

THEORISING MILITARY PRODUCTION

CHAPTER SEVEN, Section A

LENIN'S THEORY OF IMPERIALISM AND THE PRODUCTION AND EXPORT OF ARMS

1. Introduction

In this instalment I will describe and analyse the significance of arms' production and exports during the quarter century before the First World War. Marxist theoreticians, most prominently V.I. Lenin, have for long agreed among themselves that this period heralded a new era in the history of world capitalism, i.e. the era of '*modern imperialism*' (1). The period was characterised both by the extension of colonial rule towards regions/areas which had not yet become spheres of influence of the colonial powers, - and by the transition from the *laissez-faire*, competitive capitalism of the 19th century, to a system of monopoly rule by industrial conglomerates working in league with giant banks. In view of the latter, the era has also been depicted as the era when the domination of '*finance capital*' took its shape.

While agreeing with the importance of the given characterisations, I wish to below put the spotlights on the relation between imperialism and militarism, i.e. on the specific role which arms' production and arms' exports played in European capitalist economies in the transitional era from 1890 to 1914. In my view, in the very same era when the new system of monopoly capitalism took its shape, military production, also started playing a determining role, and became a leverage in the social accumulation of capital. This occurred both in the then hegemonic power, Great Britain and elsewhere. Further, the key instrument for providing arms' production its privileged position in the accumulation process was formed by the *naval construction* programmes which the European colonial powers, foremost Great Britain, undertook during the 'transitional' decades. Hence, the need to look at the naval construction programmes in particular.

Below I will discuss the role of military production and arms' exports mainly with reference to Lenin's theory of imperialism. Lenin's theory, it may be recalled, itself was quite representative in this sense that Lenin summarized data and summed up views formulated by a wide range of (Marxist and non-Marxist) authors (2).

2. From the Railroad Construction to the Naval Construction Era

Let's, first, briefly state the (initial) shift in the production orientation of major industrial companies during the transitional period. As has been described previously (3), throughout much of the 19th century, rail road construction programmes formed a 'motor' of the accumulation process in Great Britain and in the world economy. While it would require a closer review of railroad construction programmes (than is possible here) to assess when their overall effect on accumulation petered out, two things appear to be clear from Lenin's analysis and from other sources at hand: by the turn of the century the quantitative extension of railroads in colonial areas was proceeding on a larger scale and

at a faster rate than the extensions in Europe and the United States. Further, by then the railway construction programmes in Great Britain had clearly passed their peak point (4).

Secondly, there is convincing evidence to show that steel companies which had profited enormously from the orders deriving from railroad construction programmes, by the later part of the 19th century were partly re-orienting their policies. After the invention of a new method to harden steel, i.e. armoured plate, steel companies increasingly obtained orders from state agencies in connection with the production of weapons. This was the case, for instance, with companies based in the United States (foremost Carnegie), in Germany (Krupp) and in Great Britain (notably Vickers) (5). The example of Vickers is a telling one: from a middle-sized steel companies, it was over a period of barely fifteen years gradually transformed into a company that depended mainly on orders for construction of integrated weapons' systems (primarily warships), provided by the British state and by foreign powers from all over the world (6).

The significance of this shift in orientation may be expressed as follows in terms of Marx's diagram of social reproduction. The manufacturing of steel for the construction of railroads represent(ed) a supply of commodities by (steel) companies belonging to Department I towards (railroad construction) companies, also belonging to I. The manufacturing and sale of armoured steel, for instance for warships, instead signifies(d) the supply of raw material towards a company located in Department III, or towards a section of the same company manufacturing weapons, hence belonging to III and selling its commodity C' to the capitalist state. The latter became the favoured practice of the mentioned British steel firm, Vickers, but also of steel firms competing internationally such as Krupp as well.

The historical turning point in redirecting the attention of steel companies towards arms' production/the state appears to have been the British *Naval Defence Act* of 1889. Reportedly designed to restore to the Royal Navy superiority (5:3) over other sea powers, the Defence Act scheduled 10 battleships and 60 smaller vessels for completion within less than five years. According to Trebilcock, the Act laid out an amount of 16 million British Pounds for warships, plus 5 1/2 million Pounds for additional armaments (ordnance, et al). Given the size of the orders, the Ministries concerned could not rely on the capacity of the companies they had relied on in the past, but were driven into the hands of the country's 'more reputable steel works', mainly Cammell, Firth and Vickers. The Act, moreover, 'triggered off an immense bout of warlike expenditure' on the part of the continental powers (7).

