their resources shall be, to decrease their capital at will, or to allow them to increase rapidly their capital to enormous figures.

We mentioned previously the capital of the Disconto Gesellschaft of Berlin which is 300,000,000 marks. The increase in the capital of the Disconto Gesellschaft was one of the incidents in the struggle for hegemony between this bank and its rival for the first place among the biggest Berlin banks, the Deutsche Bank.

In 1870 the Disconto Gesellschaft was still a small concern with a capital of only 15,000,000 marks. The Deutsche Bank had a capital of 30,000,000 marks. In 1908 the two banks had increased their capital respectively to 200 and 170 million marks. In 1914 the Deutsche Bank increased its capital to 250,000,000 marks, the Disconto Gesellschaft to 300,000,000 thanks to an alliance with another bank of first magnitude, the Schaffhausen Bank. And that struggle for leadership does not interfere with the mutually protective agreements made by both banks.

Here are the conclusions forced by ths development upon specialsts in banking affairs, who in their discussion of economic problems never overstep the line of moderate bourgeois reformism:

"Other banks are following that example," says the German review, *Bank*, discussing the increase of the capital of the Disconto Gesellschaft to 300,000,000 marks, "and instead of the 300 men who at present direct the economic destinies of Germany there may not be more than fifty or twenty-five or even less left in control. One cannot expect the present tendency to concentration to bring about only this one banking deal. The close ties uniting the various banks tend to bring about closer relations between the various industrial combinations which deal with those banks. Some morning we will wake up to behold with astonishment a few trusts and nothing else. Then we will have to *transform our private monopolies* into government monopolies. And in reality we shall not be to blame for anything except for letting things follow their own course and somewhat speeding them up." (27.)

This is an example of the mental impotence of the bourgeois press, from which bourgeois science only differs by its greater dishonesty and by its attempts at clouding the issue. Those people are "appalled at the consequences of concentration," they speak of "blaming" the *government* of capitalist Germany or capitalist "society," they "fear" to hasten concentration. A German expert on industrial combinations, Tshirshky, is "afraid" of the American trusts, and "prefers" to them the German cartel, because the latter does not "hasten technical progress as much as trusts do." Could mental impotence go further?

Facts, however, remain facts. Germany has not trusts, but she has cartels, and she is controlled by no more than 300 men and the number of those magnates is being ruthlessly cut down. Ceaselessly, in every capitalistic land and regardless of the various banking laws which may be passed, banks will hasten the process of financial centralization and the establishment of monopolies.

As Marx wrote in *Capital* half a century ago: "Banks establish on a social scale the form, but only the form, of a general accounting and of a general distribution of the means of production." The data at hand on the growth of banking capital, on the increase in the number of branches and offices established by the large banks, and the number of accounts they carry, give us a concrete illustration of that "general accounting" of the capitalist class and not only of the capitalist class, because banks gather in for longer or shorter periods all the cash receipts of the small businessmen, clerks and skilled laborers. "The general distribution of the means of production" is one of the lateral activities of modern banks, three of which in France and six in Germany have at their disposal billions and billions of marks.

Intrinsically, however, that distribution of the means of production is not general but strictly personal, that is, in the interests of large capital, in particular of the largest and most monopolistic forms of capital, which create a condition of affairs in which the mass of the population is near the hunger line. Agriculture lags behind industry, and in the industrial field the "heavy industries" with their subsidiary industries carry the day.

In extending the influence of capitalist finance, savings banks and postal savings banks have begun to compete with ordinary banks, these institution being more decentralized, in the sense that they reach more and more localities, more and more out of the way places, larger and larger sections of the population. American reports on the relative importance of bank deposits and saving bank deposits enable us to draw up the following set of figures.

Deposits in billions of marks

	England		France		Germany		
	Banks	Savings Banks	Banks	Savings Banks	Credit Banks	Assns.	Savings Banks
1880	8.4	1.6	?	0.9	0.5	0.4	2.6
1889	12.4	2.0	1.5	2.1	1.1	0.4	4.5
1908	23.2	4.2	3.7	4.2	7.1	2.2	13.9

Paying 4 or 4¼% on their deposits, savings banks are compelled to seek profitable investments for their funds, to discount commercial paper, to buy mortgages etc. The boundary line between banks and savings banks becomes less and less visible. Chambers of commerce (for instance in Bochum and Erfurt), are trying to prevent savings banks from engaging in purely banking operations such as the discounting of notes, and demand that the banking activities of postal savings banks be restricted. (29) Big bankers seem to fear the unexpected rise of a government monopoly of banking. But that competition does not go very far. The deposited billions in savings banks are, after all, at the disposal of the banking magnates and, on the other hand, government monopolies in capitalistic society are merely a means of increasing and insuring the incomes of certain industries which are nearing the bankrupt stage.

The change from the older Capitaism where competition reigned to the new Capitalism where monopoly is king, is characterized by the diminished importance of the exchanges. "Exchanges are no longer" to quote *Bank*, "an essential means of paper conversion as they used to be years ago when banks couldn't expect to market among their customers even a small part of the paper issued."

"Every bank is a stock exchange nowadays." This statement becomes the more true as banks become larger and as concentration is more generally the rule in the banking field. (31)

"If once upon a time, in the seventies, the stock exchange, with its youthful rashness," (a veiled allusion to the panic of 1873 and other scandals) "opened the era of industrialization for Germany, at the present date banks and industry can fully take care of themselves."

The domination exerted upon the stock exchange by our large banks, is simply the concrete expression of the power wielded by the organized industries of Germany.

"If the action of the automatic economic laws becomes so restricted and the sphere of conscious regulation by the banks increases to that extent, there also increases to a terrific extent, the nation-wide economic responsibility of a few individuals." Thus writes Schultze-Gaeverning (32) a defender of German Imperialism, an authority recognized by the imperialists of all lands, who tries to blind us to one "trifling detail," that such conscious regulation by the banks simply means the exploitation of the public by a handful of well oganized monopoly holders.

The duty of a bourgeois professor of poitical economy consists not in showing us how the system works, not in exposing all the tricks of the monopolistic bankers, but in throwing a veil over them.

Thus speaks also Risser, who is even more of an authority and a financial "operator" besides, and who tries to escape, through a flow of empty words, from facts which cannot be gainsaid. "The stock exchange is less and less the essential organ of finance it used to be without which financial paper could not be marketed and which constituted not only a very accurate moderating device but almost automatically regulated all the economic streams flowing through it." (34)

In other words, the Capitalism of yesterday with its unrestiained competition and its necessary regulator, the stock exchange, is a thing of the past. In its stead, there appears the new Capitalism, which still preserves some characteristics of the old, a sort of medley of competition and monopoly. The question arises: what does this new Capitalism lead to? And this question is disturbing the bourgeois professors of political economy.

