PSMLS Notes for 9/14/17

Lenin: Imperialism, the Highest Stage of Capitalism, Chapters 2,3 and 4.

II. BANKS AND THEIR NEW ROLE

The principal and primary function of banks is to serve as middlemen in the making of payments. In so doing they transform inactive money capital into active, that is, into capital yielding a profit; they collect all kinds of money revenues and place them at the disposal of the capitalist class.

As banking develops and becomes concentrated in a small number of establishments, the banks grow from modest middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and sources of raw materials in any one country and in a number of countries. This transformation of numerous modest middlemen into a handful of monopolists is one of the fundamental processes in the growth of capitalism into capitalist imperialism; for this reason we must first of all examine the concentration of banking.

In 1907-08, the combined deposits of the German joint-stock banks, each having a capital of more than a million marks, amounted to 7,000 million marks; in 1912-13, these deposits already amounted to 9,800 million marks, an increase of 40 per cent in five years; and of the 2,800 million increase, 2,750 million was divided among 57 banks, each having a capital of more than 10 million marks. The distribution of the deposits between big and small banks was as follows:[1]

	PERCENTAGE OF TOTAL DEPOSITS			
	In 9 big Berlin banks	In the other 48 banks with a capital of more than 10 million marks	In 115 banks with a capital of 1-10 million marks	In small banks (with a capital of less than a million marks)
1907-08.....	47	32.5	16.5	4
1912-13......	49	36	12	3

The small banks are being squeezed out by the big banks, of which only nine concentrate in their hands almost half the total deposits. But we have left out of account many important details, for instance, the transformation of numerous small banks into actual branches of the big banks, etc. Of this I shall speak later on.

At the end of 1913, Schulze-Gaevernitz estimated the deposits in the nine big Berlin banks at 5,100 million marks, out of a total of about 10,000 million marks. Taking into account not only the deposits, but the total bank capital, this author wrote: "At the end of 1909, the nine big Berlin banks, *together with their affiliated banks*, controlled 11,300 million marks, that is, about 83 per cent of the total German bank capital. The Deutsche Bank, which *together with its affiliated banks* controls nearly 3,000 million marks, represents, parallel to the Prussian State Railway Administration, the biggest and also the most decentralised accumulation of capital in the Old World."[2]

I have emphasised the reference to the "affiliated" banks because it is one of the most important distinguishing features of modern capitalist concentration. The big enterprises, and the banks in particular, not only completely absorb the small ones, but also "annex" them, subordinate them, bring them into their "own" group or "concern" (to use the technical term) by acquiring "holdings" in their capital, by purchasing or exchanging shares, by a system of credits, etc., etc. Professor Liefmann has written a voluminous "work" of about 500 pages describing modern "holding and finance companies",[3] unfortunately adding very dubious "theoretical" reflections to what is frequently undigested raw material. To what results this "holding" system leads in respect of concentration is best illustrated in the book written on the big German banks by Riesser, himself a banker. But before examining his data, let us quote a concrete example of the "holding" system.

The Deutsche Bank "group" is one of the biggest, if not the biggest, of the big banking groups. In order to trace the main threads which connect all the banks in this group, a distinction must be made between holdings of the first and second and third degree, or what amounts to the same thing, between dependence (of the lesser banks on the Deutsche Bank) in the first, second and third degree. We then obtain the following picture[4]:

The Deutsche Bank has holdings:	Direct or 1st degree dependence	2nd degree dependence	3rd degree dependence
Permanently	in 17 other banks	9 of the 17 have holdings in 34 other banks	4 of the 9 have holdings in 7 other banks
For an indefinite	in 5 other	—	—

period....	banks		
Occasionally....	in 8 other banks	5 of the 8 have holdings in 14 other banks	2 of the 5 have holdings in 2 other banks
Totals......	in 30 other banks	14 of the 30 have holdings in 48 other banks	6 of the 14 have holdings in 9 other banks

Included in the eight banks "occasionally" dependent on the Deutsche Bank in the "first degree", are three foreign banks: one Austrian (the Wiener Bankverein) and two Russian (the Siberian Commercial Bank and the Russian Bank for Foreign Trade). Altogether, the Deutsche Bank group comprises, directly and indirectly, partially and totally, 87 banks; and the total capital—its own and that of others which it controls—is estimated at between two and three thousand million marks.

It is obvious that a bank which stands at the head of such. a group, and which enters into agreement with half a dozen other banks only slightly smaller than itself for the purpose of conducting exceptionally big and profitable financial operations like floating state loans, has already outgrown the part of "middleman" and has become an association of a handful of monopolists.

The rapidity with which the concentration of banking proceeded in Germany at the turn of the twentieth century is shown by the following data which we quote in an abbreviated form from Riesser:

SIX BIG BERLIN BANKS

Year	Branches in Germany	Deposit banks and exchange offices	Constant holdings in German joint-stock banks	Total establishments
1895...	16	14	1	42
1900...	21	40	8	80
1911...	104	276	63	450

We see the rapid expansion of a close network of channels which cover the whole country, centralising all capital and all revenues, transforming thousands and thousands of scattered economic enterprises into a single national capitalist, and then into a world capitalist economy. The “decentralisation” that SchuIze-Gaevernitz, as an exponent of present-day bourgeois political economy, speaks of in the passage previously quoted, really means the subordination to a single centre of an increasing number of formerly relatively “independent”, or rather, strictly local economic units. In reality it is *centralisation*, the enhancement of the role, importance and power of monopolist giants.

In the older capitalist countries this “banking network” is still more close. In Great Britain and Ireland, in 1910, there were in all 7,151 branches of banks. Four big banks had more than 400 branches each (from 447 to 689); four had more than 200 branches each, and eleven more than 100 each.

In France, *three* very big banks, Crédit Lyonnais, the Comptoir National and the Société Générale extended their operations and their network of branches in the following manner.[5]

Number of branches and offices				Capital (000,000 francs)	
Year	In the provinces	In Paris	Total	Own Capital	Deposits used as capital
1870	47	17	64	200	427
1890	192	66	258	265	1,245
1909	1,033	196	1,229	887	4,363

In order to show the “connections” of a big modern bank, Riesser gives the following figures of the number of letters dispatched and received by the Disconto-Gesellschaft, one of the biggest banks in Germany and in the world (its capital in 1914 amounted to 300 million marks):

Year	Letters received	Letters dispatched
1852...	6,135	6,292
1870...	85,800	87,513
1900...	533,102	626,043

The number of accounts of the big Paris bank, the Crédit Lyonnais, increased from 28,535 in 1875 to 633,539 in 1912.[6]

These simple figures show perhaps better than lengthy disquisitions how the concentration of capital and the growth of bank turnover are radically changing the significance of the banks. Scattered capitalists are transformed into a single collective capitalist. When carrying the current accounts of a few capitalists, a bank, as it were, transacts a purely technical and exclusively auxiliary operation. When, however, this operation grows to enormous dimensions we find that a handful of monopolists subordinate to their will all the operations, both commercial and industrial, of the whole of capitalist society; for they are enabled-by means of their banking connections, their current accounts and other financial operations—first, to *ascertain exactly* the financial position of the various capitalists, then to *control* them, to influence them by restricting or enlarging, facilitating or hindering credits, and finally to*entirely determine* their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions, etc.

We have just mentioned the 300 million marks capital of the Disconto-Gesellschaft of Berlin. This increase of the capital of the bank was one of the incidents in the struggle for hegemony between two of the biggest Berlin banks-the Deutsche Bank and the Disconto. In 1870, the first was still a novice and had a capital of only 15 million marks, while the second had a capital of 30 million marks. In 1908, the first had a capital of 200 million, while the second had 170 million. In 1914, the first increased its capital to 250 million and the second, by merging with another first-class big bank, the Schaaffhausenscher Bankverein, increased its capital to 300 million. And, of course, this struggle for hegemony went hand in hand with the more and more frequent conclusion of "agreements" of an increasingly durable character between the two banks. The following are the conclusions that this development forces upon banking specialists who regard economic questions from a standpoint which does not in the least exceed the bounds of the most moderate and cautious bourgeois reformism.

