<u>CATEGORISING THE USSR AS *STATE CAPITALIST* IS AN ACT OF POLITICAL COWARDICE.</u>

The theory of state capitalism applied to the economy of the USSR represents not so much a serious revision of Marxism, more an abandonment of all that Marx taught us. Because the theory faces the wrong way, it acts as an impediment to understanding this mode of production. The designation 'state capitalism' contravenes the fundamental method lodged in *Das Kapital*: to investigate and describe the manner in which the labour of the individual becomes part of the labour of society – including the manner of its appropriation – and it is this specific set of social relationships that defines a mode of production and the laws that govern it.

In the case of capitalism, the labour of the individual becomes part of the labour of society only by being exchanged – by taking the form of a commodity. Thus labour becomes social only indirectly. That is why Marx states in the opening paragraph of *Das Kapital*, "…our investigation must begin with the analysis of commodity". (Page 43, Book 1, International Publishers). In a society based on generalised commodity production, where exchange dominates, this marks the logical and historical starting point for investigation and analysis.

As we shall see later, the labour of the individual worker in the USSR became part of the labour of society in a manner distinct to that of capitalism, and hence denoted a different mode of production. Indeed the term *state capitalism* as applied to the USSR is arrived at only by substituting politics for economics or, which is the same thing, turning the world on its head: the position of the economic structure and the political superstructure arising from it is inverted. Hence state capitalism appears to emerge from the political oppression of the worker in the USSR rather than from the specific set of economic relations they were forced to engage in.

But as we know, capitalism remains capitalism, whether it is liberal capitalism, whether military rule has been imposed and even when a fascistic regime is in place. Many apologists for the capitalist class use the same craven device: they claim that a true capitalist society is necessarily a democratic one, and that all the other political forms of capitalist society are aberrations. At the time Marx wrote about the English economy, workers did not have the vote, and the working class was still not legally free to withdraw or withhold their labour power. Yet nowhere in the three books that comprise *Das Kapital* does Marx turn to the relation between worker and the state to explain the relation between the worker and capital.

The three fundamental errors that underlie this wrongful categorisation of the economy of the USSR are thus a failure to describe the social relations of production; the confusion between base and superstructure, and the view that the centralisation of capital will ultimately throw up state capitalism (which is the fusion of state and capital) as the end point of capitalism. We will begin with the last observation, to show that nowhere in Marx's writings and in his projections did he ever express a belief that capitalism would end its days as state capitalism. Or in other words that state capitalism will become part of the history of capitalism. Quite the contrary. He was careful to show that accumulation was a complex process, which is why 132 years after his death, capitalism remains.

THE COMING TOGERTHER AND THE PULLING APART OF CAPITALS.

Below we have compiled a list of quotations from Marx which deal with the concentration and centralisation of capital.

a) “Capital exists and can only exist as many capitals, and its self-determination therefore appears as their reciprocal interaction with one another” (Grundrisse p.414 quoted from *State Capitalism in the International Socialist Tradition* by William Jeffries).

b) “And if capital formation were to fall exclusively into the hands of a few existing big capitals, for whom the mass of profits outweighs the rate, the animating fire of production would be totally extinguished. It would die out.” (Page 368, Volume 3, *Das Kapital* Penguin edition)

c) “Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist integument.” (Marx, Volume 3, *Das Kapital,* Quoted by Ranjit Sau. *On the Laws of Concentration and Centralisation of Capital*. *Social Scientist* Volume 8, number 3, October 1970 J Stor.)

d) “At the same time portions of the original capitals disengage themselves and function as new independent capitals … Accumulation and the concentration accompanying it are, therefore, not only scattered over many points, but the increase of each functioning capital is thwarted by the formation of new and the sub-division of old capitals. Accumulation, therefore, presents itself on the one hand as increasing concentration of the means of production … on the other, as repulsion of many capitals one from the other.” (Page 586. Volume 1, *Das Kapital*, International Publishers.)

e) “This process (centralisation) would entail the rapid breakdown of capitalist production, if counter-acting tendencies were not constantly at work alongside this centripetal force, in the direction of centralisation.” (Page 355. Volume 3, *Das Kapital* Penguin edition)

Marx stated categorically that capitalism could only exist as many capitals or not at all (a). He went further, in our second quotation (b) to show that when it is reduced to a few capitals it would die out. These two quotations taken together provide a deep understanding of the nature of capitalism. For the rate of profit to work, exchange is needed, and for exchange to take place, many capitals must exist.

The rate of profit in turn is not only the motive of capitalist production but its compass. It tells investors when it is fruitful to invest and whether they are investing in the most profitable areas of the economy. Under capitalism, it allocates the labour time of society.

More precisely it is unequal exchange that makes profitability work – and with it capitalism. When a set of capitalists invests in raising the productivity of their labourers, the total labour time expended by their firm may fall due to the employment of less labour. Hence their share of the total labour time of society may fall. Under these circumstances, the investment would be rewarded by reduced revenue and therefore reduced profits. However, because of unequal exchange, this does not happen. Instead market prices allow the more efficient producers to profit at the expense of less competitive producers. In this way more productive producers realise an expanded share of the surplus labour of society by “robbing” their less productive competitors through the market price mechanism and the medium of money.

All this ends when capitalism is reduced to few or even one capital. Unequal exchange is thus voided. Any investment is immediately rewarded by less profit, and such an economy can no longer be motivated by the rate of profit. This is what Marx meant in (b), the point at which capitalism would have reached its integument, and (c), the point where society has to shed this skin to prevent the economic organism from being suffocated.

For Marx, therefore, the description of the USSR as state capitalist because it was a monolithic state corporation, was baseless. Either such an economy would immediately collapse or, if it did not, its laws of motion would have to be distinct from that of a capitalist economy. Either way it could no longer be described as a capitalist economy.

For the moment, let us detach ourselves from the morbid theory of state capitalism and investigate the much more interesting world of accumulation as it presents itself to us in the real world now. Marx was not only interested in the production of profits and its conversion into capital, but in the distribution of that capital. Marx distinguished two distinct processes of accumulation - concentration and centralisation. By 'concentration' he referred to the growth in the mass of capital and therefore the enrichment of members of the capitalist class who owned it. If nothing changed, the number of capitalists could grow and each capitalist would grow richer in proportion to the growth of the total capital. By 'centralisation', he referred to the process by which one group of capitalists gather more capital in their hands at the expense of other groups of capitalists whom they have dispossessed. The former grow richer despite the mass of capital stagnating, or even falling because the capitalist class now has fewer members between whom to divide up this mass. In short, concentration is at the expense of the working class, while centralisation is at the expense of dispossessed sections of the capitalist class.

Concentration and centralisation can occur concurrently. However, during periods of expansion and the growth in the mass of profits, concentration of capital predominates. Market prices rise, or are set by the less efficient producers, thus reducing the capital threshold to enter that industry. New entrants to that industry now become possible. During periods of economic contraction (and with it the fall in the mass of profits) centralisation of capital predominates. Now market prices fall and are set by the most efficient producers, thus raising the capital threshold. Instead of growing, the number of capitals is reduced as the less efficient are wiped out. The cumulative effect of concentration and centralisation of capital, aided and abetted by the credit markets, has been the emergence of the large global corporations that dominate the world market today. This represents the dominant trend.

However, we should never ignore the repulsion of capital by capital, in other words the counteracting influences mentioned by Marx in (d) and (e) above. This effect is brought about by a combination of conscious and accidental actions. Government anti-competitive and anti-trust laws break up companies, as does investor or shareholder activism pursuing divestment in the name of value creation and cash give backs – or simply current economic fashion. The most recent case in point has been the venerable General Electric Company that is hiving off its financial arm. Finally there is the death of major owners/investors and the scattering of their property amongst heirs. Many of the most powerful capitalists in the 19th Century, the Rockefellers, the Mellons, the Vanderbilts, etc. are hardly remembered today as their fortunes have become diluted through successive heirs and, as a result, they have been replaced in popular consciousness by contemporary billionaires such as Gates, Slim and Buffet.

The more important process is, however, displacement: the growth of new companies that eclipse the old, not only facilitated by the credit market, but by the emergence of new technologies that catch the older capitals out. Here we think of IBM, the inventor of the personal computer that got trampled by its failure to develop and market it effectively. The displacement of capital by capital is exemplified by the changing composition of the Dow Jones Index. First established in 1884, the Index is composed of 30 top US corporations whose capitalisation is roughly 25% of the entire value of all shares listed in the USA. Only one corporation of the original set, the aforementioned General Electric, remains in the current top 30 corporations that comprise the index. As to the rest, only five are pre-war listings while another eight are aged over 30 years. In other words, more than half (16) have been part of the index for no more than 20 years. Since 1884, the components of the index have changed 51 times.

Of course the churn of capitals is faster in the US than in any other major economy as it is the most technologically advanced economy with the most developed financial markets – particularly the venture capital market. If anything, until recently the pace of churn seemed to be increasing. According to Professor Richard Foster from Yale University (as quoted by the BBC), "The average lifespan of a company listed in the S&P 500 index of leading US companies has decreased by more than 50 years in the last century, from 67 years in the 1920s to just 15 years today." This is a rate which would mean, "…that by 2020, more than three-quarters of the S&P 500 will be companies that we have not heard of yet". (2012. http://www.bbc.co.uk/news/business-16611040)

This phenomenon can be seen in the eclipse of leading corporations. Nokia and Blackberry, which once dominated the mobile phone industry, have foundered, to be followed by Samsung. In the car industry Toyota, whose cars in the 1970s were derided, is now the world's largest car company. The growth of Korea's Hyundai is even more spectacular. The company exported its first cars only 25 years ago and is now the world's fourth largest car company. The story is repeated in other industries, IBM, Dell and HP, which dominated computing hardware, have now been eclipsed by newer companies and products. Microsoft, which took advantage of the IBM desktop computer, and which once dominated computing software to become the world's most valuable corporation, has been overtaken by more agile competitors and no longer appears in Forbes top 100 global corporations. US Steel, once the world's largest steel producer, is now only one fifth the size of the leading steel producer, ArcelorMittal, a company established as recently as 2006.

