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THE GENERAL THEORY OF STATE CAPITALISM
AND
THE NATURE OF THE CHINESE STATE

Part 1--The General Theory

by A.P., Detroit

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THE GENERAL THEORY OF STATE CAPITALISM

AND THE NATURE OF THE CHINESE STATE

PART I -- THE GENERAL THEORY

By A.P., Detroit

WHAT IS INVOLVED IN THE DISCUSSION ON CHINA

"The historical crisis of mankind is reduced to the crisis of the revolutionary leadership." (1) With these words Trotsky summed up the whole of the experience of the world working class together with the teachings of Marxism, and turned them into the most immediate of tasks, the building of the Fourth International. The decay of capitalism, the revolt of the masses, and the transformation of the Second and the Third International into counter-revolutionary petty-bourgeois parties are summarized in this sentence, along with the most concrete of conclusions -- that the historic task of the working class today is the building of the revolutionary vanguard.

But it is not alone this central programmatic conclusion, the role of the party, which is called into question by the position of the majority on China. What is involved goes far deeper than the differences between the Bolsheviks and Trotsky on the theory of the permanent revolution. What is involved goes beyond even the differences between the Bolsheviks and the Mensheviks. The question at issue is whether the working class is necessary for the proletarian revolution, or whether some other class, like the peasantry, can substitute itself for the proletariat.

Today the debate in the Trotskyist movement, as stated most clearly on the Chinese question, revolves itself ultimately to this: Can a counter-revolutionary petty-bourgeois party, basing itself upon an alien class, substitute itself for and play the role of the working class in the proletarian revolution -- or, on the other hand, can such a counter-revolutionary petty-bourgeois party substitute itself for and play the role of the bourgeoisie under the conditions of state capitalism?

Main
Issue

The answer of the state capitalist tendency, borne out by the whole weight of orthodox Marxist theory and by life itself is, that under the conditions established by (1) the drawn out decay of capitalism, (2) the unrelenting revolt of the masses, and (3) the lack of a mass revolutionary party; it becomes both necessary and possible for the petty-bourgeois parties to play out their last treacherous role.

The majority has rejected on the one hand the school of bureaucratic collectivists, on the other the disciples of the "centuries of degenerated workers states" thesis --- both of which envisage a historic stage intervening between capitalism and socialism, both of which no longer believe that the working class is historically destined and capable of building the socialist society.

It has rejected the conclusion of the Pabloites, that henceforth the role of the Fourth International would be that of loyal critic (we can do it better).

The majority bases its practice on the whole revolutionary tradition of Leninism and Trotskyism. It has fortified its revolutionary instincts by the objective events in East Germany and Vorkuta. It has recognized the fact of the continual revolt of the peasant and proletarian masses against their intolerable conditions under the rule of Stalinism, a revolt which might even utilize the crisis of war to overturn the bureaucracy. Thus, at the same time as in China by rejecting the need for both party and class, it restates and even sharpens the theoretical premises upon which the Pabloites deserted the movement, it develops by instinct and tradition the most audaciously revolutionary conclusions.

Majority
Centralist

Ultimately this conflict between theory and practice must be resolved. The events in China have posed the ultimate theoretical question, the role of the working class. They have underlined once more the problem of the role of the party. We know, for example, the formula of the Pabloites which says that the nature of the Stalinist parties changes under "mass pressure" from counter-revolutionary to centrist to left-centrist; or more, as in the case of China, from peasant, to worker and peasant, to workers party. The majority has recognized that this formula is designed as part of the capitulation to Stalinism, as part of the general Deutscherite scheme of the self-reform of the bureaucracy. But does the party really gain when the majority takes the position that unreformed Stalinist parties, counter-revolutionary petty-bourgeois parties can, without changing their nature, carry through the revolution and establish the dictatorship of the proletariat?

This question remains despite the fact that the latter formula permits retention of the aim of political revolution against the bureaucracy, whereas it is excluded by the theory and practice of self reform, a process which knows no social laws.

The confidence in our party as the mass revolutionary vanguard, and in the working class as the sole force capable of reconstructing society upon socialist foundations, of those of the state capitalist tendency is based upon more than instinct and tradition. It is based upon scientific Marxist theory. It has already justified its existence by the anticipation and consistent explanation of events, both positive and negative -- on a world scale,

Relation
State-Caps
to SWP

and within the revolutionary vanguard. * Its ultimate justification will be found in the coming socialist revolution.

* As the discussion unfolds, we hope to analyze the 20th Congress and the growing together of the Social Democracy and the Stalinist's from the State Capitalist point of view.

← In the meantime, we do our best, to establish a theoretical basis for the profoundly revolutionary conclusions which the Fourth maintains.

Traditional Theory of Marxism and State Capitalism

We are used to thinking of capitalism as a society in which the bourgeoisie rules under conditions of private property. In this section, we intend to demonstrate that the great Marxists, while describing and analyzing private-property capitalism, also described and understood the possibility of nationalized economy under capitalism. We will show that the theory of state capitalism is not a revision of Marxism, as some comrades think, but actually is Marxism today.

← The theory of state capitalism explains that a nationalized and planned economy is still capitalism so long as the workers do not have political power.

State capitalism, theoretically the last possible stage of capitalism, arises all over the world today. Compressed in the gigantic vise which is formed on one side by decay, on the other by mass revolt, more and more of capitalist society is driven to the form of its last defense, the organization into state capitalism.

← In this stage of capitalism, the state itself becomes the unit of competition on the world market, competing with other capitalist units, as the monopolies and trusts did before it. The state organizes production, squeezing surplus value out of the workers as did the trusts and monopolies of the earlier capitalist period. The laws of production which result in the class struggle and bring the downfall of capitalism continue to operate. In short, state capitalism is not a new society, but an altered form of the old capitalism. It arises only because of the long delay in the world revolution. It will fall before the coming proletarian onslaught.

The Arguments Against

Up to now the arguments against the state capitalist thesis run roughly as follows -- that the bourgeoisie will nationalize only secondary

aspects of the economy; that it would nationalize only those industries which were not profit-making, thus socializing the losses; and that finally the bourgeoisie would never nationalize because the state power would then offer too tempting a repository to the proletariat.

Life has rudely brushed aside these timid objections to the economic law of motion of capital and has reaffirmed orthodox Marxist theory to the hilt. In England the Labor Party, contrary to the confident predictions of the party, nationalized decisive and profitable sections of the British economy -- steel and transportation. The logic of centralization, and the growing need for integration of various sectors forced along this process. More to the point, in the advanced capitalist countries the declining rate of profit can, as in the case of England, bring not only individual industries, but whole nations to the brink of bankruptcy.

Widespread
Nationalization

In Austria, iron, steel, non-ferrous metals, coal, electricity, chemicals, drugs, salt, tobacco, machines, motors, locomotives and electrical apparatus are produced by the state. It wholly or partly controls investments, commercial and savings banks, railways, the telephone, telegraph and public transportation systems, warehouses, cold storage plants, building materials, theatres, motion picture production and the distribution of bread, meats, household articles, textiles and houses.

Only 25 percent of Austria's investment capital is in private hands. Nationalization of the oil fields and former Soviet-controlled industries would add 55,000 persons to those already working for the state.

One of the main issues dividing the right-wing Peoples Party and the Social-Democrats is not on what should be done with the already nationalized sector of the economy but on what proportion of the oil fields should be nationalized. In Argentina one of the crucial questions dividing the bourgeois parties is whether the State should maintain a semi- "free" economy or proceed to complete state planning.

In India the "socialist" Nehru and the Congress socialist party operating through the state, have taken over the commanding heights of the economy and have established a plan. In the backward countries of course, the problem is not so much the declining rate of profit in the direct sense, but the need to industrialize at a forced march in order to compete on the world market.

In Burma the petty-bourgeois socialists led a civil war, nationalized the totality of the Burmese economy, and established a plan.

As far as the subjective motives of the bourgeoisie in opposing nationalization for fear of tempting the proletariat is concerned, we need merely remark that the bourgeoisie does not as a whole desire war or fascism. War, next to revolution, is the gravest crisis of the regime not alone because

defect is always possible, but above all because war involves arming the masses. Similarly, under a fascist regime, the bourgeoisie gives up a number of privileges. Nevertheless history finds its way, despite the preferences of the bourgeoisie. We return to the actual course of developments below. Actually the theory of Trotsky, upon which these arguments are based, which equated nationalized property with proletarian revolutions and with workers states, inconsistent as it is with his other magnificent contributions to the

theory and practice of revolutionary Marxism, represents a deep-going revision of Marxism on four inter-related points which we discuss individually below:

1. The inevitability of state capitalist development, given the lack of intervention of the proletarian revolution.
2. The decisive character of political power in determining the class nature of the state.
3. The nature of the bourgeoisie.
4. The character of the basic contradiction in capitalism and the form of its solution under socialism.

Revisionist
errors of Trotsky

Orthodox Marxism and State Capitalism

Authoritative
proof of legitimacy

Marx, who wrote in the period most closely approximating classic laissez-faire capitalism, while laying bare its economic law of motion, was already able to make clear the ultimate theoretical form of its completion. Almost paralleling the developments towards state capitalism came the increasing recognition of it by the great masters following Marx. By the 1920's Trotsky established state capitalism vs. the workers state as the immediate alternatives facing society. But it is precisely in the period since the 30's when the pattern of state capitalism has revealed itself for all but the blind to see, it is precisely in this period that the theory suddenly became "revisionist", for a section of the Trotskyist movement. The reason for this change we shall comment on later. Now let us listen to the great voices of Marxism.

Marx:

"This limit would not be reached in any particular society until the entire social capital would be united, either in the hands of one single capitalist, or in those of one single corporation."

Engels:

"In the trusts, freedom of competition changes into its very opposite--

into monopoly; and the production without any definite plan of capitalistic society capitulates to the production upon a definite plan of the invading socialistic society...In any case, with trusts or without, the official representative of capitalist society -- the state -- will ultimately have to undertake the direction of production. This necessity for conversion into state property is felt first in the great institutions for intercourse and communication..."

