EARLY MARXIST VIEW OF IMPERIALISM

M.Phil.Dissertation

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EARLY MARXIST VIEW OF IMPERIALISM

A Survey of Literature of Some
Classical Marxist Writers on
the Subject of Imperialism

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C O N T E N T S

PREFACE

This is a review of literature of the classical Marxist writers on the phenomenon of imperialism.

The term 'classical Marxists' is not a well defined one. I am using it here in somewhat a similar sense in which Anthony Brewer uses it[1] - to cover the Marxists of the period from Marx to the end of the first world war.

A great deal of Marxist literature is available only in the German and Russian languages. This could not be included in the present study. There is one exception. That is Hilferding's 'Das Finanzkapital'. This book, so basic to the theory of imperialism, could simply not be avoided. However, I had to rely on a few of its translated pages that are found in other works.

To deal with Rosa Luxemburg's theory of accumulation was by no means an easy job. Joan Robinson describes Rosa's work in the following words:[2] "The book is one of considerable difficulty.... The reader must sample for himself the rich confusion in which the central core of analysis is imbeded." I think I have not mishandled this core in the

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1 Anthony Brewer : Marxist Theories of Imperialism.

2 Joan Robinson : Introduction to Rosa Luxemburg's 'Accumulation of Capital'.

process of digging it out.

A few words about the procedure followed here. While presenting a case for any one author, I did not want to obstruct the force and fluency of argument by comments and criticisms in between. So I devoted the whole of respective chapters or sections to the authors concerned. A comparative picture can be found in the last chapter.

Lastly, I would like to remind the reader that this is a survey of the Marxist ideas and not of their critics. That itself would be another independent work.

CHAPTER I

MARX AND THE THEORY OF IMPERIALISM

Without using the word 'imperialism',[1] Marx laid down foundations for various later-day theories of imperialism. His concepts of the rising organic composition of capital, the falling rate of profit, the concentration and centralization of capital; his formulation of the reproduction schemes, his writings on colonialism, and above all, his view of historical materialism - all provided the bases on which many future theories of imperialism were built.

Marx did not work out a formal theory of imperialism because events had not ripened in his time. The phenomenon of imperialism had not assumed any recognisable form. Even then, Marx's various writings sufficiently show his clear insights into the problem. Perhaps, no other economist of the nineteenth century did so much to prepare the way for an understanding of the phenomenon of imperialism.

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Marx divides total capital into two parts : constant capital - that which is spent on machinery, equipment and

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1 Marx only once used the term 'imperialism'; that too, in a different sense - as synonymous with one man rule, in 'The Eighteenth Brumaire of Louis Bonaparte'.

raw materials; and variable capital - that which is spent on the wages of labourers. He defines organic composition of capital as the proportion of constant capital in total capital. According to him, this proportion goes on increasing in a capitalist system. Competition forces capitalists to reinvest parts of their net profits as capital. The bigger the producer, the more likely he is to be placed in an advantageous position. A general urge is thus found for the expansion of capital. Technological advancements continuously create possibilities of employing new, advanced machinery, which is normally labour-saving. Use of such machinery helps individual capitalist to cut down his costs, while the price that he gets for his product continues to be the same along with other producers. We thus find an increasing trend for substituting labour by machines. The rising organic composition of capital, however, leads to a fall in the 'general' rate of profit. This is because constant capital can never 'create' value. It only gets transformed in the process of production. It keeps its value but does not increase it. It is only labour which has the capacity to produce value. It produces more than what it requires for its maintenance. It thus produces surplus value which, under capitalism, makes the profit of the capitalist. Profit, thus, depends not on constant capital but on variable capital. So if the proportion of variable capital in total capital falls (i.e. the organic composition of capital

rises), it must lead to a fall in the proportion of surplus value (or, profit) in total capital; that is, to a fall in the rate of profit. Symbolically, if $\frac{s}{c+v}$ is the rate of profit where s stands for surplus value, c for constant capital, and v for variable capital; and if s depends only on v, and v falls as a proportion of c+v, it is evident that $\frac{s}{c+v}$ must fall. Numerically, a composition of 40c + 20v yielding 20s makes a 33 per cent rate of profit ($\frac{20}{40+20}$) whereas a composition of 90c + 30v giving 30s gives only a 25 per cent ($\frac{30}{90+30}$) rate of profit. The rate falls because organic composition of capital rises.

For Marx, the law of the falling rate of profit was a law of tendency. In the real world, it might be seen operating very mildly. Marx says, "if we consider the enormous mass of fixed capital, aside from the actual machinery, which goes into the process of social production as a whole, then the difficulty which has hitherto troubled the economist, namely to explain the falling rate of profit, gives place to its opposite, namely to explain why this fall is not greater and more rapid."[2] His own explanation for this is that "there must be some counteracting influences at work, which cross and annual the effect of the general law, and which give it merely the characteristic of a tendency, for which reason we have referred to the fall of the general rate of

2 'Capital', Vol.III, p.227 (F.L.P.H.ed.). Cited by Tom Kemp (1967), p.27.

profit as a tendency to fall."[3]

One such counteracting influence dealt with by Marx is the conduct of foreign trade. Foreign trade provides an expanding market and thus makes it possible to get the surplus value realised[4] on a scale which would not otherwise be possible. As we shall see later, this problem of realisation formed the core of Rosa Luxemburg's theory of imperialism. It can also be noted here that the concept of 'export of capital' to be found in the works of Lenin, Bukharin and Hilferding is directly related to Marx's concept of the falling rate of profit.

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Along with the concentration of capital (that is, transformation by capitalists ever greater parts of their profits into capital, which, as we have seen,[5] they are compelled to do under pressure of competition), capitalism also manifests a tendency towards centralisation of capital.

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3 Ibid.

4 Surplus value, which is embodied in commodities when they are produced is said to be realised when it shades off the commodity form and assumes the form of money. In other words, it is realised when commodities are sold in the market.

5 See p.2. We can also quote Marx, who says that competition 'compels him (the capitalist) to keep constantly expanding his capital, in order to preserve it, but extend it he cannot, except by means of progressive accumulation'. 'Capital', Vol.I, Chap.24, Sec.3.

This means that capital growingly tends to be amassed in fewer hands. Marx says, "The battle of competition is fought by cheapening of commodities. The cheapness of commodities depends, ceterus paribus, on the productiveness of labour and this again on the scale of production. Therefore, the larger capitals beat the smaller .... In a given branch of industry ... in a given society, the limit would not be reached until the moment when the entire social capital was united in the hands either of a single capitalist or of a single capitalist company."[6]

Lenin, Bukharin and Hilferding could explain the later development of monopolies in the light of these laws of concentration and centralisation of capital.

At the time when Marx was writing, in England - the country in which the capitalist mode of production had assumed its most advanced form, the economic environment remained broadly a competitive one. However, Marx could clearly detect tendencies towards monopolistic forms of organisation. It followed from his analysis of capitalism that competition, by its very nature, could only be an unstable and transitory phase. The tendency for one capitalist to destroy many was an inseparable part of capitalist competition. This was inevitably going to result in the domination of each field by a small number of large firms. We shall see later how this aspect of

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6 'Capital', Vol.I, Chap.25, Sec. 2. Cited by M.B. Brown (1974), p.62.

capitalism is greatly relevant to the theory of imperialism.

In the manuscripts which went into Volume III of 'Capital', most of the leading features of these later developments were clearly sketched out by Marx. About joint-stock companies he writes, "stock companies in general - developed with the credit system - have an increasing tendency to separate (the) work of management as a function from the ownership of capital, be it self-owned or borrowed .... But since on the one hand, the mere owner of capital, the money-capitalist, has to face the functioning capitalist, while money-capital itself assumes a social character with the advance of credit, being concentrated in banks and loaned out by them instead of its original owners, and since, on the other hand, the mere manager who has no title whatever to the capital, whether through borrowing it or otherwise, performs all the real functions pertaining to the functioning capitalist as such, only the functionary remains and the capitalist disappears as superfluous from the production process."[7]

About the credit system, Marx writes: "In its beginnings, the credit system sneaks in as a modest helper of accumulation and draws by invisible threads the money resources scattered all over the surface of society in the hands of individual or associated capitalists. But soon it becomes a new and formidable weapon in the competitive

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7 'Capital', Vol.III. p.380 (F.L.P.H.ed.). Cited by Tom Kemp (1967), pp.21-22.

struggle and finally it transforms itself into an immense social mechanism for the centralisation of capitals."[8] The growth of credit, according to Marx, "... establishes a monopoly in certain spheres and thereby challenges the interference of the state. It produces a new aristocracy of finance, a new sort of parasite in the shape of promoters, speculators and merely nominal directors; a whole system of swindling and cheating by means of corporation juggling, stock jobbing and stock speculation."[9] Marx further writes: "The purely technical movement performed by money in the process of circulation of industrial capital, and, as we may now add, of commercial ... convert a capital into financial capital."[10]

Quite a major part of Hilferding's 'Finance Capital' finds its roots here.

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We now turn to Marx's schemes of reproduction. These have been introduced in Volume II of 'Capital'. Here, Marx finds it necessary to divide total social output into two departments : Department I which produces means of production, and Department II, which produces means of consumption. Output in each department is again broken into three component parts - constant capital, variable capital, and

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8 'Capital', Vol.I, p.687 (N.Y.Mod.lib.ed.). Cited by S.C.Jha (1959), p.16.

9 Ibid., Vol.III, p.519 (Chicago,Ch.Ke.&Co.,1909).

10 Ibid., pp.371-373.

surplus value.[11] Society can either go on producing every year keeping the same scale and the same proportion between the two departments or it can go on increasing the scale of production by converting every year a part of its surplus value into capital. The former is the case of simple reproduction while the latter, that of extended reproduction. Marx gives the following numerical example as an illustration of simple reproduction:

Department I : 4000c + 1000v + 1000s = 6000

Department II : 2000c + 500v + 500s = 3000

Every year (here, one year is taken to represent one production cycle), the society produces 6000 units of value in the form of the means of production, and every year it requires means of production of equivalent value (4000 for Department I, and 2000 for Department II). In the same way, every year it produces consumer goods to the value of 3000 units, and every year it consumes an equivalent amount of them (workers in Department I consume goods worth 1000, those in Department II consume worth 500, capitalists of the two departments consume goods worth 1000 and 500 respectively - a total of 3000). We thus see that all that is produced within one year is also consumed within one year. Capital of the society is preserved, but not increased, and the production process can continue year after year

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11 We have already seen the meanings of these terms. See pp.1-2.

repeating the same old scale.