"Thirty years ago, businessmen competing freely with one another performed $^{8}/_{10}$ of the economic labor which does not belong to the category of physical labor. At present clerks perform $^{9}/_{10}$ of that mental labor. It is principally in the banking business that this change is noticeable." (34)

Among the few banks which the process of concentration has placed at the head of the capitalist world, there is a stronger and stronger tendency toward monopolistic combination, toward the formation of a banking trust. In the United States two large banks, belonging to the billionaires, Rockefeller and Morgan, control a capital of almost $3,000,000,000. In Germany the absorption of the Schaffhausen Union Bank by the Disconto Gesellschaft called for the following comment on the part of a financial review, the *Frankfurter Gazette*:

"The gradual concentration of the banking business decreased the number of establishments to which a business man may turn to obtain credit, and makes large business more and more dependent upon a small number of powerful banks. The close relations which unite industry and the financial world put restraints upon the freedom of action of the various industrial concerns which are in need of a bank's capital. For this resaon industry looks upon the growing trustification of banks with mixed feelings; furthermore we have on several occasions observed the opening of negotiations between separate groups of banks with a view to the elimination of competition." (36)

As I said before, the evolution of the banking business leads unavoidably to monopoly. As far as the close relations existing between industry and the banks are concerned, the new role played by the banks is perhaps not quite so strikingly evident in that field. If a bank discounts the paper of a certain concern, carries its account, and so on, those various operations, considered separately, do not affect in the slightest way the independence of that concern, and the bank itself does not play more than an intermediary's part. But if those operations become more and more frequent and important, if the bank gathers in enormous sums, if the carrying of the account enables the bank to collect more and more detailed information concerning the economic condition of its customers, business becomes more and more dependent upon that bank.

Besides, certain bank contract alliance with certain large industrial and commercial concerns, "participate" in their operations, by holding some of their stock, by the fact that some directors of the bank may become members of the board of directors of certain industrial concerns and vice versa. The German economist, Jeidels, has collected detailed information on this aspect of capital and business concentration. Six large Berlin banks were represented by their directors on the boards of 344 industrial concerns, and by members of their various committees on the boards of 407 more concerns, or 751 in all. In 289 companies, they were represented by two men on the board of control, some times by the chairman of that board. Among those various concerns we find all possible branches of business activity: insurance companies, transportation concerns, restaurants, theatres, art stores, etc.

On the other hand we found on the administrative board of those banks in 1910, fifty-one industrial magnates, among them a director of the Krupp firm, a director of large steamship company, the Hamburg-American Line, etc. From 1895 to 1910 every one of these six large banks took part in the emission of the stock and bonds of many industrial concerns, 281 in 1895, 419 in 1910. (37)

Private alliances between banks and industrial concerns are supplemented by alliances between those groups and the government.

"Dirctors' positions," Jeidels writes, "are willingly offered to people with big names, and to former government officials who may faciliate considerably (!!!) all relations with the authorities....We usually find on the board of directors of a large bank members of the Reichstag or members of the Berlin municipal council."

In the management and exploitation of the large capitalistic monopolies resort is made, of course, to all "natural" and "supernatural" means. A division of labor effects itself among a few hundred financial kings of the modern capitalist world:

"Owing to the growing influence of the various industrial magnates," (that is their appointment to the directorship of banks, etc.) "and to the fact that one exclusive industrial groups is allowed to direct the boards of directors of provincial banks, a certain speciallization develops in the operations of large banks. That specialization is necessary considering the enormous size of banking operations and especially the relations between banks and industrial concerns. The division of labor is effected in two ways: on one hand, the relations with industrial concerns are placed entirely in the hands of one of the directors, and on the other, every one of the directors takes it upon himself to watch various concerns or groups of concerns, which are related among themselves by reason of their special line or special interests" (Capitalism has reached the point at which it spies systematically upon private concerns.) "One of them may specialize in German industry, another only in Western-German business." (Western Germany is the most industrialized part of the country) "Others may be in charge of the relations with the various governments, of the foreign trade, of the information relative to individual businessmen, stock exchange deals, etc. Besides, every one of the directors may be assigned to one locality or one special branch of industry; one may attend especially the meetings of boards of directors of electrical concerns, or of chemical companies, of best sugar refineries, another may have to supervise isolated concerns, and at the same time, sit on the directing board of insurance companies, etc.... In other words, the larger the business of the big banks becomes, the more varied the operations are in which they engage, and the more complete must be the division of labor among their directors. The result is that it raises those men, so to speak, above the level of mere banking routine, it develops their judgment, it gives them a broader knowledge of industrial problems and of the special problems affecting the various branches of industry and it prepares them for efficient activity within the sphere of industrial action of the bank. This system is supplemented by the practice of placing on the board of directors men well acquainted with industry, heads of enterprises, former officials, especially those that have been active in railroad or mine management." (38)

We observe the same methods, although in a slightly diffrent form, in French financial establishments. One of the three leading banks, the Credit Lyonnais, has organized a special department for financial study, which employs constantly some 50 engineers, statisticians, economists, jurists, etc., every one of them drawing a good salary. That department is divided up into eight sections, one of which collects data relative to commercial enterprises, another gathers statistics, another studies railroad and steamship companies, another stock and bonds, another financial accounts, etc.... (39)

Thus finance and industry come into close contact, or as N. I. Bucharin puts it, become grafted onto each other, and on the other hand banks transform themseves into institutions of "universal character." I am using here the very words used by Jeidels, who has studied the question more closely than any one else.

"When we examine the multiple connections existing in the industrial world, we realize the universal character of financial institutions interested in financial enterprises. In spite of all that has been said to the effect that banks, in order not to wander on uncertain ground, should specialize in one line of business or one branch of industry, the leading banks are endeavoring to connect themselves with the most diversified industrial concerns, producing the most different sorts of goods in various parts of the world, they try to do away with the uneven distribution of capital among the various localities or the various branches of industry, which we notice in the history of every particular enterprise. . . . One tendency is to establish connections with industry generally; another tendency is to make those connections durable and intensive; those two aims have been realized if not fully, at least in a large measure, by six leading banks."

We hear frequently, in commercial and industrial circles, remarks about the "terrorism" of the banks. No wonder that such complaints are made when we know how far the domination of the leading banks extends. On November 19, 1901, one of the so-called *D* banks of Berlin, (the names of the four leading banks begin with D) sent to the board of directors of the North-Western Middle German Cement Syndicate the following letter:

"From announcements you published in the papers of the 18th of last month we see that at a general meeting of your syndicate to be held on the 30th instant, resolutions will be adopted, likely to introduce into your enterprise changes which are not acceptable to us. We therefore feel compelled, to our deep regret, to refuse you any further credit. If, however, the resolutions to which we object are not introduced at that general meeting, and absolute guarantees are given us for the future, we shall be willing to discuss with you the opening of a new credit." (40)

Such are the woes of small capital oppressed by large capital, although, by the way, a whole syndicate seems in this instance to have taken rank with "small capital." The old struggle between small and large capital is resumed anew, but how the implements of warfare have been perfected! Technical progress can be fostered by billionaire groups of large banks in ways which were once unheard of. Banks support, for instance, laboratories for technical research whose discoveries are only placed at the disposal of "friendly" enterprises. Such are the "Society for Study of Electric Railroads" or the "Central Bureau for Scientific and Technical Research," and other similar organizations.

The heads of the leading banks themselves cannot help seeing that new conditions are prevailing in national economy, but they are helpless.

"Whoever has observed in the past few years," Jeidels writes, "the changes in the personnel of the boards of directors of the leading banks, cannot fail to notice that the financial power is gradually passing into hands of men who consider that the essential duty of the banks is to participate actively in the general development of industry; this new type of directors and the older men disagree more and more for commercial reasons and sometimes for personal reasons. In fact, do not the banks suffer, as institutions of credit, from that immersion in the industrial process of production? Are they not compelled to sacrifice solid principles and real advantages to a form of activity which has nothing to do with a bank's function, which is to extend credit, an activity which leads the banks upon a ground where they are more affected by industrial fluctuations that they ever were?

Thus speak many old bankers, but the majority of younger men consider an active participation in industrial deals as an unavoidable development, due to the same causes which have brought into being the large industrial organizations of today, the large banking concerns and the latest industrial-financial enterprises. The only thing upon which both sides agree is that the new form of activity displayed by the leading banks is not based upon any strong principles and no concrete aims." (41)

The Capitalism of yesterday is dead. The new Capitalism seems to be in a transitional stage. To seek "strong principles and concrete aims" that will reconcile monopoly and unrestricted competitions, is a forlorn hope.

