Revolutionary theory and imperialism: from Hilferding to Trotsky

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The imperialist epoch can celebrate approximately its ninetieth anniversary.1 Lenin and the other great Marxists of the early twentieth century certainly did not anticipate such longevity. Like Marx before them they envisaged that the crises and contradictions of the capitalist system would provide the objective conditions for the working class to despatch it to the museum of social history.

Yet these Marxists were also engaged in discovering the reasons for capitalism?s unexpected longevity, its ability to temporarily offset its contradictions, its ability to disorient and corrupt the leadership of the proletariat. In doing this Marxists came gradually, and not without contradicting one another, to a realisation that capitalism had entered a new epoch. They set out to answer a series of vital questions related to this. How does imperialism differ from previous stages of capitalism? How are the laws of motion of capitalism modified by imperialism? Are the cyclical crises capable of being eliminated or, on the contrary, does imperialism signify inherent stagnation and an inevitable impasse from which there is no escape? Can imperialism be transcended by yet another stage?2

The major theoreticians and leaders of the Second and Third Internationals were centrally concerned with these questions because they formed part of a struggle against revisionism, and later social-imperialism, which opportunistically adapted to important developments within world capitalism. Whilst defending Marx?s method and fundamental conclusions they attempted to use this method to extend Marx?s analysis.

They did this not due to an academic interest but in order to provide a basis for working class strategy on this new terrain. To do this required deep going analysis of those phenomena that eventually came together in the concept of ?imperialism?. In an earlier article in Permanent Revolution 3 we traced the evolution of Lenin?s thought on imperialism in so far as it was formed in combat with the revisionism of the right and centre of the Second International. Here we judge the contribution of the left in the Second International?and their work as leaders of the Third International (Comintern)?to a revolutionary theory of imperialism.

What makes a theory not only scientific but revolutionary? A revolutionary theory is one that objectively demonstrates the continuation of the inevitable periodic breakdown of capitalist accumulation and capitalism?s inability to satisfy expanding human needs. This brings with it economic crises, famines, epidemics and wars of unimagined destruction?all of which create political crises allowing for the overthrow of bourgeois class rule.

The revolutionary theorists saw how the imperialist stage temporarily overcomes certain contradictions on a national scale only to re-raise them at a higher and more general level, making wars and revolutions a permanent feature of the epoch. Contrasting sharply with this approach is apologetic theory as exemplified
by the revisionists in the Austrian and German Social Democracy?Gustav Eckstein, Otto Bauer and, after 1914, Karl Kautsky. They saw in monopoly finance capital the possibility of a harmonious capitalism, nation states living at peace with each other and the world proletariat. As this article will demonstrate, only Lenin, Luxemburg and Trotsky fought throughout their whole lives in the revolutionary camp. Hilferding as part of the centre of the Second International and Bukharin (during the centrist degeneration of the Comintern) in their own ways were inconsistent on this score.

But?we argue here?it would be utopian to expect to find a homogenous theory scientifically invulnerable in all its aspects and shared by all the revolutionary Marxists of this period. Revolutionary thought is not a granite monolith with no contradictions. Only Stalinist bureaucrats, who have no use for revolutionary theory and whose mental inertness approaches that of a tombstone, could have reduced one of the most fertile periods in the history of Marxist thought to a tale of a necessarily correct Lenin facing necessarily incorrect opponents.

The article demonstrates that there is no single ?orthodox? or ?classical? theory of imperialism embodied in a single work or in a single thinker. Lenin?s composite picture was the most complete, rounded and dialectical. Rosa Luxemburg?s was the most fundamentally flawed. Neither Bukharin nor Trotsky, for differing reasons, took Lenin?s synthesis further, grounding it in a fully re-elaborated analysis of capitalism in its new stage.

Indeed, this task still remains one for Marxists today. But in commencing this Herculean labour we can do no better than start from the living debate between the revolutionary theorists and the apologists, and perhaps even more fruitfully, the debate between the great Marxists of those years?Luxemburg, Hilferding, Bukharin, Lenin and Trotsky. We will turn first to the figure who moved furthest from revolutionary Marxism, who in fact betrayed it: Rudolf Hilferding.

**Marxism?s debt to Hilferding**

With Hilferding we must avoid the Stalinist temptation to reduce all of his contributions to his later betrayal, all the more to point up the supposed infallibility of Lenin. Both Lenin and Bukharin were the first to acknowledge that their work was influenced by that of Rudolf Hilferding. In order to understand the strengths and weaknesses of the efforts of the Bolshevik leaders we therefore have to grasp the nature of Hilferding?s work first.

In his 1910 book, Finance Capital,4 Hilferding examined the latest developments in the capitalist mode of production. He explained how the process of concentration and centralisation of capital, which Marx outlined, had grown apace in the last quarter of the nineteenth century. This had given rise to the domination of the economy by huge cartels or trusts rather than small scale enterprises so typical of the era of ?free competition capitalism?. This he called monopoly capitalism, a new stage in the development of capitalism.

The reason that the banks had come to dominate in this way was due in the first instance to changes within capitalist production itself. The rise in the organic composition of capital had lengthened turnover time (i.e. the length of time it takes for machinery and plant to wear out and transfer its value completely through several cycles of production) and so reduced the adaptability of firms to short-run cyclical ups and downs. To get over the effects of short term fluctuations in demand the firms turned more and more to the banks and the provision of credit; they also needed credit to finance the ever larger sums necessary for new investment in machinery.

As a result of this development the banks themselves began to commit huge sums to industry for ever
longer periods of time. As a consequence they could not move capital about freely to take advantage of every short term fluctuation in the rate of profit between sectors. This meant, in turn, that the banks had an interest in the formation of cartels and trusts so as to prevent as far as possible fluctuations in output and demand putting their huge credits at risk. Hilferding summarised the process thus:

?The most characteristic features of ?modern? capitalism are those processes of concentration which, on the one hand, ?eliminate free competition? through the formation of cartels and trusts, and on the other, bring bank and industrial capital into an ever more intimate relationship. Through this relationship . . . capital assumes the form of finance capital, its supreme and most abstract expression.? 5

Thus a central feature of this new stage was the growth of banking monopolies which in the course of their development had come to dominate, and even fuse with, the key sectors of industrial capitalism to form ?finance capitalism?.

A natural consequence of the concentration of capital in this way was that huge amounts of machinery and plant (constant capital) more and more outweighed the growth of variable capital (i.e. the amount advanced to buy wages). This growth in the ?organic composition of capital? led inexorably to the tendency of the rate of profit to fall (TRPF), as Marx had explained in Capital.

On the basis of this law he explained how finance capital uses its power to offset this law. The huge monopolies can cut output within certain limits in order to maintain prices and profits; they can influence the national governments to erect tariffs preventing foreign monopoly capital entering their markets to compete with and undercut them; they can even keep prices in the internal market high and practise ?dumping? at lower prices in colonial or semi-colonial markets.

But for Hilferding the key factor which explained the relatively crisis-free expansion of monopoly capital which marked the last years of the nineteenth century and the early years of the twentieth was the export of capital to foreign countries. This, for Hilferding, was the root of the explanation of the long boom of 1895-1913. Following Marx in Capital he illustrated the way in which the export of capital to countries with a lower organic composition of capital and higher rate of profit overcomes the effect of crises due to the operation of the law of the TRPF:

?The precondition for the export of capital is the variation in the rate of profit, and the export of capital is the means of equalising regional rates of profit. The level of profit depends upon the organic composition of capital, that is to say upon the degree of capitalist development.? 6

Hilferding explained that the policy of finance capital which it pursues to secure external markets for sales, capital investment, access to raw materials and so on is the policy of imperialism. Moreover, on the basis of the recent developments in the growth of monopoly capital and faced with the internal contradictions of this growth, ?capital can pursue no other policy than that of imperialism?.7

[b]Crises and crisis theory[/b]

Thus the development of the Marxist theory of imperialism cannot be traced separately from an understanding of the debates that surrounded the theory of capitalist crises in general. The advance to a new, ?higher? stage of capitalism was itself a response to the crisis of accumulation of free competition capitalism. Imperialism was thus a new stage of capitalism which, in offsetting crises, in fact merely modified their operation.

But how and to what extent were crises modified? This was the crux of the theory of imperialism and the battleground on which opponents were to fight for many years. As we shall see none of the Comintern
theorists resolved this problem satisfactorily and part of the reason for this lies in the weaknesses of Hilferding's own attempts at an answer.

First of all, let us set down the essentials of the Marxist theory of crisis, even at the risk of oversimplifying a complex matter. We have to start with the recognition that the cyclical crisis of capitalism has different aspects each of which is vital to our understanding of the whole but which have to be related to one another in the correct order of determination. These elements of crisis theory are in turn the TRPF, the crisis of disproportionality and the crisis of underconsumptionism.

Revisionism can take advantage of and grow from any analysis which dislocates the latter two from the first. If they are freed to become self-sufficient explanations of capitalist crises then the road is opened to reformist political conclusions. Nothing less than this is at stake.

All three elements are important because what we are referring to when we speak of an economic crisis is the disruption in the circuit of capital, or the reproduction of capital: M-C-(P)-C1-M1. Here money capital (M) is advanced to purchase machines and raw materials and labour power (C) which are then combined in production (P). The act of production creates surplus value which is embodied in a commodity product (C1) which is then realised in the act of exchange or purchase in the form of money capital (M1).

A breakdown in the circuit can occur in all or any of these links in the chain. Let us start with underconsumption? which is essentially a failure to realise the surplus value embodied in C1 through a sale. Under capitalism crises do take the form of a failure of demand, i.e. goods are piled up unsold. An underconsumptionist sees the cause of crisis in precisely this failure of demand. In so doing the form of the crisis is mistaken for its cause as we shall see later. A consequence that bourgeois underconsumptionists and reformists draw is that crises can therefore be resolved by raising wages or by government spending (Keynesianism).

Another aspect of crises is the existence of disproportions between various sectors of industry (e.g. those producing machines and those producing consumer goods) or between industry and agriculture. Theoretically it is possible to produce the relevant quantities of different commodities in just the proportions that each sector can absorb without a breakdown occurring. This was the aim of Marx's schemes of reproduction in Volume 2 of Capital. But such a smooth reproduction abstracts from something fundamental to capitalism: namely, that decisions about production and investment are taken by thousands of different capitalists in isolation from each other and based on considerations of whether they can make a profit, not whether they can be sold. So in reality, in the world of many competing capitals, disproportions do occur all the time. At one moment too many machine goods, at another not enough and so on. Marx called this the anarchy of capitalist production, the disparity between social production and private appropriation. Capitalism reproduces itself through cycles of such disproportions and their temporary correction.

The trap that disproportionality theories of crisis fall into is to see in the ?anarchy of production? the cause of capitalist crises and to seek the solution in measures that overcome this anarchy, especially in the consolidation of many enterprises or whole industries into private or state monopolies. We shall return to this question later.

Both the underconsumptionist and disproportionality explanations of crisis operate at the level of exchange and distribution. In fact, strictly speaking underconsumptionism is merely a form of disproportionality in that it lays stress on the disproportion between the consuming and producing powers of the working class. Both locate the problem in the failure to realise a part or all of the surplus value being produced. Marx was, however, emphatic that the real cause of crises has to be sought within the contradictions of the
accumulation process (i.e. within the production of surplus value). For this an understanding of the TRPF is essential because under capitalism production is undertaken for profit.

Marx called this “the most fundamental law” for this reason. But what is the status of this law and just how does it bring about a concrete historical crisis? The TRPF flows from the rise in the organic composition of capital; that is, a change in the proportion between variable and constant capital in the direction of a relative growth of the latter. Living wage labour declines as a proportion as against plant and machinery. Surplus value is produced by labour alone. But this is expelled relative to machinery in the competitive search for increased productivity.

Over time the relative growth in capital investment in machinery and plant leads to a fall in the rate of profit. It follows from the TRPF that a fall off in investment occurs, or rather a shift into more profitable sectors, with negative effects on production.

At the same level of abstraction as the TRPF certain countervailing tendencies exist and operate to offset the effects of this law. One of these is the cheapening of the elements of constant capital through technological innovation which may slow the rise in the organic composition of capital. There are others. Whether it is the TRPF or the countervailing tendencies which predominate is a matter for concrete investigation.

Real crises in the real world occur because of the contradictory clash between all the elements that have been described; between accumulation, exchange and distribution. When a crisis does break out it is important to relate the crisis of distribution and exchange to the contradictions within accumulation. Thus Marxists do not deny the effect of the “impoverishment of the masses” in giving rise to a stock of unsold goods. The task is to show how low wages are themselves a function of the crisis of profitability, which causes wages to be cut or pegged, which in turn prevents the realisation of the total surplus value embodied in the commodities which were destined for working class consumption. Hence, the underconsumption of commodity capital is a real element of the crisis, if a subordinate one. But simply to raise the wages of the masses will not solve the crisis since it serves to exacerbate the crisis of profitability.

Similarly, it is essential to explain the existence of disproportions between sectors of production by starting from the movement of capital between them to take advantage of different rates of profit between sectors. This in turn causes over-production now in one sector, now in another.

So on one side the Marxists in the Second International debated the mechanisms of capitalist crisis, their inter-relationship and their modification or otherwise in the new epoch. But this was not the only aspect of the question, as the debate unfolded. Leaving aside the question of the essential causes of capitalist crisis there was another issue, separate but overlapping with this one. In short, what were the limits of capitalist crisis and the capacity for recovery from such crises?

Here we are touching on the problem of distinguishing between what has come to be called a business cycle, traditionally a phase of prosperity followed by a phase of recession within an eight to ten year time span, from the historical limits of the capitalist mode of production per se. The Marxists under review here were more than aware of the distinction between the two even if features of the one were confused with the other.

But there is a third aspect to this question which was untheorised by these Marxists and which was to seriously weaken the theory of imperialism. It concerns the question of a phase of capitalist development that is neither synonymous with the business cycle or the epoch as a whole. Rather it represents a distinct phase of capitalist development comprised of several business cycles, unified by the fact that the general
direction of capitalist development through these cycles is either generally up or generally down. In these periods certain features of the epoch will be pronounced and others subdued, expressing the uneven and combined development of the epoch as a whole. As we shall see not a few errors in the debate during these years flowed from an inadequate grasp of the significance of periods of capitalist development within a particular epoch.

[b]Hilferding’s weaknesses[/b]

Let us now see how Hilferding tackled these questions. In respect to the causes of crisis Hilferding’s account was in many ways very orthodox. His account of the relationship between underconsumptionism, disproportionality and the TRPF followed the outline given above; the focus of his analysis was the business cycle. The key question, however, was what effect the ‘latest stage of capitalism’ had on the operation of the mechanisms of crisis, according to Hilferding.

In one discussion of crises Hilferding denied that the growth of monopolies and cartels could overcome crises. He argued that crises were due to disproportions between different sectors of industry. These arose because in the quest for greater amounts of surplus value individual members of the cartel would be tempted to over-invest in the upward phase of a cycle. When demand fell eventually, each would try and keep prices up. But this would serve only to increase bankruptcies among the weaker sections of capital which would in turn further depress demand and put more downward pressure on prices. In turn the firm would be forced to try and restrict output even more to maintain prices and profits.

