It could no longer face that truth it conceived in its theoretical fight against the persistencies of feudalism. Theories were now constructed to prove the value-creating power of capital and its possessors. At the same time subjective value concepts attempted to do away with all class considerations in economic theory. "Supply" and "cost" made room for "demand" and "utility."

In modern economics "value" refers to the rate of exchange between useful and scarce commodities. Expressed in money terms it is equal to price. This, of course, explains neither value nor price. To escape the tautology, the principles of diminishing and marginal utility[7] are called upon. Small increments and decrements in the utility of a commodity are thought to be of prime importance in value determination. Consumers are believed to compare the marginal or final degree of utility of different goods when choosing one or another commodity on the market. In this way they are supposedly determining exchange values and thus the allocation of resources. The mechanism of the theory has been extended from demand to production, productivity, saving, rent, interest, profits and wages. The endeavor was brought to lead to the discovery of the reasons for the changes of actual market values. It incorporated also an attempt to utilize the methods and findings of the natural sciences in economic theory. The latter became mathematical and analogous to mechanics and modern physics.

Because in this theory the utility of a good is derived from the intensity degree of its want-satisfying ability, it offers no concrete scientific standard to measure utilities. It is for this reason that many economists abandoned the utility-value concept altogether and restricted themselves to the mere consideration of price. Others tried to give the concept a more concrete meaning by working with preference scales and price schedules derived from observable market actions. But the fact that "individual desires" seem to express themselves in observable choices on the market does not explain the real reasons for these choices, nor anything else of importance for the understanding of the economy. Though conceived as a theoretical base for actual procedures in the economic sphere, all these endeavors find their most important reasons in the apologetic nature of economic theory. All "progress" made in this field relates only to form — the refinement of competition analysis. When it comes to the real economic problem modern economics has not made one step forward since Adam Smith. It still proceeds from the false assumption that economics is the problem of the equalization of the interests and desires of individuals, realized by the competitive process that brings about an equilibrium between supply and demand, cost and price, and the most economical allocation of resources. Of course,

7) Diminishing utility, in texbook terms, means "that the additional benefit which a person derives from a given increase of his stock of a thing diminishes with every increase of the stock he already has." Marginal utility, in *Webster's* short definition, means "the minimum degree of utility necessary for continued production or use of goods or services."

within the abstract framework of theories that concerned themselves with non-existing equilibriums, unverifiable margins, and unexplained prices all and nothing could be proved. All sorts of plays with mathematical quantities could be arranged for and anything desired be established if one stuck close to the postulated rules of the invented game. The complete alienation of economic theory from its real base had been achieved.

IV

Although economic theory has no relation to reality, changes in the latter nevertheless enforce new formulations of existing economic abstractions so that they may continue to serve apologetic purposes. At present economic theory supposedly finds itself back on the road to reality. This attempt involves an over-lapping and harmonizing of the various doctrines that split up the economic schools. The process, long in evidence, started with the adaptation of marginal principles by the Neo-Classical school. Many modern value theorists are now ready to supplement "pure economics" with the "sociological" approach of the Institutionalists. The "microscopic" techniques of "pure economics" are to be re-enforced with "macroscopic" arguments concerning social and political perspectives of today. Yet, as at all times before, so now, too, in regard to class and property questions, modern economists maintain a "neutral" attitude.

By their extensive consideration of actual price-setting practices, it could not escape the economists that the assumption that prices are determined by individuals dealing in a highly competitive market was not justified at all. The "individual competitor", furthermore, was not the small individual proprietor of traditional economic literature, but rather the large quasi-monopolistic corporation. Price, they discovered, was a "highly elusive thing." It had often no connection whatever with the changes in cost and profit conditions. It became more and more obvious that the competitive assumptions had no relation to facts. The market price theorists found themselves forced to consider the imperfection of competition and to consider it differently than had been done previously because of the ruling assumption[8] that the economy was always tending towards an equilibrium between supply and demand, cost and price, marginal cost and average price, average cost and marginal revenue, and so forth. The theory of pure and

8) Recently it has become the vogue to declare that "the good old days of competition never really existed," and that "it had always been known that perfect competition was a mere abstraction." (Supplement to *Fortune*, December, 1942.) However, for more than a hundred years of economic theory and general thinking on economic subjects, the idea of perfect competition ruled not as a mere abstraction, but as expressing the goal towards which the real economic movements were tending. The recent publication dates of almost all treaties of monopolistic competition also indicate that the present wisdom, expressed by the editors of *Fortune*, was not the general property of the competition theorists who, for so long, monopolized economic literature.

perfect competition made room for that of monopolistic competition. And as previously in regard to value and price, here, too, economic thought split into two factions: those who believe that the postulates of the old competition theory may still be useful in the investigation of monopolistic reality, and those who simply deal with the latter without bothering to reconcile it with the traditional assumptions.

