

then no such thing as the "decline" of capitalism, unless forces arise which make it decline by struggling against it to the finish. The conditions which create those oppositional forces show a decline only in so far as those forces will really struggle against capitalism. Otherwise one may speak of many things, such as mass starvation, unemployment, misery, war, but not of the decline of capitalism. As long as capitalist expansion means the growth of its contradictions, the end of expansion alone cannot be called the decline of capitalism. One may as well celebrate the end of expansion as the beginning of capitalism's eternal life — as is actually done by some of the modern advocates of free-trade.

Nor, like Dennis, can one get around the question by saying that "in growth there is no contradiction; it is only impossible to keep on growing", which, as regards social phenomena, means to "deny" a statement by repeating it. Chinese society, for instance, did not decline despite the absence of expansion and the existence of conditions of misery and want. This situation, transferred to the capitalist scene, would induce people to speak of the decline of capitalism. The decline of feudalistic China now in progress, as well as her previous "expansion" by way of emigration, cannot be brought "in line" with capitalistic expansion and capitalistic decline. The difference between the decline of feudalism and that of capitalism cannot be adequately expressed by stating the obvious: that one society was more static than the other both in its ascendancy and in its decline. Why was the one more static and the other more "dynamic"? Such an inquiry cannot be satisfied with the statement that "modern inventions and technology make rapid social change a necessity". Why did this technology not arise in China and force a rapid change upon her? These questions can be answered, but not by naming the facts which gave rise to the questions, not by an empty generalization such as "the iron law of change and decay", but only by a thorough investigation of the concrete differences between various societal forms — an undertaking which reveals at once that it is not possible to speak of forms and reasons of decline that hold good for all societies.

The "decline" of capitalism makes sense only if it finds expression in the action of the masses. It is neither stagnation nor the increase of misery which gives validity to revolutionary expectations, but the fact that together with those conditions there arise an industrial proletariat, the wide-spread division of labor, the dominance of commodity production, large scale industry and a capitalized agriculture, the urbanization and break-down of the gap between city and village, the internationalization of economy, the mechanization of warfare, the industrial character of the armies, etc. The specific capitalistic character of society gives a specific meaning to its rise and decline. The reasons for revolutionary change, as well as the forces bringing it about, are particular ones and make sense only in so far as they are particular. Finally, that they must also be regarded as parts of the general development of mankind is as true as it is unimportant. With or without variations in the tempo of development, the "decline" of socialism will certainly not be a repetition of that of capitalism any more than the decline

of capitalism was a repetition of that of feudalism. The changes in socialist society will have their specific reasons and their particular forms, quite unlike the reasons and the kinds of change in previous societies. What they will actually be like the Marxists leave to the future to decide, not because they lack curiosity, but because they do not try to know the as yet unknowable.

It is interesting, however, that the same Dennis who overflows with terms like change, dynamism, permanent revolution, etc., has such a static outlook with regard to change and revolution that all past and future social changes are to him only copies of those experienced in the bourgeois revolution and within the capitalistic development, that the "dynamism" that changes capitalist society is to him the unchangeable dynamism of the past and the conceivable future. For him the necessary partition of the social product for different social purposes and needs remains for all time to come, and was determined throughout history by the specific production and distribution requirements of capitalist society — and this to such an extent that he even uses specific capitalistic terms such as "capital investment" when he speaks of the increase of production in socialism. He mistakes capitalistic formulas, such as profit incentives and profit motives, for necessary and unalterable requirements of the division of labor, although they are nothing but false "psychological" explanations for the curious character the division of labor, surplus value, of workers and management assume under capitalistic relations. All that is specifically capitalistic is eternalized by Dennis, who, despite the professed "dynamic" outlook, restricts himself everywhere to the static and sterile demand of maintaining the present by making the capitalistic more capitalistic.

But what, besides being the most unfortunate term one could select in speaking of social development, is this "dynamism" anyway? For Dennis it is, as far as private-property capitalism is concerned, the "frontier, rapid industrialization, and population growth". As far as all previous development is concerned "religion and war" provided the "dynamism". War also provides "the dynamism for the inauguration of socialism", which will then derive its further dynamic from the continued industrial revolution. All this is finally "generated by frustration and hate", which moves people to "demand new leaders — a new elite — to give them greater stability and security of income". It is, however, difficult to see why frustration and hate must work in the interest of a new elite, why only a new elite can turn the war into the medium for further industrialization, and just why this new elite cannot afford to be "capricious, irresponsible, incompetent or inconsiderate of the demands of public welfare". Frustration and hate may just as well serve the class in power, war may be waged and the "demands of public welfare" somehow fulfilled by it, especially when, as Dennis wants us to believe, the "problem of the world crisis today is one of finding sufficient dynamism, not of finding enough food" — that is, one of finding more frustration and hate, engaging more frequently in war, and creating greater demands for the changing of elites.