Commenting on the increase of the capital of the Disconto Gesellschaft to 300 million marks, the German review, *Die Bank*, wrote: "Other banks will follow this same path and in time the three hundred men, who today govern Germany economically, will gradually be reduced to fifty, twenty-five or still fewer. It cannot be expected that this latest move towards concentration will be confined to banking. The close relations that exist between individual banks naturally lead to the bringing together of the industrial syndicates which these banks favour.... One fine morning we shall wake up in surprise to see nothing but trusts before our eyes, and to find ourselves faced with the necessity of substituting state monopolies for private monopolies. However, we have nothing to reproach ourselves with, except that we have allowed things to follow their own course, slightly accelerated by the manipulation of stocks."[7]

This is an example of the impotence of bourgeois journalism which differs from bourgeois science only in that the latter is less sincere and strives to obscure the essence of the matter, to hide the forest behind the trees. To be "surprised" at the results of concentration, to "reproach" the government of capitalist Germany, or capitalist "society" ("ourselves"), to fear that the introduction of stocks and shares might "accelerate" concentration in the same way as the German "cartel" specialist Tschierschky fears the American trusts and "prefers" the German cartels on the grounds that they "may not, like the trusts, excessively accelerate technical and economic progress"[8] —is not all this a sign of impotence?

But facts remain facts. There are no trusts in Germany; there are "only" cartels—but Germany is *governed* by not more than three hundred magnates of capital, and the number of these is constantly diminishing. At all events, banks greatly intensify and accelerate the process of concentration of capital and the formation of monopolies in all capitalist countries, notwithstanding all the differences in their banking laws.

The banking system "possesses, indeed, the form of universal book-keeping and distribution of means of production on a social scale, but solely the form", wrote Marx in *Capital* half a century ago (Russ. trans., Vol. III, part II, p. 144[24]). The figures we have quoted on the growth of bank capital, on the increase in the number of the branches and offices of the biggest banks, the increase in the number of their accounts, etc., present a concrete picture of this "universal book-keeping" of the *whole* capitalist class; and not only of the capitalists, for the banks collect, even though temporarily, all kinds of money revenues—of small businessmen, office clerks, and of a tiny upper stratum of the working class. "Universal distribution of means of production"—that, from the formal aspect, is what grows out of the modern banks, which, numbering some three to six of the biggest in France, and six to eight in Germany, control millions and millions. In *substance*, however, the distribution of means of production is not at all "universal", but private, i.e., it conforms to the interests of big capital, and primarily, of huge, monopoly capital, which operates under conditions in which the masses live in want, in which the whole development of agriculture hopelessly lags behind the development of industry, while within industry itself the "heavy industries" exact tribute from all other branches of industry.

In the matter of socialising capitalist economy the savings-banks and post-offices are beginning to compete with the banks; they are more "decentralised", i.e., their influence extends to a greater number of localities, to more remote places, to wider sections of the population. Here is the data collected by an American commission on the comparative growth of deposits in banks and savings-banks[9]:

DEPOSITS (000,000,000 marks)							
Year	Britain		France		Germany		
	Banks	Savings-banks	Banks	Savings-banks	Banks	Credit Societies	Savings-banks
1880...	8.4	1.6	?	0.9	0.5	0.4	2.6
1888...	12.4	2.0	1.5	2.1	1.1	0.4	4.5
1908...	23.2	4.2	3.7	4.2	7.1	2.2	13.9

As they pay interest at the rate of 4 per cent and 4 1/4 per cent on deposits, the savings-banks must seek "profitable" investments for their capital, they must deal in bills, mortgages, etc.The boundaries between the banks and the savings-banks "become more and more obliterated". The Chambers of Commerce of Bochum and Erfurt, for example, demand that savings-banks be "prohibited" from engaging in "purely" banking business,such as discounting bills; they demand the limitation of the "banking" operations of the post-office.[10] The banking magnates seem to be afraid that state monopoly will steal upon them. from an unexpected quarter. It goes without saying, however, that this fear is no more than an expression of the rivalry, so to speak, between two department managers in the same office; for, on the one hand, the millions entrusted to the savings-banks are in the final analysis actually controlled by*these very same* bank capital magnates, while, on the other hand, state monopoly in capitalist society is merely a means of increasing and guaranteeing the income of millionaires in some branch of industry who are on the verge of bankruptcy.

The change from the old type of capitalism, in which free competition predominated, to the new capitalism, in which monopoly reigns, is expressed, among other things, by a decline in the importance of the Stock Exchange. The review, *Die Bank*, writes: "The Stock Exchange has long ceased to be the indispensable medium of circulation that it formerly was when the banks were not yet able to place the bulk of new issues with their clients."[11]

“’Every bank is a Stock Exchange’, and the bigger the bank, and the more successful the concentration of banking, the truer does this modern aphorism ring.”[12] “While formerly, in the seventies, the Stock Exchange, flushed with the exuberance of youth” (a “subtle” allusion to the Stock Exchange crash of 1873, the company promotion scandals,[25] etc.), “opened the era of the industrialisation of Germany, nowadays the banks and industry are able to ‘manage it alone’. The domination of our big banks over the Stock Exchange ... is nothing else than the expression of the completely organised German industrial state. If the domain of the automatically functioning economic laws is thus restricted, and if the domain of conscious regulation by the banks is considerably enlarged, the national economic responsibility of a few guiding heads is immensely increased,” so writes the German Professor Schulze-Gaevernitz,[13] an apologist of German imperialism, who is regarded as an authority by the imperialists of all countries, and who tries to gloss over the “mere detail” that the “conscious regulation” of economic life by the banks consists in the fleecing of the public by a handful of “completely organised” monopolists. The task of a bourgeois professor is not to lay bare the entire mechanism, or to expose all the machinations of the bank monopolists, but rather to present them in a favourable light.

In the same way, Riesser, a still more authoritative economist and himself a banker, makes shift with meaningless phrases in order to explain away undeniable facts: “... the Stock Exchange is steadily losing the feature which is absolutely essential for national economy as a whole and for the circulation of securities in particular—that of being not only a most exact measuring-rod, but also an almost automatic regulator of the economic movements which converge on it.”[14]

In other words, the old capitalism, the capitalism of free competition with its indispensable regulator, the Stock Exchange, is passing away. A new capitalism has come to take its place, bearing obvious features of something transient, a mixture of free competition and monopoly. The question naturally arises: into what is this new capitalism “developing”? But the bourgeois scholars are afraid to raise this question.

“Thirty years ago, businessmen, freely competing against one another, performed nine-tenths of the work connected with their business other than manual labour. At the present time, ninetenths of this ‘brain work’ is performed by *employees*. Banking is in the forefront of this evolution.”[15] This admission by Schulze-Gaevernitz brings us once again to the question: into what is this new capitalism, capitalism in its imperialist stage, developing?

Among the few banks which remain at the head of all capitalist economy as a result of the process of concentration, there is naturally to be observed an increasingly marked tendency towards monopolist agreements, towards a *bank trust*. In America, not nine, but *two* very big banks, those of the multimillionaires Rockefeller and Morgan, control a capital of eleven thousand million marks.[16] In Germany the absorption of the Schaaffhausenscher Bankverein by the Disconto-Gesellschaft to which I referred above, was commented on in the following terms by the *Frankfurter Zeitung*,[26] an organ of Stock Exchange interests:

> *"The concentration movement of the banks is narrowing the circle of establishments from which it is possible to obtain credits, and is consequently increasing the dependence of big industry upon a small number of banking groups. In view of the close connection between industry and the financial world, the freedom of movement of industrial companies which need banking capital is restricted. For this reason, big industry is watching the growing trustification of the banks with mixed feelings. Indeed, we have repeatedly seen the beginnings of certain agreements between the individual big banking concerns, which aim at restricting competition."*[17]

Again and again, the final word in the development of banking is monopoly.

