Imperialism and Its Alternatives

Colletti saw the merit of Bernstein’s critique of Marxism as a response to the new developments of capitalism largely neglected by Engels, Kautsky and other theoreticians at the turn of the century. Because of his sensitivity to these new features of capitalism, Bernstein would be nearer to Lenin’s and Hilferding’s generation of Marxists than to Kautsky’s and Plekhanov’s:

[Joint] stock companies, the development of cartels and trusts, the separation of ‘ownership’ and ‘control’, the growing ‘socialization of production’, ‘the democratization of capital’ etc., are all themes of Hilferding’s Finance Capital and Lenin’s Imperialism. That is why the most effective answers to Bernstein can be found in these texts.¹

It may, however, be added that these new phenomena – especially trusts and cartels – became the subject for discussion among other Marxists, as well, including Kautsky, at the beginning of the century. Among Marxists they became part of an analysis of the new features of modern capitalism, namely, imperialism.

Hans-Holger Paul pointed out that it was Parvus (Alexander Helphand) who was the first Marxist to conduct a special analysis of the transformations in the conjunctural development of capitalism due to imperialism:

Thus it was Parvus who provided the first substantial theoretical determinations concerning an analysis of world-economic relationships, of the global economic boom. For the most part these were adopted by Kautsky and Rosa Luxemburg, and found their way into German social democracy’s official party statements.²

Some of Kautsky’s main ideas were already present in one of his earliest articles on imperialism, Germany, England and World Politics [Deutschland, England und Weltpolitik] of 1900.³ In the first stage of imperialism, the colonies func-

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¹ Colletti 1972, p. 62.
² Paul 1978, p. 146; see also Parvus 1897; 1895–6; 1900–1a and b; 1901.
³ Kautsky 2011b.
tioned as a market to realise industrial products.\textsuperscript{4} In the new present stage of imperialism, the export of capital becomes the decisive motive force for the acquisition of colonies: It is no longer a question merely of securing a market for the growing surplus of goods, but also of providing the increasing accumulation of capital with investment markets.\textsuperscript{5}

Colonies and colonial trade are more profitable to finance – resulting from the increasing connections between moneyed and industrial capital\textsuperscript{6} – than to industrial capital:

Just as it is certain that the industries of England and Germany are mutually dependent, and that an interruption of commercial relations between the two countries must have the most disastrous effects on their industrial development, so it is equally certain that finance-capital frequently has interests different from those of industrial capital.\textsuperscript{7}

Even though industrial capital can profit from imperialism, the costs incurred by imperialistic methods are even higher. The only fraction of capital really benefiting from imperialism is, then, finance capital:

The only beneficiary from the founding of colonies, from the modern expansion-policy, is finance-capital, which draws further advantages from the failings of colonial governments and the consequent expenditures and loans for colonial purposes.\textsuperscript{8}

Export and import tariffs and their consequences are the main interests in Kautsky’s earliest analysis of imperialism and imperialistic methods of government. In *Treatises of Trade and Custom Duties [Die Handelsverträge und der*
imperialism and its alternatives

written in 1903, Kautsky stated that a high rate of tariffs is not in the interests of industry. The abolition of industrial tariffs would clearly increase the productivity of the home industry and lower its production costs. Imperialistic customs policy and its consequence, colonialism, were also seen to be the main factors favouring militarism and the armaments race. The best method of fighting imperialism is to oppose high import and export tariffs. Imperialism is a result of the economic policy of the state and there is no effective direct method of opposing it. Military strikes propagated by the party's left wing have generally proved ineffective.9

In the third part, Value Theory and Colonial Policy [Werttheorie und Kolonialpolitik], of a series of articles called The Advantages of Colonies to the Workers [Die Nutzen der Kolonien für die Arbeiter],10 Kautsky already presented a line of argumentation that would later become central to his theory of imperialism. According to Kautsky, there are in principle two possible ways of developing capitalism. The first is essentially based on the repression of the working class, the second on a continuous increase in the productivity of labour. However, the most important difference is that whereas the first method is in general disadvantageous to economic development, and thus also to the future perspective of establishing socialism, the second method effectively promotes general economic development and thus also the present conditions and the future possibilities of socialism:

A modern capitalist state can only choose between two paths: one of them consists in crushing the proletariat using all available means. If it succeeds in doing this, then the productivity of these workers will dwindle along with their intelligence and strength, the state's competitiveness and social wealth will fall and it will head towards total bankruptcy. The other path consists in the state promoting economic development as much as possible, seeking to physically and intellectually raise its proletariat. If this is the case then the proletariat develops, along with its strength and self-confidence, its urge to free itself from the yoke of state domination. Then labour productivity will increase and social wealth will prosper, as will the state's standing in the world. At the same time, however, the power and the standing of the proletariat will grow within the state, seeing the state of socialism mature rapidly. There is no other way out for capitalism, because labour is the source of all value.11