The real facts of the case sound quite different from the official odes to "organized capital" sung by its apologists, Schultze-Gaevernits, Liefmann and other theoreticians.

When did the leading banks begin to engage in their "new activities?" Jeidels gives us a very definite answer:

"It was some time in the nineties that alliances between industrial concerns, with their new component parts, their new forms, their new organs, the large banks organized for both centralized and decentralized action, became a characteristic of national economy; in a sense, we might consider the year 1897 as the beginning of that era, for in that year many large enterprises combined and assumed a new form of decentralized organization owing to the new industrial policy of the banks. We might say that the new period began somewhat later, for it was the crisis of 1900 which hastened considerably the process of concentration both in industry and in finance, made it an established fact, transformed the relations between industry and the banks into a monopoly on the part of the large banks, and made those relations infinitely closer." (42)

Thus the dawn of the 20th century appears to have marked the passing of the old Capitalism and the coming of the new, the passing of the domination of capital proper and the beginning of the domination of finance capital.

III

Finance capital and the financial oligarchy

"A constantly larger proportion of the capital invested in industry," writes Hilferding, "does not belong to the men who use it in their business enterprises. That capital is placed at their disposal by banks which represent the actual owners of those funds."

"On the other hand, a bank must invest a constantly larger portion of its available capital in some industry. Consequently the bank becomes, to a constantly larger extent, an industrial capitalist. This banking capital, in the shape of currency, which can be thus transformed into industrial capital, I shall designate as finance capital—capital placed at the disposal of bankers and used by industrial operators." (43)

This definition is not complete for it leaves out one of the most important factors: the growth of concentration in industry and capital to the point were it creates monopoly.

But Hilferding continually emphasizes, especially in the two chapters preceding the one from which the definition is taken, the role played by capitalist monopolies. Concentration of industry; monopolies that result from it; alliance between banks and industry; such is the history of finance capital and such is the meaning of the expression.

We shall now show how the manipulations of the capitalist monopolies unavoidably bring about under our present system of production of goods and of private property, the dictatorship of a financial oligarchy. We may notice that the representatives of bourgeois political economy in Germany and other countries, Risser, Schultze-Gaevernitz, Liefmann and others, are without exception, defenders of Imperialism and finance capital. They do not throw light, but darkness, upon the process through which a financial oligarchy comes into being; they depict its methods in rosy colors, they remain very vague as to its sources of profits, lawful and otherwise, its connection with parliaments and so on. They dodge unpleasant questions and take refuge in high-sounding, obscure phraseology, they speak of a "feeling of responsibility" among bank directors, of the Prussian officials' "sense of duty," discuss seriously perfectly futile bills providing for "control" and "regulation," they waste their time in making up "scientific" definitions like the following, perpetrated by Professor Liefmann: "Commerce is a professional activity, which collects goods, keeps them and disposes of them." (44)

Commerce existed then among primitive men who were even ignorant of barter and will exist also in a Socialist form of society.

But there is such an abundance of facts about the wonderful dictatorship of the financial oligarchy, that in all the capitalist countries, in America, in France, in Germany, we find a rich literature dealing with the subject from a bourgeois point of view, giving us an almost accurate picture of that oligarchy at work, and containing a criticism of it from a bourgeois point of view, of course.

We must mention in the first place the system of "participation" to which we alluded previously. This is what the German economist Heymann writes upon the subject:

"The head of the basic concern (the mother-concern) controls that concern; this concern controls in turn the various societies which depend upon it (the daughter-concerns). The later control other concerns which might be called the commercial grandchildren of the first. As the ownership of 50% of the stock gives anyone the control of a stock company, the head of the mother concern only needs to own one million in order to control eight millions invested in the "grand-children companies." And if that process is extended even further, a capital of one million may control 16 or 32 millions. (45)

We know from experience that the ownership of about 40% of the stock assures practical control of the afairs of a company, as a large number of the small and scattered stockholders never have a chance of taking part in stockholders' meetings. The "democratic" distribution of stock, which bourgeois sophists and opportunists and certain "social democrats" expect to democratize capital, and to increase the importance and the power of the small manufacturers, is in reality one of the devices which strengthen the hands of the financial oligarchy. This is why, in progressive capitalist nations and in the more old-fashioned ones, legislation allows the issuing of constantly smaller shares of stock. In Germany the smallest face value of a share of stock is 1,000 marks, and the financial magnates of that country look with envy upon England where the law allows shares worth only one pound sterling.

Siemens, one of Germany's industrial and financial magnates, declared in the Reichstag on June 7, 1900, that the pound stock share was the *foundation* of British Imperialism. (47)

That merchant had a more through and Marxist understanding of the meaning of Imperialism, than a certain writer who is sppposed to be the founder of Russian Marxism and who imagines that Imperialism is the unpleasant characteristic of only one European nation.

The system of "participation" not only helps monopolies to build up their giant power, but enables them to put through with impunity dark and unholy deals and to rob the public, for the heads of the "mother-concerns" are not legally responsible for the acts of the "daughter-concerns" which are supposed to be independent and through which a good many things can be done.

Here is an illustration taken from the German magazine, *Bank*, for May 1914: "The Spring Steel Stock Company of Kassel was considered a few years ago as one of the most prosperous concerns in Germany. Bad management caused dividends to dwindle from 15% to nothing. It appears that the management had extended to one of its 'daughter-concerns,' the Chassia, whose nominal capital amounted only to a few hundred thousand marks, a loan of six million marks, and this without consulting the stockholders. Of this loan which amounted to almost three times the stock capital of the 'mother-concern,' the Chassia's books made no mention."

From the purely legal point of view that omission was perfectly permissible, and could be allowed to subsist for two years, for it did not run counter to any commercial statute. The chairman of the managing board who, as the responsible person in charge, signed the lying balance, was and still is, the president of the Kassel Chamber of Commerce. The stockholders learnt of that loan to the Chassia Company only later when it proved to have been a "mistake" (I can't help placing the word between quotation marks) and when the stock of the Spring Steel Company, being dumped by the well-informed, suffered a break of about 100%....

This striking example of the book juggling which is a matter of frequent occurrence in the management of stock companies shows us why their directors engage more easily in risky deals than a private businessman would. Up-to-date bookkeeping methods not only enable them to keep all knowledge of their risky deals from the average stockholder, but also to dodge all responsibility and escape losses in case of mishap, for they can unload their stock at the opportune moment, while a private businessman would have to meet the deficit out of his own pocket.

The books of many stock companies are very similar to those parchments of the Middle Ages which were used twice by scribes and whose real content is not known until one erases the second layer of ink.

The simplest and most common method of keeping books in order to foil all attempts at investigation, is to divide up one enterprise into several "daughter-concerns" or to combine the latter anew. This method seems so advantageous from every point of view, legal and illegal, that there are very few concerns which have not resorted to it. (48)

Among the large and monopolistic concerns using this method on a large scale, we may mention the Allgemeine Elektrische Gesellschaft, of which we shall speak in detail later. In 1912 it was estimated that this company "participated" in the affairs of 175 or 200 other companies, controlling them and, through them, a capital of about 1,500,000,000 marks. (49)

The various methods of inspecting books or accounts, the various reports published and other devices offered to the public by benevolent professors or functionaries, whose benevolence expends itself in defending Capitalism and apologizing for it, are the merest nonsense. For private property is sacred and no one can be prevented from buying, selling or exchanging shares of stock, hoarding them, etc....

