

ity". Again, in a short note to the 1942 reprint, the author described his book as an attempt to check the "wave of Idealism" which after the return of peace will "sweep the English-speaking nations" by a "counterbalancing realism". Finally, all the expert reviewers of MacKinder's book in this country, the military specialists as well as the geographers and political scientists, have praised the strong sense of reality which prompted the author to supply the arsenal of democracy "with the weapons and means which democracy can maintain and still remain democratic" (Major Eliot).

Yet from a careful study of the whole of MacKinder's book, including its generally overlooked final chapter, there arises a suspicion that the author was not content after all with that trite distinction between a lofty but impractical "ideal" and a brutal but intensely practical "reality" by which the average democratic citizen hides from himself the fact that he pays lip-service to the former for the purpose of serving the latter. The last surviving representative of the more open-minded attitude that prevailed among European scholars until the decade preceding the first World War, the friend and collaborator of Elisée Reclu and prince Kropotkin, seems to remember another concept of reality which has not lost its importance even in the present time of crisis when (in the words used by him in 1935) "men may become cruel because imprisoned", and their first impulse will be "to make sure of their castles of refuge".

In the last chapter of his book which follows the discussion of *The Freedom of Nations* and is entitled *The Freedom of Men*, MacKinder turns his back on that traditional "ideal" of Democracy which can be put into practice only by transforming it into its opposite; nor does he deal any longer with that "reality" which exists only for the purpose of being so opposed to the "ideal" in a world which "still rests upon force". (The words in quotes are taken from the *Note on an Incident at the Quai d'Orsay 25th January, 1919*, which is added to the book as an Appendix — a fine ironical gesture that escapes the eye of the superficial reader.) He contrasts the traditional type of Democracy, which after its earliest phases became equivalent to the organization of society in national states and empires and culminated in the League of Nations, with the altogether different type of a thoroughly decentralized democracy based on local communities, provinces and regions which are ultimately connected in a federal system of a well-balanced humanity.

In presenting this essentially anarchistic idea of democracy, MacKinder is no longer afraid of a clash between his "ideal" and the so-called "realistic" claims of the "practical men":

"I have no doubt that I shall be told by practical men that the ideal of a complete and balanced economic growth in each locality is contrary to the whole tendency of the age, and is, in fact, archaic. I shall be told that you can only get a great and cheap production by the method of world organization and local specialization. I admit that such is the present tendency, and that it may give you maximum material results for a while. But . . . great specialist organizations, guided by experts, will inevitably contend for the upper hand, and

the contest must end in the rule of one or other type of experts. That is empire, for it is unbalanced." (pp. 198-200)

This ultimate creed professed by MacKinder seems to lead far away from the "realities" of geography and power with which, in the preceding chapters, he had contrasted the allegedly too lofty "ideals" of the Democratic statesmen. Yet the mental picture of a new and untried type of democracy which is here designed by a great scientist and statesman may still turn out, in a no longer remote future, to be more realistic than both the "ideals" and the complementary "realities" of present-day Democracy. There is no particular reason to expect that the "ideals" advanced by the leaders and spokesmen of totalitarianism will have a better chance to survive the test of practice than had the democratic ideals of the recent past. All the same, we must point to a peculiar resemblance which seems to connect MacKinder's view of a world organized in well-balanced regions with certain leading concepts of the geopolitical creed of his authoritarian antagonists. As pointed out elsewhere*, the tendency toward unlimited expansion and conquest was much more inherent in the old system of competitive capitalism than it is in the geopolitical concepts of Haushoferism. Whatever will be the ultimate outcome of the present struggle between ideals as well as realities, it is a sad fact for capitalist Democracy that today it is attacked by its friends and foes alike, not only for the permanent conflict between its ideals and its realities but also for the increasing obsolescence of its very ideals.

Karl Korsch

* *The World Historians, From Turgot to Toynbee. Partisan Review, September-October, 1942.*

THE BUREAUCRATIC SPIRIT

The life of a modern man has come more and more under the sway of party, trade union, army and state. These organizations are made up of men, it is true, but the human individual stands small and powerless before the huge apparatus. Everything is decided by the directors at the top, and the average citizen, or the average party or union member understands neither the workings of the complicated apparatus nor its real aim. So an ideology has been created to justify this relationship, an ideology which preaches that men must blindly subordinate themselves to "their" organization, placing their lives at the disposal of a "whole," whether state or party. Rational organization thus leads to irrationality; the organization no longer exists for men, but men now exist for the organization. Originally a means, organization in our time tends to become an end, a fetish to be worshiped. The bureaucrats function as the high-priests of this new religion.