9 Kautsky 1904–5, pp. 368–70.
10 Kautsky 1907b.
11 Kautsky 1907b, p. 3.
The development of the productive forces is the crucial question in evaluating the role of imperialism and its advantages and disadvantages for the proletariat:

The development of the productive powers [forces of production] at the disposal of humanity is of the greatest importance to the proletariat... We must therefore investigate the effect[s] of colonial policy on the productive powers of mankind.\(^\text{12}\)

Just as there are two possible alternatives of developing capitalism, so there are two methods of colonial policy itself. According to Kautsky, there are in principle two kinds of colonies: labour colonies and colonies of exploitation.\(^\text{13}\) The first are favourable to the working class and to the development of the productive forces in general. The labour colonies are a ‘powerful lever’ of human development, even though it must immediately be added that the aborigines are sometimes unjustly treated in them. By labour colonies Kautsky seemed to mean areas of settlement which are favourable and suited for the emigration of white people and which consequently have a chance of developing an industry of their own.\(^\text{14}\)

By the end of the last century, all the possible areas open for European settlement had already been taken into use and populated by Europeans. The new colonial policy emerging in the 1880s was of an altogether different type. It was based on the crude exploitation of non-European population and areas of the world, and its total effect on the development of humankind was negative. The new colonial areas were used exclusively to find profitable fields of investment for the surplus capital which could not be profitably invested in the home market.\(^\text{15}\)

The new colonial policy thus marked the beginning of an era in which capitalism had become an obstacle to the future development of productive

\(^{12}\) Kautsky 2002, p. 95 (translation modified BL).
\(^{13}\) In a letter to Kautsky in 1882, Engels (1974–2004j, p. 322) made a similar distinction between colonies populated by European people and colonies occupied by European states but populated mainly by aborigines. According to Engels, the strategy of the socialist parties should take into account the respective differences in the situation of these colonies. Colonies presently populated by Europeans should all become independent, whereas those populated mainly by the natives should be taken over by the European proletariat and only then – albeit as soon as possible – can they look towards their independence.
\(^{14}\) Kautsky 2002, pp. 96–8.
\(^{15}\) Kautsky 2002, pp. 100–1.
forces – Kautsky’s main criterion in evaluating progressive or regressive states of society. It would not be true to say that capitalism has become totally ineffective in developing productive forces, but imperialism does concretely prove that there is another possible way of organising production, in which the development of productive forces would be more effective than in capitalism. Capitalism has become a hindrance to the development of productive forces.\footnote{Kautsky 2002, pp. 101–2.}

In this new era of capitalism, technical development is no longer a decisive factor in guaranteeing the appropriation of extra profits; on the contrary, extra profits are best achieved by restricting competition, and are made possible by the centralisation and reorganisation of capital, by the formation of trusts, cartels, and so on. The formation of cartels and trusts directly promotes militarism while leading to a policy of high customs tariffs. Only socialism would open up a new era in the development of productive forces. In other words, socialism is the only alternative to imperialism: ‘But the abolition of militarism, like that of the system of cartels and trusts, is today only possible through socialism’.\footnote{Kautsky 2002, p. 105.}

In the two articles, \textit{Socialism and Colonial Policy} [\textit{Sozialismus und Kolonialpolitik}] and \textit{Socialist Colonial Policy} [\textit{Sozialistische Kolonialpolitik}], Kautsky analysed the economic factors leading to imperialism in a way that was later to become common in Lenin’s theory on imperialism. First, the formation of monopolies is the decisive factor promoting imperialistic policies:

\begin{quote}
The drive to monopoly, i.e. for the violent trampling of the consumers, in order to be able to fleece them at will, was even more of a factor in the state’s colonial policy than was the violent robbery of the producers. Those are the true mainsprings of colonial policy.\footnote{Kautsky 1908–9, p. 38.}
\end{quote}

Second, besides the formation of monopolies and the direct exploitation of consumers, the export of capitals is another important feature of imperialism. There is overproduction of both surplus value and of commodities in the developed capitalist countries due to the increase in productivity in industry and the increasing exploitation of the workers. Exporting commodities is typical of the earlier stages of capitalism whereas exporting capital becomes a dominating developing force in colonialism: ‘In other words, the capitalists do not export their products as commodities for sale to the foreign country, but as capital for the exploitation of the foreign country’.\footnote{Kautsky 2002, p. 105.} Investments in foreign
countries are, on the other hand, risky, and these risks are minimised when the countries to which capital is exported become direct colonies of the country exporting capital. Colonial policy further promotes militarism and increases armaments.\textsuperscript{20}