Far from being ossified, capitalism has manifested a remarkable churn of capitals since the long wave of expansion began in the early 1980s. Many of the largest corporations are now Chinese. Clearly this can, and will, be reversed once this long wave peters out as profitability collapses. Corresponding to this collapse will be the inverse elevation of the capital threshold needed to form a new capital or sustain an older one, leading to centralisation. Already in these, the final days of this long boom, there has been a surge in mergers and acquisitions. It is also possible that, just as banks became state banks by being rescued after 2008, certain industrial capitals will be considered too large to fail – as was the case with General Motors in 2008. But these state capitalist banks and corporations are only temporary phenomena, residing in the arms of the state only for as long as it takes to heal their legs.

Nonetheless, these countervailing forces cannot arrest, let alone reverse, the long-term and underlying growth in the centralisation of capital. Capital has become highly centralised. An interesting article by the Global Policy Forum, which examined the top 200 global corporations, found a high degree of concentration and centralisation of capital. "Half of the total sales of the Top 200 (were) in trading, automobiles, banking, retailing, and electronics. The concentrated economic power in these and other sectors is enormous. In autos, the top five firms account for almost 60 percent of global sales. In electronics, the top five firms have garnered over half of global sales. And the top five firms have over 30 percent of global sales in airlines, aerospace, steel, oil, personal computers, chemical, and the media." In addition, "One-third of world trade is simply transactions among various units of the same corporation.[12] This figure has remained steady for the past few years, and is higher in certain countries.[13] Two-fifths of Japanese exports, for example, are intra-firm."

From these 200 global corporations we now turn to the top 2000 to discover that their economic might and reach is even more impressive. In 2013 according to Forbes, "… the Global 2000 companies now account for $38 trillion in revenues (up 6%), $2.43 trillion in profits (down 7%), $159 trillion in assets (up 7%) and $39 trillion in market value (up 7%). These firms also employ 87 million people worldwide." (Note 1)

If we use the yardstick of gross output in the USA in 2013, it was $26.3 trillion. The revenue of the top 2000 listed corporations is 44% greater than this. In other words the top 2000 companies are 44% bigger than the economy of the USA. And whereas the USA represents 23% of world output measured by GDP ($16.8 trillion vs $72.7 trillion – sources BEA and the UN, or $75.6 trillion according to the World Bank) these companies represents exactly one third of world output. Their size is equivalent to the economies of the US, Japan and France put together.

More interestingly, if we examine productivity levels, we find that they diverge. While the top 2000 corporations and the three countries produce the same amount of output, the former does so with 87 million workers and the three countries with 256 million. In other words, the workers in these corporations are 294% more productive than the average worker in the three countries mentioned or, more accurately, these corporation benefit from a combination of higher productivity and realisation of profits. This higher productivity is reflected in a slightly higher profit margin as well. Total after-tax profits of $2.43 trillion is 49% higher than after-tax corporate profits in the USA of $1.63 trillion vs 44% for output. It follows that with everything else being equal, these corporations will expand their concentration of capital at a faster rate than the three countries, and even faster when viewed from the point of the world economy as a whole which has much lower productivity rates. Therefore these corporations' share of world output will increase even in the absence of the centralisation of capital.

Thus there is an inherent tendency towards the expansion of the multi-nationals. Within most advanced capitalist countries, four or five major companies account for 75% or more of the output or sales in their respective industries. The global economy is heading in the same direction. In our quotation above dealing with the top 200 corporations, we already find that in most industries, the top five account for at least 30% of world sales. Over time this will increase, provided the world economy does not fracture.

Equally interesting is the startlingly rapid growth of corporations in modern times made possible by developed credit markets: from stock exchanges, through banks, venture capitals and wholesale credit markets. Small corporations have come from nowhere to become colossi in the space of a few years. What took decades at an earlier stage of capitalist development, now takes years. We think of Apple, Google and Amazon. This applies not only to the high tech and retailing sectors, but to start-ups in industries such as biotechnology, fracking, green energy and so on.

Returning to the theory of state capitalism, it is clear that the multi-national corporations have outgrown the nation state. Many already derive between a third and a half of their sales from outside their country of origin. In this context, 'state capitalism' can only mean international state capitalism and that presupposes a much higher centralisation of capital but also the emergence of an international state superseding the current nation state. Fewer capitalist corporations, here means fewer but much larger global corporations. The capitalist integument envisaged by Marx can only emerge at an international level to which we now turn.

IS GLOBALISATION ENDING?

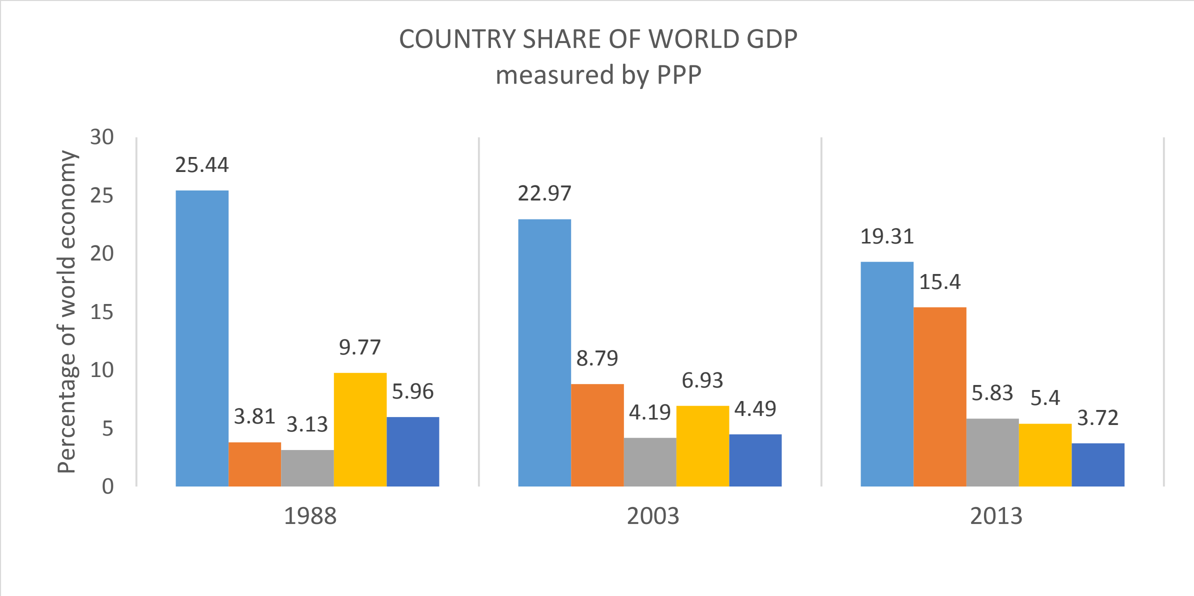
Economic developments inevitably precipitate political alterations. The growth of the multi-national corporations have long since come into conflict with the nation state. However, this is a contradiction not easily resolved. The emergence of the US as the hegemonic economic power in the capitalist world after WWII resulted in it restructuring the capitalist world economy in its own image. It set about doing this through depriving the older powers Britain and France, now bankrupted by war, of their empires. It did so by setting up an international financial and trade infrastructure to facilitate the needs of US capital. This agreement was called 'Bretton Woods' and when Britain was forced to accept it, it recognised this to be the biggest blow it had ever experienced outside of war.

On the financial side, the USA, together with the IMF and the World Bank, set up an exchange rate peg to transform the dollar into the world's reserve currency. On the trade side, its new enforcer was GATT, the forerunner of the WTO, which regulated world trade and prevented individual countries using tariff barriers to protect their less competitive economies, although these were rules the US flouted. And when economic strictures were insufficient, the US did not hesitate to use its political muscle to change governments with regular coups, when it found them to be overly-democratic or when they sought to limit US economic interests.

Through these mechanisms, the US waged economic war, enriching itself at the expense of the rest of the world for nearly thirty years until the rise of Germany and Japan, together with the first major international recession in 1973, saw its hegemony begin to slip. In the 1980s, having crushed its own organised working class and having helped overturn the "socialist economies" later that decade, the US managed to reassert its hold on the world economy by seeing off the challenges of Japan and Europe. Within twenty years, however, it was to face another challenger, this time bigger – China.

China's rise is shown in the graph below which plots the share of world output by the five leading economies. The light blue block plots the shrinking share of the USA. The orange block plots the rise of China and the grey block that of India. Finally the yellow block plots the decline of Japan and the dark blue block that of Germany. We note that the lost share of the three top economies – USA, Japan and Germany, is almost balanced by China's increased share. Extrapolating to 1950 the equivalent share for the USA would have been 31% (*Historical Statistics of the World Economy: 1-2008* Copyright Angus Maddison.) The US lost the same share of world output between 1988 and 2013 as it did between 1950 and 1988 – a period 50% longer. And finally, whereas in 1988 the second largest economy (Japan) was only 40% the size of the US economy, by 2013 China was double that at 80%. (Some sources such as the IMF and the CIA have concluded that, by the end of 2014, China overtook the USA to become the largest economy based on PPP, but this author is not convinced of this, as the quality of Chinese economic statistics have deteriorated sharply recently. More importantly these figures are backward looking and do not take account of the growing overcapacity and waste in the Chinese economy which will bear down on future growth.)

