

Chapter 13:

Understanding Mature Capitalism

V.I. Lenin's *Imperialism*

I. Introduction: Capitalism by World War I

By the eve of World War I, capitalism had evolved to the point where many of its current features that we are familiar with came into existence. Just to list a few of the most obvious and important of these developments: 1) Large companies (what Lenin called monopolies) dominate their smaller competitors and are the principal suppliers in most of the leading industries; 2) Banks and other financial institutions became big businesses as well, and finance played an increasingly more important role in capitalist economies; 3) Capitalism became an international system with trade and finance crossing borders, linking the economies of world together; and 4) Strong representative, governments emerged in all the leading powers (and even in some of the "backward" countries), and these governments began to greatly expand their role in economic and political life.

The coexistence of the above four features is, roughly, what I mean by the term "mature capitalism". In this and the next chapter we will examine two views--that of V. I. Lenin, the leader of the Russian Revolution, and John Maynard Keynes, a leading intellectual of the 20th century--on the nature and prospects for this new "stage" of capitalist development.

II. Lenin's Five Features of Imperialism

A. Lenin and the Bolsheviks

V.I. Lenin (1870-1924) was born into a wealthy family and was radicalized by his brother's execution (Alexander Ulyanov (1866-1887)) by the Czarist government, when Lenin was just 17 years old. He became a member of the leading socialist party called the Russian Social Democratic Labor Party, which later split into two factions after the failed revolution of 1905. Lenin rose to become the leader of the Bolshevik (Russian for majority) wing of the party. His political activity forced him into exile from 1907 to 1917.

With the start of World War I, a crisis erupted in the socialist movement when the leading socialist theoretician in the world, Karl Kautsky (1854-1938), the so-called "Pope of Marxism", argued that the German socialist party should side with its government in the war! All the major socialist parties, with the exception of two--Lenin's Bolsheviks and Eugene V. Debs' (1855-1926) Socialist Party of America--followed Kautsky and supported the mass slaughter that was to follow.

Lenin wrote *Imperialism: The Highest Stage of Capitalism* while in exile in Zurich in 1916, to explain why Kautsky and his followers were wrong and were traitors to the socialist movement. His curious book, half academic treatise and half polemic, was not an original work, as it relied heavily on the leading socialist political activists and scholars of his day. What Lenin was trying to do was to sum up the collective wisdom of his party and his fellow socialists to create a redrawn roadmap for revolution. Its intended audience were Russian socialists who were trying to understand the complex events unfolding and how they might take political advantage of them. To have the work disseminated in Russia, Lenin had to get it through the Czar's censors. This meant that Lenin had to concentrate on economic issues and downplay the politics, particularly, he avoided any criticism of the Russian government! Shortly after the pamphlet was finished, Lenin went back into Russia and became the leader of the first successful socialist uprising in 1917.

B. The "Five Essential Features" of Imperialism

Lenin argued that to understand the war and the role of socialists in it, that one had to understand the nature of the latest stage of capitalism. According to Lenin, this new stage of capitalist development began in the 1870s and by World War I it was fully in place. He lists the "five essential features" of "highest stage of capitalism" as follows:

- 1)The rise of big business capitalism "created monopolies which play a decisive role in economic life." (p. 89.)
- 2)The rise of large banks which gained control over industrial firms and created "the basis of this 'finance capital,' of a 'financial oligarchy.'" (p. 89.)
- 3)The advanced countries now export their capital, which is different than exporting their goods.
- 4)International capitalist monopolies now "share the world [markets] among themselves." (p. 89.)
- 5)"The territorial division of the whole world among the greatest capitalist powers is completed." (p. 89.)

C. The First Feature--Monopoly

In the first stage of capitalist development, after Britain's industrial revolution, competition in most industries was between relatively small producers, and not large monopolists. In the competitive era firms had little control over the markets in which they competed. The forces of impersonal supply and demand ruled. Monopolies made their first appearance in the 1860s, but remained rare. It is not until the 1870s, during the Long Depression from 1873 to 1879, that monopolies started becoming a large and permanent part of capitalism. (See pp. 16-22.) In contrast to the competitive stage of capitalism, firms in the monopoly stage were powerful entities that had some control over their prices and other aspects of the markets in which they competed. To quote Lenin on how Germany's cartels controlled their markets: "Cartels come to an agreement on the conditions of sale, terms of payment, etc. They divide the markets among themselves. They fix the quantity of goods to be produced. They fix prices. They divide the profits among the various enterprises, etc." (p. 22.)

The question for Lenin is: what is the significance of this transformation from competition to monopoly? Lenin argued that monopolists hasten technical improvements in their industry. I quote: "Competition becomes transformed into monopoly. The result is immense progress in the socialization of production. In particular, the process of technical invention and improvement becomes socialized." (p. 25.) Monopolies also introduce rational planning and the rational use of natural and human resources into their industries. However, Lenin cautions, that this does not mean that planning and rational use of resources in each industry that capitalism as a whole is now less prone to chaos and crisis. To quote Lenin again: "The statement that cartels can abolish [economic] crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favorable light. On the contrary, when monopoly appears in *certain* branches of industry, it increases and intensifies the anarchy inherent in capitalist production *as a whole*." (p. 28.)