All this would be quite ridiculous if Dennis were really out to explain social development. But his peculiar theory of social change is no more than a description of the present political situation from the viewpoint of a conscious fascist, for whom all and everything leads to and ends in the replacement of one set of leaders by another.

To continue from this point would only lead us back to a repetition of our original critique of Dennis's work. A re-statement, however, in view of the utter sterility of his reply, might easily be somewhat less appreciative of his positive attempts to find a new social theory. P. M.

## THE WORKERS' FIGHT AGAINST FASCISM

"Democracy" — a self-styled name for the traditional set-up of present-day capitalist society — is fighting a losing battle against the attacking forces of Fascism (Nazism, Falangism, Iron Guardism, and so forth). The workers stand by. They seem to say again what their predecessors, the revolutionary workers of Paris in 1849, said in regard to the final struggle between the leaders of a self-defeated liberal democracy and the quasi-fascist chief of a new Napoleonic imperialism, Louis Bonaparte. They said (as interpreted by Marx and Engels) "*C'est une affaire pour Messieurs les bourgeois.*" (This time it's a matter to be settled among the bosses).

The "secret" underlying the verbal battles between "totalitarianism" and "anti-totalitarianism" and the more important diplomatic and military struggle between the Axis and the Anglo-American group of imperialist powers is the historical fact that the worst, and the most intimate foe of democracy today is not Herr Hitler, but "democracy" itself.

Yet this is not a problem of "split personality" nor can it be explained as an "inferiority complex", or a "father complex", or any of the other lofty creations of Freudian psychology. It is not even a conflict between old age and youth, or, as Mrs. Lindbergh puts it, between "the forces of the past and the forces of the future".

The real facts underlying all these high-sounding phrases are to be sought nowhere else but — re-enter Marx — in the material basis of all ideological conflicts, that is, in the economic structure of contemporary society or in the impasse that modern capitalism has reached in the present phase of its historical development.

### Ambiguities of Democracy

We must not, however, jump to conclusions. Before we explain the basic reasons for the ambiguities of "Democracy" in its present "fight" against the fascist challenge, we must deal somewhat more closely with the phenomenon itself. We must show that the assumed split, though it does not exist in any psychological, anthropological or cosmical sense, does yet

exist as a very real split in what, for want of a better term, we shall continue to call the "class consciousness" of the ruling strata of present-day society.

We shall not waste our time with a discussion of the more conspicuous forms in which this condition manifests itself — a world-wide war between two equally capitalistic parts of that one big capitalistic power that rules the world today, and the open division of each of the fighting parties into mutually opposed factions. In spite of the fact that in our truly "Chinese" age every party and every faction endeavors above all to "save face" by hiding its own and borrowing its opponents' slogans and by pretending "not to offer any solution", it is sufficiently clear today that the same divisions that became visible in the collapse of Norway, Holland, Belgium and France exist and develop in various forms both in the actually fighting, and the so-called neutral, "democracies". This alone is sufficient to prove that the present "war" is fundamentally a "civil war", and will be decided in the future, just as it has been up to now, not by the relative military, or even the economic, strength of the fighting countries, but by the help that the attacking force of fascism will get from its allies within the "democratic" countries. The main task of the following paragraphs is to deal with the less conspicuous manner in which this internal strife pervades the "conscience" of every group, of every institution, and, as it were, of every single member of present-day "democratic" society.

The American public today hates and fears the growing threat of fascism. It takes a fervent interest in the various official and non-official forms of the search for "Trojan horses" and "fifth columnists". It girds itself for the defense of the democratic traditions against the attack that is brought nearer our shores by the progress of the Nazi war in Europe, Africa, and Asia. At the same time, an increasing part of this American public is secretly convinced of the several material benefits that could be derived for the so-called "elite" and, to a lesser extent, for the mass of the people as well, from an acceptance of fascist methods in the field of economics, politics, and, maybe, even for the promotion of the so-called "higher" cultural and ideological interests. It is apt to regard the very institutions and ideals for which it is prepared to "fight" as a kind of "faux frais" of production, of conducting the business of an efficient modern administration, and of fighting a modern war. It never seriously considered "democratic" methods as an adequate means of running an important private business, or, for that matter, a business-like trade union. It would prefer, on the whole, to have its cake and eat it too, that is, to apply those amazingly successful new methods to the fullest advantage, and yet at the same time, somehow retain a workable "maximum" of the traditional "democratic" amenities.