"If the crises demonstrate the incapacity of the bourgeoisie for managing any longer modern productive forces, the transformation of the great establishments for production and distribution into joint-stock companies, trusts and state property show how unnecessary the bourgeoisie are for that purpose."

"All the social functions of the bourgeoisie are now performed by salaried employees...At first the capitalist mode of production forces out the workers. Now it forces out the capitalists and reduces them, just as it reduced the workers, to the ranks of the surplus population, although not immediately into those of the industrial reserve army."

"But the transformation, either into joint-stock companies and trusts, or into state ownership, does not do away with the capitalistic nature of the productive forces. In the joint-stock companies and trusts this is obvious. And the modern state, again, is only the organization that bourgeois society takes on in order to support the general external conditions of the capitalist mode of production against the encroachments as well of the workers as of individual capitalists."

"The modern state, no matter what its form, is essentially a capitalist machine, the state of the capitalists, the ideal personification of the total national capital. The more it proceeds to the taking over of the productive forces, the more does it actually become the national capitalist, the more citizens does it exploit. The wage workers remain wage workers -- proletarians. The capitalist relation is not done away with. It is rather brought to a head. But, brought to a head, it topples over. State ownership of the productive forces is not the solution of the conflict, but concealed within it are the technical conditions that form the elements of that solution... This (solution) can only come about by society openly and directly taking possession of the productive forces...whilst it (the capitalist mode of production) forces on more and more the transformation of the vast means of production, already socialized, into state property, it shows itself the way to accomplishing this revolution. The proletariat seizes political power..." (3)

For Engels "state ownership does not do away with the capitalist nature of the productive process." The greater the degree of nationalization, in a capitalist state, the more ideal is the state as the collective capitalist. Nationalized property, far from being, as such, the unfailing sign of a workers state, is only a technical arrangement, a form which can have directly opposing class content, depending upon which class holds political power.

And furthermore, without the intervention of the proletarian revolution, the statification of production, the nationalization of property is an inevitable consequence of the economic law of motion of capitalism.

For Lenin too the question of which class holds state power is decisive.

Lenin:

"In order to make this question quite clear, I will first of all, quote a concrete example of State Capitalism. Everybody will know this example: Germany. Here we have the 'last word' in modern, large scale capitalist technique and planned organization, subordinated to Junker-Bourgeois Imperialism. In place of the militarist, Junker-Bourgeois imperialist state, put a state but of a different class content -- a Soviet, that is a proletarian state, and you will have the sum total of the conditions necessary for socialism." (4)

"....a single road, through the state intervening stations called accounting and control of production and distribution leads both to State Capitalism and to socialism. It is precisely because it is impossible to advance from the present economic position of Russia without passing through what is common to both State Capitalism and Socialism, national accounting and control - that to frighten others and oneself by talking about 'evolving towards State Capitalism' is actual theoretical stupidity..."

"In order to convince the reader that my 'high' valuation of State Capitalism is not made here for the first time, but was made by me previous to the Bolsheviks taking power, I will quote the following from my pamphlet, 'A Threatening Catastrophe and How to Fight It', which was written in September, 1917... 'For Socialism is nothing else than an immediate step forward from state monopolist capitalism... State Monopolist Capitalism is the most complete material preparation for Socialism, it is the porch to it; it is one of the steps in the ladder of history between which and the step called socialism there is no intervening step.' (5)

"At present the post-office is a business organized on the lines of a state capitalist monopoly. Imperialism is gradually transforming all trusts into organizations of a similar type." (6)

".....The bourgeois reformist view that monopoly capitalism or state-monopoly capitalism is no longer capitalism, but can already be termed 'state Socialism', or something of that sort, is a very widespread error. The trusts, of course, have not created, do not create now, and cannot create full and complete planning,

But, however much of a plan they may create...we still remain under capitalism--a capitalism, it is true, in its new stage, but still, unquestionably, capitalism." (7)

"...the war has accelerated the development of capitalism; it advanced from capitalism to imperialism; from monopoly to nationalization." (8)

"Present economic conditions have caused the disappearance of planless capitalism. Up to the war there were monopolies, trusts, syndicates; since the war we have had state monopoly...Engels pointed out that to characterize capitalism as something distinguished by its planlessness, means to overlook the role played by trusts..., Engels' criticism was that 'when we come to the trust, then planlessness disappears' though there is capitalism. This remark of Engels is particularly appropriate now, when we have a military state, when we have state-monopoly capitalism. The introduction of planning into industry keeps the workers enslaved none the less though it enables the capitalists to gather in their profits in a more planfull way. We now witness the metamorphosis of capitalism into a higher, a regulated form of capitalism." (9)

"Marxists have never forgotten that violence will be an inevitable accompaniment of the collapse of capitalism on its full scale and of the birth of a socialist society. And this violence will cover a historical period, a whole era of wars of the most varied kinds, - imperialist wars, civil wars within the country, the interweaving of the former with the latter, national wars, the emancipation of nationalities crushed by the imperialists and by various combinations of imperialist powers which will inevitably form various alliances with each other in the era of vast state capitalist and military trusts and syndicates." (10)

Lenin would have obviously had no difficulty in making his way through the developments of state capitalism today, which are on a much larger scale than existed during his lifetime.

Bukharin:

"Capitalism has attempted to overcome its own anarchy by pressing it into the iron ring of state organization. But having eliminated competition within the state, it lets loose all the devils of a world scuffle." (11)

"State and private monopoly enterprises merge into one entity within the framework of the state capitalist trust...a maximum of centralization and a maximum of state power are required by the fierce competitive struggle on the world market. The latter two

causes...form the main factors making for state organization of production within capitalist society...The exigencies of war, and of imperialist preparations for war, force the bourgeoisie to adopt a new form of capitalism, to place production and distribution under state power, to destroy completely old bourgeois individualism." (12)

"It follows from the above that (as far as capitalism will ret in its foothold) the future belongs to economic forms that are close to state capitalism." (13)

"The opposite tendency, springing from the working class, will on the other hand, be confronted with a growing resistance on the part of the consolidated and organized bourgeoisie that has grown to be one with the state. Workers' gains that were a usual phenomenon in the former epoch become almost impossible...Class antagonisms become inevitably sharpened. This will take place also for another reason. State capitalist structure of society, besides worsening the economic conditions of the working class, makes the workers formally bonded to the imperialist state....The workers are deprived of the freedom to move, the right to strike, the right to belong to the so-called 'subversive' parties, the right to choose an enterprise, etc. They are transformed into bondsmen attached not to the soil, but to the plant. They become white slaves of the predatory imperialist state, which has absorbed into its body all productive life. Thus the principles of class antagonisms reach a height that could not have been attained hitherto. Relations between classes become most clear, most lucid; the mythical conception of a 'state elevated above classes' disappears from peoples' consciousness, once the state becomes a direct entrepreneur and an organizer of production." (14)

So accepted were these concepts among the revolutionary Marxists, that Lenin in his introduction to the work from which the above material is taken, did not even think it necessary to comment upon them. We shall in a moment see that Trotsky shared in these views, which nevertheless vanished from the consciousness of the Trotskyist movement, to reappear in the majority viewpoint, as revisionism somehow equivalent to bureaucratic collectivism. No one for a moment can imagine that the great Marxists were thus stating their belief in a new lease of life for capitalism; or its ability to overcome its basic contradictions; or the lack of ability of the proletariat to overthrow capitalism. On the contrary, these ideas, the concepts of state capitalism, were the highest reaffirmation of the revolutionary perspective for the working class and for its vanguard party. And yet, sometimes by implication, sometimes directly, these charges that we are extending the life of capitalism, are precisely the charges which are hurled against the adherents of the state capitalist viewpoint within the revolutionary movement today. The contrary, as we shall see, is actually the case. Let us now see what Trotsky had to say on the question.

Trotsky:

"To this...('talk' of the consistent socialization of the democratic republic) we Marxists replied that so long as political power remained in the hands of the bourgeoisie this socialization was not socialization at all, and that it would not lead to socialism but only to state capitalism. To put it differently, the ownership of various factories, railways, and so on by diverse capitalists would be superseded by an ownership of the totality of enterprises, railways, and so on by the very same bourgeois firm, called the state. In the same measure as the bourgeoisie retains political power, it will, as a whole, continue to exploit the proletariat through the medium of state capitalism, just as an individual bourgeois exploits, by means of private ownership 'his own' workers. The term 'state capitalism' was thus put forward, or at all events employed polemically by revolutionary Marxists against the reformists, for the purpose of explaining and proving that genuine socialization begins only after the conquest of power by the working class." (15)

"The reformists have always declared that socialism will be realized through a progressive nationalization (is state socialization). In France this was Jaures' program. Our view, on the other hand, has always been that by this route we can never get beyond state capitalism, for so long as the bourgeoisie remains in power, State Capitalism, as the collective instrument of the bourgeoisie, will continue to serve for the oppression and exploitation of the working class." (16)

"That old watch dog of capitalism, Samuel Gompers, head of the A.F. of L., is conducting a campaign against the nationalization of railroads which is being advocated in America, in France and other countries as a panacea by the simpletons and charlatans of reformism...

A transfer of the principal branches of industry and transport from the hands of the individual trusts into the hands of the 'nation', i.e., the bourgeois state, that is, into the hands of the most powerful and predatory capitalist trust, signifies not the elimination of the evil but only its amplification." (17)

"The statization of economic life, against which capitalist liberalism used to protest so much, has become an accomplished fact. There is no turning back from this fact - it is impossible to return not only to free competition but even to the domination of trusts, syndicates, and other economic octopuses. Today the one and only issue is: Who shall henceforth be the bearer of state-ized production -- the imperialist state or the state of the victorious proletariat?." (18)

It is indeed high time for the comrades of the majority to say, and say clearly, whether this method of Marxist analysis has been negated or confirmed by events since the 20's. It is high time that we be told whether the arguments advanced against state capitalism which were referred to above are: (a) consistent with orthodox Marxism, and (b) confirmed or invalidated by the historic developments throughout the world both in the advanced and in the backward countries as well.