In extended reproduction, capitalists are supposed not to consume the whole of surplus value that accrues to them. They convert a part of it into capital. Following Marx again, we can take the following example:

Department I : 4000c + 1000v + 1000s = 6000

Department II : 1500c + 750v + 750s = 3000

Now, if capitalists of Department I capitalise half of the surplus value, it is evident that they will consume only 500. The remaining 500 will be broken into 400c + 100v as per the organic composition of capital of that department. The total demand that Department I will make for consumer goods will thus be 500s + 1000v + 100 additional v = 1600. But if Department II provides goods worth this value, it means that in exchange it will receive means of production of the same value from Department I, while it needs only 1500 worth of them to continue its production on the same old scale. In effect, Department II will have to expand. The capitalists of that department will have to increase their constant capital by 100, and along with it, as the organic composition of capital of that department requires, increase the variable capital by 50. The capital position of the two departments after expansion will thus be as follows:

Department I : 4400c + 1100v

Department II : 1600c + 800v

Assuming the rate of exploitation, that is, the ratio of s to v, to be constant as before, namely, 100 per cent, the surplus value generated in the two Departments in this second round will be 1100 and 800 respectively. Thus the picture of the two departments, at the end of the second round, will look like this:

Department I : 4400c + 1100v + 1100s = 6600

Department II : 1600c + 800v + 800s = 3200

Again the capitalists of Department I will convert half of their surplus value, of 1100s, into capital, and again the same old process will be repeated. This is how the process of accumulation, according to Marx, goes on in a capitalist society.

We do not intend to present here a detailed examination of these schemes. The intention is only to give an introductory outline of these schemes. This is necessary for an understanding of Rosa Luxemburg's theory of imperialism.

It must also be remembered that Marx, at the time of his death, left these schemes in an unfinished form - 'in the nature of notes, intended to clear the author's own mind, rather than final conclusions ready for the reader's enlightenment'.[12] We should, therefore, not expect too much from them. While concentrating on their illustrative

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12 Rosa Luxemburg, 'Accumulation of Capital', p.166. (R.K.P., London, 1951, Print 1971).

nature, we should neglect errors of detail.

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Marx's writings on colonialism also make a relevance to the theory of imperialism. Of course, imperialism is not the same thing as colonialism. There can be - and there is, as modern Marxist writers have been showing, imperialism without colonies. But colonialism did form an important part of imperialism of the nineteenth century.

Marx has shown that capitalism did not develop in isolated communities. Its advanced centres broke into and dominated less developed societies. Not only that the colonies provided vast markets for the sale of goods, they also opened up new investment opportunities. Colonies gave a higher rate of profit mainly because the rate of exploitation, s/v, could be much higher there than in the home countries where labour was organised and relatively scarce. Marx says, 'capital invested in colonies, etc., may yield a higher rate of profit for the simple reason that the rate of profit is higher there on account of the backward development, and for the added reason that slaves, coolies, etc. permit a better exploitation of labour.'[13]

The reports which Marx wrote for 'New York Daily Tribune', 'show ... that he regarded the bringing of the less developed countries under the temporary domination of

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13 'Capital', Vol.III, Chap. XIV, Section 5.

those which had reached a more advanced economic stage as an inevitable and necessary development.'[14]

The necessity of advanced capitalist centres to break into non-capitalist territories in search of market for goods has been stressed by Rosa Luxemburg; while that for better investment opportunities - for export of capital, has been emphasised by Hilferding and Lenin.

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Marx's concept of historical materialism provides the Marxists with a general tool to analyse developments that take place within a human society. All legal, political, educational, religious etc. forms and institutions as well as ideas and ideologies that develop within human societies are but a superstructure according to Marx, the roots of which are to be found in the material conditions - in the economic structure that exists at the base of this superstructure. This economic structure, although it appears as a relationship between things - land, labour, capital, commodities etc. - is in reality a relationship between people. People enter into this relationship while earning their living. Thus, the way of earning their living, the mode of production of a society, the particular stage of development of the productive forces, the technological conditions of

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14 Tom Kemp, 'Theories of Imperialism', p.17. (Dennis Dobson, London, 1967).

production - ultimately exert an influence over all social phenomena. Ideas are to be understood not as creating but as emerging from the various superstructures and the basic economic structure.

This is not to say that in their turn ideas do not react upon these structures. Once emerged, they may lead a life of their own and modify to some extent the structures on which they are based. However, what Marxism does say is that if there is no social sustenance for such ideas, they will eventually die out.

Imperialism, as a political form, and also as a set of ideas, emerged from a particular stage of development of productive forces and the accompanying relations of production. In the development of the capitalistic mode of production, a stage came when advancement of technology and competition among capitalists made it necessary to employ huge amounts of capital in industry. As a result, small producers were driven out. Only a few big were left. They fought each other on a world-scale, with all fair and fowl means. Lenin gives quite a number of striking examples of this.[15]

The most important critique of the Marxist view of imperialism, which is that imperialism is mainly a political phenomenon created by ambitious heads of states who may not

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15 See for example, the 'comedy of oil' - the story of competition between the Rockefeller Oil Trust and the Anglo-Dutch Shell Trust. Lenin, 'Imperialism...' pp.117-120. (F.L.P.H.Moscow, 11th impression).

necessarily have direct economic interests, arises from the misconception or cheap interpretation of historical materialism. "Because ideas have an eventual 'material' derivation, that does not mean that always and every where all ideas can be immediately traced to a well defined economic interest or motive. Since men's actions have to be mediatized, or may even be primarily governed, by thoughts, beliefs, ideas, their actual relationship in particular instances to the prevailing productive relations and class structure may be remote - but none the less they exist."[16] Marxist theory of ideology does not at all proclaim the direct self interest of the thinker in the ideas which he is propounding. Engels makes this very clear in his letter to Franz Mehring dated 14 July 1893: "Ideology is a process which of course is carried on with the consciousness of the so called thinker but with a false consciousness. The real driving forces which move him, he remains unaware of, otherwise it would not be an ideological process. He therefore imagines false or apparent driving forces. Because it is a thought process, he derives both its content and form from pure thought, either his own or that of his predecessors. He works with purely conceptual material which he unwittingly takes over as the product of thought and therefore does not investigate its relations to a process further removed from and independent of thought. Indeed this seems to him self-

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16 Tom Kemp, op.cit.,pp.11-12.

evident, for it appears to him that since all activity is mediated by thought, it is ultimately grounded in thought."[17] It would be a mockery of historical materialism to suppose that men's actions and ideas are always dominated by immediate self-interest. Never did Marx assume an 'economic man'. On the other hand, he always viewed them as possessing a diversity of psychological motives who were unable to transcend the laws imposed by the economic substructure of their society.[18]

Thus apparently imperialism may seem to be a military or political or ideological phenomenon, Marxists try to find out its material foundations. It is not merely a matter of accident that a fine crop of imperialists - statesmen and soldiers and ideologists - grew up in a particular period and in particular countries. Marxists believe that the forces of production must have reached a certain stage in this period and must have generated such elements that shaped human thought and action in that particular way. Lenin and Bukharin and Luxemburg and Hilferding were the starting investigators in this field. We have to see how much did they succeed in their attempt and paved the way for others.

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17 Cited by Tom Kemp, op.cit., p.12.

18 Marx's basic propositions about this can be found in his preface to 'A Critique of Political Economy'.

CHAPTER II

LENIN : EMPHASIS ON INTERNAL DEVELOPMENTS OF CAPITALISM

Lenin wrote his 'Imperialism : the Highest Stage of Capitalism' in the spring of 1916, in Zurich, in the middle of the carnage of the First World War and on the eve of the Russian Revolution. His intention was not to write a purely academic treatise. For him, the only purpose of theory was action. He wanted to guide the followers of Marx to take a proper theoretical and tactical attitude towards the contemporary problem of imperialism. He wanted to explain to the international socialist movement the nature of the forces which had brought about the war and, at the same time, the collapse of the Second International.[1] In his own words, "It is proved in the pamphlet[2] that the war of 1914-18 was imperialistic (that is, an annexationist, predatory, plunderous war) on the part of both sides; it was a war for the division of the world, for the partition and repartition

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1 Second International was a sort of a federation of socialist parties and trade unions of different countries. It collapsed in the face of the First World War because a bulk of socialists in different countries supported the war-efforts of their respective governments. For a rather detailed information about the Second International, see L. Kolakowski, 'Main Currents of Marxism', Vol.II, Chap.I, (Claredon, Oxford, 1978).

2 i.e. in 'Imperialism : the Highest Stage of Capitalism'.

of colonies, 'spheres of influence' of finance capital etc."[3]

For Lenin, imperialism is not a policy adopted by capitalism. It is the actual stage in the development of capitalism. He describes the important characteristics of this stage in the following way: "Imperialism is capitalism in that stage of development in which the domination of monopolies and finance capital has established itself; in which the export of capital has acquired pronounced importance; in which the division of the world among international trusts has begun; in which the partition of all the territories of the globe among the great capitalist powers has been completed."[4]

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We shall quote extensively from Lenin's own book. His exposition is so clear and his style is so forceful and illustrative that it hardly needs any further explanation. Lenin begins his work ('Imperialism...') with the descriptio of the passage from free competition capitalism to monopoly capitalism.[5] He thinks it improper to answer when exactly

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3 Lenin, op.cit., p.9.