The bureaucratization of life has gone farthest in Nazi Germany and in Soviet Russia, but the tendency is neither peculiar to this age nor limited to the totalitarian countries. Industrial mass production, the proudest achievement of the United States, has long anticipated the organizational principles of the Comintern and the Third Reich. Here the mass of the workers perform only single functions. Knowledge of purpose is not only immaterial to the performance of these functions but often remains concealed from the workers. The individual laborer is taken into account along with coal, limestone, lubricants and other materials of production; all that is required of him is that he submit passively to the disciplined production process. That the mass of the workers are not expected to understand the process as a whole becomes clear when their union leaders make feeble proposals in this direction as in the case of the Reuther and Murray plans for war production. "Planning" and "rationalization" in this instance do not raise the intelligence, the consciousness, or the self-reliance of the masses. On the contrary, it relieves them of the necessity of employing these faculties and hence of developing them. An understanding of the workings of the whole productive process is limited to top-executives, and it is this knowledge that helps them hold their power positions.

In modern totalitarian states, it is as though the assembly line of a rationalized factory extended through the entire fabric of social life, reducing the human being to the status of a slave of his tools. In his book, *The Worker*, the fascist novelist Ernst Juenger wrote in 1932, "There will be an order based on command instead of on the social contract." In the interests of efficiency and cheap production costs, all personal freedom is destroyed, every individual is manipulated by the state, which extends its scope to the intellectual sphere, to private life and personal beliefs. Despite the well-known limitations of freedom in bourgeois society, the individual, as Marx pointed out in *The German Ideology*, had still left to him "the enjoyment of accident. The right to take advantage of these accidents under certain circumstances has been called 'personal freedom'." But in totalitarian society, central regulation becomes so extensive that even this "accidental" freedom ceases, and *laissez faire* fades out of personal as well as out of public life. All human experience is geared to the assembly line.

The triumph of the bureaucratized state has been maturing for generations in the womb of bourgeois democracy. It was over a century ago that the French sociologist, Alexis de Tocqueville, after traveling through the young American democracy, predicted the ultimate defeat of democracy by the centralized bureaucratic state, and the rise of functionaries — to "a nation within the nation" — occupying the position of a new aristocracy. In the fourth volume of his *Democracy in America* he predicted that the citizens in "The democratic nations which have introduced liberty into the political sphere at the same time that they have fostered despotism in the administrative sphere . . . will soon become incapable of exercising the larger political powers." But the most remarkable anticipation of the process of

bureaucratization is to be found in the writings of Marx, especially in his early *Criticism of Hegel's Philosophy of the State*.

It is fashionable today to emphasize certain authoritarian tendencies in Marx, more temperamental than theoretical in any case, and to ignore the main content of his life work that recognizes as the enemy whatever alienates man from himself, whatever reduces him to an object, instead of elevating him to the dignity of a subject. Marx's political and philosophical system can best be understood as the completion, not the negation, of the humanitarian and democratic tradition of the eighteenth century; and he himself so understood it. "The bureaucratic spirit," he wrote in 1842,

"is through and through a jesuitical, theological spirit. The bureaucrats are the state-jesuits and state-theologians, the state priesthood. It conceives of itself as the ultimate object of the state. Since the bureaucracy has made its formal purposes into the content of state policy, it finds itself in conflict everywhere with the real content of this policy. Therefore, it must call form content and content form."

And has not the Stalinist bureaucracy, for example, constantly made the form, that is, the maintenance of the state machine and the party organization the content of its politics? International socialism has long been degraded by the Comintern to a means of mobilizing the international working class in support of the foreign policy of the Kremlin. The party organizations in various countries no longer serve any general political ends of the working class. The bureaucrats shift their political lines according to the changing interests of the Soviet Union, keystone of their apparatus.

"The general spirit of the bureaucracy," Marx wrote in his *Criticism of Hegel's Philosophy of the State*,

"wraps itself in a mysterious cloak of knowledge which the hierarchy maintains inside the bureaucracy, and which, from the outside, looks like the secrets of a fraternity . . . Authority is therefore its article of faith, and the deification of authority is its conviction. The spiritualism (expressed in this attitude) becomes inside the bureaucracy a crass materialism of passive obedience, belief in authority, of mechanically fixed, formal procedures . . . As far as the individual bureaucrat is concerned the ends of the state become his private ends: promotion, the pursuit of a career. He considers real life to be primarily materialistic because the spirit of life has an existence of its own in the bureaucracy . . . In the second place, life is for the bureaucracy only an object for manipulation, because its spirit is prescribed, its purposes lie outside of it . . . By now the state exists only in the form of the various bureaus whose interconnection is based on subordination and passive obedience . . . While on the one hand, the bureaucracy is thus nakedly materialistic, it reveals its crass spiritualism in that it wants to do everything, that is, it makes Will into a first cause. For the bureaucracy, the world is merely an object to be manipulated."