Land Reform and State Power

That the Marxists considered the question of state power as decisive also in relation to changes in the form of property relations on the land can be seen from the following comments by Trotsky:

Discussion
of Land
reform
after.

"Lenin stood for nationalization, on condition of the passing of all power to the people. Plekhanov, the chief theoretician of Menshevism, recommended not trusting the future central government with the land funds of the country... 'Considering the possibilities of restoration, nationalization is dangerous...' In his opinion the transference of land into the hands of the state would have been admissible only in the event that the state itself belonged to the workers.. 'The seizure of power is compulsory for us' Plekhanov was saying, 'when we are making a proletarian revolution. But since the revolution now impending can be only petty-bourgeois, we are duty bound to refuse to seize power.' Plekhanov subordinated the question of the struggle for power--and that was the Achilles heel of his entire doctrinaire strategy--to the a priori sociological definition, or rather nomenclature, of the revolution, and not to the real relationship of its inherent forces." (19)

"Plekhanov was, of course, right when he placed the agrarian question in inseparable connection with the question of power. But Lenin, too, understood the nature of that conjuncture and rather more deeply than Plekhanov." (20)

Involved here are two issues. In the first place it can be seen that there was absolutely no question of whether or not the petty-bourgeoisie could under some circumstances nationalize the land, but that the question of its progressive character would be determined only by the character of the state power-- that is, by determining which class holds the political power. In this, as well as any number of other questions, it will be seen that the major emphasis of the Bolsheviks was not on whether or not this or that class could perform this or that measure, but that the progressiveness of the measure itself was determined by which class carried it through. The failure to understand this properly has also led to confusion on certain aspects of the theory of the Permanent Revolution. But to this we return in the second section.

In the second place, what has actually happened in our movement as revealed most clearly in the discussion on China is that Plekhanov has been stood on his head, but remains nevertheless recognizable as Plekhanov. We too have "subordinated the question of the struggle for power to the a priori sociological definition of the revolution, and not to the real relationship of its inherent forces." That the working class played a passive if not negative role in the events in China is a matter of record. That the prime mass force was the peasantry, or rather sections of it mobilized in an army is recognized by all. That the vanguard party was a counter-revolutionary, petty-bourgeois peasant party is accepted by the majority. But over and above the real relationship of the inherent class forces is placed the nationalization of industry -- i.e., an a priori sociological definition of what constitutes the characteristic form of organization of a workers regime. Leaving aside the absolute falsity of nationalization as the defining factor, nevertheless we see that the comrades reason backwards. Because there is nationalization, therefore it must be a proletarian revolution. In Russia, on the other hand, we are sometimes told that the proletarian character is determined by its origin as a proletarian revolution. To this we also return in the second section.

The Decisive Character of Political Power

In view of the entire mass of material referred to above, we must again ask who are the revisionists? As a matter of fact, so little did Trotsky equate nationalized property with workers state, at least up to the point when the left opposition acknowledged that the workers in Russia had been expropriated of political power, that he wrote: "It is perfectly obvious that from the economic standpoint the expropriation of the bourgeoisie is justified to the extent that the workers state is able to organize the exploitation of enterprises upon new beginnings. The wholesale, overall nationalization which we carried through in 1917-18 was completely out of line with the condition I have just now described. The organizational possibilities of the workers state lagged far behind total nationalization. But the whole point is that under the pressure of civil war we had to carry this nationalization through." (21)

If all this is true, if only partial nationalization can take place in a workers state and full nationalization in a capitalist state, then how do we determine which is which? This is the inescapable question, twist and writhe as one may. The answer, implicit and explicit, remains simply which class holds the political power.

Of necessity, once the theoretical possibility of state capitalism, with the state acting as the "collective capitalist", as the "ideal personification of the total national capital", is established, then the decisive question in any instance becomes not whether property is nationalized, whether 50% or 70% or 100%, but whose is the state, or whose property is the state; the decisive question becomes -- is it "a Soviet, that is a proletarian State."

How is it then that Marxists, all the great Marxists, have seemingly departed from the Marxist conception that politics is but a part of the superstructure, that economics is the deciding factor? A partial answer lies in this, that Marxists have always held economics to be decisive only in the long run, so that for transitional periods the political power can be, or rather is, the decisive factor. That is one reason why it is possible to have workers' states with little nationalized property, and capitalist states with all decisive sections of the economy nationalized. But this is only part of the answer.

The fact is, that the historic tendency of capitalist society is toward centralization, and at a certain stage, toward total centralization, towards the absolute interpenetration of economics and politics, of economic power and political power of social domination and political domination, to the point where the two can no longer be distinguished. This is not only a tendency, but in the death agony of capitalism it becomes an absolute necessity, both from the point of view of domination of national capitalist states in the world market, and also from the point of view of the total power necessary to oppress the proletariat.

For the proletariat especially does political and social power become indivisible. That is why Lenin said that "politics are the concentrated expression of economics... Politics cannot but have precedence over economics. To argue differently means forgetting the ABC of Marxism." (22)

That is why Trotsky said that "Our most important weapon in the economic struggle occurring on the basis of the market is -- state power. Reformist simpletons are the only ones who are incapable of grasping the significance of this weapon..." (23) There are many who imagine that our state industry represents genuine state capitalism, in the strict sense of this term as universally accepted among Marxists. That is not at all the case. If one does speak of state capitalism, then this is done in very big quotation marks, so big that they overshadow the term itself. Why? For a very obvious reason. In using the term it is impermissible to ignore the class character of the state... Today in Russia the power is in the hands of the working class... Under a genuine state capitalism, that is under bourgeois rule, the growth of state capitalism signifies the enrichment of the bourgeois state, its growing power over the working class. In our country, the growth of Soviet State industry signifies the growth of socialism itself, a direct strengthening of the power of the proletariat." (24)

In other words, the character of the nationalization is determined by the character of the state, and not vice versa.

That is why Bukharin said that "We must seize power and keep it and make no political concessions. But we may make many economic concessions. But the fact of the matter is we are making economic concessions in order to avoid making political concessions." (25)

In a more general form, following on Lenin's approach, Bukharin goes on as follows: "...the production relations cannot be overturned without also upsetting the political congection of these relations; on the other hand, if the political power is broken, this also means the destruction of the domination of this class, (our emphasis, A.P.) for politics is the concentrated expression of economy. (26)...We are...dealing with things in the reverse order. The analysis is not proceeding from economy to politics but from politics to economy. (Our emphasis, A.P.) In fact, since production relations are being altered by the lever of political authority, it follows that economy is determined by policy...(27) It is not surprising therefore, that the process of a reversed influence of the superstructure (political ideology, conquest of power, application of this power in reshaping the production relations) is of long duration, filling an entire historical period...." (28)

What Bukharin is emphasizing here, of course, is the role which the working class and the most conscious factor, the party, the "political ideology" play in the proletarian revolution; the class and the party, developing from the material circumstances, in turn affect the material conditions and become the decisive factor. The new society expresses itself in the transition period in political power, which has already become indistinguishably merged with economic and social power.

Can There Be a Proletarian Bonapartism?

The majority believes that China is a workers' state, that the CCP rules as a Bonapartist representative of the working class, indeed that it made the revolution as a Bonapartist representative. The state capitalist tendency maintains that China is a capitalist society -- that the leadership of the CCP, which absorbed large sections of the old bourgeoisie, serves as the collective capitalist, as the ideal personification of capital. For us, for orthodox Marxists, there can be no such thing as Bonapartism in a workers' state. At the heart of Marxism is this simple idea -- the workers rule directly or not at all.

Similarity of Forms - Difference of Essence

The confusion on the part of the majority arises from the fact that a capitalist society in its death agony bears the form of the society struggling to be born. The two social systems nationalize industry. Competition between individual capitalists or groups of capitalists disappears. The state plans production. A monopoly of foreign trade is established. At the last the two social systems are alike in all aspects except for the qualitatively basic one -- the role and position of the working class. But the greatest source of difficulty lies in this -- that the dependence of bourgeois society for its existence upon petty-bourgeois parties with roots in and control over the masses, hitherto relative, becomes in the final stages of capitalism an absolute dependence. Into the vacuum created by the interplay of three factors -- decay of capitalism, revolt

of masses, lack of revolutionary leadership -- steps the petty-bourgeois parties which place themselves at the head of the revolting masses, give the appearance of moving with the revolution, and then channelize and decapitate it.

But because the majority has permitted its attention to be distracted from the main question -- the role and position of the working class -- it has allowed the outward similarities to lead it into seeing the birth of the new in what actually is the death convulsions of the old. It has mistaken the forms of dying capitalism for the birth of a workers' society.

How a Workers' State is Born

Polit power >
econ power.

A workers' state must come into being in a manner different from that of all other preceding societies. The working class in order to establish its rule, first seizes political power and then uses that power to take over the economy and assure its continued dominance.

The capitalist class came to power in the opposite way. It established its dominance over the economy long before it had control of the state. It was already a power when it united with the monarch against the feudal lords. It was already well in control of the economy before it seized state power. It used state power, not to bring capitalism to birth, but to consolidate its already established position, and establish the arena for its expansion.

This historical difference between the road to power of the bourgeoisie and that of the proletariat is explained by Marx and Engels. In the Manifesto we read that:

"All the preceding classes that got the upper hand, sought to fortify their already acquired status by subjecting society at large to their conditions of appropriation. The proletarians cannot become masters of the productive forces of society except by abolishing their own previous mode of appropriation, and thereby also every other previous mode of appropriation. They have nothing of their own to secure and fortify.." (29)

The bourgeoisie when it seized political power, was fortifying its "already acquired status" in the economy. The proletariat, with "nothing of their own to secure and fortify," must first seize the state. It is not possible for the working class to do what was possible for the bourgeoisie, which, as Engels puts it "...buys its gradual social emancipation for the price of immediate renunciation of its own political power." (30) The bourgeoisie could come to power gradually or could maintain its power in the primary field of social-economic relations, while renouncing "its own political power". But for the proletariat political and social power is indivisible. Its social dominance is summed

up and can be expressed in no other way than through its political power.