In \textit{Trade Policy and Social Democracy} [\textit{Handelspolitik und Sozialdemokratie}] of 1901,\textsuperscript{21} Kautsky for the first time developed his conception of the relation between agrarian and industrial countries – discussed earlier in Chapter 7 – as the decisive cause of imperialism. The uneven development of the different sectors of capitalism is promoted to being the decisive factor creating imperialism and colonialism, and leading to the application of imperialistic methods of government by the developed capitalist countries.

In \textit{Trade Policy and Social Democracy}, Kautsky further concretely identified imperialism with a specific political method of customs policy; economic development leads to the centralisation of capital and the formation of trusts and cartels. High tariffs are in the economic interests of cartels. On the other hand, export and import tariffs are favourable to the formation of trusts and cartels. They are, thus, both the cause and the effect of the centralisation of capital:

\begin{quote}
Economic development as a whole drives the capitalists to form cartels and trusts. Yet nowhere do these thrive as rapidly and well as under the dominance of protective tariffs; the higher the latter, the more the former can develop and assert their power.\textsuperscript{22}
\end{quote}

Protective tariffs further promote policies of repression, the annexation of colonies and trade wars. They are all essential companions to the system of protective tariffs.\textsuperscript{23} In a way reminiscent of Lenin’s and Luxemburg’s discussions of imperialism, Kautsky identified policies of violence with the monopolisation of capital and the formation of cartels. Violence is the essence of a cartel system:

\begin{quote}
Violence is the essence of the cartel system; it seeks to thrash and keep down its opponents with violent means; it does not initially do so with shotguns and cannons, but with the most violent means of the economic
\end{quote}

\begin{flushleft}
\textsuperscript{20} Kautsky 2002, p. 108.  \\
\textsuperscript{21} Kautsky 1911b.  \\
\textsuperscript{22} Kautsky 1911b, p. 39.  \\
\textsuperscript{23} Kautsky 1911b, p. 17.
\end{flushleft}
struggle. Thus a spirit of violence emerges amongst the industrial bourgeoisie in place of the spirit of free trade.\footnote{Kautsky 1911b, pp. 40–1.}

The prime purpose of the system of protective tariffs is not to promote industrial development at home or to prevent its regression, but to raise the price of industrial products and to sell them on the home market at a higher price than abroad.\footnote{Kautsky 1911b, p. 43.} The export of capital is another immediate result of this system. When the customs barrier in the countries to which commodities are exported becomes high enough and exporting of commodities becomes more difficult, it is more profitable to establish industry and invest capital in foreign countries direct. As a consequence, the development of productive forces in foreign countries is promoted while home industry degenerates.\footnote{Kautsky 1911b, p. 48.} Kautsky summarised the result of his analysis as follows: ‘Development of industry abroad at the cost of home industry. That is the signature of the new protective tariffs as against those of the mercantile period’.\footnote{Ibid.}

As a result of his analysis of imperialism and its causes, Kautsky could state that the working class is the only social class which represents the general interest of the nation, an interest interpreted as the most effective development of productive forces; at the present stage of capitalism, capitalists only represent their own specific interests as a small fraction of society.\footnote{Kautsky 1911b, p. 55.} This result also proves that the system of protective tariffs cannot be opposed as such; a change in imperialist policy presupposes a general struggle against any form of capitalist exploitation. Increasing exploitation and the system of protective tariffs go hand in hand. The whole system of capitalism has to be opposed in order to improve the living conditions of wage workers.\footnote{Kautsky 1911b, p. 78.}

