Neoliberal Imperialism, The Latest Stage of Capitalism

written by Saeed Rahnema | January 30, 2017

One hundred years ago, in exile in Zurich during the spring of 1916, Lenin started writing one of his most important and influential works, his pamphlet on imperialism. What is the relevance of this work today?

I will argue that, although the nature of imperialism has not changed, its structures, functions, and other specifications are very different from the imperialism of Lenin's time. Confronting this invisible and omnipresent goliath is far more complicated than challenging the colonial imperialism of the previous century. Lenin's imperialism pamphlet is a valuable historical document that, as he himself wrote in the introduction, was a composite picture of the world capitalist system at the beginning of the twentieth century. But it cannot be a blueprint for current-day anti-capitalist and anti-imperialist activists.

The first edition of Lenin's pamphlet was published in April 1917 in Petrograd, after the February Revolution, under the title *Imperialism, the Latest Stage of Capitalism (A Popular Framework)*. In 1920, the term "latest stage" was replaced by the "highest stage" in the German and French editions, which reflected Lenin's more decisive view of the perceived forthcoming end of capitalism.

As Lenin noted, in writing this pamphlet he was influenced by John A. Hobson, an English liberal economist, and Rudolf Hilferding, a prominent Marxist theoretician. Most of the main concepts and ideas were based on the works of these two men, as well as on Nicolai Bukharin's *Imperialism and the World Economy*, for which Lenin had written an introduction. The title was also inspired by the subtitle of Hilferding's *Finance Capital: Studying the Latest Phase of Capitalist Development.* Hobson had argued that as monopolies expand, their share of profit and savings grows, leading to over-saving and under-consumption and to the need for capital export, foreign investment, and imperialist expansion. Hilferding had argued that the period of monopoly capitalism was characterized by the fusion of industrial and bank capital into what he called "finance capital," which greatly enhanced the power of the banks and monopolies. Bukharin had expanded the theory to the global level and had theorized the internationalization of capitalist production. In that period also, Rosa Luxemburg had written *The Accumulation of Capital*, focusing on, among other things, the question of the realization of surplus value and the need to expand to other areas dominated by pre-capitalist formations. Lenin, however, did not directly rely on any aspect of her theory.

While drawing on the concepts developed by these theorists, Lenin obviously reached his own quite different conclusions. Hobson believed that imperialism was not inevitable and saw it as being separate from capitalism. Lenin, however, believed that imperialism was an inevitable outcome of a capitalist system. Hilferding held that since imperialism and monopolies severely exploit and weaken

the working class and the general population as a whole, they will rise against it. Lenin, on the other hand, observing that the working classes of imperialist countries supported imperialist wars rather than fight against them, argued that the "superprofits" that capital exporters gained from exploiting workers in foreign lands were subsequently used to "bribe" their homeland workers, thus the rise of the "labor aristocracy." Whether this explanation was correct or not is beside the point here.

Lenin took greatest issue, however, with Karl Kautsky's idea of "ultra-imperialism," the perceived cartel-like collaboration among imperialists, and the possibility of peaceful capitalism. Lenin also rejected Kautsky's notion of the possibility of further stages in the development of capitalism and was adamant that this "highest stage" reflected the end of the "parasitic," "decaying," and "overripe" capitalism that heralded "the eve of socialist revolution."

Lenin summarized his theory of imperialism as having five basic features: 1) the concentration of production and capital leads to the creation of monopolies; 2) the merging of bank capital with industrial capital creates finance capital; 3) the export of capital, as distinguished from the export of commodities, becomes very significant; 4) international monopolist capitalist associations divide the world among themselves; and 5) the territorial division of the world among the biggest capitalist powers is complete. In Lenin's words, this was "a composite picture of the world capitalist system and its international relations at the beginning of the twentieth century."[1] The question is whether, to what extent, and in what forms these five features are valid and relevant to the world capitalist system at the beginning of the twenty-first century.

At its most general level, Lenin's emphasis on the direct linkage between imperialism and capitalism is undeniable, now more than ever. At the time of Lenin, much of the world was still operating within pre-capitalist formations. Today almost every part of the world is dominated by capitalist systems. Capitalism, contrary to Lenin's expectations, however, continues to expand extensively and intensively. So does imperialism, which, despite claims by theorists like Hardt and Negri,[2] is far from dead and continues its vigorous and aggressive global dominance, though—as will be discussed below—in much different forms and with different structures as compared to Lenin's time.