The Great Depression brought the monopoly issue into the sphere of politics and forced the economists to deal with it in a more serious manner. Yet, the old idea that the prices established under conditions of a free market have the tendency to maximize utility for all concerned was not really rejected. Rather, on the basis of this erroneous assumption it was now argued that this sort of price formation had been made impossible because of monopolization. Consequently, all that would be necessary was to resurrect a kind of competition which insures price flexibility. All economic evils were now blamed on monopoly and the price rigidity supposedly connected with it. From the President down to the left-wing agitator, concentration and monopolization were made responsible for the economic stagnation. Concentration, in the definition of the economists a "situation in which the number of sellers is too few for pure competition but too many for complete monopoly", was thought to result in prices to buyers higher than those necessary to call forth supplies.

Among others it was especially Dr. Gardiner C. Means[9)] who advocated that the basic cause for the breakdown of *laissez faire* and the principal reason for the failure of the American economy to function properly was to be found in the monopolistic, administrative control that replaced the market control of pricing. However, in opposition to this point of view and with new empirical evidence at hand, Dr. Alfred C. Neal[10)] demonstrated that price inflexibility, found so significant today, is not at all a new problem connected with, or to be blamed on, the rise of monopolies. Of course price inflexibility is also caused by monopolistic price manipulations. Yet, in regard to the whole price system and by a comparison of the present with the price formation of the past, it must be admitted that there exists no real proof that concentration has resulted in inflexible prices. Though it is true — in regard to stagnation — that there exists in times of depression the tendency for those commodities which suffer the greatest drop in production to show the smallest decline in price, this behavior "is manifested in a similar degree by products produced under both 'high' and 'low' concentration conditions, which is evidence that concentration is not a significant factor for such behavior."[11)]

9) *The Structure of the American Economy*. Part I a. Part II (Toward the Full Use of Resources). See also K. Korsch's reviews of both publications in *Living Marxism*, Vol. V, No. 3, p. 36 to 49, and Vol. V, No. 4, p. 60 to 63.

10) *Industrial Concentration and Price Inflexibility*. Washington, D. C., 1942.

Be this as it may, the whole dispute is possible only by the artificial confrontation of monopoly with competition. It ceases to have meaning as soon as it is realized that — in the words of Marx — "competition implies monopoly, and monopoly implies competition." At all times capitalist development knows both flexible and inflexible prices, stagnation and expansion. The reason why at certain periods the one or the other can and is emphasized will not be found in monopolization as the outward manifestation of capital concentration but in this concentration process as inherent in the accumulation of capital. To approach the problem as one of monopoly vs. competition means to remain in the sphere of capital distribution. But all the important happenings in the sphere of capital distribution are determined by what happens in that of capital production. Only by entering the latter is it possible to comprehend the meaning of monpoly.

V

Competition is not the regulator of production and distribution, but is itself the result of capitalistic disproportionalities. Specifically, it is the necessary consequence of the permanent overproduction of capital, which finds its reason in the fact that capitalists accumulate for the sake of accumulation and workers produce for the sake of the capitalists. Yet "competition had always to shoulder the duty of explaining all inexplicable ideas of the economists, whereas the economist should rather explain competition."[12)] They failed to do so and thus they now fail to explain monopolization. But if competition, as is now widely acknowledged, is not the regulator of the capitalist economy, its imperfection or total absence cannot be made responsible for capitalist difficulties. Both the growth and the present impasse of capitalism are independent of competition as well as of monopoly. Of course, both play their parts in economics; but neither is for nor against the regulation of the capitalist economy.

Competition and monopoly have something to do with the distribution of profits. Competition "cannot balance anything but inequalities in the rate of profit."[13)] It may bring about "a price of commodities by which every capital yields the same profit in proportion to its magnitude; . . . the only thing it tells us is that the rate of profit must have a certain figure."[13)] The dominance of monopolies may interfere with the distribution of profits according to the size of capital invested in different branches of production and within each single branch. For shorter or longer periods the monopolists secure for themselves extra-profits which reduce the profitability of non-

11) Ibid., p. 36.
12) Karl Marx, *Capital*, Vol. III, p. 1009.
13) Ibid., p. 1008.

monopolistic business. By preventing the free movement of capital within a sphere of production and from one sphere to another, by monopolizing a certain product or a number of products, by political means and by all sorts of controls and devices that hinder competition by out-siders the monopolists reduce the profits of non-monopolistic enterprisers below the average that may be obtained under more perfect competitive conditions.

The problem of competition vs. monopoly belongs to the secondary sphere of profit distribution. Empirical observation, in so far as it is possible, has here shown that concentration — to speak in the language of the professional economists — has "a small but significant influence upon the decline in the difference between unit price and unit direct cost — the overhead-plus-profit margin."[14] The margin over direct cost is the source of interest, depreciation, savings, dividends, salaries, bonuses and the like; in short, the Marxian surplus value. "This margin tended to decline least where concentration was high; most where it was low."[14]

To ask for the restoration of competition means to ask for a more "equal" profit distribution, for the elimination of extra-profits to bolster the average rate of profit. In a sense, this quest is a mere repetition of the quarrels of the Classicists in regard to profit and rent and of banking and industrial capital in regard to profit and interest. Now that neither rent nor interest is any longer of great importance because of the growth of industrial-financial capital and because of its dictatorial position in society, the capitalists' quarrels have been reduced to a mere family brawl. The fight concerns the distribution of profits between bigger and smaller capitalists affecting, of course, the interests of all the social layers that are being fed by the surpluses created in production.