One figure above all demonstrates the relative importance of the Chinese economy to the world economy. In the five years following the financial crisis in 2008, China added more to world economic expansion than did the US, the EU and Japan combined.



https://www.quandl.com/c/economics/gdp-as-share-of-world-gdp-at-ppp-by-country

With the decline of US capitalism, this multilateral framework set up after the war is breaking down, highlighted by the conflict of interests that is paralysing WTO negotiations. In turn this breakdown is giving rise to unilateral trade agreements. Some may call this 'plurilateral' but in fact, as each arm rests on the US, they are best defined us 'unilateral'. Of the two strategic treaties currently being negotiated, one covers the Atlantic (TTIP) and the other the Pacific (TTP). At their epicentre lies the USA with one arm extending to Europe and the other to Japan. (There is a corresponding plurilateral treaty between Europe and Japan being negotiated as well). What all these treaties have in common is that they exclude China.

TTIP and TTP reflect the rise of a bipolar, and possibly a triangular, world economy and this development marks a retreat from globalisation. At a number of levels these new treaties are the modern equivalent of the 19th century scramble for colonies, whereby the declining powers – Britain and France – sought to monopolise parts of the world and prevent them being penetrated by the rising new powers, Germany, Japan and the USA. In this case the EU, the US and Japan are seeking to create a unified market by excluding China.

The opposite development is taking place in China. China has experienced the most rapid industrialisation of any capitalist country in history. There has thus been an international displacement of older capital. In 30 years China has become the pre-eminent industrial economy, and by whatever metric, its industrial base far exceeds that of the USA. It produces and consumes over half the world's large trucks. In 2012/3 it produced more cement than did the US during the whole of the 20th century. Its manufacturing base is as big as the US and Japan's combined. It produced a third more electricity than the US did in 2014, six times more steel and twice as many cars and commercial vehicles, figures which are replicated in a number of other industries.

China is however an immature industrial giant. It lacks multinationals alongside a growing pool of surplus capital. It is these two uneven features that dictate the government's economic strategy. The Communist Party of China realises that its economic model, based on maximising investment in Department One industries (heavy industry) and reliance on exports, is bust. Instead it has to focus on building national champions preparatory to their becoming international champions: true multi-nationals able to compete with the best in the world. It currently has very few internationally competitive corporations outside banking, mining (oil) and a few technology companies. As of 2014 it had only one private corporation in the top 20 (compared to the USA's 13) and only eight in the top 100 (equal to Britain). Of these eight corporations, only one corporation is industrial. (PWC http://www.pwc.com/gx/en/audit-services/capital-market/publications/assets/document/pwc-global-top-100-march-update.pdf)

China has no car company, no pharmaceutical company, no aerospace company, no food company, no consumer product company and no trading company of note. In most industries it is years behind technologically and, short of buying multi-nationals by the score in order to raise its technical levels, it still requires a catch up period. Its only advantage is the planned increase of its internal market in order to nourish these champions. That is why China is rebalancing, turning inwards, expanding the economy inland from the coast. What is indisputable is that there will come a time when China produces world class corporations able to compete with, or outcompete, the multi-nationals that currently dominate the world market and which have hitherto condescendingly used China as one of their manufacturing hubs. At that point inter-imperialist rivalries will become acute and uncontrollable. Until then, and for the immediate future, the existing global corporations gain more from China than they lose. (However as with all alternative perspectives, it cannot be ruled out that significant political hurdles will arise in China as its economy slows down which may interrupt its economic progress.)

On the other hand, China is becoming an imperialist country with the need to export capital and surplus capacity (and later surplus population). In the first quarter of 2015 it exported $159bn worth of capital compared to US foreign direct investment of $43bn during the same period. It is setting up a number of international banks, particularly the Asian Infrastructure Investment Bank (AIIB), to compete with the World Bank and it is proposing a series of regional infrastructural schemes under the heading 'One Belt, One Road' which includes a modern version of the Silk Road. Despite the best efforts of the US government to stop major economies signing up to the AIIB, it has failed to do so. Not only did it fail in its efforts, but the duplicity of countries like Britain was breath-taking. Instead of toeing the line as it had promised the US, Britain was in fact secretly scheming to be at the head of the queue to join. This was a seminal moment in the shift in global power.

However, it would be wrong to see China's rise as the triumph of state capitalism over neo-liberalism. Quite the contrary. The current head of the CCP, Xi, has become a Bonapartist figure, not in order to reinforce state capitalism in China but to undermine it. The current plan to reduce to 40 the government's large holding of state capitalist corporations, is a cover for rationalisation, for the hiving off to the private sector of a large proportion of state holdings. (Reuters 27/04/2015) His current anti-corruption purge of leading figures in the CPC has a strategic content, to break the hold of that section of the Party that draws its power from state companies (SOEs).

These bureaucrats have used state companies to build private empires by siphoning off surpluses. With the economy stagnating and profits declining, the state can no longer tolerate the scale of thieving that has taken place and the related unregulated flight of capital from the country. Now that local governments are over indebted, only the central state has the capacity to act as the lender of last resort and for that to happen it needs first to secure its tax base.

Xi is also paying close attention to the army. Until recently the army was an octopus with its tentacles resting in numerous economic pots. His purges of sections of the military aim to dissociate the army from the economy and to professionalise it. He means to concentrate its efforts on military matters and to put an end to it being used as a means to enrich officers. This professionalization is essential if the military is called upon to maintain political stability at a time of deepening economic crisis which is bound to undermine the legitimacy of the Communist Party of China and its brittle rule.

To return to the trade treaties. Contained within the three strategic treaties is no commitment to create a supra-national state like the EU. Quite the opposite. The corporations seek to rise above the nation state and diminish its capacity to regulate their activities. The corporations seek to create a level playing field by eliminating national particularities, that is to say by doing away with specific sets of regulations that protect consumers and workers and which hamper the corporations' activities. A 'level playing field' here means an excavated playing field, the digging up and removal of regulation. Once this is done no state can re-impose them without facing severe and disabling financial penalties.

The nation state will be held ransom by, and be in thrall to, the multi-nationals. Little by little their jurisprudence will be limited in scope, as jurisdiction is moved to off-shore sites. The nation state will become reduced and remotely controlled, confined to providing workers and soldiers to profit and protect these multinational corporations in concert. In turn national culture will be homogenised and made bland, orchestrated by a handful of look-alike corporations dominating each industry.

This will not end the class struggle but give it a new dimension. With surplus populations in each country, these corporations will shuffle production between them to weaken and divide the international working class. And despite nationalism becoming a relic, it will be used to confuse and disorganise workers.

FORMS OF STATE CAPITALISM.

There are a number of episodic forms of state capitalism. They occur: under conditions of war; in the mixed economy; with the use of the state to centralise capital in immature and uncompetitive economies; when industries and banks too large to fail during periods of economic stress are nationalised – and in the USSR in the early twenties (which is dealt with later). We will not deal at length with these forms.

Conditions of War. Today, in the world of neo-liberalism and its dogma of the small state, it is forgotten that there were times when state capitalism was discussed and mooted. One such period was during each of the two world wars. To capitalism, war is a state of emergency, when the resources of the nation is organised in an exceptional manner. Here the state takes control of crucial areas of production, but not its ownership, in order to temporarily suppress competition and focus production on the war effort. The degree and extent of such state regulation varies. State controls are removed shortly after the war is resolved. In victorious countries, generally, with the exception of the UK (due to Lend Lease) in WW2, the capitalist class is enriched by the war.

Immature countries. This refers to countries that are internationally uncompetitive and lack developed credit markets. Here the agency of the state is used to centralise local capital, while the tax system is used to nurture local corporations by refinancing their losses. Once these corporations become profitable and competitive, they are returned to the private sector, either corruptly or via public share offerings.

Included in this consideration are those use values which do not lend themselves to commercialisation due to the prospect of profits being absent – infrastructure and blue-sky research being two key areas. Additionally, in times past, the state provided services to cheapen the value of labour power, such as housing, health/social care and education. Many have now been commercialised, provided as commodities and supplemented with tax credits yielding indifferent results as profits in one department are offset by tax rises overall.

The mixed economy. A four decade phenomena that prevailed in leading European economies after the Second World War which ended in the 1980s. It was sustained by a combination of strong unions, the cold war and the need to retain integrated heavy industry at a time when US imperialism was laying down a new international division of labour that undercut these industries. The mixed economy was seen by capital as a concession to the working class that needed to end in order to reduce taxation on the private sector, to remove limits to investment and to take advantage of cheaper alternatives. It is unlikely that a deep recession will reactivate the mixed economy with entire industries nationalised given the growth of the global economy and multi-nationals. Indeed written into the protocols of the strategic trade agreements, this option is ruled out.

LENIN AND STATE CAPITALISM.

We should not view the USSR in the early 1920s, which is nearly a century ago, through the prism of present day society. In 2009 (according to the U.N.), for the first time in history, the number of people living in urban areas exceeded the number living in rural areas. In contrast, within the USSR at the time of the revolution, the vast majority lived in rural areas and less than 10% of the population were workers. In addition, the numbers of workers was to fall drastically after 1917, depleted by the civil war and the emptying of the towns because of the economic privations resulting from this war. The vast majority of society in the USSR were newly emancipated peasants.

In addition only a small proportion of the population were numerate and literate and therefore able to take on the function of managing and organising production. Specialists, technicians and most civil servants considered themselves part of the elite and were opposed to the working class. Above all the revolution was isolated so there was no infusion of support from the more advanced capitalist countries, like Germany, whose revolutions were defeated.

The dexterous economic tactics adopted by the Bolsheviks (some might call them desperate, others may describe as questionable) are historically specific to the USSR. They do not provide a template for today's much more economically and culturally advanced societies. In other words they do not provide a guide for action today at all. To be blunt, in all the writings of the great Bolsheviks, what is missing is the intellectual mastery of socialism, an inability to describe the actual functioning economic relations that constitute such an economy.

