Originally, theories of imperialism sought to explain the absence of a profound economic crisis in the capitalist nations of Western Europe. They attempted to account for the continued growth of capitalism by focusing on the way in which the acquisition of colonies had enabled European powers to export capital and thereby postpone crises at home. Thus, the interest of these theorists of imperialism lay in the causes of imperialism in the metropolitan nations, rather than in its effects on the economic growth of the rest of the world.

Two of the earliest theories of imperialism are those of Hobson and Lenin. There are so many similarities that the two theories have sometimes been treated as identical, as the 'Hobson–Lenin thesis'.

Hobson argued that there was insufficient effective demand in the metropolis, owing to low wages, and that consequently, capitalists needed to find markets for their commodities overseas. He believed that income redistribution would remedy this problem of underconsumption (Kemp, 1967). Lenin’s argument was rather different. He argued that the declining rate of profit in the metropolis meant that, with the opening up of the colonies, there were more profitable investment opportunities abroad. Lenin claimed that imperialism was characterised by a net outflow of capital to the colonies (Lenin, 1966).

The implication of both Hobson’s and Lenin’s theories, as well as the earlier comments by Marx (Avineri, 1969), was that, whether the mechanism was a push from the metropolis or a pull from the periphery, there would, in the long run, be capital accumulation
in the periphery and an eventual equalisation of rates of profit between metropolis and periphery. The failure of this equalisation to occur produced substantial modifications of the Leninist theory of imperialism, which I will examine shortly.

One important feature of Lenin's treatment of imperialism must be singled out. Lenin did not conceive of imperialism as a relationship between two states or between two economies. Rather, he saw it as a stage in the development of capitalism. Imperialism, then, was the label attached to a stage in the development of capitalism characterised by five features: (1) the dominance of monopolies; (2) the dominance of finance capital; (3) the export of capital (rather than the export of commodities); (4) the formation of international monopolies; (5) the partition of the world between the various imperialist powers. These five features may be summarised as monopolisation plus colonies. Implicit in this definition of imperialism as a phase of capitalism is an assertion of a necessary connection between colonies and monopoly capital. The definition and the theory are one and the same. If one is rejected, the other must be, too.

Lenin claimed that imperialism was the highest stage of capitalism. That proposition can no longer be sustained. The post-war epoch has witnessed a process of decolonisation without the collapse of monopoly capital. If Lenin's description was accurate for the early twentieth century (and there may be serious doubts about that) it certainly does not apply now. We live in a different phase of capitalist development today. Whether we label this stage as 'late capitalism' (Mandel, 1975) or as the 'permanent arms economy' (Kidron, 1968), or something else, the basic point remains the same: there have been profound structural changes in capitalism since Lenin's time which suggest that his description of imperialism is not likely to prove particularly useful today. This is not merely a semantic point. If imperialism is defined as an inherent component of a stage of capitalist development, then the transcendence of that stage must call in question previously accepted notions of imperialism.

However, even as a description of the operation of the world economy at the turn of the century, Lenin's analysis is questionable. In the first place, the timing of the scramble for colonies and the development of the monopoly sector does not generally support Lenin's thesis. Clearly, other factors were also at work in the