The extent to which the "participation" system has been adopted by the leading Russian banks is shown by E. Agad, who was for fifteen years in the service of the Russo-Chinese Bank and who in May 1914, published a book bearing the rather inaccurate title *The great banks and the world market.* (50) The author divides the leading Russian banks into two principal groups: those which are being operated under the system of "participation" and those who are independent. By independent, he means independent from foreign banks. The first group he divides up into three sub-groups according to whether German, English or French banks "participate" in their operations. He also draws a distinction between productive banking capital (invested in commerce and industry) and speculative banking capital (used for stock and financial deals). With his bourgeois reformist mind, he imagines that it is possible under a capitalist system to distinguish the former and the latter.

Here are the data furnished by Agad:

Active capital of banks to the reports for October and November 1913:

Groups of Russian Banks	Capital invested; in millions of rubles		
	For Production	For Speculation	Total
a) 1. 4 banks, the Siberian commercial, the Russian, the International and the Discount Bank	413.7	859.1	1,272.8
a) 2. 2 banks: the Commercial and Industrial Bank and the Russian English Bank	239.3	169.1	408.4
a) 3. 5 banks: the Russian-Asiatic, the Petrograd Bank, the Don-Asiatic Bank, the Union Bank, the Moscow Bank, the Russian French Commercial Bank	711.8	661,2	1,373.0
Totals 11 Banks	1,364.8	1,689.4	3,054.2

b) 8 banks: the Moscow-Merchants Bank, the Volga Kamsk Bank, Yunker and Co., Petrograd Commercial, formerly Vavelberg, the Moscow Bank, formerly the Rabushinsky Bank, the Moscow Discount Bank, the Moscow Commercial and the Moscow Private Bank	504.2	391.1	895.2
Totals 19 Banks	1,869.0	2,080.5	3,949.5

Acording to the above figures, out of nearly four billions of rubles, which constitute the working capital of the leading banks, some 3 billions or over ¾ of that capital, is controlled by banks which are in reality the "daughter-concerns" of foreign banks, in the first line French banks, the famous banking trio: The Union Parisienne, Banque de Paris et d'Irlande, and La Societe Generale, and in the second line Berlin banks: the Deutsche Bank and the Disconto Gesellschaft. In 1912, two large banks, the Russian Bank for Foreign Commerce, and the Petrograd International Commercial Bank, increased their capital from 44 to 98 million rubles, and their reserves from 15 to 39 millions, three fourths of their capital being German capital. The former belongs to the group of the Deutsche Bank of Berlin, the other to the group of the Berlin Disconto Gesellschaft.

Our friend Agad is very indignant over the fact that the Berlin banks hold the majority of the stock and that consequently the Russian stockholders are powerless. It goes without saying that the country which exports capital gets the lion's share of the profits. For instance the Deutsche Bank of Berlin, importing into Berlin stocks of the Siberian Commercial Bank, kept them in its safe for an entire year and then sold them at 193, having bought them at par, thus making a profit of 6 million rubles, or about a hundred per cent on the investment. Hilferding calls that "flotation profits."

Agad estimates the "resources" of the leading Petrograd banks at almost eight and a quarter billion rubles, to be accurate 8, 235,000,000 rubles, and he divides up the "participation" or rather control of the foreign banks as follows: French banks 55%, English 10%, German 35%. Out of that active capital of 8,235,000,000 rubles, 3,687,000,000 rubles (or over 40% of it), belongs to syndicates of the naptha, metal and cement industries. It appears then that the alliance of banking and industrial capital has gone a long way in Russia toward establishing capitalistic monopolies

Financial capital concentrated into a few hands and enjoying a practical monopoly, derives a constantly larger share of profits from flotations, from the issuance of stock, from government loans, etc., which strengthen the power of the financial oligarchy, making the entire nation pay tribute to monopoly holders. Here is one of the numberless examples of manipulation on the part of the American trusts cited by Hilferding: In 1887, Havemeyer founded the sugar trust by combining 15 small companies whose total capital amounted to $6,500,000. The trust's capital was, according to the American expression, "watered," and increased to $50,000,000. This over-capitalization took into account the future profits of the monopoly just as the steel trust, also of the United States, takes into account the future profits it will derive from its monopoly, for it is constantly buying up new deposits of iron ore. And in fact, the sugar trust established monopoly prices and reaped such profits that it could pay 10% in dividends on a capital six tenths of which was watered (or 70% on the actual capital paid in when the trust was organized.)

In 1909, the capitalization of the trust was $90,000,000. In 22 years the capital had increased over tenfold.

In France the domination of the financial oligarchy, (a book by Lysis, entitled *Against the finnancial Oligarchy of France*, went thru five editions in 1908) assumes a slightly different form. Four leading banks have the exclusive right to issue stock. They constitute in fact a trust of large banks. That monopolistic combine reaps monopolistic profits from every emission of paper. When they float loans, the country in favor of which the emission is made never receives more than 90% of the actual cash subscribed. The banks receive a middlemen's commission of 10%. These banks made a profit of 8% on the Russian-Chinese loan of 400,000,000 francs, 10% on the Russian loan of 1904 amounting to 800,000,000, 18¾% on the Moroccan loan of 1904 amounting to 62,500,000.

Capitalism whose rise began with the small usurer reaches its last stage of development with usury on a gigantic scale. Lysis calls the French the usurers of Europe. All the conditions of economic life are deeply affected by this new avatar of Capitalism. Even if the population, the industries, commerce and marine transportation should stagnate, "the country could grow rich by making usurious loans." Fifty men, representing 8 million francs, control two billion francs deposited in four banks. The "participation" system which we have already explained has the following results: one of the leading banks, the Societe Generale, issued 64,000 bonds of a "daughter-concern" the Egyptian Refining Works. The bonds were issued at 150, which means that the bank made fifty cents on every dollar. The dividends of that concern proved to be fictitious and the public lost in that deal between 90 and 100 million francs. One of the directors of the Societe Generale was a member of the directing board of the Refining Works. Little wonder that the author we are quoting from should remark that "the French Republic is a financial monarchy; its financial oligarchy is all-powerful; it dominates both the press and the government." (51)

The very profitable issuance of securities, which is one of the main functions of finance capital, plays a most important role in the development and the acquisition of power by the financial oligarchy. "There is not one form of business activity" to quote the German magazine *Bank* "which assures as high profits as the flotation of foreign loans." (52)

"There is no bank operation which is as profitable as the issuance of securities." According to the *German Economist*, the flotation of industrial securities has brought in the following profits:

1895	38.6%
1896	36.1%
1897	66.7%
1898	67.7%
1899	66.9%
1900	55.2%

"From 1891 to 1900 the profits realized from the flotation of German industrial securities amounted to over one billion." (53)

If in prosperous times the profits of finance capital are remarkably high, in times of depression small and unprofitable enterprises go to the wall, and large banks "participate" in their purchase buying them for a song in their "rehabiliation" or "reorganization." When a bankrupt business is being "rehabilitated" its stock capital is decreased, that is the profits are divided up at a higher rata. Or if the profits dwindle down to nothing, new capital is poured in and being added to the former capital whose earning power was small, may now show profits. As Hilferding states aptly, those operations of rehabiliation and reorganization are a twofold boon for the banks: they always constitute a profitable deal and they give the banks a chance of extending their domination over embarrased concerns.