The fact that the bureaucrat¹⁾ views the world only as an object is the basis of his morality, a morality founded on contempt for humanity.

1) Bureaucracy neither signifies here the simple administrative worker or civil servant, nor does it deal with criticism of "red tape." In our context, bureaucracy denotes the rule of men who possess the key position in either an organization or the state, and who acquire power through their function.

Where man is reduced to a mere factor in a political calculation, anything which serves to make him obedient appears as moral — the lie for instance. The systematic use of the lie²⁾ as a "technical means" for leading the masses can arise only out of this spirit. In a passage in *Mein Kampf*, omitted in later editions, Hitler wrote that the "Germans have no idea how one has to swindle the people in order to get a mass following." Here the irreconcilable antithesis between the Marxian conception and that of the bureaucratic leadership reveals itself. The basic Marxian thesis is that class-society will be overthrown only when the oppressed class comes forward as the subject of the transformation of society. But the bureaucrat is interested in the people only as the object. He is not concerned with what the people can make of themselves, but with what he can do with the people. "We have to take men as they are and take into account also their weakness and brutality," Hitler wrote in *Mein Kampf*. He is interested not in *changing* existing human qualities but in *using* them.

Because the bureaucracy always sees itself wiser than and superior to all other people it believes that the obedience of people is in their own interest. It feels justified in using any means against opponents who disturb the relationship between leaders and followers. The bureaucracy does not suffer from a bad conscience. Its opponents are lumped in an amalgam (Jews, Trotskyists, etc.) and invested with every diabolical property because all opponents, whatever their motives may be, frustrate the wise aims of the bureaucratic leadership and incite the masses to think for themselves. As far as the bureaucracy is concerned, opposition is *the* evil principle. It makes use of such formulas as "Fuehrer-Gefolgschaft" (leader-followers), "Mannestreue" (loyalty) and "Party-discipline" in order to condemn the opposition in principle. The Stalinist bureaucracy justifies all its actions, however cowardly and base, with party-discipline. The party as a fetish justifies all means. The idea is spread about that only clever calculation and disregard for all feelings can make a revolutionist. This is called "Bolshevik toughness." As the bureaucracy understands discipline to mean only submission to itself, so it understands heroism to mean only toughness against others in the interest of its own power position.

Where such morality becomes a state-principle, all humanism ceases. Exalted to a fetish, state-interest not only subordinates the political sphere to itself but science as well. The German psychologist N. Ach, for example, stated in his paper *Toward a More Modern Study of Will*, read before the meeting of the German Association of Psychology in 1936, that "will is a habit of voluntary response to the command of the superior leader." Political theory degenerates into pure and simple apologetics, and art be-

2) The lie is always a means of political rule. All revolutionary movements in history have served the truth because they have attacked lies which sought to justify privilege. The difference is that the political lie was usually used when needed, as an after-thought or a justification, whereas here it is used systematically, primarily in order to prepare the people for particular purposes of the leadership.

comes incense-burning. Individuals seek to better their personal situations through Byzantine slavishness. To denounce someone as a disloyal servant of the only true fetish and its hierarchy becomes a moral act and a daily method of rising within the bureaucracy.

Where contempt for humanity becomes a universal principle, self-respect no longer has any value. The uncritical adherence to commands, the renunciation of one's personal opinions, and the acceptance of the official creed as infallible lead finally to a type of intellectual masochism, to a readiness to do penance at once for every independent idea. Thinking transforms itself automatically into a justification of official acts. The Nazi psychologist, Pintchovius, wrote that only one idea may fill the soul and that the aim of propaganda is the "narrowing of consciousness."

The possibility of rising in the hierarchy is bound up with special qualities. The bureaucratic spirit corresponds to a definite type of personality. The Nazis try to cultivate this type artificially in their so-called *Ordensburgen* where, according to a phrase of the youth leader Baldur von Schirach, an elite is to be educated in which each individual is formed and "stamped" according to a certain type. No sensitive personality has a chance; ruthlessness is the only method of getting on in the bureaucratic apparatus. Critical ideas are viewed with suspicion. The totalitarian rulers have a feeling of inferiority in the presence of people representing critical thought who merely provoke them into demonstrating the extent of their power. The vigorous, practical men who know and successfully exploit the average qualities of people are those who advance. Their only passion is for power. Possessed by this passion, they know neither contemplative leisure nor sensibility. They think cynically about one another. Herman Rauschning, who once belonged to the Nazi hierarchy, writes: "In the higher circles of the bureaucracy one speaks openly about the personal shortcomings of certain members of the elite. Rivalries and deadly enmities are cynically admitted." Where ideas are only a means to power and not rooted in conviction, cynicism, of course, alone remains.