Hilferding suggested that at a certain stage in this process cuts in output would so raise unit costs, given the huge amounts of fixed costs involved in modern industry, that industry would have to maintain production levels and cut prices instead and with them, profits. Further rationalisation would result. In addition as prices fell so it would be possible for smaller firms to enter the market and undermine the cartel from this direction. In short, monopoly capital could modify crises, and in particular it could transfer the effects of crises onto weaker sections, but it could not eliminate them.

Lenin, despite his high esteem for Finance Capital, detected within it ‘a certain inclination on the part of Hilferding to reconcile Marxism and opportunism’. What Lenin had in mind above all was Hilferding’s erroneous views on the significance of monetary crises and speculation under monopoly capitalism. Hilferding believed that the ‘mass psychoses which speculation generated at the beginning of the capitalist era . . . seem to be gone forever’. This is tied to his view that the development of banking monopolies in the end served to moderate rather than exacerbate monetary and banking crises:

‘The absence of a monetary crisis protects credit against a complete breakdown and is therefore also a safeguard against the occurrence of a bank crisis . . . The concentration of banking plays an important part here [since] it allows a much greater spreading of risk.’

In another passage Hilferding states that this moderation in banking crises leaves unresolved the emergence of an industrial crisis, the cyclical alternation of prosperity and depression. The question arises whether the great changes in the form of industrial organisation, whether monopolies, through their alleged power to suspend the regulatory action of the capitalist mechanism?free competition?can bring about qualitative changes in the business cycle.

The answer Hilferding advanced to this conundrum was that industrial monopolies were able to sustain a much greater part of their output in a period of crisis, partly due to their manipulation of prices and partly because the extension of credit by the banks enabled commodity circulation to continue undisturbed
Hilferding made a conceptual split between industrial and banking (credit) crises. For Marx industrial crises were the reason why banking crises broke out and given that Hilferding had unified the development of banking and industrial capital it was a dangerous thing to suggest that the nature of crisis was different for either side of this duality.

Lenin understood that Hilferding was wrong about the nature of speculation and banking/monetary crises under monopoly capitalism. Lenin insisted that far from being ameliorated under monopoly capitalism, speculation would intensify and that the latest stage of capitalism was characterised in part by gigantic usury capital?. The slump of 1929 and the banking collapse of 1931 were events which were to prove Lenin correct.

But the ?theoretical opportunism? of Hilferding was not confined to the question of speculation and monetary crisis. On the contrary it extended into the whole conception of the way in which crises in general could be ameliorated under monopoly finance capitalism.

The fact is that despite his ?orthodox? exposition of the TRPF Hilferding leaned heavily in the direction of a one-sided disproportionality theory with all the consequent dangers discussed above. In the earlier summary of the form of industrial crisis under monopoly capital we said that Hilferding considered that the real cause of such crises was the development of disproportions between sectors of industry.

Moreover, he tended to dismiss altogether the element of underconsumption that must form part of any such theory. Consider the following where Hilferding discusses the significance of the schemes of reproduction in Volume 2 of Capital:

?This schematic presentation is, of course, greatly simplified. Clearly the proportional relations between the capital goods and the consumer goods industries as a whole must also prevail in each separate branch of production. These schemes also show, however, that in capitalist production both simple and expanded reproduction can proceed without interruption as long as these proportions are maintained. Conversely a crisis can occur even in the case of simple reproduction if the proportions are violated, for example that between the depreciated capital and capital ready for new investment. It does not follow at all, therefore, that a crisis caused in capitalist production is caused by the underconsumption of the masses which is inherent in it. A crisis could just as well be brought about by a too rapid expansion of consumption, or by a state of declining production of capital goods. Nor does it follow from these schemes in themselves that a general over-production of commodities is possible; but rather that any expansion of production allowed by the available productive forces appears possible.? 12

At first glance it would seem that in arguing that capitalism can proceed without interruption? if proportions are maintained between the different departments of production Hilferding is following Marx. But for Marx crisis would still be inevitable because production and investment decisions would be guided, not by the need to satisfy wants, but by the imperative of selling goods at prevailing profit rates. Now at one level Hilferding is himself acutely aware of this in Finance Capital yet elsewhere he suggests that should certain structural changes take place within capitalism which would allow proportions to be maintained then crises could be mitigated or overcome. At one point in Finance Capital he speculates in just this direction:

?If we now pose the question as to the real limits of cartelisation, the answer must be that there are no absolute limits. On the contrary there is a constant tendency for cartelisation to be extended . . . The ultimate outcome of this process would be the formation of a general cartel. The whole of capitalist
production would then be consciously regulated by a single body which would determine the volume of production in all branches of production. 13

It was this line of reasoning that was to come to predominate in his thinking in later years. With an element of truth but a great deal of bad faith Hilferding was to argue in 1926:

?I consider that on this point I find myself in complete agreement with the theories of Karl Marx, to whom a breakdown theory is always falsely attributed. The second volume of Capital shows how production is possible on an ever extended scale inside the capitalist system . . . it could be interpreted as a hymn of praise to capitalism.? 14

But the Hilferding of Finance Capital was not at this point an opportunist or revisionist. We are dealing here with the Hilferding of 1910 not 1926. In 1910 Hilferding represented the ?Marxist Centre??what today we should call a left-centrist. After the First World War he was to become first a right-centrist opponent of Bolshevism within the USPD of Germany and then pass over to the reformist SPD. In 1923 and 1928-29 he served as Finance Minister in bourgeois coalition governments. In 1910 he denied that the tendency of cartels to moderate industrial crises meant that they were:

?. . . able to eliminate them altogether, since they regulate production and can always adjust supply to demand. This view ignores completely the inherent nature of crises?.15

But this orthodoxy was undermined by Hilferding?s tendency to explain the essential cause of crises as a result of the anarchy of production (i.e. disproportionality) and not to relate this to the TRPF. Therefore, it was a small final theoretical step for Hilferding towards the revisionists in the 1920s when he ?discovered? the role of the state in taming the anarchy of the cartels and regulating banking/credit crises. This was the core of Hilferding?s conception in the mid-1920s of ?organised capitalism?.

The essentially formal understanding of the TRPF in Hilferding?s political economy is revealed in another connection, this time with respect to its relationship to the export of capital. As we have seen this relationship was acknowledged by Hilferding in the following way:

?The precondition for the export of capital is the variation in the rates of profit, and the export of capital is the means of equalising the national rates of profit. The level of profit depends upon the organic composition of capital, that is to say the degree of capitalist development. The more advanced it is the lower will be the average rate of profit.? 16

In considering the operation of this law, however, we have to avoid the one-sided and abstract manner in which Hilferding approaches it. In the passage above he argues that in the ?more advanced? nations (i.e. those with a higher organic composition of capital) profits will be low and in the backward countries with a lower organic composition of capital profits will be higher. Put in this way it is false, and armed with this conception one could not really grasp the whole meaning of the direction of capital exports after the Second World War which was in general to the ?advanced? countries.

Marx did not argue in the manner of Hilferding. Rather he considered the falling rate of profit a ?tendency?. He noted that the main way capital raises the rate of profit is by raising the technical and organic composition of capital. This raises the productivity of labour and with it increases the rate of exploitation. So we might just as well say that a higher organic composition of capital equals a higher rate of profit. Instead it is important to recognise that changes in the organic composition of capital give rise to opposite and contradictory movements in profit rates. It is for this reason that Marx considered the law of falling profit rates a tendential, not an absolute law.
The question of whether profit rates rise or fall due to the rise in the organic composition of capital (and therefore whether capital exports move to an area with a lower or higher organic composition of capital) has to be studied concretely. The uselessness of Hilferding’s approach to the study of the concrete is revealed in his Finance Capital when he states, immediately following the passage above:

“Besides this general factor which is less significant here because we are concerned with commodities on the world market where prices are determined by the most advanced methods of production, we must also consider some more specific factors.” 17

He then lists them but Lenin in his work summarises and agrees with them:

“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.” 18

The problem Hilferding faced is revealed in the fact that the general factor is discarded when it comes to explaining the high profit rates in the colonial countries. Neither the high organic composition of capital nor low profits in the developed capitalist countries are cited as the reasons for capital exports. Indeed how could they be when we are told that world “prices” are determined by the most advanced method of production? This means that capital with a higher organic composition defeats that with a lower composition because of higher productivity and cheaper products. So special features have to be introduced in order to make sense of capital export to the backward countries.

Nevertheless it is this law that is at the root of the uneven development of capitalist nations and explains the course of development after World War Two. A correct appreciation of the uneven development of capitalist nations and industry over the last forty years requires a concrete study of the law of the TRPF, the changing organic and technical composition of capital, and therefore of the periodic devaluation and consequent renewal of fixed capital on a gigantic, indeed global, scale.

[b]Luxemburg’s accumulation of errors[/b]

Rosa Luxemburg’s imperishable achievement was that she recognised the hollowness of the orthodoxy of the “Marxist Centre” of Social Democracy before Lenin and the Bolsheviks. Indeed from 1910 onwards she was in conflict with them both at a tactical and a theoretical level. After the outbreak of war she clearly saw the connection between the theory of the Marxist Centre and the wretched practice it had given rise to. In her The Accumulation of Capital: an Anti-critique 19 of 1916 she wrote:

“There is the closest connection between the understanding and treatment of theoretical problems and the practice of political parties over long periods. In the decade before the World War, German Social Democracy . . . displayed total harmony in theoretical as well as practical areas and in both areas the same indecision and ossification appeared and it was the same imperialism as the overwhelmingly dominant manifestation of public life which defeated the theoretical as well as the political general staff of Social Democracy.” 20

In the field of theory she realised that the battleground had been the understanding of capitalist crisis and in particular the schemes of reproduction in Volume 2 of Capital. In the Anti-critique she noted that:

“...the belief that capitalism is conceivable even without expansion, is the theoretical formula of a quite distinct tactical tendency. The logical conclusion of this idea is to look on the phase of imperialism not as a historical necessity, as the decisive conflict for socialism, but as the wicked invention of a small group of people who profit from it. This leads to convincing the bourgeoisie that, even from the point of view of their capitalist interests, imperialism and militarism are harmful, thus isolating the alleged small group of
beneficiaries of this imperialism and forming a bloc of the proletariat with broad sections of the bourgeoisie in order to moderate imperialism, starve it out by partial disarmament and draw its claws?!

Tugan-Baranovsky, formerly a legal Marxist, but by 1902 an enthusiastic apologist for capitalism, had interpreted Capital?s Volume 2 reproduction schemes as proof that capitalist accumulation was in principle limitless with only partial interruptions inevitable due to disproportions in the output of different sectors of industry. In 1916 Luxemburg accused Hilferding of repeating this error in Finance Capital. As we have already seen this criticism was only partially true. Luxemburg?s one-sided polemic more seriously blinded her to the strengths of Hilferding?s work. Worse, in her eagerness to strike at the harmonist theorists, who after 1914 were joined by none other than Karl Kautsky, she espoused the underconsumptionist positions of the early Kautsky.

Kautsky in the first decade of the century tried to assert that the Marxist orthodoxy on the question of the world expansion of capitalism was not to do with taking advantage of higher rates of profit but with avoiding the calamity that was awaiting capitalism due to the fact that the major capitalists were running out of markets to sell their commodities in. In a famous work of 1907, Kautsky argued that at the close of the last century the trusts and cartels were faced with a dilemma.

Either raise the incomes of the working classes to sustain the ever growing volume of commodities that was spewing out due to the amazing leaps in labour productivity, and in doing so undercut the rate of profit of firms that employ the workers enjoying higher wages; or risk chronic depression due to having unsaleable commodities in their warehouses because the working class had insufficient money to buy them from the bosses, and so could not realise the surplus value in the commodities.

Kautsky saw the escape from the dilemma lying in the exporting of commodities abroad to non-capitalist markets (or third parties?) thereby helping the capitalists avoid the crisis of underconsumption, which Kautsky held to be the Marxist explanation of crisis. Of course, Kautsky believed that in time the non-capitalist world would be absorbed into the capitalist system and the crisis of underconsumption would re-assert itself in full force. It was this theory that Luxemburg took over from Kautsky and defended after he abandoned it. In 1916 she condemned Kautsky by citing his own words of 1902 against Tugan Baranovsky:

?Although capitalists increase their wealth and the number of exploited workers grows, they cannot themselves form a sufficient market for capitalist produced commodities, as accumulation of capital and productivity grow even faster. They must find a market in those strata and nations which are still non-capitalist. They find this market, and expand it, but still not fast enough, since this additional market hardly has the flexibility and ability to expand of the capitalist process of production . . . This, in short, is the theory of crisis which, as far as we can see, is generally accepted by orthodox Marxists and which was set up by Marx.? 23

Thus Luxemburg took up and defended the old Kautsky against the new. In particular she devoted herself to the task of proving that over and above the cyclical character of capitalist crises there was a tendency towards the ultimate exhaustion of capitalist expansion and hence a final breakdown. This tendency is acute in the imperialist epoch which she defined in the following manner in her book of 1913, The Accumulation of Capital:

?Imperialism is the political expression of the accumulation of capital in its competitive struggle for what remains still open of the non-capitalist environment.?24

But since imperialism involves the massive expansion of capitalist commodity exports to these non-capitalist nations then this process destroys their non-capitalist character and with it the possibility of the
continued expansion of capitalist imperialism. When the whole world consists of capitalists and workers: ? The realisation and capitalisation of surplus value becomes impossible to accomplish. Just as soon as reality begins to correspond to Marx?s diagram of enlarged reproduction, the end of accumulation is in sight, it has reached its limits, and capitalist production is in extremis. For capital, the standstill of accumulation means that the development of the productive forces is arrested, and the collapse of capitalism follows inevitably as an objective historical necessity. 25

Unfortunately, Luxemburg?s conception was based on an entirely flawed grasp of Marx?s schemes of reproduction and his whole theory of crisis. In The Accumulation of Capital she asked the question: where is the market to be found for the commodities that embody the surplus value created in production? In a society made up entirely of capitalists and workers she insists that there can be no market for that portion of surplus value which is not destined for the individual consumption of the capitalist class, but instead is destined for the productive employment of more means of production and labour power than existed in the previous phase. Naturally enough if capitalism cannot provide the market adequate to its own expanded reproduction?for accumulation?then the necessity for a non-capitalist market is clear. Imperialism is the stage of capitalism in which securing these markets is a life and death question.

What Luxemburg failed to realise was that Marx?s schemes of reproduction of capital were designed to show just how the capitalist and working classes could provide a sufficient market for the total surplus value. Marx?s answer to Luxemburg?s question was quite simple. He argued that the capitalist class provided the market for the additional means of production (the output of Department 1?capital goods industry) and the additional means of consumption (output of Department 2?consumer goods industry). How? In short, the capitalists of Department 2 purchase additional means of production produced in Department 1. With the new surplus value realised in this sale the capitalists in Department 1 in part buy additional labour power. The wages the workers receive as a result are used to buy the additional means of consumption produced by Department 2. The only condition Marx sets down (at this level of his analysis) is that the output of the two Departments is in proportion to each other.