It is easy to see that this more or less platonic attachment to the great democratic tradition, in spite of the assumedly greater material advantages of the fascist methods, offers small comfort for the real prospects of democracy in times of a serious and hitherto unconquerable crisis. In fact, an increasing number of the foremost spokesmen, the most vociferous "experts",

and the truest friends of democracy begin to express some grave doubts as to whether their unyielding allegiance to the "underlying values of the democratic American tradition" has not already degenerated into a costly hobby that the nation may, or, in the long run, may not be able to afford. (This sentiment became most evident in the all too-ready response of the greater part of the American "democratic" public to Anne Lindbergh's recent booklet).

There are some definite fields in which even the most fervent opposers of the ruthlessness of the fascist principles admit an undeniable superiority of totalitarian achievements. There is, for example, universal admiration for the splendid work done by the Nazi propaganda. There is widespread belief in the full success of the Nazi attack against the most incurable plagues of modern democratic society. Fascism is supposed to have abolished permanent mass unemployment and, by one bold stroke, to have released the brakes put on free enterprise by wages disputes and labor unrest. There is a tacit agreement that an all-round adoption of fascist methods will be necessary in time of war.

### An Economic Pythia

The most striking testimony to present-day democracy's implicit belief in an overwhelming superiority of fascist methods is to be found in an official document published in June, 1939, by the National Resources Committee, that deals with the basic characteristics of *The Structure of the American Economy*.<sup>1)</sup> We shall make ample use of this Report when we approach the main question of our present investigation. For the moment, however, we shall disregard the momentous discoveries made by Dr. Gardiner C. Means and his staff with regard to the present state of American economy. We shall deal exclusively with the forecast of the chances for a survival of the democratic principle that is revealed in the general statements contained in the Introduction and Conclusion.<sup>2)</sup>

The authors of the Report start from an impressive description of the well-known "failure" of the present economic system to use its gigantic resources effectively:

*"Resources are wasted or used ineffectively as parts of the organization get out of adjustment with each other, or as the organization fails to adjust to new conditions; as individuals fail to find, or are prevented from finding, the most useful field of activity; as material resources are unused, or as their effective use is impeded by human barriers; and as the most effective technology is not used or its use is prevented."*

They attempt to estimate and picture the "magnitude of wastes" that resulted from this failure both during the depression and the preceding non-depression years. According to this estimate the depression loss in national income due to the idleness of men and machines from 1929 to 1937

1.) For sale by the Superintendent of Documents, Washington, D. C.; vii; 396 pp.; \$1.00.  
2.) Cf. pp. 1-5, 171. All quotations in the following paragraphs, if not otherwise marked, are taken from these pages. Emphases by K. K.

was "in the magnitude of 200 billion dollars worth of goods and services". This extra income would have been enough to provide a new \$6,000 house for every family in the country". At this cost "the entire railroad system of the country could have been scrapped and rebuilt five times over". It is equivalent to the cost of rebuilding the whole of the existing "agricultural and industrial plant" of the nation.<sup>3)</sup> Even in the peak pre-depression year, 1929, both production and national income could have been increased 19% by merely putting to work the men and machines that were idle in that year, even without the introduction of improved techniques of production.<sup>4)</sup>

The authors then go on to deal with the "impact" of this waste upon the community as reflected in the development of a "sense of social frustration" and in "justified social unrest and unavoidable friction". They begin, however to show a wavering in their democratic convictions when they proceed, in the following paragraph, to discuss the "tremendous opportunity" and the "great challenge" that this very waste of resources and manpower presents for the American nation today. The "great challenge" for democracy assumes at once the sinister features of an impending tragedy:

*"How long this opportunity will be open to the American democracy involves a serious question. The opportunity for a higher standard of living is so great, the social frustration from the failure to obtain it is so real, that other means will undoubtedly be sought if a democratic solution is not worked out. The time for finding such a solution is not unlimited."*

And they reveal their inmost sentiment as to the probabilities of a "democratic solution" of that tremendous task by the very language in which they finally "state the problem" arising from the results of their investigation:

*"This problem, the basic problem facing economic statesmanship today, can be stated as follows: How can we get effective use of our resources, YET, AT THE SAME TIME preserve the underlying values in our tradition of liberty and democracy? How can we employ our unemployed, how can we use our plant and equipment to the full, how can we take advantage of the modern technology, YET IN ALL THIS make the individual the source of value and individual fulfillment in society the basic objective? How can we obtain effective organization of resources YET AT THE SAME TIME retain the maximum freedom of individual action?"*