It is the separation between control of the state and control of the economy which is possible under classical capitalism which permits and invites the phenomena of Bonapartism, both in its period of ascendancy, and in its decay. It is this separation which explains why the seeming elevation of the state above the contending classes is not in conflict with the interests of the bourgeoisie.

But the precise characteristic of the proletarian revolution and of the workers state which differentiates it from bourgeois society in its classic form, its unique quality, which unifies social and political rule, makes working class Bonapartism a theoretical as well as a practical impossibility. The workers rule directly, or not at all.

Trotsky's Concept of Bonapartism

In order to maintain that a workers' state can exist while the proletariat is politically expropriated, an analogy has been borrowed from the history of bourgeois society, the role of Bonapartism. But precisely because the fundamental difference between bourgeois and proletarian revolutions is thus far ignored, the inherently self-contradictory nature of this analogy, results in the multiplication of contradictions in direct proportion as it is concretized and applied.

Trotsky's
Bonapartist theory
diff. from Marx's

In the first place, the concept of Bonapartism was introduced by Marx in relation to the role of the second Bonaparte, of Louis. Trotsky, in attempting his analogy had to utilize Napoleon. And here, right at the outset, the difficulties begin. For Marx, Bonapartism reflected a crisis regime characteristic of a social system which was already beyond its progressive stage. More accurately, it was a crisis not of any social system, but specifically of the bourgeois order. Paranthetically let us note that Marx dealt harshly with those who saw resemblances between Bonaparte and Caesar; with those who used the term Caesarism to describe the crisis regime of Louis but at the same time failed to recognize the decisive reason for the unworkability of such an analogy, attractive as it seemed on the surface. And the reason for Marx was simply that the two terms were characteristic of two different social systems, two differing classes.

In any case, Trotsky at the least recognized that in dealing with a social system which has not become historically outlived, it is impossible to set up an analogy with one that is. Trotsky thereupon turned to the earlier Bonaparte, to Napoleon, whose role was supposedly similar to that of Stalin; who expropriated the bourgeoisie politically but who maintained the progressive property relations, just as Stalin did in relation to the working class.

But in overcoming one difficulty, the newly invented Bonapartism plunges into another, at least as serious.

Materialists hold that the role of Napoleon was necessary and historically progressive. Negative and even reactionary elements there were aplenty, but on balance, as a whole, the progressive elements outweighed the rest. Marx said that "Under the absolute monarchy, during the first revolution, and under Napoleon, bureaucracy was only the means of preparing the class rule of the bourgeoisie." (31)

The bourgeoisie was not yet prepared, not yet strong enough to rule in its own name. Bonaparte organized bourgeois society so that it could function efficiently. He consolidated the gains of the bourgeoisie against the old feudal order on the right. But in addition, and of greater consequence, he protected it against the left, against the encroachments of the plebeian strata of French society, from those elements which threatened to carry the revolution beyond its historic limits and possibilities. Napoleon, in a word, reflected the interests and needs of the bourgeoisie. His regime was historically progressive.

Let us for the moment not challenge analogies drawn up in this ahistoric manner, which ignore the differences in the social systems. Let us ignore the substitution of a Bonaparte of the birth for a Bonaparte of the decay of the social system. What then? What is the role of this Bonapartism in a workers state? Is its historic role to prepare the class rule of the proletariat, who, like the bourgeoisie in the French revolution are not yet ready to rule in their own name? The conclusion of course is that Stalin, whatever defects he had, played a historically necessary and progressive role. Or, on the other hand, is the relationship between the Bonapartist bureaucracy in the workers state to the proletariat more akin to the relationship between the plebeian elements and Bonaparte in the French revolution? In other words, did the working class attempt to push the revolution beyond its historic limits and possibilities, and was the role of the bureaucracy that of restoring the balance?

The analogy with Napoleon, which is not Bonapartism, properly speaking, does not belong to us. One of its conclusions belongs to the Pabloites and Stalinists; the other to the bureaucratic collectivists and the theoreticians of the managerial society.

Nor can we apply the analogy with Louis Bonaparte, who represented the interests of a class which was no longer historically progressive. This was Bonapartism as conceived by Marx, a crisis regime which seemingly elevates itself above the contending classes in order to serve better the interests of the ruling class. We leave it to the more imaginative to construct the workings of this analogy as it would apply to a workers state.

The Bonapartism of bourgeois society, possible in the first place because of the division between economic and political power, is in the historic interests of its class and plays a necessary and progressive function from the point of view of its class. Because of the basic differences between the bourgeois and proletarian revolutions; because the proletariat in contradistinction to the bourgeoisie, can express its social dominance in no other way than through political power, there can be no such thing as working class Bonapartism. The working class rules directly in its own name, or not at all.

Special Situations

The theory of proletarian Bonapartism, historically unjustified and misleading as it was, nevertheless was used originally to explain a limited and exceptional phenomena, the "degeneration" of a workers state. It has now been extended into the area of the establishment of degenerated and deformed workers states. Within this category it has moved from the achievement of workers' states through military-bureaucratic means (Eastern Europe), to the conversion of a Stalinist party into a left-centrist party (Yugoslavia); to the conversion of a peasant into a working-class party and the substitution of the peasantry as a class for the proletariat in the achievement of the proletarian revolution (China).

*Expansion of
Bonapartist theory
over the world.*

This "special" theory which has as its reverse side the equation of workers' states with nationalized property, is not, with the growth of state capitalist formations, special at all. It knows no limits, except the proletarian revolution. Each "special" situation is soon replaced by another, each in its turn destroying ever-widening sections of the most fundamental Marxist theory.

At the base of the difficulty lies the inability to grasp and apply the orthodox Marxist conception that capitalist relations of production can be expressed through nationalized property forms; that when the working class does not seize power, or is expropriated from power, regardless of whether the bourgeois relations express themselves in classic form or in the form of nationalized property, they remain bourgeois relations.

State Capitalism vs Bureaucratic Collectivism

But suppose, say some, all of this is true, does it not still remain necessary, if we are not to lose ourselves in the world of theory, important as that might be, to distinguish between nationalizations in which the old bourgeoisie has been replaced, in some cases through mass actions from below, even if the proletariat and its party have not been involved, and nationalizations which take place, so to speak, from above, and in which there is no break in continuity in the make-up of the ruling class? How can there be a bourgeois state or a bourgeois counter-revolution in a workers state without a bourgeoisie?

The main difficulty here is not primarily a difficulty of theory. The difficulty is a fear that despite the overwhelming theoretical evidence and the unanswerable arguments of events, if we accept the possibility and actuality of state capitalism and the decisive quality of political power, are we not in actuality leaving ourselves wide open to a theory of bureaucratic collectivism no matter what we call it? A theory which provides for a new stage intervening between capitalism and socialism; that the possibility implicit in the concept of working class Bonapartism, the lack of preparation by the working class to rule in its own name, might actually be the conclusion? Nothing could be further from the truth.

The theory of bureaucratic collectivism states that Stalinism is a new ruling class, neither capitalist nor working class. ← What the laws of motion of the new society are has never been explained. What are its limits, what will bring about its downfall? The answers to these questions remain buried in Shachtman's subconscious.

According to Marxist theory, a new society comes to birth only when it has a historic mission to perform. Feudalism, which grew out of slave economy, even though not directly, developed the productive forces and, therefore, in its early day was progressive. Capitalism, which developed the productive forces further, was in its early day progressive also. Each social system carried out its historic task, and each in the period of its birth and expansion was progressive.

If the theory of bureaucratic collectivism is to be consistent with Marxist theory and with historical experience and if, as Shachtman says, such systems already exist, then Shachtman must also say that bureaucratic collectivism -- and not socialism -- is on the order of the day. And that, as "part of the collectivist epoch," it will qualitatively raise the productivity of labor, the productive forces, sufficiently to fulfill the historic mission of a new society. The theory of bureaucratic collectivism is a questioning of the ability of the working class to come to power in this epoch of decaying capitalism. If a new social system has made its appearance, then it must run its course, and Socialism is utopia.

That the theory of bureaucratic collectivism leads to a questioning of the ability of the working class to take power is a prognosis already confirmed in the behavior of the Shachtmanites. It is because they have no scientific basis for a revolutionary perspective that the Shachtmanites have already adapted themselves to the Reuther bureaucracy. It is because their theory leads to a denial of the ability of the workers to take power that they are moving towards the adoption, on the basis of lesser-evilism, of the position of support to the United States as against Russia. The utopianism of proletarian revolution

leaves them only this choice -- Stalinism or U.S. imperialism.

(We might note, parenthetically, the parallel phenomenon of Pablo-Cochran. The centuries-of-deformed-workers-state concept, which also results in a denial of the role of the proletariat, has led to adaptation both to Stalinism and to the trade union bureaucracy. And a clinging to the workers state nature of CP nationalizations has not saved Pablo-Cochran from their petty-bourgeois orientation.)

While the theory of bureaucratic collectivism leads to a denial of the ability of the proletariat and to a denigration of the importance of the revolutionary party, the theory of state capitalism reaffirms and strengthens the Marxist perspective.

The nationalization of industry, the planning of the economy by a capitalist state, solves nothing for capitalism. The laws of motion of capitalism are not repealed when the concentration of capital in the hands of monopolies becomes the concentration of capital in the hands of the capitalist state. Surplus value must still be ground out of the working class at the fastest possible rate. The working class resists. The class struggle intensifies. No new historic mission exists to give capitalism new life. State capitalism is only a new form for the same old essence. The decay of capitalism is irreversible and the taking of power by the working class is more than ever on the order of the day. State capitalism solves not one basic problem of capitalism. On the contrary it raises class antagonisms to an impossibly high pitch.

The theory of state capitalism reaffirms the Marxist position that whatever else the petty-bourgeois party, in the absence of the revolutionary vanguard, may be capable of, it is not capable of making a workers' revolution. Only the workers can do that. And only a revolutionary party -- the party of the Fourth International -- can lead the working class. Nothing is given to the Social Democracy. The role of the Fourth International is as extensive and vital as ever. Nothing is given to the petty-bourgeois Stalinism. The economics of this analysis is presented below.