In fact, taken out of context, the measures adopted by the Bolsheviks at the time are anathema to our socialist programme. We need look no further than the adoption of Taylorism, piece rates and iron discipline at work. These constitute the oppression of the worker, not his or her emancipation. No, worse, they represent the most grotesque features of capitalism, measures which workers always fought against from the dawn of capitalism. Taylorism, which is based on time and motion studies, reduces the worker to an automaton; piece rates represent payment by results which allows the capitalists to continuously cheat the worker, and iron discipline means muting the worker.

In contrast, when we describe our socialist programme as standing on two legs, the first being the right to receive back from society in proportion to contribution, and the second being falling prices rewarding all improvements in productivity and efficiency, we are addressing the common interest of the working class. Everyone is rewarded equally. There is a carrot but no stick. That is what emancipation amounts to.

Between 80% and 90% of modern capitalist society are workers. The reverse of what applied in the USSR. This vast majority produce unpaid labour, suffer economic insecurity, suffer over-hard work and have seen their standards of living frozen – if not falling and this is occurring some five years into a so-called recovery. The Federal Reserve *Report on the Economic Well-Being of U.S. Households in 2013*, published in the middle of 2014, found only 23% of US families living comfortably, while 68% said they were no better off or were worse off than in 2008. More memorably, 52% of households said they would have to sell something to pay off an emergency $400 expenditure, and this is occurring in the richest country on earth! In the UK a Lord Ashcroft commissioned study showed that in 2014 only 12% of the population felt they were richer than prior to the great financial crash.

The estimates for the first quarter of 2015 are showing a weak recovery petering out despite all the financial engineering. This is recognised by the central banks who keep finding reasons not to raise interest rates. The objective conditions for raising our socialist flag are prepared by this continuing economic haemorrhaging**,** despite the drip feed of near zero interest rates. No society can function, let alone maintain its legitimacy, when its survival depends on impoverishing its citizens. Under these circumstances an increasing number of workers, and finally the majority, can and must be won to supporting (and here we mean actively supporting) the struggle for a new society.

Such a society of course abolishes the pillars of capitalism which *inter alia* embrace Taylorism, piece rates and iron discipline at work. On the contrary, we declare that our socialist society offers each worker the following right: the right to work for oneself, while working collectively and owning in common the means of production, distribution and information. This is what receiving back in proportion to contribution amounts to. For the first time in ten thousand years you will not be working for someone else, making them richer and yourself poorer, but for yourself. No longer will society be split into classes, between those who own but do not work, and those that work but do not own. In our socialist society all unpaid labour will be abolished and with it profits, rent, interest and tax. Indeed living off unpaid labour will become a criminal offence.

For the first time the whole of society will own the economic product, a product which cannot be consumed in its entirety. Otherwise there would be no funds for additional investment, for looking after those who cannot look after themselves, pensions, health care, repair of the planet (insurance) education and administration. So part of this economic product has to be set aside or, which is the same thing, deducted.

Together we will decide how much to deduct for the common pot. It is bound to be a compromise. There will be different voices, some calling for more to be spent on repairing the planet, some for more investment to help poorer countries catch up, some for additional education to end the division of skill and so on. All the voices will be heard and balanced against what is possible. No party can decide. It is a right, the right of society, to collectively decide these deductions, for is it not true, that as it is we the workers who have produced this product, then it is only us who can decide on the size of the collective pot and its disposition?

In fact, this democratic decision is the epitome of working class democracy. It is the ultimate test of our democracy and its highest expression. It ensures that this surplus will go into the agreed pot; can only be used for the pot, for the purposes decided upon. It cannot be used to enrich others or for corrupt purposes. Every penny will be monitored and accounted for. There will be complete transparency. This can only happen with the involvement of the whole of society, whose decision it was, whose contribution it was, who feel part of it and passionately guard it.

The only state involvement (and here we refer to the newly formed working class state) is to investigate any complaint, and to charge, try, and punish those who steal from the pot. The state does not decide how big the pot is and where it will be spent. It is only the legal arm of society in these matters.

Further, the working class has no interest in iron discipline. This is replaced by knowledge, the knowledge that by working together productively and efficiently, everyone is rewarded by falling prices. The reduction in labour time is expressed in prices. The average improvement in productivity and efficiency is thus spread equally. Every worker can now enjoy more products because they are cheaper. They are no longer defrauded by funny money as under capitalism, where prices rise in order to benefit profits.

In contradistinction, piece rates are diabolical. If workers were paid by the piece, this would give rise to sectionalism of the most despicable kind. Every worker would try and increase their own little production in order to maximise their income. They would cut corners to increase production which would drive down the quality of production. Workers further down the line would have to compensate for this lower quality by spending more time unpicking faults or correcting faults. They would be punished by this lack of quality. Worker would turn on worker. In the end, instead of prices coming down they would go up because of this wasted labour time and everyone would suffer the loss. Lenin's introduction of piece rates was taken to its absurd conclusion by Stalin with the Stakhanovite movement he set up, which had such negative outcomes. In other words, this is not conjecture, the chaos it produced in the USSR was proof positive that piece rates are counter-productive.

We can now see the twin pillars of socialism: receiving in proportion to contribution and falling prices together create an equality, a unity of effort, a benefit that frees us from coercion. The majority of society sees unmistakably that socialism serves their interest, that the interest of one is inseparable from the interest of everyone else, no higher and no lower, that they enjoy a common reward, and that instead of antagonisms there is a harmony. And it is this that will instil a vibrancy into our working class economy.

Finally to State Capitalism. With the advent of the New Economic Policy Lenin advocated State Capitalism as the means by which the USSR was to escape the economic chaos that beset the country. Lenin recognised that the working class neither had the skills nor the experience to run the economy, so he proposed a division of responsibility. The state, representing the political power of the working class, would continue to own the large enterprises, but management and control was ceded to former owners and senior managers. Workers could not interfere with, let alone challenge, the decisions they made and, just as in any other capitalist company anywhere in the world, had to obey these instruction or face penalties. Lenin saw the emergence of state capitalism as an advance for an economy going backwards, where the imperative was to mobilise production using all available resources.

It was this state capitalism advocated by Lenin under the NEP that would inspire the theory of state capitalism under Stalin, a theory that was to hold traction until the collapse of the USSR in 1991. Strictly speaking, Lenin's designation should have been "workers'-state capitalism". When Stalin destroyed any working class political control during the mid-twenties, what emerged should no longer be described as workers'-state capitalism but as state capitalism. Whilst it was clear that these enterprises did not end up as socialist enterprises, it is equally clear that, after the advent of planning in 1928, nor did they neither remain independent state capitalist enterprises. This will be dealt with in the next section.

Nowhere in Marx's writings is there any allusion to the state managing the economy. This is different from the formal mechanism, which is the legalistic use of the workers' state, to amalgamate and transfer the property of the capitalist class to the working class. But, as has been written and emphasised elsewhere, this process ends with the disappearance of property in the means of production and ownership of the land altogether. It is a mere formality. When we all own the factories, buildings, infrastructure and the land, then no one owns it. It ceases to be property, something which can be bought and sold, alienated and used by one section of society against the other to extract a surplus. To a society steeped in property, this seems an alien concept, but it is not. And as soon as the means of production and the land ceases to be recognised as property amidst a thriving socialist economy, so the workers' state itself ceases to be, it is dissolved, and with it ten thousand years of oppression ends.

It could be argued of course that the act of the revolution itself puts to an end property in the means of production and the land. In fact this is its ultimate purpose. However, in order to become non-property, the private property of the capitalist class has to become the property of society. It must not become the property of this or that group of workers who have seized this or that factory in the course of the revolution. It requires the agency of the workers' state, which is the collective power of our class, to ensure its distribution is made complete, that it does not stop short, that it is not monopolised by different groups of workers, that it is not used for the advantage of different groups of workers. The state temporarily owns the means of production and the land as the custodian of the entire working class.

The state here is considered always in a two-fold sense. In the first sense it represents the armed power of the working class aimed at preventing the remnants of the capitalist class from seeking to deprive workers of their gains or to obstruct the development of the socialist economy. We can call this aspect, the 'outwards-facing' aspect. It the second sense it exists to protect workers' rights by acting as the final arbiter and ensuring no one is above the law or does not have the protection of the law. Indeed in the absence of classes, for the first time, the law is even handed and it embodies all the gains of bourgeois democracy such as jury trial, open courts, access to the case of the prosecution, the separation of investigation and prosecution and so on. This is the 'inwards-facing' aspect, and it outlives the ending of that part of the state, now deceased, that used to protect the revolution.

The state plays no active role in the socialist economy. It does not decide what is to be produced. That is the right of the individual consumer as worker. After deducting from the social product for the collective pot, what remains enters into the individual consumption of workers in proportion to their contribution. Here we have the introduction of consumer-led planning, the opposite to the planning found in the USSR which was authoritarian and paternalistic and resulted in mediocre products of indeterminate size and in the wrong quantities.

Workers, through their manifold choices, now set the plan in proportion to their income, and in return workers give up the right to dispose of their labour as an individual choice. If the plan is to be fulfilled then each and every one of us has to work in accordance with the plan which we have decided upon. Hence this right, balanced by this obligation, assumes the force of law in the absence of habit. Without it, the economy would flounder and all would be lost. Under these conditions the state will enforce these rights and obligations if necessary, but it cannot be considered as punitive, simply the protection and realisation of the common class interest.

The planning bodies are not state bodies. They are purely administrative. They are technical not political. They replace the market and with it the clumsy law of demand and supply. Now decisions on what to produce are direct not indirect, pro-active not reactive. By law the planning bodies' role will be limited to collecting, collating and aggregating the multi-billion decisions made for them and organise production as efficiently as possible in order to execute these decisions. These bodies will last into the indeterminate future – in other words long after the state has ceased to exist.