In the various articles and pamphlets written shortly before and during the First World War, Kautsky explicated and developed his conception of imperialism. Now, contrary to his earlier analysis, imperialism was seen to be the result of only one possible line of development of capitalism which can – at least in principle – be followed by another kind of development of capitalism. In the article \textit{Imperialism} of 1913–14, the alternative to imperialism is called ultra-imperialism – reached via the extrapolation of the economic tendencies of capitalism and the centralisation of capital in particular. In the writings \textit{The Inter-
national and the War [Die Internationalität und der Krieg],\(^{30}\) and National State, Imperialist State and Confederation,\(^{31}\) Kautsky’s position had already changed. The alternative to imperialism was now the democratic union of states based on free trade and just trade treaties.\(^{32}\) Whereas the first alternative is characteristically only a continuation of the negative tendencies and features of imperialism – a kind of extrapolation of the economic tendencies inherent in modern capitalism, and as such to be opposed by the proletariat and its organisations – the second alternative, characterised by Kautsky as a democratic union of states, is favourable both from the point of view of the proletariat and also of vast sectors of the population including industrial capitalists. Thus by introducing the idea of the union of democratic states, Kautsky proposed a critique of modern imperialism which did not necessarily have as its counterpoint a socialist society – as was the case in the earlier articles. There is also another alternative open to capitalism, and in principle it would be possible to win the support of various groups in society for a programme aiming at the realisation of this alternative. The idea of a positive alternative to imperialism thus also has a direct impact on the strategic alternatives of Social Democracy as, in principle, it would seem to be possible to organise a ‘democratic front’ against imperialism.

The concept of ultra-imperialism is extrapolated from the analysis of the economic development of capitalism. The analysis of the different possibilities or different methods of enlarging production and the accumulation of capital also formed the basis for the analysis of ultra-imperialism. In this respect, the article *Imperialism* only repeated Kautsky’s earlier statements. As already pointed out, in his analysis there were natural limits to the development of agrarian production. Due to the different rates of increasing production in agriculture and industry, there is a further problem of the permanent overproduction or oversupply of industrial products which can be solved only by continuously expanding the market for industrial products.

The export of industrial products to agrarian areas is, however, faced with the immediate problem of competition from other industrial countries. Imperialism is thus a necessary consequence of international competition on industrial markets: the only means of guaranteeing the further realisation of a country’s industrial products on the international market is to conquer and annex colonies.

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30 Kautsky 1915b.
31 Kautsky 2011d.
32 This alternative was already mentioned in the *Erfurt Programme* (Kautsky 1910, p. 104), but Kautsky did not refer to it any more in his early writings on colonial policy.
So far, Kautsky’s reasoning in *Imperialism* merely seemed to repeat an argumentation already presented in other writings. Kautsky did not, however, stop his argumentation at this stage. The question of possible alternatives to imperialism was actualised:

Does it represent the last possible phenomenal form of capitalist world policy, or is another still possible? In other words, does imperialism offer the only possible remaining form of expanding the exchange between industry and agriculture within capitalism? That is the question.\(^{33}\)

The outbreak of world war has since become an established fact. It is only a logical consequence of the tendencies present in imperialism. It cannot, however, be claimed that the only alternative open to imperialism, once peace has been restored, is the continuation of the present methods of economic development; at least in principle, there is another solution open to the future development of capitalism:

There is no economic necessity for continuing the arms-race after the world war, even from the standpoint of the capitalist class itself, with the exception of, at most, certain armaments-interests.\(^{34}\)

Because the whole capitalist system is, in fact, threatened by the sharpening of the present contradictions in imperialism, it is in the interests of the very capitalists to prevent the collapse of capitalism:

On the contrary, the capitalist economy is seriously threatened precisely by the contradictions between its states. Every far-sighted capitalist today must call on his fellows: Capitalists of all countries, unite!\(^{35}\)

A continuation of the present policy of imperialism would obviously lead to early bankruptcy of the whole capitalist economy. Kautsky’s main thesis was that this bankruptcy can in principle be prevented, and there are in fact such tendencies already present in modern capitalism which make its prevention possible; imperialism is basically the result of the centralisation of capital, the formation of cartels and trusts, and immense groupings of finance capital.

\(^{33}\) Kautsky 2011d, p. 771.

\(^{34}\) Kautsky 2011d, p. 772.

\(^{35}\) Ibid.
This very same centralisation of capital, on the other hand, makes it possible for imperialism to overcome its economic contradictions as the concentration of capital enters a completely new stage as soon as it reaches the whole international market. International cartels take the place of competing national capitalists. Most of the devastating results of international competition can then be overcome, and a new stage of imperialism, ultra-imperialism, is reached:

The frantic competition of giant firms, giant banks and billionaires forced the great financial groups, who absorbed the small ones, to come up with the notion of the cartel. In the same way, the world war between the great imperialist powers can result in a federation of the strongest among them, who would thus renounce their arms-race.36

Considering the economic tendencies of capitalism, it is thus possible to think that imperialism will reach a new stage; it should, however, be recognised that ultra-imperialism is only an economic possibility; it is possible that increasing political opposition to imperialism will overthrow capitalism even earlier, and that the working class will be able to establish a socialist society even before the stage of ultra-imperialism has been reached.