This same defeatistic sentiment pervades, as it were, the whole of this otherwise most valuable official document. There is nowhere an unambiguous attempt to claim for the democratic principles any material value or usefulness for restoring the good old days of capitalism or for bringing about an even greater expansion for the productive forces of the American economic community. There is nothing but a sentimental craving for a policy that would not be altogether incompatible with a more or less verbal allegiance to a few remnants of the "democratic" and "liberal" traditions and that might yet work as well as the fascist methods, which they never question. Thus the whole of the proud attempt to conquer a new world of prosperity and of full use of resources and manpower for American democracy boils down to a pronouncement about the result of the impending struggle between democracy and fascism that in its sinister ambiguity rivals the

3.) Cf. pp. 27

4.) Cf. *America's Capacity to Produce*, Brookings Institution, p. 422 Quoted — p. 3

well-known oracle of the priestess of Delphi. "If Croesus sets out to conquer the country beyond the Halys, he will destroy a great empire," said the oracle of ancient Greece. "If the present government of the U.S.A. sets out to conquer the problems of unused resources and mass unemployment, it will destroy an important form of government," echoes the economic oracle of our time.

## A New Fighting Ground

It appears from the preceding observations that the workers are quite right if they think twice before they listen to the generous invitations extended to them from every quarter, including most of their former leaders, to forget for the time being about their own complaints against capital and to join wholeheartedly the fight against the common enemy. The workers cannot participate in "democracy's fight against fascism" for the simple reason that there is no such fight. To fight against fascism means for the workers in the hitherto democratic countries to fight first of all against the democratic branch of fascism within their own countries. To begin their own fight against the new and more oppressive form of capitalism that is concealed in the various forms of pseudo-socialism offered to them today, they have first to free themselves from the idea that it might still be possible for present-day capitalism to "turn the clock back" and to return to traditional pre-fascist capitalism. They must learn to fight fascism *on its own ground* which, as we have said before, is entirely different from the very popular, but in fact self-destructive, advice that the anti-fascists should learn to fight fascism by adopting fascist methods.

To step from the ground on which the workers' class struggle against capitalism was waged in the preceding epoch to the ground on which it must be continued today presupposes full insight into a historical fact that is not less a fact because it has served as a theoretical basis for the claims of fascism. This historical fact that has finally arrived today can be described, as a first approach, either negatively or positively, in any of the following terms: End of the Market, End of Competitive Capitalism, "End of Economic Man"; Triumph of Bureaucracy, of Administrative Rule, of Monopoly Capitalism; Era of Russian Four Year Plans, Italian Wheat Battles, German "Wehrwirtschaft"; Triumph of State Capitalism over Private Property and Individual Enterprise.

The tendency toward this transformation was first envisaged by the early socialists in their criticism of the millennial hopes of the bourgeois apostles of free trade. It was later more and more neglected by the socialist writers in their attempt to adopt their theories to the needs of the progressive fractions of the bourgeoisie. When it was finally revived, around the turn of the present century, it was already destined — as we can see today — to serve not the purposes of the socialist revolution, but rather the aims of the imperceptibly-growing counter-revolution. We shall presently see that today any further denial of the accomplished fact has become impossible

even for hard-boiled defenders of the traditional dreams of bourgeois economy.

## The Corporate Community

For a more detailed description and factual confirmation of this general statement we turn again to the above discussed document which contains, as far as the writer can see, by far the most comprehensive, the most reliable and, at the same time, the most dramatically presented information on the subject. When this government report on *The Structure of the American Economy* first became known to the American public, the chief sensation was created by its careful statistical proof that even the boldest estimates previously made were far below the degree of monopolistic concentration actually reached by American Economy. According to the statistics given and explained in Chapters VII and IX and Appendices 9-13 of the Report — that bring up-to-date the figures published in 1930 by Berle and Means in *The Modern Corporation and Private Property* — the 100 largest manufacturing companies of this country in 1935 employed 20.7% of all the manpower engaged in manufacturing; accounted for 32.4% of the value of products reported by all manufacturing plants; and contributed 24.7% of all the value added in manufacturing activity.