4 Ibid., pp.151-52.

5 Lenin does not use the word 'monopoly' in the sense of a single producer dominating the market. He uses it to describe trusts, cartels, combines etc. and big business in general where extreme concentration and centralisation of capital can be found.

this passage took place. This is because "all the boundaries in nature and in society are conditional and changing and it would be absurd to dispute, for instance, over the year or decade in which imperialism became 'definitely' established."[6] Nevertheless, Lenin quotes Th.Vogelstein and sums him up as follows: "The principal stages in the history of monopolies are the following: (1) 1860-70, the highest stage, the apex of development of free competition; monopoly is in the barely discernible, embryonic stage. (2) After the crisis of 1873, a lengthy period of development of cartels; but they are still the exception. They are not yet durable. They are still a transitory phenomenon. (3) The boom at the end of the nineteenth century and the crisis of 1900-03. Cartels become one of the foundations of the whole of economic life. Capitalism has been transformed into imperialism."[7]

Lenin gives many examples of the formation of monopolies in the capitalist countries. A few can be quoted here: "American statistics divide all industrial enterprises into those belonging to individuals, to private firms or to corporations. The latter ... employed in 1904, 70.6 per cent, and in 1909, 75.6 per cent, i.e. more than three-fourths of the total wage earners. Their output amounted at these two dates to... 73.7 per cent and 79.0 per cent

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6 Lenin, op.cit., p.

7 Ibid., p.31.

of the total respectively."[8] So also, "Not infrequently cartels and trusts concentrate in their hands seven - or eight-tenths of the total output of a given branch of industry. The Rhine - Westphalian Coal Syndicate at its foundation in 1893, concentrated 86.7 per cent of the total coal output of the area, and in 1910 it already concentrated 95.4 per cent."[9] It was Heymann who wrote thus about Germany: "There remain, on the one hand, the big coal companies, producing millions of tons yearly, strongly organised in their coal syndicate, and on the other, the big steel plants, closely allied to the coal mines, having their own steel syndicate. These giant enterprises, producing 400,000 tons of steel per annum, with a tremendous output of ore and coal and producing finished steel goods, employing 10,000 workers quartered in company houses, and sometimes owning their own railways and ports, are the typical representatives of the German iron and steel industry. And concentration goes on further and further. Individual enterprises are becoming larger and larger. An ever increasing number of enterprises in one, or in several different industries, join together in giant enterprises, backed up and directed by half a dozen big Berlin banks. In relation to the German mining industry, the truth of the teachings of Karl Marx on concentration is

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8 Ibid., p.32.

9 Ibid., pp.32-33.

definitely proved...."[10]

Forming of monopolies does not remain a matter of choice for the capitalists. It becomes inevitable. The "non-combined enterprises perish, crushed by the high price of raw material and low price of the finished product."[11] In the struggle between the cartels and outsiders - i.e. the capitalists outside the cartels, the outsiders have compulsorily to submit to monopolist combines. "We see here the monopolists throttling those who do not submit to them, to their yoke, to their dictation."[12] All sorts of methods of non-co-operation and boycott are used for this purpose. "Monopoly hews a path for itself everywhere without scruple as to the means, from paying a 'modest' sum to buy off competitors to the American device of employing dynamite against them."[13] "Domination, and violence that is associated with it, such are the relationships that are typical of the 'latest phase of capitalist development', this is what inevitably had to result, and has resulted, from the formation of all-powerful economic monopolies."[14]

However, "we shall only have a very insufficient, incomplete, and poor notion of the real power and the

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10 Cited by Lenin, Ibid., p.25.

11 Ibid., p.24. Here Lenin makes use of Heymann's writing.

12 Ibid., p.39.

13 Ibid., p.42.

14 Ibid., p.41.

significance of modern monopolies if we do not take into consideration the part played by the banks."[15]

Banks are mainly supposed to act as middlemen in the making of payments. While acting so, they transform inactive money capital into capital yielding profit. With the development of banking, the process of concentration is marked in this field also. When this happens, "the banks grow from humble 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 of the sources of raw materials of the given country and in a number of countries. This transformation of numerous humble middlemen into a handful of monopolists represents one of the fundamental processes in the growth of capitalism into capitalist imperialism."[16]

After giving a number of examples of how the process of concentration was going on in the field of banking in different countries of Europe and in the U.S.A., Lenin states how, when only a few banks are left as a result of the concentration process, a tendency towards monopolist agreements, towards a 'bank-trust' develops. After this development, the industrial capitalist completely loses his independence. The German experience was well reflected in the 'Frankfurter

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15 Ibid., p. 45.

16 Ibid., p. 46.

Zeitung': "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."[17]

"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 obtain the opportunity - 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 entirely determine their fate, determine their income, deprive them of capital, or permit them to increase their capital rapidly and to enormous dimensions etc."[18]

A personal union gets established between the banks and the biggest industrial and commercial enterprises. This is their merging of one with another through the acquisition of shares and through the appointment of bank directors to the boards of directors of industrial and commercial enterprises and vice versa. This personal union is supplemented

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17 Ibid., pp.63-64.

18 Ibid., p.54.

by the personal union between both and the government. City councillors, members of parliament, ex-civil servants etc. are frequently appointed on the supervisory boards of big banks and companies 'to facilitate relations with the authorities'. Thus the building of the big capitalist monopolies goes on full steam ahead in all 'natural' and 'supernatural' ways.

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."[19]

Hilferding had defined finance capital in the following way: "Finance capital is capital controlled by banks and employed by industrialists."[20] Lenin, however, found insufficiency in this definition in so far as it was silent on an important fact - that of the tremendous concentration of production and of capital which had led to monopoly.

Lenin mentions devices like the 'holding system', 'interlocking of capital', etc. by which finance capital developed. He quotes Liefmann who says: "Experience shows that it is sufficient to own 40 per cent of the shares of a company in order to direct its affairs."[21] This is because of the fact that a number of small scattered shareholders practically find it impossible to attend general meetings.

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19 Ibid., p.74.

20 Cited by Lenin, Ibid., p.75.

21 Liefmann, Beteiligungsgesellschaften, Cited by Lenin, ibid., p.78.

Issuing of shares of smaller denomination thus becomes a way of increasing the power of the financial oligarchy. "The one pound share is the basis of British imperialism" - this was told to the Reichstag by Siemens, the big industrialist and financial king of Germany.[22] "This merchant", according to Lenin, "has a much deeper and more Marxian understanding of imperialism than a certain disreputable writer who is held to be one of the founders of Russian Marxism[23] and believes that imperialism is a bad habit of a certain nation."[24]

Imperialism, according to Lenin, is that stage in the development of capitalism when finance capital begins to dominate the whole of economic life. He says, "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 final stage of capitalism at 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;

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22 Lenin, Ibid., p.79.

23 Lenin here refers to G. V. Plekhanov. See ibid., p.226, n.8.

24 Lenin, Ibid., p.79.

it means the singling out of a small number of financially powerful states from among all the rest."[25]

On the basis of statistics provided by Neymarck regarding the financial securities current in the world in the year 1910, Lenin points out that nearly 80 per cent of the world's finance capital was owned by only four of the richest capitalist countries, viz. England, France, U.S.A. and Germany. The whole of the rest of the world was debtor to these international banker countries. It is significant to note that two of these countries, England and France, the oldest capitalist countries, possessed the most colonies; while the other two, the U.S. and Germany, though the leading capitalist countries at the time as regards rapidity of development and the degree of extension of capitalist monopolies in industry, lagged behind in the field of colonial possessions.

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Export of capital is another important characteristic of the period of imperialism. As Lenin says, "Typical of the old capitalism, when free competition had undivided sway, was the export of goods. Typical of the latest stage of capitalism, when monopolies rule, is the export of capital."[26]

The necessity of exporting capital arises because in a few advanced capitalist countries accumulation of capital

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25 Ibid., p.98.

26 Ibid., p.102.

reaches gigantic proportions which cannot find a field for profitable investment there. Export of capital abroad to backward countries ensures a higher rate of profit.[27] Lenin writes: "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."[28] Lenin calculates that even at the modest rate of five per cent, the income from the sum invested by the three principal capitalist countries, on the eve of the World War I, amounted to a sum of eight to ten billion francs per annum. "A solid 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!"[29]

This economic parasitism is another important aspect of imperialism. It is the "extraordinary growth of a class, or rather, of a stratum of rentiers, i.e. people who live by 'clipping coupons', who take no part in any enterprise whatever, whose profession is idleness."[30] Lenin tells us that the income of the rentiers in England in the year 1899 was five times greater than the income obtained from her foreign trade. England granted loans to Egypt, Japan, China and South America. Her navy played a part of the bailiff in

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27 We have already explained the higher rate of profit in colonies. See Chap.I, p.11.

28 Lenin, op.cit., p.104.

29 Ibid., p.106.

30 Ibid., pp.171-72.

case of necessity. Her political power protected her from the indignation of her debtors. It was Schulze Gaevernitz who wrote thus about England's growing parasitism and its relation to imperialism: "Great Britain is gradually becoming transformed from an industrial into a creditor state... the relative importance of income from interest and dividends, issues of securities, commissions and speculation is on the increase in the whole of the national economy. In my opinion it is precisely this that forms the economic basis of imperialist ascendancy. The creditor is more firmly attached to the debtor than the seller is to buyer."[31]

The export of capital also becomes a means for encouraging the export of commodities. While granting loans, conditions like 'part of the loan must be spent on purchases in the creditor country' etc. are generally put. "Krupp in Germany, Schneider in France, Armstrong in England are instances of firms which have close connections with powerful banks and governments and cannot easily be ignored when a loan is being arranged."[32]

Under capitalism, the home market is inevitably bound up with the foreign market. As the export of capital increases, and as the foreign and colonial connections and spheres of influence of the big monopolist combines expand in all ways, a tendency towards an international agreement

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31 Cited by Lenin, Ibid., p.174.

32 Lenin, Ibid., p.109.

among the combines and towards formation of international cartels takes place. 'Supermonopolies' begin to develop.