As regards the close connection between the banks and industry, it is precisely in this sphere that the new role of the banks is, perhaps, most strikingly felt. When a bank discounts a bill for a firm, opens a current account for it, etc., these operations, taken separately, do not in the least diminish its independence, and the bank plays no other part than that of a modest middleman. But when such operations are multiplied and become an established practice, when the bank "collects" in its own hands enormous amounts of capital, when the running of a current account for a given firm enables the bank—and this is what happens—to obtain fuller and more detailed information about the economic position of its client, the result is that the industrial capitalist becomes more completely dependent on the bank.

At the same time a personal link-up, so to speak, is established between the banks and the biggest industrial and commercial enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards (or Boards of Directors) of industrial and commercial enterprises, and vice versa. The German economist, Jeidels, has compiled most detailed data on this form of concentration of capital and of enterprises. Six of the biggest Berlin banks were represented by their directors in 344 industrial companies; and by their board members in 407 others, making a total of 751 companies. In 289 of these companies they either had two of their representatives on each of the respective Supervisory Boards, or held the posts of chairmen. We find these industrial and commercial companies in the most diverse branches of industry: insurance, transport, restaurants, theatres, art industry, etc. On the other hand, on the Supervisory Boards of these six banks (in 1910) were fifty-one of the biggest industrialists, including the director of Krupp, of the powerful "Hapag" (Hamburg-Amerika Line), etc., etc. From 1895 to 1910, each of these six banks participated in the share and bond issues of many hundreds of industrial companies (the number ranging from 281 to 419).[18]

The "personal link-up" between the banks and industry is supplemented by the "personal link-up" between both of them and the government. "Seats on Supervisory Boards," writes Jeidels, "are freely offered to persons of title, also to ex-civil servants, who are able to do a great deal to facilitate (!!) relations with the authorities." . . . "Usually, on the Supervisory Board of a big bank, there is a member of parliament or a Berlin city councillor."

The building and development, so to speak, of the big capitalist monopolies is therefore going on full steam ahead in all "natural" and "supernatural" ways. A sort of division of labour is being systematically developed amongst the several hundred kings of finance who reign over modern capitalist society:

> *"Simultaneously with this widening of the sphere of activity of certain big industrialists (joining the boards of banks, etc.) and with the assignment of provincial bank managers to definite industrial regions, there is a growth of specialisation among the directors of the big banks. Generally speaking, this specialisation is only conceivable when banking is conducted on a large scale, and particularly when it has widespread connections with industry. This division of labour proceeds along two lines: on the one hand, relations with industry as a whole are entrusted to one director, as his special function; on the other, each director assumes the supervision of several separate enterprises, or of a group of enterprises in the same branch of industry or having similar interests.... (Capitalism has already reached the stage of organised supervision of individual enterprises.) One specialises in German industry, sometimes even in West German industry alone (the West is the most industrialised part of Germany), others specialise in relations with foreign states and foreign industry, in information on the characters of industrialists and others, in Stock Exchange questions, etc. Besides, each bank director is often assigned a special locality or a special branch of industry; one works chiefly on Supervisory Boards of electric companies, another, on chemical, brewing, or beet sugar plants, a third, in a few isolated industrial enterprises, but at the same time works on the Supervisory Boards of insurance companies.... In short, there can be no doubt that the growth in the dimensions and diversity of the big banks' operations is accompanied by an increase in the division of labour among their directors with the object (and result) of, so to speak, lifting them somewhat out of pure banking and making them better experts, better*

judges of the general problems of industry and the special problems of each branch of industry, thus making them more capable of acting within the respective bank's industrial sphere of influence. This system is supplemented by the banks' endeavours to elect to their Supervisory Boards men who are experts in industrial affairs, such as industrialists, former officials, especially those formerly in the railway service or in mining," etc.[19]

We find the same system only in a slightly different form in French banking. For instance, one of the three biggest French banks, the Crédit Lyonnais, has organised a financial research service (*service des études financières*), which permanently employs over fifty engineers, statisticians, economists, lawyers, etc. This costs from six to seven hundred thousand francs annually. The service is in turn divided into eight departments: one specialises in collecting information on industrial establishments, another studies general statistics, a third, railway and steamship companies, a fourth, securities, a fifth, financial reports, etc.[20]

The result is, on the one hand, the ever-growing merger, or, as N. I. Bukharin aptly calls it, coalescence, of bank and industrial capital and, on the other hand, the growth of the banks into institutions of a truly "universal character". On this question I find it necessary to quote the exact terms used by Jeidels, who has best studied the subject:

"An examination of the sum total of industrial relationships reveals the universal character of the financial establishments working on behalf of industry. Unlike other kinds of banks, and contrary to the demand sometimes expressed in the literature that banks should specialise in one kind of business or in one branch of industry in order to prevent the ground from slipping from under their feet—the big banks are striving to make their connections with industrial enterprises as varied as possible in respect of the locality or branches of industry and are striving to eliminate the unevenness in the distribution of capital among localities and branches of industry resulting from the historical development of individual enterprises." "One tendency is to make the connections with industry general; another tendency is to make them durable and close. In the six big banks both these tendencies are realised, not in full, but to a considerable extent and to an equal degree."

Quite often industrial and commercial circles complain of the "terrorism" of the banks. And it is not surprising that such complaints are heard, for the big banks "command", as will be seen from the following example. On November 19, 1901, one of the big, so-called Berlin "D" banks (the names of the four biggest banks begin with the letter D) wrote to the Board of Directors of the German Central Northwest Cement Syndicate in the following terms: "As we learn from the notice you published in a certain newspaper of the 18th inst., we must reckon with the possibility that the next general meeting of your syndicate, to be held on the 30th of this month, may decide on measures which are likely to effect changes in your enterprise which are unacceptable to us. We deeply regret that, for these reasons, we are obliged henceforth to withdraw the credit which had hitherto been allowed you.... But if the said next general meeting does not decide upon measures which are unacceptable to us, and if we receive suitable guarantees on this matter for the future, we shall be quite willing to open negotiations with you on the grant of a new credit."[21]

As a matter of fact, this is small capital's old complaint about being oppressed by big capital, but in this case it was a whole syndicate that fell into the category of "small" capital! The old struggle between small and big capital is being resumed at a new and immeasurably higher stage of development. It stands to reason that the big banks' enterprises, worth many millions, can accelerate technical progress with means that cannot possibly be compared with those of the past. The banks, for example, set up special technical research societies, and, of course, only "friendly" industrial enterprises benefit from their work. To this category belong the Electric Railway Research Association, the Central Bureau of Scientific and Technical Research, etc.

The directors of the big banks themselves cannot fail to see that new conditions of national economy are being created; but they are powerless in the face of these phenomena.

"Anyone who has watched, in recent years," writes Jeidels, "the changes of incumbents of directorships and seats on the Supervisory Boards of the big banks, cannot fail to have noticed that power is gradually passing into the hands of men who consider the active intervention of the big banks in the general development of industry to be necessary and of increasing importance. Between these new men and the old bank directors, disagreements on this subject of a business and often of a personal nature are growing. The issue is whether or not the banks, as credit institutions, will suffer from this intervention in industry, whether they are sacrificing tried principles and an assured profit to engage in a field of activity which has nothing in common with their role as middlemen in providing credit, and which is leading the banks into a field where they are more than ever before exposed to the blind forces of trade fluctuations. This is the opinion of many of the older bank directors, while most of the young men consider active intervention in industry to be a necessity as great as that which gave rise, simultaneously with big modern industry, to the big banks and modern industrial banking. The two parties are agreed only on one point: that there are neither firm principles nor a concrete aim in the new activities of the big banks."[22]

The old capitalism has had its day. The new capitalism represents a transition towards something. It is hopeless, of course, to seek for "firm principles and a concrete aim" for the purpose of "reconciling" monopoly with free competition. The admission of the practical men has quite a different ring from the official praises of the charms of "organised" capitalism sung by its apologists, Schulze-Gaevernitz, Liefmann and similar "theoreticians".