In fact Luxemburg briefly considered this correct solution to her self-induced riddle only to reject it. For her, to do otherwise, would have meant accepting the alternative proposed by the ?harmonists?, the apologists for capitalism, that capitalism can extend production ?again and so forth, year after year?. The paradox is therefore that Luxemburg and her opportunist critics shared the same approach to Marx?s schemes in Volume 2. Tugan-Baranovsky felt they proved the potentially limitless scope of capital accumulation and celebrated this fact. Luxemburg thought they did too but considered this a theoretical error of Marx?s and so rejected it.

Both shared the failure to understand the method that Marx employed in Capital. They made the mistake of assuming that in Volume 2 Marx is describing the concrete reality of actually existing capitalism. Tugan-Baranovsky accepted this description as accurate while Luxemburg thought it a ?bloodless theoretical ?ction? and proposed a different one. Neither understood that these abstract schemes were a stage in the argument on the road to a picture of concrete capitalism. At this stage Marx simply aims to demonstrate the possibility of expanded capitalist reproduction, but by no means its inevitability under all conditions. In particular Marx abstracted from all those features which do lead to periodic breakdowns, such as the TRPF, which he only introduced later in the analysis in Volume 3.

Luxemburg?s exclusive focus on Volume 2 and markets for an understanding of crises and expansion forced her to ignore or attack those elements of Marx?s explanation of crises which are to be found in Volumes 1 and 3 and which concern the contradictions in production and in valorisation. And yet it is here that one has to begin if one is to understand anything about the uneven development of capitalism in any
epoch, about the transition from one period to another, changes in the international division of labour and so on.26

In this regard the most important omission was her lack of treatment of the TRPF.27 But for Marx it was this law which made necessary the expansion of capitalism across the world in an attempt to escape the contradictions of accumulation that flow from this law. New profitable areas for capital rather than simple commodity export could thus offset the TRPF for a whole period, though the tendency would reassert itself. In one of only two references to the law she ridiculed a provincial SPD theoretician precisely for advancing this law as an explanation of capitalist crisis: ?Thus there is still some time before capitalism collapses because of the falling rate of profit, roughly until the sun burns out.? 28

She insisted on this because of Marx?s reference to the fact that large capitals can compensate for a falling profit rate by mass production. The latter involves increasing productivity and raising the level of exploitation (the rate of surplus value). But what Luxemburg failed to recognise was that Marx insisted that such an offsetting tendency was not permanent and in fact worsened the situation in the long run.

Luxemburg was in fact trapped within the ?breakdown controversy? that had raged in German Social Democracy since Bernstein had first suggested that capitalism could expand limitlessly and thus the ?breakdown? which would usher in social revolution would never come. Instead capitalism would have to be reformed gradually until it ceased to exist.

German Social Democracy?growing within a rapidly expanding capitalism?had propagandistically stressed its inevitable ?final breakdown?, viewed as a sort of ultimate period of stagnation and crisis. Where Bernstein in 1898 drew attention to the relative mildness of the cyclical crisis, Luxemburg replied that the reason for this was due to the incomplete nature of the world market, a situation rapidly coming to an end:

?.. we have still not reached the stage of expansion and exhaustion of the world market which would produce significant periodic collisions between the forces of production and the limits of the market, which are the real crises of an aging capitalism. We are at a stage in which crises are no longer a symptom of the rise of capitalism and not yet a symptom of its demise. This transitional period has been marked by generally sluggish business activity which has lasted for about two decades, during which brief boom periods have alternated with long periods of depression.

But the very phenomena, which for the moment, keep crises at bay also prove that we are inexorably approaching the beginning of the end, the time of capitalism?s final crisis. Once the world market has more or less reached its limit and can no longer be enlarged by sudden expansions while labour relentlessly increases its productivity, then sooner or later the periodic conflicts between the forces of production and the limits of exchange will begin, and their very recurrence will make them more acute and tempestuous.? 29

In reality Luxemburg wrote these words in the early years of the ?long boom? of 1895-1913 in which crises were in fact shallower than the phases of expansion. It took the First World War and its immediate aftermath to demonstrate the greater realism of Luxemburg?s revolutionary perspective. Nevertheless her theory of crisis remained wedded to a conception of the finite character of the market which would produce a ?final breakdown?. Consequently she neglected the inner changes in the structure of capital that could produce both temporary stabilisations and expansion as well as cataclysmic crisis periods.

In turn this left her with no conception of periodic or cyclical crisis related to the rising organic composition of capital, the wearing out and replacement of fixed capital. She was left therefore with no real theory to explain turning points between periods of boom and slump but only with a conception of depression, of a
long stagnation connected to the geographically finite expansion of global capitalism. It was therefore left to Bolshevism to critically appraise and develop the work of Hilferding into a more rounded analysis of the imperialist epoch.

[Bukharin and imperialism]

As is well known Lenin referred to Nikolai Bukharin as the foremost theoretician of the Bolshevik Party. Outside of the core of professional Marxist and bourgeois economists in the USSR after 1917, Bukharin wrote more on the subject of the nature and trends within world capitalist economy than anyone else, and certainly more than anyone in the party leadership. Lenin’s own work of 1916 was itself heavily indebted to Bukharin’s book of a year earlier.

His insights were often profound. He assembled his material and presented his arguments in a commendably lucid manner. On the other hand he let his theoretical imagination run away with him. He extrapolated tendencies of development in the world economy to such an extent that he often lost sight of contradictory lines of development altogether, or at least never gave them the importance that they deserved. Lenin argued that the young ?darling of the party? ?never understood the dialectic?. This judgement accurately sums up the talent that lay behind Bukharin’s contribution to the theory of imperialism.

In his major work, Imperialism and World Economy written in 1915, Bukharin freely acknowledged the importance and influence of Hilferding’s work on his own. This is especially true with regard to the analysis of the rise of the trusts and cartels and the export of capital. But Hilferding’s work devoted only a small part to “imperialism” as such. Bukharin in his 1915 book concentrated precisely on this “policy of finance capital” since it was the key to understanding the nature of the world war that was devouring Europe. Methodologically, Bukharin starts out from the dominance of the world economy over any individual national economy. The task of Imperialism and World Economy was to outline the main lines of global capitalist development so as to grasp the nature of the contradiction between nation states. In Chapter 5 Bukharin insisted that the tendency of capital to transcend national boundaries was a necessity grounded in the very process of profit formation, in particular, through the possibility of realising super-profits in the colonies. He quoted Marx in Volume 3 to the effect that advanced countries can sell their commodities above their value to the colonial country. Also the colony may offer commodities embodying more materialised labour than in the commodities it receives from the imperialist country, even though it receives them at a price far cheaper than the colonial country itself could hope to make them. Finally, super-profits emerge from the higher exploitation of colonial labour as compared with labour in the imperialist country. In summation Bukharin stated that “the race for higher profit is the motive power of world capitalism.”

This analysis was clearly based on Hilferding. Bukharin never abandoned the centrality of the differential movement in the rate of profit in explaining the self-expansion of capital across the globe. In his 1924 refutation of Luxemburg’s theory of imperialism he argued that Luxemburg was wrong to see the importance of foreign trade only in terms of the need to realise the surplus value produced in the imperialist country and not to see the centrality of the search for surplus profits in terms of the more favourable conditions of exploitation. He summarised the whole question of surplus profits thus:

“Consequently: (1) if it is an occasional exchange trade capital gains a surplus profit, using all means, including deceit, violence and robbery; (2) if foreign exchange becomes a regular occurrence, the country with a higher structure gains a surplus profit; (3) if capital is exported, that too happens in order to gain additional profit.”

Later, he argued again that:
The expansion of capital is conditioned by the movement of profit, its amount and rate, on which the amount depends. The movement of commodities and capital follow the law of the averaging out of the rate of profit. 33

He further argued that the gaining of a colonial surplus profit explains the direction of capitalist expansion. 34 Given that the years before and after the First World War saw the apogee of the European colonial empires, it is no surprise that Bukharin saw the export of capital to the colonies as central.35

Intensive or extensive development?

Bukharin's correct attitude to profit and the self-expansion of capital across the world was inextricably connected to his critique of Luxemburg's wrong view of capitalism's absolute limits for expansion and therefore its increasing tendency to fall into chronic, final crisis. Against Luxemburg, Bukharin defended Marx and Volume 2 and even earlier in his 1915 work had insisted that capitalism developed on the basis of both extensive and intensive development.

The latter, as Marx grasped, involved the creation and recreation of new markets for goods that were being or about to be produced; that is, capitalism created its own markets. Lenin confirmed this in his conflict with the Narodniks in the 1890s over the development of capitalism in Russia. But Lenin never lost sight of the fact that this development proceeds via disturbances and contradictions. Following this method Bukharin stated: The process of expanded reproduction is a process of the expanded reproduction of these contradictions.36 In summing up the elements of capitalist crisis he argued:

The contradiction between production and consumption, the contradiction between the different branches of production, the contradiction between industry and agriculture limited by rent, the anarchy of the market and competition, wars as a means of competition?all that is reproduced on an expanded scale in the course of capitalist development.

This movement is closely connected to the movement of profits, the major propellent of the capitalist economy. 37

All the elements of Marx's theory of crisis are to be noted here. But Bukharin was much closer to Lenin than Hilferding in his stress on the fact that all these contradictions deepen, grow more intense in the epoch of finance capital. Here there was no hint of the idea to be found in Hilferding that as free competition capitalism gave way to monopoly capital a mitigation of crises occurred.

In his earlier work of 1915 the economic roots of these contradictions for Bukharin were described as threefold. Together they added up to:

... three fundamental motives for the conquest policies of modern capitalist states; increased competition in the sales markets, in the markets of raw materials and for the spheres of capitalist investment. 38

We have already seen how Bukharin, following Hilferding, understood that the first of these?competition in the sales markets?derived from the increased productiveness of large scale industry and the need to produce great volumes to keep costs low. This is described by Bukharin as the realisation problem, which he correctly understood as part of the problem of the imperialist epoch without reducing it to this alone. We have dwelt on how the profit motive underlies the competition for the spheres of investment, that is, capital export. A word is necessary on the second motive: competition for raw materials.

The problem of raw materials arises under monopoly capital because of the disproportion between agriculture and industry. The latter outstrips the former in productivity, creating shortages and higher prices...
for raw materials. The main reason for this problem is the monopoly of land ownership in the colonies which restricts output and keeps prices high. This obstruction fuels the imperialist policy of conquest so that the cartels can themselves monopolise the sources of raw materials. This in turn overcomes the disproportionalities as capitalist methods are applied intensively to agriculture and extractive industries.

Summing up the whole dynamic process Bukharin argued, again in a manner not dissimilar to Hilferding:

"The increase in the economic territory opens agrarian regions to the national cartels and, consequently, markets for raw materials, increasing the sales markets and the sphere of capitalist investment; the tariff policy makes it possible to suppress foreign competition, to obtain surplus profit, and to put into operation the battering ram of dumping; the "system" as a whole facilitates the increase of the rate of profit for the monopoly organisations. This policy of finance capital is imperialism." 39

A similar definition is to be found in the ABC of Communism, written with Preobrazhensky in 1919 as the basic programmatic document of the Russian Communist Party. There it states,

"The policy of conquest which financial capital pursues in the struggle for markets, for the sources of raw material, and for places in which capital can be invested, is known as imperialism." 40

There are weaknesses in these positions. The first relates to the level of abstraction at which Bukharin posed the definition of imperialism. In essence it is a policy of conquest. As he makes clear in Chapter 9 of Imperialism and World Economy this signified the element of continuity with previous forms of imperialism (ancient society, for example). But it is a policy of conquest on behalf of "finance capital", and this provides the distinct, unique element of this imperialism.

Yet given the experience of the post-Second World War period with de-colonisation and political independence for the colonies this too narrow (i.e. in reality not abstract enough) definition of imperialism becomes obvious if the definition is to serve as one for the whole epoch and not just specific periods within it (which have occurred and may return). In reaching a modern definition, sufficiently abstract in the first instance to cover the epoch, we should abstract from politics (i.e. "policy of conquest") and then add it to our definition at more concrete levels of analysis. We should say that imperialism at the beginning of this new stage bore the imprint of its origins (colonialism) which in its maturity it was able to discard. In fact, we could say that this fact represented the underdevelopment of imperialism as a stage.

An analogy here that is useful is with capitalism itself. Primitive accumulation was a necessary condition of capitalism coming in to existence, but it represented its immaturity. Accumulation in the form of expanded reproduction, based on "blind, dull economic compulsion" represents capital in its maturity. Imperialism in a new phase of descent may well, of course, resort to colonialism again. In this instance it would represent the senility of the imperialist epoch.

The second criticism one can make of Bukharin is that despite his emphasis on the profit motive as the determinant of capital movement one should not be deceived as to the role the TRPF played in his general view of crises. What Bukharin stressed in his critique of Luxemburg and elsewhere is the role that the search for "surplus profits" played in the extensive (or geographical) development of capitalism/imperialism. Here it is the "averaging out" of the rate of profit, or the "movement" in the rate of profit that is repeatedly stressed, not the TRPF.

Bukharin?s attitude to the TRPF and its role in explaining the crisis of capitalist accumulation (whether in free competition or monopoly capitalism) is altogether more uncertain. In his critique of Luxemburg at one point he actually agrees with her reply to the "little man" who defended the role of the "falling rate of
Moreover, in the ABC of Communism, in the section entitled “Fundamental contradictions of the capitalist system” we find no mention of the TRPF in the explanation of crisis. What we do find is an explanation that relies solely on over-production caused by the anarchy of production (i.e. disproportionality) and the lack of wages of the working class (underconsumptionism).

[Bukharin and state monopoly capitalism]

In Imperialism and the World Economy Bukharin was concerned to hold before the reader two conflicting tendencies of development. The first was the growing internationalisation of economic relations; growing international trade, capital export and so on. The second trend was the growing “nationalisation” of economic relations. It is the conflict between the two trends that provides the essential dynamic contradictions of the imperialist epoch.

Bukharin followed Hilferding in charting the rise of monopolies in Part Two of his book. He explained how monopolisation arises out of the concentration and centralisation of capital and how this was much more important inside a country than internationally for the moment. He explained the role of tariffs in this process; the practice of dumping; the fusion of banking and industrial capital. But already in this section of the book there is an emphasis which is Bukharin’s own; the role of the state in the process and the end point of the process of trustification:

?Thus the various spheres of the concentration and organisation process stimulate each other, creating a very strong tendency towards transforming the entire national economy into one gigantic combined enterprise under the tutelage of the financial kings and the capitalist state, and enterprise, which monopolises the national market and forms the pre-requisite for organised production and a higher non-capitalist level.? 43

Whilst Hilferding had speculated about the “theoretical possibility” of one single giant cartel dominating the whole of national production he felt it was not a practical possibility because it would generate such social and political conflict as to threaten the existence of capitalism. But Bukharin had observed the effect of the First World War and the increased intervention of the capitalist state it brought with it in directing the economy and drew the conclusion that real life was tending in the direction of such a national trust. He explained the end point of the “nationalisation” trend thus:

?Finance capital seizes the entire country in an iron grip. “National economy” turns into one gigantic combined trust whose partners are the financial groups and the state. Such formations we call state capitalist trusts.? 44

This idea never left Bukharin in his work on imperialism. Sometimes he expressed it as a highly developed tendency, sometimes as an established fact. In the period 1915-20 he stressed that the impetus for the formation of state capitalist trusts came from above (i.e. from the state) and later in the 1920s that it came from below with the growing power of the trusts to “take hold” of the state itself. In fact the former view corresponded to the reality of the First World War when governments did take over important sectors of industry; the latter corresponded to the process of “de-nationalisation” at the end of the First World War and the growth of the private trusts. But for Bukharin these were not contradictory developments but complementary roads to the state capitalist trust.