Take for instance the Union Metallurgic Works of Dortmund, founded in 1872. Stock was issued to the amount of 40 million marks and the first year it rose to 170%, paying dividends of 12%. French capital cut melons to the tune of some 28 millions. The Disconto Gesellschaft, the largest bank, whose capital amounts to 300 million marks, was instrumental in the organization of that concern. The stock of the Union Works paid no dividends. Stockholders agreed to a reorganization, that is they agreed to lose some of the money they had invested in order not to lose it all. The result was that in the past 30 years the books of the Union Works have shown a wastage of some 73 million marks which have just vanished. "At the present time the original stockholders have less than five per cent of what they originally invested but every time the concern was reorganized the banks made a little something." (53)

Another extremely profitable field for finance capital is speculation in real estate in the suburbs of fast growing towns.

Banking monopoly and transportation monopoly can here work jointly. The advance in real estate prices depends mainly upon good rail connection with the center of the town; those means of communication are controlled by large companies which, thru a system of "participation" and interlocking directorates, are allied to the banks. The resulting situation is what Eschwege, a German writer who contributes to *Bank,* describes as the "swamp;" frenzied speculation in suburban real estate, bankruptcies of building firms like Boswau and Knauer of Berlin, which secured 100 million marks thru the "solid and substantial" Deutsche Bank (the later of course working thru "participation," that is secretly, in a underhand way, and extricated itself after losing some 12 millions), the ruin of small investors and workingmen, who received nothing from the building companies, graft deals implicating the Berlin police and administration to secure information or construction permits, etc. (54)

The "American ethics" over which European professors and wellmeaning bourgeois express so much hypocritical indignation were in the age of finance capital the ethics of practically every large city in any on earth.

In Berlin in the beginning of the year 1914 a transportation trust was said to be on the point of being organized, which means that the interests of the three large transportation firms of Berlin were to be pooled: the electric railways, the trolley lines and the omnibus lines. "We knew that this was being planned," we read in *Bank,* "when we heard that the majority of the stock of the omnibus company had been acquired by the other two transportation companies. We might think that the men are engineering that deal because they hope, thru a united control of the transportation lines, to effect economies likely in the end to benefit the public. But the question is made much more complex by the fact, that back of that trustification of the transportation companies there are banks which can, if they wish, make the lines they have thus concentrated, serve their own real estate interests.

"To realize how founded this supposition is, we must remember how, at the time when the electric railway company was organized, the large bank which presided over the organization took good care of its interests. The interests of that traction company were closely bound up with those of certain real estate concerns.

"The Eastern lines of that company were to serve real estate tracts of land, which after the construction of the road that bank sold at an enormous profit for itself and a few interested individuals." (55)

As soon as monopolies establish themselves and begin to dispose of millions, they affect unavoidably every detail of the social life, regardless of political and other conditions. German economists like to boast of the honesty of the Prussian administration, and to cast aspersions upon the French "Panamas" and American political corruption. But the fact remains that conservative writers dealing with banking affairs in Germany are compelled to mention many facts which can no longer be classified as "purely financial operations" for instance the constantly increasing number of public officials who accept positions in banks. "How about the incorruptibility of the official who is longing to secure a comfortable berth in the Deutsche Bank?" The editor of *Bank*, Alfred Lansburg, wrote in 1909 an article entitled "The economic significance of Byzantinism" in which he discusses among other things William II's trip to Palestine and the "immediate consequences of that journey, the construction of the Bagdad railroad, that fatal big deal of German industry, which was more responsible for the "iron ring" which Edward VI endeavored to build around Germany, than all political failures."

Eschwege wrote in 1912 an article entitled "Plutocracy and Bureaucracy" exposing the activities of a certain official, who was a member of the Trust Investigation Commission and who, some time after, was given a fat position with one of the trusts, the steel syndicate. Many similar cases which were not by any means fortuitous ones, compelled this conservative writer to admit that "the economic freedom guaranteed by the German constitution in many fields of economic life, is a meaningless phrase," and that when the plutocracy joins hands with the government "the broadest kind of political freedom cannot prevent us from becoming a nation of slaves." (57)

As far as Russia is concerned, I shall only give one example; several years ago, all the papers announced that a certain Davidof, director of the Credit Chancelry, had left the government service to accept a position with one of the large banks at a salary which within very few years would make a sum of over a million rubles. The credit Chancelry is an administrative office whose duty is to "unify the activities of the credit institutions of the government" and which subsidizes the Petrograd and Moscow banks to the tune of 800 to 1000 millions. (58)

Capitalism creates a distinction between the mere owning of capital and the placing of capital at the disposal of industry, between currency and industrial and commercial capital, between the capitalist living solely on the income from his money and the active business-men of all kinds putting capital at work.

Imperialism, that is the hegemony of finance capital, is a further step in Capitalism, which increases that distinction a thousandfold. The domination exerted by finance capital upon all the other forms of capital gives a commanding position to the pure and simple capitalist and to the financial oligarchy, it divides up governments into those which dispose of financial power and those which do not.

The statistics of stock flotations reveal to us the extent of that phenomenon.

In the "Bulletin of the Institute of International Statistics," A. Neumarck has published the most detailed and complete information about the issuance of securities the world over, information which has been frequently made use of in economic writings. Here are the totals for the past four decades.

Issues of paper for every decade in billions of francs.

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

In the seventies, the amount of paper issued was inflated by the loans floated as a consequence of the Franco-Prussian war and by the commercial activity of Germany. Generally speaking, the increase in the amount of securities was not especially rapid in the first three decades. It was only in the last mentioned decades that amounts total up very high, showing an almost twofold increase between 1901 and 1910. The dawn of the 20th century proves to be the turning point not only in the development of monopolies, cartels, syndicates and trusts of which we spoke in previous chapters, but also in the growth of finance capital.

Neumarck estimates at 815 billion francs the total value of securities held all over the world in 1910. Making allowance for probable duplication he reduces that figure to 575 or 600 billions. The table bellow indicates the holding for each country in billions of francs.

England	142	479
United States	132	
France	110	
Germany	95	
Russia		31
Austria Hungary		24
Italy		14
Japan		12
Holland		12.5
Belgium		7.5
Spain		7.5
Switzerland		6.25
Denmark		3.75
Sweden, Norway, Rumania and others		2.5
	Total	600,000,000,000 francs

We can see at once that four wealthiest nations with holdings of from 100 to 150 billions are in a class apart. Two of them are the oldest nations and have the largest colonial empire: France and England. The other two are the most up to date capitalist nations as regards the development and growth of capitalistic monopolies in industry: the United States and Germany. Those four nations put together hold 470 billions worth of securities, that is almost 80% of the entire finance capital of the world. The rest of the nations stand in the position of debtors and vassals to the international bankers of those four nations; the four pillars of finance capital.

IV

The Export of Capital

Under the older Capitalism and unrestricted competition, the most typical phemenon was the export of goods. Later day Capitalism, with monopoly enthroned, is primarily interested in exporting capital.

Capitalism is the production of merchandise raised to its highest degree, labor itself being also merchandise. Barter, national and international, is the distinctive characteristic of Capitalism.

The uneven and fitful development of the various enterprises, of the various branches of industry, in the various countries, is an unavoidable consequence under Capitalism. England became a capitalistic land at an earlier date than the other nations, and in the middle of the 19th century, practicing free trade, she aspired to be the workshops of the world, shipping manufactured goods to all the countries which were, in their turn, to supply her with raw materials. But in the last quarter of the 19th century England began to lose that monopoly, for a number of other nations, protected by high custom tariffs devoloped into independent capitalist power. At the dawn of the 20th century we witness the growth of a new form of monopoly: First, monopolistic unions of capitalists in all the countries where Capitalism has developed. Secondly, the assumption of a monopolistic position by certain over-wealthy nations where the accumulation of capital has reached gigantic proportions. Capital is abundant in up-to-date nations.