3. The Manufacturing of Arms and the Concentration of Capital

The production shift of steel companies towards arms in consequences of large government orders for warships, further, can be shown to have largely coincided with an enormous concentration of capital within the military sector itself. In his theory of imperialism Lenin, as already indicated, prominently focused the impacts of the concentration of capital. In his popular *expose*, he first and foremost analysed the increasingly monopolistic power of a limited number of companies, and the effects of the formation of trusts and *kartels*, via agreements regarding market prices and market

spheres of influence, upon economic life. Moreover, he clearly considered the last decade of the 19th and the first decade of the 20th century as the decisive period in the history of the formation of monopoly capitalism (8). Henceforth *laissez-faire*, competitive capitalism was not to return.

Unfortunately, Lenin did not dwell specifically on the role which state-orders for weaponry played in the formation of monopolies. There is, however, enough evidence to show that states, through their armaments programmes in general, and through their naval construction programmes in particular, did actively stimulate the formation of monopolies and production combines. This is, for instance, stated explicitly by the British author Trebilcock, who has analysed the evolution of the British armaments' industry during the period under review, in his book on the Vickers company. One factor he mentions is that of the size of Britain's arms' purchases: the Directorate of Army Contracts, the premier military procurement agency, alone disposed of 8 millions of British Pounds annually. Another factor he refers to is that of *standardisation*: the state required weapon supplies which were both large in number and standardized in type, hence could best be contracted to a single or to few enterprises (9).

Thus, the process of capital concentration in the military sector, at least in Britain, was actively stimulated by the procurement policies of the state. In Trebilcock's words, the state had a 'long-run preference' for arranging its defence supplies 'from a small and trusted group' of companies (10). Not only did a small number of armaments' producers dominate the sector, the thresh-hold for entering the trade itself was reportedly high. In consequence, arms' companies ranked prominently on the list of Britain's largest industrial enterprises. According the British historian Payne, 'few other companies in the heavy industries could rival the great armament firms in size' (11). Thus, although it is probably incorrect to suggest that the tendency towards formation of monopolies was primarily stimulated by the state, it is nevertheless clear that a comprehensive analysis of the transition from *laissez-faire* to monopoly capitalism does necessarily have to take account of the role performed by states, foremost the British state, through their procurement of weaponry.

In the chapter on capital concentration of his treatise on imperialism, Lenin described the '*combine*' as that form of monopoly, where a company either controls and combines different stages of production under one roof, or brings different commodities that are complementary in kind, under the sway of its own capital. A powerful instance of a combine in the last mentioned sense is the already mentioned Vickers company. Previously a middle-sized steel firm, it had entered the armaments' trade *via* production of armoured plate. But then, encouraged by the success its reaped through fulfilment of government weapons' orders, it in the decade from 1900 to 1910 diversified into a whole range of (complementary) armaments, - amongst others through the take-over of an artillery producer (Maxim-Nordenfeld) and of a shipyard (the Barrow yard). By the end of the Boer War (1902), i.e. within a record amount of time, Vickers had already emerged as 'one of the most comprehensive industrial armouries in the world market...'? (12)

4. International Alliances of Arms' Producers and the Blind Drive to Accumulate

Lenin devoted a separate chapter of his essay on imperialism to the formation of international alliances, of *kartels* and trusts. They existed and functioned quite openly in the decades preceding World War I, and in a variety of sectors - in the electrotechnical industry, in sectors supplying raw materials (oil, steel and zinc 70 percent of which was destined for production of arms), in transport (shipping), etc. The alliances were usually based on agreements through which companies limited mutual competition and divided spheres of economic influence amongst themselves. For Lenin, the formation of the international alliances of capitalists was one more aspect of the pronounced tendency towards monopoly of capitalism in its new historic phase. In his eyes they were part and parcel of the drive to expand the system of imperialist rule, of political domination over oppressed nations, worldwide. They ran parallel to, and had to be understood in conjunction with the fierce struggles of the colonial powers to divide and re-divide political spheres of influence (13).