1. Concentration of Production and Capital

For Lenin, concentration of production and the rise of monopolies were the most important features of capitalism. The trend has continued ever since. If, for example, in 1907 there were 586 firms in Germany with more than one thousand workers, today's giant corporations employ hundreds of thousands of workers and employees. Walmart, the largest global corporation by revenues, has 2.2 million employees in different parts of the world and is linked to a large network of manufacturing and service corporations. Industrial corporations like IBM, Toyota, General Electric, Nestle, and Pepsi Cola each have more than three hundred thousand employees. Lenin rightly pointed out that in large firms, the concentration of production is much greater than the concentration of workers. This is even truer today because of the much higher level of technology use in the production processes. Aside from employment size, the annual revenues of each of the twenty largest corporations are larger than the GDP of more than 160 countries.

Concentration of production and capital, along with centralization, has continued in different forms. There are growing numbers of mergers and acquisitions, along with growing barriers to entry for new firms, and thus less and less competition. In the United States, for example, a recent report[3] points to the phenomenon of declining competition in most branches of industry. As industrial concentration intensifies, the largest firms' share of revenue increases. Returns on invested capital have also become more and more concentrated within the largest firms. The report notes that "the 90^{th} percentile [publicly traded, nonfinancial] firm sees returns on investments in capital that are more than five times the median. This ratio was closer to two just a quarter of a century ago." The

same report also points to the decline in the number of new firms each year.

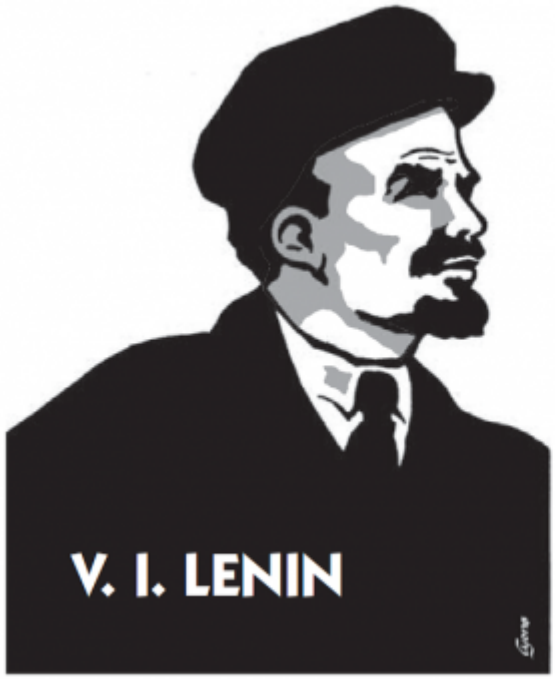
What makes today's oligopolies different from the time of Lenin is not just their size and the rate of concentration, but their types and structures. The monopolies of Lenin's time, particularly in Germany, were combines, syndicates, and cartels. The cartels determined production level, prices, and the territory of operation. Today there is almost no legal cartel except OPEC. Today's oligopolies are primarily multinational corporations that are engaged in tough oligopolistic competition around the globe. Lenin saw competition among monopolies, but his focus was on the cartels, which no longer exist today. There is also a new genre of giant global corporations, the likes of Google, Ebay, Facebook, Uber, Airbnb, and others, which have a totally different character and structure. More on this in item four below.

2. The Merger of Bank and Industrial Capital to Create Finance Capital

Lenin discussed the concentration of banking, the emergence of large banks, and the process through which they grew from "modest middlemen" into powerful monopolies. He noted that scattered capitalists were transformed into a "single collective capitalist," creating their own "concerns" and "holdings." Referring to Hilferding's argument, Lenin described how industrial capital becomes dependent on bank capital and how the merger of the two creates "finance capital."

In terms of size, the same trend has continued, leading to today's gigantic banks. The top twenty banks in the world each have assets of more than one-and-a-half trillion dollars. The GDP of only four countries, the United States, China, Japan, and Germany, is larger than the assets of the largest bank, ICBC. The assets of each of the two largest private banks, HSBC and JPMorgan Chase, are over two-and-a-half trillion dollars. The "deposit market share of the top ten banks increased from about 20 percent in 1980 to almost 50 percent in 2010."[4]

Before the full dominance of neoliberal polices, banks were regulated in most capitalist countries. Current banking deregulation, along with the mushrooming of offshore banking, has made the control of finance capital by any single government almost impossible. It is worth mentioning that although these banks were the main culprits in the 2008 crisis, when some of the biggest were facing bankruptcy the U.S. government came to their rescue, fearing they were "too big to fail."