At precisely what period were the "new activities" of the big banks finally established? Jeidels gives us a fairly exact answer to this important question:

> *"The connections between the banks and industrial enterprises, with their new content, their new forms and their new organs, namely, the big banks which are organised on both a centralised and a decentralised basis, were scarcely a characteristic economic phenomenon before the nineties; in one sense, indeed, this initial date may be advanced to the year 1897, when the important mergers took place and when, for the first time, the new form of decentralised organisation was introduced to suit the industrial policy of the banks. This starting-point could perhaps be placed at an even later date, for it was the crisis of 1900 that enormously accelerated and intensified the process of concentration of industry and of banking, consolidated that process, for the first time transformed the connection with industry into the actual monopoly of the big banks, and made this connection much closer and more active."*[23]

Thus, the twentieth century marks the turning-point from the old capitalism to the new, from the domination of capital in general to the domination of finance capital.

Notes

[1] Alfred Lansburgh, "Fünf Jahre deutsches Bankwesen" in *Die Bank*, 1913, No. 8. —*Lenin*

[2] Schulze-Gaevernitz, "Die deutsche Kreditbank" in "*Grundriss der Sozialökonomik*", Tübingen, 1915, 137. —*Lenin*

[3] R. Liefmann, *Beteilgungs- und Finanzierungsgesellschaften. Eine Studie über den modernen Kapitalismus und das Effektenwesen*, I., Jena, 1909, 212. —*Lenin*

[4] Alfred Lansburgh, "Das Beteilgungssystem im deutschen Bankwesen", in *Die Bank*, 1910, 500. —*Lenin*

[5] Eugen Kaufmann, *Das französische Bankwesen*, Tübingen, 1911, 356 and 362 —*Lenin*

[6] Jean Lescure, *L'épargne en France*, Paris, 1914, p. 52. —*Lenin*

[7] A. Lansburgh, "Die Bank mit den 300 Millionen" in *Die Bank*, 1914, p. 426 —*Lenin*

[8] S. Tschierschky, op. cit., 128. —*Lenin*

[9] *Statistics of the National Monetary Commission,* quoted in *Die Bank*, 1910, S. 1200. —*Lenin*

[10] *Die Bank*, 1913, S 811. —*Lenin*

[11] *Die Bank*, 1914, S 316. —*Lenin*

[12] Dr. Oscar Stillich, *Geld- und Bankwesen,* Berlin, 1907, S. 169. —*Lenin*

[13] Schulze-Gaevernitz, "Die deutsche Kreditbank" in *Grundriss der Sozialökonomik*, Tübingen, 1915, S. 101 —*Lenin*

[14] Riesser, op. cit., 4th ed., S 629. —*Lenin*

[15] Schulze-Gaevernitz, "Die deutsche Kreditbank" in *Grundriss der Sozialökonomik,* Tübingen, 1915, S. 151 —*Lenin*

[16] *Die Bank*, 1912, S. 435. —*Lenin*

[17] Quoted by Schulze-Gaevernitz, op. cit., S 155 —*Lenin*

[18] Jeidels, op. cit.; Riesser, op. cit. —*Lenin*

[19] Jeidels, op. cit., S 156-57 —*Lenin*

[20] An article by Eug. Kaufmann on French banks in *Die Bank*, 1909, 2, S 851 et. seq. —*Lenin*

[21] Dr. Oscar Stillich, *Geld- und Bankwesen*, Berlin, 1907, S. 147. —*Lenin*

[22] Jeidels, op. cit., S 183-84 —*Lenin*

[23] *ibid*, S. 181. —*Lenin*

[24] [PLACEHOLDER.]

[25] [PLACEHOLDER.]

[26] [PLACEHOLDER.]

III. FINANCE CAPITAL AND THE FINANCIAL OLIGARCHY

"A steadily increasing proportion of capital in industry," writes Hilferding, "ceases to belong to the industrialists who employ it. They obtain the use of it only through the medium of the banks which, in relation to them, represent the owners of the capital. On the other hand, the bank is forced to sink an increasing share of its funds in industry. Thus, to an ever greater degree the banker is being transformed into an industrial capitalist. This bank capital, i.e., capital in money form, which is thus actually transformed into industrial capital, I call 'finance capital'." "Finance capital is capital controlled by banks and employed by industrialists."[1]

This definition is incomplete insofar as it is silent on one extremely important fact—on the increase of concentration of production and of capital to such an extent that concentration is leading, and has led, to monopoly. But throughout the whole of his work, and particularly in the two chapters preceding the one from which this definition is taken, Hilferding stresses the part played by *capitalist monopolies*.

The concentration of production; the monopolies arising therefrom; the merging or coalescence of the banks with industry—such is the history of the rise of finance capital and such is the content of that concept.

We now have to describe how, under the general conditions of commodity production and private property, the "business operations" of capitalist monopolies inevitably lead to the domination of a financial oligarchy. It should be noted that German—and not only German—bourgeois scholars, like Riesser, Schulze-Gaevernitz, Liefmann and others, are all apologists of imperialism and of finance capital. Instead of revealing the "mechanics" of the formation of an oligarchy, its methods, the size of its revenues "impeccable and peccable", its connections with parliaments etc., etc., they obscure or gloss over them. They evade these "vexed questions" by pompous and vague phrases, appeals to the "sense of responsibility" of bank directors, by praising "the sense of duty" of Prussian officials, giving serious study to the petty details of absolutely ridiculous parliamentary bills for the "supervision" and "regulation" of monopolies, playing spillikins with theories, like, for example, the following "scholarly" definition, arrived at by Professor Liefmann: "***Commerce is an occupation having for its object the collection, storage and supply of goods*.**"[2] (The Professor's bold-face italics.) . . . From this it would follow that commerce existed in the time of primitive man, who knew nothing about exchange, and that it will exist under socialism!

But the monstrous facts concerning the monstrous rule of the financial oligarchy are so glaring that in all capitalist countries, in America, France and Germany, a whole literature has sprung up, written from the *bourgeois* point of view, but which, nevertheless, gives a fairly truthful picture and criticism—petty-bourgeois, naturally—of this oligarchy.

Paramount importance attaches to the "holding system", already briefly referred to above. The German economist, Heymann, probably the first to call attention to this matter, describes the essence of it in this way:

"The head of the concern controls the principal company (literally: the "mother company"); the latter reigns over the subsidiary companies ("daughter companies") which in their turn control still other subsidiaries ("grandchild companies"), etc. In this way, it is possible with a comparatively small capital to dominate immense spheres of production. Indeed, if holding 50 per cent of the capital is always sufficient to control a company, the head of the concern needs only one million to control eight million in the second subsidiaries. And if this 'interlocking' is extended, it is possible with one million to control sixteen million, thirty-two million, etc."[3]

As a matter of fact, experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs,[4] since in practice a certain number of small, scattered shareholders find it impossible to attend general meetings, etc. The "democratisation" of the ownership of shares, from which the bourgeois sophists and opportunist so-called "Social-Democrats" expect (or say that they expect) the "democratisation of capital", the strengthening of the role and significance of small scale production, etc., is, in fact, one of the ways of increasing the power of the financial oligarchy. Incidentally, this is why, in the more advanced, or in the older and more "experienced" capitalist countries, the law allows the issue of shares of smaller denomination. In Germany, the law does not permit the issue of shares of less than one thousand marks denomination, and the magnates of German finance look with an envious eye at Britain, where the issue of one-pound shares (= 20 marks, about 10 rubles) is permitted Siemens, one of the biggest industrialists and "financial kings" in Germany, told the Reiclistag on June 7, 1900, that "the one-pound share is the basis of British imperialism".[5] This merchant has a much deeper and more "Marxist" understanding of imperialism than a certain disreputable writer who is held to be one of the founders of Russian Marxism[21] and believes that imperialism is a bad habit of a certain nation....