Unfortunately, in his chapter on international alliances, Lenin hardly referred to the alliances of armament producers, which alliances were in fact a very prominent feature of the pre-world war international scene. One such alliance, perhaps the most remarkable one, was that regarding armour plating. It was named after an American, Harvey, who had invented a new type of armour plate that was patented throughout the world. The *Harvey Syndicate*, formed in 1894, comprised all the 10 most important manufacturers of armour plating, across the borders of key capitalist powers, Great Britain, France, Germany and the United States. It included Vickers, Acieres de la Marine, Krupp and Carnegie. The *Syndicate* reportedly functioned as a patent pool, but also served to regulate the level of prices of armour plating, and to divide international orders amongst the participating companies (14). Clearly, for the manufacturers of armour plating, the drive to expand their business interests worldwide held precedence over the competing interests of the governments of their individual, imperialist countries, in the 17 year period the syndicate existed (i.e. up to 1911).

Another, perhaps better known, example of an international alliance of military producers, was the international *Gunpowder Trust*. Lenin mentioned it in passing in his book on imperialism (15). It too had its origins in a new invention with wide repercussions, i.e. the invention of dynamite by the Swede Alfred Nobel. The *Gunpowder Trust* brought together the interests of several smaller alliances. There reportedly was the Nobel Dynamite Trust, based in London, with subsidiaries in England, Germany and Japan; the Rhein-Siegener Gruppe and the Deutsche Waffen- und Munitionsfabriken, two German alliances which both entertained numerous business relations in other countries; as well as two French and a French-Russian company producing gunpowder (16). Once again it is striking that companies and alliances belonging to imperialist powers which were to direct their guns at each other during World War I, in the prewar period cooperated fraternally to expand the international market for explosives. Germany and France, after all, ended up opposing each other in trench warfare, a mass slaughter in which millions of soldiers perished.

These and other international alliances of armament producers in the quarter century leading up to World War I perhaps best illustrate the crucial role which armament production started occupying in the world economic system in the quarter century from

1890 to 1914. While with hindsight one might argue that the decisions, of weapons' producers belonging to competing imperialist powers, to cooperate internationally, can simply be explained by the shortsightedness of these profit-seekers, - the alliances formed nevertheless the reflection of a profound tendency in the world economy. They testify to the fact that the period of transition from *laissez-faire* to monopoly capitalism was simultaneously a period in which the military sector emerged as a key-sector in the world system, as a sector which henceforth was to play a determining role in the process of accumulation on a world scale. The alliances were a murderously sarcastic reflection of the manner in which the social accumulation of capital in Great Britain and other imperialist countries was henceforth to be organized.

5. The Export of Military Capital and the Export of Armaments

In his theory of imperialism, Lenin, as is well known, greatly emphasized the phenomenon of capital exports. He cited figures derived from the non-Marxist British author Hobson and other sources to show that capital exports from the three main European colonial powers, England, France and Germany, had made a *quantitative leap* in the fifteen years preceding World War One: according to him, the combined amount of their foreign investments had reached the figure of 175 to 200 Billion French *Francs*. Though Lenin did not present figures comparing trade and investments, - from the data on capital exports and their distribution over the continents of the world he inferred that in the new era of capitalism the export of *capital* had started superseding the export of *commodities* in importance. Whereas commodity exports had been most characteristic for the period of *laissez faire* capitalism, the export of superfluous capital now had become a principal means of expansion into, and exploitation of, colonized regions of the world (17).

Lenin did not include any data on foreign investments of European armaments' manufacturers in his chapter on capital exports. While I do not have comprehensive data at hand either, evidence does exist illustrating that - like major companies in other industrial sectors - armament producers too sought to enhance their profits through establishment of foreign subsidiaries and participation in the ownership of armament factories abroad. A prime example is once again Vickers. From the moment it had become an armaments' combine in Great Britain, i.e. a monopoly company in Department III, in 1897, it started investing abroad. By 1914 it had no less than 14 overseas holdings, i.e. in Spain, Austria-Hungary, France, Italy, Japan, Canada, Russia, and Turkey. The size of share capital varied (from 20 to 100 percent), as did the type of armaments produced (ordnance, torpedoes, warships, etc.). Yet by now the Vickers organisation unmistakably constituted an empire (18).

Nevertheless, it would be wrong to belittle the significance of armament exports in the founding period of monopoly capitalism. Lenin himself in a sense admitted so, when in his chapter on capital exports, he mentioned how European states, foremost France, demanded from states approaching them with the purpose of contracting international loans, that these borrowers agree to purchase armaments from their (the lenders') monopoly companies. Lenin referred to Krupp in Germany, Schneider in France and Armstrong (Britain's second largest manufacturer of warships) as companies which

'cannot be bypassed' when international loans are contracted (19). Hence, it would be relevant to re-assess, with reference to the military sector, the validity of Lenin's theory of imperialism vis-a-vis the validity of Samir Amin's theory (to be discussed in the instalment below) which stresses the primacy of international trade as the main mechanism of exploitation of peripheral countries throughout the 20th century.