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—*Saeed Rahnema*

Aside from size, the working of today's banking and finance capital is very different from the time of Lenin. In the past, finance capital operated mainly in relation to industrial and commercial capital; today it has little to do with industry and commerce. Investment banks mainly deal with either short-term money markets, or primary and secondary capital markets, using all sorts of financial instruments, or derivatives. They are involved in nonstop trade in securities, bonds, and currency exchange. Lenin, based on an assessment by a German publication of the time, believed that the importance of the stock exchange would decline. But stock exchanges of today are immensely important in almost all capitalist countries. Aside from continuous electronic trading, the stock exchanges of London, New York, Tokyo, and Hong Kong provide almost uninterrupted trade and dealings. In addition to banks, all sorts of financial institutions, insurance companies, pension funds, hedge funds, and different wealth management companies and investment advisors are involved in the management of trillions of dollars of securities. In order to provide for part of their expenditures, governments also collect inactive savings by selling bonds. Of course, since almost all of these transactions are done through banks, they also benefit enormously. Many industrial oligopolies, like the auto industry, have established their own financial institutions and directly finance the sale of their products. That is to say, finance capital is less and less reliant on industry, and its functions are very different from what Hilferding and Lenin had envisaged.

The international monetary system has also gone through many transformations in the past century. During Lenin's time, the life of the Classical Gold Standard and the centrality of the British Sterling were coming to an end, and with World War I, dismantled altogether. Subsequently, the world witnessed multi-blocs such as the Sterling Bloc, the Dollar Bloc, and the Gold Bloc. After World War II, the Bretton Woods system made the U.S. dollar dominant. Finally, since the 1970s we have witnessed the system (or non-system) of floating rates.

3. The Export of Capital as Distinguished from the Export of Commodities

Lenin stated that the export of goods was typical of free-competition capitalism while monopoly capitalism was characterized by the export of capital. He pointed to an international division of labor through which England, as "workshop of the world," became the main supplier of manufactured goods to all countries, followed by the other "capitalistically developed countries." Lenin stated that in these rich countries, with their monopolistic position and rapid accumulation of capital, an enormous "surplus of capital" was formed that could not be profitably invested locally and had to be "exported" abroad to "the backward countries." He argued that if capitalism wanted to raise the standard of living of its own "half-starved and poverty-stricken" masses, there would be no surplus capital.

The situation in today's capitalism is very different. Since this is a more problematic aspect of Lenin's theory, I deal with it in more detail. The old international division of labor that Lenin was referring to has drastically changed. In the new international division of labor, the less-developed countries are no more just providers of raw materials and markets for industrial products manufactured in the advanced capitalist countries. Most of today's global manufacturing takes place outside of the advanced industrial countries. Now it is China that is indeed the "workshop of the world."

Multinational corporations (MNCs) invest outside their national boundaries for a variety of reasons. Aside from capturing markets, the foreign direct investments (FDI) by MNCs aim at, among other goals, gaining access to sources of raw materials, utilizing cheaper and unorganized labor, using cheaper infrastructure, benefiting from lower taxation, and avoiding environmental regulations. By establishing subsidiaries that act as "local" firms in the host countries, MNCs avoid tariff barriers. In

order to maximize their profits and minimize their costs of production, through licensing agreements they scatter the production process across clusters of subsidiaries and associated companies in different parts of the world. The FDI that at the time of Lenin were primarily engaged in the primary sector are today highly diversified. In an earlier study of mine, of MNCs in third world countries, particularly in my homeland Iran, I adopted the following typology: 1) Export-oriented FDI in the primary sector (raw materials); 2) Domestic-oriented FDI in manufacturing; 3) Export-oriented FDI in manufacturing; and 4) FDI in the tertiary sector (services).[5]

Obviously the motives behind each of these types of FDI are different and cannot simply be linked to the lack of opportunity for "profitable" investment in the first world. Even much of the foreign investment at the time of Lenin was related to the need to access the sources of raw materials for industrial production in the home country, and not because of "surplus capital." In terms of investment in manufacturing, also, the local home market of industrial societies, despite all inequalities, has a much higher demand structure. This is particularly true after Fordism and mass production and mass consumption. Today's societies in advanced capitalist countries have much higher living standards than the rest of the world and are no longer the "half-starved and poverty-stricken" societies that Lenin was referring to. Production location also has something to do with the product life cycle. A new product (such as a TV or personal computer) is first consumed in the home market. At the next stage the product is exported to foreign markets with the highest demand structure. Later, investment for producing the product is made in countries that have a higher supply structure. At the final stage, the original home country becomes the importer of that product. This process has nothing to do with surplus capital and the need for its export, but is related to the logic of capital in search of higher profits and reducing variable and constant capitals.

