Imperialism — the Final Stage of Capitalism

(Continuation)

THE German economist Kestner has devoted a special treatise to the struggle between 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 to the trust's dictations may be sacrificed in 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 word 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 a genius for speculation, who is above all things able to take into account or to discover the various threads of organization, the possible connections 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 speculators' 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 finished 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 large profits in addition to dividends.

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Translated from the Russian by Andre Tridon

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 their 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 forestalled 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 resposibility 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 its 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 thorough, whose capitalization is enormous; next to them come machinery concerns, certain branches of the metallugical 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 millions marks amounted to seven billion marks. In the year 1912-1913, the amount had increased to 9,800,000,000 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%—1912-3, 49%; 48 other banks with a capital of over one billion marks: 1907-8, 32.5%—1912-3, 36%; 115 banks with a capital of from one to ten million marks: 1907-8, 16.5%—1912-3, 12%; small banks with a capital of less than one million marks: 1907-8, 4%; 1912-3, 3%.

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

According to Schulze 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 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 concerns, 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 thing; 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 for 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.

(To be continued.)