The example of Great Britain's arms' exports in the first quarter century of monopoly capitalism, no doubt illustrates that for the hegemonic power within the world system, and for its principal arms' producers, armament exports were a favoured additional 'province' of accumulation. British companies frequently outmanoeuvred their foreign competitors, capturing large orders for the production of warships. Between 1900 and 1914 they reportedly acquired the orders for nineteen out of twenty nine warships, purchased by seven peripheral states. According to Trebilcock these companies' value share in a package of ships and ordnance worth 40 million British pounds, was 63 percent. In the area of construction of warship, they clearly held market supremacy (see chart). The percentage *share of armaments* in the overall figures for British exports to peripheral countries, at times was *30 to 40 percent* or more (20)! In short, in the efforts made by the hegemonic power to prolong its economic dominance within the world system, armament exports played a significant autonomous role, along with the export of 'superfluous' capital.

(August 8, 1999)

References:

(1) V.I.Lenin, *Het Imperialisme als Hoogste Stadium van het Kapitalisme* (Uitgeverij Pegasus, Amsterdam, The Netherlands, 1973); Rudolf Hilfering, *Finance Capital - A Study of the Latest Phase of Capitalist Development* (Routledge & Kegan Paul, London, United Kingdom, 1985); Nikolai Bukharin, *Imperialism and World Economy* (Monthly Review Press, New York and London, 1929);

(2) some of the notable sources of Lenin's were: J.A. Hobson, *Imperialism* (London, Great Britain, 1902); Rudolf Hilferding, op.cit. - Hilferding's work appeared in Russian in 1912; and Hermann Levy, *Monopole, Kartelle und Trusts in Ihren Beziehungen zur Organisation der Kapitalistischen Industrie* (Verlag von Gustaf Fischer, Jena, Germany, 1909);

(3) see instalment VIII, p. above;

(4) Lenin (1973), op.cit., p.119; compare for instance Ernest Mandel, *Marxist Economic Theory* (Merlin Press, London, United Kingdom, 1974, p.360n);

(5) for details on the histories of Krupp and Carnegie, see Anthony Sampson, *De Wapenindustrie. Een Onthullende Blik acher de Schermen van de Internationale Wapenindustrie* (Elsevier, Amsterdam, The Netherlands, 1977), p.45/46 and p.69/70;

(6) D.J.Scott, *Vickers. A History* (Weidenfeld and Nicolson, London, Great Britain, 1962); and Clive Trebilcock, *The Vickers Brothers. Armaments and Enterprise. 1854-1916* (Europa Publications Limited, London, United Kingdom, 1977);

(7) Trebilcock (1977, op.cit., p.55) mentions in this connection the further market expanding effects of the (new) five-years' programme of naval construction of Britain for the period 1894-1895, and the 'similar upward thrusts to demand' delivered by the German Navy Acts of 1898 and 1900;

(8) see V.I.Lenin (1973), op.cit., p.28-29;

(9) Clive Trebilcock (1977), op.cit., p.6;

(10) *ibid*, p.15;

(11) P.L.Payne, 'The Emergence of the Largescale Company in Great Britain'(..); see also Clive Trebilcock (1977), op.cit., p.9;

(12) Clive Trebilcock (1977), op.cit., p.40; according to D.J.Scott (1962), op.cit., Vickers from its entrance into the armament business in the 1880s, by 1897 emerged as the only British company 'able to manufacture a battleship complete with armour, engineers and guns';

(13) Lenin (1973), op.cit., p.84-93;

(14) D.J.Scott (1962), op.cit., p.86; Anthony Sampson (1977), op.cit., p.67; also Otto Lehmann-Russbült, *De Bloedige Internationale der Bewapeningsindustrie* (Erven J.Bijleveld, Utrecht, the Netherlands, undated), p.11;

(15) Lenin (1973), op.cit., p.92;

(16) Otto Lehmann-Russbült (undated), op.cit., p.11;

(17) Lenin (1973), op.cit., p.77-83;

(18) for details on Vickers' foreign subsidiaries, see D.J.Scott (1962), op.cit., p.84-85; for an overview of all overseas investments of the company in 1914, see Clive Trebilcock (1977), op.cit., p.155;

(19) Lenin (1973), op.cit., p.81;

(20) data quoted from Clive Trebilcock (1977), op.cit., p.122-124.