The Centralisation of Capital and Monopoly Formation

In analysing Kautsky’s theoretical conceptions about the centralisation of capital and the formation of monopolistic associations and restrictions of competition, it should be remembered that Kautsky never developed any very systematic theoretical ideas about monopoly capital – or about imperialism.¹ His formulations are scattered as smaller or larger remarks throughout most of his work, and they are, furthermore, usually connected with rather practical political questions and disputes (the policies of the Social Democrats against the war and restrictive tariffs). Care should be taken in analysing Kautsky’s position out of context. There are, however, certain basic ideas and problems that recur throughout his writings. The differences of emphasis caused by the different contexts of discussion should also be kept in mind.

One of the earliest analyses of the formation of monopolies and their effects can be found in The Class Struggle [Das Erfurter Programm]. The new restrictions on competition which became visible and important during the last quarter of the nineteenth century were a result of the centralisation of capital and the decreasing rate of profit. The rate of profit had a tendency to decrease in the long run because the organic composition of capital grew; the share of variable capital became smaller in comparison with the share of constant capital. Following Marx’s presentation of the problem, Kautsky argued that the long-term tendency of the rate of profit – and the rate of interest – to decrease could take place simultaneously with an increase in the rate of exploitation. Kautsky remarked that the rate of profit is, furthermore, negatively affected by increasing state expenditure and land rent subtracted from the surplus value produced by industrial capital. The new restrictions of competition at the market are an attempt to compensate the decreasing rate of profit. The monopolistic associations – or the various forms of their existence (cartels, trusts, syndicates, and so on) – are able to price their commodities above their real value by restricting competition and the supply of products. Hence, they are able to get higher gain in the form of extra profit. The formation of big nationwide cartels is the most recent and visible form of this development.²

¹ See Kraus 1978, pp. 57–8.
² Kautsky 1910b, pp. 63–4.
The restrictions of competition and the formation of cartels are made possible by the centralisation of capital. There are fewer and fewer independent firms operating on a certain market. The centralisation of capital has reduced the number of firms on many an important market to a handful of big enterprises co-operating with each other: When cartels are formed, the several concerns that have combined actually form just one concern, quite often under the guidance of a single head.\(^3\) Such cartels can already be found in certain important fields of production, especially in the production of raw materials (steel and coal cartels).

In his article *Imperialist War [Der imperialistische Krieg]*, Kautsky stated that the motive force behind capitalist production is always the appropriation of extra or maximum profit. Every single capitalist tries to make more profit than his competitors. In general, the extra profit is based on the fact that the firm has a more advantageous position either on the market or in the production process:

Capital was never satisfied with average profits, every capitalist always strove for extra profits. These can be achieved either through a particularly advantageous position on the market, through buying and selling, or through a particularly advantageous position in the production process.\(^4\)

The advantages in the production process are due to more advanced means of production and higher productivity of labour, which make it possible to increase exploitation. As soon as the new methods of production became generalised, there is no extra profit to be appropriated. Such is, however, the case only during free competition. As soon as monopolies or cartels have been introduced and free competition gives way to restrictions of competition the situation changes. Cartellisation and monopoly formation is promoted by the economic policy of the state functioning in the interests of big capital:

The situation changes, however, as soon as monopoly replaces competition. And the time for this comes in the process of capitalist development. Not only does this process centralise capital amongst fewer and fewer hands; employers’ associations, joint-stock companies and banks also bring about the centralisation of the management and control of cap-

\(^3\) Kautsky 1910b, p. 65 (translation modified BL).

\(^4\) Kautsky 1916–17a, p. 475.