Today people are fascinated by the fact that the totalitarian form of organization is successful, that the ruthless and exactly calculated use of human material is superior to the unplanned form of organization. And as the planned factory is more profitable than the unplanned one, so the planned state is more powerful than the unplanned one. However, the belief that class society can be overthrown by a bureaucratic leadership has proved to be an error. "One of the principal moments in previous historical development was the consolidation of our own creation into a real power over us, a power that outgrew our control, destroyed our expectations, and frustrated our hopes," Marx wrote in the *German Ideology*. The totalitarian state and the totalitarian party — no matter what ideology they may use — only continue this historical trend.

However, when the organizational apparatus places itself above men and makes them its slaves, we find that behind the assumed "general in-

terests", to which subordination is demanded are concealed only the interests of the bureaucracy which considers itself final. We have said before that modern methods of production accustom the people to bureaucratic direction and thus we know the psychological foundation of the belief in leadership. For example, to those who share this belief, even the stripping of the working class in Russia of all its rights may appear as a first and necessary step towards true democracy. The growing differences in income may seem necessary for the realization of socialism, for all this — devised by a clever leadership — may, despite all appearance, lead to a good end. The legend that a party with iron discipline which excludes all criticism, will be prerequisite to the struggle towards a classless society has not as yet been destroyed. Many anti-fascists believe that it is possible to do away with all oppression by the very means of fascism. Many still think that Hitler has shown us how we have to do it ourselves. The Trotskyists, for instance, — relentlessly persecuted by the Stalinists — never understood that the real socialist aim needs other organizational means than those used by the Stalinists, because a totalitarian party necessarily generates a bureaucratic spirit.

Real democracy, realized only when those who produce cease being the slaves of their tools and themselves have the power to rule over the means of production, can be attained only by democratic means. All means reflect the ends which they serve. As Hegel has pointed out in his *Logic*, an end can be attained only when the means have already been penetrated by the nature of the end. The aims of democratic control over the means of production can therefore not be reached through the help of an organization over which the members have no control. In order to accomplish this aim, there must be a progressive change of the environment through permanent expansion of the democratic sectors, as well as a change in the people themselves. The people can acquire the ability to decide their destiny for themselves only through their own political experience. Marx therefore insisted that the revolutionary task does not consist in a momentary sharing of the booty of demagoguery, but in saying to the workers, "You will have to go through 15, 20, 50 years of civil war and national struggles not only to change conditions, but to change yourselves so that you can qualify for political rule."

The bureaucratic spirit sees in the problem of organization only a technical problem. The Marxist who sees relationships between human beings behind such "technical problems", unmasks bureaucratic organization as a new form of domination which can be overcome only by a political conception in which the masses come forward as the agents of action. Major changes in society are not brought about through clever arrangements. Cunning, business ability, political chicanery, conquests of organizational offices do not replace ideas which become a material force when they take hold of the masses. The ideas, without which no progressive transformation of society is going to be accomplished, do not come from clever, practical polit-

icians who subordinate and adapt them to a powerful organization but from revolutionary personalities, who at any time are prepared to give their bureaucratic critics the answer that Friedrich Engels gave them: "No party in any land can condemn me to be silent when I am determined to speak . . . You of the party need the science of socialism, and this science cannot live without freedom of expression."

The masses are not aroused by crafty tactical resolution or bureaucratic formulas. When the time is ripe, they are receptive to bold and inspiring ideas. These ideas cannot be kept from the world by any defeats, by book-burnings, by concentration camps, by Moscow trials, or by executions. "To overt acts," Marx wrote, "even though they be carried out en masse, one can answer with guns as soon as they become dangerous. But ideas which conquer our intelligence and which overcome our conviction, to which reason has welded our conviction, these ideas are chains which cannot be ripped from a man without tearing out his heart." The totalitarian state can achieve victory for its principles only when the critical faculty is exterminated. The overcoming of the bureaucratic spirit begins with criticism which attacks every instance of the lowering of the human being, with the doctrine, to speak once more in Marxian language, "that man is the supreme being for mankind," and therefore with the "categorical imperative to overthrow all conditions in which man is a degraded, servile, neglected, and contemptible being."