To ask for the equalization of profits according to the sizes of capital is, however, to ask for the impossible. In spite of all competition, there has never been such a profit distribution. There have always been extra-profits which, for shorter or longer periods, escaped assimilation with the lower average profit rate. Of course, as long as competition was fierce the equalization of the profit rates existed as a tendency — one which, however, became weaker the faster capital accumulated.

Although competition tends to bring about "a price of commodities, by which every capital yields the same profit in proportion to its magnitude, the magnitude itself is independent of it." [13] But all depends on this magnitude. Capitalism, being production for profit, prospers, stagnates, or declines in accordance with the movements of the profit rate. In addition to others, its most important "economic" difficulty consists in the decreasing profit rate that accompanies the formation of capital. This tendency asserts itself under all the forms that capitalism may assume; it determines to a large extent the changes in form. Competition is one way to escape this

14) A. C. Neal, *Industrial Concentration and Price Inflexibility*, p. 165.

difficulty. Monopolism is its result and is also another attempt to escape the declining profitability. As the successful competitor turned monopolist, so the latter now competes to become a supper-monopolist. What spurred on competition also drives monopolism: the search for extra profits to escape the consequences of the self-contradictory movement of capital accumulation.

According to Marx "the development of capitalist production makes it constantly necessary to keep increasing the amount of capital laid out in a given industrial undertaking, and competition makes the immanent laws of capitalist production to be felt by each individual capitalist as external coercive laws. It compels him to keep constantly extending his capital, in order to preserve it, but extend it he cannot except by means of progressive accumulation."[15] With accumulation, more and more capital is invested in the means of production and relatively less in labor power. The relative decline of the latter, being the sole source of surplus value, leads to a smaller profit rate measured on the total size of capital. But production must be profitable, capital is set in motion to yield a greater capital, thus the surplus value must be raised to neutralize the profit decline. It can be raised by increasing the exploitation of labor and by an absolute increase of the labor force despite its decline relative to the total mass of capital. In order even to maintain a given rate of capital accumulation the production apparatus must be developed in such a manner that more and more of the total social labor serves the needs of accumulation. To make possible that relatively stable rate of accumulation that capitalism knows, the productivity of labor must be raised continuously to yield the additional capital for expansion.

The concentration process is the result of the continuous effort to raise the surplus value. Its social consequences are unavoidable under conditions of capital production. Just as the genesis of capitalism is to be found in the concentration of the means of production in the hands of a particular class, so present-day capitalism necessitates the further concentration of capital in fewer hands. The essence of capitalism is this process of expropriation by which the control of the means of production is centralized and an always greater mass of people are deprived of all but their labor power.

The influence of monopoly upon prices, resulting in monopolistic extra profits that lower the profits of non-monopolistic enterprisers, forced, as they are, to a more severe competitive struggle in a restricted field of economic activity, will lead to the ruin of small business, but it does not explain economic stagnation. Rather, monopolistic profits should make possible an increased economc activity and monopolistic expansion. The disappearance of small business cannot be given as the reason for the monopolistic stagnation for it is obvious that the monopolies flourished because of it.

The reason for the monopolistic stagnation is the same as that for the growth of monopoly. Monopolies came to rule in order to escape the de-

15) *Capital*, Vol. I, p. 649.

creasing profitability of capital. However, just as the greater "perfection" of competition could not yield what the existing competition refused to bring about, namely, the undisturbed accumulation of capital on a competitive basis, so also the greater "perfection" of monopolization did not lead to what monopolization aspired to: profits high enough to enable the further accumulation of capital on a monopolistic basis. The long pre-war stagnation merely indicated that the escape was not successful, that the decreasing profitability had caught up with the monopolies and hindered their further unfolding. The period of crisis and decline was utilized for the preparation of another escape in the old — and only — manner given to capitalism. Being a world system, capitalism now continues the concentration process that started nationally and was slowly extended by international cartelization on a global scale.

Seen from this point of view, the present war emerges as a consequence of the monopolistic difficulty of solving the needs of profit and expansion. There now exists on a global scale what has been experienced everywhere before on a smaller scale: the expropriation of capitalists by capitalists. By trying to win the war, America hopes "to face opportunities of unprecedented scope. . . . By the end of the war the United States", it is thought, "will be the only great industrial power with its physical facilities and social fabric intact."[16] Her international monopolistic position will be used "to help rebuild other countries," [16] which, in less polite terms means "a 'peace' more vindictive than the Versailles Treaty, that will seek to stabilize an Anglo-American feudal monopoly over the entire world."[17] Of course, the Axis fights this war for similar ends. Whatever the outcome of the war, however, capitalistic difficulties will not be solved. The war can only reproduce capitalist contradictions on a still larger scale. This reproduction, to be sure, affects the form of capitalism. But the substance remains the same.

VI

The law of the falling rate of profit, due to the disproportional development between the two constituents of capital, variable (wages) and constant (means of production), has often been rejected[18] with the remark that if capital is viewed as a whole, constant capital disappers and all capital is variable. If—in the final analysis—all capital is variable, the contradiction between constant and variable and its consequence is merely imaginary. The Marxists would be the last, of course, who would deny that all wealth is the product of labor. But it is clear that the workers do not carry constant capital but only wages in their pay envelopes. The means of production belong and remain in the hands of a separate class and because of this class-relation in the productive process, means of production appear as constant and labor power as variable capital.

