

Imperialism — the Final Stage of Capitalism

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Translated from the Russian by Andre Tridon

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 censor: "ip. 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 veil 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.

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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 International, 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.

I

The Concentration of Industry and Monopoly

The gigantic growth of industry and the remarkably rapid process of centralization of production in constantly larger organizations, are the most striking characteristics of Imperialism. We find complete and detailed information on that phenomenon in current industrial statistics.

In Germany, for instance, out of every thousand business firms there were in 1882 three large firms employing more than fifty employees, in 1895 there were six, and in 1907 there were nine. Those large firms employed, for the same years mentioned, 22%, 30% and 37% of the available labor. But the concentration of production proceeds more quickly than the concentration of labor, because in large industrial establishments labor is more efficient. This is proven by all the data we have on the subject of steam engines and electric motors.

If we bear in mind, also, that in German statistics the word industry is meant to include commerce and means of communication, we can draw the following picture: out of a total number of 3,265,623 firms 30,588, or 0.9% of all the firms, are large corporations. Out of a total of 14,400,000 workers, the larger firms employ 5,700,000, or 39.5%. Out of 8,800,000 steam H. P., they use 6,600,000 or 75%; out of 1,500,000 electric kilowatts they use 1,200,000 or 80%. (1)

Less than $\frac{1}{100}$ of the firms use over $\frac{3}{4}$ of the available steam and electric power. The 3,197,000 small firms employing from five men up, and constituting 91% of the total number of industrial and commercial firms, use only 7% of all the steam and electric power available. Thirty thousand large firms employ almost all the available supply of human and mechanical power, three million small firms employ only an insignificant amount of either.

There were in Germany in 1907, 580 large firms employing more than 100 workers. They employed a total of 1,380,000 workers, or almost one-tenth of all the available labor, and almost one-third, exactly 32%, of the available steam and electric power.

Actual capital and the banks make the power of these few large firms irresistible, and the result is that millions of small, medium-sized, and even some of the lesser among the large firms, become the mere employes of a few hundred millionaire-financiers.

In another country, the United States, where Capitalism is extremely developed, the concentration of capital is even more marked. American statistics, however, employ the word industry in its narrowest sense, as concerns are listed according to their yearly output. In 1904 the number of large concerns with an output of at least \$1,000,000 a year was 1,000, or 0.9% of the total number of concerns which was 216,180; out of 5,500,000 available laborers these larger concerns employed 1,400,000, or 25.6%; and they produced \$5,600,000,000 worth of goods a year, or 38% of the total production for the United States which was \$14,800,000,000. Five years later, in 1909, the corresponding figures were: 3,060 large firms in a

total of 268,491, or 1.1%; 2,000,000 laborers out of a total of 6,610,000, or 30.5%; \$9,000,000,000 worth of goods, out of a total production of \$20,700,000,000 or 43.8%. (2)

Almost one-half of the entire production of all the industrial concerns of the United States is in the hands of 1% of the total number of concerns. And those three thousand gigantic corporations control 258 different branches of industry. This shows clearly that industrial concentration having reached a certain phase of development leads to absolute monopoly. For a few firms can easily arrive at some understanding among themselves, thereby making competition extremely difficult. This transformation of the competitive system is one of the most important, if not the most important phenomenon in the evolution of modern Capitalism, and deserves very close study. But first of all we must remove a source of possible misunderstanding.

According to American statistics, there are 3000 giant corporations interested in 258 branches of industry. 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 finished 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