Sebastian Frank

MARXISM AND PRAGMATISM

The dialectical logic of Marxism stems from the "Science of Logic" of Hegel, first published in 1812. The instrumentalist logic of Pragmatism traces its origin to the 17th century "New Organon" of Francis Bacon. But the developments of both these logics have proceeded far beyond their original geneses to produce the thinking of Marx and Engels, on the one hand, and of Peirce and Dewey on the other. The reason is to be found in the fundamental changes in the economy of the modern world. On the class front, Marxism is the organon of the working classes, pragmatism is the distinctive organon of the bourgeoisie.

Hence there are two phases of the logics involved: 1) a social-class aspect, and 2) a technical method of thinking. In reality these cannot be dissociated since they function organically toward the common objectives of the political and economic psychologies involved. In this sense, the dialectical logic of Marxism is a revolutionary weapon, and the instrumentalist logic of pragmatism is one of reform, reconstruction and palliative within the confines of capitalism.

The dialectics of Marxism has been set forth time and time again in the literature of modern socialism so that we need not recapitulate all the details here. But there has as yet—so far as I know—been no clear presentation of instrumentalist logic with respect to its social and class implication. Therefore this article will try to provide a preliminary note in this unexplored direction. This is important, especially in America, since most of the literature on the subject of pragmatism remains immured in the technical and metaphysical issues of philosophy proper.

Bacon's work, as we know, proceeded out of the changes from feudalism to emergent capitalism in Renaissance England. It was found that the old formal logic of the schools was no longer adequate for the social and reasoning purposes of the new class lately come to power—hence, its scientific alliance with the methods of the natural sciences, and its interest in the techniques of discovery and induction. The innovation lay in the kind of thinking most apposite for the enterprise of industry, commerce and manufacture, which sought to achieve power. The chief characteristic of the new logic of Bacon was, thus, the utility of thinking for the needs of the hour: control over nature on behalf of the new class. Mill, a little later, amplified this logic to reconstruct thinking to his classic methods of research, which were designed to fit the utilitarian philosophy of mid-Victorian England; as the Empire more and more became the sole concern of the period. Finally, in 1878, we have the first clear note of pragmatism in America from Charles Peirce, the famous scientist and logician, who founded modern logic.

The Maxim of Peirce reads: "Consider what effects, that might conceivably have practical bearings, we conceive the object of our conception to have. Then, our conception of these effects is the whole of our conception of the object." The Maxim was definitely offered as a rule of logic, as a break with the formal logic of feudalist thinking, as a concomitant to the methods of natural science and mathematics in the modern temper. This meant the beginning of bourgeois logic in the current sense, since a modern method of thinking to serve the present ruling-class and its vested interests was on the order of the new day. The stress on "effects" and on "practical bearings", as we see in the Maxim, logically meant nothing but the social needs of capitalism. This marks a break with the logic of idealism, ancient, feudal and modern.

The empirical note in Peirce is in the tradition of Bacon and Mill, but the differences lie in the experimental and laboratory methods of "practical bearings", with emphasis on action, use, behavior and results. At the same time, Peirce drew his values from the mathematical sciences, the hiatus found in the prior Bacon-Mill reconstruction of logic. This, in the larger world, came to mean the success of America as a capitalist state after the Civil War. Further implementation came from Dewey shortly before World War I, thus marking the further usefulness of instrumentalist logic for the purposes of modern imperialism.

Dewey's reconstruction lay in his emphasis upon the particular "situation", which gave the logic of pragmatism the added distinction of function and behavior in the modern psychological sense. Thinking was most at home with a problematic situation, a difficulty and a perplexity, hence the logic of the instrument toward resolving the problem to a successful conclusion. It became, in short, a logic of judgment in which experience played the greatest role because of the individual and discrete situations confronted.

We observe, then, that as feudalism was replaced by modern capitalism, the techniques of the syllogism of Aristotelian formal logic gave way to new methods of experiment, experience, behavior, function and operation. Unless we keep in mind the historic and class mission of this pragmatic logic of instrumentalism, these techniques do not assume their necessary social implications in the modern world. For the revolt was against the idealist logic left over from feudalism on behalf of the new philosophy of the bourgeoisie, namely, pragmatism. Fixity and static inflexibility in thinking as seen in the rigid categories of the old logic were rapidly replaced by the mobile, fluid, flexible and evolutionary concepts behind the instrumentalist logic of the American pragmatists.

World War I brought into prominence still another type of logic, namely that of dialectical materialism, or Marxism, as pragmatism faced a new enemy and opponent in the philosophy and logic of the working classes. It was no longer idealism and the syllogism that were at stake: it was rather the advance of a new social class and a new social economy. The empiricism of England and the idealism of Germany were now to be superseded by the dialectical materialism of Soviet Russia, by virtue of the Russian Revolution. What was the instrumentalist logic to do now in face of this drastic change in the economy of the entire world? Could it still speak of experience, of experiment and of behavior? Could it still cling to the doctrine of the "situation"? It was a social question of critical importance, since logic itself became basically involved once again in new economic and political arrangements.