16) Gustav Stolper; quoted in the *Chicago Tribune*. Sept. 22, 1942.

17) R. S. Lynd, *The Structure of Power*, "The New Republic", Nov. 9, 1942.

Because of particular social relations, and for no other reason, the results of previous labor oppose the existing laborers since the former can serve only to exploit them. The growth of wealth in capitalism is the growth of profits which find their way into means of production with which more labor can be exploited and all labor can be exploited more intensively. Without the division of the products of labor into constant and variable capital, capitalism would not be possible. To say that all capital is variable is tantamount to saying that there exists no employing class in soviety and thus also to negate the statement that all capital is variable.

For the proponents of "classless" economics it is no doubt necessary to ignore the contradictory development between constant and variable capital determined, as it is, by the class structure of society. But its result — a lack of investments for reason of insufficient profitability — is widely acknowledged and investigated. In this field, however, the burden of the professional economists has somewhat been eased because of governmental depression procedures which they merely had to sanction. They shelved "pure theory" for the duration and neglected the "laws of the market" to give more attention to production and the business cycle or, now, to production and the war. The question of monopoly and competition made room for theories of employment and income distribution which largely ignore the old equilibrium assumptions.

Maynard Keynes,[19] the most famous contemporary economist, reached his elevated position not by breaking with the customary marginal principles but by temporarily forgetting them and constructing a "theory" that justified the makeshift policies of governments in distress. Of course his theory is dressed in marginal terminology and fitted to traditional assumptions, but its "application" is independent of its subjectivistic formulation. Keynes starts from appearance, that is, from the fact that a capitalist depression is,in Stuart Chase's term characterized by "idle money and idle men." Although quite late, Keynes found out that the assumption of the Classicists that what is not spent on present consumption is spent to provide for future consumption is not true; that there are no automatic forces operating that adjust the "spending habits" of the community; . . . "the propensity to consume becomes weaker, . . . because it is increasingly difficult to find attractive fields of investment." Keynes even found out that there has been a "chronic tendency throughout history for the propensity to save to be stronger than the propensity to invest."[20] But "employment can only increase *pari passu* with an increase in investment; unless, indeed, there is a change in the propensity to consume."

According to Keynes the marginal efficiency of capital will tend to decrease as investment increases; a sudden shift in the schedule of the marginal efficiency of capital causes entrepreneurs to hesitate to make new com-

18) Recently again by Henry Bamford Parkes in *Marxism: An Autopsy*. Boston, 1939.

mitments. There arises the desire on the part of people to hold their wealth in the form of cash, the so-called "liquidity preference". As there are no automatic forces that bring about a revival of investment activity, that is, bring about an increase in the marginal efficiency or profitability of capital the goverment, not subject to the pessimism of the enterpreneur in regard to the profit outlook, will have to assume "an ever greater responsibility for directly organizing investment." 21) The national debt can be used to balance income and investment; uninvested savings can be made the special target of tax laws and can finance public works that regulate economic activity; inflationary methods can raise the money wage and decrease the real wage of the workers and thus increase profitability. And there are yet a number of other means beside these by which the present system of production may be stabilized.

The fact of insufficient investments[22] can be interpreted in different ways. Against the principle of diminishing utility offered by Keynes, it is argued that the failure of investment cannot be due to a "lack of confidence"that has possessed business men, as there exists no real evidence of a "liquidity preference" on their part. Calculations based on an American study "of the relationship between the volume of new securities issued and aggregate after-tax income received by individuals above the $10,000 level," indicated that the "answer to the mystery of why investments in new securities have shrunk so greatly is not hoarding, but *inability* of the prosperous classes to invest more. There are two main reasons for this inability. First, the number of persons receiving incomes of $10,000 or more is smaller than in the late 'twenties'. Second, and more important, is the steep rise in income tax rates."[23]

From the point of view of the government as represented by Keynes, taxation leads to a greater volume of investment. From the point of view of the taxed business men, it will shrink private investment still more and thus — in the long run — lower total investment. The mere governmental control of investment certainly cannot increase its volume, which does not depend on attitudes but on abilities. But it does transfer capital from the hands of private capital to those of the government; from one group of individuals to another. It may, via the government, enter the hands of the monopolists in case they control the government; it may strengthen

19) *The General Theory of Employment, Interest and Money*. New York, 1936.

20) Ibid., p. 347.

21) Ibid., p. 164.

22) Flotations of new securities in the U. S., for example, amounted to $9,978,000,000 in 1929, or around one-eight of the realized national income. By 1933, such flotations had dropped to $693,000,000, a decrease of 93 per cent. The market recovery in 1936 did not bring the volume of new flotations higher than $1,950,000,000, a figure representing but 3 per cent of the realized national income. (Willford I. King, *What Has Happened to the Investor Class?* "Trusts and Estates", January, 1943.)

23) Ibid.

the government against the monopolies in case the government has capitalized itself already sufficiently to operate against the monopolies. It may do both at the same time. The procedure is only a particular form of that continuous expropriation of capitalists by capitalists which accompanies the whole capitalist development.