The Bourgeoisie and Petty Bourgeois Nationalizations

The recognition of the fact that the capitalist state increasingly emerges within the orbit of the world market as the basic unit of capitalist competition should lead us to approach the problem of nationalizations carried through by the petty bourgeoisie with great caution.

Indeed, instead of searching for some means of explaining how proletarian revolutions are carried through, bargain basement style, by a counter-revolutionary petty-bourgeois party, we

would seek instead to explain how the bourgeoisie is forced more and more to utilize the petty bourgeoisie to maintain the social rule of capital, and how, in the process, by no means always logical and peaceful, the bourgeoisie, reflecting the needs of capital in the epoch of the death agony of capitalism, adapts itself, by raising up a section of the petty bourgeoisie. It must be made clear, however, that this adaptation is a reflection not of the further viability of the class, but of its final act. It has the strength to drag itself to the location of its final resting place, but not more.

Bourgeoisie
on the bour

What then is the nature of this class? Because the great Marxists based themselves always on the immediate possibilities for proletarian revolution, they had no reason to, nor could they, concretize theory to the point necessary in this period of the death agony of capitalism. Nevertheless, the answer to this important question lies implicitly, and in many cases explicitly, within the confines of orthodox Marxist theory.

In the sections that follow we discuss separate, though parallel and interconnected tendencies in evolution -- the organic fusion of which results in the state Engels described as "the collective capitalist," as "the ideal personification of capital."

The Bourgeoisie Rules in Different Forms

The bourgeoisie, like the social system it represents and the capital it personifies, has a history of birth, development and degeneration. Neither its content nor its relationship to other sections of society, except to its direct opposite, the proletariat, is given for all time. The feeble shoots of bourgeois relations were nurtured and directed in the period of mercantilism by an alien class grouping, the monarchy, through the mechanism of the state. The period of its classical existence under laissez-faire, necessary as it was for Marx to isolate it clinically in order to study the pure form, was at best simply a transitional era. In the period of death agony, the bourgeoisie is attended, as in the period of its birth, by parts of an alien class grouping through the mechanism of the state.

History
of the bourgeoisie

Just as in the process of absorbing the alien grouping which attended its birth the bourgeoisie changed its own character, so too does it behave in the period of its destruction. The dictatorship of the petty-bourgeois Jacobins marked the emergence of the bourgeoisie as the dominant class; its end is marked by a dictatorship of sections of the petty-bourgeoisie, which, through the medium of state capitalism, oppresses and controls the workers. The petty bourgeoisie integrates itself with sections of the old bourgeoisie, and thus, lacking the leadership of the proletarian party, dooms itself along with the class with which it integrates.

There are several ways in which the changing character of the bourgeoisie might begin to be indicated. All comrades are aware, in a general sense, of the standard divisions into commercial and owning, industrial, and financial bourgeoisie; representing not so much different aspects as different stages in the development of capitalism. The economic historian Pirenne has this to say: "I believe that, for each period into which our economic history (since the Middle Ages -- A.P.) may be divided, there is a separate and distinct class of capitalists."

Different classes
of capitalists

"In other words, the group of capitalists of a given epoch does not spring from the capitalist group of the preceding epoch. At every change in economic organization, we find a break of continuity. It is as if the capitalists who have up to that time been active recognize that they are incapable of adapting themselves to conditions which are evoked by needs hitherto unknown and which call for methods hitherto unemployed ... In short, the permanence throughout the centuries of a capitalist class, the result of a continuous development and changing itself to suit changing circumstances, is not to be affirmed. On the contrary, there are as many classes of capitalists as there are epochs in economic history...."

"It shows that the growth of capitalism is not a movement along a straight line, but has been marked by a series of separate impulses, not forming continuations of each other, but interrupted by crises..." (32)

Marx puts it this way: "Where M. Guizot sees only placid tranquility and idyllic peace, most violent conflicts, most thorough-going revolutions, were actually developing... Entire classes of the population disappear, and new ones with new conditions of existence and new requirements take their place. A new, more colossal bourgeoisie arises. While the old bourgeoisie fights the French Revolution, the new one conquers the world market." (33)

Rising in the period of decaying capitalism, the new bourgeoisie of pure state capitalism has no progressive historic function. It is merely the other side of the failure of proletarian leadership. It is merely another form of bourgeois rule.

The Bourgeoisie - Agent of Capital

But before we outline the recent history of the bourgeoisie, let us establish the essence of this class, in terms of orthodox Marxist theory.

Importance of
bourgeoisie
agent of
capital only.

For materialists, in the last analysis, a class is determined not by the amount or form of its income, nor by its source, but

by the role it plays in production.

"Conditions of distribution are conditions of production viewed sub alia specia," Marx said. (34) "What constitutes a class?" he asks. ". . . At first glance it might seem that the identity of their revenue and their sources of revenue does that.... However, from this point of view physicians and officials would also form two classes..." (35) That is why Marx says that "the capitalist is merely capital personified and functions in the process of production as the agent of capital." (36)

Many comrades believe that the motive force of capitalist production is profit. That concept as a popularization, is right as far as it goes. But to stop there is to fall into all kinds of subjective traps. The logical implication of production for profit is that production becomes a source of personal revenue for capitalists, and what is actually only an incidental, a secondary phenomenon, seems to be the driving force and social aim of capitalist production.

Actually, the social purpose of capitalist production is the accumulation of capital, i.e., the capitalization of surplus value -- not for income for the capitalist but for the further expansion of production. That is why there has been some misunderstanding of Marx's repeated phrase about capitalist "production for the sake of production." Accumulation for accumulation's sake, production for production's sake: by this formula classical economy expressed the historical mission of the bourgeoisie.... If, to classical economy, the proletarian is but a machine for the production of surplus value; on the other hand, the capitalist is in its eyes only a machine for the conversion of this surplus value into additional capital."(37)

In carrying on production for the sake of production a capitalist class serves as the agent of capital, as its personification." Except as personified capital, the capitalist has no historical value, and no right to that historical existence.... And so far only is the necessity for his own transitory existence implied in the transitory necessity for the capitalist mode of production. But, so far as he is personified capital, it is not value in use and the enjoyment of them, but exchange-value and its augmentation, that spur him into action. Fanatically bent on making value expand itself, he ruthlessly forces the human race to produce for production's sake; he thus forces the development of the productive powers of society, and creates those material conditions which alone can form the real basis of a higher form of society, a society in which the full and free development of every individual forms the ruling principle. Only as personified capital is the capitalist respectable. As such, he shares with the miser the passion for wealth as wealth. But that which in the miser is a mere idiosyncrasy, is, in the

capitalist, the effect of the social mechanism of which he is but one of the wheels." (38)

In other words, despite its appearance, capitalist production is not production for the personal profit and enlarged consumption of the capitalist class. The capitalist's subjective motive coincides with, is in harmony with the object of capitalist production. "It will not do to represent capitalist production as something which it is not, that is to say, as a production having for its immediate purpose, the consumption of goods, or the production of means of enjoyment for capitalists. This would be overlooking the specific character of capitalist production, which reveals itself in its innermost essence. The creation of (this) surplus value is the object of the direct process of production..." (39)

This is how Marx sums it up. Despite the surface appearance, it is not the bourgeoisie which makes use of capital -- it is capital which utilizes the bourgeoisie as its agent, as its personification. As such, the bourgeoisie is free to function, but only within the laws of capitalist production. For no sooner does the individual capitalist's prime consideration become profit that can be consumed and not capital accumulation, then he is inexorably eliminated from the scene as agent of capital.

From this basic point of view, the bourgeoisie is defined as the class which has for its function the disposal of capital in general, and within the process of production functions as the manager and ruler of the productive process. Marx puts it this way: "The authority assumed by the capitalist by his personification of capital in the direct process of production, the social function performed by him in his capacity as a manager and ruler of production, is essentially different from the authority exercised upon the basis of production by means of slaves, serfs, etc.

Upon the basis of capitalist production, the social character of their production imposes itself upon the mass of direct producers as a strictly regulating authority and as a social mechanism of the labor process graduated into a complete hierarchy. This authority is vested in its bearers only as a personification of the requirements of labor standing above the laborers." (40)

Luxembourg, whatever her confusion on other aspects of Marxist economics, understood this well. In her criticism of the revisionist Bernstein she says: "By 'capitalist' Bernstein does not mean a category of production but the right to property. To him capitalist is not an economic unit but a fiscal unit. And 'capital' for him is not a factor of production but simply a certain quantity of money....By transporting the concept of capitalism from its productive relations to property relations, and by speaking of simple individuals instead of speaking of

entrepreneurs, he moves the question of socialism from the domain of production into the domain of relations of fortune; - that is, from the relation between Capital and Labor to the relation between rich and poor." (41)

Ownership and Control in the Productive Process

In classical capitalism, the relationship to the means of production is expressed through personal ownership in a simple one to one manner. The entrepreneurs, those who preside over the disposal of capital, and who function as the managers and rulers of and within the productive process, are those who own. Control, which is a shorthand way of expressing the power of presiding over the disposal of capital and of functioning as manager and ruler in the process of production, and ownership, are vested in the same person. But as the process of the accumulation of capital takes place, increasingly vast amounts of capital become necessary. At first, in the partnerships, individual capitalists pool resources. Then joint stock companies make their appearance, followed by corporations, and so on. The search for capital reaches into layers of the population not remotely connected with the productive process or the bourgeoisie, through the sale of stocks, bonds, etc.

Historical
Separation
Own-Control

The vast funds of the insurance companies, collected from the dimes and quarters of the lowest sections of the population become, in America, for example, the chief sources of capital invested in large scale agriculture. Pension funds, actual deductions from wages, become another chief source of capital. Personal fortunes increase tremendously, but on nowhere near the scale necessary to continue the process of capital accumulation from that source alone. Ownership, that is, as a title to income, becomes increasingly separated from the actual process of production, and alongside the active bourgeoisie, there develops a class of rentiers. Ownership still remains at this stage as an important defining characteristic of the bourgeoisie, but it no longer serves as the defining characteristic.