To sum up the relationship between state and society. The state does not decide how big the deductions from the social product will be and it does not decide where it is spent. That is the right of those who produced this product and it is their right to agree these deductions. Here again the state is relegated to ensure these decisions are carried out and that no misdemeanours occur at any time, while prosecuting any that may occur. Legal provisions will be passed to ensure complete and enforceable transparency.

The state plays no role in pricing. The objective pricing system, the direct expression in price of labour times, is an economic issue not a legal issue. It is based on mathematics not law. It is the weighted average labour time needed to produce any object and its movement is the reward for productive and efficient work.

The right to receive in proportion to contribution is an equal right in the midst of an unequal working class. It too will have the force of law. Like all rights, the recipient can waive it, and choose instead to receive an average 'wage' if their contribution is above the average.

Scales will be set based on coefficients of contribution. In other words the number of hours multiplied by the degree of skill. For this reason more skilled workers who contribute more to production will receive back more than less skilled workers who contribute less. Now our idealists may argue that we all should have a standard wage. But that would imply an unequal right, as the more skilled will earn less than they contribute and the less skilled more. These workers would no longer be working for themselves so to speak. Such an unequal right can therefore only be imposed and enforced as it will alienate the more skilled workers. Here the state is forced to play an active role in oppressing the more skilled workers. The converse is equally true, to overcompensate skilled workers and specialists, would mean their receiving more than they contribute and everyone else less. Again this unequal right would have to be imposed as it was in the USSR when the Bolsheviks had to placate the specialists who were hostile to the working class.

But in our socialist society, careful consideration will be given to arriving at the correct coefficients. Under this condition, every worker recognises they are being treated equally, that what they contribute in one form, they can withdraw in another. It does not require state intervention. Here is not the place to discuss formulae. Undoubtedly it will be one of the more invigorating areas of discussion and informed negotiation. Suffice to say at this point, that the ratios will be much narrower than those found in present day capitalist society and will be set against the background of an immediate improvement in everyone's standard of living resulting from an end to the huge and extravagant spending by the capitalist class which today is such a burden to society.

Once again, because this is an equal right, it is not imposed. Commissions will be established consisting of all sections of the working class, including the unions, to establish these coefficients, and when necessary to modify them. These scales will then be legislated on so that any omissions or abuses brought to the attention of the state can be dealt with. In addition suitable structures will be set up to take care of appeals against these coefficients.

Nearly a hundred years after the Russian Revolution, the cultural and technical abilities of the working class is incomparably more developed. Most workers are numerate and literate. The upper echelons of the working class do not consider themselves part of the bourgeoisie. Indeed many of the most successful companies like Toyota, depend on their work teams on the production line to ensure quality. Simply put, by putting workers in charge of production, waste has been reduced. Finally all companies hold extensive databases that cover their economic relations with each other. Dependence on senior management is no longer necessary. Worker management is within reach and all that will be required in time is to work out the details of how it is elected and how frequently; to delineate its powers and responsibilities; to decide how it is recalled and how it is tested.

It is time to sum up. We have demonstrated conclusively how our class can be united by fundamental rights which grant equality to all workers. The state is relegated to policing these rights only, to investigating and, where necessary, prosecuting transgressions. It does not play a direct role in the management of the economy. No state can enforce equality. Equality flows from the social relations of production themselves, which have now been made equal. The abolition of unpaid labour, the right to receive in proportion to contribution, falling prices, consumer-led planning and the collective decision on the amount deducted from the social product: this is what coheres our class.

We have an ulterior motive as well. We seek to isolate the capitalist class and the capitalist state. When the vast majority of society recognises their historical interest and is united by it, this undermines the army and police who, with the exception of senior officers, are drawn from the ranks of the working class. The capitalists have huge means of destruction, and they must be prevented from using it, and we cannot do this without winning the ideological struggle, the struggle for hearts and minds. And to achieve this we must have a programme that can take society forward and away from the threats to wreck our planetary home.

It must be recalled that the working class is a vast class. It is numbered in the billions not the millions. It is also diverse. Despite capitalism being highly centralised, indeed, because it is centralised, there are many petty bourgeois strands in the working class. We often hear the mantra 'small is beautiful'; we hear calls for regionalism, for breaking up the multi-nationals, for making production more familial and demands to set up co-operatives, etc., etc. To this we say, 'All in good time.' First we must master production. Secondly, we must take advantage of the economies of scale. Thirdly, we need to view the planet as our home ensuring that production is sited where it makes economic sense. Fourthly, we need to take advantage of the international division of labour. Finally, we need to be guided by the technical requirements of production. It is impossible to build a jet liner in the back of a garage.

Big may not be beautiful but it is bountiful. We need to build on the productivity of labour inherited from capitalism. We have seen that the productivity in the top 2000 corporations is nearly ten times the average and accounts for one third of world output. We can extrapolate and say the top 10,000 corporations produce more than half of world output. Where will we be if we break them up? Without their impetus we cannot uplift all in society, let alone create the conditions that will end the division between mental and physical labour. Our mission is to raise the lowest to the level of the highest.

Can the planet support this? Yes it can. The abolition of capitalism abolishes the barrier between paid costs of production and actual costs of production. Repair of the planet will be priced in, not priced out. A recent IMF study published in the Financial Times (18/05/15) reveals that the cost of pollution from the oil, gas and coal industries is $5.3 trillion equal to 6.5% of Global GDP and more than is spent on Global Health Care. This cost however is not priced in to the price of oil because these corporations do not have to pay for them.

We have the resources and the technology to produce clean energy; to close every carbon-spewing power station within a decade; to replace the internal combustion engine with electric engines; to produce electric trains that can run faster than 500 km/h, and in time advance to battery technology which will make electric planes possible. We have the technology to produce clean water without creating pollution. We have the resources to reforest the planet. We do not need three planets, or four planets: all we have to do is get rid of the minority that profit from pollution, our capitalist masters who force us to work in a way that is poisoning our world.

And to do this we must not turn our back on everything that Lenin wrote. While the Bolsheviks' economic teachings are mundane and do not provide an economic template for today, their party building prowess is unrivalled. We will need to build a party capable of wresting power from the capitalist class and this will require an organism that can not only survive but thrive in the hostile political environment produced by the power of capital.

PIECE RATE PLANNING.

The imposition of the first Five Year Plan in 1928 ended the era of state capitalism inaugurated by the NEP. By degrees, the state, now colonised by the bureaucracy, took over the management of the economy. A command economy replaced a market economy. That the economic relations were transformed without the active and conscious participation of the working class is, in this context, immaterial.

We will resume by first examining the essence of capitalism. Capitalist production is production for exchange. It is the act of exchange that converts the labour of the individual worker into exchange value and the unpaid element into surplus value. The act of exchange therefore has to be seen in a double sense. Firstly it is the moment that the labour of the individual worker becomes part of the labour of society as it is converted into money, and it is the moment the capitalist is enriched by the unpaid labour of his individual worker – represented here by the monetary surplus. Hence the exploitation of the worker is always realised at the point of exchange. If the goods produced by the worker are not sold or cannot be sold, no money is obtained, and instead of a profit there is a loss, money has been paid out, but none received in return. The worker has been exploited but the capitalist has not been enriched.

Commodity production is, therefore, something specific. It cannot exist without a market and it cannot exist without exchange, exactly the conditions that were abolished by the introduction of the Five Year Plans beginning in 1928 (although not immediately but by their end). The purpose of production had changed to production for extended (expanded) consumption, either by the state or by the workers through the wage fund. Exchange no longer separated production from consumption.

This signalled a transformation in the relations of production. The labour of the individual now became part of the labour of society **directly**. It was no longer a capitalist economy and labour no longer took on commodity form. It was a socialised economy but, as we are about to see, not a socialist economy. It was a unique mode of production, neither capitalist nor socialist.

The manner of the appropriation of labour is final proof that this was no longer a capitalist economy. In a developed capitalist economy, commodities circulate as products of capital. Prices deviate from value so that, through exchange, capitalists enjoy an equal rate of profit. That is to say, they share in the total profits produced by the working class, more or less in proportion to the size of their capital.

It is their capital that distributes profits. It is their ownership of capital that entitles them to profit. It is the property relations that dictate the relations of distribution, profits to the industrial capitalist, interest to the moneyed capitalist and rent to the landlord. It is this private property in the means of production and money that is the source of the social power of the capitalist class and their elevation to that of an exploiting class. Without property they would be, well, workers.

But in the USSR, private ownership of the means of production and to a degree, the land, had been abolished. The bureaucracy's entitlement to unpaid labour now depended on their state power, and their individual entitlement to their position within the hierarchy. Therefore the mode of alienation of labour had to take the form of state taxes, in particular turnover taxes.

The products of labour now circulated as products of the state, not products of capital, at prices set by the state. These prices exceeded the 'price paid for labour'. In other words the labour of workers was deliberately under-priced. The money paid to enterprises to reimburse the wage and welfare fund was less than the prices set by the state for the output of these enterprises. The difference, the unpaid part, was made up of taxes or, which is the same thing, the addition of a tax or taxes. Hence the so called national output was equivalent to wages plus taxes, whereas under capitalism national income is equal to wages, profits, rents and interest.

After 1930 and the consolidation of taxes, the primary tax became the turnover tax, and this tax, though diminished over time, was the largest source of income for the state and through it the bureaucracy. That it was levied primarily on light industry, or 'Department Two' production is interesting and worth commenting on. V. V. DEMENTSEV makes the following comment on the logic of the turnover tax in *The Great Soviet Encyclopaedia*, 3rd Edition (1970-1979). "The turnover tax is collected mainly in economic sectors related to light industry and the food industry. These sectors bear a heavier share because not only the value of the surplus product they themselves have created but also a portion of the surplus value produced in other sectors, such as heavy industry, construction, and agriculture, must be accounted for in their turnover taxes."