Looking at present patterns of foreign investment, several important points need to be taken into consideration. First, the largest volume of FDI is invested in more-advanced industrial societies, that is, countries that themselves have "surplus capital." In terms of FDI inflow, the United States was the largest recipient of foreign capital in 2013.[6] Of the total of $1.2 trillion FDI in 2014, $499 billion was invested in advanced industrial countries. The question would be, if these countries cannot absorb the surplus capital of their own capitalists, how can they attract the surplus capital of the capitalists of other advanced countries?

Another point is that the lowest level of FDI inflow is to the least-developed countries, even though they have an abundance of cheap and unorganized labor and raw materials. For example, the total FDI inflow to the whole African continent in 2014 was $54 billion (compared to $2 trillion worldwide). This by no means questions the significance of cheap labor, but points to the fact that there are different determinant factors in FDI, including but not limited to labor cost.

Moreover, today the developing countries (former colonies and semi-colonies) are themselves the main exporters of capital. More capital flows from Asian developing countries than from any other region. The figure for the region in 2014 was $432 billion, compared to the North American outflow of $390 billion and $316 billion from Europe. This is partly related to huge surpluses from smaller oil-rich countries and the rise of the so-called emerging economies.

Also, it is notable that unlike in the past, most foreign investments are no longer in the primary sector for the extraction of raw materials or even in manufacturing. They are concentrated rather in the service sector. In 2012, of the total foreign investments in the world, 63 percent was in the service sector, more than twice the amount invested in industry. The share of foreign investment in raw materials, which was the main motive in Lenin's time, constituted only about 10 percent.

An interesting point in Lenin's analysis of the export of capital is the way he saw its impact on the capitalist development of the recipient developing countries. Unlike dependency theories that saw

foreign capital only as an obstacle to national development—and many such theorists directly or indirectly associated themselves with a Leninist analysis—Lenin, following Marx, pointed to the developmentalist role of foreign capital: "The export of capital influences and greatly accelerates the development of capitalism in those countries to which it is exported." Noteworthy also is the way Lenin, a hundred years ago, saw the impact of capital export on the advanced industrial and capital-exporting countries. He implicitly refers to what many today have theorized as the "deindustrialization" of the advanced industrial countries. Thus, "while therefore the export of capital may tend to a certain extent to arrest development in the capital-exporting countries, it can only do so by expanding and deepening the further development of capitalism throughout the world."[7]

In sum, in today's global capitalism, the "home market" for big capital is the world market. Capital moves from one location to another to maximize profits and minimize costs, and globalization has, in a sense, made notions like "export of capital" and "surplus capital" irrelevant. It should also be noted that a sizable part of the "surplus" adds to the wealth of the capitalists and to the consumption by them of the "articles of luxury" discussed by Marx in Volume II of *Capital*. The articles of luxury of today's big capitalists include billion-dollar yachts or jumbo jets with swimming pools!

4. The Sharing of the World Among Monopolist Capitalist Associations

Lenin explains how monopolist associations, cartels, syndicates, and trusts first divided the home market among themselves, and with the creation of the "world Market," the "international cartels" divided the world into their "spheres of influence." Lenin saw it as a "new stage of world concentration of capital and production" and of the development of "supermonopolies." He gave the example of the electrical industry and how in 1907 the German and American trusts, AEG (in English, General Electricity Company) and GEC (General Electric Company), concluded an agreement to divide the world market; AEG got, among others, Germany, Austria, Russia, and Holland, and GEC got the U.S. and Canadian markets.