Each time he expressed the idea he discounted or depreciated all the trends that cut across this conception. For example, in the first chapter of his 1915 work he “notes” the “establishment of enterprises
abroad, and the movement of the surplus value obtained?.45 This is in fact a reference to a trend that was
to be much more extensively developed as the century wore on; namely, the growth of so-called
multi/transnationals. Elsewhere he, like Hilferding, recognised the ?solidarity of interests? between
imperialist powers that arose as a result of certain forms of capital export to other countries (e.g. two major
powers buying shares in a third colonial or semi-colonial country). But Bukharin never attached serious
weight to these developments as compared to the growth of a single national trust and increasing rivalry
between the different nations in the world economy. Indeed, as Cohen states it can be said that for
Bukharin imperialism was to become ?nothing but the expression of competition between state capitalist
trusts?.46

Here we can see already the one-sidedness in Bukharin which Lenin was to oppose strongly in the
immediate post-war years during the debate concerning state capitalism and the prospects for capitalist
recovery from the war. Real life was to reveal that the ?norm? for the development of monopoly capital
was in general not towards a single trust; neither in the country as a whole, nor even within each individual
sector of industry. There is not simply one car manufacturer in the USA, but several competing
internationally, and so on.

It was noted earlier when discussing Bukharin?s conception of imperialism that he did not arrive at a
sufficiently abstract definition of the political economy of this stage (i.e. put differently, the way in which the
law of value operates under finance capital). But in regard to state monopoly capitalism he was guilty of
taking his abstraction too far. He made an illegitimate abstraction in that he only saw the tendency towards
state capitalism and left aside the penetration of the monopoly capitalists into other nation states, which is
an aspect of the internationalisation of the world economy. He failed to recognise the consequences of the
uneven development of capital exports; namely, that the growth of transnational capital contradicted the
tendencies towards one state capitalist trust by putting roots down in more than one nation.

This is connected to another weakness in Bukharin. He exaggerated the unifying role of the state in
bringing together competing sectors of capital. He tended to treat the phrase about the state being ?the
executive committee of the bourgeoisie? too literally. That is he failed to see that the capitalist state does
not simply represent the common interest of the ruling class but is also a set of institutions through which
the bourgeoisie establishes its unity through conflicts between different fractions of the capitalist class.
Even under the most extreme development of state capitalism (in wartime) conflicts remain.

[B]The crisis of state monopoly capitalism[B]

Bukharin not only exaggerated the trends towards the ?nationalisation? of the economy but he also falsely
posed the form in which capitalist crises operated in this epoch. We have already said that Bukharin was
clear that the expansion of capitalism entailed the expansion of its contradictions; this was an improvement
on the ambiguities of Hilferding. But he falsely posed the form in which these expanded contradictions
operated under imperialism and paradoxically he did so in such a way as to end up adopting a position that
was quite close to that of Hilferding in the 1920s.

Thus in his 1915 work Bukharin argued that the tendency towards a single state capitalist trust eliminated
competition inside the country. Instead, ?competition reaches the highest, the last conceivable state of
development. It is now the competition of state capitalist trusts in the world market?.47 Again, in his 1916
work Towards a theory of the imperialist state he argued:

?The individual capitalist disappears. He is transformed into a Verbandskapitalist, a member of an
organisation. He no longer competes with his ?countrymen?; he co-operates with them, for the centre of
gravity of the competitive struggle is transferred to the world market, while inside the country competition
The thrust of these remarks is clear. Capitalist crises disappear within a single country to break out with renewed vigour between countries. This is clearly expressed in the ABC of Communism, written in 1919. The section on imperialism includes the following:

?In individual countries the effect of the sway of financial capital is, in a certain measure, to put an end to the anarchy of capitalist production. The various producers, who have hitherto been fighting one another, now join forces in state capitalist trust . . .

In actual fact the anarchy of production and competition has not ceased. Or perhaps it would be better to say that it ceases in one place to break out worse than ever in another . . .

The anarchy of production and of competition within each specific country ceases more or less completely because the individual enterprises unite to form a state capitalist trust. All the fiercer grows the struggle between the various state capitalist trusts . . .? 49

In The Economics of the Transition Period published in 1920 he drew the contrast between the internal and external crises most starkly:

?Capitalist ?national economy? has moved from an irrational system to a rational organisation, from a subject-less economy to an economically active subject. This transformation has been effected by the growth of finance capital and the fusion of the economic and political organisations of the bourgeoisie. At the same time, however, neither the anarchy of capitalist production in general nor the competition of capitalist commodity producers was eliminated. The phenomena have not only remained but have deepened by reproducing themselves in the framework of world economy.? 50

Lenin found himself in opposition to this undialectical counter-position of the internal and international nature of capitalist crises. In his copy of this very book Lenin marked the following passage from Bukharin: ?Finance capital has abrogated the anarchy of production within the large capitalist countries? 51 with the terse marginal comment ?not abrogated?.

Naturally, then, this led Lenin to clash with Bukharin over the nature of ?state capitalism? after 1917. In Bukharin?s conception opportunism and ultra-leftism existed side by side. On the one side it was opportunist to imply that internal crisis was ?abrogated?; it led directly, in theoretical terms, to the conception of ?organised capitalism?, which Hilferding was to espouse.

On the other hand, Bukharin?s over-exaggerated sense of the international crisis of capitalism (i.e. internal crisis disappears only to reappear with redoubled force in the international arena) forced him to underestimate the remaining reserves of the capitalist system in the immediate post-First World War situation. Bukharin was carried away by the revolutionary crisis of capitalism in Europe from 1917-20. His 1920 book tried to prove that capitalism had passed from a situation of crisis (i.e. a necessary process of purgation and renewal) to a situation of collapse, of ?negative expanded reproduction?, or the idea that capitalism was reproducing itself on a more and more reduced scale. In 1920 he said:

?. . . the process of decay sets in with absolute inevitability after expanded negative reproduction has swallowed social surplus value . . . The concrete situation in Europe in the years 1918-20 shows clearly that this period of decay has already begun and that there are no signs of resurrection of the old system of production relations. On the contrary. All concrete facts indicate that the elements of decay and the revolutionary dissolution of relationships advance with every month.? 52
The political conclusion is drawn:

?. . . a restoration of the old capitalist system is impossible . . . Mankind faces the dilemma: either ?decline of culture? or communism?no third alternative is possible.? 53

Whereas Lenin operated with the maxim, ?there are no absolutely hopeless situations? for the ruling class, Bukharin?s conception led him to advance a caricature of Trotsky?s theory of ?permanent revolution? which in fact was an ultra-left idea of permanent advance, with no place for retreat. It led him to oppose the idea of a negotiated ?peace? with the USSR?s war enemies at Brest-Litovsk in 1918 and to be generally on the left in the early Comintern.

Of course, it only took a real ebbing away of the revolutionary tide after 1920 (and again after 1923) and a substantial degree of stability to return to international capitalism as a result, for Bukharin to turn his theory upside down and concentrate attention on that aspect of his theory of state monopoly capitalism which stressed the internal stability and absence of crisis within the nation.

After 1924 Bukharin?s theory prove very useful for Stalin since if capitalist crisis internally could not be counted upon then there was neither the possibility of international revolution, nor would the capitalist world be compelled to attack the USSR to overcome its crisis; hence the USSR could get on and ?build socialism?. In this way, Bukharin became theoretician par excellence of the right-centrism of 1925-28.

[b]The limits of state capitalism[/b]

The weight that Bukharin attached to the role of the state in regulating the capitalist economy went far beyond that of Lenin. Lenin referred to the idea of ?state capitalism? to describe tendencies within monopoly capitalism in the imperialist epoch towards state ownership and regulation of sectors of the economy in the interests of the bourgeoisie as a whole.

Bukharin saw a complete state capitalism (i.e. the capitalist state owning all the means of production) within each national economy as the end point that the monopolies were inexorably pressing towards. State capitalism was just a logical progression of development which started with the concentration and centralisation of capital, passed through state monopoly capitalism and ended up in state capitalism. But in fact the passage from a highly monopolised economy (involving a mixture of state and private monopolies alongside smaller firms) to state capitalism actually represents a qualitative leap, the significance of which escaped Bukharin.

In Volumes 2 and 3 of Capital Marx showed how the circulation process of capital is an essential element in the circuit of capital in that it involves the realisation of surplus value. The competition between many capitals is an essential element in this process. Under complete state capitalism there would be no competing capitals; rather one capital would confront the working class. The capitalist class would merely be shareholders taking a portion of profits in the form of revenue. The only element of competition remaining would be that between the working class and the capitalist state.

But how is the surplus value produced by the working class to be realised? After all, the working class can only purchase with its wages commodities equivalent to the wages advanced at the beginning of the process, before production. The surplus value created as a result of production cannot be realised because there is no circulation and exchange between competing capitals.

What we would have here is a regime of simple reproduction of capital and not expanded reproduction. Accumulation would then carry on at the same level not at an ever increasing one; in that sense state capitalism would be a regime of decline over a highly monopolised capitalist society. We could say that a
single capital if realised would represent stagnation, but as Lenin recognised monopolies exist alongside competition, and competition is an essential pre-condition for expanded reproduction.

If we leave aside this theoretical argument it is possible, on the basis of the experience of this century, to see that wherever there has been something approaching real state capitalism, as described above, then we do approach a regime of decline. For example, in the war economy of Hitler?s Germany a form of state capitalism existed which was cut off from the international world economy and highly centralised internally, based increasingly, as the war dragged on, on slave labour. Evidence suggests it was a regime of decline.

In The Economics of the Transition Period Bukharin sensed that the war and its immediate aftermath had seen a reduction in capital accumulation and theorised it in his concept of ?negative expanded accumulation?. He intuitively grasped certain consequences of the ?war economy?.

Lenin and later Preobrazhensky understood better than Bukharin that ?state capitalism? was a temporary regime of acute crisis for capitalism, not a norm which could exist for any length of time. Its main virtue for the bosses was its ability to intensify the super-exploitation of the working class alongside concentrating resources to win a war. But such a regime ought to be distinguished from a ?normal? highly monopolistic capitalist society.

Rather than seeing a state capitalism as a logical end point to the concentration and centralisation of capital it is better to recognise it as a temporary regime born of capital crisis, one which gives way at the earliest moment. As Preobrazhensky said in The New Economics the return to the private sector of industry after the First World War and the stabilisation and recovery of the 1920s proved that ?the monopolistic tendencies of world capitalism not only had not come to an end, but had entered upon a fresh and more decisive phase?.

If we add to this the experience of the dismantling of ?state capitalism? after the Second World War who can deny that he was right? But none of this fits very happily with Bukharin?s theory. For him state monopoly capitalism represented an absence (or extreme modification) of crisis inside a specific country and an intensification of competition between countries. Yet the experience of state capitalism suggests that it is a regime born of enormous internal contradictions and crises, and an absence (or extreme modification) of competition between countries?a regime of autarchy.

[\textbf{Lenin?s Imperialism}]

Lenin?s pamphlet?much more than Hilferding or Bukharin?s more extensive works?has been the reference point for the critique of the ?Marxist? theory of imperialism. On the other hand it has also been the inspiration and point of departure for the study of modern imperialism. How then should we judge it? Is it simply a summary of Bukharin, a plagiarism of Hilferding? Was Lenin?s ?composite picture? an accurate sketch of capitalist imperialism in the years before 1914? Can it teach us anything about the very different forms of the post-Second World War system of imperialist rule?

Lenin?s famous pamphlet was researched and written in the midst of the horror of the First World War. But it was no hurried propaganda tract. Although it was a ?popular outline? its ambition was to present ?an exclusively theoretical, specifically economic analysis of facts?. There exists no other work of Lenin?s that attempts a rounded scientific analysis of the epoch. We have to judge it from this standpoint. It was written in order to lay bare the economic causes of the 1914-18 war. Its purpose was to establish that the conflict was an imperialist war, one carried out to enact a violent re-division of the world between the major European imperialist powers, a task made un-postponable by the stored up tensions and contradictions from the previous decades of rapid growth.
In this Lenin succeeded brilliantly and in the process demolished opponents such as Kautsky who argued that the war was the product of an irrational policy of a section of the bourgeoisie that could be isolated, so opening up the road for a peaceful transition to socialism.

Nevertheless Lenin’s work is not without its weaknesses. Some, such as his tendency to generalise about the epoch from features of the opening period of imperialism, were barely avoidable and easily correctable. Others, such as his inconsistent use of the concept ?finance capital?, reflect a regression as compared to Hilferding and can be remedied by returning to the latter. Still others, for example an incomplete conception of the nature of capitalist crises, reflect a weakness he shared with those who went before and which he failed to transcend. Nevertheless, it is possible to make that correction and at the same time preserve the essentially revolutionary nature of the work.

Yet whatever the overall effect of these flaws it is above all because of Lenin’s superior grasp of the dialectical method?his ability to uncover the contradictory nature of the development of capitalism?that this work is not ruined by its weaknesses. Rather Imperialism raised itself above those defects and in so doing proved itself able to avoid all the one-sidedness of Hilferding and Bukharin and, more importantly, illustrate the method by which we can make the necessary additions to Lenin’s pamphlet to allow us to undertake a comprehensive study of the whole epoch.

**Lenin’s definition**

At several points in his work Lenin gave a summary definition of imperialism as ?the monopoly stage of capitalism?.58 At one point he fleshed this out into a series of five features which we can take as the basis for a critical appreciation of Lenin’s theory:

1. . . we must give a definition of imperialism that will include the following five of its basic features:

2. (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 of capital as distinguished from the export of commodities acquires exceptional importance; (4) the formation of international monopolist capitalist associations which share the world among themselves, and (5) the territorial division of the whole world among the biggest capitalist powers is completed.? 59

The first point we should notice is that in advancing this definition Lenin was not suggesting that all these features are developed to the same extent in each country under consideration. He was presenting us with a ?composite picture? 60 of imperialism. The definition gives us the ?combined? results of the investigation. The extended analysis in the pamphlet illustrates the uneven way in which these features develop between and within the principal imperialist countries.

Lenin argued that the highest stage of free competition capital ended with the cyclical crisis of 1873. There then opened up a transitional period coinciding with the ?Great Depression? which combined features of the free competition and monopoly periods. In concrete terms this development was a product of the tendency of the ?new? capitalist powers of Germany and the USA to erect tariffs and build their industries behind protectionist walls. The late start of these capitalist powers, deprived of colonies, meant they could only catch up with the old powers, France and Britain, through an accelerated bout of concentration and centralisation together with a rapid fusion of banks and industry to oversee the process of accumulation.