The class-struggle between capitalism and socialism, between the middle-classes and the working classes thus directly affected the contemporary battle between the logic of instrumentalism and the dialectical logic of Marxism.

Why? Because dialectical logic is geared to materialism, the philosophy of social revolution; instrumentalist logic is the weapon and ally of the now-declining bourgeoisie, of the entire capitalist economy. In this sense, pragmatism no longer assumes the role of reconstruction and reform but rather that of counter-revolution, since it is faced with the critical alternative of choosing between the forces of communism and fascism in the world economy. Instrumentalist logic, being functional and practical, being purposive and relevant to human need, must therefore keep up with the critical issues of the times if it is to be significant and meaningful in the world about us. This is its social dilemma as well as its logical dilemma.

The truth is that instrumentalist logic follows the line, confessedly, of the experimental natural sciences — including biology. But it has never worked out the important relations demanded by the social changes dealt with by the sciences of economics and politics. We find, for instance, very little if any thinking in the entire literature of pragmatism concerning our economic and political system. To be critical of them would be to adopt the Marxian analysis, which would lead to socialism. Yet the hiatus remains, so that faced with the issues of communism and fascism, the instrumentalists inexorably find themselves in a quandary. Thus the experimental and the experiential features of this logic find the pragmatist confined within capitalism, impotent to progress and advance beyond it to socialism. This is the impasse of the instrumentalist logic fashioned in America between the Civil War and World War I.

C. P. West

COMPETITION AND MONOPOLY

Almost three years ago, during a Hearing before the *Temporary National Economic Committee*, representatives of the *Federal Trade Commission* declared that "the capitalist system of free initiative is quite capable of dying and of dragging down with it the system of democratic government." Monopoly, they said, "constitutes the death of capitalism and the genesis of authoritarian government."¹ Since then, and because of America's official entry into the war, the discussion around the monopoly question has calmed down considerably. As far as public interest is concerned the *TNEC* has seemingly labored in vain. This is not at all surprising. Contrary to the propaganda of despair that had been released by the liberal business world which asserted among other charges that the monopolistic restriction of output would "impair democracy's ability to defend itself in times of war,"² production has been expanded to a remarkable degree. And this has been made possible not by limiting but by strengthening the power of the monopolies and by the further concentration of economic and political power in the hands of the greatest of all monopolies — the government.

The government which, according to traditional ideology, stands above social factions and separate interests, was to destroy the monopolies,³ bust

1) *Investigation of Concentration of Economic Power*. Monograph No. 21. Washington, D. C., 1940, p. 18.

2) *Ibid.*

3) In a round table discussion on *Preserving Competition vs. Regulating Monopoly* at the Fifty-second Annual Meeting of the *American Economic Association*, Leon Henderson (Continued on page 27)

the trusts, and help the "little man" restore fair competition in order to foster economic mobility and thus social stability. And it did break the economic stagnation but not its alleged cause, the monopolies. It did restore a sort of international competition by way of war which, however, led to the further restriction of competition at home. "By the aid of war contracts and other assistance from the Federal Government, the larger companies in virtually every industry are assuming greater importance, while the small units are being forced gradually out of business or assuming a lesser role."⁴ Thus even the professional trust-buster, Thurman W. Arnold,⁵ who claims to believe that the monopoly issue may be solved because of the "full production compelled by war" and the "potential increase to national wealth by a new release of productive energy," finds himself forced to make the amendment — "provided production does not fall into a few hands with power to shut it off." His optimistic expectation is based on the assertion that "no monopoly can maintain its control over prices in the face of a surplus which it does not control." But in reality, there are no obstacles to controls of all kinds, including that of price, and in the face of all kinds of surpluses. At any rate, if there should be an "uncontrolled surplus" it will be uncontrolled by existing monopolies only because it will be controlled by the stronger state-monopoly.

However, there will be no surplus. There will be, instead, deteriorated productive apparatus and dilapidated manpower for which the newly developed techniques and organizations of production, as well as the new capacities of the additional workers drawn into production, will be only small compensation. The present imperialistic expansion of production is extension for destructive purposes. Not at once, but in the long run, this kind of expansion results in the same situation which is presumably created by the output restriction of monopolies. The population can be impoverished and its labor wasted by the expansion as well as by the restriction of production. All the inventions, all the increases in productivity and new productive processes of the first World War, for instance, did not affect

(Continued from page 26)

spoke in favor of preserving competition. "The supposed evils of excessive competition he did not consider to be particularly terrifying. Nor was he worried over the destruction of investment in industry if the country should decide 'whether as a way of life or as an economic policy monopoly should not exist.'" (*The American Economic Review*, Part II, March 1940, p. 212).

