

Excerpt from *Introduction to International Political Economy* by David N. Balaam and Michael Veseth, 2nd ed., 2001, pp. 76-78.

Vladimir Ilich Lenin (1870-1924) is best known for his role in the Russian Revolution of 1917 and the founding of the Soviet Union. Lenin symbolized for many people the principles and ideas of the 1917 Revolution. In fact, in many ways, Lenin turned Marx on his head by placing politics over economics when he argued that Russia had gone through its capitalist stage of history and was ready for a second, socialist revolution.

Here we focus on Lenin's ideas about imperialism more than on his revolutionary strategies. Lenin developed a perspective on IPE that took Marx's class struggle, based on the mode of production, and used it to explain capitalism's international effects as transmitted through the production and finance structures of rich industrial countries to the poorer developing regions of the world. Lenin's famous summary of his views is *Imperialism: The Highest Stage of Capitalism* (1917).

Marx said that capitalism, driven by its three laws, would come to revolutionary crisis and suffer internal class revolt, paving the way for the transition to socialism. Lenin observed that capitalist nations had avoided this crisis by expanding the pool of workers they exploited. Capitalism, he argued, "had escaped its three laws of motion through overseas imperialism. The acquisition of colonies had enabled the capitalist economies to dispose of their unconsumed goods, to acquire cheap resources, and to vent their surplus capital."

In short, Lenin added to Marx what Robert Gilpin has called a "fourth law" of capitalism, which we might call the law of capitalist imperialism: "As capitalist economies mature, as capital accumulates, and as profit rates fall, the capitalist economies are compelled to seize colonies and create dependencies to serve as markets, investment outlets, and sources of food and raw materials. In competition with one another, they divide up the colonial world in accordance with their relative strengths."

To Lenin, imperialism is another portion of the capitalist epoch of history that the world must endure on the road to communism. According to Lenin, "Monopoly is the transition from capitalism to a higher system."

The critical element fueling imperialism, according to Lenin, was the decline of national economic competition and the growth of monopolies. Based on Marx's law of concentration, what emerged was an aggregation of market power into the hands of a few "cartels, syndicates and trusts, and merging with them, the capital of a dozen or so banks manipulating thousands of millions." Lenin went on to argue that.

"Monopoly is exactly the opposite of free competition; but we have seen the latter being transformed into monopoly before our very eyes, creating large-scale industry and eliminating small industry, replacing large-scale industry by still larger-scale industry, finally leading to such a concentration of production and capital that monopoly has been and is the result."

The key for Lenin was that because monopolies concentrated capital, they could not find sufficient investment opportunities in industrial regions of the world. They therefore found it necessary to export capital around the globe to earn sufficient profits.

Lenin argued that imperialist expansion allowed capitalism to postpone its inevitable crisis and metamorphose into socialism. It also created new, serious problems for the world. Lenin viewed World War I as an imperialist war, caused by tensions that arose from the simultaneous expansion of several European empires. As nations at the core of capitalism competed to expand their exploitative sphere, their interests intersected and conflicted with one another, producing the Great War.

Lenin's role in the Revolution of 1917 was to help defeat liberal political forces that sought to keep Russia within the European capitalist system. Under Lenin's leadership, Russia essentially withdrew from Europe and its imperialist conflicts, and resolved to move quickly and on its own toward a communist system free of class conflict and imperialist wars.

Lenin's imperialist theory of capitalism has been very influential, so it is worthwhile considering briefly a few other aspects of his analysis. Lenin sought to explain how it was that capitalism shifted from internal to international exploitation, and how the inequality among classes had as its parallel the law of uneven development among nations.

For Lenin, profit-seeking capitalists could not be expected to use surplus capital to improve the living standards of the proletariat. Therefore, capitalist societies would remain unevenly developed ones, with some classes prospering as others were mired in poverty. The imperial phase of capitalism simply transferred this duality of wealth and poverty onto the world stage, as capitalists, seeking to maintain and even increase their profits, exported to what contemporaries of Lenin called "backward" regions of the world. These poor peripheral countries were now integrated into the world economy as the new "proletariat" of the world.

According to Lenin, "Monopolist capitalist combines—cartels, syndicates, trusts—divide among themselves, first of all, the whole internal market of a country, and impose their control, more or less completely, upon the industry of that country. But under capitalism the home market is inevitably bound up with the foreign market. Capitalism long ago created a world market."

The uneven development of society within a nation now took place on an international scale.

Lenin saw imperial capitalism spreading through two structures of the IPE: production and finance. Both of these structures were so constituted, under capitalism, as to create dependency and facilitate exploitation. Cutthroat competition among poorer nations made them easy targets for monopolies in the production structure in the capitalist core. The same forces were at work within the finance structure, where the superabundance of finance capital, controlled by monopolistic banks, was used to exploit less developed countries.

The bottom line of imperialism, for Lenin, was that the rich capitalist nations were able to delay their final crisis by keeping the poorer nations underdeveloped and deep in debt, and dependent on them for manufactured goods, jobs, and financial resources. It is not surprising, then, that Lenin's theory of imperialism has been very influential, especially among intellectuals in the less developed countries, where his views have shaped policy and attitudes toward international trade and finance generally.

We include Lenin's imperialism under the general heading of "structuralism," as we did with Marx's theories, because its analysis is based on the assumption that it is in capitalism's nature for the finance and production structures among nations to be biased in favor of the owners of capital. While, in theory, the relationship between capital-abundant nations and

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capital-scarce nations should be one of interdependence, since each needs the other for maximum growth, in practice the result is dependence, exploitation, and uneven development. The same forces that drive the bourgeoisie to exploit the proletariat ultimately drive the capitalist core nations to dominate and exploit less developed countries.