Here we have a concession to Marxism and volume 2 of *Das Kapital* in particular. The input/output analyses developed in the 1920s which preceded planning and indeed made it possible, were aimed at avoiding double counting. Hence the Stalinist planners assumed that the output of consumer goods contained the entire labour of society. Firstly by the direct application of labour in that sphere and indirectly by the incorporation of the labour expended in heavy industry used up in its production. Therefore to levy a tax on heavy industry (Department One) and consumer industry (Department Two) would have resulted in double taxation.

This view, while incomplete and convoluted, was not without insight. More prosaically, the tax on consumer products meant that it financed the state, paid for the workers, for the police including secret police and soldiers employed by the state, while at the same time enabling the bureaucracy to obtain its extravagant share of consumer goods. Finally it provided for the additional employment of workers which the expansion of production required. Tax was nothing less than the planned redistribution of the articles of consumption from the workers to the bureaucracy and their state.

So unlike capitalism where commodities circulate as products of capital at prices governed by the law of value, here products circulated as products of the state at prices set by the plan. And finally, whereas surplus value is appropriated through sale in proportion to capital, in the USSR it took the form of taxes added on to the wage fund or arbitrarily set. How is this in any way comparable to capitalism?

Of course there is taxation in a capitalist society and quiet a lot of it. Admittedly some of it will supplement profits, but most of it is not used for enrichment but to run the departments of state. In fact, capitalism is the first and only society where the bulk of the unpaid labour of the working class does not take the form of tax. Tax plays a huge role in slave-based society, feudal society and the USSR – but not in capitalism. To our state capitalists we say, the alienation of the product of labour in the USSR has more in common with feudalism than with capitalism so why not call it 'state feudalism'? This is doubly true, given that both systems produced, not for exchange but for consumption, with the USSR producing for expanded consumption (accumulation) while Feudalism, at a much lower level, produced for repetitive (localised) consumption.

Further, the fact that the functional unit of the economy was the enterprise (or group of similar enterprises) did not render this economy capitalist. In order to assert its control and prevent worker management, the state had to impose its own management. In turn this management had to report to the state. The state had to exercise a suffocating hold on management lest they lose control of production.

Managing workers means paying their wages. Wages are the umbilical cord that ties workers to their place of work. We refer, of course, to workers who had been rendered dependent by being deprived of their means of existence because it had now become the property of an oppressive state. Paying wages centrally, say through Gosplan, would have undermined management and would have fostered potential unity between workers across enterprises. Paying workers via their workplace was intended to be divisive – and it was. Finally, it was this payment of the worker by his or her enterprise that was to create the illusion of a labour market, when in fact the purpose of this method of payment was to reinforce management's control of the worker.

This localised payment of wages also meant that money became more than a unit of account. It circulated, but not as capital. Goods left enterprises and money and credit returned via Gosbank. However, only enough money was returned to the enterprises to replenish the wage and welfare fund. The balance took the form of credit, but not open ended credit; it was credit which could only be used in accordance with the plan to obtain specified inputs. The role of Gosbank was purely one of control, ensuring the enterprises produced according to the plan and employed according to the plan. It represented one more layer of control. Had enterprises been allowed to hoard or accumulate money, which they were strictly forbidden to do, and if part of this money was then used to bid for workers, then a labour market could indeed have emerged, but it did not.

It will not be necessary nor desirable under socialism for workplaces to be the conduit to reimburse workers for their labour. Workers no longer have employers but are socially connected: they are part of society. Already capitalism is paving the way. Long gone are the days when workers queued patiently on Friday evenings to collect the prepared packets containing their cash wages from the payroll office at work. These days the larger corporations outsource their payrolls, often to firms in far off countries like India. These outsourcing firms often carry out the payroll functions for more than one firm. (Obviously this is done because it is cheaper, but that is beside the present point.) The first time workers encounter their wages is when they access their bank accounts to find their wages have been deposited. In a similar way, under socialism whatever method is best suited to reimburse workers for the labour they expend will be adopted – but it is unlikely to be through workplaces.

Another issue supporting the incorrectly held view of the labour market, was the perennial shortage of workers which emerged in the late 1960s. Not only were rural sources of workers depleted, but so too the stores of women workers. On this website is an article which explains why the USSR was a society driven towards replication rather than innovation. (*Once More On Profit and Unequal Exchange pdf*) This means investment inevitably took the form of labour-intensive investment to prevent the enterprise forsaking its share of the labour time of society. The resulting shortage of workers and the scramble by enterprises for additional workers was not due to the existence of a labour market, but to the laws which drove this peculiar mode of production.

This leaves us to deal with three more supports for this so-called state capitalism. Accumulation, the arms race and the so called falling rate of profit in the USSR absurdly presented by one of the last of the 'state caps', Chris Harman. We will begin with accumulation. One of Tony Cliff's favourite justifications for labelling the USSR as state capitalist was the subordination of personal consumption to industrial investment or accumulation. In this he repeated the battle cry of capitalism which Marx memorably described in Volume I of *Das Kapital*: "*Accumulate, accumulate! This is Moses and the Prophets!*"

Under capitalism, competition turns capitalists into the puppets of capital. They have to invest to survive and thrive in this sea of competition. They have no choice otherwise they will sink. This is because capitalist production divides society. Such a society is only united through exchange, through the market. It follows that changes in one part of the economy, or even one firm, is only felt by the rest of the producers at the moment of exchange when they are confronted by the alteration in the terms of exchange or, which is the same thing, price changes or changed products. This forces the rest of the producers to react or drown.

This was clearly not the case in the USSR. Stalin was not a puppet of capital (although, to be fair, he did surround himself with disposable puppets.) At the inception of the first Five Year Plan, an unconfident Stalin accepted and proposed timid economic goals. As Trotsky put it in his book *The Revolution Betrayed:* "The first official draft of the five-year-plan, prepared at last in 1927, was completely saturated with the spirit of stingy tinkering. The growth of industrial production was projected with a tempo declining yearly from 9 to 4 per cent. Consumption per person was to increase during the whole five years 12 per cent!" Production only became a storm when Stalin gained confidence, when he was emboldened by the over fulfilment of the timid goals. The first Five Year Plan underwent three revisions to its targets, and the early drafters of the first timid version were rewarded, as Stalin always did, by putting a bullet into the back of their heads.

"Socialism in One Country", penned by Stalin was always defensive, an implicit non-aggression pact with imperialism. The breaking of diplomatic relations by the British in 1927 and the rising power of the Kulaks had put Stalin on edge. Hence if there was a compulsion driving Stalin, besides aggrandisement, it was fear of foreign intervention. In the absence of working class internationalism and support for the movements of liberation, rapid industrialisation became the default defence. **"**In 1928, 'group B goods' (consumer goods) formed 60,5% of the Soviet industrial output and 'group A goods' (capital goods) constituted 39,5%. In 1950, the proportion was reversed and 'group B goods' (consumer goods) formed only 31,2% of the industrial production output whereas 'group A goods' (capital goods) constituted 68,8%)." http://www.centrosraffa.org/public/bb6ba675-6bef-4182-bb89-339ae1f7e792.pdf

What followed was the most rapid industrialisation in history, such that by World War 2, Russia was able to prevail against Germany, whereas a generation earlier in World War 1 it had to submit. What the proponents of the 'state capitalist' theory are guilty of is the confusion of political competition with economic competition. The struggle with imperialism was not a struggle within a world market, but a struggle by imperialism (German invasion) over markets in order to restore the market in the USSR which had been lost to it.

If it is accepted, and it should be, that the USSR was not capitalist, then the antagonism between it and the rest of the capitalist world is seen for what it was – political. If however, the USSR is seen as capitalist, then the struggle is presented as an economic one. This being so, an area of competition has to be found or selected. It was – the arms race.

The arms race, which erupted out of the political differences between the USSR and imperialism, was now used to equate the two. This is nothing more than sleight of hand. It is unworthy. And it raises the question why exactly would these two blocks engage in a form of competition that does not enrich either side. What was quite unique and startling, was that this competition over arms was posited as an end in itself rather than as a means to an economic end, the latter having characterised previous rounds of inter-imperialist rivalry.

The production of arms impoverishes a society, it does not enrich it. Producing a tank does not increase the productivity of labour, it does not expand industry. It is, in effect, wasted labour. As Marx was to put it bluntly, it was: "the direct equivalent of a nation throwing a part of its capital into the water". Arms manufacturers of heavy weaponry have only one customer, the government, and the government can only pay for these arms through taxation. If a government needs more arms it needs to increase taxes which always and everywhere depresses profits and wages.

It was this arms race in general, and the Vietnam war in particular, that destroyed Bretton Woods. The colossal expenditure on arms undermined the dollar, bankrupted the US treasury, held back the rest of US industry and allowed Germany and Japan to emerge from under the US military umbrella which had provided them with a ready-made market due to the presence of significant numbers of US troops (while at the same time reducing their own military expenditures). So while the US was producing tank factories, Germany and Japan were producing machinery, equipment, tools and all the manufactured goods that allowed them to boost the productivity of their workers and thus catch up with, and even overtake, parts of US industry.

Over time, the total cumulative expenditure by the US military in these countries gave a greater impetus to their economies than did the Marshall plan. In the 1950s and 1960s over 250,000 US troops were based in West Germany, and at the height of the Vietnam War, over 500,000 were stationed in Japan. And if we include South Korea, which housed between 50-60,000 troops up to the 1970, it is no accident that the three fastest growing economies at the time were allied to the USA. It therefore seems very strange that the US would compete militarily with the USSR on the one hand, only to foster competitors like Germany, Japan and South Korea on the other. There was therefore no clear economic benefit for the US economy. The predictable emergence of the military-industrial complex was not a sign of economic strength, but of potential weakness.