The last decades of the nineteenth century saw Britain’s dominance of world trade successfully challenged by Germany and the USA. As they grew stronger they sought their own colonial possessions
which Britain and France already possessed in such abundance. The result was a rush to annex those areas of the world as yet undivided, culminating in the ?scramble for Africa? of the 1880s. Nevertheless, despite their greater economic vigour the newly imperialist powers lost out to the old. For Lenin the transitional phase to a new epoch of capitalism, the imperialist stage, was completed during the boom years between 1895 to 1900 and as of the cyclical crisis of 1900-03 capitalism emerged under the decisive sway of the monopolies.

Once we understand this uneven and combined development Lenin is not ?refuted? if we find an imperialism with few colonies (the USA) or if we detect, as we do in the case of Britain at the turn of the century, an undeveloped case of the fusion of industrial and banking capital. In Lenin?s summation he not only abstracted from pre-imperialist remnants which continued to exist, he further abstracted from national peculiarities and left aside the unevenness between the different powers. But he did not commit the error, or rather the crime, of Kautsky which was to ignore the contradictions that lay at the heart of the uneven development and which led to war. Kautsky?s false abstraction from this antagonistic uneven development provided an apologetic account of it. Lenin on the contrary never did this and stressed that this antagonism was a defining feature:

?The extent to which monopolist capital has intensified all the contradictions of capitalism is generally known. It is sufficient to mention the high cost of living and the tyranny of the cartels. The intensification of contradictions constitutes the most powerful driving force of the transitional period of history, which began from the final victory of world finance capital.? 61

In returning to the opening element of his five part definition, the decisive role of monopolies in economic life, it is obvious that this section flows entirely from Lenin?s appreciation of Hilferding?s work on the concentration and centralisation of capital and the rise to power of monopolies under the aegis of the banks. The emphasis in Imperialism on the fact that the division of the world between monopolistic associations is complete was Lenin?s own and provided the explanation for the dynamic leading to a war for re-division.

Lenin?s second component, the fusion of banking and industrial capital to form finance capital was also drawn from Hilferding. But there is a problem in Lenin?s use of the concept ?finance capital? and to grasp what this problem is we have to turn to his treatment of parasitism and decay which he considered to be fundamental characteristics of finance capital.

In his discussion of decay Lenin was intensely dialectical. The tendency towards decay was to be found above all in the old imperialisms and particularly in Britain whose industry was being surpassed by the new powers. Lenin located the trend of decay in the development of monopolies:

?. . . like all monopoly it engenders a tendency to stagnation and decay. Since monopoly prices are established, even temporarily, the motive cause of technical and, consequently, of all other progress disappears to a certain extent and further the economic possibility arises of deliberately retarding technical progress.? 62

Note that Lenin stressed that this was only a tendency. And while this tendency ?in some branches of industry, in some countries, for certain periods of time . . . gains the upper hand?, nevertheless, ?Monopoly under capitalism can never completely, and for a very long period of time, eliminate competition in the world market?.63

For the same reason Lenin insisted that monopoly does not abolish free competition but rather ?exists above it and alongside it?. On this score he has been proven right against those theorists64 who,
generalising from the experience of the inter-war depression, see in monopoly only an absolute tendency
to stagnation and decay or who see that the essence of monopoly capitalism as lying in decay which can
be offset for ?special reasons?. They have been amply refuted by the experience of the long post-war
boom which witnessed a massive growth in the centralisation of production alongside the most amazing
unleashing of the productive forces ever witnessed under capitalism.

Of course it would have been strange for Lenin to have succumbed to a one-sided view of decay given that
he was writing at the end of an earlier ?long boom? (1895-1913) and he noted as a result that:

?It would be a mistake to believe that this tendency to decay precludes the rapid growth of capitalism. It
does not. In the epoch of imperialism, certain branches of industry, certain strata of the bourgeoisie and
certain countries betray, to a greater or lesser degree, now one and now the other of these tendencies. On
the whole capitalism is growing far more rapidly than before.? 65

Lenin went further in Imperialism and argued that capitalism was developing fastest in those countries that
were in receipt of capital imports. So, far from suggesting that imperialism retarded the capitalist
development of the dependant countries he realised that they did the opposite in general, even if in a
lopsided manner (i.e. unevenly). Such a view of capitalist development is completely consistent with his
own analysis of the effect of the import of capital into Russia in the 1880s and 1890s.

Of course, Lenin was not arguing that imperialism was always and everywhere destined to push the
productive forces forward. Rather, he was laying bare the contradictory tendencies, either of which could
come the upper hand. It is this dialectical approach that allows for the possibility of grasping the post-war
long boom when a concrete analysis discovers the reasons why the tendencies towards decay were offset
for so long and so dramatically. For Lenin, for whom the period and the epoch were naturally synonymous
in the early twentieth century, such a theorisation of periods and epoch was not possible until the advent of
the war itself. However, there is no evidence in Lenin?s work that he was aware that the First World War
represented a watershed or turning point in the fortunes of world economy. Indeed, as we have noted in
his critical remark levelled at Bukharin, Lenin tended in the early Comintern years to shy away from making
generalisations about the nature of the immediate post-war period, not least because of the acute
instability of economics and politics.

Lenin?s treatment of parasitism on the other hand was not altogether satisfactory. He rightly criticised
Hilferding for suggesting that parasitism was primarily a feature of free competition capitalism, a
phenomenon associated with financial speculation which Hilferding saw as diminishing as a consequence
of the fusion between banking and industrial capital. This latter process he thought induced banking capital
to be ?more responsible? in its money-making activity. As we have seen for Hilferding this view was
associated with the idea that crises were in principle preventable if the process of monopolisation went to
the limit.

Because of this ?certain inclination on his part to reconcile Marxism and opportunism? 66 Lenin said that
Hilferding took ?a step backward compared to the non-Marxist Hobson? 67 in the understanding of
parasitism. By parasitism is meant the process of exporting loan capital abroad and living off the interest
from the loan?what Lenin referred to as ?coupon-clipping?. He demonstrated, through figures, the
enormous growth of this tendency under imperialism. Today, with the monstrous growth in personal,
corporate and sovereign debt, which acts first as stimulus and increasingly as a barrier to the expansion of
productive industry, we can agree with Lenin that parasitism has become a major feature of the epoch of
imperialism. Interest bearing capital today preys on the poverty stricken masses of whole continents such
as South America and Africa.
Nevertheless, there remains a problem with Lenin’s understanding of parasitism and it comes from too uncritical an acceptance of Hobson’s views. Lenin argued that:

“The export of capital, one of the most essential economic bases of imperialism, still more completely isolates the rentiers from production and sets the seal of parasitism on the whole country.” 68

This resulted in the old powers, the developed nations being turned into ?usurer states?. In an extensive passage Lenin quoted Hobson on the line of development of coupon-clipping:

“The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the south of England, in the Riviera, and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from retainers . . . all the main arterial industries would have disappeared, the staple food and manufactures ?owing in as tribute from Asia and Africa.? 69

Lenin endorsed this scenario (with the proviso that the proletarian revolution can disrupt its fruition) and in so doing was guilty of a rare case of one-sided thinking. He argued that there was an inner connection between decay and parasitism and that it existed in the decline of the old industrial and colonial imperialist powers which offset that tendency by exporting money capital (which is what Lenin meant by finance capital in this connection) and living off interest. The problem with this is twofold.

First, Lenin here and in Chapter 4 wrote of the export of capital exclusively in terms of export of loan capital while the idea of fixed capital (i.e. productive units) figures nowhere. Consequently, he drew a stark counter-parallel between the decay in production of the ‘old’ imperialisms and parasitism. He thereby neglected the tendency to export capital under the control of imperialism to set up and develop production abroad. Thus he failed to register the significance of his discussion in Chapter 5 on the division of the world among monopoly associations for his understanding of parasitism. In that chapter he discussed at length the rivalry between the US and German oil and electrical engineering monopolies in Europe in the quest to establish foreign branches of their companies.

What he described there, but never theorised or integrated into his overall analysis, was the beginning of multinational (or transnational) capital. This was a feature of the new imperialist countries especially in the early twentieth century, yet Lenin tied his discussion of parasitism (following Hobson) to the decay of the old imperialisms like Britain. The course of development of imperialism in the subsequent decades of this century has shown that decay and parasitism, or what was the same thing for Lenin, industrial and financial capital, are dialectically linked.

The continued decline of British imperialism throughout the twentieth century has further undermined its relative strength in the world financial markets. A symptom of this was the abandonment of the Gold Standard by Britain in the 1930s. At the same time the massive industrial prowess of, ²rst the USA and later Japan (and especially the growth of US and Japanese transnational operations abroad), indicates how this is itself the springboard for a massive extension of parasitical ‘coupon-clipping’ activities. The fact that Japan is chief creditor to the US treasury today is eloquent testimony to this. Even in individual companies the same holds true. GEC and ICI, two of British imperialism’s biggest industrial transnationals, hold enormous cash reserves which they use to speculate in the money markets.

In short, the danger with Lenin and Hobson’s view of finance capital in this narrow sense was that it split what ought to have been united in the concept of finance capital, namely industrial and banking capital.70 As such it tended to associate parasitism only with the latter rather than with both together. And that road leads straight back to Kautsky in the sense that it allows for a reformist strategy based on exploiting the
perceived difference between industrial and financial capital, usually appealing for a bloc with the former.

What has been noted above naturally leads on to a critique of Lenin’s view of the export of capital, the third of Lenin’s summary features. Of course, the decisive question for him was not its form or even its direction but the fact that it predominates over the export of commodities. In this he was right and here he followed both Hilferding and Bukharin. Lenin’s discussion of the export of capital in Chapter 4 dwells mainly on the fact that capital is exported from the old imperialism to their colonies. But he noted that in the case of France most capital went to other European powers and in the case of Germany they were evenly divided between Europe and America. The heavy stress Lenin placed upon the export of capital to the colonial world in part stemmed from his tendency to focus on the export of loan capital only.

Nevertheless, Lenin acknowledged the fact of inter-imperialist investment and once again his realisation of the uneven and contradictory pattern of capital export clearly anticipated the pattern after the Second World War when most of the export of capital was between imperialist powers rather than between imperialist nations and the semi-colonial world.

But we should face the fact that Lenin’s over-emphasis on capital export to the colonial world derived from the limits of his appreciation of the impetus which existed from within an imperialist country to export capital. While he recognised that the motive for the export of capital stemmed from the crisis of accumulation in the developed nation, Lenin’s theorisation of that crisis was weak.

In one sense Lenin’s view of crisis was superior to that of Hilferding because he recognised that they are not mitigated by the growth of monopoly capitalism but rather get worse:

“The statement that cartels can abolish crises is a fable spread by bourgeois economists who at all costs desire to place capitalism in a favourable light. On the contrary the monopoly created in certain branches of industry increases and intensifies the anarchy inherent in capitalist production as a whole. The disparity between the development of agriculture and industry, which is characteristic of capitalism in general, is increased.” 71

This disparity was intensiﬁed not least because of the greater rate of technical progress in industry under imperialism. He concluded that as a result “the accumulation of capital has reached gigantic proportions. An enormous surplus of capital has arisen in the advanced countries.” 72

But then Lenin went on to explain the link between the crisis of disproportions and the over-production of capital in the following manner:

“It goes without saying that if capitalism could develop agriculture, which is everywhere lagging terribly behind industry, if it could raise the standard of living of the masses . . . there could be no question of a surplus of capital . . . But if capitalism did these things it would not be capitalism; for both uneven development and a semi-starvation level of existence for the masses are inevitable and fundamental conditions and constitute premises of this mode of production.” 73

This explanation of the link between sectoral disproportions and the underconsumption of the masses is nothing less than the early Kautsky’s commonly accepted view of crises. But Lenin added onto this analysis the relationship of profits to the whole movement:

“As long as capitalism remains what it is, surplus capital will be utilised not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries.” 74
Lenin here established the fact that profits were low in the developed country because of the underconsumption of the masses and yet capital could not overcome the underconsumption of the masses in the colonies because this would undermine the profits to be garnered there. But insofar as Lenin failed to go beyond the Hilferding explanation of capitalist crisis, however much more dialectically posed, and incorporate a deeper grasp of the role of the TRPF, Imperialism, the Highest Stage does not extend the Marxist theory of crisis in the imperialist epoch.

If we now turn to the fifth summary point of Lenin’s definition we can see immediately that this is the one most obviously in need of re-elaboration as it refers to the division of the world between imperialist powers. This issue is dealt with in the sixth part of the pamphlet and is concerned with the process of colonisation. As Lenin argued:

?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 re-division is possible, i.e. territories can only pass from one ?owner? to another, instead of passing as ownerless territory to an ?owner?.? 75

It is not surprising that Lenin associated the imperialist epoch with colonial policy given the mad scramble for colonies in the last third of the nineteenth century. But he was astute enough to recognise that the division of the world between the major powers did not exclusively take the form colonies. He noted that:

?Finance capital . . . gives rise to a number of transitional forms of state dependence. Not only are there the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact, are enmeshed in the net of financial and diplomatic dependence.? 76

Earlier Lenin pointed to the case of the ?semi-colony? as an example of a transitional stage.77 But what is interesting is that Lenin described these transitional forms as transitional only to . . . full colonial dependence:

?It is natural that the struggle for these semi-dependent countries should have become particularly bitter in the epoch of finance capital, when the rest of the world has already been divided up.? 78

For Lenin it was the very rivalry, the balance of forces between the major powers that allowed this transitional form to exist. Since the Second World War the colonial empires have been liquidated and semi-colonial dependence, far from being exceptional, has been transformed into the ?normal? form of imperialist domination. The key to this shift obviously lies with the nature of US imperialism and its rise to absolute hegemony in the twentieth century.

The USA did not participate in the scramble for colonies in the nineteenth century, but under cover of the Monroe Doctrine was able to exert a semi-colonial rule over many of the formally independent states of South and Central America. This youthful imperialism was able to expand rapidly in the opening period of the epoch through the exploitation of its huge internal natural resources; so much so that after the First World War it was able to pose as an ?anti-colonial? power in favour of the liberation of oppressed peoples. But this was the rhetoric or ideology of an imperialism that, after the Second World War, needed to treat the whole world as its privileged area of exploitation.

Lenin did discuss the ?transitional case of Argentina? but still assumed that eventually colonial servitude awaited it. Closer and prolonged inspection would have revealed a developing contest between Argentina?s old master, Great Britain, and a USA attempting to penetrate its economy and prize it loose
from British control.

Argentina’s history in the twentieth century shows that despite a high level of economic development it was unable to escape British domination and exploitation without falling under the sway of the USA. Moreover, whilst Argentina has retained its full formal political independence its imperialist masters have called the tune in the internal feuds of the ruling class, have prompted its military caste to change the political regimes when they wanted and have condemned the Argentine masses to coups, torture and repression.

The lack of focus on US imperialism and the concentration on Europe in Lenin’s pamphlet is obviously one of the aspects of the work that most needs updating if we are to arrive at an adequate understanding of the epoch as a whole. The European focus was natural in the context of a world war that was fought in Europe and in which the major antagonists were European powers. But the discussion of the features of imperialism by Lenin does produce curious anomalies because of it.