But the "holding system" not only serves enormously to increase the power of the monopolists; it also enables them to resort with impunity to all sorts of shady and dirty tricks to cheat the public, because formally the directors of the "mother company" are not legally responsible for the "daughter company", which is supposed to be "independent", and *through the medium* of which they can "pull off" *anything*. Here is an example taken from the German review, *Die Bank*, for May 1914:

> *"The Spring Steel Company of Kassel was regarded some years ago as being one of the most profitable enterprises in Germany. Through bad management its dividends fell from 15 per cent to nil. It appears that the Board, without consulting the shareholders, had loaned six million marks to*

one of its 'daughter companies', the Hassia Company, which had a nominal capital of only some hundreds of thousands of marks. This commitment, amounting to nearly treble the capital of the 'mother company', was never mentioned in its balance-sheets. This omission was quite legal and could be hushed up for two whole years because it did not violate any point of company law. The chairman of the Supervisory Board, who as the responsible head had signed the false balance-sheets, was, and still is, the president of the Kassel Chamber of Commerce. The shareholders only heard of the loan to the Hassia Company long afterwards, when it had been proved to be a mistake"...

(the writer should put this word in inverted commas) ... "and when Spring Steel shares dropped nearly 100 percent, because those in the know were getting rid of them....

"*This typical example of balance-sheet jugglery, quite common* in joint-stock companies, explains why their Boards of Directors are willing to undertake risky transactions with a far lighter heart than individual businessmen. Modern methods of drawing up balance-sheets not only make it possible to conceal doubtful undertakings from the ordinary shareholder, but also allow the people most concerned to escape the consequence of unsuccessful speculation by selling their shares in time when the individual businessman risks his own skin in everything he does....

"The balance-sheets of many joint-stock companies put us in mind of the palimpsests of the Middle Ages from which the visible inscription had first to be erased in order to discover beneath it another inscription giving the real meaning of the document. [Palimpsests are parchment documents from which the original inscription has been erased and another inscription imposed.]

"The simplest and, therefore, most common procedure for making balance-sheets indecipherable is to divide a single business into several parts by setting up 'daughter companies'—or by annexing them. The advantages of this system for various purposes—legal and illegal—are so evident that big companies which do not employ it are quite the exception."[6]

As an example of a huge monopolist company that extensively employs this system, the author quotes the famous General Electric Company (the A.E.G., to which I shall refer again later on). In 1912, it was calculated that this company held shares in 175 to 200 other companies, dominating them, of course, and thus controlling a total capital of about *1,500 million marks*.[7]

None of the rules of control, the publication of balance-sheets, the drawing up of balance-sheets according to a definite form, the public auditing of accounts, etc., the things about which well-intentioned professors and officials—that is, those imbued with the good intention of defending and prettyfying capitalism—discourse to the public, are of any avail; for private property is sacred, and no one can be prohibited from buying, selling, exchanging or hypothecating shares, etc.

The extent to which this "holding system" has developed in the big Russian banks may be judged by the figures given by E. Agalid, who for fifteen years was an official of the Russo-Chinese Bank and who, in May 1914, published a book, not altogether correctly entitled *Big Banks and the World Market*.[8] The author divides the big Russian banks into two main groups: (a) banks that come under the "holding system", and (b) "independent" banks—"independence" however, being arbitrarily taken to mean independence of *foreign* banks. The author divides the first group into three subgroups: (1) German holdings, (2) British holdings, and (3) French holdings, having in view the "holdings" and domination of the big foreign banks of the particular country mentioned. The author divides the capital of the banks into "productively" invested capital (industrial and commercial undertakings), and "speculatively" invested capital (in Stock Exchange and financial operations), assuming, from his petty-bourgeois reformist point of view, that it is possible, under capitalism, to separate the first form of investment from the second and to abolish the second form.

Here are the figures he supplies:

BANK ASSETS

(According to Reports for October-November 1912

000,000 rubles

		Capital Invested		
	Groups of Russian banks	Productively	Speculatively	Total
a 1)	Four banks: Siberian Commercial, Russian , International, and Discount Bank....	413.7	859.1	1,272.8
a 2)	Two banks: Commercial and Industrial, and Russo-British	239.3	169.1	408.4

a 3)	Five banks: Russian-Asiatic, St. Petersburg Private, Azov-Don, Union Moscow, Russo-French Commercial	711.8	661.2	1,373.0
	(11 banks) *Total*.............a) =	1,364.8	1,689.4	3,054.2
b)	Eight banks: Moscow Merchants, Volga-Kama, Junker and Co., St. Petersburg Commercial (formerly Wawelberg), Bank of Moscow (formerly Ryabushinsky), Moscow Discount, Moscow Commercial, Moscow Private.......	504.2	391.1	895.3
	(10 banks) *Total*	1,869.0	2,080.5	3,949.5

According to these figures, of the approximately 4,000 million rubles making up the "working" capital of the big banks, *more than three-fourths*, more than 3,000 million, belonged to banks which in reality were only "daughter companies" of foreign banks, and chiefly of Paris banks (the famous trio: Union Parisienne, Paris et Pays-Bas and Société Générale), and of Berlin banks (particularly the Deutsche Bank and Disconto-Gesellschaft). Two of the biggest Russian banks, the Russian (Russian Bank for Foreign Trade) and the International (St. Petersburg International Commercial Bank), between 1906 and 1912 increased their capital from 44 to 98 million rubles, and their reserves from 15 million to 39 million "employing three-fourths German capital". The first bank belongs to the Berlin Deutsche Bank "concern" and the second to the Berlin Disconto-Gesellschaft. The worthy Agahd is deeply indignant at the majority of the shares being held by the Berlin banks, so that the Russian shareholders are, therefore, powerless. Naturally, the country which exports capital skims the cream; for example, the Berlin Deutsche Bank, before placing the shares of the Siberian Commercial Bank on the Berlin market, kept them in its portfolio for a whole year, and then sold them at the rate of 193 for 100, that is, at nearly twice their nominal value, "earning" a profit of nearly six million rubles, which Hilferding calls "promoter's profits".

Our author puts the total "capacity" of the principal St. Petersburg banks at 8,235 million rubles, well over 8,000 million, and the "holdings", or rather, the extent to which foreign banks dominated them, he estimates as follows: French banks, 55 per cent; British, 10 per cent; German, 35 per cent. The author calculates that of the total of 8,235 million rubles of functioning capital, 3,687 million rubles, or over 40 per cent, fall to the share of the Produgol and Prodamet syndicates[22] and the syndicates in the oil, metallurgical and cement industries. Thus, owing to the formation of capitalist monopolies, the merging of bank and industrial capital has also made enormous strides in Russia.

Finance capital, concentrated in a few hands and exercising a virtual monopoly, exacts enormous and ever-increasing profits from the floating of companies, issue of stock, state loans, etc., strengthens the domination of the financial oligarchy and levies tribute upon the whole of society for the benefit of monopolists. Here is an example, taken from a multitude of others, of the "business" methods of the American trusts, quoted by Hilferding. In 1887, Havemeyer founded the Sugar Trust by amalgamating fifteen small firms, whose total capital amounted to 6,500,000 dollars. Suitably "watered", as the Americans say, the capital of the trust was declared to be 50 million dollars. This "overcapitalisation" anticipated the monopoly profits, in the same way as the United States Steel Corporation anticipates its monopoly profits in buying up as many iron ore fields as possible. In fact, the Sugar Trust set up monopoly prices, which secured it such profits that it could pay 10 per cent dividend on capital "watered" *sevenfold, or about 70 per cent on the capital actually invested at the time the trust was formed!* In 1909, the capital of the Sugar Trust amounted to 90 million dollars. In twenty-two years, it had increased its capital more than tenfold.

