

Imperialism — the Final Stage of Capitalism

(Continuation)

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IN FRANCE the domination of the financial oligarchy, (a book by Lysis, entitled *Against the Financial 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, 18 3/4% 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 1801 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 "rehabilitation" or "reorganization." When a bankrupt business is being "rehabilitated" its stock capital is decreased, that is the profits are divided up at a higher rate. 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 rehabilitation 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 embarrassed 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

"Germany to pay until 1951" say the headlines. But, of course, in view of the way things are moving over in Europe this statement is to be looked on as an expression of hope rather than an actual statement of fact.

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The small nations, who were all the rage some time ago, are fast losing their popularity owing to their persistent efforts to be made safe. They are to get 15% of the German indemnity divided up between them and for some strange reason they refuse to be satisfied. Belgium, in particular, is very much annoyed—but when we take into consideration the tremendous amount of advertising she got she may consider herself lucky that she is not asked to pay quite a sum to the allied press.

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 Chancery, 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 Chancery 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 below indicates the holding for each country in billions of francs.

England	142
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.

(To be continued)