As for the USSR and its much smaller economy, precious resources had to be diverted to arms production. The USSR was not enriched by the arms race: it was made poorer. The USSR, which had twice repulsed an imperialist invasion at huge cost, did not choose to enter the arms race, it was forced into it. The arms race was not the main contributor to the final economic collapse of the USSR, but it exacerbated the underlying weaknesses that ultimately felled its economy.

As is to be expected, having alighted on the arms race as the primary economic arena of competition, Cliff had then to propose that the permanent arms economy (in the USA) was actually good for capitalism. This was simply not true. From a peak of over 14% of GNP in the 1950s, defence expenditure fell to under 5% in 1979 as it had become unsustainable. At the same time, as military expenditure was no longer paid for with debt but by taxes, taxation increased by over 5% of GDP from the early 1950s. Unlike Cliff, Nixon understood the damage decades of arms expenditures and wars had inflicted upon the US economy. On the night of August 15th 1971, he ironically announced his own New Economic Policy which was based on a three-fold task. "We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators." (history.state.gov/milestones/1969-1976/nixon-shock) The first two tasks say it all. Better jobs translates into more productive jobs, more skilled jobs. What Nixon was owning up to, was that the level of productivity within the US economy could no longer sustain both living standards and the dollar in a world economy where the US no longer reigned supreme. This was exactly what Marxists had predicted, but not pseudo Marxists like Cliff. Germany and Japan, who had invested in Department 1 and 2A production, had undermined the US which had squandered much of its investment in arms and wars. The US was not propped up by its permanent arms economy, it was laid low by it, as Nixon was forced to admit.

Cliff was not once wrong; he was twice wrong. There has been a long line of Marxists who have explained the crisis of capitalism in terms of an imbalance between production and consumption, particularly the overproduction of Department 1. The second support for the permanent arms economy is that it was supposed to simultaneously slow down the growth of Department 1 through its impact on investment (investing in means of destruction reduces accumulation) while adding to demand through government expenditure on arms.

This was just another variant of under-consumptionism. Whatever the variant, under-consumptionism is always wrong. It is not the imbalances between production and consumption that give rise to the falling rate of profit, but the falling rate of profit that gives rise to imbalances. The total capital over which profits are measured includes the capital invested in producing armaments, e.g. the capital of Lockheed, General Dynamics, Raytheon, Grumman and so on. It increases capital on one side but reduces profits on the other by increasing taxes without making workers more productive.

Accordingly it causes the rate of profit to fall faster. M Coen in his scholarly book entitled *"The Measurement of Capital",* which plots the rate of return for US manufacturing over the period 1948 – 1974, shows it to be highly unstable. However as the Vietnam War escalated from the mid-1960s and defence expenditure surged, the rate of return collapsed. By 1973 and the outbreak of the first international post-war recession it had fallen by two thirds from its last high in 1965/6. What followed was a decade of stagnation. The high point in the rate of return thus coincided with the beginning of the invasion of Vietnam. By the end of 1966 the US had stationed 345,000 soldiers and sailors in and around Vietnam increasing to 500.000 at the end of 1967 and then to 540,000 at its height in 1968. From this point it began to fall but still numbered 480,000 at the end of 1969 by which time the rate of return had fallen by a third.

Having examined the falling rate of profit in the capitalist world, let us look at Harman, Cliff's protégé and closest collaborator and his treatment of the so called rate of profit in the USSR and its fall. As Jeffries points out, Hallas suggested that there was a functioning rate of profit in the USSR and that it fell in proportion to the rise in the organic composition of capital. The idea of profit disturbing the economy in the USSR has a firm foundation, but for reasons completely unconnected to Hallas' premises.

In the early 1960s, Evsei Liberman of the Kharkiv Institute of Engineering and Economics, influenced by the "school of optimizers", had circulated an influential paper calling for the re-introduction of profits as a regulator of production. This paper fell on fertile ground. The bureaucracy was well aware that their economy was failing. Industrial production was falling, unfinished projects were increasing, waste was endemic and unwanted products abounded. This was the penalty for an economy based on piece rates, for the quantitative targets set by the plan were piece rates by any other name. Piece rates, we will never tire of saying, always and without exception lead to abnormal production, to cutting corners, to producing the easiest combinations and to passing on mistakes.

The bureaucracy recognised they could no longer plan in the old way. What they did not, and could not, appreciate was that, far from profits being the saviour of their economy, they would be their foe. These were second and even third generation theorists who only paid lip service to Marx. Profits are productive only in a society based on exchange, they become counter-productive in a society where it has been abolished.

In 1930, the move to turnover taxes and away from cost-plus taxes was based on the recognition that cost-plus taxes led to unintended economic consequences. Primarily it acted as a barrier to improving efficiencies. If the cost-base is reduced by improving productivity, then so will the tax levied on it. For example if the cost base of an enterprise falls from R100 million to R50 million, a tax of 20% levied on it falls from R20 million to R10 million. Smaller cost bases yield smaller taxes.

This is predictable. If an enterprise's share of the labour of society is diminished, and if the relative proportions of paid and unpaid labour remains the same, the reduction in labour time results in both a smaller cost base and a smaller tax. In a similar way, if we substitute a profit margin for a tax margin, we would be left with a smaller cost base and a smaller profit. The popularity of the turnover tax lay in the fact that it avoided this trap. The price for output and the price for labour were set independently by the planning bodies; the one did not depend on the other or interact with it. Thus the amount of tax was guaranteed, which was the prime motive for the centre – the guaranteeing of its tax income.

However, when profits were introduced, the old problem arose. It did not lead to innovation, it led to duplication. In a socialised economy, where the labour of the individual is immediately part of the labour of society, the profit motive leads in the direction of maximising labour not minimising it. In such a society, maximising labour increases one's share of the labour of society, and everything else being equal, one's share of the unpaid labour of society.

In a capitalist society the reverse holds true. When a firm minimises its expenditure of labour through the market price, it simultaneously increases its unpaid labour and therefore its share of the unpaid labour of society, as a result of the enlarged gap between the market price and its cost price. In fact it is easier to understand the malign role of profits in a socialised economy than in a capitalist economy, where reducing labour time is rewarded by extra profits rather than reduced profits. What is surprising is that this observation about the USSR has taken so long to emerge.

The planned economy of the USSR was not irrational, it was grossly inefficient. The planners did aggregate total hours worked (homogenised for the difference in skill). This aggregation was then applied to the output to determine its cost. But this determination was partial. Its purpose was to replenish the wage and welfare fund on the one hand, and on the other to apportion taxes and profits so that it was spread over production and circulation. Where it failed was that it was not applied to actual costs of production. Prices were planned, prioritised, often made up and they always ossified. Their purpose was not to reflect actual costs of production at the level of the product but to lubricate the plan.

Bizarrely, the USSR was the first complex economy in history where the intimate bond between costs and prices had been broken. At least under capitalism, there is an elastic relation between value and price which limits the movement of prices. When the introduction of profits was proposed, it was recognised that this required the repricing of production. The Kosygin price reforms of 1966-67 laid bare the inability of this system to price accurately. Industrial wholesale prices had not been changed since 1955, ten years during which productivity, according to the figures provided by the USSR, had increased by more than half. One could expect from this increase in productivity that the price revisions would have been downwards. In fact they were revised upwards. This allowed for the insertion of the profit margin on top of the tax margin. Hence the new profit margin meant nothing more than an increase in the rate of exploitation of workers in the USSR by means of planned price rises. It meant a new redistribution in favour of management.

The role of profits was seen as mitigating the effects of piece rate production or quantitative targets. Its purpose was to move production in a qualitative direction. Quantitative targets would set broad goals, while the reward of profits would go to those enterprises that produced the desired mix of products and of better quality. On the face of it, the introduction of profit appeared to be a good idea.

And at first these reforms did give an impulse to production, but this was short-lived. Instead of introducing efficiencies, the planning bodies began to notice that average costs were increasing rather than decreasing. Driven by profits, which was added to costs, management found they could boost their profits and income more easily and quickly simply by raising their costs compared to changing mixes and quality. As a result these reforms were quietly reversed. This has always been portrayed by western observers, whose views are prejudiced by the market, as the central bureaucracy simply reigning in managers in order to maintain its control, or as the neutralising of the centrifugal forces unleashed by market forces. In fact it had an economic imperative: the profit motive was driving the enterprises to increase their share of the labour of society by increasing their costs.

Moreover, the introduction of these reforms actually exacerbated the resistance to innovation. The process of minimising costs always represents a period of upheaval as plants are retooled, workers are retrained or laid off. At this point it leads to an absolute fall in the expenditure of labour due to the collapse of output. Under capitalism this presents no insurmountable problem, for the future reward of additional profits courtesy of the market price more than compensates for any disruptions, and is costed in. But in the USSR, innovation and its loss of output leads to penalties, to an immediate reduction in incentives. For example, once a brand new factory is built, say a truck company, it tends to atrophy. Retooling it would reduce output in the short term which in turn leads to penalties for missing targets. Managers find themselves worse off, not better off. Much better to continue in the old way, earning profits from meeting targets from a preserved, or even enlarged, cost base.

There was always a tension between the planners and the management of the enterprises. The objective of the planners was to stimulate the economy. The objective of the management was to meet the target set by the planners. To do so they always provided the planners with an underestimate of their potential output and an overestimate of the amount of inputs needed to achieve their targets. To compensate, the planners raised targets and reduced inputs. It meant planning, from the outset, was blind.

But there was a deeper problem. The planners never found a way to incentivise the management of the enterprises to act in a dynamic way. Incentives could only be the equivalent of piece rates. In fact it really was an economy based on piece rates. Piece rates for workers and piece rates for managers. Targets were set for workers and targets were set for the enterprise. As expected, under these conditions, the response could only be sectionalism. In the absence of an objective pricing system, each enterprise would seek to maximise its share of the labour of society without regard to the impact this would have on the rest of the society, even if it meant producing only large nails or the same coloured cloth.