Of course, if Capitalism could develop agriculture, which everywhere has curiously lagged behind industry, if Capitaism could raise the life standards of the masses, which, in spite of our incredible scientific advance, are destitute and on the verge of starvation, we would not need to speak of the "abundance" of capital.

This is one of the "arguments" brought forth by *petit bourgeois* critics of Capitalism. But then Capitalism would not be Capitalism, for irregularity of development and a low standard of life for the masses constitute the fundamental, unavoidable conditions, the premises, so to speak, of this form of production.

As long as Capitalism remains Capitalism, the profits of capital will not be applied to raising the life standards of the masses in any given country, for this would reduce the profits of the capitalists; they will be used in increasing still more those profits by being exported to backward foreign countries.

In those countries capital's profits are generally large, for the number of captalists is small, the price of land is low, labor and raw materials cheap. Capital is being exported for the purpose of bringing the backward nations into the sphere of exploitation of world Capitalism, by building railroad lines, furnishing the first elements necessary for the development of industry, etc. Capital has to be exported because in many lands, Capitalism is overripe, and capital cannot be invested profitably enough on account of the backwardness of agriculture of the destitution of the masses.

The table below indicates approximately the amounts of capital exported by the three leading countries. (60)

Capital invested abroad in billions of francs.

Years	England	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

We see from the table that the export of capital only assumed giant proportions at the beginning of the 20th century. Before the war the foreign investments of the three leading nations amounted to between 175 and 200 billions. The profits derived from those investments computed at the modest rate of 5% must have been from 8 to 10 billion francs a year. Such is the solid foundation for the imperialistic subjugation and the exploitation of the majority of the nations, and for the capitalistic parasitism of a few wealthy powers.

Let us see how those foreign investments are divided up among the various parts of the earth and then we will begin to understand the general workings of present day Imperialism.

Parts of the world in which foreign capital was invested about 1910. (*In billions of marks*).

	England	France	Germany	Totals
Europe	4	23	18	45
America	37	4	10	51
Asia, Africa Australia	29	8	7	44
Totals	70	35	35	140

Let us see how those foreign investments are divided up among the various parts of the earth and then of the world. The export of capital is in this case dependent upon the ownership of large colonial lands, whose importance for Imperialism we shall discuss later. France is in a different position. Her foreign investments are mainly made in European countries, particularly in Russia (at least 10 billion francs), and they are rather in the shape of loans made to governments than in the shape of industrial investments. English Imperialism could be designated as colonial Imperialism, French Imperialism is rather usurious Imperialism. Germany finds herself again in a different position: her colonial empire is meager, and her foreign investments are almost equally divided up between Europe and America.

The export of capital into a country has a tendency to develop Capitalism in that country. If that export causes a certain degree of stagnation in the exporting countries, it tends on the other hand to bring about a broader and deeper development of Capitalism in the world as a whole.

The exporting countries always manage to secure advantages whose character throws a flood of light upon this peculiar era of finance capital and monopoly. This is what appeared in October 1913 in the Berlin review *Bank*:

"On the international money market there is being performed a comedy worthy of Aristophanes' pen. A number of governments, from Spain to the Balkans, from Russia to Argentina, from Brazil to China are coming openly into the great money markets with urgent applications for loans. The money markets are not now in a very favorable condition, nor is the outlook cheerful. But not one of the markets dares to say no for fear some other market will make the loan and thereby secure decided advantages in return for that accomodation. In all those international deals, the creditor always secures certain privileges: trade treaties, coaling stations, contracts for harbor construction, fat concessions, orders for artillery." (61)

Finance capital has fathered the monopolistic era. But every monopoly carries with itself monopolistic principles. Instead of competition in the open market, "good connections" lead to profitable deals. It is the same old story: loans are made on the condition that part of the moneys loaned shall be spent in buying merchandise from the creditor nation, especially ships and armaments, etc. In the course of the last two decades, France often resorted to that expedient. The export of capital to other countries is a means of fostering the export of goods to those countries. Such deals, especially when large enterprises are connected stand, as Schiller would put it politely, "on the border line of a hold up." Krupp in Germany, Schneider in France, Armstrong in England, typify the firms which are closely allied to large banks and governments and which cannot be dodged easily whenever a loan is being made.

When France lent money to Russia on September 16, 1905, she compelled her to grant French capital certain commercial privileges extending as far as 1917. She did the same when she lent money to Japan on August 19, 1911. The tariff war between Austria and Serbia which raged from 1906 to 1911 with only a let up of 7 months, was due to the competition between Austria and France to supply Serbia with military equipment. Paul Deschanel declared in the Chamber of Deputies in January 1912 that, from 1908 to

1911, French firms had sold Serbia 45 million francs worth of war material.

We read in a report from the Austro-Hungarian Consul in Sao Paulo, Brazil: "Brazilian railroads are being built mostly with French, Belgian, British and German capital; whenever they conclude any financial arrangements relative to railroad construction, those countries insist on supplying all the material necessary for the building of the road."

Thus finance capital throws its net, literally speaking, all over the earth. In this connection, colonial banks with their branches play an important role. German imperialists look with envy upon the old colonial empires which are a source of huge profits. In 1904 England had 50 colonial banks with 2,279 branches; in 1902 she had 72 with 5,449 branches; France had 20 of them with 136 branches; Holland 16 with 68 branches, Germany 13 with 70 branches. American capitalists look with envy upon England and Germany which in South America have, respectively, Germany 5 banks with 40 branches, England 5 banks with 70 branches.

England and Germany have invested in the past 25 years some 4 billion dollars in Argentina, Brazil and Uruguay and consequently control 46% of the entire trade of those three countries. (63)

V

The Division of the World Among Groups of Capitalists

Monopolistic unions of capitalists, cartelds, sydicates, trusts, begin by dividing among themselves the national markets, securing a more or less complete control of production in their own country.

Under Capitalism, however, national markets are unavoidably bound up with foreign commerce. As the export of capital increased and foreign and colonial sphere of influence were acquired by the leading monopolistic combines, these combines finally came to conclude international arrangements among themselves, thus organizing international trusts.

This constitutes a new step in the world-wide concentration of capital and production, a step far in advance of the preceding. Let us examine the growth of those super-monopolies.

The electrical industry is, as far as technical progress is concerned, typical of the Capitalism of the end of the 19th and beginning of the 20th century. It has attained its highest development in the two most advanced capitalistic countries, the United States and Germany. The crisis of 1900 exerted a particularly strong nfluence on the growth of that industry.

Banks, which until then were closely allied to industry, hastened at that time the downfall of smaller concerns, and their absorption by larger ones. "The banks," Jeidels writes, "refused to lend a helping hand to the concerns which needed it most, allowing all the concerns which were not closely enough connected wth them to go down in hopeless bankruptcy." (64)

The result of it was that after 1900 concentration proceeded with gigantic speed. Until 1900 there were seven or eight different "groups" in the electrical industry, each group made up of several societies, 28 in all, and backed up by a number of banks, from 2 to 11 for each group.

Between 1908 and 1912 all those groups combined into two or rather one single group. The combination took place as indicated below.

In 1900

Welten & Guillaume	Lamayer	Union A.E.G.	Siemens-Halske	Schukert and Co.	Bergman	Kummer

Velten and Lamayer General Electric Co.	Siemens-Halske and Schukert	Bergman	Failed in 1900

In 1912

Allgemeine Elektrische Gesellschaft	Siemens-Halske and Schukert

Cooperating closely in 1908

The well-known Allgemeine Elektrische Gesellschaft controls now (by way of "participation") between 175 countries by the German electrical industry was esti- and 200 societies and a capital amounting approximately to 1½ bilion marks. It has 34 direct foreign representatives, among them 12 stock companies in ten different countries.