In France the domination of the "financial oligarchy" (*Against the Financial Oligarchy* in France, the title of the well-known book by Lysis, the fifth edition of which was published in 1908) assumed a form that was only slightly different. Four of the most powerful banks enjoy, not a relative, but an "absolute monopoly" in the issue of bonds. In reality, this is a "trust of big banks". And monopoly ensures monopoly profits from bond issues. Usually a borrowing country does not get more than 90 per cent of the sum of the loan, the remaining 10 per cent goes to the banks and other middlemen. The profit made by the banks out of the Russo-Chinese loan of 400 million francs amounted to 8 per cent; out of the Russian (1904) loan of 800 million francs the profit amounted to 10 per cent; and out of the Moroccan (1904) loan of 62,500,000 francs it amounted to 18.75 per cent. Capitalism, which began its development with petty usury capital, is ending its development with gigantic usury capital. "The French," says Lysis, "are the usurers of Europe." All the conditions of economic life are being profoundly modified by this transformation of capitalism.

With a stationary population, and stagnant industry, commerce and shipping, the "country" can grow rich by usury. "Fifty persons, representing a capital of eight million francs, can control *2,000 million* francs deposited in four banks." The "holding system", with which we are already familiar, leads to the same result. One of the biggest banks, the Société Générale for instance, issues 64,000 bonds for its "daughter company", the Egyptian Sugar Refineries. The bonds are issued at 150 per cent, i.e., the bank gains 50 centimes on the franc. The dividends of the new company were found to be fictitious, the "public" lost from 90 to 100 million francs. "One of the directors of the Société Générale was a member of the board of directors of the Sugar Refineries." It is not surprising that the author is driven to the conclusion that "the French Republic is a financial monarchy"; "it is the complete domination of the financial oligarchy; the latter dominates over the press and the government."[9]

The extraordinarily high rate of profit obtained from the issue of bonds, which is one of the principal functions of finance capital, plays a very important part in the development and consolidation of the financial oligarchy. "There is not a single business of this type within the country that brings in profits even approximately equal to those obtained from the floatation of foreign loans," says *Die Bank*.[10]

"No banking operation brings in profits comparable with those obtained from the issue of securities!" According to the *German Economist*, the average annual profits made on the issue of industrial stock were as follows:

	Per Cent
1895.............	38.6
1896.............	36.1
1897.............	66.7
1898.............	67.7
1899.............	66.9
1900.............	55.2

"In the ten years from 1891 to 1900, more than a thousand million marks were 'earned' by issuing German industrial stock."[11]

During periods of industrial boom, the profits of finance capital are immense, but during periods of depression, small and unsound businesses go out of existence, and the big banks acquire "holdings" in them by buying them up for a mere song, or participate in profitable schemes for their "reconstruction" and "reorganisation". In the "reconstruction" of undertakings which have been running at a loss, "the share capital is written down, that is, profits are distributed on a smaller capital and continue to be calculated on this smaller basis. Or, if the income has fallen to zero, new capital is called in, which, combined with the old and less remunerative capital, will bring in an adequate return." "Incidentally," adds Hilferding, "all these reorganisations and reconstructions have a twofold significance for the banks: first, as profitable transactions; and secondly, as opportunities for securing control of the companies in difficulties."[12]

Here is an instance. The Union Mining Company of Dortmund was founded in 1872. Share capital was issued to the amount of nearly 40 million marks and the market price of the shares rose to 170 after it had paid a 12 per cent dividend for its first year. Finance capital skimmed the cream and earned a trifle of something like 28 million marks. The principal sponsor of this company was that very big German Disconto-Gesellschaft which so successfully attained a capital of 300 million marks. Later, the dividends of the Union declined to nil; the shareholders had to consent to a "writing down" of capital, that is, to losing some of it in order not to lose it all. By a series of "reconstructions", more than 73 million marks were written off the books of the Union in the course of thirty years. "At the present time, the original shareholders of the company possess only 5 per cent of the nominal value of their shares"[13] but the banks "earned something" out of every "reconstruction".

Speculation in land situated in the suburbs of rapidly growing big towns is a particularly profitable operation for finance capital. The monopoly of the banks merges here with the monopoly of ground-rent and with monopoly of the means of communication, since the rise in the price of land and the possibility of selling it profitably in lots, etc., is mainly dependent on good means of communication with the centre of the town; and these means of communication are in the hands of large companies which are connected with these same banks through the holding system and the distribution of seats on the boards. As a result we get what the German writer, L. Eschwege, a contributor to *Die Bank* who has made a special study of real estate business and mortgages, etc., calls a "bog". Frantic speculation in suburban building lots; collapse of building enterprises like the Berlin firm of Boswau and Knauer, which acquired as much as 100 million marks with the help of the "sound and solid" Deutsche Bank—the latter, of course, acting through the holding system, i.e., secretly, behind the scenes—and got out of it with a loss of "only" 12 million marks, then the ruin of small proprietors and of workers who get nothing from the fictitious building firms, fraudulent deals with the "honest" Berlin police and administration for the purpose of gaining control of the issue of cadastral certificates, building licences, etc., etc.[14]

"American ethics", which the European professors and well-meaning bourgeois so hypocritically deplore, have, in the age of finance capital, become the ethics of literally every large city in any country.

At the beginning of 1914, there was talk in Berlin of the formation of a "transport trust", i.e., of establishing "community of interests" between the three Berlin transport undertakings: the city electric railway, the tramway company and the omnibus company. "We have been aware," wrote *Die Bank*, "that this plan was contemplated ever since it became known that the majority of the shares in the bus company had been acquired by the other two transport companies.... We may fully believe those who are pursuing this aim when they say that by uniting the transport services, they will secure economies, part of which will in time benefit the public. But the question is complicated by the fact that behind the transport trust that is being formed are the banks, which, if they desire, can subordinate the means oftransportation, which they have monopolised, to the interests of their real estate business. To be convinced of the reasonableness of such a conjecture, we need only recall that the interests of the big banks that encouraged the formation of the Electric Railway Company were already involved in it at the time the company was formed. That is to say: the interests of this transport undertaking were interlocked with the real estate interests. The point is that the eastern line of this railway was to run across land which this bank sold at an enormous profit for itself and for several partners in the transactions when it became certain the line was to be laid down."[15]

A monopoly, once it is formed and controls thousands of millions, inevitably penetrates into *every* sphere of public life, regardless of the form of government and all other "details". In German economic literature one usually comes across obsequious praise of the integrity of the Prussian bureaucracy, and allusions to the French Panama scandal[23] and to political corruption in America. But the fact is that even bourgeois literature devoted to German banking matters constantly has to go far beyond the field of purely banking operations; it speaks, for instance, about "the attraction of the banks" in reference to the increasing frequency with which public officials take employment with the banks, as follows: "How about the integrity of a state official who in his innermost heart is aspiring to a soft job in the Behrenstrasse?"[16] (The Berlin street where the head office of the Deutsche Bank is situated.) In 1909, the publisher of *Die Bank*, Alfred Lansburgh, wrote an article entitled “The Economic Significance of Byzantinism”, in which he incidentally referred to Wilhelm II’s tour of Palestine, and to “the immediate result of this journey, the construction of the Baghdad railway, that fatal ‘great product of German enterprise’, which is more responsible for the ‘encirclement’ than all our political blunders put together”.[17] (By encirclement is meant the policy of Edward VII to isolate Germany and surround her with an imperialist anti-German alliance.) In 1911, Eschwege, the contributor to this same magazine to whom I have already referred, wrote an article entitled “Plutocracy and Bureaucracy”, in which he exposed, for example, the case of a German official named Völker, who was a zealous member of the Cartel Committee and who, it turned out some time later, obtained a lucrative post in the biggest cartel, the Steel Syndicate. Similar cases, by no means casual, forced this bourgeois author to admit that “the economic liberty guaranteed by the German Constitution has become in many departments of economic life, a meaningless phrase” and that under the existing rule of the plutocracy, “even the widest political liberty cannot save us from being converted into a nation of unfree people”.[18]