Although there are some cases in which these large corporations comprise almost the whole of a particular industry (steel, petroleum refining, rubber and cigarette manufacturing), manufacturing industries on the average cannot compete with the much higher degree of concentration that has been reached by the railroads and public utilities. Of the total number of the 200 "*largest non-financial corporations*" that are listed in the Report approximately half are railroads and utilities; the railroads included in this list in 1935 operated over 90% of the railroad mileage of the country, while the electric utilities accounted for 80% of the electric power production, for most of the telephone and telegraph services of the U.S.A., and a large part of the rapid transit facilities of New York, Chicago, Philadelphia, Boston, and Baltimore. No less striking are the figures relating to the 50 "*largest financial corporations*" including 30 banks, 17 life-insurance companies, and 3 investment trusts, each with assets of over 200 million dollars. The 30 banks together hold 34.3% of the banking assets of the country outside of the Federal Reserve Banks, while the 17 life-insurance companies account for over 81.5% of the assets of all life-insurance companies. There is an equally high degree of concentration in the field of government activities. The 20 "*largest government units*" together employ 46% of all the manpower employed in government, excluding work-relief programs. The largest of these, the Federal Government, is by far the largest single "corporation" in the country; the post office alone employed in 1935 nearly as many persons as the largest corporate employer.

All these figures, however, do not tell half the story of American business concentration. Much more is shown by a breakdown of the total

number into major industrial categories and by an investigation into the growth of the relative importance of the large corporations from one-third of the assets of all non-financial corporations in 1909 to over 54% in 1933. And the whole picture begins to reveal its true significance when the report endeavors to show the tremendous degree of inter-relationships through which "the managements of most of the larger corporations are brought together in what might be called the *corporate community*." (emphasis by K. K.) This is indeed a picture that might cure the illusions of the most innocent believers in that "spirit of free enterprise" that must be protected by "all means short of war" from the sinister threat of "totalitarianism." There is very little difference between that economic "co-ordination" that is achieved, and sometimes not achieved, by the political decrees of victorious Nazism, Fascism, and Bolshevism, and this new "corporate community" that has been created by a slow but relentless process in this country through the system of "interlocking directorates", through the activities of the major financial institutions, through particular interest groupings, through firms rendering legal, accounting, and similar services to the larger corporations, through "intercorporate stockholdings", and a number of other devices.

After a careful study of the working of all these different devices, the Report reaches its climax by disclosing that no less than 106 of the aforesaid 250 largest industrial and financial corporations and nearly two-thirds of their combined assets are controlled by only "eight more or less clearly defined interest groups". (Even this estimate, as pointed out by the authors themselves, falls far short of reality: "No attempt is made to include the assets of smaller corporations falling within the same sphere of influence, though many such could be named." Other and more important shortcomings will be discussed below.) To give an idea of the significance of this fact, we must restrict ourselves to a few data concerning each of those eight mammoth groups.

1) *Morgan-First National* — Includes 13 industrial corporations, 12 utilities, 11 major railroads or railroad systems (controlling 26% of the railroad mileage of the country), and 5 banks. Total assets:

	(Millions of dollars)
Industrials	3,920
Utilities	12,191
Rails	9,678
Banks	4,421
<b>Total</b>	<b>30,210</b>

2) *Rockefeller* — Controls six oil companies (successors to the dissolved Standard Oil Co.) representing 4,262 million dollars, or more than half of the total assets of the oil industry, and one bank (Chase National, the country's largest bank; assets: 2,351 million).

3) *Kuhn, Loeb* — Controls 13 major railroads or railroad systems (22% of the railroad mileage of the country), one utility, and one bank. Total assets: 10,853 million dollars.

4) *Mellon* — Controls about 9 industrial corporations, one railroad, two utilities, two banks. Total assets: 3,332 million dollars.

5) *Chicago group* — Controls on the basis of interlocking directorates 4 industrial corporations, 3 utilities, 4 banks. Total assets: 4,266 million dollars.

6) *Du Pont* — Comprises 3 top rank industrial corporations and one bank. Total assets: 2,628 million dollars.

7) *Cleveland group* — The Mather interests control through the Cleveland-Cliffs Iron Co. the four so-called independent steel companies; control two other industrial corporations and one bank. Total assets: 1,404 million dollars.

8) *Boston group* — includes 4 industrial corporations, 2 utilities, one bank. Total assets: 1,719 million dollars.

In interpreting this list, the reader should have in mind that it is far from complete. As we have seen, the authors, on principle, have only considered interconnections between the 250 largest non-financial and financial corporations. Even within these limits, many corporations that are "fairly closely related with one or another of these groups" have been left out for technical reasons. For example, the giant *International Paper and Power Corporation* that is equally closely related to Boston and Rockefeller was therefore assigned to neither the Boston nor the Rockefeller groups. Ten equally important links between the eight big interest groups are considered in the Appendix but are only slightly touched upon in the body of the Report.