For example, in the section on the concentration and monopolisation of capital the main examples were drawn from Germany; yet he noted in one passage that “In another advanced country of modern capitalism, the USA, the growth of the concentration of production is still greater.” 79

Once again, in Lenin’s discussion of the role of the banks, the bulk of the material focuses on Europe but he noted in passing that it was in the USA where a mere two banking trusts dominate the economy! So on the basis of Lenin’s “briefest possible definition” we would have to conclude that the USA is the most developed imperialism, yet its appearance in the overall analysis is marginal.

In the years after the First World War Lenin quite naturally brought the USA more into the frame. In his “Letter to American Workers” of 1918 80 he explained how the USA gained most from the war by turning Britain and Germany into its “tributaries”. France and Britain divided up Germany’s colonies doing so through the medium of the League of Nations. For this reason the USA, stronger now than before but still not strong enough to enforce its will on Europe, boycotted the League. In this tension lay the seeds of the next world war. Lenin did not live long enough to study this new set of contradictions or their implications for the nature of the imperialist epoch. As the only genuine heir to Lenin’s politics and method that task was to fall to Leon Trotsky.

[Trotsky: imperialism as ?levelling out in reverse?[/b]

Trotsky never wrote a specific work of political economy on imperialism. His best writings on the subject, dating from his time as a leader of the revolutionary Comintern, are perspectival rather than theoretical in ambition and scope. But they are rooted in a considerable amount of empirical data which gives them a concreteness lacking in his writings on these subjects in the later 1920s and 1930s. As always they are fused with a methodology (dialectical materialism) which allows him to recognise countervailing trends, and the conditions under which a radically different situation could come about to the one that existed at the time of writing.

During his early years in opposition Trotsky’s attention was absorbed by the tasks of socialist construction. From this period dates his only specifically economic work, Towards Capitalism or Socialism?, written in 1925.81 This was also the period of his collaboration with the most talented economist of the Left Opposition, Preobrazhensky.

After the crushing of the United Opposition, his exile to Alma Ata, the capitulation of Preobrazhensky and forcible expulsion from the USSR, he found himself with no trained economists as collaborators. Deprived
of research facilities and resources he eventually sought the help of the Socialist Workers Party (US) in this field, but in vain. Trotsky was obliged to note that the Transitional Programme itself was underdeveloped in the sphere of the changes within imperialism since Lenin? s great contribution.82

We have to piece together a theoretical framework for Trotsky? s ideas on imperialism because there exists nowhere in his writings any assessment of the merits of the competing theories of the classical Marxists such as Bukharin, Luxemburg, Hilferding and Kautsky.83 Yet he could not have been unfamiliar with them. Trotsky was resident in Vienna from the end of 1907 until the outbreak of war and followed the theoretical controversies of the Austrian and German parties at first hand.

A regular visitor to Berlin, he met and became a friend of Karl Kautsky. In Kautsky? s home he met Hilferding and formed a certain friendship with him. They corresponded and met regularly. In My Life Trotsky gives no clue as to the political content of these discussions, concerned as he is to distance himself from the whole Austro-Marxist school.84 Yet since this was the period when Hilferding was completing Finance Capital they must have discussed the subject and the conflicting views of Luxemburg, Kautsky and others.

Though Trotsky nowhere makes, explicit reference to these debates evidence in his work of this period indicates a familiarity with the main ideas of this controversy. It is clear from his collection 1905 published in Vienna in 1908-09 that Trotsky was familiar with the notion of ?finance capital? and even went so far as to write of finance capital as ?the incarnation of the new economy?.85 He also referred to finance capital as ?the most concentrated and abstract form? of capital, developing in the second half of the nineteenth century.

Trotsky revealed the degree to which the Tsarist state had monopolised major sectors of the Russian economy. All this reflects his acquaintance with the work of Hilferding. But it is also interesting to note that there is not one reference at this time to the concept of ?imperialism?.

[b]Before the Comintern[/b]

For more clues to Trotsky? s general views on the nature of the new epoch we have to turn to the pamphlet The War and the International written in 1915. Unlike his writings on Russian capitalism from 1908 this pamphlet is shorn of empirical material. But it more than makes up for this with statements which demonstrate his grasp of the nature of the imperialist epoch, a nature starkly displayed to Trotsky by the First World War itself. In the preface Trotsky set out his view of the nature of the contradiction at the heart of the new epoch, imperialism:

?The forces of production which capitalism has evolved have outgrown the limits of nation and state. The national state, the present political form, is too narrow for the exploitation of these productive forces. The natural tendency of our economic system, therefore, is to seek to break through the state boundaries . . .

The war proclaims the downfall of the national state. Yet at the same time it proclaims the downfall of the capitalist system of economy. By means of the national state, capitalism has revolutionised the whole economic system of the world . . . The future development of world economy on the capitalistic basis means a ceaseless struggle for new and ever new fields of capitalist exploitation, which must be obtained from one and the same source, the earth.? 86

This is a correct way of posing the contradiction at its most abstract level. The needs of capital accumulation in the twentieth century require the free flow of capital across the world in search of profits and the creation of world markets for goods and services to satisfy the economies of scale that dominate
production. The nation-state form, with its concern for the balance of trade and payments, for the stability of its own currency and for the defence of industries vital to internal stability and external security, tends to act to restrict the uninhibited movement of capital by erecting tariffs and manipulating exchange rates to its advantage. All this is very reminiscent of Bukharin’s work dating from the same period.

But Trotsky went a little further than this. In a later chapter of The War and the International he argued:

?The creation of national states did really solve the bourgeois problem for a long period, and the long series of colonial wars coming after 1871 finished off the period by broadening the arena of the development of the capitalist forces. The period of colonial wars carried on by the national states led to the present war of the national states?for colonies. After all the backward portions of the earth had been divided among the capitalist states, there was nothing left for these states except to grab the colonies from each other.? 87

Again Trotsky accurately described the process by which after the ?scramble for Africa? (1870s and 1880s) the new imperialisms, especially Germany, felt the lack of colonies as a crippling limitation on their expansion. The objective impulse to ?re-divide the world?, as Lenin also noted, is at the root of the First World War.

To what extent were Trotsky’s writings in the 1920s and 1930s an extension of Lenin’s work of 1916? Trotsky, unlike Lenin, placed a great emphasis on the nature of the First World War as a turning point in the fortunes of imperialism. As we know Lenin was far from blind to the power of capitalism to develop the productive forces in the imperialist epoch. Indeed, the evidence suggests that as far as he was concerned this was the predominant tendency within imperialism, though he also recognised the tendencies leading to decay, parasitism and regression.

Trotsky, on the other hand, writing after the First World War, stressed the opposite side of things; the tendencies to decay and stagnation were predominant over the remaining tendencies for capitalism to grow here and there. Lenin’s work summed up the trends in the world economy that were uppermost in the period of great expansion after 1893 and up to 1914. Trotsky, on the contrary, was concerned with the period of economic instability after 1914.

We have already seen how Trotsky articulated the significance and nature of this turning point before and during the war; namely, that the world economy had outgrown the nation state form and could not now be fitted back into it without unbearable agony. During the war itself he repeatedly stressed that capitalism could only emerge from the conflict on reduced foundations:

?But a re-division of the colonies among the capitalist countries does not enlarge the foundations of capitalist development. One country’s gain means another country’s loss . . . Whatever the outcome of this war, the imperialistic basis for European capitalism will not be broadened but narrowed. The war does not therefore solve the labour question on an imperialistic basis, but, on the contrary, it intensifies it, putting this alternative to the capitalist world: permanent war or permanent revolution.? 88

When imperialist war gave way to imperialist peace Trotsky continued to elaborate on this theme. In June 1921 at the Third Congress of the Comintern Trotsky delivered the report on the ?World Economic Crisis and the New Tasks of the Communist International?.89 He described how the centre of gravity of the world economy has shifted towards the USA as a result of the war. After a speculative boom in 1919-20 in Europe and a real ?conversion boom? in the USA at the same time a new economic crisis erupted in the
spring and summer of 1920. Basically, Europe could not pay for reconstruction and the US economy suffered as a result. Trotsky argued as a result that,

?. . . America will have to forget about maintaining her greatest and most important markets on their former scale. And this means that the foregoing crisis is not a transitory, normal crisis for America but the beginning of a long epoch of depression . . . a prolonged crisis: in some branches of economy and some countries?stagnation; in others?a weak development. Cyclical fluctuations will continue to take place, but in general, the curve of capitalist development will slope, not upwards, but downwards.? 90

While he does not rule out the possibility of a new commercial and industrial upswing he argues that it ?can be only of a superficial and primarily speculative character, while the crisis becomes more and more prolonged and deeper-going?.91

We will look later at the empirical evidence and how accurately this describes the 1925-29 boom and the 1930s depression; but what is at stake here is something more than the nature of one or other specific cycle. Trotsky quite clearly had in mind certain features of the epoch as a whole which he believed to be at work and exerting a decisive limiting influence on the post-war ?recovery?.

For example, he remarked that the fundamental reason why there could be no sustained recovery from the trauma of war was that, ?we have entered . . . the epoch of retribution for the drain and destruction of wartime, the epoch of levelling out in reverse . . .? 92 He went on to explain the precise characteristics of the epoch that rule out a fundamental turn around in the fortunes of capitalism. He argues that the revolutions of 1848 had the merit of sweeping away the remnants of guilds and serfdom and expanded the framework of capitalist development. Thus 1851 marked the onset of a long boom lasting until 1873. But a similar period was ruled out in the present epoch because:

?. . . a long period of prosperity would signify that an expansion of the market had been attained, which is absolutely excluded. For after all, capitalist economy already embraces the terrestrial globe . . . It follows that we are on the eve of a period of depression; that is incontestable.? 93

The problem with the above passage is that it falls into a Luxemburgist view of the limits of capitalism. The market cannot be expanded because capitalism has already embraced the whole of the earth and without a geographical extension of markets stagnation will result.

Thus one construction that can be put on Trotsky?s writings of the 1920s and 1930s is that since 1914 we have entered an epoch of stagnation and decline, a general downward curve of development. In this period Trotsky therefore logically and repeatedly argued that the growth of one branch of industry or one country while possible, could only be carried through at the expense of another country or branch of industry. As we shall see the dominant motif for this contradiction in the 1920s was Europe versus North America and in particular Britain versus the USA. In his speech to the Fourth Congress of the Comintern in December 1922 Trotsky followed Lenin in recognising the profoundly uneven development of capitalist imperialism. In fact the post-war period was characterised by a savage disproportionate development between Europe and North America. He said:

?But 25 to 30 years ago this still did not signify that productive forces were no longer capable of development under capitalism. We know that in all parts of the world . . . the productive forces still continued to grow. And we are now able to fix the year up to which they continued to grow in Europe: the year 1913. This means that up to that year capitalism represented not an absolute but a relative hindrance to the development of the productive forces . . . Beginning with 1913?and we can say this positively?the development of capitalism, of its productive forces, came to a halt one year before the outbreak of the war
because the productive forces ran up against the limits fixed for them by capitalist property and the capitalist form of appropriation . . .

The year 1913 marks the great turning point in the evolution of European economy. The war acted simply to deepen and sharpen this crisis which stemmed from the fact that further economic development within the conditions of capitalism was absolutely impossible. This applies to Europe as a whole. Consequently, if before 1913 we were conditionally correct in saying that socialism is more advantageous than capitalism, it therefore follows that since 1913 capitalism already signifies a condition of absolute stagnation and disintegration for Europe, while socialism provides the only economic salvation.? 94

Here we see Trotsky?s general position on the nature of the war as a turning point specifically applied to Europe. But he was clear that there was still unevenness that did not preclude growth:

?In relation to America it would be incorrect to say, as we do say in relation to Europe, that capitalism already represents the cessation of economic development. Europe is rotting, America is thriving.? 95

But the decisive thing is to discover what Trotsky?s characterisation of the combined level and tendency of the post-war productive forces actually was, once the unevenness had evened out. Six years later, despite the recovery that took place both in Europe and America Trotsky was clear. In his critique of the Comintern?s Sixth Congress programme, he argued:

?The explosive character of this new epoch, with its abrupt changes of the political flows and ebbs, with its constant spasmodic class struggle between fascism and communism, is lodged in the fact that the international capitalist system has already spent itself and is no longer capable of progress as a whole.

This does not mean to imply that individual branches of industry and individual countries are incapable of growing and will not grow any more, and even at an unprecedented tempo. Nevertheless, this development proceeds and will have to proceed to the detriment of the growth of other branches of industry and of other countries.? 96

It is clear from these statements that Trotsky?s conception of the imperialist epoch was not as precise as Lenin?s. There is no sense in his work that the years 1895-1900 were the key years of transformation which signalled the start of the imperialist epoch proper. If anything the import of Trotsky?s writing is to suggest that it was the years 1913-14 which were the watershed; from the ascending to the descending years of capitalist development. As a result it is not the case that Trotsky recognised the years beginning with the First World War as a distinct period within the imperialist epoch. Rather, he suggested that these years announced the start of the epoch itself. It was this lack of clarity between the epoch and periods within the epoch that was to weaken Trotsky?s analysis in subsequent years. Methodologically, this led him to underestimate (and his epigones to almost exclude) the possibility of imperialism transcending its difficulties and remaining imperialism.

The years after 1929 naturally did not give Trotsky much cause to refine his theoretical conception. Faced with the depression it would have seemed that to make a distinction between period and epoch would have been academic in the extreme. In Once Again, Whither France? he stated ?economic development in its entirety has been down and not up? 97. In October 1937 he wrote:

?The productive forces kept expanding on a world scale right up to the world war. Only in the last twenty years, despite its most modern conquests of science and technology, has the epoch of out-and-out stagnation and even decline of the world economy begun.? 98

The opening passages of the 1938 Transitional Programme contain the formulation that:
The economic pre-requisite for the proletarian revolution has already in general achieved the highest point of fruition that can be reached under capitalism. Mankind’s productive forces stagnate. Already, new inventions and improvements fail to raise the level of material wealth.  

In Trotsky’s 1938 introduction to Otto Ruhle’s popularisation of Capital there is a section called “Competition and Monopoly”. There we find:

Relations amongst capitalists, who exploit the workers, are determined by competition, which for long endures as the mainspring of capitalist progress . . .

While stimulating the progressive development of technique, competition gradually consumes not only the intermediary layers, but itself as well. Over the corpses and semi-corpses of small and middling capitalists emerges an ever-decreasing number of ever more powerful capitalist overlords. Thus out of honest, democratic, progressive competition grows irrevocably harmful, parasitic reactionary monopoly . . .

The elimination of competition by monopoly marks the beginning of the disintegration of capitalist society. Competition was the creative mainspring of capitalism and the historical justification of the capitalist. By the same token the elimination of competition marks the transformation of stockholders into social parasites.

We are left with the clear impression from the article that with the abolition of “free competition”, capitalism enters an epoch in which there is no “creative mainspring”. In a passage closely mirroring the opening part of the Transitional Programme Trotsky argued:

Human progress is stuck in a blind alley. Notwithstanding the latest triumphs of technical thought the material productive forces are no longer growing.