The concept of ultra-imperialism is an extrapolation of the economic tendencies of capitalism and of the centralisation of capital. It is at least possible to think that the formation of cartels, now taking place so rapidly exclusively at the national level, will in the near future also take place on the international market, and as a consequence international competition, which is at present leading to increasing contradictions between individual imperialistic states, will come to an end. It will be just as necessary for the working class to oppose ultra-imperialism as it is to fight the present imperialism, but ultra-imperialism would, in one respect, be more favourable to the majority of the people: it would not endanger world peace:

Hence from a purely economic standpoint, it is not impossible that capitalism may still live through yet another phase, the transfer of cartel-policy into foreign policy: a phase of ultra-imperialism, against which, of course, we must struggle as energetically as we do against imperialism, but whose perils would lie in another direction, not in that of the arms-race and the threat to world peace.37

36 Kautsky 2011b, p. 773.
37 Kautsky 2011b, p. 774.
In any case, there would be a natural limit to the development of ultra-imperialism too, because industrial production can be increased only insofar as the supply of raw materials and the demand for its products increase, in other words, insofar as agrarian markets also expand. In the end, even ultra-imperialism would thus be faced with the problem of the natural limits of agrarian production and agrarian markets. Even though a general, international cartel would solve some of the main economic problems of imperialism and prolong its survival, it would not eternalise capitalism in general; neither would it make the perspective of socialism obsolete.

The idea of ultra-imperialism developed by Kautsky shortly after the outbreak of war is especially interesting because of its connection with the wider debate on the future destiny of capitalism at the beginning of the century. In his _Finance-Capital_, Rudolf Hilferding introduced – as discussed earlier – the concept of a general cartel, which he reached by extrapolating the economic tendencies of capital. According to Hilferding, the formation of a general cartel would definitely transform the economic laws of capitalism. The only remaining problem or contradiction would be the conflict over the distribution of the national product. A general cartel would thus assume the role of the regulator of market relations in capitalism. This idea of a general cartel or ultra-imperialism was also widely discussed by Lenin, who principally accepted the future perspective of the development of a general cartel, though with some important reservations (according to him, a general cartel is abstractly thinking a logical consequence of the economic tendencies in capitalism, but still it would be both economically and politically impossible for capitalist economy to develop into one single general cartel).

It is not, however, altogether clear whether ultra-imperialism really would, even in Kautsky’s opinion, be a realistic alternative to imperialism. Earlier, in another context, Kautsky seemed to deny quite explicitly the possibility of the emergence of an international cartel which would abolish competition. In criticising Bernstein, Kautsky had, on the other hand, long before the pub-

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38 Hilferding 1981.

39 ‘The regulation of production by large syndicates or trusts presupposes above all that they control all branches of industry and the organization of these upon an international basis in all countries over which the capitalist system of production extends’ (Kautsky 1910b, p. 80). The next two sentences are not in the English translation: ‘As of yet there is not a single international cartel in any branch of industry that is decisive for economic life as a whole ... More than fifty years ago, Marx made the point that monopoly not only comes about through competition, but that it also creates competition’ (Kautsky 1906a, p. 95, translation BL).
lication of Hilferding’s *Finance-Capital*, already acknowledged the theoretical possibility of the further development of the centralisation of capital into a cartel economy.\(^40\)

It is, however, more important to note that the idea of an international general cartel is, in a sense, a logical conclusion of Kautsky’s understanding of the historical development of capitalism: such an ultra-imperialism would be economically totally possible; politically it would, however, be faced with such contradictions that the future development of capitalism in the direction of ultra-imperialism is actually highly improbable. Ultra-imperialism and imperialism are forms or methods of realising the interests of finance capital (or big capital magnates). Ultra-imperialism and the establishment of a nationwide general cartel too would reveal the exploitative nature of capitalism in such a direct, crude form that people would not endure it for a moment.

In point of fact, a state of things such as here outlined would be as preposterous as it would be impossible. It will not, and cannot, come to that. The mere approach to such conditions would increase to such an extent the sufferings, antagonisms and contradictions in society, that they would become unbearable and society would fall to pieces, even if a different turn were not previously given to the development. But although such a condition of things will never be completely reached, we are rapidly steering in that direction.\(^41\)

The concept of ultra-imperialism is probably Kautsky’s best-known formulation of the future destiny of capitalism. It was, however, only presented in the article *Imperialism* [*Der Imperialismus*]. *Imperialism* was, in fact, only Kautsky’s first attempt to reformulate the strategy of Social Democracy after the outbreak of war. The outbreak of war concretely proved that the strategy aimed at preventing world war was ineffective and obsolete. In his writings published during the war, Kautsky still tried to defend the strategy of the International before the war, and revised it to meet the new demands and changing conditions. In his later writings, he seems to have abandoned the idea of ultra-imperialism, its place as a positive alternative to imperialism being taken by the conception of a union of democratic states.