Thus at first, ownership and control are synonymous; then ownership becomes decisive, not as such, but in relation to the control it permits over far vaster amounts of capital than is or can be owned; control then separates itself increasingly from ownership, a rentier bourgeoisie develops. The state intervenes, accentuating the process of the division between ownership and control already under way. Without the intervention of the proletarian revolution, state ownership follows -- control and ownership are again synthesized, but in the state, the ideal personification of capital, the collective capitalist. This process does not take place at the same time or in the same precise and logical form in all countries, or even among different industries within the same country, but the direction of the development is unmistakable.

Brady describes the general process up to a certain stage thus: "Ownership is being cumulatively separated from management and control, just as previously the laborer was separated from ownership. But the matter does not come to rest there. Although the owners of corporate securities are steadily drifting into the status of a rentier class... the changed status is no longer traceable entirely to a reduction of equity rights through stock and debenture classifications or to mere blocked holdings strategically placed at the head of a control pyramid such as the holding company. In the huge corporate complexes of all major capitalistic countries there are growing up inner blocs of bureaucratically self-perpetuating interests; these blocs may have next to no ownership stakes in the vast properties, which, nevertheless they are able to manipulate... So far as these inner governing cliques are concerned, one by one all the old ownership frontiers are being abandoned, and power flows out from the inner sancta like water through a shattered system of dykes"... "within the several corporate segments of this almost consanguineous community of interests, de factor control has been gradually narrowed down until it is typically held by very small, almost entirely self-perpetuating and largely non-owner directorial and managerial cliques." (42)

← This group, which tends to divest itself of ownership rights, presents no difficulty whatsoever to Marxists. Whether they own, or do not own, whether their income is derived from salary, or part salary and part dividend and interest, does not concern us. It is their relation to the process of production which defines their class status, which, in turn, is manifested by their standard of living as opposed to that of the working class. They are the agent of capital, the personification of capital.

Role in production
role in distribution

Kuczynski, after presenting a series of statistics on one aspect of this question, describes his conclusion in the following words: "What is the meaning of this relative development of salaries and dividends? There are various reasons. The most important is that the big employers come to rely, for their personal expenditure, more and more on salaries in contrast to former times when they relied mainly on income from dividends. By cutting down on dividends, they are able to increase the accumulation of capital, strengthen the financial reserves of their companies, and thus increase their wealth and their means of production." Thus, precisely in the act of subverting the concept of ownership, the bourgeoisie underlines its role as the agent, the personification of capital in its drive for self-expansion. (43)

←

Herein lies the scientific, rather than the vulgarly popular reply to the claim of democratization of ownership, of a nation of stockholders and thus small capitalists -- it is an answer derived not from source of income but from role in production. But this is at the same time the answer to the bureaucratic collectivists, and the adherents of the thesis of managerial revolution. It is precisely because these petty-bourgeois are pre-occupied with the question of ownership, source of income, etc., because they are not Marxists, that they fail to understand that the so-called managers, because of their role in production, and despite their lack of ownership titles, are bourgeois to the core, are part, and the increasingly decisive part, of the bourgeoisie.

As a matter of fact, it is precisely those who do not understand the nature of the bourgeoisie, who explain and define it by essentially secondary considerations, it is they who also explain the economic crisis of capitalist society in essentially secondary, i.e., under-consumptionist, terms, and for the same reasons. That is, those who define the bourgeoisie in terms of the process of distribution rather than the process of production, also see in the relatively limited wages of the workers, and their inability to buy back what they produce, as the basic contradiction in capitalist society, rather than in the character of the workers as the producers of surplus value. This dual misunderstanding leads simultaneously to their erection of a new stage of societal development intervening between capitalism and socialism, and their inability to explain the basic law of motion of this new society, its basic contradiction which would lead to its ultimate destruction. To some extent this has also been a problem for Marxists who do not as yet grasp the concept of state capitalism and why it cannot solve any problem of capitalist society. But to this we return in another section.

In any case, it is precisely the growing division between ownership and control which explains why the bourgeoisie can never be bought out of existence, why the shattering of the bourgeois state apparatus must be accompanied by a shattering of the social relations of production; the replacement of the old state by a soviet democracy is accompanied by a replacement of the old social relations of production by new relations, described by Lenin: "In every socialist revolution -- and consequently in the socialist revolution in Russia which we started on November 7, 1917 -- the principal task of the proletariat, and of the poorest peasantry which it leads, is the positive or creative work of setting up an extremely intricate and subtle system of new organizational relationships extending to the planned production and distribution of the goods required for the existence of tens of millions of people. Such a revolution can be successfully carried out only if the majority of the population, and primarily the majority of the toilers, display independent historical creative spirit." (44)

Nationalizations
don't solve problem
of control

The increasingly decisive section of the bourgeoisie expresses its class relation to production in control, rather than in ownership. And again, it is precisely the preoccupation with ownership, income, amount of wealth, which has led some of our comrades into an important error in analyzing England under the Labor Party. What was decisive in England was not, as some would have it, that the bourgeoisie was compensated for selling its ownership rights in the nationalized industries, but that the control over the process of production remained in the hands of the active, i.e., non-rentier bourgeoisie, along with sections of the labor bureaucracy, which became indistinguishable from the older section of the bourgeoisie.

Compensation of the owning bourgeoisie, no matter how much money is involved, or how wealthy it leaves them, is unimportant, so long as they are replaced by the workers in the state and in the process of production, in the forms of organization which are alone suitable for this replacement. Lenin put it this way: "Marx said that under certain conditions it is more expedient to 'buy off this gang,' that is, the gang of capitalists, i.e., to buy from the bourgeoisie the land, factories, works, and other means of production." (45) And Trotsky: "The same phenomena, on a vastly larger scale is represented by the question of expropriation with or without compensation. Expropriation with compensation has political advantages, but is financially difficult; expropriation without compensation has financial advantages, but is difficult politically." (46)

Before we leave the section on the separation of ownership and control, one significant point should be commented on. Robert Gordon, in a scholarly study of this problem (47), informs us that the separation between majority and minority ownership on the one side, and management control as such on the other, has developed to the greatest extent in the giant public utility and transportation corporations. That is, those units requiring by and large the largest investment in constant capital; those units most affected by the declining rate of profit, are precisely the ones with the greatest separation of ownership and control. And further, it is precisely this type of enterprise which Engels points to as most likely to be the first to be taken over by the state. Thus, even more concretely, are the elements developing towards state capitalism, towards a bourgeois state without an owning bourgeoisie, made manifest.

The Intervention of the State

The changing economic needs of capitalism in its decline has raised to the position of agent of capital a group of corporate managers. This group, which may, and often does, come from the petty-bourgeoisie and even the working class, expresses its new bourgeois status not through ownership, but through control, through the "social function performed by (it) in his (its) capacity as

manager and ruler of production."

Parallel with the increasing separation of ownership and control in industry, pushed by the ever-increasing centralization of capital and the continuing revolt of the masses, -- reaching a point at which the old, classical, competitive, capitalism no longer has the internal resources to recover from crisis and depression and to go about its business of the accumulation of capital, the capitalist state takes an increasingly decisive role in the control and finally in the ownership of the means of production and attempts to co-ordinate all elements in a plan. But the relationship of the state to the productive apparatus has, like every part of bourgeois society, a history.

History of
state intervention

The state appears in its first relation to capitalist production as the necessary and benevolent mentor. In its mercantilist phase, under the Tudors in England, Colbert in France, the Karamellists in Prussia, it determines what is to be produced, how much, of what quality, at what price and where it is to be sold; it determines wages, hours, conditions of labor, of housing, and of the place of employment. This powerful and necessary impulse to capitalist accumulation succeeds well enough to be replaced by the laissez-faire state, (relative to its previous role). In the latter part of the 19th century, in relation to countries appearing late on the world scene, like Germany, Japan, and to some extent Russia, it must assume the task of organizing and centralizing the drive to catch up with and surpass the accumulation of capital and the level of productivity, the rate and amount of surplus value, achieved in the advanced countries.

If not to the same extent, it is the same type of intervention which took place in the mercantilist era, except that the rate of accumulation must be so much more rapid. By the twentieth century, more precisely around the period of the first world war, the state again begins to intervene in production, this time however in a qualitatively different role, as the organizer of the defense of capitalism in its period of decay. The contradiction inherent in the economic law of motion of capitalist society, the tendency towards the declining rate of profit, comes more and more to the fore, and it is joined by the increasing organization, resistance, and revolt of the working class. We discuss the telescoping of this process in the backward countries below.

Within this process a new bourgeoisie begins to take shape, to show signs of its physiognomy. It is reflected in the growing interpenetrations of the industrial and financial bourgeoisie in the state apparatus on the one hand, and the assumption of direct roles in production by the politicians on the other. Industrialists become leading members of the Nazi party and the state apparatus, the Nazi party leaders become industrialists (as controllers, not necessarily as owners). In England, under the Labor Party, the industrialists sell their ownership rights but become part of the state apparatus controlling the productive system.

Brady sums it up this way: "Executive authority and policy-forming power are concentrated in the same cooptatively renewed ranks, and these recognize that the key to power is twofold: (1) consolidation of all the 'ins' in a solid interest-conscious bloc; (2) a popular following, the key to which is alliance with any faction, movement or party which has or may acquire popular following without disturbing the general social structure of command and subordination. This means compromise with the nouveau puissant as they are co-opted into the movement on all matters relating to 'the take'-- an old practice in relationships between political rings and powerful vested interests all over the world, but now generalized to entire national economics, and rationalized with an eye to sterilization of 'take' knowledge and demand for participation below the upper ranks." (48) Here is a superb start to a description of the "ruling" bureaucracy."

The Petty-Bourgeoisie As the Political Agent of Bourgeois Rule

Parallel with the process of the separation between ownership and control, and with the growing intervention of the state, the increasing intensification of the class struggle develops new political needs for the maintenance of capitalist rule. The general crisis of capitalism in its death agony gives to the petty-bourgeoisie with roots in and control over the working class the political task of maintaining the bourgeois state. It is the organic fusion of these three tendencies, by no means carried out without conflict, extending even to civil war, in which the new bourgeoisie, the bourgeoisie of state capitalism, takes form. But again, unlike the new bourgeoisies which arose to undertake new tasks in the manner described by Marx, this bourgeoisie, has no progressive function, no viability, no chance for extended life. It presides over the organization of bourgeois society in its absolute, final form. It can solve no problems of bourgeois society.