These supermonopolies - such as international cartels, divide, by agreement, the world market among their members. For example, "The first attempt of the British, Belgian and German rail manufacturers to form such a cartel was made as early as 1884, during a severe industrial depression. The manufacturers agreed not to compete with one another in the home markets of the countries involved and they divided the foreign markets in the following quotas: Great Britain, 66 per cent; Germany 27 per cent; and Belgium 7 per cent. India was reserved entirely for Great Britain. Joint war was declared against a British firm which remained outside the cartel."[33]

Formation of international cartels, however, need not raise the hope of peace among nations under capitalism. The cartels divide the world, "in proportion to capital, in proportion to strength, because there cannot be any other method of division under commodity production and capitalism. But strength varies with the degree of economic and political development."[34] With the variation of relative strength, there arises the need for redivision - and this may not be quite a peaceful redivision. So long as the substance of the struggle (i.e. the need to divide the world, arising out

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33 Ibid., p.123.

34 Ibid., p.126.

of the excessive concentration of capital and of production under capitalism) stays, the form of the struggle (to-day peaceful, tomorrow warlike, the next day warlike again) becomes quite immaterial. To concentrate on the form, neglecting the substance, (and thus to cherish hopes of world peace under capitalism) is theoretically "absolutely absurd, while in practice, it is sophistry and a dishonest defence of the worst opportunism."[35]

The territorial division of the world among great powers is in fact, closely connected with the economic division of the world among capitalist combines. Lenin writes, "The epoch of the latest stage of capitalism shows us that certain relations between capitalist combines grow up, based on the economic division of the world; while parallel and in connection with it, certain relations grow up between political combines, between states, on the basis of the territorial division of the world, of the struggle for colonies, of the struggle for economic territory."[36]

It is not merely a matter of accident that when free competition flourished in Britain, the leading British politicians of the period opposed to colonial policy; while 'the heroes of the hour' in England[37] at the end of the nineteenth

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35 Ibid., p.125. Lenin here attacks those socialists, e.g. Kautsky, who advocated that capitalism may become successful in avoiding wars.

36 Ibid., p.127.

37 Here Lenin refers to Cecil Rhodes and Joseph Chamberlain.

century, when monopolies had begun to dominate, openly advocated imperialism and applied the imperialist policy in the most cynical manner.

"The characteristic feature of the period (end of the nineteenth century)", writes Lenin, "is the final partition of the globe - final, not in the sense that a repartition is impossible; on the contrary, repartitions are possible and inevitable - but in the sense that the colonial policy of the capitalist countries has completed the seizure of the unoccupied territories on our planet. For the first time the world is completely divided up, so that in the future only redivision is possible, i.e. territories can only pass from one owner to another, instead of passing as ownerless territory to an owner."[38]

About the desparate struggle for colonies, Lenin writes: "the more capitalism is developed, the more strongly the shortage of raw materials is felt, the more intense the competition and the hunt for sources of raw materials throughout the whole world, the more desparate is the struggle for the acquisition of colonies."[39]

The expansionary tendency of finance capital is described thus: "Finance capital is interested not only in the already discovered sources of raw materials but also in potential sources, because present-day technical development

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38 Lenin, op.cit., p.129.

39 Ibid., p.140.

is extremely rapid, and land which is useless to-day may be made fertile tomorrow if new methods are devised (to this end a big bank can equip a special expedition of engineers, agricultural experts, etc.) ... This also applies to prospecting of raw materials ... etc. Hence, the inevitable striving of finance capital to enlarge its economic territory and even its territory in general. ... Finance capital in general strives to seize the largest possible amount of land of all kinds in all places, and by every means, taking into account potential sources of raw materials and fearing to ~~the~~ be left behind in the fierce struggle for the last scraps of undivided territory, or for the repartition of those that have been already divided."[40]

A subjugation which involves the loss of political independence of the subjugated peoples is generally convenient and more profitable for finance-capital. However, finance capital is such a decisive force in international relations that it is capable of subjugating to itself even states enjoying the fullest political independence. "Portugal is an independent sovereign state", writes Lenin, "but actually, for more than two hundred years, since the war of Spanish succession (1701-14), it has been a British protectorate. Great Britain has protected Portugal and its colonies in order to fortify her own positions in the fight against her rivals - Spain and France. In return, Great Britain has

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40 Ibid., pp.141-42.

received commercial privileges, preferential conditions for importing goods and especially capital into Portugal and the Portuguese colonies, the right to use the ports and islands of Portugal, its telegraph cables, etc.etc."[41] Thus, mostly direct but sometimes also indirect control of every corner of the world is an important characteristic of imperialism.

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After elaborating all the major characteristics of imperialism in length, Lenin turns to define imperialism. To start with, he gives a very brief definition: "If it were necessary to give the briefest possible definition of imperialism, we should have to say that imperialism is the monopoly stage of capitalism".[42] This definition, however, may not embrace all the concatenations of imperialism in its complete development. So he gives a very broad and comprehensive definition of imperialism: "We must give a definition of imperialism that will include the following five of its basic features: (1) the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life; (2) the merging of bank capital with industrial capital, and the creation, on the basis of this 'finance capital', of a financial oligarchy; (3) the export

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41 Ibid., pp.145-46. Here Lenin makes use of Schilder's writing.

42 Ibid., p.150.

of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist combines which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed."[43]

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Can imperialism be regarded not as a necessary stage of capitalist development but merely a policy of the system? Lenin's answer is: "Certainly not". Such a theory, according to him, is nothing but an expression of revisionism and opportunism. For, this theory means that imperialism is a matter of choice for the capitalist countries. This then, leads to a possibility of permanent peace under capitalism. Kautsky had, in fact, suggested such a possibility. In his paper 'Die Neue Zeit' he had written that the capitalist nations were bound to recognise that a strife was a retrograde phenomenon which did not really serve their fundamental interests and that they would see that a collective approach to their problems would be more rational. "Cannot the present imperialist policy", Kautsky had asked, "be supplanted by a new, ultraimperialist policy, which will introduce the joint exploitation of the world by internationally united finance capital in place of the mutual rivalries of national finance

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43 Ibid., p.151.

capitals?"; and he had answered, "such a new phase of capitalism is at any rate conceivable".[44] This was a grave mistake. For, it meant that capitalism did possess the required rationality, that it was capable of solving its own problems, that its collapse was no more inevitable! Lenin attacked this 'silly little fable'[45] of ultraimperialism as not only wrong but also as serving a basis for a whole system of views which signified a rupture with Marxian theory and Marxian practice. Instead of revealing to the people the true capitalistic nature of the war, it lulled them over the contemporary problems by raising false hopes of future peace. Lenin's own position was that "capitalism was incapable of evolving towards a stable ultraimperialism... Because of the inherent characteristic of uneven development, capitalist powers tended to grow at different rates; their balance of forces was constantly shifting. As a result, any alliances or understandings among them were bound to break down. Under the pressure of relative changes in their economic needs, periodic reallocation of their colonial empires would inevitably be required. But the claims of late-comers would naturally be resisted by older powers anxious to maintain the status-quo, so imperialist war was inevitable. It was not a policy of capitalism which could conceivably be

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44 Cited by B.J.Cohen, 'The Question of Imperialism', p.48 (Macmillan, 1973).

45 Lenin's own words.

discarded, but a stage of capitalism that could not possibly be avoided."[46]

Lenin traces a close connection between imperialism and the growth of opportunism within the working-class movement: "Imperialism... which means high monopoly profits for a handful of very rich countries, creates the economic possibility of bribing the upper strata of the proletariat, and thereby fosters, gives shape to and strengthens opportunism."[47] This fact was observed by Engels also, who, in his letter to Marx on October 7, 1858, wrote: "The English proletariat is actually becoming more and more bourgeois."[48] Again, in 1881, he spoke of the "worst English trade unions which allow themselves to be led by men sold to... the middle class."[49]

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We can end Lenin's discussion about imperialism by pointing out some of the misconceptions which he clears out. Thus, some 'simple-minded theorists' think that imperialist wars can be avoided by democratic and constitutional means. These are, according to Lenin, only 'pious wishes' as they refrain from recognising the inseverable bond between

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46 B.J.Cohen, op.cit., p.49.

47 Lenin, op.cit., p.179.

48 Cited by Lenin, ibid., p.184.

49 Ibid.

imperialism and the foundations of capitalism.

Some others believe in reforming the base of imperialism. Hobson, for example, believed in increasing consumption of masses in capitalist countries so that there would be no need to find markets abroad. Lenin's only short answer to this is: "Increasing consumption?-and under capitalism?"

Still others believe in cutting down monopolies and reestablishing free competition as a means to fight imperialism. Lenin reminds them that capitalism has already passed the stage of free-competition. Monopolies have already grown - and grown precisely out of free-competition! How can there be a going back now? "The aim of proletarian policy cannot now be the ideal of restoring free competition - which has now become a reactionary ideal - but the complete elimination of competition by the abolition of capitalism."[50]

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50 Hilferding, 'Finance Capital', p.567. Cited by Lenin, Ibid., p.195.

CHAPTER III

ROSA LUXEMBURG : EMPHASIS ON THE IMPOSSIBILITY OF ACCUMULATION

Marx had maintained that capitalism was bound to break down by its own contradictions, especially those connected with the concentration of capital. Rosa Luxemburg wanted to define exactly the conditions under which capitalism would become an economic impossibility. The key to this had already been provided by Marx - the schemes of social reproduction worked out by him.

Marx did not live long to present these schemes in a neat well finished form. Rosa says: "...we must bear in mind above all that this second volume[1] is not a finished whole but a manuscript that stops short half way through. The external form of its last chapters in particular proves them to be in the nature of notes, intended to clear the author's own mind,[2] rather than find conclusions ready for the reader's enlightenment."[3] Also, "The third section

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1 Here she refers to the second volume of 'Capital'.

2 "Heaven help us if posterity is to pore over all the backs of old envelopes on which economists have jotted down numerical examples ~~on which economists have jotted down numerical examples~~ in working out a piece of analysis." Joan Robinson, in her introduction to Rosa Luxemburg's 'The Accumulation of Capital'. See 3 below.