As for Russia, I shall confine myself to one example. Some years ago, all the newspapers announced that Davydov, the director of the Credit Department of the Treasury, had resigned his post to take employment with a certain big bank at a salary which, according to the contract, would total over one million rubles in the course of several years. The Credit Department is an institution, the function of which is to “co-ordinate the activities of all the credit institutions of the country” and which grants subsidies to banks in St. Petersburg and Moscow amounting to between 800 and 1,000 million rubles.”[19]

It is characteristic of capitalism in general that the ownership of capital is separated from the application of capital to production, that money capital is separated from industrial or productive capital, and that the rentier who lives entirely on income obtained from money capital, is separated from the entrepreneur and from all who are directly concerned in the management of capital. Imperialism, or the domination of finance capital, is that highest stage of capitalism in which this separation reaches vast proportions. The supremacy of finance capital over all other forms of capital means the predominance of the rentier and of the financial oligarchy; it means that a small number of financially “powerful” states stand out among all the rest. The extent to which this process is going on may be judged from the statistics on emissions, i.e., the issue of all kinds of securities.

In the *Bulletin of the International Statistical Institute*, A. Neymarck[20] has published very comprehensive, complete and comparative figures covering the issue of securities all over the world, which have been repeatedly quoted in part in economic literature. The following are the totals he gives for four decades:

TOTAL ISSUES IN FRANCS PER DECADE (000,000,000)	
1871-80.............	76.1
1881-90............	64.5
1891-1900.........	100.4
1901-10...........	197.8

In the 1870s the total amount of issues for the whole world was high, owing particularly to the loans floated in connection with, the Franco-Prussian War, and the company-promotion boom which set in in Germany after the war. On the whole, the increase was relatively not very rapid during the three last decades of the nineteenth century, and only in the first ten years of the twentieth century is an enormous increase of almost 100 per cent to be observed. Thus the beginning of the twentieth century marks the turning-point, not only in the growth of monopolies (cartels, syndicates, trusts), of which we have already spoken, but also in the growth of finance capital.

Neymarck estimates the total amount of issued securities current in the world in 1910 at about 815,000 million francs. Deducting from this sum amounts which might have been duplicated, he reduces the total to 575,000-600,000 million, which is distributed among the various countries as follows (I take 600,000 million):

FINANCIAL SECURITIES CURRENT IN 1910 (000,000,000 francs)			
Great Britain	142	Holland	12.5
United States	132	Belgium	7.5
France	110	Spain	7.5
Germany	95	Switzerland	6.25
Russia	31	Denmark	3.75
Austria-Hungary	24	Sweden,	
Italy	14	Norway,	2.5
Japan	12	Rumania,	

etc.

From these figures we at once see standing out in sharp relief four of the richest capitalist countries, each of which holds securities to amounts ranging approximately from 100,000 to 150,000 million francs. Of these four countries, two, Britain and France, are the oldest capitalist countries, and, as we shall see, possess the most colonies; the other two, the United States and Germany, are capitalist countries leading in the rapidity of development and the degree of extension of capitalist monopolies in industry. Together, these four countries own 479,000 million francs, that is, nearly 80 per cent of the world's finance capital. In one way or another, nearly the whole of the rest of the world is more or less the debtor to and tributary of these international banker countries, these four "pillars" of world finance capital.

It is particularly important to examine the part which the export of capital plays in creating the international network of dependence on and connections of finance capital.

Notes

[1] R. Hilferding, *Finance Capital*, Moscow, 1912 (in Russian), pp. 338-39. —*Lenin*

[2] R. Liefmann, op. cit., S. 476. —*Lenin*

[3] Hans Gideon Fleymann, *Die gemischten Werke im deutschen Grosseisengewerbe* Stuttgart, 1904, S. 268-69. —*Lenin*

[4] Liefmann, *Beteiligungsgesellschaften*, etc., S. 258 of the first edition. —*Lenin*

[5] Schulze-Gaevernitz in *Grundriss der Sozialökonomik*, V, 2, S. 110. —*Lenin*

[6] L. Eschwege, "Tochtergesellschaften" in *Die Bank*, 1914, S.545 —*Lenin*

[7] Kurt Heinig, "Der Weg des Elecktrotrusts" in *Die Neue Zeit*, 1912, 30. S. 484 —*Lenin*

[8] E. Agahd, *Grossbanken und Weltmarkt. Die wirstschaftliche und politische Bedeutung der Grossbanken im Weltmarkt unter Berüchsichtigung ihres Einflusses auf Russlands Volkswirtscahft und die deutsche-russichen Beziehungen,* Berlin, 1914 —*Lenin*

[9] Lysis, *Contre l'oligarchie financière en France*, 5 ed. Paris, 1908, pp. 11, 12, 26, 39, 40, 48. —*Lenin*

[10] *Die Bank*, 1913, No. 7, S. 630. —*Lenin*

[11] Stillich, op. cit., S. 143, also W. Sombart, *Die deutsche Volkswirtschaft im 19. jahrhundert,* 2. Aufl., 1909, S. 526, Anlage 8. —*Lenin*

[12] *Finance Capital*, p. 172. —*Lenin*

[13] Stillich, op. cit., S. 138 and Liefmann, op. cit., S. 51. —*Lenin*

[14] In *Die Bank*, 1913, S. 952, L. Eschwege, *Der Sumpf*; *ibid*., 1912, 1, S. 223 et seq. —*Lenin*

[15] "Verkehrstrust" in *Die Bank*, 1914, 1, S. 89. —*Lenin*

[16] "Der Zug zur Bank" in *Die Bank*, 1909, 1, S. 79. —*Lenin*

[17] *ibid*., S. 301. —*Lenin*

[18] *ibid*., 1911, 2, S. 825; 1913, 2, S. 962. —*Lenin*

[19] E. Agahd, op. cit., S. 202. —*Lenin*

[20] *Bulletin de l'institut international de statistique*, t. XIX, livr. II, La Haye, 1912. Data concerning small states, second column, are estimated by adding 20 per cent to the 1902 figures. —*Lenin*

[21] [PLACEHOLDER.]

[22] [PLACEHOLDER.]

[23] [PLACEHOLDER.]

IV. EXPORT OF CAPITAL

Typical of the old capitalism, when free competition held undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital.

Capitalism is commodity production at its highest stage of development, when labour-power itself becomes a commodity. The growth of internal exchange, and, particularly, of international exchange, is a characteristic feature of capitalism. The uneven and spasmodic development of individual enterprises, individual branches of industry and individual countries is inevitable under the capitalist system. England became a capitalist country before any other, and by the middle of the nineteenth century, having adopted free trade, claimed to be the "workshop of the world", the supplier of manufactured goods to all countries, which in exchange were to keep her provided with raw materials. But in the last quarter of the nineteenth century, this monopoly was already undermined; for other countries, sheltering themselves with "protective" tariffs, developed into independent capitalist states. On the threshold of the twentieth century we see the formation of a new type of monopoly: firstly, monopolist associations of capitalists in all capitalistically developed countries; secondly, the monopolist position of a few very rich countries, in which the accumulation of capital has reached gigantic proportions. An enormous “surplus of capital” has arisen in the advanced countries.