In the booklet *National State, Imperialist State and Confederation*, Kautsky presented a new solution, a reorganisation of post-war international economic

\(^{40}\) Kautsky 1899b, p. 1.

\(^{41}\) Kautsky 1910b, p. 69.
relations, which would prevent the development of any future contradictions and hostilities and would guarantee the further development of capitalism, a development more favourable to the working class as well. The alternative to imperialism as proposed by him was a democratic union of states based on a common trade treaty and free trade. This new proposition respected the criteria of democracy of nations and their right to self-determination.\(^{42}\) Even though the solution was new, Kautsky’s analysis of the causes of imperialism followed the arguments mainly presented earlier: The decisive cause of imperialism is the opposition between agrarian and industrial regions. The agrarian regions which industrial states are trying to annex are primitive and underdeveloped. Moreover, they have not reached the stage of democracy, because the material conditions of democracy have not yet been developed.\(^{43}\) There is, in fact, thus a civilising influence in imperialism, vis-à-vis the development of the productive forces in colonies; ensuring the material conditions for democracy is the historical task of imperialism. Thus imperialism is by nature not altogether reactionary.

The most important explanation of imperialism presented in *National State, Imperialist State and Confederation* is the thought that even though imperialism is a consequence of the economic tendencies of capitalism, it is by no means a necessary result of these tendencies – a thought also presented in other writings:

> [O]ne will no longer conclude offhand, from the fact that imperialism finds its powerful economic driving forces in capitalism, that imperialism is inevitable as long as the capitalist mode of production exists or that it is absurd to want to oppose it within the framework of that mode of production.\(^{44}\)

The increasing export of means of production instead of industrial products in general is a tendency of great importance. The new maxim of capital is to try to sell as much as possible and to buy as little as possible, and when every state favours this kind of policy, the conflicts are ready at hand. The centralisation of capital, the combination of finance with industrial capital and the changing patterns of foreign trade are, in fact, tendencies that will remain intact as long as capitalism prevails. On the other hand, the methods used by the state to

\(^{42}\) Kautsky 2011d, p. 802.
\(^{43}\) Kautsky 2011d, p. 804.
\(^{44}\) Kautsky 2011d, p. 810.
promote these tendencies – colonialism and imperialistic expansion – are not as such unavoidable.\footnote{Kautsky 2011d, p. 811.} Even at present, there are modern examples of another approach to these problems. There already exist unions of states of another kind (the United States of America and South Africa or the ‘Burenrepublik’), which concretely prove that there is at hand another method that is both effective and possible:

Imperialist needs [have] certainly played a role in its formation, but the acquisitions of territory on which it was built, with the exception of the Boer republic, were made a century before the era of imperialism, and the close connection of this confederation was not imposed upon the English possessions with the imperialist method of violence. On the contrary, it became a necessity for all parties concerned due to the force of attraction of democracy and, as we have already remarked, the free trade of the motherland.\footnote{Kautsky 2011d, pp. 827–8.}

The imperialistic methods of expansion are by no means the most effective ones, and industrial capital in particular can profit more from other methods. Its commodities can be more effectively exported under the conditions of free trade not restricted by imperialistic customs policy.\footnote{Kautsky 2011d, pp. 840–1.} The best method for guaranteeing the export of commodities and the import of raw materials would be an effective treaty between all industrial states, as a result of which their mutual trade would all but resemble free trade.\footnote{See Kautsky 1915a, p. 73.} Such treaties, according to Kautsky, would be the most effective guarantee of peace and economic development in the future:

The federation of states rather than the multinational state or the colonial state: that is the form for the great empires required by capitalism to reach its final, highest form in which the proletariat will seize power.\footnote{Kautsky 2011d, pp. 842–3.}

Kautsky’s favourite thought of the two possible ways of developing capitalism was repeated intact in this writing as well. The first method is based on the most rapid development of the productivity of labour and productive forces.
The second method is based on the increasing direct and violent exploitation of labour. The first method is to be preferred, because it promotes the cause of socialism and the interests of the working class in general:

The possibility lies in the fact that there are different ways of furthering capitalist development ... To the first way belongs the introduction of new machines, better organisational forms of production and distribution, replacement of lower by higher operational forms, such as small-scale cultivation by large-scale cultivation, construction or improvement of means of transportation, better education and physical invigoration of the workers, and scientific structuring of the production-process.\(^{50}\)

The first method could also lead to greater suffering among the working class, but it still creates better potential for its emancipation.