3 Rosa Luxemburg : The Accumulation of Capital, pp. 165-66. Routledge and Kegan Paul, London, 1971 print.

which treats of the reproduction of total capital is merely a collection of fragments which Marx himself considered to be 'very much in need of revision'."[4]

Rosa concentrates herself on chapter 21 of the second volume of 'Capital' - 'On Accumulation and Enlarged Reproduction'. Though she considers this to be the 'most incomplete'[5] part of the whole book, it is 'of primary importance'[6] for her purpose. If only she can show by analysing Marx's scheme of enlarged reproduction,[7] that capital accumulation is impossible under pure capitalism,[8] she would thereby provide a missing link in Marx's analysis of a capitalist break down and thus would complete his unfinished work.

We have already seen a numerical example of extended reproduction[9] which gave us the following picture of the first two rounds of production:

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4 Ibid., p.169.

5 Ibid.

6 Ibid.

7 We have used the word 'extended reproduction' in the first chapter. 'Extended reproduction' and 'enlarged reproduction' are the same thing. The words are often used interchangeably. In this chapter, while quoting from Rosa Luxemburg, naturally the word 'enlarged reproduction' will be repeated.

8 'Pure capitalism' is that system where only two classes exist: the class of labourers and the class of capitalists.

9 See Chapter 1, p.9.

Stage

1. Department I : 4000c + 1000v + 1000s = 6000
   Department II : 1500c + 750v + 750s = 3000

2. Department I : 4400c + 1100v + 1100s = 6600
   Department II : 1600c + 800v + 800s = 3200

We can further work this scheme out adopting the same procedure as employed before[10] (i.e. capitalise half of the s of Department I, divide it according to the organic composition of capital of that department and add respective shares to its constant and variable capitals, make the constant capital of Department II equal to $\frac{1}{2}$ s + v + add. v of Department I and expand the variable capital of Department II according to its organic composition of capital). When so worked, we get the following result:

Stage

3. Department I : 4840c + 1210v + 1210s = 7260
   Department II : 1760c + 880v + 880s = 3250

4. Department I : 5324c + 1331v + 1331s = 7986
   Department II : 1936c + 968v + 968s = 3872

5. Department I : 5856c + 1464v + 1464s = 8784
   Department II : 2129c + 1065v + 1065s = 4259

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10 i.e. in Chapter I.

Stage

6. Department I : 6442c + 1610v + 1610s = 9662

Department II : 2342c + 1172v + 1172s = 4686[11]

This can go ad infinitum.

What we find in this scheme is that "Department I retains the initiative all the time, Department II being merely a passive follower. Thus, the capitalists of Department II are only allowed to accumulate as much as, and are made to consume no less than, is needed for the accumulation of Department I."[12]

More seriously, Rosa thinks the defect to be that, "while in Department I half the surplus value is capitalised every time, and the other half consumed, so that there is an orderly expansion both of production and of personal consumption by the capitalists, ...(in Department II) there is no rule in evidence for accumulation and consumption to follow; both are wholly subservient to the requirements of accumulation in Department I."[13]

Rosa points out that the defect may be due to "a rather unhappy choice of example".[14] She thinks that Marx himself was also not very much satisfied with these figures which is

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11 The rate of surplus value, s/v, is assumed to be constant for convenience.

12 Rosa Luxemburg, op.cit., p.122.

13 Ibid.

14 Ibid.

why he proceeded forthwith to give another example. This another example given by Marx is as follows:

Stage

1. Department I : 5000c + 1000v + 1000s = 7000
   Department II : 1430c + 285v + 285s = 2000

When worked out in successive stages, this example gives the following picture:

Stage

2. Department I : 5417c + 1083v + 1083s = 7583
   Department II : 1583c + 316v + 316s = 2215

3. Department I : 5869c + 1173v + 1173s = 8215
   Department II : 1715c + 342v + 342s = 2399

4. Department I : 6358c + 1271v + 1271s = 8900
   Department II : 1858c + 371v + 371s = 2600

In this example, there is some definite rule to be seen. Department I always capitalises half of its surplus value; while, from the third stage onwards, Department II also starts capitalising half of its surplus value (e.g. out of the surplus value of 316 which they get at the end of the second stage, the capitalists of Department II capitalise half i.e. 158, which can be seen in the example if we add the net increase in the constant and variable capital in the next round i.e. $\underline{1715 - 1583} + \underline{342 - 316} = 132 + 26 = 158$).

So surely, this example is better than the first one where there was no uniformity in the two departments with respect to the proportion of their surplus value to be capitalised.

However, the real difficulty is not solved, because it is a difficulty which arises not out of the choice of some arithmetical example, but out of the working of the capitalist system itself. Rosa says, "There can be no doubt that under capitalist conditions Department II is dependent upon Department I in so far as its accumulation is determined by the additional means of production available. Conversely, the accumulation in Department I depends upon a corresponding quantity of additional consumer goods being available for its additional labour power. It does not follow, however, that so long as both these conditions are observed, accumulation in both departments is bound, as Marx's diagram makes it appear, to go on automatically year after year. The conditions of accumulation we have enumerated are no more than those without which there can be no accumulation. There may even be a desire to accumulate in both departments, yet the desire to accumulate plus the technical prerequisites of accumulation is not enough in a capitalist economy of commodity production. A further condition is required to ensure that accumulation can in fact proceed and production expand: the effective demand for commodities must also increase. Where is this continually increasing demand to come from which in Marx's diagram forms the basis of reproduction on

an ever rising scale?"[15]

So the real problem is that of finding an effective demand for commodities. The production will not go on increasing as depicted in the scheme if goods will not be sold in the market - and this is what exactly happens under 'pure capitalism' according to Rosa. Paul M. Sweezy explains this point as follows: "The value of all commodities and hence of the total social output, consists of constant capital plus variable capital plus surplus value. The constant capital is realised through the replacement purchases of capitalists themselves; the variable capital is realised through the expenditure by workers of their wages; so much is clear. But how is it with surplus value? A part is purchased by the capitalists for their own consumption; another part they wish to accumulate, and here is the difficulty: 'where is the demand for the accumulated surplus value?' The capitalists certainly cannot realise the surplus value which they wish to accumulate by selling it to workers, for the latter exhaust their wages in realising the variable capital. They cannot sell it to themselves for consumption, for then we should be back in simple reproduction. 'Who, then can be the taker or consumer for the social portion of commodities the sale of which is a necessary prerequisite of capital accumulation?'"[16]

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15 Rosa Luxemburg, op.cit., p.131.

16 Paul M. Sweezy, 'The Theory of Capitalist Development', pp.202-03, Modern Reader, New York, 1970 print.

Rosa says the same thing in the following words: "The difficulty had been that for the purpose of accumulation, part of the surplus value is not consumed by the capitalists but added to capital in order to expand production, giving rise to the question of buyers for this additional product. The capitalists do not want to consume it and the workers are not able to do so, their entire consumption being covered in every case by the available variable capital. Whence the demand for accumulated surplus value?"[17]

Marx himself seems to be aware of this difficulty - the difficulty that accumulation is impossible under 'pure capitalism' as the conversion of surplus value into money, which is an essential prerequisite of accumulation, cannot take place there. Rosa says, "The obstacle in the way of realising the surplus value... is important enough for the whole further discussion in 'Capital', Vol.ii, to be concentrated on overcoming it."[18] Marx offers various solutions but comes to the conclusion that they cannot work.[19] He examines various possible sources of money which the capitalists must get in order to further accumulation. Thus, could they get this money by depressing the wages? - or by employing some hidden methods such as the truck system,

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17 Rosa Luxemburg, op.cit., p.143.

18 Ibid., p.141.

19 "Marx then considers all conceivable dodges, only to show them up as evading the issue", Rosa Luxemburg, ibid., p.152.

frauds etc.? Could they draw on the cash reserves which the capitalists in Department II keep for the circulation of their own consumption? Could money-capital be formed in the hands of one capitalist group in Department II by defrauding the other capitalists within the same department - viz. in the process of the mutual selling of consumer goods? Marx himself refutes all these possibilities[20] as a real solution to the problem.

Marx also considers the producers of gold. Can they solve the problem? Surely, they can purchase commodities without having to sell any and thus throw into circulation net additions of money so badly needed for accumulation. Marx, however, does not find even this solution to be very helpful. He writes: "If we were to conceive of the process of circulation as one taking place in a straight line between the various divisions of annual reproduction - which would be incorrect as it consists with a few exceptions of mutually retroactive movements - then we should have to start out from the producer of gold (or silver) who buys without selling, and to assume that all others sell to him. In that case the entire social surplus product of the current year would pass into his hands, representing the entire surplus value of the year, and all the other capitalists would distribute among themselves their relative shares in his surplus product, which consists naturally of money, gold being the

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20 'Capital', Vol.II, translated by E. Untermann, Chicago, 1907, pp.594-95.

natural form of his surplus value. For, that portion of the product of the gold producer, which has to make good his active capital, is already tied up and disposed of. The surplus value of the gold producer, in the form of gold, would then be the only fund from which all other capitalists would have to derive the material for the conversion of their annual surplus-product into gold. The magnitude of its value would then have to be equal to the entire annual surplus value of society, which must first assume the guise of a hoard. Absurd as this assumption would be, it would accomplish nothing more than to explain the possibility of a universal formation of a hoard at the same period. It would not further reproduction itself, except on the part of the gold producer, one single step."[21]

The difficulty is not solved because gold, after all, is only a medium of exchange. The problem created by the refusal of the capitalists to consume the whole of their surplus value can only be solved if we assume someone, say gold producers, to increase their consumption so as to compensate for the deficiency. The real problem is thus of finding a consumer. Rosa writes: "We should not ask, accordingly: Where does the money required for realising the surplus value come from? but: Where are the consumers for this surplus value? It is they, for sure, who must have this money in hand in order to throw it into circulation."[22]

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21 Ibid., pp.573-74.