4) J. H. Carmichael in *The New York Times*, January 24, 1943 . . . H. S. Truman, chairman of the senate committee investigating the war program, related that "In two short years the peace time production balance of America has been put in reverse. Today, 100 corporations enjoy 70 per cent of the war and essential contracts, while the 175,000 smaller companies have been reduced from their former 70 per cent position to a mere 30 per cent." *The Chicago Tribune*, February 12, 1943).

5) *Democracy and Free Enterprise*, University of Oklahoma Press, 1942, p. 24.

the permanency of the capitalist crisis and did not improve the living conditions of the mass of the world population.

Although improbable, it may be possible to produce objectives and implements of war faster than they can be destroyed so that a favorable balance is gained at the end of the hostilities. Yet this balance would make possible the resumption of war, it could not be a basis for improving social conditions. The latter depend not only on production but also on the kind of goods produced. The arguments that stress the possibility of a quick reversal from war to peace production overlook the fact that under modern conditions all peace production is necessarily production for war. Among Roosevelt's "Conditions of Peace" that of the "Disarmament of All Enemy Nations," for instance, implies the "Policing of the World" by the armed victors and thus the impossibility of reverting to that limited war production usually called production for peace. Maintenance of the peace can only mean that the victors gain and secure their monopoly of arms. Inescapably, a progressively increasing part of their total production will have to be devoted to destructive ends.

Aside from this, the very nature of capital production itself precludes the possibility of producing at will or "according to plan." Neither the individual entrepreneur, the monopolist, nor the government can decide what and what not to produce. Whether they know it or not, all their decisions are determined not by their will to serve themselves and society, but are forced upon them by the development of capital and the social frictions connected therewith. All positive expectations connected with the increase of production and productivity by way of war are based on the illusion that the capitalist system may be regulated consciously, on the false notion that those people who declare war may also assure peace; that those who preside over the chaos of destruction may also bring about abundance for all. To us, however, who proceed from the peculiar laws which determine capitalist development, the present restriction of the social forces of production by way of the progressive destruction of men and materials seems rather like the action of a suicide who, instead of simply starving to death, laborously constructs himself a deathly contraption for his final plunge into the night unending.

II

The discussions around the monopoly problem are unrealistic because the present war is a war between more or less monopolistically developed nations. The transformation from a state of "imperfect competition" to the dominance of monopolies has long since been accomplished. The current ideas and theories in this respect deal awkwardly with the past. The war makes the world conscious of this fact; it also removes the last remnants of the old *laissez faire* structure. And yet, though it appears as if some-

thing new has evolved, what is really new concerns only the *form* not the *substance* of capitalism.

Capitalism is not particular as to what form it assumes. Its genesis and previous development, however, exclude the possibility of a victory of the forces of "competition" over those of "monopoly." The past cannot be resurrected. The struggle between *laissez faire* and monopoly, furthermore, was not a fight between adherents of opposing economic principles, but simply the actual unfolding of capitalism, differently described by differently affected interests. The victors were always temporary monopolists no matter how competitively they behaved; the losers merely lamented this fact. The present struggle between monopoly capitalism and totalitarianism is a continuation of the previous struggles by which the form of capitalism is altered.

From its very beginning capitalism was always both monopolistic and competitive. One group in society had the monopoly of the means of production. It did not "compete" with those who had none, but exploited them. It was competitive against other monopolists. Class relations, implying monopolism, exclude non-competitive conditions. Ideologies formed by class relations exclude the spreading of non-competitive conceptions. Thus it seems to almost everybody that competition is derived from "human nature." The "natural competitive aptitude" supposedly transcends and overpowers all social and economic changes. It is to be utilized for the welfare of society just like any other natural force. The more widely spread competition in the early stages of industrial capitalism, due to the greater number of capitalists sharing in a smaller mass of capital, was thought to benefit society. In asserting itself the competitive ego supposedly brought about the most economical arrangement of the practical social life. This ideology, seen as a universal truth, corresponded to the interests of a small part of the world that ruled almost all of it — to a limited group in society that monopolistically dominated the whole.

"Competitive society" in the sense in which it is today defended by would-be trust-busters and anti-fascists never existed in reality. Its place was in the methodology of economic theory which itself was merely a phase of traditional ideology. The theory of competition had been directed against interferences by undefeated powers of the past. Originally it refused to serve other functions than that of glorifying the absence of theory in the practical social life. With the final defeat of feudalism, economy could only serve descriptive functions because of competition which, supposedly, automatically regulated supply and demand, harmonized value and price, and would be the more "economical" the less one tried to deal with it.