Included in these reforms were rates of return. Rates of return have no place in a socialised economy. It does not matter if this takes the form of rents, nominal cost of capital or whatever device the reformers attached to the means of production to make their utilisation more efficient. The replacement of interest-free loans (of means of production) to enterprises (really the allocation of means of production by the state) by repayable loans or interest-bearing loans was always going to have a minimal impact on enterprises. For beneath the surface an overriding problem is to be found.

Any increase in the technical composition between means of production and labour is going to increase the ratio of past labour to present labour. In any society, even the Soviet Union, the increase in the technical composition of production will lead to a rise in productivity. That means present output is always cheaper than the means with which it is produced – and paradoxically the more productive it makes present day labour, the faster falls the cost of current production compared to the means used to produce it. As the use of a return measures this relationship, the more the cheapening process accelerates, the less efficient the return appears to be. Under capitalism this is masked by market prices which, despite the fall in total labour time, allows the room and time for the surplus labour time to increase.

That is why we will never tire of saying that only falling prices in a socialised economy can spur it forward and direct the resources of society. Margins and returns cannot. And by falling prices we do not mean price revisions, but prices being active, responding all the time to the continuing changes in the weighted average labour times materialised in current production. Changes which would occur over days, never mind weeks. Of course this involves billions of calculation but that is more labour efficient, and far less wasteful than allowing the market to sort out prices. The problem in the USSR was not a technical one. To hide its parasitism the bureaucracy could never base planning on objective prices.

All margins, whether they are based on cost price or on a return, are counterproductive. They act as a barrier to the reduction in labour times. The bureaucracy in the Soviet Union, whether at the level of the state or of the enterprise, were the prisoners of this phenomenon and try as they did, and there were a multitude of reforms, they could not struggle free.

In the longer term the introduction of profitability did not arrest the decline. In many ways it hastened the fall without, as we were to see later, inoculating the bureaucracy to profits with the fall of the USSR. In 1940 turnover tax in the USSR represented 58.8% of state income and tax on profits only 12.2%. By 1971 the tax on profits would be 34.1%, eclipsing turnover tax for the first time, the latter having fallen to 33.8% (http://encyclopedia2.thefreedictionary.com/State+Budget). The economy had become increasingly cursed by the plague of profitability.

Hence, as we have said, Harman was not wrong to point the finger at profitability. Where he was wrong was to apply it to the USSR as though it was a capitalist economy. Yes, profits did help fell the economy, but only because profits in a socialised economy will always act as a fetter: they will always be counter-productive.

In a capitalist economy the rate of profit alternates between being a spur and a fetter. In the latter case it leads to the destruction of capital as one of the conditions for its rise and thus its resumption as a spur. In the USSR the economy collapsed. If we were to grant the proponents of the 'state capitalist' theory leeway in order to pursue their line of reasoning which asserts that the collapse of the USSR was nothing more than a savage and drastic "creative destruction" of capital necessary to raise the rate of profit, we would be left with one overriding and unavoidable problem. Under capitalism, the creative destruction of capital, always and without exception, results in the centralisation of capital. It ends with fewer capitals of a larger size and a higher efficiency. Yet in the USSR the opposite occurred, we had decentralisation, the emergence of thousands of new capitals where previously only *one* had existed: this was the breakup of capital rather than its consolidation.

But of course we were not dealing with a capitalist economy. We were dealing with the final phase of the counter-revolution, the re-imposition of the market boundary (Jeffries) into those parts of the world where the market had been abolished. The wealth of the USSR, built up at such human cost, was converted into capital for a paltry $7.5 billion (Jeffries), which is why the USSR generated disproportionate numbers of billionaires.

IN CONCLUSION.

This paper does not deal in detail with the various proponents of the 'State Capitalism' theory in Britain as this has been comprehensively dealt with by William Jeffries in his forthcoming article entitled *"State Capitalism in the International Socialist tradition".* This article will show that this tradition is contradictory, inconsistent, clumsy and downright dishonest in its use of categories. Commodities exist and they don't, the law of value exists and it does not, the rate of profit exists and it does not.

The ultimate criticism of this theory is not that it trips over its own feet, but that in doing so, it falls in a direction which takes us away from an understanding of why this mode of production collapsed. It did not collapse because it was capitalist, it did not collapse because the rate of profit was falling, but it collapsed instead for entirely different reasons. Reasons based on its own laws of development and decay.

Our method, which is consistent with that of Marx, has been to examine the social relations of production that emerged after 1928. After the first Five Year Plan **generalised** commodity production had been abolished. It meant the labour of the individual was now directly social. However, that labour was not appropriated by the individual worker but by an oppressive state at whose head stood a privileged and brutal bureaucracy.

What followed was an emerging contradiction between the socialisation of labour and the forced appropriation of its product. The mechanism by which this took place was through the pricing system that evolved in the USSR. The product of labour now came to circulate as products of the state, at prices set by the state which themselves bore scant relation to their costs of production.

The purpose of these prices was three-fold. Firstly, to under-price concrete labour. In other words the payment for the aggregate number of hours worked in the economy was less than the labour produced during those hours. Simply put, the wage and welfare fund only covered part of the working day. Secondly, it was to price output in a manner that supplied the state with its planned funds. Finally, prices were adjusted to set priorities, thereby redistributing between lower priority industries and higher priority industries.

For the first time in history, in a complex economy, as we have already said, products circulated with little or no connection to their actual costs of production. As a result there emerged a culture of waste fostered by a price system which failed to prevent it. In the end the failure to produce an objective pricing system resulted in the surplus of society being squandered and the system collapsing. But there is more. What replaces the profit motive is an objective pricing system and, in its absence, a society will fall back into a more primitive mode of production where the profit motive is re-established.

Just as we understand the falling rate of profit to be the arrhythmia of the capitalist economy, so we understand the subjective pricing system of this socialised economy to be its arrhythmia. And just as the rising organic composition of capital exacerbates this arrhythmia so the technical development of this socialised economy also exacerbated it. As the technique of production developed in the USSR, the need for an objective pricing system to regulate it grew, and when it was not forthcoming, the economic consequences multiplied.

An objective pricing system is not optional, it lies at the heart of a dynamic socialist society. But objective pricing is not simply a matter of accounting, its implementation requires a co-operative and democratic society with nothing to hide. It is thus a social relation, not a technique. The Stalinists could not admit that their pricing system was fictitious without ceasing to be bureaucrats, just as a priest cannot admit that god is a myth without ceasing to be a priest.

In the Hegelian sense, an objective pricing system is a process coming into being. Capitalism for the first time introduces costing on an industrial scale. Legions of accountants, book-keepers and clerks are employed to keep account of the property of their employers as it is produced and as it circulates. However, under capitalism, and due to the movement of capital, an elastic relation exists between actual costs of production and prices.

It is only by the abolition of capital that it becomes possible for the first time to directly connect actual costs of production with prices, thereby replacing the indirect connection known as the law of value. This will take time to unravel. We will inherit prices from capitalism that in their individuality, may be far removed from their actual costs. Clothes will increase in price, as will food, while airline tickets, energy costs and cars will fall in price. One things is clear, it is idealistic to call for the immediate abolition of prices before they are fully realised.

Only through an objective pricing system can society be incentivised, only through an objective pricing system can we make accurate consumer choices, only through an objective pricing system can we eradicate differences in productivity within industries and between industries, only through an objective pricing system can we account for differences in skill and only through an objective pricing system can we begin to allocate the labour of society in accordance with the wishes of its members. In brief, an objective pricing system is the backbone of planning. Without it the system would flop.

CATEGORISING THE USSR?

How to describe such an economy? The Soviet Union was not a ‘degenerated workers’ state’, or a ‘bureaucratic collectivist state’ or any other political tag one would like to attach to it. We can identify three sets of social relations that made it unique. Firstly it was a socialised economy. Secondly the surplus product was expropriated by the state. Thirdly it was planned.

We will reverse the order. Many commentators reject the word ‘planned’ and substitute ‘commanded’. Yes, it was a command economy. Planning based on the planning of piece rates is not planning. Planning based on the expropriation of labour is not planning. Planning is a quintessential social relation, in fact the highest of social relations. It is conscious, collaborative, democratic, empowering, and invigorating – everything that was missing in the USSR, where planning was coercive, arbitrary, imposed and shrouded in shadow. Indeed, this primitive form of planning was shaped and limited by the underlying contradiction between the socialisation of production and state expropriation.

So while it is tempting to describe it as a ‘wasteful planned piece-rate economy’, we will refrain from doing so. Nor will we indulge in calling it a ‘priceless socialised economy’ out of respect to the suffering of its hundreds of millions of workers over three generations. The correct description is that it was an *alienated socialised economy*. This captures the contradictions that shaped and ultimately felled this mode of production. The final support for this categorisation is the lack of significant resistance by the working class in these countries to the handing over of the economy to the capitalists. Such was the degree of alienation that workers did not feel the need to contest this economy with the newly emergent capitalist class.

It is impossible to run a socialised economy on the basis of expropriating the working class. Once an economy is socialised, it can only be managed by its workers. There are no exploitative mechanisms other than terror, because all are confined to an economy based on exchange. Any margin or rate of return, be it tax or profit or interest, is always counter-productive, and such an economy will ultimately be ruined by them. This is the single most important lesson to draw from the USSR, the world's first socialised economy which proved to be such a tragic cul-de-sac for workers.

(Note 1.) (The latest figures for Forbes top 2000 corporations, published in April 2015, reveal profits of $3 trillion {+23%}, revenues of $39 trillion {unchanged}, assets $162 trillion {+2%} and market value of $48 trillion {+23%}. Profits are up but there is no revenue growth.)

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