The war seems, however, to disprove the idea that what is here involved is the mere transfer of capital, by itself unable to increase the volume of investment. The blessings of *New Deal* measures in all capitalist nations could be questioned, because nobody can really tell whether or not, sooner or later, business would not have picked up of its own accord and driven the revival further than that presumably created by government action. The spurt in economic activity was too insignificant to be able to prove anything. It went far ahead only wherever "public works" and "pyramid building" served, or changed into, war production. And only intensive preparation for, and the final outbreak of, the war led to the desired situation where there was neither idle men nor idle money.

When Maynard Keynes discovered that throughout history "the propensity to save exceeded that to invest," he noticed only the obvious fact that capital must first be accumulated before it can be nvested. Not every amount of capital can be invested; the necessary amount varies with the changes in capital fomation. With the growth of the organic composition of capital, that is, in other words, when more and more capital is invested in the means of production and relatively less in labor power, the necessary additional capital — despite the cheapening of capital goods — must grow progressively in order to secure a given rate of expansion.

The magnitude of the needed additional capital for expansion is determined by the magnitude of the capital already invested. Since the exploitation of a given number of workers under given conditions has its limitations, additional workers must be exploited and be put to work under more profitable conditions. The existing capital, earmarked for expansion, can fulfill its function only if able to establish a productive apparatus which allows for the exploitation of such a number of additional workers as would be necessary to make its investment profitable. The absolute number of workers must grow despite its further relative decline connected with the growth of the organic composition of capital. And thus, however large the idle capital may be, it may still be too small to satisfy the capitalistic expansion needs. The idle capital, appearing as a surplus, would merely indicate a temporary profit shortage hindering the further unfolding of the capitalist economy. To overcome the ensuing stagnation the profitability of capital must be raised, which implies its further concentration and centralization.

Meanwhile, the idle capital, insufficient for a profitable capital expansion, can still be used for unprofitable *New Deal* measures. Workers are put to work not to create additional capital but to secure the stability of the capitalist system. Stagnation is dangerous. Though it strengthens the forces of monopoly just as well if not better than expansion, it also creates a situation which threatens the whole social structure and therewith the government itself. Out of the necessity of intervening in the economic sphere, the government soon makes a virtue and transforms itself into one monopoly among others to become in due time the strongest of them all. "Before 1933, despite the growth in government control, private business seemed to have the ascendancy. Since then, the pendulum has swung in the opposite direction."[24] It was then realized that "goverment must be admitted as a partner if it is not to be master."[25] But today it is also realized that the continuance of the policy of governmental interference in the economic life, particularly with regard to investment, "implies the ultimate governmental ownership of all industries."[26]

That this trend finds the acclaim of the majority is itself merely the political expression of the concentration of capital which makes the private owners of capital an always decreasing minority facing an increasing non-owning population, still more augmented by the incorporation of so-called "backward nations" in the interest spheres of imperialism. The trend is all the more welcomed because of the well-fostered and wide-spread illusion that a government-controlled economy will be a welfare economy, capable of bringing about that economic equilibrium often aspired to but never reached, by a proper balancing of investment and employment. Questions of "want" and "choice" become irrevelant; planning from above is to bring security to all. Suddenly it is assumed that the government knows best what people really desire in kind and quantity of commodities and what kinds of jobs and working conditions they really favor. Thus, at the very moment when all "capitalistic principles" of the freedom of the individual are violated far more than ever before, at that moment the capitalist propagandists feel that "man becomes the master of his fate."

Despite the new phraseology used, the *New Deal* measures are the old capitalistic procedures employed during periods of crisis. And thus they are limited. They merely foster the more rapid concentration of capital. Short of a complete state-capitalist revolution of the Russian type, it is not possible to oppose the backbone of the economy — the monopolies. All that can be done is to create conditions for their expansion. Internally this means to "recreate" conditions of "equal opportunities" for all capitalists, for precisely under such conditions will those already at a disadvantage be still more disadvantaged. The more laws are passed and executed against monopoly, the stronger the existing monopolies will be, for in this way they are freed from the threat of monopolistic competition. The democratic struggle against monopoly — indicating the existing monopolist stagnation — helps

24) E. L. Bogart, *The Changing Economic Functions of Government.* "The Annals" of the American Academy of Political and Social Science. Philadelphia, Nov. 1939, p.5.

25) Ibid., p. 11 (W. W. Jennings, *The Rise of Government Control.*)

26) W. I. King, *What has Happened to the Investor Class?*

to secure the stronger monopolies. The harder the struggle, the more of the social capital enters their hands.

New Deal measures must be understood as procedures dictated by necessity and ordained with the faith that the capitalist system will sooner or later, as it always has in the past, bring forth a new prosperity. In the course of the process that the *New Deal* releases, "the idle money" of the weaker capitalist disappears. That of the monopolists becomes still bigger as their profitability increases. But if the Keynes proposals are carried further it will also disappear in due time. It is hoped,however, that before such a time the increased profitability of monopolistic capital will initiate a new boom to compensate for the depression losses.