Even with these restrictions, the *corporate community* as described in this report appears as a momentous concentration of economic and thus also of political power. The Report does not deny the importance of the controls that the corporate community "exercises over the policies of the larger corporations, through them affecting the whole American economy." It is equally aware of their political significance. Just as the controls exercised by the organized interest groups — the big associations of capital and labor, the organizations of farmers and of consumers — operate through government, so also do "some of the controls exercised by the corporate community operate through government." Yet, says the Report: "it is not intended to imply that these aggregations of capital ever act as a unit under the rule of individual or oligarchic dictatorships. The social and economic content of the relationships which bind them together is far more subtle and varied than this." It would not be easy to determine just what degree of subtlety and variety separates a democratic from a dictatorial exercise of an uncontrolled power. We have to trust, instead, the judgment of our experts when they tell us that the corporate community as existing in the U.S.A. today is not a dictatorship; it is only a "concentration of economic leadership in the hands of a few."

## The End of the Market

The fore-going description of the degree of concentration reached by American capitalism does not by itself answer the crucial question as to whether the present structure of this economy still conforms to the traditional principles of "democratic" capitalism, or whether it already assumes the characteristic features of present-day Nazi, Fascist, and Bolshevik economies. Recent history has shown that a "totalitarian" form of government could just as well be imposed upon the comparatively backward economies of Russia, Italy, Spain, etc., as upon that most highly concentrated type of capitalist economy which existed in Germany. On the other hand it would be "theoretically" possible to imagine a development by which a highly concentrated capitalist economy would still retain, in an unaltered form the whole of the internal structure of nineteenth century capitalism.

The actual truth that is revealed in another and, to the writer, most significant part of Dr. Means' report is that this miracle has not happened and that, on the contrary, the external change of the structure of the American economy has been accompanied by an even more incisive transformation in its internal structure and operating policies.

American economy today no longer receives its decisive impulses from the competition of individual enterprises in an uncontrolled ("free") market, but has become, by and large, a manipulated system. Goods are still produced as commodities. There is still something that is called "prices", and there are still the three capitalist "markets" — goods, labor, and securities. There even remain some sizable areas in which "the price of an article can still act, after a fashion, as a regulator of production." "The proportion of cotton and corn planted on Arkansas farms varies from year to year with changing relationships in the prices of those crops and reflects the operation of the markets as an organizing influence." Yet outside of those increasingly restricted areas — agricultural products and listed securities — the bulk of "prices", including labor rates, are no longer established in free markets. They are manipulated by administrative decisions that are influenced to a varying extent, but no longer — as of old — strictly and directly determined by market conditions. This appears, for example, in the wholesale price of automobiles and agricultural implements that are set and changed from time to time by the respective manufacturers, and thus result from "administrative" decisions.

The reader should be careful here to distinguish between those elements within the "administrative" organization of production that have long existed and have changed in degree of importance only, and that other aspect that is entirely new and is still widely ignored by traditionally-minded economists.

The mere fact that administrative rule replaces the mechanism of the market in the coordination of economic activities within the limits of a

single enterprise has no novelty for the Marxist. It is true that even this fact assumes a new importance under conditions of modern concentration when, as in the case of America's largest enterprise, the A.T. & T., the activities of over 450,000 persons are coordinated within one administrative system. It is also true that there has been a great increase in the proportion in which the economic activities of the producing community are administratively coordinated (within single enterprises) as against that in which they are still coordinated through the shifting of prices and the interaction of a large number of independent sellers and buyers in the market.

The decisive problem, however, that has to be investigated if one wants to grasp the process that has recently undermined the traditional democratic character of American society is contained in the question of how far that change of proportion reflects itself in the whole structure and operation of present-day American economy. It is the great merit of the authors of this Report that they have investigated that decisive problem to the full and that they are absolutely unambiguous and outspoken about the results of their investigation. According to them American economy as a whole has been transformed "from one regulated by impersonal competition to one in which politics are administratively determined."

They never tire of repeating this most important result and of describing in most impressive terms the "significance of the extensive role of administrative prices" that appears to be "inherent in the modern economy" and forms "an integral part of the structure of economic activity." They insist again and again that "however much of a role price-administration may have played in the earlier years of this century, there can be little question that it plays a dominant role today."<sup>5</sup>

There is no space here to describe in detail the one-hundred-and-one methods and devices by which prices, apparently settled by the law of supply and demand in an open market, are in fact manipulated and controlled by very definite "price policies" of the decisive strata of the "corporate community." These controls may originate from one or from different foci of control. "The threads of control over labor policy may be divided between the corporation and a labor union, some threads focusing in the corporate management and some in the union officials; threads of control over some aspects of policy may rest with the government bodies, as in the case of minimum working standards or public utility regulations; still other threads may rest with some dominant buyer, or a supplier of raw materials or of services, etc." They may, furthermore, be direct and immediate or indirect and intangible. "They may operate simply through establishing a climate of opinion within which policies are developed."