Bourgeois rule alone.

As long ago as 1870 Engels had already noted that "It is a peculiarity of the bourgeoisie, distinguishing it from all other classes, that a point is being reached in its development, after which every increase in its power, that is, every enlargement of its capital, only tends to make it more and more incapable of retaining political dominance. 'Behind the big bourgeoisie stand the proletarians. In the degree as the bourgeoisie develops its industry, its commerce, and its means of communication, it also produces the proletariat. At a certain point, which must not necessarily appear simultaneously and on the same stage of development everywhere, it begins to note that this, its second self, has outgrown it. From then on, it loses the power for exclusive political dominance. It looks for allies with whom to share its authority, or to whom to cede all power, as circumstances may demand." In 1870 "these allies are all of a reactionary turn. It is the king's power, with his army and his bureaucracy; it is the big feudal nobility; it is the smaller Junker; it is even the clergy." (49) The clergy, the nobility, the small Junker rule

In part

with and essentially for the bourgeoisie.

But beginning with the period of the death agony of capitalism, these allies no longer suffice to maintain capitalism. With the increasing organization, power and revolt of the proletariat, the bourgeoisie needs allies who can control the masses. This becomes historically decisive.

Present.
Labor
bureaucracy
rules

It has long been recognized in the revolutionary movement that the social democracy acted as the main prop for bourgeois society, and that later, the Stalinists performed the same role. The dependence of bourgeois society on its allies becomes, however, greater and greater, until, at the last, it becomes an absolute dependence.

Whereas in earlier stages the labor petty-bourgeois bureaucracy was mustered into service only in periods of crisis, once the crisis becomes chronic, the labor bureaucracy must remain in service, i.e., must become part of the bourgeois state apparatus, and the decisive part at that. Earlier, "labor representatives" are given portfolios in wartime. The popular front government is a stage beyond. Through its integration into the bourgeois state apparatus, despite its origin in the working class, the trade union bureaucracy becomes part of the bourgeoisie proper. Its role becomes that of quieting the working class politically, but in the last stages of the chronic crisis it must take over the role of the bourgeoisie in the direct control over and management of the economy.

Trotsky points to this path in his last, unfinished article, "Trade Unions in the Epoch of Imperialist Decay."

"There is one common feature in the development, or more correctly the degeneration of modern trade union organizations in the entire world," he writes. "It is their drawing closely to and growing together with the state power. This process is equally characteristic of the neutral, the Social-Democratic, the Communist and 'anarchist' trade unions. This fact alone shows that the tendency towards growing together is intrinsic not in this or that doctrine as such but derives from social conditions common for all unions." (50)

England, classic land of mature capitalism, exhibits the classic features of degeneration. The social revolution in England will have to be carried out against the British Labor Party bureaucracy, against "a trade union raised to power" which has nationalized the decisive sections of the economy. It will be a social, not a political revolution.

The "Overthrow" of Bourgeois Rule

The transfer of power from one section of the bourgeoisie to another, newer section, does not take place smoothly in all countries at all times. Civil wars between sections of the bourgeoisie have been known before. Political revolutions

Overthrown
in diff ways
in diff countries.

transferring power from one section of the bourgeoisie to another have been known before. Long before the growth of fascism, Marx had already insisted on this phenomenon, especially in the famous Eighteenth Brumaire. There is nothing contradictory or peculiar about a violent overthrow of the old bourgeoisie taking place in Asia or in Latin America or in Eastern Europe in favor of a new group, ruling in a different form and hiding under the cloak of nationalized property the essence of continuing capitalism. Power has changed hands all right. It has moved from one section of the bourgeoisie to another.

Bourgeois rule has ranged in form from the fascism of Germany and Italy to the labor bureaucracy of Great Britain. The difference in form can be explained by the difference in time in history at which the transfer of power from bourgeoisie to petty bourgeoisie took place; in the specific and different relations between classes in the different countries; in the various other features which differentiate the capitalism of one country from the capitalism of another country.

The capitalism of Britain is different in its secondary characteristics from the capitalism of India, as it in its turn differs from the capitalism of Germany. The forms of bourgeois rule differ accordingly.

The differences in the way in which power transfers from one section of the bourgeoisie to another means that there is a difference in the tactics of the petty bourgeois and bourgeois organizations which carry through the change. What is essential, however, is that regardless of their method, their result is the same -- the maintenance of the bourgeois state and the bourgeois relations in production. This is not to say that in our tactical approach we will not take into account these differences, which are of great importance. This discussion too we reserve for another occasion: now it is time to turn our attention to "economics," the basic question, which provides the unifying key to all the foregoing material.

Political Economy and Proletarian Democracy

Clara Zetkin at the Fourth Congress of the Communist International said that: "The economic policy (of the Russian Revolution) was to create the steadfast energy of the revolutionary proletariat. It was to revolutionize society. The proletarian state is fully conscious that the greatest wealth of Soviet Russia is its toilers. . . ." (51)

Proletarian econ
policy for
workers power

To some comrades, even perhaps to those who are somewhat acquainted with Lenin's insistence on the decisive character of mass initiative and with Trotsky's criticisms of the effectiveness of the plan because it was imposed from the top, the statements of Clara Zetkin may seem like an acceptable, but oratorical

exaggeration. It is the contention of the adherents of the state capitalist viewpoint that Zetkin's statement was a sober, scientific statement deriving from orthodox Marxist political economy. It is this direct derivation that we are concerned with, and which we begin to outline below.

We cannot, however, without going too far afield, attempt to develop the immense theoretical and statistical material which falls in this category. That we reserve for a separate treatment. Nevertheless, we hope to indicate the significance of the approach, its outlines, and the manner in which the detailed exposition will be developed.

Within these limits, the first point to be made is this: the conception of a shortage of surplus value, obviously the key problem in the backward countries, appears at first to be the opposite of the situation in the advanced capitalist countries. This is only the appearance -- and in grasping hold of the underlying reality we at the same time seize the key to the decisive role of the proletariat and its party in the revolution, and in the transition to the communist society -- a role which no other class and no other party can play. We are enabled to understand that proletarian democracy is not simply the more desirable road to socialism, but is an objective economic necessity without which none of the basic contradictions of capitalism can be solved. Without proletarian democracy, the state -- with or without nationalized property, with or without a plan, with or without a state monopoly of foreign trade -- remains a capitalist state.

Underconsumptionism and Marxism

All of us, in the course of a popular exposition or a soapbox talk or a conversation with a worker in a shop, have at one time or another, in one form or another used the formula "the workers cannot buy back what they produce" as the explanation of the underlying contradiction of capitalism and the ultimate objective cause of its destruction. This formula, whatever justification for its use might still remain temporarily in America, must nevertheless be recognized as a basically underconsumptionist and reformist approach, and not the analysis advanced by revolutionary Marxists.

In part
formula
permissible.

It should be understood nevertheless that there was great objective justification for the use of this slogan in the period of expanding capitalism, just as there is great danger in its careless use in the period of the death agony of capitalism.

In the first place, the recurrent and cyclical crises characteristic of expanding capitalism, as opposed to the permanent secular crisis of capitalism in its death agony, did originate in large part from temporary disruption of the necessary

equilibrium between consumption and production.

In addition, Marx, Engels and the early Marxists were to a large extent involved in the building of a trade union movement, giving organizational expression to the simplest level of class consciousness. Ideologically, the main struggle in this regard was with the petty-bourgeois "socialists," the "iron law of wages" theorists who saw no point to the organization of trade unions and the struggle for immediate demands. The struggle presented itself in short as a crisis in consumption rather than as a struggle over the immediate control of production. From the bourgeoisie proper, on the other hand, the remnants of the classical economists held to the idea of an economy functioning freely, and automatically adjusting itself according to natural laws with which no men or class should or could interfere.

Say's law of markets which held in effect that every act of production automatically provided its own market is a good example. Thus the popularization put forth by the early Marxist movement was the response to the objective situation of a still-expanding capitalism, to the ideology of the petty-bourgeois socialists and of the bourgeoisie, and to the immediate needs of the class struggle which was as yet, by and large, still confined to the area of the extension of consumption rather than to the struggle for control over production.

But in the period of the death agony of capitalism, of its permanent crisis, it is the latent, underlying contradiction which becomes immediate, -- the contradiction in production. It is the declining rate of profit, in the period of expanding capitalism only a tendency, which comes ever more clearly to the fore as the cause of the permanent crisis of capitalism in its death agony.

At present
formulas
immediate.

It is precisely in this period of capitalism that the petty-bourgeois socialists and the spokesmen for the bourgeoisie change their tune. Today the formula that the cause of crises is due to insufficient purchasing power on the part of the masses of people is accepted by the welfare state economists, the Keynesians who are to capitalism in its death agony what Ricardo and Smith were to capitalism in its progressive period. The Keynesians no longer believe in the automatic functioning of natural laws, but call for the intervention of the state with a plan. It is not at all strange, for example, that Joan Robinson, a Keynesian apologist for capitalism, in her "Essay on Marxian Economics" finds a close and growing affinity between "modern" economists and Marx on all questions relating to treatment of crises except, of course, the theory of the falling rate of profit which appears to them to be "confused and redundant."

The petty-bourgeois socialists and the labor bureaucracy also, as we know, hold on for dear life to the formula "workers

cannot buy back," etc., which plays a far different role today than when it was first advanced. Increase wages is their cry, increase effective demand and your markets will increase and your products will be sold, and capitalism will go on forever. And if the individual capitalist won't do it, well then the state will have to intervene and get it done anyhow.