If the upswing does not come, the Keynesian methods of stabilizing the system lead to the end of the whole capitalist structure; an end that finds its beginning in complete government control unless what is done on a limited national scale is repeated on the larger plane of the world economy. A greater mass of the world's surpluses must be brought into fewer hands, so that the victorious monopolists will be able to change the whole process of capital production and circulation in such a manner that it yields profits which will enable the further expansion of both constant and variable capital, despite the further growth of the organic composition of capital. Of course this necessity need not be recognized. Monopolistic competition and the power politics connected thereto provide enough incentive to embroil the whole world in war. Yet whatever the proposals dealing with the goal of the war, all of them point to the control over more men and resources by fewer competing monopolists. Each side is out to restrict or to eliminate the other. Just as monopolization nationally is fostered in the name of the restoration of democratic competition, so internationally it is fostered by the quest for equality in opportunities on the part of the "have-not" nations, and by the free-trade promises of the Atlantic Charter.

In each capitalistic nation a lack of capital with regard to the capitalistic-social needs of accumulation appears as a surplus in the hands of the competitive and monopolistic entrepreneurs. In a similar manner a shortage of capital with regard to the expansion needs of the world economy appears in each capitalist nation and each monopolistic power bloc as a surplus without profitable investment possibilities within their narrow structures. Hence their attempts to widen the structure, to gain *Lebensraum,* to concentrate the wealth and poverty of the world still further. The *New Deal* becomes the new world war. Centralization by competition and law changes into centralization by direct force. Unprofitable production and "pyramid building" changes into the destruction of capital by military means.

Internationally, however, the monopolists do not face the weaker capitalists they face at home. They meet other monopolists. The capital which is insufficient to allow for the progressive accumulation of the world economy is also insufficient to serve the needs of destruction. All available resources must now be used to provide the means for the imperialists' struggle to create conditions under which the monopolistic survivors may add the profits of the losers to their own and thus secure their further existence. Just like capital accumulation, the war situation, too, masters the capitalists instead of being mastered by them. The war of monopolists becomes more than that. The released forces of destruction enforce changes in the form of the economy which go beyond the control and the desires of the ruling class. Yet the war itself testifies that the substance of capitalism is still intact. To satisfy the demands of war, the capitalists must use more and more of the surplus labor and, finally, more than just the surpluses for purposes of war, which leads, on the one hand, to the accelerated centralization and concentration of capital and power in the hands of the monopolistic government and, on the other, to a decreasing productivity because of the impoverishment of the broad masses who, paid below value, are no longer able fully to reproduce their labor power. The more extensive, the more feverish the production for war, the smaller are the chances to reach that profitability needed for a new general upswing of the capitalist world.

VII

Monopolization, government control and the necessities of war have changed the market economy into an administered market economy. It is widely assumed that thereby it becomes possible consciously to direct the economy according to one plan or another. The editors of *Fortune,*[27] for instance, pronounce as "the lesson of war, that economic mechanisms are the servant, not the masters, of man's fate." In their opinion this implies that "poverty is not inevitable any more." They are not disturbed at all by the greatest impoverishment ever experienced in modern times when in large parts of the world millions of people are literally starving to death and the lucky ones in other parts find their consumption progressively reduced. For that is only for the present, the result of the satanic planning of the Axis. The new technology now developed will make post-war life beautiful. Thus, too, the technocratic-minded Stuart Chase,[28] to give another example, has no other worries than what to do with our savings when the war is over. Recognizing that the decline of the market cannot be undone, and also recognizing that trusts, monopolies, cartels and trade associations, with their price controls and production restrictions, are not the cause but the result of the decline in the rate of expansion, he finds the solution for the economic problem in the continuation of the policy that rules war production which policy, by considering price a secondary matter, lays bare the physical basis of the economic system. We must keep on thinking in terms of use-values instead of in terms of exchange-values.

27) Suplement to *Fortune*, December 1942, (The Domestic Economy).
28) *The Road We are Traveling*. New York, 1942.

The depression-born vogue of technocracy found its adherents among the dispossessed and among aspirants of the expanding bureaucracy. Today the technological trend of thought is taken up by the spokesmen for the capitalists to substantiate the promise of a happy life just around the corner of the war. Existing miseries are always justified by promises of a better future. But there never can be a better future without the direct bettering of the present.

It should be noted that it is no longer capitalism but "science" that now forms the basis for optimism. "Even during the depression," write the editors of *Fortune,* "the scientist stuck to his task, dreaming up new products and techniques as though there was no such thing as 'overproduction'.[29]." Yet periods of depression or — what is the same — of overproduction of capital, are precisely those in which the scientists "dream up" new products and new techniques to enable their capitalistic masters to continue their expansion. Overproduction of capital is always answered with still more overproduction. "Science" within capitalism can only function capitalistically. It is not only "a mistake to count on science to remold the world in accordance with man's best interests," as the editors of *Fortune* admit; it is also a mistake to believe, as they do, that "science creates the conditions in which individualism, a healthy family life, and a true American culture can flourish."[30]

The thinking and acting in terms of use-values does not alter the exchange-value motivation in any way. Both remain determined by the self-propelling, contradictory forces of capital accumulation and all the science of *Fortune* and all the semantics of Stuart Chase can do nothing about it. Besides there is nothing "revolutionary" in this attitude of considering the physical basis of the economy. Capital itself is the result of the difference between the use-value of labor power and its exchange value; of the physical capacity of the laborer to create more than he consumes. In practice this fact is always recognized by the capitalists' activity in widening the gap between productivity and wages. It is hidden only in theory and ideology. To lift the veil a little, to recognize the physical basis of the economy, does not change the economy in any respect. It merely replaces one capitalist ideology with another or, rather, changes the *terms* of the same ideology.