D. The Second Feature--Banks and Their New Role

Banks start out as mere intermediaries in making payments in commercial transactions. They then develop into large monopolies, that control sections of industry. Their power comes from the fact that they direct the financing, Lenin's "money capital", that businesses need to expand and modernize their operations. Banks then use their monopoly over the supply of credit to control the industries they lend to. Financial institutions are able to exert control over non-financial firms through the corporate form of business, as it permits bankers to sit on a company's board of directors and oversee their managers. The result, to quote Lenin, is: "[I]nstead of being modest intermediaries they become powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small business men and also a large part of the means of production and of the sources of raw materials of a the given country and in a number of countries." (p. 33.)

Lenin concluded that the rise of big banks and finance had several consequences. First, when large firms have big banks behind them to provide the financing they need for investments in new capital, this accelerates technical progress. (p. 45.) Second, banks allow firms to grow bigger more quickly and this accelerates the transformation to monopoly. (p. 47.) 3)It means that banks and finance have a dominant position over industry. 4)It creates what Lenin calls a financial oligarchy. 5)With the emergence of the dominance of financial institutions, new ways to earn profits emerge. Financial firms start to rake in fortunes through financial manipulation. An example that Lenin uses is *promoter's profit*. (p. 53.) A financial institution promoting a merger between companies can earn millions in instant profits by inflating the value of the merged company's stock. 6)Finally, the domination of finance creates a whole class of individuals in capitalist society who live off of their financial investments called *rentiers*. (p. 59.)

E. The Third Feature-The Export of Capital

In the competitive stage of capitalism countries exported goods. The exporting countries saw the rest of the world as a market for their industry. With the coming of monopoly capitalism, nations begin to export their capital. (p. 62.) In the early 20th century, advanced countries exported their capital to backward countries. Lenin claimed that the reason for moving capital from advanced countries to the backward countries was higher

profits in the developing countries. Lenin explains: "In these backward countries profits are unusually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap." (p. 63.)

Lenin argued that the consequences of the export of capital were: 1)The export of capital develops capitalism in the backward countries. (p. 65.) 2)It slows economic development in the advanced countries. (p. 65.) 3)With the export of capital, the advanced countries seek to control the politics of the backward countries. The reason is the advanced country worried that if the "wrong" politics emerged in the backward countries they would expropriate their capital. 4)The advanced countries live, more and more, off the labor of the backward countries. In Lenin's eyes the advanced countries become parasites, rentier nations, whose incomes come from exploiting the backward countries.

F. The Fourth Feature--International Monopolies

Super monopolies emerged where the large monopolists of the world agree to share the markets of the world. (p. 68.)

Does this "cooperation" between monopoly capitalists bring peace between nations? Lenin answered no! The capitalist powers divided up the markets of the world according to the relative strength of their industry. The problem was that in the long run *uneven development* between the capitalist powers changed their relative strength and created *pressures to re-divide the markets*. For example, an older capitalist power like England declines relative to a rising power like Germany. When the world's markets were originally divided, England grabbed the lion's share because at the time its industry was more advanced. The decline of England and the rise of Germany then created conflicts between England and Germany, as Germany demanded a re-division of the world's markets based on the current strength of its industry. (p. 75.)

G. The Fifth Feature--Territorial Division of the World

The race for colonies started in the 1880s and the great powers completed the territorial division by 1900. Lenin argues that the race for colonies was spurred by: 1)The need to control the sources of their raw materials. 2)To reduce competition from one's rivals. 3)The ideology of finance capital--i.e., the white man's burden to civilize the non-white world. (pp. 82-84.)

III. Lenin's View of Mature Capitalism on the Eve of World War I

Lenin's views on mature capitalism can be summarized by the following eight points.

1)Capitalism in the early 20th century was dominated by a handful of rival states that shared among themselves the markets and colonies of the world.

2)Economic development was being slowed in the advanced countries and accelerated in the backward countries of the world by the export of capital.

3)The people in the advanced countries were benefiting from imperialism, receiving incomes and other advantages from their economic and political domination of the backward countries.

4)As a result of this unequal relationship between the advanced and the backward powers, political radicalism was growing in the backward countries and receding in the advanced countries.

5)Uneven development between the great capitalist powers was creating pressures to redistribute markets and colonial possessions from the declining powers like Britain to the rising powers like Germany.

6)The pressure to re-divide markets and colonial possessions was leading to increased economic and political rivalry between the great powers. Their rivalry eventually led to the Great War. World War I was thus a war between rival imperialist powers.

7)During a major war (or depression), the nations of the world would be put under great stress. Lenin argued that revolutionary situations are more likely to develop in the weakest links in the chain of nations, i.e., in the backward countries, specifically a country like Russia.

8)Once revolution started in one country, say in Russia, it would spread to other countries, even to the more conservative, advanced nations. In the end, revolution in one country would create a small network of socialist countries that would be able to cooperate with each other and defend themselves against their hostile, capitalist neighbors.