They may be entirely informal or may be accomplished by a formal setting, and in many cases the formal and the actual lines of control will differ. They arise from three main sources: possession of one or more of the "factors of production", possession of liquid assets, and most important, position in relation to a functioning organization.

<sup>5</sup> Cf. pp. 116, 145, 155, 333, etc.

The main thing to understand is that the new "structure of controls" that emerges from these various forms of non-market control 1) is entirely a child of modern times, and 2) it has come to stay for a very long time.

The controls thus exercised over prices and markets on a nation-wide scale by the leading members of the industrial community far surpass in importance the well-known non-market controls heretofore exercised by financial institutions through the handling of investment funds — the so-called supremacy of finance capital. In fact, as shown by recent investigations not yet included in this report, most of the largest business firms are today "self-financing" and no longer depend on the aid of the money-lender and his organizations. The strictly "private" controls exercised by the administrative acts of the members of the corporate community are even more important than the old and new forms of non-market controls which are exercised by government (federal, state, and local) through its fiscal policies, through the protection of property and enforcement of contracts, and so forth.

Nor can the influence exerted on the market by the action of some powerful pressure groups any longer be regarded as a transitory and un-"normal" encroachment on the normal activities of trade — any more than the influences exerted on the U.S. Congress by political pressure groups in Washington can be considered an anomaly. The constitution of the corporate community has become the real constitution of the U.S.

There remains the question of the working of this new system. How can "administration-dominated prices" that are changed from time to time replace the practically unlimited flexibility of market prices both in their reaction to the different phases of the industrial cycle (prosperity and depression) and to the technologically-conditioned structural changes? Dr. Means and his staff are inclined to take a very optimistic attitude toward the working of the new type of administration-dominated prices. They clearly see certain "violent distortions" that arose during the years of the last depression and the succeeding "recovery" from the differential behavior of the two kinds of prices co-existing in American economy:— "Between 1929 and 1932 there was a considerable drop in the wholesale price index, but this drop was made up of a violent drop in the prices of market-dominated commodities, and there was only a very small drop or no drop at all for the bulk of the prices which are subject to extensive administrative control. In the recovery period from 1932 to 1937, much of this distortion was eliminated (perhaps new distortions were created?—K.K.) by the large increases in the market-dominated prices and the relatively small increase in the bulk of administration-dominated prices."

Yet they do not blame this disturbance on the new phenomenon of administration-control of prices. They rather take it for granted that the market, though "theoretically" still able to act as an organizing influence, does in fact no longer act in that beneficial manner. On the other hand, they have proved to their own satisfaction that the degree of flexibility which

results from the administrative regulation of the bulk of the prices of goods, labor and securities "appears sufficient to allow the gradual readjustment of price relationships to reflect the gradual changes in wants, in resources, and in techniques of production, *if the level of economic activity were reasonably well maintained.*" (emphasis by K.K.) Thus to the authors of this Report, "the serious distortions in the price structure resulting from the differential sensitivity of prices to depression influences reflect a disorganizing rather than an organizing role that the market can play" (p.152)

This statement might be acceptable to us who are equally convinced — though from an altogether opposite viewpoint — of the impossibility of retaining or restoring the traditional forms of capitalist economy. It seems, however, that they take a lot for granted if they assume that the level of economic activity could be reasonably well maintained under existing conditions of the "democratic" society. They do not tell us in what way they think that this condition will be better fulfilled in the near future than it has been during the recent past. It is quite possible that this omission betrays on the part of the authors an unconscious anticipation of a future dictator who will fill this apparent gap in the structure of the American economy. The only hint of a solution of this crucial problem that we were able to discover in the Report is its pathetic appeal to "an increased understanding of the problem on the part of leaders of business, labor leaders, farm leaders, political leaders, and other leaders of public thinking."

### The Viewpoint of the Workers

We do not propose to discuss the "task" of the workers. The workers have already too long done other people's tasks, imposed on them under the high-sounding names of humanity, of human progress, of justice, and freedom, and what not. It is one of the redeeming features of a bad situation that some of the illusions, hitherto surviving among the working class from their past participation in the revolutionary fight of the bourgeoisie against feudal society, have finally been exploded. The only "task" for the workers, as for every other class, is to look out for themselves.