22 Rosa Luxemburg, op.cit., p.159.

This is where we come across the necessity for capitalism of the non-capitalist forms of social organisation. Capitalism cannot consume the whole of what it produces. The deficiency is to be made up by persons not belonging to the capitalist system.[23] This is the central point in Rosa Luxemburg's theory of imperialism and she repeats it now and again in different forms. For example: "...the immediate and vital conditions for capital and its accumulation is the existence of non-capitalist buyers of the surplus value...".[24] Also, "Whatever the theoretical aspects, the accumulation of capital, as an historical process, depends in every respect upon non-capitalist social strata and forms of social organisation."[25]

These strata and these forms were necessary for capitalism from its very birth. Rosa writes: Capitalism arises and develops historically amidst a non-capitalist society. In Western Europe it is found at first in a feudal environment from which it in fact sprang - the system of bondage in rural areas and the guild system in the towns - and later, after having swallowed up the feudal system, it exists

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23 These are consumers "who are altogether outside the capitalist system either because the country in which they live is still untouched by capitalism or because the section of the population to which they belong (e.g. peasants) still lives on the level of simple commodity production." P.M.Sweezy, op.cit., p.203.

24 Rosa Luxemburg, op.cit., p.366.

25 Ibid.

mainly in an environment of peasants and artisans, that is to say in a system of simple commodity production both in agriculture and trade. European capitalism is further surrounded by vast territories of non-European civilisation ranging over all levels of development, from the primitive communist hordes of nomand herdsmen, hunters and gatherers to commodity production by peasants and artisans. This is the setting for the accumulation of capital."[26]

The non-capitalist countries and strata of population, however, begin to lose their non-capitalist nature as soon they come into contact with the capitalist countries. Eventually, they are drawn one by one into the orbit of capitalism. Capitalism, thus, corrodes and assimilates them. It goes on destroying the very ground necessary for its own existence. As this sphere becomes less and less, struggle goes on increasing among the capitalist countries for its acquisition.

Imperialism, thus, arises as a striving on the part of all capitalist nations to get control over as much as possible of the still-remaining non-capitalist world. According to Rosa, it is "the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment."[27]

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26 Ibid., p.368.

27 Ibid., p.446.

It is "the competitive struggle of capital on the international stage for the remaining conditions of accumulation."[28] "Its predominant methods are colonial policy, an international loan system - a policy of spheres of interest - and war. Force, fraud, oppression, looting are openly displayed without any attempt at concealment, and it requires an effort to discover within this tangle of political violence and contests of power the stern laws of the economic process."[29] Yet, "there is no doubt that the explanation for the economic roots of imperialism must be deduced from the laws of capital accumulation, since, according to common empirical knowledge, imperialism as a whole is nothing but a specific method of accumulation."[30]

This is how Rosa has expressed her conception of imperialism.

Lastly, Rosa also thinks imperialism as "capitalism in the final stage of its career."[31] It is a sure means of bringing capitalism to a swift conclusion. "With the high development of the capitalist countries and their increasingly severe competition in acquiring non-capitalist areas,

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28 Ibid., p.368.

29 Ibid., p.452.

30 Rosa Luxemburg, 'The Accu... An Anti-critique' in 'Imperialism...' p.61. ed. by Tarbuck. Allen Lane, London, 1972.

31 Rosa Luxemburg, op.cit., p.417.

imperialism grows in lawlessness and violence, both in aggression against the non-capitalist world and in ever more serious conflicts among the competing capitalist countries. But the more violently, ruthlessly and thoroughly imperialism brings about the decline of non-capitalist civilisations, the more rapidly it cuts the very ground from under the feet of capitalist accumulation. Though imperialism is the historical method for prolonging the career of capitalism, it is also a sure means of bringing it to a swift conclusion."[32]

To sum up Rosa Luxemburg's theory of imperialism, we say the following: Starting from Marx's schemes of reproduction, Rosa comes across the same difficulty faced by Marx - the difficulty of realisation of surplus value. Rosa thinks that capitalism can solve this difficulty only by expanding into non-capitalist territories and sections of population. This expansion, however, turns them into the capitalist form. Thus, the sphere vitally necessary for the existence of capitalism gets reduced and with this, intensifies the struggle for the acquisition of what is still left. The process also leads to the final breakdown of capitalism as after the complete exhaustion of all the non-capitalist spheres, there would be no scope left for further accumulation.

Imperialism is a necessity of accumulation. At the

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32 Ibid., p.446.

same time, it is a process exhausting the possibilities of accumulation. It, thereby, brings an end of capitalism.

CHAPTER IV

HILFERDING AND BUKHARIN : FINANCE CAPITAL, WORLD ECONOMY AND IMPERIALISM

Hilferding's 'Das Finanzkapital' was published in 1910. The book was "an immediate success, quickly becoming... famous and respected on the continent."[1]

The book is not directly devoted to the topic of imperialism. Hilferding scarcely uses the word 'imperialism'. However, all the major elements of the concept are present there.

Hilferding's main interest is to describe the internal developments in the major capitalist countries. He is perhaps the first important Marxist to deal systematically with the phenomenon of joint-stock companies (though Marx himself had made some important comments on this form in Chapter 27 of the third volume of 'Capital').

Joint-stock companies, according to Hilferding, bring out an enormous centralisation of capital. This becomes possible because they collect capital from many small shareholders. They amalgamate many capitals into one.

It is the relative financial strength of a company which decides whether it would become dependent on others or

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1 B.J.Cohen, 'The Question of Imperialism', p.44. Macmillan, London, 1974.

whether it would make others dependent on it. This explains the contageous spread of monopolies. The smaller firms have either to act as mere agents of the bigger ones or to form counter monopolies to face them.

Banks play a particularly significant role in the development of monopolies. They aim at preventing competition among their customer firms. This is because there is always a possibility that some firms may be driven to bankruptcy under pressures of competition, which is harmful to the interests of the banks. Monopolies, on the other hand, assure them a safer and a higher return on their investment.

Hilferding's concept of 'finance capital' arises on this background. Finance capital, according to him, is "capital controlled by banks and employed by industrialists."[2] Earlier, Marx had talked of three types of capital - industrial capital, financial capital, and commercial capital.[3] This classification was according to the use of money capital, whether in 'productive' enterprises, or in financial transactions, or in the sale and purchase of commodities. Hilferding modified the idea. Finance-capital is neither industrial capital nor financial capital. It is a fusion of the two. Hilferding describes it in the following words: "A steadily

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2 Cited by Lenin, op.cit., p.75.

3 'Capital', Vol.I, p.352, Cited by Anthony Brewer, 'Marxist Theories of Imperialism', p.80. Routledge and Kagan Paul, London, 1980.

increasing proportion of capital in industry 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 increasing 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'."*

The rise of finance capital impels protectionism to new heights. It becomes necessary by way of protecting home markets and owned territories to earn higher profits at home so that larger discounts can be given on exports in order to compete out rivals in the world market. This is also a reason why finance capital is interested in maximising the territory owned by the home country. A larger protected territory means a larger profit 'inside' and a consequent stronger position 'outside'.

Export of capital is carried out on ever higher levels in the reign of finance capital. The falling rate of profit at home is the normal reason for this. In addition, Hilferding lists the following reasons:[4] (1) The desire to overcome other countries' protective tariffs by producing within their tariff walls, thus taking advantage of the

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4 Anthony Brewer, Ibid., Chapter on Hilferding.

* Cited by Lenin, op.cit., p.75.

tariffs that are designed to shut others out. (2) The desire to take advantage of the differences in interest rates. Due to highly developed financial systems of the advanced countries, a greater availability of money capital is found there which leads to lower rates of interest. Hence the desire to export capital to those parts where interest rates are higher. These are generally the backward countries and colonies where due to the lack of a well developed financial system, interest rates are generally higher. (3) The desire to take advantage of cheap labour, raw materials etc. available in other parts of the world. (4) The desire to create markets for capital goods. The industrialisation of backward countries that takes place out of loans and investments from advanced capitalist countries often creates a demand for capital goods. Most of these reasons, Hilferding tells us, were present throughout the history of capitalism but went unused for lack of adequate organisational set up. In the era of finance capital, however, the joint stock form makes it possible to establish subsidiaries abroad. Also, because of the close link between banks and industrial companies, there is an easy access to the necessary finance, often via a foreign subsidiary of a bank. The larger size of a company also facilitates new installations in foreign lands. All these count for the greater efficiency of finance capital in investing abroad.

Finance capital needs a stronger state in order to achieve its objectives - those of protecting home markets,

acquiring maximum of well guarded territories, and facilitating export of capital. Hilferding writes: "...finance capital ... needs the state to guarantee the home market through protection and thereby to facilitate the conquest of foreign markets. It requires a politically powerful state which need take no account of the opposed interests of other states in formulating its commercial policy. It needs a strong state which recognises finance capital's interests abroad and uses political power to extort favourable treaties from smaller states, a state which can exert its influence all over the world in order to be able to turn the entire world into a sphere for investment. Finance capital, finally, needs a state which is strong enough to carry out a policy of expansion and to gather in new colonies."[5]

The ideal situation for finance capital is one in which the metropolis gains political domination over new territories. So the ideology of world-mastery appears. "Capital becomes the conqueror of the world, and with every new land conquered sets a new border which must be overstepped. This striving becomes an economic necessity, since any holding back lowers the profit of finance capital, reduces its ability to compete and finally can make of a smaller economic region a mere tributary of a larger one."[6]

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5 Hilferding, 'Finance Capital', translated by P.M. Sweezy, op.cit., Appendix B.

6 Ibid.

The old liberal ideas are now - after the rise of finance capital, viewed as impractical, foolish dreams! "What an illusion, in a world of capitalistic struggle where the superiority of arms alone decides, to believe in a harmony of interests! What an illusion to look forward to the reign of eternal peace and to preach international law where only force decides the fate of people! What idiocy to want to extend the legal relations existing within a state beyond its borders! What irresponsible business disturbances are created by this humanitarian nonsense which makes a problem out of the workers; discovers social reform at home; and, in the colonies, wants to abolish contract slavery, the only possibility of rational exploitation! Eternal justice is a lovely dream, but one never even built a railroad out of moralising."[7]

In an atmosphere of dominance and struggle, quite naturally, the victorious nation begins to feel that it owes its mastery to its special natural qualities - its racial superiority. "Thus in racial ideology there emerges a scientifically cloaked foundation for the power lust of finance capital.... In place of the democratic ideal of equality steps an oligarchical ideal of mastery."[8] In internal affairs, this ideal takes the standpoint of mastery against the working class.

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7 Ibid.