It is, however, impossible simply to choose between the two methods according to the preference of the working class. The actual choice between the methods is made by power. As long as finance capital and its allies and representatives are in power, the second method will prevail and the development of capitalism will be limited. The task of the working class is to fight for the adoption of the first method and to win the support of other sections of the population for this common cause through propaganda and agitation. It should be remembered that this 'people's front' is potentially a very conclusive one. Even the industrial capitalists can, at least in principle, be included in it. And because the adoption of imperialistic policy is purely a question of power, it can at any time be replaced by more democratic and peaceful methods of foreign trade. Nothing would, in Kautsky's opinion, be a greater mistake than to think that the materialist conception of history makes it impossible to fight against imperialism. To oppose imperialism is, on the contrary, the most important and immediate task of the whole working class today.\(^{51}\)

The strategy of the Social Democrats in opposing imperialism could be compared with their attitude towards technical progress in capitalism. The motive force of capitalism is profit, but there are always different methods of promoting this goal. The Social Democrats should not, for instance, oppose technical progress as such – the introduction of new machines, the centralisation of capital, the scientific organisation of work, and so on – even though it is in

\(^{50}\) Kautsky 2011d, p. 846.

\(^{51}\) Kautsky 2011d, p. 848.
the interests of capital accumulation. While increasing the rate of exploitation and surplus value, technical progress due to the accumulation of capital is also beneficial to the working class. Technological progress improves both the conditions of revolutionary socialism and the material position of the wage workers. It is the task of the Social Democrats to guarantee that the workers get their share of the benefits of capital accumulation: ‘In this way, Social Democracy solves the apparent contradiction of its historical tasks, simultaneously struggling against and also promoting capitalism.’

The result of Kautsky’s analysis of imperialism could be summarised as follows: There are two methods for promoting the economic expansion of modern capitalism. One is imperialism; the other is the expansion of free trade and the establishment of varying degrees of international political and economic association. Both methods fulfil the functions of capital expansion and aim at solving the problems of permanent overproduction. The first method, based on restrictive tariffs and colonial policy, will sharpen the contradictions between nations and further militarism and militant policy. It is also undemocratic because it is based on the repression of both the colonial people and the working class at home. Hence it does not promote the struggle for socialism. The second method is that of international economic associations. It is both democratic and, furthermore, more advantageous for the rapid economic and technological development of capitalism. This method is also antimilitaristic and the only possibility of avoiding devastating world war in the future.

There seems to be an interesting paradox in Kautsky’s thinking. Even though imperialism is caused by the economic development of capitalism, imperialism is at the same time disadvantageous to its further development even from the point of view of capital accumulation. Why, then, is it the prevalent form of capitalist expansion? Kautsky’s answer was simple: imperialism is a pure question of will and political power. To understand imperialism we must, consequently, analyse the power relations in modern capitalism and the economic interests of the different power groups. Theoretically, the analysis is relatively clear. Imperialism is supported by and is exclusively in the interests of the big capital magnates, finance capital. The rest of the nation – with the exclusion of the big land owners – does not have any direct economic interests in the future of imperialism; all the people are – at least potentially – opponents of imperialism. The role of power in Kautsky’s analysis becomes even more accentuated because imperialism is not actually even in the economic interests of the

52 Kautsky 2011d, p. 847.
industrial capitalists; in the last instance, it does not even effectively promote the industrial development and technological progress of the nation and the accumulation of capital.

In adopting the idea of the central role of finance capital in modern capitalism, Kautsky was able to determine the only genuine supporters of imperialism, the representatives of finance capital. There is a major difference between the economic interests of industrial and finance capital as such. Industrial capital is a supporter of peace and democracy. From a historical perspective, it was interested in restricting the economic power of the absolutist state – and its political goal was to save in fiscal policy and state expenditure. Industrial capital is not interested in restrictive tariffs on raw materials and foodstuffs because they are apt to raise the costs of production. Industrial tariffs are accepted only in cases of industrial backwardness.\(^{53}\)

The political and economic orientation of finance capital is totally different:

By contrast, finance-capital, the class of great money-lenders and bankers, tends to support absolute state-power and the violent assertion of its claims domestically and externally. It has an interest in great state-expenditures and public debts as long as they are not so large as to bring about the bankruptcy of the state. It is on good terms with large landed proprietors, and it has no objections to their preferential treatment through agrarian tariffs.\(^{54}\)

Economic development has brought finance capital into power. With the introduction of the joint stock companies, the biggest industrial capitalists have been united with finance capital. The close relation between industrial and money capital is a characteristic feature of imperialism:

In that way, the largest and strongest part of industrial capital united with money-capital while, at the same time, initiating its rapprochement with large-scale landed property. Trusts and centralisation of the great banks carried this development to extremes.\(^{55}\)

Because of the union of industrial and money capital, the political interests of finance capital become the general interests of the ruling class:

\(^{53}\) Kautsky 2011d, p. 812.