This feature, however, no longer exists in today's capitalism. As mentioned earlier, there are no legal cartels, and laws in most capitalist countries, such as the anti-trust laws, forbid any open agreement among monopolies in terms of price fixing, level of production, or other arrangements. Despite the growing dominance of neoliberal policies and efforts to relax these rules, they are still in effect. Such agreements among oligopolies do not exist at the international level either. In all branches of industry, from oil, auto, and computers to communication, corporations are in tough oligopolistic competition with each other. Mergers and acquisitions or hostile takeovers take place even among the largest giant corporations. In the oil industry, for example, of the five major American oil companies that were once part of the notorious "seven sisters," only two remain. In 1985, Gulf Oil merged with SoCal (Chevron), and in 1998 the two giants, Exxon and Mobil Oil, merged into one and for a while formed the largest oil company in the world. In 2011, after a hundred years of existence, Texaco became part of Chevron, and its distribution units were sold to Royal-Dutch Shell. It is interesting that ExxonMobil, with annual revenues of $265 billion, is now just the fifth largest oil company, and the top four oil companies are state-owned and belong to developing countries (one to Saudi Arabia and three to China).

The other point that makes today's large corporations different from the time of Lenin is that not only have they not divided the world into spheres of influence, but they don't even have monopolies over their own national markets. The best example is the U.S. auto industry. This industry once had hundreds of producers that eventually were reduced to the Big Three: GM, Ford, and Chrysler. These three held 100 percent of their national market and in the 1950s, controlled three-quarters of the global automobile market. Beginning in the 1980s European and Japanese car companies that were exporting to the U.S. market began direct investment and production in the United States.

According to a 2007 report by the U.S. Department of Commerce, nine foreign car companies were producing automobiles in 15 different plants in the U.S., investing $66 billion and employing 63,000 workers. In 1986, the three American automakers had over 95 percent of the U.S. market, but in 2006 this figure had dropped to 63 percent.[8] The American companies that were in tough competition with Japanese automakers started to invest in those companies: Ford bought shares in Mazda, Chrysler in Mitsubishi, and GM in Suzuki. During the 2008 crisis, both GM and Chrysler declared bankruptcy but were saved by the U.S. government. Chrysler was bought by Daimler-Benz, but after disagreements between the two, was sold to a financial management company and then to Fiat.

The two companies that Lenin referred to, AEG and GEC, are now multinational corporations with much more diversified products, competing at the global level, and with no formal agreement between them. The American GEC's products range from home appliances to oil and gas, aeronautics, transportation, medical equipment, pharmaceuticals, and financial services, and among other regions of the world operates in Germany. The German AEG, despite several changes in ownership and a number of mergers with other German companies using the original brand name, is active throughout the world, including in the U.S. and Canadian markets.

Continuous technological, organizational, and marketing innovations maintain the dominant position of monopolies in the global market. Based on the workings of the cartels of his time, Lenin believed that the "motive cause for technical, and consequently, of all other progress disappears to a certain extent," and he stated that monopolies "deliberately retard … technical progress." Today, we see the reverse of this trend and witness the brutal competition among oligopolies to stay in the market. The best example is in the electronics and telecommunication industries. The Canadian company Research in Motion, the innovator and producer of the first smartphone, Blackberry, which once had 100 percent of the global market, quickly lost its position to other competitors like Apple, Nokia, and Samsung, and may well face bankruptcy.

Through continued concentration and capital mobility at the global level, oligopolies now control networks of clusters of smaller companies scattered around the globe, adding to their monopolistic status. To attract these corporations to invest, both "home" and "host" governments offer all sorts of concessions to them, including lower taxes and "labor-union-free" environments. Confronting the powerful corporations of today is far more difficult and complicated than taking on their dinosaur predecessors, the cartels.

5. Division of the World Among the Biggest Capitalist Powers

Referring to the colonial competition of his time, Lenin pointed to the "final partitioning of the globe." He referred to the division of Asia, Africa, and Latin America among colonial and imperial powers of the day and how "the colonial policy of the capitalist countries has completed the seizure of the unoccupied territories on our planet." Surprisingly, however, he made no reference to one of the most significant theaters of confrontation among powers, that of the Ottoman Empire. It is obvious that he could not know of the notorious Sykes-Picot agreement that eventually divided the Ottoman Empire between Britain and France, including areas they had already promised to Arabs and Zionists. This was secretly signed in Petrograd exactly at the same time that Lenin was writing his imperialism piece. However, as soon as the Bolsheviks came to power and learned of the agreement, they disclosed it.

Today's imperial control is very different. There is no direct colonial control, and as "independent" countries, former colonies are no longer just the monopolistic territory of their original imperial powers. All sorts of capital from different parts of the world are active and competing in these economies. Lenin explained that in the era of imperialism we don't have just two types of countries,

colonizers and colonies, and that there are many countries that despite formal independence are under “financial” and “diplomatic” dominance and are “semi-colonies.” Today’s financial and diplomatic dominance has taken very different and indirect forms.