8 Ibid.

We also find a 'remarkable twisting of the national idea' to cloak the real imperialist intentions of finance capital. "...the economic advantage of monopoly is mirrored in the favoured place which must be ascribed to one's own nation. The latter appears as chosen above all others."[9] Without the goals of national honour and greatness, how can masses be prepared for a willing and enthusiastic sacrifice? Nationalism, which was originally associated with the right of self-determination and independence, is now turned into a means of aggression against others.

Thus we find that the liberal ideals of free trade, peace, equality, and humanitarianism are replaced by doctrines sanctioning the expansion of finance capital : racism, nationalism, the ideal of state-power, and the worship of force.

Hilferding also shows how class-composition is affected by the rise and dominance of finance capital. The magnets of capital gain control over the whole economic activity of the middle classes. The society tends more and more towards a class polarisation between the workers and all the rest. The petty bourgeoisie has no longer any prospects beyond what large-scale capital allows it, and is forced to identify its interests with those of the cartels. This class turns out to be the one most receptive to imperialism and racism, to ideas of power and political

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9 Ibid.

expansion.

Class antagonism, however, does not diminish, but intensifies. The coalescence of the state machine with finance capital is so obvious that the least conscious of the proletariat become aware of the antagonism between themselves and the whole existing system. However, it is none of their business to bring back the bygone era of free trade. "The (only) reply of the proletariat to the economic policy of finance-capital, to imperialism...(is) socialism."[10]

In a way, finance capital makes things easy for the socialist successors. In the words of Kolakowski: "Finance capital has separated the management of production from ownership and created huge capital accumulations subject to unified control. Hence the expropriation of the financial oligarchy by the state, once the proletariat has gained power, is a comparatively easy task. The state need not and should not expropriate all medium-sized and small enterprises, which, in any case, are at the present time (i.e. before the proletariat revolution) completely dependent on the magnets of finance. Finance capital has already performed most of the expropriation. The state has only to take over the big banks and industrial firms in order to control production. A single wholesale expropriation would be economically superfluous and politically dangerous."[11]

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10 L. Kolakowsky, op.cit., p.302.

11 Ibid., p.303.

Summing up, we can say that though Hilferding did not intend to elaborate a theory of imperialism, he almost touched all important aspects of the phenomenon - increasing concentration of production and of capital, protectionism, territorial expansion, export of capital, and wars among capitalist countries. Later writers on the subject heavily borrowed from him.

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Bukharin's 'Imperialism and World Economy' was written in 1915 but not published until 1917. Lenin wrote an introduction to it which carries the date of December, 1915; but the manuscript was lost and could not be rediscovered until 1927. It was published only in that year.

About imperialism Bukharian says: "We speak of imperialism as of a policy of finance capital. However, one may also speak of imperialism as an ideology. In a similar way liberalism is on the one hand a policy of individual capitalism (free trade etc.) and on the other hand it denotes a whole ideology (personal liberty, etc.)".[12]

Later in his book, particularly in the chapter titled 'Imperialism as the reproduction of capitalist competition on a larger scale', Bukharin's argument moves from imperialism as a policy and as an ideology to imperialism as a

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12 Bukharin, 'Imperialism and World Economy, p. 110 n., Cited by Anthony Brewer, op.cit., Section on Bukharin.

characteristic of the world economy at a particular stage of development. Not any policy of conquest but only that carried out by finance capital he considers as imperialism. At the same time, however, he tells us that finance capital inevitably carries out such a policy. Also, it is carried out by more than one nation at the same time and hence necessarily develops rivalry among nations.

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Marx had said in Volume I of 'Capital' that the foundations of all highly developed divisions of labour is the cleavage between town and country and that the whole economic history of society can be summarised in the development of this cleavage. Bukharin applies the same idea to the international plane. He says, "The cleavage between town and country as well as the development of this cleavage, formerly confined to one country alone, are now being reproduced on a tremendously enlarged basis. Viewed from this standpoint, entire countries appear to-day as 'towns', namely, the industrial countries, whereas entire agrarian territories appear to be 'country'."[13]

In short, Bukharin talks of growing international division of labour and internationalisation of economic activity. "Not economic self sufficiency", he says, "but an intensification of international relations...such is the

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13 Bukharin, Ibid., p.21, cited by Ibid.

road of future evolution."[14]

However, though on the one hand the process of internationalisation goes on, there are also forces at work which tend to concentrate economic activity on national levels. Bukharin writes: "The organisation process tends to overstep the national boundaries. But it finds very substantial obstacles on this road. First, it is much easier to overcome competition on a national scale than on a world scale...; second, the existing differences of economic structure and consequently of production costs make agreements disadvantageous for the advanced national groups; third, the ties of unity with the state and its boundaries are in themselves an ever-growing monopoly which guarantees additional profits. Among the factors of the latter category...(is) the tariff policy."[15]

There, thus emerges a contradictory picture. More and more of a 'world economy' is created by the growing interdependence of countries, and at the same time 'national economic blocs' are created by other forces.

On the national levels, monopolies grow unchecked. "Various spheres of the concentration and organisation process stimulate each other, creating a very strong tendency towards transforming the entire national economy into one

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14 Bukharin, Ibid., p.148, cited by Ibid.

15 Bukharin, Ibid., p.74, cited by Ibid.

gigantic combined enterprise under the tutelage of the financial kings and the capitalist state."[16]

The anarchy of capitalist competition that is thus suppressed at the national level reemerges with a greater force at the world level. Previously, within the boundaries of the state, smaller businesses were absorbed by the larger ones; now, after the formation of national economic blocs, whole countries are absorbed by others. "Imperialist annexation is only a case of the general capitalist tendency towards concentration of capital, a case of its centralisation on that maximum scale which corresponds to the competition of state capitalist trusts."[17]

Much of Bukharin's discussion about monopolies, cartels, finance capital and export of capital is similar to that of Lenin and Hilferding and we need not repeat it. Bukharin also criticised Rosa Luxemburg for her views on accumulation. We shall refer to this in the next chapter.

We sum up Bukharin's discussion of imperialism thus: He pointed out the growing interdependence of countries and the creation of the world economy. At the same time he pointed out the trend of capital to concentrate on national level. This led to a competition among the nationally organised capitals for the control of maximum of the world economy. War was an inevitable outcome.

This is a broader outline of Bukharin's theory of imperialism.

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16 Bukharin, Ibid., p.73, cited by Ibid.

17 Bukharin, Ibid., pp.119-20, cited by Ibid.

CHAPTER V

AN OVERVIEW

So far we considered the views of some important classical Marxist writers on imperialism. There may seem a lot of resemblance in these views - and it is no wonder since the basic framework of Marxian thought is the same for all of them. Lenin and Bukharin were co-workers for a long time. Lenin himself sees his work as part of a joint investigation with other Marxists, notably Zinoviev and Bukharin.[1] Thus whether Lenin borrowed from Bukharin or Bukharin borrowed from Lenin seems to be a non-sensical question. So also, we find that both of them made use of many concepts developed by Hilferding. Even after he developed differences with Hilferding, Lenin had this to say about his work: "In 1910, there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, 'Finance Capital' ...in spite of a certain inclination on his part to reconcile Marxism with opportunism, this work gives a very valuable theoretical analysis of 'the latest phase of capitalist development', ... Indeed, what has been said of imperialism during the last few years, especially in an enormous number of magazine and newspaper articles, and also in resolutions,

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1 See his introduction to Bukharin's 'Imperialism and World Economy'.

for example, of the Chemnitz and Basle congresses ... has scarcely gone beyond the ideas expounded, or more exactly, summed up by the two writers mentioned above."[2]

The very purpose of Lenin was, however, quite different from that of Hilferding. While the latter was interested in a theoretical analysis of the developments taking place in advanced capitalist countries - especially in Germany, Lenin was engrossed with the practical problems, especially the problem of split in the socialist movement. He says: "The international split of the whole working-class movement is now quite evident...the support given to Kolchak and Denikin in Russia by the Mensheviks and 'Socialist Revolutionaries' against the Bolsheviks; the fight the Scheidemannites and Noske and Co. have conducted in conjunction with the bourgeoisie against the Spartacists in Germany; the same thing in Finland, Poland, Hungary, etc. What is the economic basis of this world-historic phenomenon?"[3] "Unless the economic roots of this phenomenon are understood...not a step can be taken toward the solution of the practical problems of the Communist movement."[4]

It was impossible that Lenin could tolerate Hilferding's idea of a 'peaceful appropriation' of the capitalist

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2 Lenin, op.cit.pp.18-19. The other writer referred is the English radical, Hobson.

3 Lenin, Ibid., pp.15-16.

4 Ibid., p.17.

machinery by the workers. He had to push Hilferding into the category of 'opportunists'. Hilferding's idea of a universal cartel consciously regulating all productive processes came closer to Kautsky's ultra-imperialism which was nothing but 'ultra-nonsense' for Lenin.

Both Lenin and Bukharin regarded capitalist wars as inevitable. Bukharin says: "If the working class becomes strong enough to compel the adoption of peaceful policies, it will also be strong enough to overthrow capitalism."[5]

Hilferding did not at all refer to opportunism in the working-class movement. Anthony Brewer thinks that this was because of the fact that he was writing before the war (meaning thereby that opportunism had not sufficiently come to the surface at that time). But then, we can contrast this with Marx and Engels who, writing much before Hilferding, had explicitly mentioned this phenomenon. We can only say that Hilferding was not much interested in this aspect of capitalism.

It may seem surprising that throughout his work on imperialism, Lenin did not consider at all Marx's schemes of reproduction or the problems of extended reproduction,[6] the

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5 Cited by Anthony Brewer, op.cit., Section on Bukharin.

6 The realisation problem arising out of the reproduction process was one of the major questions that Lenin discussed in his critique of the Narodniks. For this, see the first four volumes of his 'Collected Works'.

topic which was at the core of Rosa Luxemburg's work. Perhaps he saw her argument not quite correct, but did not want to enter into a debate on technicalities because that was not his purpose. After all, he was writing for the masses and giving a 'popular outline'[7] of imperialism. So also, the phenomena that he was describing - rise of monopolies and finance capital, export of capital etc., implicitly reflected the efforts of capitalists to avoid difficulties of realisation or the falling rate of profit.