The fact that people learn to think and act in terms of materials and manpower only facilitates their unchanged economic activity. It merely fosters the removal of some superseded and unessential mediating factors and agencies within the capitalistic circulation process. Others take their place. Initiated by monopolization, the war merely accelerates this trend. With the monopolistic control of diverse products, non-market distribution for purposes of capital formation became more dominant. The new "rev-

29) Supplement to *Fortune*, December 1942, p. 1.
30) Ibid., p. 18.

olutionary" fiscal policies of today were foreshadowed by the increasing self-financing of the great industrial combines. The war-ration system finds its forerunner in chain-store practices and product standardization connected therewith. In brief, thinking in physical terms merely reflects the monopolistic actuality and cannot serve as a program for the future. To think consistently in this direction leads to a totalitarian ideology — to exactly that which is allegedly combatted. The fetishisms that rule society have their basis in the class relations that underlie all economic phenomena. The one cannot be ended without ending the other.

Those who do not recognize classes because they belong to or support the ruling class may imagine that the new changes in the economy will allow for its planned direction. "Thanks to the *TNEC*," write the editors of *Fortune*, "the concentration of economic power in the U. S. is no longer a sinister supposition, but a measurable fact. Being measurable, it can be handled."[31] To handle it, they propose "a return to the higher values of individualism. The restoration of the creative, risk-taking, profit-seeking, competitive individual to the legitimate throne of a sovereign free market."[32] Yet they insist that this "counterrevolution is *not* a return to *laissez faire*," because, "to accomplish this restoration, the individual must enlist the aid of the very power that has been harrasing him; . . . the power of government."[32] As the economic power has already been transfered to Washington, the "only realistic question is: to what use will that power be put."[32] It should not be used against bigness of enterprise for bigness is not the issue; but it should reconcile "the profound but perplexing American desire for both security and freedom. The government should underwrite the whole economy, using fiscal controls, public works, and a broader social security program, so that everyone who wants and is able to work may have a reasonable chance at a job. The government should recognize its responsibility for the health of the economy, by vigilantly policing the free market and actively encouraging the risk-taking individual."[33]

This request has, of course, been granted long since. "Big business," declared H. S. Truman, chairman of the Senate Committee investigating the war program, "has shifted into our bureaucratic agencies, such as the war and navy departments, and the war production board. It has placed thousands of its representatives in key positions in Washington."[34] "Here the "risk-taking individual" asserts himself in the interests of a "true American culture," and the government has given everybody without means a "reasonable chance" to "work or fight." All the "planning" that is done is done in the interest of the ruling class and opposes the "planning" of other ruling classes, just as the "planning" in one particular factory or industry opposes that of another. If, in the latter case, the result is the anarchy of competition, in the former it is the anarchy of war. In both cases there is no planning in a socio-economic sense, but only an organized onslaught against the lives and interests of all the ruled all over the world.

31) Ibid., p. 4.
32) Ibid., p. 9.
33) Ibid., p. 17.
34) *The Chicago Tribune* (2/12/43)

If big business wants to utilize the increased governmental powers for its own purposes, the economic journalists of liberalism want to see it utilized in the interest of the population as a whole. But here they face a great dilemma. To diminish the surpluses of the monopolies in favor of "small business" leads to the monopolization of the latter; the destruction of some monopolies leads to the establishment of others. It is, of course, "conceivable" that all monopolization may be forbidden by law, just as the job trusts of the trade unions have been outlawed in the totalitarian states. But in that case all smaller monopolies would be dissolved in the "perfect" state-monopoly. To escape this conclusion, the anti-monopolists return once more to Adam Smith, whose "political economy was sound in its insistence on free enterprise and on the separation of economic from political power."[35] However, writes Lewis Corey, though he "fought against mercantalist monopoly he did not foresee the capitalist monopoly which now destroys economic freedom," and thus we "need to use government more than Adam Smith envisaged."[35] More, but not too much. The new political economy must "use government to destroy monopoly by transforming it into free public enterprise in the form of public corporations, on whose boards of directors are represented management, labor unions and consumers, that are largely independent of the state. By keeping and strengthening free enterprise in the form of independent business and farming, of independent cooperatives, of independent labor unions . . . a new system of checks and balances will be created preventing centralization of economic power in a new tyranny."[35] Mere verbiage accomplishes here the reconciliation of the irreconcilable. The end of capital concentration and the destruction of monopoly means also the end of free enterprise and competition, the end of capitalism itself. To square the trend towards further concentration with the alleged struggle for democracy, free enterprise and competition by way of the government enforced "democratization of the monopolies" merely elevates the ordinary monopolistic war propaganda into an "economic theory."

