Imperialism — the Final Stage of Capitalism

(*Continuation*)

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Translated from the Russian by Andre Tridon

IN other words, the Capitalism of yesterday with its unrestrained 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 $^9/_{10}$ 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 businessman 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 banks' capital. For this reason 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 banks contract alliances 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 280 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 the 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.

"Directors' 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 group is allowed to direct the boards of directors of provincial banks, a certain specialization 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 beet 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 operation 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 different 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 stocks and bonds, another financial accounts, etc. . . . (39)

Thus finance and industry come into closer contact, or, as N. I. Bucharin puts it, become grafted onto each other, and on the other hand banks transform themselves 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.

(*To be continued*)