Thus, if only from a different path, we arrive at the same position as before; namely, that the epoch of imperialism, the epoch of monopoly capitalism, is in general one of stagnation and decay.

What were the main features of the world economy in the 1920s? The partial recovery in 1919 was cut short by a contraction in 1919-20. So overwhelming were the political upheavals in Europe in these early post-war years that the normal cyclical pattern of economic activity had collapsed. But from the end of 1921 to 1925 there was a sustained, if uneven, recovery. By 1925 world manufacturing production was 21% up on the 1913 level. But this global figure hides significant differences, differences which did indeed reflect the shift in the axis of the world economy that Trotsky noted. In the USA in 1925 manufacturing output was 48% up on 1913 levels while the average for the whole of Europe was only 3% up. But the increases in Japan (122%), Australia (41%), India (32%) and South Africa (304%) give some indication of the strength of the recovery outside of Europe.

Moreover, the figures for Europe themselves represent a deceptive average. In 1925 output in central and Eastern Europe was 13% below the 1913 figures but for the Western Allies it was about 13% above. France was surpassing pre-war levels in 1923 and Germany in 1924. Britain was an exceptional case. It was immune from war-time destruction and had recovered its pre-war income and production levels by 1920; but it slumped badly in 1921 and took until 1925 to fully recover its pre-war levels. Moreover, the period from 1925 until 1929 was a “mini-boom”. Its effects on production were more deep going than the faltering 1919-25 revival. World industrial output increased 20%, production of primary commodities by over 10% and of raw materials by 27%. The volume of international trade in these years increased by 21%. Of course, this growth was uneven as well, and in terms of unemployment, prices and other
indicators, scars of the early 1920s remained.

Nevertheless, it is hard to agree with Trotsky in the summer of 1928 when he stated:

“What have we in Europe in the post-war period? In economy? irregular, spasmodic curtailments and expansion of production, which oscillate in general around the pre-war level . . .” 104

It does seem that Trotsky underestimated the ability of the capitalist class to apply the new techniques to the production process ( ?Fordism? ). In the USA in the 1920s the boom was based on an intensive development of US production and of its huge continental internal markets? especially in consumer goods.

So while Trotsky was correct to see in Europe’s slow and painful recovery a real source of conflict he was wrong to generalise this experience and wrong to see the problem of the American recovery ( further markets etc ) almost exclusively in terms of the impoverishment of Europe. This attempt to fit the facts to his analysis flows from his conception that the war did not transform the fundamental contradictions that gave rise to it and therefore the epoch remained one of a general downward curve of development. While he was correct to state that the war left the fundamental political situation and attendant contradictions unresolved ( i.e. Britain was now too weak to regulate the world economy and the USA not yet strong enough to enforce absolute dominance either in world economics or in politics ) he was wrong to try and insist that this necessarily meant a downward curve of development?.

[b]The depression years of the 1930s[/b]

At an empirical level Trotsky’s dire prognoses and characterisations of the world economy naturally carried greater weight after the great slump of 1929-32. World output collapsed by a third in these years as did world trade. But in the literal economic sense of ?zero growth? it is too much to suggest that ?stagnation? was the best way to describe the period of the 1930s as a whole. While all countries suffered badly in the 1929-32 slump only Austria fell to levels of output below the pre-war level ( and it took until 1938 to recover ). As for the rest, the USA was thrown back to its 1919 level, the UK and France to their 1927 level.105

The upturn after 1932 was extremely uneven and slow. The ?gold bloc? ( France, Belgium et al ) sank still further into depression in 1934-35.106 In the rest of Europe and the USA 1934, and to a lesser extent 1935, witnessed a noticeable revival. In the USA output was back at its 1925 level by the end of 1935 by which time unemployment had fallen from 14 to 12 million.107 Germany and Japan enjoyed uninterrupted expansion between 1934 and 36. In Britain, industrial output surpassed the 1929 level in 1934 and was the highest since the First World War. Recovery was especially strong in cars, electrical industry, chemicals and housing. However, much of the Commonwealth and Latin America remained depressed during these years of recovery?.

In this period the growth took place in the spheres of consumer durables and in the development of the infrastructure. Nowhere, not even in Germany, was rearmament a major component of economic growth until after 1936. Nevertheless, as a description of the period of the 1930s, even at the end of the 1933-36 recovery, Trotsky was not far wrong to call it stagnation. This is especially so when one realises that unemployment remained very high, many sectors were producing below their 1920s performance and in the USA as a whole the recovery in output has to be set against a 10% increase in the working population and a 15% rise in productivity.

For the period from late 1937 through 1938 it is even easier to understand his remarks about capitalism once we recognise what was happening in the world economy after 1937. The first thing to remember is
that cyclical fluctuations were much more violent, sudden and compressed than anything we have
experienced in the metropolitan countries since the Second World War.

For example, the 1933-36 recovery was brought up sharp in 1937 itself. Industrial production fell from an
index of 116 at the start of 1937 to 83 in December (1925=100). Steel output slumped from 85% of
capacity to 26% in the same period. Farm produce fell by 24% from April to December. In these years
Trotsky’s writings are focused on the state of the US economy. In Europe and Japan the effect of the US
recession of 1937-38 was limited but only because since 1936-37 an increasing proportion of their growth
was based on rearmament, with the partial exception of Britain which was later to join the race). The US
recovery from the spring and summer of 1938, when it came, also owed a not insubstantial amount to
export recovery in the arms sector.108

So Trotsky’s formulations on the nature of capitalism written in the 1937-38 period have to be understood
in the context of the uneven and shallow recovery from the 1929-32 slump and the role of arms spending
from 1936-37 onwards. As a description of the period they are largely correct.109 While they do not
vindicate Trotsky’s generalised remarks about the imperialist epoch as a whole, or even the nature of the
1920s, they are in essence correct as a picture of the 1930s.

[b]An alternative framework?

[b]An alternative framework?

In a famous passage from the June 1921 Congress report Trotsky outlined the theoretical possibility of a
?long period? of upswing which was totally unrelated to a geographical expansion of the global market.
Rather, he said, absolutely correctly and with extraordinary insight, that if the working class failed to rise, if
it allowed the ruling class to rule for two or three decades more on the basis of malnutrition and
unemployment and ?. . . a new world division of labour is thus established in agony for 15, or 20 or 25
years, a new epoch of capitalist upswing might perhaps ensue?.110

In 1923 Trotsky elaborated on the theoretical basis for his view of the conditional possibility of a new epoch
of upswing. In a critique of the Russian economist Kondratiev, Trotsky criticised what he called the
economist’s ?symmetrically stylised constructions? whereby he tried to prove the existence of cycles of
about fifty years duration stretching back to the Napoleonic Wars. Kondratiev based himself on what he
observed in the movements over time in commodity prices and other economic indicators. A huge debate
has raged ever since about these ?long waves?.111

Trotsky disputed Kondratiev’s conclusions stating that he was guilty of making a false analogy between
trade cycles of several years duration and the so called long waves. Trotsky argued that trade cycles were
determined by ?the internal dynamics of capitalist forces? (i.e. the inner lawfulness of capitalism such as
the TRPF, the wearing out of fixed capital, balance of trade fluctuations etc). But:

?As regards the large segments of the capitalist curve of development their character and duration are
determined not by the interplay of capitalist forces but by the external conditions through whose channel
capitalist development flows. The acquisition by capitalism of new countries and continents, the discovery
of new natural resources, and in the wake of these, such major facts of a ?superstructural? order as wars
and revolutions, determine the character and replacement of ascending, stagnating and declining
epochs? of capitalist development.? 112

In 1928 Trotsky went even further and outlined some concrete conditions which might allow for such a
turning point:

?Theoretically, to be sure, even a new chapter of a general capitalist progress in the most powerful, ruling
and leading countries is not excluded. But for this, capitalism would first have to overcome enormous barriers of a class as well as of an inter-state character. It would have to strangle the proletarian revolution for a long time; it would have to enslave China completely, overthrow the Soviet republic and so forth.\footnote{113}

While we can argue about the exact nature of the barriers that it was necessary to overcome for a renewed \textit{chapter} of \textit{general capitalist progress}, Trotsky was correct to pose the conditional possibility of such an expansion. This approach is entirely consistent with Lenin\textquoteleft s dialectical method. This method allowed Trotsky to recognise that a Second World War, the necessity of which flows from the failure of the previous one to solve the contradictions of inter-imperialist rivalry, could in theory represent such a turning point between stagnating and ascending epochs.

But can we reconcile the conflicting views of Trotsky? On the one hand he seemed to have a conception of markets and the nature of monopoly capitalism which theoretically excluded the possibility of a long \textit{boom} of a 1895-1913 type in this epoch. On the other, he seemed to posit certain conditions which, if met, would allow for a new phase of capitalist development.

To understand how Trotsky himself reconciled the conflict we should turn to his pamphlet written in 1925, \textit{Towards Capitalism or Socialism}? There he argued:

\footnote{\begin{itemize}
\item But if we assume that in the course of the next few decades a new dynamic equilibrium will take shape on the world market, let us say of the type of expanded reproduction represented by the period from 1871 to 1914, the question will assume and entirely different form. Such an \textit{equilibrium} as that assumed here would be equivalent to a new unfolding of the productive forces . . .
\item If world capitalism, and more specifically European capital, should find a new dynamic equilibrium . . . if capitalist production in the next few years or decades should experience a new great rebirth . . . this would mean that we were mistaken in our fundamental historical judgement. It would mean that capitalism has not yet exhausted its historic \textit{mission} and that the imperialist phase now unfolding before us does not constitute a phase of capitalist disintegration, its death struggle, but rather the necessary pre-condition for a new period of prosperity.\footnote{114}
\end{itemize}}

\begin{itemize}
\item Here we see the full limitations of Trotsky\textquoteleft s theoretical framework. It is implied that the Marxist understanding of the imperialist epoch is that it is a stage of \textit{disintegration} and \textit{death struggle}, and that if Marxists were to witness a new long \textit{boom} then this would imply that they were wrong and that the imperialist epoch was not \textit{the highest stage of capitalism}. Rather, a new phase of prosperity would oblige them to revise the theory in such a way that we took cognisance of a new post-imperialist stage of capitalism.
\item It is easy to see the dangers of an approach of this sort. Trotsky potentially sacrifices the whole analysis of imperialism by conflating epoch and period. After the Second World War Ernest Mandel argued that the experience of the long \textit{boom} period did indeed give rise to a post-imperialist phase of capitalism, called \textit{neo-capitalism}, as distinct from imperialism as imperialism was in its turn from free competition capitalism.\footnote{115 From within the camp of those who considered the USSR \textit{state capitalist} Mike Kidron argued on the basis of the post-war boom that imperialism was in fact the \textit{highest stage but one}; that a new epoch, that of the \textit{permanent arms economy}, had opened.}
\item As we have demonstrated in our critique of Lenin it is possible to make the necessary corrections and extensions to his work so as to understand the very different periods within the epoch as a whole. It is not at all necessary to abandon the essentials of Lenin\textquoteleft s theory in order to grasp the nature of the post-war world economy. Quite the reverse!
\end{itemize}
Trotsky’s problem was a tendency to identify or confuse the analysis of a distinct period with the imperialist epoch as a whole. To escape from the view of the epoch as one of overall stagnation and decline it was necessary to theorise not only the nature of business cycles and the epoch but of longer term periods without falling into the schematism of Kondratiev’s ‘long waves’. In concrete terms in the inter-war years it would have involved a recognition that to a large extent the analysis of ascending and descending periods of imperialist development revolved around the dynamics of the relationship between the major imperialist nations.

Inter-imperialist contradictions

Trotsky and the Comintern after 1919 recognised that the First World War had solved very little. The international bourgeoisie (with the treacherous help of Social Democracy) had weathered the proletarian storm after 1918. By 1921 Trotsky gave full recognition to this fact and did not (as the Fourth International after the Second World War was apt to do) stick rigidly to a previous perspective;

When we spoke of the revolution resulting from the world war, it meant that we were and are striving to utilise the consequences of the world war in order to speed the revolution in every way possible . . . the programme of the Comintern is not based upon astronomical data.? 116

Trotsky considered that the defeats inflicted upon the working class of Europe and the USA were important but not self-sufficient conditions for a return to ‘capitalist equilibrium’. The Versaille Treaty had in many ways exacerbated the problems. He considered that there were four other economic components (apart from the relationship between labour and capital) of a restored equilibrium. Had a new international division of labour been established? Was there harmony between agriculture and industry; between and within different sectors of industry; between the various capitalist states?

Trotsky showed that in the early 1920s in Europe as a whole there was an absolute reduction in gross output; Austria suffered most, England the least. Overall output was down by a third in Europe as compared to pre-war levels. The Balkan countries were ‘thrown back to barbarism?. Agriculture was in ruins.

What was the relationship between capitalist countries? Some seventeen new states came into existence as a result of the collapse of the Ottoman and Austro-Hungarian empires. Seventeen new borders with customs duties, tariffs etc, were erected.

Germany had been defeated but not crushed. France and Britain had ‘won’ but not so overwhelmingly as to be able to exact full reparations from Germany. The USA was considerably strengthened. Over half the world’s gold was in the USA as a consequence of providing supplies to the combatants. Whereas in 1913 66% of US exports were agricultural, in 1921 60% were manufactured. Sterling, as Trotsky said, now ‘had to present its passport to the US dollar?. The war meant that the ‘dominant position of Europe has been completely lost and irretrievably so?.117

Between November 1918 and the spring of 1919 the economic situation was ‘indeterminate?. Then there was a speculative boom in Europe as prices went through the roof and production slumped. In the USA there was a real, domestically oriented recovery. Trotsky expected this recovery to falter as the domestic US market was saturated and Europe’s impoverishment rebounded on the USA. Japan in March 1920, followed by the USA in April and then Europe, went into a recessionary period. When Trotsky reported to the Third Congress in June 1921 the effects of this were still being felt and form the backcloth to his perspectives.
As we discussed earlier, Trotsky did not rule out the possibility of a commercial or industrial upswing, but it would only be weak and an ensuing depression was guaranteed. As we have seen this was variously held to be because of the nature of the epoch and/or because of the nature of the period.

By 1924 Trotsky was forced to recognise that the partial stabilisation had gone a stage further. The Dawes Plan had been the buttress of the European recovery? from 1923. This recovery was limited in Trotsky?s view because the recovery was within the confines set by US imperialism and Europe was confined to a section of the world market?. In all essentials Trotsky held to his perspective of 1921. In a document written for the Fifth Congress in 1924 he wrote:

?The sharpest world antagonism proceeds slowly along the line of the clash of interests between Britain?s empire and the USA. During the last two years, it might have appeared that a firm agreement had been reached by these two giants. But this appearance of stability will be retained only so long as the economic rise of the North American Republic continues to develop primarily on the basis of its domestic market. Today, this development is drawing to a conclusion . . . The period of Anglo-American agreements must cede place to an ever-sharpening struggle which, in its turn, signals the threat of war on a scale never seen before . . .