For revolutionary Marxists, as we shall see, the basic contradiction of capitalism does not lie in limited markets, in the problem of realization. These are indeed derivative and reacting phenomena, but the basic contradiction lies in production and in the falling rate of profit. This is why it was correct for Trotsky to assert that the law of motion of a state capitalist society presents no difficulties at all to Marxists, because the central source of crises in capitalist society, the law of the falling rate of profit applies to classical and to state capitalist society alike!

In this sphere too the bureaucratic collectivists, the "theoreticians" of a new society intervening between capitalism and socialism whose laws of motion they have never attempted to define, betray their fundamental capitulation to the pressures of capitalist ideology. They, like their petty-bourgeois prototypes, see in under-consumptionism the key contradiction in capitalism; they see in the nationalizations, i.e., in the elimination of private property in the old sense and in the planned intervention of the state the means of overcoming under-consumption; they therefore also see a new society whose life span they cannot measure, whose objective contradiction they do not know.

The Fundamental Contradiction

Marxists evaluate the historic progressiveness of any society, indeed its claim to existence, by whether and at what rate it raises the productivity of human labor. Stages of social organization outlive their progressiveness when they can no longer, relative to the potentialities which have been developed, raise the productivity of human labor at a sufficient rate. Qualitatively new societies establish that fact in the last analyses only by a qualitative leap in the productivity of human labor.

Capitalism can no longer raise labor productivity

As far as capitalism is concerned, Marx says that "Its historical mission is the ruthless development in geometrical progression, of the productivity of human labor." (52) It does this conscious not of any historic mission but through the "aim and motivating force of capitalist production, the self-expansion of capital." and then "The means, this unconditional development of the productive forces of society, comes continually into conflict with the limited end, the self-expansion of existing capital. . . The real barrier of capitalist production

is capital itself." (53)

The mechanism of the fundamental conflict is the rate of profit. It is also a standard of measurement. From a functional point of view, the rate of profit determines the rate of the accumulation of capital in proportion to its existing size. It is the means by which capitalism measures and expresses its ability to increase, maintain, or decrease its rate of self-expansion.

The declining rate of profit develops itself as Marx explains: "We meet here once more the previously analyzed law, that the relative decrease of the variable capital, or the development of the productive power of labor, requires an increasing mass of total capital for the purpose of setting in motion the same quantity of labor power and absorbing the same quantity of surplus labor." (54) This law is of course familiar to us all. But what is interesting is that here Marx has, so to speak, reversed the telescope. Previously we became acquainted with it from the viewpoint of the working class and the reserve army of unemployed. It is now reversed and we are looking at the law from the angle of the movement of the capital.

*Because of falling
rate of profit.*

Let us take another look. In order to simply stand still, to absorb the same amount of surplus labor, an increasing amount of capital is necessary. In order to fulfill itself, in order to expand, in order to ruthlessly raise the productivity of human labor in geometric fashion, it must increase the mass of total capital in geometric plus fashion. Only in its most vigorous days could capital approach success. And precisely in proportion as it accumulates, as it raises the productivity of human labor, its rate of profit, its ability to maintain a rate of accumulation upon the expanded foundation decreases.

At a certain stage there may arise a "plethora" of capital, but Marx says: "The so-called plethora of capital always refers to a plethora of that class of capital which finds no compensation in its mass for the fall in the rate. . ." (55) At a certain stage in the development of capitalism, which establishes the period of its death agony, that which is implicit comes more and more to the fore. Marx describes the absolute stage: "There would be an absolute overproduction of capital as soon as the additional capital for purposes of capitalist production would be equal to zero. The purpose of capitalist production is the self-expansion of capital, that is, the appropriation of surplus labor, the production of surplus value. . . as soon as a point is reached where the increased capital produces no longer, or even smaller quantities of surplus value than it did before its increase, there would be an absolute overproduction of capital." (56)

In other words, the overproduction of capital becomes the

underproduction of surplus value. The mass of the surplus value becomes insufficient, in relation to the mass of the total capital, to maintain the process of the self-expansion of capital.

It can be seen at the outset how Marxism cuts through the arguments of the under-consumptionists, of the Keynesians, of the labor bureaucracy and reformists of all varieties. It can be understood why Marx could maintain that crises are preceded by periods in which the wages of workers are generally at their highest point. It is not a question of market, or realization, but of the production of surplus value. The increase in the market, i.e., in the ability of the workers to buy back what they produce, does not alleviate the basic capitalist contradiction. On the contrary, by cutting into the surplus value available for the process of the self-expansion of capital, it accentuates the crisis.

The Confirmation

As we have indicated above, we cannot attempt a detailed development of this point; we can merely indicate the areas in which the work is to be done.

Subjects for future discussion.

Material is available indicating that the relationship between production of means of production, and production of means of consumption which Marx indicated as the prerequisite for expanded reproduction, i.e., accumulation, in Volume II of Capital, tends to become more and more untenable for capitalism and necessitates not higher wages or the expansion of production of means of consumption, but precisely the opposite.

We propose to present material on the secular inflationary tendencies beginning with the period of the death agony of capitalism in contrast with the tendencies in a "normal," that is, a healthy and expanding capitalism and which is a reflection of the underlying contradiction of capitalist production and the level to which it has reached.

We will discuss the relationship of debt to production and indicate that debt, and not primarily consumer debt, although that as well, tends more and more to increase at a pace more rapid than the increase in production. That is debt, mortgages on future production (and income) increases more rapidly than the production on which it is based, creating tremendous amounts of what Marx called "fictitious capital," from which, of course, a great deal of the appearance of "plethora" develops. Included here would be an analysis of the extent and the nature of the national debt.

We will present material indicating the tremendous increase in capital investment necessary at this stage for a limited and highly disproportionate increase in production.

In the course of these discussions, the nature of the Industrial Revolution should also become clarified at the same time as the limits of the present technological changes (automation, etc.) become obvious.

In a somewhat different vein, but of the greatest importance, is a discussion of the Transitional Program, which receives its mightiest confirmation precisely in the factual, as well as the theoretical analysis of the nature of the death agony of capitalism on which it is based. The concept at the heart of the Transitional Program that meaningful advances in the standard of living of the working class as a whole, in contrast to the period of expanding capitalism, are not possible; that the struggle for real advances such as 30 for 40 strike at the heart of a capitalist system in its decay and can therefore lead beyond the capitalist system -- all of these profoundly revolutionary concepts receive profound objective verification.

The statistical material for all of the foregoing is based primarily upon developments in America. But in addition, the clear-cut nature of the bankruptcy crisis of England, classic country of capitalist development, shows beyond the shadow of a doubt the absolute empirical verification of the mighty generalizations of Marx.

The Solution of the Contradiction

But, and this above all, we will talk about the role of the working class which precisely at this stage of the capitalist crisis, becomes increasingly recognized even by the bourgeoisie as the most powerful force in the productive process itself. Capital, caught in the jaws of the contradiction which Marx outlined, must seek to increase the productivity of labor without increasing the constant capital. Up to roughly the beginning of the Twentieth Century, statistics indicate that the movement for the increase in productivity generally took the form of vast increases in the organic composition of capital. The emphasis then shifted to the search for means of increasing the productivity through, so to speak, internal means.

Capitalism
cannot
qualitatively
increase labor
productivity.

After the First World War the Taylor and Bedaux systems became the focal point of attention within the bourgeoisie. The term "Second Industrial Revolution" began to be used in relation to rationalization such as the Ford system. Bonuses, profit-sharing, incentive pay, and of course and above all, the direct whip of the speed-up or stretch-out were not the product of greed for super-profits, but the result of the declining rate of profit. The bourgeoisie spends uncounted millions in "human engineering." Whole sections of the educational system under the leadership of men like Mayo and Whitehead are devoted exclusively to industrial relations and the study of means of

increasing the productivity and tapping the creativity of the working class. Suggestion plans, which attempt to tap this creativity arising from immediate and constant participation in the process of production become a major source of capital saving.

Unable on the one hand to crush the working class resistance to speed-up and to cuts in the standard of living, and on the other to involve the class as a whole as the creative factor in production, the capitalist class in America is forced again to begin huge investments in constant capital. How far it will be able to go in scrapping the existing technological structure, in destroying present capital cannot be accurately indicated. But the tremendous cost of such a project will make explosive the up-to-now controllable inflationary surge. And of course every effort of the bourgeoisie is being bent towards making the working class bear the staggering cost of an operation which they have begun, but which will be completed under the auspices of the proletariat.

In the midst of their difficulties, some of the keener apologists for the bourgeoisie have asked whether socialism would not be a stagnant order, whether the raising of the productivity of human labor would not come to an end under a workers' regime. Our answer is simply this -- that only within its own society will the greatest productive force of all, the proletariat, for the first time begin to use this force. This is the fountainhead of all revolutionary theory and practice, ← the basic unifying concept of all of Marxism. The indivisibility of political and social power of the proletariat finds its most fundamental expression precisely on the most important question, the raising of the productivity of human labor. Proletarian democracy is not an ethical norm. It is not alone a question of political and of social power. It is the expression of the new stage of the relations of production. It is the objective economic necessity. Without it, nationalized property, monopoly of foreign trade, planning, are simply forms which capitalism can and has adopted. It remains the essence.

Proi-dema. only
way to
increased product
ivity.
The Ultimate
Conception

For the proletarian revolution to take place, for the workers' state to be achieved, for the socialist foundations of the communist society to be laid, the working class must believe, must know, that it is their revolution, that it is their state, that they are producing for themselves. This stage represents the end of the conflicts of class society between being and consciousness, between subjective and objective, between means and ends.

It has been aptly put that Marx saw the limits of progress which could be achieved through the expansion of capital and the degradation of men. Only the working class as a political, social and economic force can tear the rotten bourgeois order

to pieces and reorganize society on human foundations.

Lenin summed it up this way: ". . . Socialism demands a conscious mass movement towards a higher productivity of labor in comparison with capitalism and on the basis which has been obtained by capitalism. Socialism must accomplish this movement forward in its own way, by its own methods -- to make it more definite -- by Soviet methods." (57)

We have up to now outlined the development of state capitalism in a relatively abstract manner as it takes place in the advanced industrial countries. It is now time to indicate concretely the combined forms this process takes in the colonial and semi-colonial countries, above all in China.

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