No doubt it seems plausible that the elimination of monopolistic extra-profits would benefit not only the small business men but the working class as well. It seems especially plausible because it is always taken for granted that the end of the rule of the monopolies will not effect the trade unions which will be able to enforce wage increases and transfer purchasing power towards consumption goods since they now face a weaker enemy. In the course of time the whole economy would assume more and more the character of production-for-consumption instead of for capital. All depends on the existence of a benevolent government that controls society in the interests

35) Lewis Corey, *Political Economy and the State*. "The Humanist", Winter 1942, p. 149.

of the whole and — not to deviate from its task — is, in turn, controlled by those it controls.

And thus whether in a technological, scientific or economic setting, each hopeful attitude towards the future depends on government control of the social life. Only the degree of state interference do the theorists debate, and this only during the transitory stage from monopoly to government control. In Russia and Germany they are all of the same opinion. Previously, government was thought to stand independently above social faction in order to preserve order; now its dominating position leads to the belief that it eliminates the class character of society altogether. In technocracy as well as in modern economics the distinction between capitalism and socialism disappears.

The old nonsense that economics has to do with human behavior as a relationship between ends and scarce means which have alternative uses is now accepted almost generally with this difference, however, that the government must now do what the market no longer fulfills satisfactorily. Economics is reduced to a mere technique to be employed by the government to satisfy demand and the proper allocation of resources by a pricing system based on marginal principles. Even the difference between "the traditional Marxist and the modern position" in regard to these questions is described as "but a difference as to the technique applied."[36] With mathematical precision it is demonstrated — on paper — that government pricing and fiscal policies which balance supply and demand could guarantee full employment and the optimum use of resources. If this would be accomplished, the "philosophically inclined could speculate for a long time whether the society was capitalistic or socialistic."[37]

Situations which were hitherto merely the unrealistic assumptions of static equilibrium theories are found today to be realizable by virtue of governmental control. Even pure competition theorists do not hesitate to advocate controlled institutional monopolies to enforce "perfection" of competition. Just as state-capitalist theorists, by defining competition in "functional terms", that is, as the correct allocation of resources, attempt to incorporate the competitive principles in their authoritarian set-up, so competition theorists believe that competitive results may be achieved by way of monopolistic institutions. For in such a definition "the extent to which any process, practice, law or institution constitutes to the optimum allocation of resources determines whether it is to be classed as economically competitive or not."[38] From this position it is not inconsistent for political authoritarianism to act in the name of democracy, or for democracies to apply authoritarian principles. Everybody's inconsistencies are removed by a simple redefinition of terms.

36) Oscar Lange, *On the Economic Theory of Socialism*. Minneapolis, 1938, p. 142.
37) A. P. Lerner, *Democratic Perspective*. The University Review, Kansas City, Autumn 1942, p. 70.
38) A. C. Neal, *Industrial Concentration and Price Inflexibility*, p. 12.

The great concern of the economists with the "economic optimum", implying the most economical allocation of resources, springs from the old illusion that capitalistic principles are economic principles. On the basis of this illusion, they apply their economic principles to all forms of society regardless of the particularity of the social relations. But behind their apparent timelessness is revealed their specific, historical, capitalistic character. For capitalism is not a social production but society production for capital. Precisely in its disregard for social relations and in its emphasis on ends and means there comes to light that particular social relationship that constitutes capitalism — the division of society into exploiters and exploited. In order to ignore this division, economics has to concern itself with the bettering of the existing state of affairs without altering it. For the economist a "better state of affairs" means a more "economical" one; the better allocation of resources and their fuller use for the given "social ends" — whatever they might be. Right now they happen to be war and victory, yesterday they were competition and accumulation without extensive warfare.

The ruling economic theories are so constructed that they can always serve capitalistic needs regardless how often or to what extent the form of capitalism might change. Their great adaptability to actual capitalistic changes brings to light once more that their quarrels about competition, monopoly and state control do not touch the real problem of capitalism but deal with the problems of capitalists which arise in their struggles over the division of surplus value. If this great adaptability has led to a redefinition of terms equating monopoly and competition it also contains, of course, the reluctant confession that Marx was right after all in his insistence that monopoly implies competition and competition, monopoly.

With few exceptions, then, economic theory echoes both the actual economic policy and the propaganda accompanying it. By itself it has nothing to offer but the theory of the equation of sacrifice and desire by way of demand and price formation which, already ridiculous in view of depressions, is made utterly nonsensical by war. The present-day optimism of the economists over assumed planning possibilities and the assumed trend towards a welfare economy by virtue, or with the help of government control is without any justification. Though it is true that for quite a while the economy tended towards a production for consumption goods,[39] this

39) George Terborgh's *Estimated Expenditures for Durable Goods* shows that durable consumers' goods production averaged 9.3 billions per year for the period 1919 — 1938; whereas for the same period durable producers' goods production averaged only 6.6 billions. (Federal Reserve Bulletin, Sept. 1939).

The predominance of durable consumers' goods production is an additional reason for the increasing economic stagnation. "Consumers durable goods demand," writes A. C. Neal (Industrial Concentration and Price Inflexibility, p. 160), "is influenced not by considerations of profitability of future demand, but by use-value and income. The use-value effect is likely to make for inelastic demand; particularly in depressions."...

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