Not to deny the usefulness of theoretical models, it is nevertheless true that those of the professional economists who concerned themselves with competition analysis in static terms and closed systems were entirely useless for understanding and influencing the real world. However ingeniously

constructed, there never was the slightest resemblance between the different economic models and the developing reality. The equations of the competitive models which established economic equilibriums could not serve as the "ideal" to which *laissez faire* economy could or should aspire, nor as the "ideal" which monopolistic competition left so far behind. Nor yet as theoretical yardsticks with which to measure the extent of the diversions that the automatic competitive regulation might suffer, thus throwing light upon the necessary counter measures in order to reach a better approximation of the "ideal."

There was only the historical fact that some became capitalists sooner than others, that some amassed more capital than others, and that some were more favorably affected by social and economic changes than others. There was only the fact of the relentless general scramble for the largest profits possible, repeated in all the subdivisions of the socially created surplus value, and the feeble attempts on the part of the workers to get the highest possible wages. Actual occurrences made immaterial the assurances of economists that the competitive system must only become really competitive to be the perfect system. The inconsistency of the Neo-Classicalists' attempt to "learn the secrets of the market" in order to improve social conditions was merely an indication that they recognized the constant widening of the always existing gap between reality and economic theory. For despite all competition, *laissez faire* economy was progressively "disrupted" by monopolistic and state interferences which, in view of the traditional convictions as to the wonder-workings of the market, were in great need of rationalization.

Of course the process of capitalist production and distribution might be described as a competitive process. Wage differentiations, too, allow for competitive procedures within the working class. With the particular means at his disposal, each one tries to get as much as possible of the results of social labor. By force of circumstances, the struggle of individuals is, at the same time, a struggle of groups, organizations, classes. This competition, however, does not result in the equations of Adam Smith nor in those of the modern economists. On the contrary, the fiercer this competitive struggle, the greater the inequalities and disproportionalities that form the base of the whole capitalist structure.

Some fifty years ago there existed in the highly developed nations less capital concentration and therefore less monopolization than is evident today. In the world at large, however, the more competitive economies were highly monopolistic by virtue of the concentration of industry in a few countries. With the spreading of capitalism competition became as fierce on the world market as previously it had been only in the early industrial centers. With the extension of the competitive process, war and direct appropriation were employed in addition to the "peaceful" competitive means of increasing exploitation and profitability through the growth of the productivity of labor made possible by the technical concomitant of capital accumulation. This

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led, in turn, to the spreading of monopolization as previously competition had been spread by existing monopolies.

The means of competition have quantitatively grown with the growth of production, the extension of capitalism in space, and the growing differentiation of functions within the socio-economic structure. But the end remains the same; the power of some individuals and agencies is broken in favor of others. First, competitive business is monopolistic and becomes increasingly so by way of competition. Monopoly competes against competitive business and against monopolies. The government supersedes both monopoly and competitive business by its greater strength and competes with more and more powerful means, internally and externally, for control over men and resources. Competition in this sense does not cease even if "competitive society" disappears.

Today the conviction grows that not competition but "planning" will insure social welfare. Yet this "planning", too, involves competitive processes. "Within the sphere of collective enterprise," writes the London *Economist*,⁶⁾ "the need for competition is even greater" than in the sphere of privately-owned business. The struggle for power, involving economic control, remains a competitive struggle in monopolistic society. Even under conditions of an imagined single world-monopoly based on class relations, competition would continue. It would be a general competitive struggle for positions everywhere within the hierarchical set-up.

III

The previous preoccupation of economists with competition and their present preoccupation with monopoly explains itself by their preoccupation with the distributive side of capitalism. The substance of capitalism — the exploitation of labor for the possessors or controllers of the means of production — can be discovered only in the social production relations. As their eternity is always taken for granted, the substance of capitalism is nowhere challenged. All capitalist changes did not affect the substance of capitalism but referred solely to ways and means by which the surplus value is distributed. To be sure, the fact that the production of surplus value itself could be the reason for all peculiar economic phenomena that arise within the capitalistic development, cannot be made the subject of investigation without challenging the ruling classes. It is for this reason that capitalist economy concerns itself almost exclusively with questions of "demand" and with "market laws." It also explains why the "laws of market" are now resurrected in the so-called "planned economies."

The limitations of the Classicists Marx brought to light with his class struggle theory in both its philosophical and economic form. In the course of its development capitalism itself destroyed its early labor theory of value.

6) *Full Employment: The Cost*. October 17, 1942.