In 1904 the amount of capital invested in foreign mated at 233 million marks (62 millions in Russia). The Allgemeine Gesellschaft is, in other words, a gigantic combine comprising as many as 16 manufacturing concerns alone, producing everything from cables and insulating material to automobiles and flying machines.

Concentration in Europe was only part and parcel of the process of concentration in America. This is what I mean:

General Electric Company

America	Thompson - Houston Company organized in Europe the firm:	The Edison company organized in Europe the "French Edison Co." which gives the use of its patents to the German firm:
Germany	Union Electrical Co.	Allgemeine Elektrische Gesellschaft.

Allgemeine Elektrische Gesellschaft

Thus two electrical "powers" combined. "There does not exist any electrical company on earth independent from them," writes Heining in his article "The Ways of the Electricity Trust."

The following figures will give us an idea, although rather superficial, of the magnitude of the returns and operations of the two electricity trusts:

America:		Goods produced in millions of marks	Working-men	Net profits in millions of marks
General Electric Co.	1907	252	28,000	35.4
	1910	298	32,000	45.6
Germany: Algemeine Elektrische Gesellschaft	1907	216	30,700	14.5
	1911	362	60,800	21.7

In 1907 the American and the German trusts came to an understanding for a division of the world between themselves. No more competition: The General Electric Company "received" the United States and Canada. The Allgemeine Elektrische Gesellschaft "received" Germany, Austria, Russia, Holland, Denmark, Switzerland, Turkey and the Balkans. Special arrangements, of a confidential nature, were concluded as regards the daughter-concerns opening new fields of industry and "new" territories not as yet divided up. Inventions and experiments are to be pooled. (65)

One can understand how difficult it would be to compete against what practically amounts to a world trust, disposing of several billion marks and having its own branches, agents and representatives in every corner of the globe. But a division of the world between two powerful trusts does not exclude a redistribution in case uneven development, wars, failures, should change the distribution of power.

The petroleum industry gives us such an example of redistribution accompanied by strife.

"The petroleum market of the world," Jeidles wrote in 1905, "is still divided between two large financial groups: the American Oil Trust (the Standard Oil Company), controlled by the Rockefeller interests and the Rothschild-Nobel combine, exploiting the Baku oil fields." These two groups are closely united, but their monopoly is being threatened from five sources: (66) 1, the exhaustion of the American oil wells; 2, the competition of the Mantashef firm in Baku; 3, the new oil discoveries in Austria; 4, in Rumania; 5, oil finds in the Dutch colonies, controlled by the wealthy firm of Samuel and Tell, allied also to English banks. The last three are backed by large German banks under the leadership of the Deutsche Bank. Those banks have systematically developed the petroleum industry, in Rumania, for instance, in order to secure important points of strategic importance to them. In 1907 the capital invested in Rumanian oil fields amounted to 185 million francs out of which 74 millions had been invested by German banks. (67)

Then began a struggle which economic literature designates as the war for the partition of the world. On one side there was Rockfeller's oil trust, which, bent on controlling the situation, founded a daughter-concern in Holland and bought up oil wells in Dutch India, thus trying to deal a death blow to its chief competitor, the Dutch-English oil trust. On the other hand, the Deutsche Bank and other German banks were trying to control Rumania and to line up with Russia against the Rockefeller interests. The latter disposed of enormous amounts of capital and of an excellent system of transportation and delivery. The fight was bound to end, and did end in 1907, with the absolute defeat of the Deutsche Bank, which could only do one of two things, either liquidate its oil holdings at a loss of several millions, or make its submission. It chose the later and concluded a most unfavorable agreement with the oil trust.

According to the terms of that document, the Deutsche Bank engaged itself not to "undertake anything unfavorable to the American interests." the agreement to be void should Germany pass a law giving the government the monopoly of the oil trade.

Then began the "oil farce." One of the financial kings of Germany, Von Gwinner, director of the Deutsche Bank, started through his private secretary an agitation to bring about the oil monopoly. All the gigantic machinery of the largest Berlin bank was put in motion, all the strings were pulled, and the press was filled with patriotic declamations against the tyranny of the American trust. On March 15, 1911, the Reichstag passsd an almost unanimous resolution calling upon the government to prepare a bill establishing the governmnt's monopoly of the oil trade.

The government welcomed that popular idea; and the Deutsche Bank, which was endeavoring to strangle its American competitor and to close a profitable deal thanks to a government monopoly of the oil trade, had almost won the game. The German oil kings were already dreaming of profits as huge as those made by the Russian sugar manufacturers. Only, the large German banks fought over the division of the spoils, the Disconto Gesselschaft exposed the greed of the Deutsche Bank, and then the German Government was afraid of fighting the Rockefellers; it had to count on them for its oil supply, the Rumanians needed billions for war preparations in 1913. The monopoly plans were postponed till some future time. The Rockefeller interests came out of the fight with all the honors.

The Berlin review *Bank* stated on that occasion, that Germany could fight the petroleum trust by simply establishing a monopoly of electrical power and transforming all water power into cheap electrical current. But it added: "that monopoly will be etablished whenever convenient to the producers of electricity. That is when a large crash will be impending in the electrical industry, and when the enormous and expensive electrical stations which are being built everywhere by private concerns and for which those concerns are already securing monopolies from cities and governments will no longer prove profitable. . . . Then we shall have to rely on water power; but it will be impossible to transform that energy into cheap electrical power through direct government management; we shall give it over to private monopolies controlled by the government, because private industry has already closed a number of deals and secured for itself large rewards. This is what happened in the case of the potash monopoly and this will happen when the government acquires the monopoly of electrical power. It is high time our state Socialists who allow themselves to be blinded by fine principles should realize that in Germany monopolies are not means to benefit the consumer or to secure for the government a share of the operating profits, but merely to rehabilitate, at the expenses of the government, private industrial enterprises on the verge of bankruptcy." (66)

Such is the remarkable admission which bourgeois German economists are compelled to make. We see clearly how private and public monopolies are entangled one with another in this era of finance capital, and how the *one* and the other are simply details of the struggle raging among the large monopolistic groups for the division of the world.

In the field of mercantile navigation the giant growth of concentration has also brought about a division of the world.

In Germany we find two large companies, the Hamburg American and the North German Lloyd with a capital of 200 million marks, stocks and bonds and a fleet costing 185 and 189 million marks.

On the other hand there was organized in America on January 1, 1903, the so-called Morgan trust, the International Mercantile Marine Co., comprising 9 American and English lines and disposing of a capital of 120 million dollars. An agreement was signed in 1903 between the German colossus and the Anglo-American trust with a view to dividing up the world and trade profits. The German lines agreed not to compete for freight and passages between England and America. Lists of the available ports were established, and a general committee of control was created. The agreement was to be in force for 20 years with a clause specifying that in case of war it was to be void. (69)

Very illuminating is also the history of the international rail combine. The first attempt at combining English, Belgian and German rail plants was made in 1884 at a time of great industrial stagnation. The nations joining the combine agreed not to compete in their home markets and divided among themselves the foreign markets on the following basis: England 66%, Germany 27%, and Belgium 17%. England was left entirely in possession of the Indian market. One English firm which remained outside of the combine was subjected to a concerted attack for which funds were supplied from a certain percentage of the general profits. In 1886, however, the combine broke up when two English firms withdrew from it. It is to be noticed that no agreement could be reached during the following periods of great business activity.