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We find in Rosa Luxemburg a misplaced emphasis on the commercial needs of capitalism. In fact, the real driving force behind imperialism is not to find markets for excess goods, but to find more opportunities for exploitation. We have already seen how the rate of profit can be higher in colonies mainly due to the possibility of a higher rate of exploitation there.[8] Lenin's emphasis on 'export of capital' well tallies with this situation. Rosa Luxemburg, however, gives no thought to the development of finance capital and the need to export capital. She pushes the consideration of cartels and trusts only into a minor footnote.[9] Not only this but she also ridicules the idea that

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7 Part of the title of Lenin's book on imperialism.

8 See p.11.

9 Rosa Luxemburg, 'Accu....', p.457.

capitalism would collapse because of the falling rate of profit. She says: "Or else we are left with the somewhat oblique comfort provided by a little 'expert' from the Dresdener Volkszeitung who...explains that capitalism will eventually collapse 'because of the falling rate of profit'. One is not too sure exactly how the dear man envisages this - whether the capitalist class will at a certain point commit suicide in dispair of the low rate of profit, or whether it will somehow declare that business is so bad that it is simply not worth the trouble, whereupon it will hand the key over to the proletariat? However that may be this comfort is unfortunately dispelled by a single sentence by Marx, namely the statement that 'large capitals will compensate for the fall in the rate of profit by mass production'. Thus, there is still some time to pass before capitalism collapses because of the falling rate of profit, roughly until the sun burns out."[10]

By making the non-capitalist markets necessary for the survival of capitalism, Rosa altered the whole basis upon which Marx built his analysis of the capitalist system. By making the 'third market' such a vital element in the process, she treated accumulation as a process which draws its main sustenance from an outside source. In other words, she made the exploitation of the 'third market' the driving

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10 Rosa Luxemburg, 'Accu....Anti-Critique' in 'Imperialism...', ed. K.J.Tarbuck, pp. 76-77 n.

force of capitalism, not the exploitation of wage labour.

Marx himself never attached too much importance to the underconsumption theory accepting it as a cause strong enough to lead by itself to capitalist crisis. In fact, his 'schemes' themselves provide an answer to the under consumption theory. Rosa could also see it but she treated it very lightly. She says: "According to Marx's diagram, Department I has the initiative: the process starts with the production of producers' goods. And who requires these additional means of production? The diagram answers that Department II needs them in order to produce means of consumption in increased quantities. Well then, who requires these additional consumer goods? Department I, of course - replies the diagram - because it now employs a greater number of workers. We are plainly running in circles. From the capitalist point of view it is absurd to produce more consumer goods merely in order to maintain more workers, and to turn out more means of production merely to keep this surplus of workers occupied."[11]

It is exactly here that Rosa misses the point. She wants a purpose for production, for the system as a whole. At another place she refers to production of the means of production in order to further produce the means of production[12] as 'whirling in a merry-go-round which revolves itself

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11 Rosa Luxemburg, 'Accu....', p.132.

12 This is known as Tugan-Baranowsky's model of accumulation. For elementary details, see P.M.Sweezy, op.cit.,Chap.X.

in empty air.'[13] However, as Anthony Brewer says: "As a system capitalism does not have, nor does it need, a purpose. Individual capitalists,...can have their purpose, but the system as a whole cannot." In short, capitalists will go on producing means of production so long as they are sold, and those will be sold i.e. purchased by other capitalists so long as the latter feel sure that they can employ them profitably (-it does not matter if they use them to produce further means of production for which they find a demand from other capitalists).[14]

Also, Rosa neglects increasing levels of consumption of both workers and capitalists. When she says that the part of surplus value refused to be consumed by the capitalists finds no consumers, she only concentrates on any one stage of the scheme and abstracts herself from the continuous process. In fact, it is very clear in Marx's schemes that the refused part of surplus value in the earlier stage finds consumers in the subsequent stages. Anthony Brewer writes: "If productivity, the real wage rate and the proportion of surplus value accumulated all remain constant, then both workers' and capitalists' consumption will expand in line with total output. As capital accumulates, more workers will be employed and so there will be more spending on wage goods.

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13 Tarbuck, op.cit., p.57.

14 We need not fully agree with Tugan-Baranowsky to assume that the whole of the non-consumed part of surplus value can be realised this way. But it would be reasonable to assume at least a part of it to be realised in this fashion.

At the same time, the amount of profit (surplus value) expands and, if a constant proportion is spent by the capitalists on consumption, the capitalists' spending will expand in line with accumulation."[15] We can thus say that capitalism can evolve its own market. The realisation problem is not so serious as Rosa makes it. This is perhaps the reason why Lenin totally neglected this problem in his work on imperialism. Further, we can say that if all surplus value can be realised within the capitalist system itself, then the search for markets only becomes the search for greater profits. In turn, this search for greater profits hinges upon the law of the falling rate of profit, to which Marx attributed the real cause of crisis, not to a lack of effective demand.

Bukharin examines in detail the technicalities of extended reproduction[16] and points out inaccuracies in Luxemburg's argument. He maintains that she is at fault because of her own assumptions. She does not drop the assumption of simple reproduction even when she considers the scheme of extended reproduction. That is why she forgets to take account of additions to variable capital and to surplus value as a factor increasing total consumption. Marx's schemes were an abstraction from reality, designed

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15 Anthony Brewer, op.cit., Section on Rosa Luxemburg.

16 N.I.Bukharin, 'Imperialism and the Accumulation of Capital', in Tarbuck, op.cit.

for a specific purpose.[17] Rosa tried to apply them to reality without dropping the simplifying assumptions of constant organic composition of capital, and a constant rate of exploitation and of accumulation. By using Bukharin's idea, we say that once started from errors of assumption, it was for Rosa, simply a matter of simple reproduction of errors.

Apart from technicalities, Bukharin raises another important point. The 'third market', Rosa had made it clear, did not necessarily mean a foreign market. Sections of population, such as peasants etc., in advanced countries also made a part of the third market.[18] Bukharin asks whether it would not be safer, and of less effort to exploit these third markets at home before embarking upon risky ventures overseas. How is then Rosa going to explain the great military and economic apparatus erected by imperialism when the non-capitalist markets in the home countries have not still been fully exhausted?[19]

There are still other errors of Rosa which have been shown in the discussion that followed her work.[20] However,

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17 For the purpose to show how capitalism progresses by exploiting labour.

18 See, p. 47 n. 23.

19 Tarbuck, op.cit., p.22.

20 One such error, for example, is pointed out by Sweezy: "...her non-capitalist consumers could in no way change the situation. It is not possible to sell to non-capitalist consumers without also buying from them," etc. See P.M.Sweezy, op.cit., p.205.

there should be no disagreement with Tom Kemp who says: "If Rosa Luxemburg's work consisted of nothing but flaws and faults it would be hardly worth a lengthy consideration. As it is, her errors are a result of a genuine and inspired effort to deal satisfactorily with some fundamental questions in Marxist political economy. The honesty and rigour of her approach are undoubted, in intellectual powers and integrity she towers high above her critics..."[21]

** ** **

Of all the classical Marxist writers on imperialism, Lenin gives the most satisfactory treatment to the subject. He is highly comprehensive and at the same time very cautious and careful. The notebooks[22] he had prepared for writing his treatise show how thoroughly he had studied the relevant literature available to him. He touches almost every aspect of classical imperialism. He may be lacking in certain respects as we can now see in the light of modern developments. For example, he did not and simply could not talk of 'imperialism without colonies'. But we should not blame him for that. No body from his period could show such a foresight because afterall, all of them were subject to the limitations of their period.

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21 Tom Kemp, op.cit., p.62.

22 These are 21 notebooks available now in Vol.39 of Lenin's 'Collected Works'. Progress Publishers, Moscow, 1968.

Lenin recognised that imperialism was a phenomenon of great complexity. His own claims were very modest. He never claimed to give an all-inclusive single formula of imperialism. After defining imperialism with maximum possible comprehensiveness, Lenin says: "...imperialism can be defined differently if we bear in mind, not only the basic, purely economic concepts - to which the above definition is limited - but also the historical place of this stage of capitalism in relation to capitalism in general."[23] The term 'imperialism' thus becomes descriptive of the whole historical epoch in which capitalism reaches this stage of development and includes its various features. Lenin sought to extract only those features which had the greatest generality. Again, by saying that "all the boundaries in nature and in society are conditional and changing and it would be absurd to dispute ...over the year or decade in which imperialism became definitely established',[24] Lenin keeps both ends open. He is thus careful to avoid all sorts of rigidities. This happens only when a writer is capable to grasp the real vastness of the phenomenon on which he is writing.

"The style and approach of Lenin's work", writes Tom Kemp, "is very unlike that of Rosa Luxemburg's 'The Accumulation of Capital'. It is factful and forceful where she is abstract and diffuse. The impact of its facts and

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23 Lenin, op.cit., p.152.

24 Cited by Tom Kemp, op.cit. p.75.

figures and condensed theoretical points is powerful. It shows Lenin's pedagogical skill and his characteristic ability to generalise tersely from a mass of material and to make arresting characteristions. It is within the grasp of large numbers of educated people and not merely those who have studied the writings of Marx in some detail."[25]

More importantly, Lenin's success lies in his capabilities to understand the spirit of Marx's teachings. Probing into the data accumulated by others, he showed how it could be reduced to order and significance when related to the basics of the Marxian thought.

Because of all these qualities, "Lenin's book is the doctrine in the world of socialist thought. It is the sole authority for most Marxists everywhere."[26]

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The classical Marxist writers tried to show how important developments in the post-Marxian world could be explained in the light of Marx's analysis of capitalism. The trend still continues. Many of the present day developments - the increasing dominance of the world by multi-nationals, the armament race and so on, are being explained with the help of Marxian tools. The ideas developed by the classical Marxists are proving to be helpful in this attempt.

25 Ibid., p.67.

26 B.J.Cohen, op.cit., p.44.

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