The first thing then that the workers can do is to make absolutely clear to themselves that the old system of "free trade", "free competition", and "democracy" has actually come to an end. It does not matter so much whether we describe the new system that has replaced it in terms of "monopoly capitalism", "state capitalism", or "a corporate state". The last term seems most appropriate to the writer for the reason that it recalls at once the name that was given to the new totalitarian form of society after the rise of fascism in Italy twenty years ago. There is, however, a difference. The corporate community of the U.S. represents as yet only the "economic basis" of a fullfledged totalitarian system, and not its political and ideological super-structure. On the other hand, one might say that in backward countries like Italy and Spain there exists as yet only the totalitarian super-structure, without a fully developed economic basis.

As to "monopoly", there is no doubt that every increasing concentration of capital is tantamount to an increase in monopoly. The term itself, however, has changed its meaning since a predominantly competitive economy has been superseded by a predominantly monopolistic system. As long as "monopoly" was regarded as an exception, if not an abuse, the emphasis was on the "excessive" and "unfair" profits derived from a monopolistic position within an otherwise competitive economy. An observation made by Marx at an early time in his critique of Proudhon has recently been unconsciously accepted by an increasing number of bourgeois economists. "*Competition,*" said Marx, "*implies monopoly, and monopoly implies competition.*" Thus the terms "monopoly" and "competition" have recently been re-defined to refer to the "elements of a situation" rather than to the situation itself, which as a whole is neither entirely monopolistic nor entirely competitive. In a sense it can be said today that all (or most) profits are essentially monopolistic profits, just as the bulk of prices have become monopolistic prices. Monopoly has become not an exceptional but general condition of present-day economy.

Thus it is quite correct to describe the historical process here discussed as a transition from competitive to monopolistic capitalism; but the term monopoly has, by the very generalization of the condition to which it refers, become an entirely descriptive term, no longer fit to arouse any particular moral indignation.

Similarly there is no serious harm in describing American economy as a system of "state capitalism." Yet this description does not fit American conditions so well as it does the general pattern of German and other European societies. In spite of the special powers of coercion invested in the political authorities alone, the administrative decisions emanating from various economic enterprises controlled by the government have become the most important influences exerted by the government on the functioning of the U.S. economy. They are co-ordinated with all other forms of non-market controls which, together with the still-existing remainders of market controls, constitute the essential features of the "control structure" of the present economic system. The authors of the Report use the terms "administration", "administrative rules", etc., indifferently with reference to all kinds of non-market controls whether they originate from governmental agencies, from different kinds of organizations based on business interests, (or for that matter on labor, farmer, consumer interests) or from private firms and combines. There is no doubt that the position of the government will be considerably strengthened in case of war. But even this would not be a decisive reason to call the existing system of American economy a "state capitalism" as the same condition will occur in all countries at war whether they are backward or fully developed, "competitive" or "monopolistic", whether they are based on a scattered or a concentrated system of capitalist production.

The second thing the workers may be expected to do, once the importance of the change in the basic conditions of capitalist economy has been

fully experienced and grasped by them, is to reshuffle their hitherto most cherished revolutionary and class ideas. When Marx described capitalist society as being fundamentally a "production of commodities" this term included for him — and was meant to include for all those who would be able to understand the peculiar "dialectical" slang of the old Hegelian philosophy — the whole of the suppression and exploitation of the workers in a fully developed capitalist society, the class struggle and its increasingly stronger forms, up to the revolutionary overthrow of capitalism and its replacement by a socialist society. This is all right as far as it goes, except that today it should be translated into a less mysterious and much more distinct and outspoken language. But Marx's emphasis on "commodity production" included something else and, this time, something that may well have become inadequate for the workers' fight against the two species of the "corporate state" that exist in the fascist and the so-called democratic countries today.

The emphasis on the principle of commodity production, that is, production for exchange, for an anonymous and ever-extended market was at the same time an emphasis on the positive and progressive functions that capitalism was to fulfill by expanding modern "civilized" society all over the world and, as Marx said, "transforming the whole world into one gigantic market for capitalist production." All kinds of illusions were inevitably bound up with that great enterprise that was conducted, as it were, by humanity itself. All problems seemed to be solvable, all contradictions and conflicts transitory, and the greatest happiness for the greatest number ultimately obtainable.

The workers, in all their divisions, had a big share in those illusions of commodity production and their political expression, the illusions of democracy. They shared them with all other suppressed minorities and progressive strata of capitalist society — Jews, Negroes, pacifists. All "reformism" and "revisionism" that distracted the workers' energies from their revolutionary aims have been based on those illusions. The very advent of fascism in the world and its intrusion into the inner sanctums of traditional democracy has at last destroyed the strength of those illusions. We shall attempt in a later article to trace the positive features of a new program for the workers in their fight against the class enemy in his new and more oppressive form which, at the same time, is more transparent and more exposed to their attack.

Karl Korsch