It goes without saying that if capitalism could develop agriculture, which today is everywhere lagging terribly behind industry, if it could raise the living standards of the masses, who in spite of the amazing technical progress are everywhere still half-starved and poverty-stricken, there could be no question of a surplus of capital. This “argument” is very often advanced by the petty-bourgeois critics of capitalism. But if capitalism did these things it would not be capitalism; for both uneven development and a semi-starvation level of existence of the masses are fundamental and inevitable conditions and constitute premises of this mode of production. As long as capitalism remains what it is, surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap. The export of capital is made possible by a number of backward countries having already been drawn into world capitalist intercourse; main railways have either been or are being built in those countries, elementary conditions for industrial development have been created, etc. The need to export capital arises from the fact that in a few countries capitalism has become “overripe” and (owing to the backward state of agriculture and the poverty of the masses) capital cannot find a field for “profitable” investment.

Here are approximate figures showing the amount of capital invested abroad by the three principal countries[1]:

CAPITAL INVESTED ABROAD
(000,000,000 francs)

Year	Great Britain	France	Germany
1862.....	3.6	—	—
1872.....	15.0	10 (1869)	—
1882.....	22.0	15(1880)	?
1893.....	42.0	20(1890)	?
1902.....	62.0	27-37	12.5
1914.....	75-100.0	00	44.0

This table shows that the export of capital reached enormous dimensions only at the beginning of the twentieth century. Before the war the capital invested abroad by the three principal countries amounted to between 175,000 million and 200,000 million francs. At the modest rate of 5 per cent, the income from this sum should reach from 8,000 to 10,000 million francs a year—a sound basis for the imperialist oppression and exploitation of most of the countries and nations of the world, for the capitalist parasitism of a handful of wealthy states!

How is this capital invested abroad distributed among the various countries? *Where* is it invested? Only an approximate answer can be given to these questions, but it is one sufficient to throw light on certain general relations and connections of modern imperialism.

DISTRIBUTION (APPROXIMATE) OF FOREIGN CAPITAL IN DIFFERENT PARTS OF THE GLOBE (circa 1910)

	Great Britain	France	Germany	Total
		(000,000,000 marks)		
Europe..........	4	23	18	45
America..........	37	4	10	51
Asia, Africa, and Australia......	29	8	7	44
Total........	70	35	35	140

The principal spheres of investment of British capital are the British colonies, which are very large also in America (for example, Canada), not to mention Asia, etc. In this case, enormous exports of capital are bound up most closely with vast colonies, of tile importance of which for imperialism I shall speak later. In the case of France the situation is different. French capital exports are invested mainly in Europe, primarily in Russia (at least ten thousand million francs). This is mainly loan capital, government loans, and not capital invested in industrial undertakings. Unlike British colonial imperialism, French imperialism might be termed usury imperialism. In the case of Germany, we have a third type; colonies are inconsiderable, and German capital invested abroad is divided most evenly between Europe and America.

The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported. While, therefore, the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world.

The capital-exporting countries are nearly always able to obtain certain "advantages", the character of which throws light on the peculiarity of the epoch of finance capital and monopoly. The following passage, for instance, appeared in the Berlin review, *Die Bank*, for October 1913:

> *"A comedy worthy of the pen of Aristophanes is lately being played on the international capital market. Numerous foreign countries, from Spain to the Balkan states, from Russia to Argentina, Brazil and China, are openly or secretly coming into the big money market with demands, sometimes very persistent, for loans. The money markets are not very bright at the moment and the political outlook is not promising. But not a single money market dares to refuse a loan for fear that its neighbour may forestall it, consent to grant a loan and so secure some reciprocal service. In these international transactions the creditor nearly always manages to secure some extra benefit: a favourable clause in a commercial treaty, a coating station, a contract to construct a harbour, a fat concession, or an order for guns."*[2]

Finance capital has created the epoch of monopolies, and monopolies introduce everywhere monopolist principles: the utilisation of "connections" for profitable transactions takes the place of competition on the open market. The most usual thing is to stipulate that part of the loan granted shall be spent on purchases in the creditor country, particularly on orders for war materials, or for ships, etc. In the course of the last two decades (1890-1910), France has very often resorted to this method. The export of capital thus becomes a means of encouraging the export of commodities. In this connection, transactions between particularly big firms assume a form which, as Schilder[3] "mildly" puts it, "borders on corruption". Krupp in Germany, Schneider in France, Armstrong in Britain are instances of firms which have close connections with powerful banks and governments and which cannot easily be "ignored" when a loan is being arranged.

France, when granting loans to Russia, "squeezed" her in the commercial treaty of September 16, 1905, stipulating for certain concessions to run till 1917. She did the same in the commercial treaty with Japan of August 19, 1911. The tariff war between Austria and Serbia, which lasted, with a seven months' interval, from 1906 to 1911, was partly caused by Austria and France competing to supply Serbia with war materials. In January 1912, Paul Deschanel stated in the Chamber of Deputies that from 1908 to 1911 French firms had supplied war materials to Serbia to the value of 45 million francs.

A report from the Austro-Hungarian Consul at San-Paulo (Brazil) states: “The Brazilian railways are being built chiefly by French, Belgian, British and German capital. In the financial operations connected with the construction of these railways the countries involved stipulate for orders for the necessary railway materials.”

Thus finance capital, literally, one might say, spreads its net over all countries of the world. An important role in this is played by banks founded in the colonies and by their branches. German imperialists look with envy at the “old” colonial countries which have been particularly “successful” in providing for themselves in this respect. In 1904, Great Britain had 50 colonial banks with 2,279 branches (in 1910 there were 72 banks with 5,449 branches), France had 20 with 136 branches; Holland, 16 with 68 branches; and Germany had “only” 13 with 70 branches.[4] The American capitalists, in their turn, are jealous of the English and German:

> *“In South America,” they complained in 1915, “five German banks have forty branches and five British banks have seventy branches.... Britain and Germany have invested in Argentina, Brazil, and Uruguay in the last twenty-five years approximately four thousand million dollars, and as a result together enjoy 46 per cent of the total trade of these three countries.”*[5]

The capital-exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital has led to the *actual* division of the world.

Notes

[1] Hobson, *Imperialism*, London, 1902, p. 58; Riesser, op. cit., S. 395 und 404; P. Arndt in *Weltwirtschaftliches Archiv*, Bd. 7, 1916, S. 35; Neymarck in *Bulletin*; Hilferding, *Finance Capital*, p. 492; Lloyd George, Speech in the House of Commons, May 4, 1915. reported in the *Daily Telegraph*, May 5, 1915; B. Harms, *Probleme der Weltwirtschaft* , Jena, 1912, S. 235 et seq.; Dr. Siegmund Schilder, *Entwicklungstendenzen der Weltwirtschaft*, Berlin, 1912, Band 1, S. 150; George Paish, “Great Britain’s Capital Investments, etc.”, in *Journal of the Royal Statistical Society,* Vol. LXXIV, 1910-11, P. 167 et seq.; Georges Diouritch, *L’Expansion des banques allemandes a l’ètranger, ses rapports avec le développement économique de l’Allemagne*, Paris, 1909, p. 84. —*Lenin*

[2] *Die Bank*, 1913, 2, S. 1024-25. —*Lenin*

[3] Schilder, op. cit., S. 346, 350, 371. —*Lenin*

[4] Riesser, op. cit., 4th ed., S. 375; Diouritch, p. 283. —*Lenin*

[5] *The Annals of the American Academy of Political and Social Science*, Vol. LIX, May 1915, p. 301. In the same volume on p. 3.31, we read that the well-known statistician Paish, in the last issue of the financial magazine *The Statist*, estimated the amount of capital exported by Britain, Germany, France, Belgium and Holland at $40,000 million, i.e., 200,000 million francs. —*Lenin*