\(^{54}\) Ibid.

\(^{55}\) Ibid.
The statist tendencies of finance-capital now became the general tendencies of the entire ruling economic classes in the most developed capitalist states. That is one of the distinguishing features of the current period, which people have called the imperialist period.\(^56\)

Thus, Kautsky concluded that the united industrial and finance capital is the new power bloc supporting imperialism, which lends further support to the thesis that imperialism is really only a question of power; it is the result of the economic and political domination of finance capital, domination not only in relation to the ‘people’ but also within the capitalist class as such. Finance capital has forced the industrialists to adopt imperialist policy even though it is not even beneficial to future industrial developments.

In his last article on imperialism *The Imperialist War* [*Der imperialistische Krieg*],\(^57\) written during the war, Kautsky again repeated many of the arguments presented in most of his earlier writings. According to him, it is important to understand that even though the war was in fact of an imperialistic nature, it could not be explained exclusively by the economic factors of imperialism. And even more importantly, imperialism would not be at all necessary for the future development of capitalism. And Kautsky repeated his former arguments about imperialism being only one possible method of appropriating extra profit – the motive force of every single capital – and even though the appropriation of extra profits is the decisive motive force of capitalism which will remain in power as long as capitalism prevails, there are also other ways of guaranteeing the effective appropriation of profits and accumulation of capital.\(^58\) Imperialism is only a question of power, in the very same sense as the determination of the length of the normal work-day.

Kautsky did not tire of repeating that imperialism is purely a question of power, and that the future of imperialism is accordingly decided by the respective power of its opponents and adherents. Imperialism does not, furthermore, characterise the policy of all the capitalist countries. It is only characteristic of the big capitalist states. Imperialism thus is, and in this respect Kautsky is consistent in all his writings, only a specific economic policy of capitalism which – by all means – is influenced by the economic development of capitalism (the centralisation of capital, the domination of finance over industrial capital, the problem of industrial and raw material markets, and the problem of

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\(^{56}\) Kautsky 2011d, p. 813.

\(^{57}\) Kautsky 1916–17a.

\(^{58}\) Kautsky 1916–17a, p. 475.
overproduction and underconsumption). It is not, however, totally determined by these economic tendencies or factors. Both the problem of markets and of the appropriation of extra profits can be solved through means and methods other than imperialism.

The main strategic conclusion drawn by Kautsky from his analysis is that it is both rational and possible to oppose the use of imperialistic methods in capitalism. The only possible alternatives open to capitalism are not simply socialism or war (or socialism or barbarism); there is also another alternative open for further development, an alternative that would be democratic by its nature and more effective in promoting the development of productive forces.

There is an interesting shift in emphasis in Kautsky’s thinking on modern capitalism revealed in comparing the Erfurt Programme and the writings on imperialism in the beginning of the century with the studies written during the war. In the earlier writings, the formation of cartels is connected with the problem of the decreasing rate of profit, and the introduction of tariffs and colonial policy is explained by overproduction and the realisation problems of cartels. The general contradiction between industrial and agrarian production was further emphasised by Kautsky as an explanation of imperialism. These explanations were preserved intact in the later writings too, but now the political power of finance capital was understood to be the basic factor promoting imperialism. In Kautsky’s later writings, colonial policy and imperialism were explained as being adopted mainly because they are in the central interests of the cartels, or rather finance capital. However, both explanations are easy to combine. In the earlier discussion, the explanation of the source of extra profit was essentially a political one as well; cartels are able to appropriate high profits due to the economic policy of the bourgeois state including annexation of colonies and high import tariffs. The state is a political instrument in the hands of big cartels and finance capital.

Kautsky always thought and wanted to emphasise that imperialism is only one of the several possible alternatives or methods of the economic policy of the state – a method guaranteeing the profits of centralised capital or high finance. In Kautsky’s analysis, imperialism then is more of an exception in the development of capitalism caused by a rather specific and historically exceptional constellation of political and economic forces in the developed capitalist countries during the last decades of the nineteenth century. It is by no means the necessary outcome of the economic development of capitalism in Europe.