A major feature of the imperialism of the twenty-first century is the existence of a super-imperialist, the United States, on the one hand, and inter-imperialist collaborations on the other. The United States, which benefited most from and suffered the least harm in World War II, emerged as the world’s imperialist leader. Although at the time of Lenin, Britain was more powerful than other imperial nations (in the period of the so-called Pax Britannica), Britain’s status then was by no means similar to today’s U.S. hegemony. According to data from the International Monetary Fund, the GDP of the United States is two times larger than the combined GDPs of three imperial powers, Germany, Britain, and France. Its military budget is larger than the combined military budgets of the next ten largest military powers, including Russia, China, Britain, France, Germany, and Italy. It has the largest number of major multinational corporations, has the widest network of satellites and other information and intelligence technologies, and has alliances with military powers like Israel and with rich, reactionary Arab states like Saudi Arabia and Sheikhdoms of the Persian Gulf. Despite all the setbacks in the wars in Afghanistan, Iraq, Libya, and Syria; the economic crisis; and the emergence of China as the second largest world economy, U.S. imperialism is still the most powerful, and the period of “Pax Americana” is not yet close to its end.

The European imperialist powers, despite their historical rivalries (and with the exception of the recent parting of the UK), are united in the European Union and NATO and generally keep in line with the policies of U.S. imperialism. Their peaceful cooperation is by no means “a truce between wars” as Lenin expected. It should be noted, however, that this inter-imperialist collaboration does not confirm Kautsky’s “ultra-imperialism” thesis. Although Kautsky’s prediction of inter-imperialist cooperation, and his seeing more “stages” in the development of capitalism, are noteworthy, his notion was based on cartel-like territorial divisions of the world that no longer exist. Despite their rivalries, all these imperialist powers are in agreement on maintaining and expanding the dominance of capital, and their wars are not with each other but against others. The G7 is the clear example of inter-imperialist collaboration.

If in the past the capitalist states established repressive economic and ideological apparatuses of the state at the national level in order to maintain and expand the dominance of capital, now, in the absence of a global state and in line with the unity of imperialist powers, globalized capital has established these apparatuses at the global level. International economic institutions like the IMF, the World Bank, and the World Trade Organization, along with multinational banks and corporations, and in line with the national and the regional economic institutions of the imperialist powers such as the European Central Bank, the U.S. Treasury, Deutsche Bundesbank, and the Bank of England, form the economic apparatuses of global capital. NATO, and defense treaties like the Rio Pact and ANZUS (the Australia, New Zealand, United States Security Treaty), form the repressive apparatuses. Neoliberalism along with mainstream media of the imperialist countries and their allies form the ideological apparatuses of control of organized global capital.

In sum, although the fundamental nature of imperialism remains unchanged, it is nevertheless in many respects very different from the imperialism of a century ago. Accordingly, while Lenin’s imperialism pamphlet is historically valuable it cannot serve as a guide for our struggles today. Confronting global capitalism and moving toward a superior socio-economic system will need other theories and practices. Developing these is our greatest priority.[9]

Footnotes

1. All references to Lenin's work are from "Imperialism, the Highest Stage of Capitalism," in V. I. Lenin, *Selected Works in One Volume* (International Publishers, 1980).
2. Michael Hardt and Antonio Negri, *Empire* (Harvard University Press, 2000).
3. Council of Economic Advisors, "Benefits of Competition and Indicators of Market Power," April 2016, 5.
4. Hardt and Negri, 4.
5. Saeed Rahnema, "Multinationals and Iranian Industry; 1957-1979," *Journal of Developing Areas* (vol. 24, No. 3, April 1990), 294-295. The titles of this typology are from Lazlo Lang, "On the Location Determinants of Foreign Direct Investment in Developing Countries," paper presented at the second round table of RCCDC, Ljubljana and Institute for World Economy, Budapest, October 1985. Compared to other typologies of FDI, this is still very valid.
6. All data of this section are from UNCTAD, *World Investment Report; Reforming International Investment Governance* (2015).
7. V. I. Lenin, "Imperialism," 214.
8. U.S. Department of Commerce, "Foreign-based Companies Investing in the U.S. Auto Industry," 2007.
9. I have tried to discuss some of these in my conversations with twelve prominent theorists and political activists from different parts of the world in my upcoming edited book, *Transition from Capitalism: Marxist Perspectives* (Palgrave MacMillan, 2017).