In the first months of 1904 the steel syndicate of Germany was organized: in November 1904 the international rail combine was reorganized on the following basis: England 53.5%, Germany 28.83% and Belgium 17.67%. France joined the combine on a basis of 4.80, 5.80, and 6.4% of the profits above 100% for the first, second and third years, respectively. In 1905 the Steel Trust of America (the United States Steel Corporation) joined the combine and so did Austria and Spain.

"Now," wrote Vogelstein in 1910, "the division of the earth is completed, and the large consumers, especially the national railroad systems, can live like the poet on Jupiter's cloud, for in that division of the world their interests have not been taken into account." (70)

We may also mention the international zinc syndicate founded in 1909, which divided up the business among five groups of mills, German, Belgian, French, Spanish and English. Also the international powder trust which, to quote Liefmann, was "a close combine of all the explosive plants of Germany and which agreed with similar French and American factories for the production of dynamite to divide up the world, so to speak." (71)

Liefmann listed in 1897 some 40 international combines, including Germany, that number rising to 100 in 1910.

Some bourgeois writers have expressed the opinion that international combines, being one of the most striking features of the internationalization of capital, justify one in expecting peace among the nations under the capitalist system. Theoretically, such an idea is absurd; practically, it is a peace of sophistry and can be used to justify the lowest kind of opportunism.

International combines reveal the growth of capitalistic monopolies and also what groups of capitalists are fighting for among themselves. The latter point is the most important, but it only throws light upon the historical and economic meaning of the past, for the fight may assume and does continually assume a shape, for various reasons, more or less local or temporary; but the essence of the fight itself, its class character, cannot change as long as class distinctions remain. Of course, it may be of interest to some bourgeois, let us say, the German bourgeoisie, to misrepresent the essential of the modern economic fight (for the division of the world) and to insist now on one detail, now on another detail of the fight. This is the mistake Kautsky makes. For after all, it is not the German bourgeoisie which is under consideration, but the bourgeoisie of the entire world. Capitalists divide up the world, not out of any malicious intent, but simply because the degree of business concentration which we have reached compels them to resort to that device in order to make any profits.

And they divide it up according to "their capital," to their "power," for under a capitalist system of production, the division cannot be made upon any other basis. Power does not vary according to economic and political development; in order to understand the past one must know what questions are settled by variations of power, but whether those variations are purely economic or extra-economic (for instance due to wars) is after all a secondary question which cannot in any way change the essential aspects of the latest stage of Capitalism. To neglect the essentials of the fight and of the division of the world among capitalists in order to discuss the outward appearance of that fight and of that division (world wide one day, more restricted the next day, and then again world wide) is to dally with sophism. A glance at our modern Capitalism will show us that groups of capitalists reach certain agreements among themselves on the basis of an economic division of the world, but that concurrently, and in connection with them, political groups, or governments reach certain agreements on the basis of a territorial division of the world, of a struggle for colonies, for exclusive territories.

VI

The Division of the World Among the Great Powers.

The geographer, A. Supan, in his book on *The Territorial Development of European Colonies* (75) gives us in a condensed form a clear idea of that development at the end of the 19th century.

Area occupied by colonies of the various European Powers and of the United States:

	1876	1900	Gain	Loss
In Africa	10.8%	90.4	79.6	
Polynesia	56.8	98.9	42.1	
Asia	51.5	56.5	5.1	
Australia	100	100	——	
America	27.5	27.2		0.3

"The most noticeable fact of that period," the author says in his conclusion, "is the division of Africa and Polynesia."

As there are no unoccupied lands, that is, no lands belongingg to no power in particular, in Asia and in America, we might go farther than Supan and say that the most noteworthy fact of the period in question is that the division of the world is complete, not in the sense that a redistribution of territories is henceforth impossible, (on the contrary that redistribution is possible and inevitable) but in the sense that the colonial policy of the capitalist nations has attained its object, which was to take possession of all the unoccupied lands on the planet.

The world has been divided up, and what is coming now is a redistribution of lands, that is, the passage of land from one domination under another, not from independence into dependence.

We are living through a peculiar era of world-wide colonial expansion which is intimately related to the latest phase in the development of Capitalism, with finance capital. We must therefore dwell at length upon concrete facts which will enable us not only to show wherein this era differs from the one preceding it, but also to visualize clearly the actual state of affairs at the present day.

And first of all we must answer two definite questions:

Do we notice a keener struggle for colonies in our epoch of finance capital? How is the world divided up at the present time, from the point of view of colonies?

An American writer, Morris, in his book on the history of colonization, gives us an idea of the growth of the colonial empires of England, France and Germany in the course of the 19th century.

Here are, in condensed form, the figures he arrives at:

	England		France		Germany	
Years	Area millions miles	Population	Area millions miles	Population	Area millions miles	Population
1815-30	?	126.4	0.02	0.5		
1860	2.5	145.1	0.2	3.4		
1880	7.7	267.9	0.7	7.5		
1899	9.3	309.0	3.7	56.4	1.0	14.7

It was between 1860 and 1880 and, significantly enough, in the last twenty years of the 19th century also, that England entered her greatest period of colonial conquests, while France and Germany secured most of their colonial possessions between 1880 and 1900.

We have seen in a preceding chapter that the pre-monopolistic era in the development of Capitalism, that is Capitalism dominated by free competition, stretched from 1860 to 1870.

We now see that that era preceded an enormous "rise" in colonial acquisitions, a more and more bitter struggle for the territorial division of the world. It is evident therefore that the transition from monopolistic capital to finance-capital is bound to make the struggle for the division of the world more and more relentless.

Hobson, in his book on *Imperialism*, characterizes the period from 1884 to 1900 as a period of powerful expansion for the leading European powers. According to his estimates, England secured during that period 3.7 million square miles of land with a population of 57 million souls; France 3.6 million square miles with a population of 36 millions; Belgium, 900,-000 square miles with a population of 30 millions; Portugal 800,000 square miles with 9 million people. The hunt for colonies at the end of the 19th century, especially in the eighties, on the part of all the capitalist nations, constitutes a generally admitted fact in the history of diplomacy and foreign relations.

When free competition was especially flourishing in England, that is from 1840 to 1860, the bourgeois politicians who were in the saddle opposed any sort of a colonial policy, and considered that it would be necessary for England to grant her colonies their independence, to let them secede entirely.

M. Baer, in an article published in 1898 on the latest developments of English Imperialism, quotes the imperialistically-minded Disraeli as saying in 1852: "Colonies are just a millstone around our neck." At the end of the 19th century the men of the day in England were Cecil Rhodes and Joseph Chamberlain the prophets of Imperialism applying purely imperialistic policies with the greatest cynicism.

It is not without intere[illegible] to notice that the connection between the purely economic and the social-political essentials of the newborn Imperialism was perfectly obvious to those leaders of the English bourgeoisie. Chamberlain stated that Imperialism was the only wise and economical policy, and pointed to the competition which England is now meeting with in the world market on the part of Germany, America, and Belgium. The salvation lies in monopolies, capitalists said, and they organized cartels, syndicates, trusts. Salvation lies in monopoly, the bourgeois leaders repeated, and they endeavored to annex parts of the world which had not as yet been seized by some nation. But Cecil Rhodes, as his intimate friend Stead tells us, offered in 1895 the following argument in favor of his imperialistic plans: "I was yesterday in the East End of London and witnessed a meeting of the unemploy[illegible]. After listening to all the wild talk and cries for bread, bread, I went home, and reflected upon what I had seen and heard, and came to