Things not only can but must come to war, because it will be extremely difficult for England to move to a secondary position and to roll up her empire.? 118

Two years later in Europe and America Trotsky still adhered to these views. The US imperialist expansion abroad is necessary due to its burgeoning economy at home but this expansion in its wake will drive Europe to poverty and hence to revolution? 119 For lasting expansion stability is required and that is precisely what was lacking in Asia, Africa and Latin America. The more that US capital tried to penetrate these areas the more it provoked the national-revolutionary resistance. In this sense the paradox for the USA . . . [is that it is] forced to base its expansion on tomorrow?s revolutions.? 120

By 1928, in Trotsky?s criticism of the Comintern?s Sixth Congress draft programme, we find him arguing the same line. In fact, he rebuked the draft precisely for failing to underline the centrality of the conflict between the USA and Europe. Indeed:

?If in the past decade the main source of revolutionary situations lay in the direct consequences of the imperialist war, in the second post-war decade the most important source of revolutionary upheavals will be the interrelations of Europe and America.? 121

How should we assess these perspectives? Trotsky was absolutely correct to insist that the main line of conflict after the First World War was between the USA and the ?victorious? European imperialisms and for the reasons he suggests. However, he did not recognise the full implications of his idea that the war, while strengthening the USA did not give it absolute power in the world and that in fact an interregnum? existed between the USA and Britain. One consequence of this was that the US capitalists were able to satisfy themselves for a considerable period with the home market, and their global ambitions were limited.

The isolationism? of US foreign policy which was typified by President Wilson, by the USA?s late entry into the war and by its refusal to participate in the League of Nations after 1918, had an economic foundation within the structure of American capitalism and was not superseded until after the Second World War. Trotsky was blind to the growth that was possible and sustainable on the basis of the home market, particularly between 1924 and 1928. In short, he telescoped events and foreshortened the contradictions and tempo of development.
Having said this Trotsky was aware by 1928 at least that there was a subordinate inter-imperialist contradiction at play, another product of the First World War and which, after the slump of 1929-32 was to become the main line of cleavage in world politics; namely, the intra-European conflict between Germany on the one hand and Britain and France on the other. In point of fact Trotsky dialectically related the two contradictions for the first time in 1928:

?Again neither has it been made clear that the further inexorable pressure of the USA will reduce capitalist Europe to constantly more limited rations in the world economy; and this, of course, implies not a mitigation but, on the contrary, a monstrous sharpening of the inter-state relations in Europe, accompanied by furious paroxysms of military conflict.? 122

Or again:

?We must clearly understand that if the first period of American intervention had the effect of stabilisation and pacification on Europe, which to a considerable extent still remains in force today, and may even recur episodically and become stronger (particularly in the event of new defeats of the proletariat), the general line of American policy, particularly in time of its own economic difficulties and crisis, will engender the deepest convulsions in Europe as well as over the entire world.? 123

In fact, the inter-state conflicts in Europe became, after 1928, the main axis of the economic and political situation. The rise of the Nazis between 1928 and 1933 deepened the conflict between German imperialism on one side and Anglo-French imperialism on the other. After the seizure of power by Hitler in 1933 Trotsky shifted the focus of his writings to the consequences of his triumph.

Trotsky brilliantly dissected the contradictions leading to war. Yet at the same time he constantly pointed out that as compared to the eve of the First World War the actual line-up of adversaries was much more difficult to predict. Even as late as the second half of 1937 he was very cautious in this regard whilst at the same time predicting with great assurance that a war would break out within two to four years. 124

That war duly came to Europe in September 1939. Trotsky recognised at this point that US imperialism was in a very strong position and that it would join the war eventually, especially if Germany threatened to unify Europe under its heel. The delay of the USA in entering the war was explained by the strength of the ?isolationists? within the US ruling class who saw East Asia and Latin America as the key areas for US exploitation, as well as Australia and Canada which they hoped would fall into the lap of the USA as a result of the defeat of Britain and France. In general this wing of the bourgeoisie, far from being pacifists, wanted to prepare for a war with Japan which would be the biggest rival to the USA in East Asia.

But once Germany threatened to subdue the whole of Europe the USA could not afford to stay out of the war and so in late 1941 it entered on the side of France and Britain. Trotsky well understood these trends and the ambition?even necessity?of US imperialism to dominate the whole world and not just part of it.125 But he wrongly foresaw that the entry of the USA into the war would signify a massive social and economic explosion and catastrophe for US imperialism:

?The new programme for the air fleet envisages securing sovereignty of the US over all the rest of the world.

However, the industrial, financial and military strength of the USA, the foremost capitalist power in the world, does not at all insure the blooming of American economic life, but on the contrary, invests the crisis of her social system with an especially malignant and convulsive character.? 126

He based this view on the idea that the USA would be involved in a desperate First World War-type clash with Germany leading to the mutual ruin of both and a standstill emerging. But the USA was neither sated
with colonies and the political responsibility for maintaining a world order (as was Britain) nor was it driven to war by crippling internal contradictions (as in the case of Germany and Japan).

In fact, the USA was both able to preserve all its productive capacity intact and expand it greatly in the context of providing the finance and the hardware for France and Britain to fight the war in Europe. This massively reduced the power of the European imperialisms and in proportion expanded that of the USA. Thus rather than suffer decline the USA was able to create the conditions whereby its growing power in the inter-war period was turned into absolute economic and political hegemony after the Second World War.

In turn this hegemony was itself a major, though not self-sufficient, condition for the long boom after 1948. The ?long period? of 15, 20 or 25 years growth which Trotsky projected as a possibility in the early 1920s materialised on the ashes of the war dead, the defeats inflicted on the insurgent proletariat after the war and the massive destruction of capital.

And with this new lease of life given to capitalism came the possibility of a re-elaboration of the theory of imperialism. A prolonged period of world expansion created the material conditions for a theoretical distinction to be made between the characteristics of the business cycle, prolonged periods of upswing or stagnation and the epoch as a whole. Post-war Marxism has failed to extend and enrich the valuable analysis of imperialism started in the early decades of the century. Most often it has failed because it has one-sidedly generalised from features of one or other period and treated them as synonymous with the epoch itself.

Specifically then, the long post-war boom has been variously interpreted as signalling the end of the imperialist stage of capitalism (e.g. Mandel, Kidron) or as being entirely incompatible with Lenin?s theory (e.g. Warren). Armed with a critical appreciation of the writings of the classical Marxists we can avoid these errors. A concrete historical analysis of the imperialist epoch, in all of its uneven and contradictory development, remains a major challenge. Future issues of Permanent Revolution will return to this task.

NOTES

2 And here we should note that both Hilferding and Lenin sub-titled their works the ?latest? stage of capitalism and not the ?highest stage? with its implications of finality.
5 Ibid, p21
6 Ibid, p315
7 Ibid, p366
8 Lenin, op cit, p195
9 Hilferding, op cit, p294
10 Ibid, p291
11 Ibid, p294
12 Ibid, p256
13 Ibid, p234
14 Quoted in Q Rudland Marxist Theory and Imperialism (London 1983) Many of the ideas on Hilferding, Luxemburg and Lenin in this article owe their origin to this pamphlet, published for educational purposes
inside Workers Power.

15 Hilferding, op cit, p295
16 Ibid, p315
17 Ibid
18 Lenin, op cit, p241
20 Ibid, p144
21 Ibid, p148
22 K Kautsky, Socialism and Colonial Policy (Dublin 1971)
23 Luxemburg, op cit, p79
24 Luxemburg, The Accumulation of Capital (London 1968) p446
25 Ibid

26 From her position trapped within the sphere of exchange Luxemburg is unable to either see or analyse the inner structure of finance capital, monopoly capital etc. Indeed, she barely mentions them. One of Hilferding’s principle theoretical conquests—the predominance of the export of capital over commodities in the imperialist epoch—is necessarily lost to her since foreign markets and thus the export of goods is central to her whole analysis.

27 This, the ?most important law of political economy? for Marx, is mentioned once in the text and then merely as a ?counterpart? to the drive to export commodities to the non-capitalist world in explaining capitalist expansion across the globe.
28 Luxemburg, The Accumulation of Capital: an anti-critique, op cit, p76
30 N Bukharin, Imperialism and Social Democracy (London 1971) p84
31 N Bukharin, Imperialism and the Accumulation of Capital (New York 1972)
32 Ibid, p245
33 Ibid, p255
34 Ibid, p256

35 Yet this did not prevent him from making the prescient remark that the contemporary concentration on the colonies: . . . does not mean that the struggle only goes on or only can go on in that direction. On the contrary, the further it develops . . . the more it will become a struggle for the capitalist centres as well. In this case, too, the movement of profit is the main reason.? (ibid, p256) Developments after the Second World War were to amply confirm Bukharin? s prophecy.
36 Ibid, p264
37 Ibid, p266
38 N Bukharin, Imperialism and World Economy, op cit, p104
39 Ibid, p107
40 N Bukharin and E Preobrazhensky, The ABC of Communism (London 1927) p111
41 N Bukharin, Imperialism and the Accumulation of Capital, op cit, p262
42 Bukharin and Preobrazhensky, op cit, pp44-5 and 57-61
43 Bukharin, Imperialism and World Economy, op cit, pp73-74
44 Ibid, p118
45 Ibid, p26
46 S Cohen, Bukharin and the Bolshevik Revolution (New York 1975) p30
47 Bukharin, Imperialism and World Economy, op cit, p119
48 Quoted in Bukharin and the Bolshevik Revolution, op cit, p32
49 N Bukharin and E Preobrazhensky (op cit) pp102-104
50 N Bukharin, The Economics of the Transition Period (New York 1971) p19
51 Ibid, p15
52 Ibid, p54
53 Ibid, p58
54 E Preobrazhensky, The New Economics (Oxford 1965) p153
56 See A Brewer, Marxist Theories of Imperialism (London 1980) for such an accusation.
57 Lenin, op cit, p187
58 Ibid, pp266 and 298
59 Ibid, p266
60 Ibid, p189
61 Ibid, p300. Earlier in the pamphlet Lenin attacks that ?profoundly mistaken idea which only brings grist to the mill of the apologists of imperialism, i.e. that the rule of finance capital lessens the unevenness and contradictions inherent in the world economy, whereas in reality it increases them? (p272)
62 Ibid, p276
63 Ibid
64 Here we are referring to the tradition originated by P Baran and P Sweezy in the pages of Monthly Review as well as in their major works such as P Sweezy, The Theory of Capitalist Development (New York 1942) and P Baran, The Political Economy of Growth (New York 1957)
65 Lenin, op cit, p300
66 Ibid, p195
67 Ibid, p276
68 Ibid, p277
69 Ibid, p279-80
70 In Hilferding?s chapter on the export of capital in Finance Capital he demonstrates a superior grasp of the industrial prowess of the USA and its implications.
71 Lenin, op cit, p 208. For the origin of this view of crisis in Lenin?s debate with the Legal Marxists see the article by Q Rudland in Permanent Revolution No 3, op cit
72 Ibid, p241
73 Ibid, p241
74 Ibid
75 Ibid, p254
76 Ibid, p263
77 Ibid, p259
78 Ibid, p260
79 Ibid, p197
80 V I Lenin, ?Letter to American Workers? CW vol 28 (London 1965)
82 See for example when he remarks ?A complete programme should have a theoretical expression of the modern capitalist society in its imperialist stage?the reasons for the crisis, the growth of unemployment and so on. ?Completing the Programme and Putting it to Work? in The Transitional Programme for Socialist Revolution (New York 1977) p173.
83 There is of course the exception of Lenin; for example, in 1938 Trotsky said ?It was Lenin who gave a scientific characterisation of monopoly capitalism in his Imperialism.? L Trotsky, Writings 1937-38 (New
York 1976) p23
84 See L Trotsky, My Life: an attempt at an autobiography (Harmondsworth 1975) Chapter 16
85 L Trotsky, 1905 (Harmondsworth 1973) p25
87 Ibid, p76
88 Ibid
89 See L Trotsky, The First Five Years of the Communist International Vol 1 (London 1974) pp226-78
90 Ibid, pp257-59
91 Ibid, p261
92 Ibid, p260
93 Ibid, p262
94 Ibid, pp307-308. Trotsky never abandoned this view and he repeats it almost in the same words as late as 1938 in his discussions on the Transitional Programme. See ?Completing the Programme and Putting it to Work? (op cit) p177. See also Kautsky, Socialism and Colonial Policy, op cit, p25 for the roots of this idea.
95 Trotsky, The First Five Years of the Communist International Vol 1, op cit, p315
98 L Trotsky, Writings 1937-38 (New York 1978) p22
99 L Trotsky, ?The Death Agony of Capitalism and the Tasks of the Fourth International? in The Transitional Programme for Socialist Revolution, op cit, p111
100 L Trotsky, ?Presenting Karl Marx? in The Living Thoughts of Karl Marx (New York 1963) p20 Trotsky argues a position here that anticipates the work of Baran and Sweezy during and after the Second World War. Elsewhere, Trotsky corrects the one-sided counter-position of competition to monopoly when he argues that ?monopoly does not abolish competition, but only bears down on it and mangles it? (p32) However, Lenin?s formulation that monopoly is the fiercest form of competition is better.
101 Ibid, p32
102 See D H Aldroft, From Versaille to Wall Street 1919-29 (Harmondsworth 1987) pp98-99
103 See ibid and also C P Kindleberger, The World in Depression (Harmondsworth 1987) Chapter 3
104 L Trotsky, The Third International After Lenin, op cit, p82
105 See A Maddison, Phases of Capitalist Development (New York 1987) pp174-175
106 See Kindleberger, op cit, Chapter 11
107 Ibid, p231
108 Ibid, Chapter 12
109 See for example, ?Answers to Questions?, 1 October 1937 in L Trotsky, Writings 1936-37 (New York 1978) p462-72
110 L Trotsky, The First Five Years of the Communist International Vol 1, op cit, p263
111 See the collection on this subject in C Freeman (ed), Long Waves in the World Economy (London 1984)
112 L Trotsky, Problems of Everyday Life (New York 1973) p276
113 L Trotsky, The Third International After Lenin, op cit, p81
114 L Trotsky, The Challenge of the Left Opposition 1923-25, op cit, p375
115 ?. . . I am quite convinced that starting either with the great depression of 1929-32 or with the Second World War, capitalism entered into a third stage of development, which is as different from monopoly capitalism or imperialism described by Lenin, Hilferding and others as monopoly capitalism was different from classical nineteenth century laissez-faire capitalism. E Mandel, ?Workers under neo-capitalism?, in
We hear little of this argument today!

116 L Trotsky, The First Five Years of the Communist International Vol 1, op cit, p231
117 Ibid
118 Ibid, Vol 2 p22
119 L Trotsky, Europe and America (New York 1971) p51
120 Ibid, p60
121 L Trotsky, The Third International After Lenin, op cit, p10
122 Ibid, p7
123 Ibid, p9
124 See L Trotsky, ?On the Threshold of a New World War?, in Writings 1937-38 (op cit)
125 ?The USA has no direct colonies, but they have Latin America and the whole world is a sort of colony for the United States . . .? Trotsky, ?Completing the Programme and Putting it to Work? (op cit) p179.
126 L Trotsky, Writings 1939-40 (New York 1977) p188

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