CAPITALISM, THE STATE AND IMPERIALISM.

To understand the many forms that capitalism and its state assumes under the sway of technical developments, recessions, the growth of the working class and inter-imperialist rivalries it is important to categorise capitalism first. Only once the general character of capital is understood can its evolving forms be interpreted. Unless we accomplish this the evolving forms are inexplicable because they are in fact modified forms of the original.

Defining a mode of production.

Here we assume a certain level of economic development beyond individual production for individual consumption.

Two distinct modes of production will be examined. The modern market economy and what passed for a planned economy in the USSR (additionally a true communist or producer based economy will be referenced as well). We will use the same two-part analytical tool for all three; namely that a mode of production as defined by Marx is the manner in which the labour of the individual becomes part of the labour of society, and secondly, how that labour is appropriated or expropriated. Nothing else.

Capitalism. In such a mode, the purpose of production is for exchange, that is to say, commodity production is generalised. Under such circumstances the labour of the individual worker only becomes part of the labour of society indirectly, by first having to be exchanged against money. A failure to sell or exchange means a failure to convert individual labour into social labour or revenue. Instead of a profit there would only be loss and therefore a breakdown of the system. Secondly, as the individual workers' wage is paid out of capital, i.e. out of unpaid labour previously expended, the new labour produced belongs in its entirety to the employing capitalist ensuring that upon sale, all the money received belongs to them. As this money exceeds the money expended on production including wages, the exchange yields a surplus amount of money which represents the profits of the employing capitalist.

The USSR. After 1928 and the First 5 Year Plan, the labour of the individual worker became part of the labour of society directly. It did not have to be exchanged but was directly expropriated by the state to become state property. Outputs immediately became inputs. Such a society must therefore be considered **socialised** (as opposed to socialist). It must also be considered **exploitative** because of the forcible alienation of the labour from its producers in the form of state property to which the producer had no claim. Finally, only part of this labour was returned to workers in the form of the wage and benefit fund, while the rest was retained to fund the state budget. Thus using only this two-fold analysis we can define the mode of production found in the USSR to be distinct from that found in a market economy.

Communism. Here the labour of the individual is not only part of the labour of society but the relation is conscious and harmonious, and secondly, that labour is never appropriated by anyone other than the producer who expended it. Here we have a socialised economy free of exploitation and alienation. A true socialist economy.

Looking at capitalism more closely.

We will begin by examining a number of key observations of Marx which has a bearing on the three modes above and there evolution. These quotes come from an earlier article on this website: State capitalism defined.

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

Let us begin with a). What is the significance of Marx's observation that capitalism can only exist as 'many capitals' or not at all. Well, unless you have many capitals you cannot have exchange and if you do not have exchange the profit motive in the form of its rate does not work. The reason for this is the manner in which the expenditure of private labour relates to the labour of society via the process of exchange.

The driving force of capitalism, in common with all productive modes, is the economising of labour time. We know the capitalists engage with this not for its own sake but to increase their profits, but we also know that should their profits increase insufficiently or not at all, they would not invest to make their workers more productive. However, as soon as we consider the issue of profits we are confronted by what appears to be an insoluble contradiction. Its best explained with simple numbers. Firm A employs 10,000 productive workers out of a total employment of 1,000,000 throughout the economy. This represents 1.0% of the aggregate workforce. Assuming all workers work the same hours and suffer the same degree of exploitation the number of unpaid hours in Firm A is 5,000 against 500,000 yielding 1.0% again.

Now firm A decides to adopt a new technique of production allowing them to produce the same number of commodities but with half the workers. Everything else being equal the following applies. 5,000 productive workers are now employed out of a total of 995,000 equal to 0.0502% (remember the total of 1 million has to decline by the same number of workers or 5,000). The same applies to the amount of unpaid hours, 2,500 compared to 497,500 or 0.502% compared to 1% (or 5,000) before. Firm A therefore loses half its unpaid hours and its share of the unpaid hours of society is also halved.

In this case the investment would clearly not make economic sense. Let us provide a monetary figure to show this more clearly. Firm A sits at the average for the economy. The GDP for the economy as a whole is 20 million Pounds implying that the average hour of labour in terms of its monetary equivalent is £20.

As Firm A is average, its output to begin with is thus £200,000 or 10,000 hours x £20 . However once it reduces its labour time by half, and ignoring all ancillary issues such as material, power and other inputs, its turnover falls from £200,000 to £100,000 and its profit from £100,000 (half of £200,000) to only £50,000.

Firm A has indeed economised on labour time but in doing so it has become poorer not richer. Its aliquot share of the total unpaid labour time is now diminished. How to resolve this dilemma? To understand this resolution let us go back to our first proposition. The labour of the individual only becomes part of the labour of society **indirectly** through having to be exchanged or sold. What is important is the sale price or market price at which the exchange occurs not the value of the labour expended. In the industry where Firm A operates we can assume that the sale price for its product remains constant at £1 because of the social need or demand acting on it. In this case the turnover of Firm A does not fall from £200,000 despite the fall in its actual cost of production. However, its profit jumps because it no longer pays £100,000 in wages but only £50,000. It now earns £150,000 in profit compared to profits of £100,000 previously. Ah, the magic of money.

Instead of losing money it now gains money. But from where? Where does this extra £50,000 in profit come from? From unequal exchange that's where. The value of Firm A's output is now only £100,000 but it receives the monetary equivalent of £200,000, it gives up £100,000 and gets back £200,000 in cash. It receives an unequal amount of money at the expense of the rest of the economy and this has a ripple effect across the economy, the equivalent of a the wings of a butterfly flapping.

What has transpired is that there has been an aggregate fall of £100,000 in the expenditure of labour and therefore in the total amount of value produced and in circulation. Total demand falls by £100,000, or £50,000 on the side of workers and £50,000 on the side of the capitalists. It is easy to see this on the side of workers as less wages and fewer workers are employed. It is less clear to see on the side of the capitalists because here we have a redistribution from the rest of the capitalist class to the owners of Firm A who proportionately enjoy a larger share of the pool of profits which has shrunk marginally. What is the mechanism behind this. Well the loss of £100,000 in overall demand, everything else being equal, will create a minor ripple in the markets reducing market prices marginally everywhere (we assume Firm A's sector is exempt). This will squeeze profit margins. The new profit margin found in the rest of the economy will be established only once the £100,000 has been redistributed.

Most Firms lose profit and their combined loss is equal to the gain made by Firm A. Money bridges private property and over this bridge travels value, but the opposing lanes are never equal, sometimes the one lane carries more traffic and at other times less, but in the end, if cars are not to collect at one end of the bridge, the fluctuations on either side must balance out. In this way, money through unequal exchange, allows a more competitive company to appropriate a portion of the unpaid labour produced by workers employed in less competitive companies thereby making up the loss resulting from the reduction in the unpaid labour of their own workers. They end up not only exploiting their own workers but workers employed elsewhere.

Now we can understand point b) at last. The animating power would go out if many capitals gave way to few capitals ending exchange and with it unequal exchange. Few capitals assume that these capitals would in the end be producing not only final products but everything that goes into those products. Take the case of a giant single global car company. It would have its own mines, its own power stations, its own shipping line, its own component manufacturers, its own assembly lines and its own salesforce. Little would be bought in, meaning exchange with suppliers would be non-existent.

Such a company would be concerned only with the mass of profit. It could only increase the mass of profits by reducing its workforce or restricting output to maintain price. It could not gain at the expense of the other monopolies. If it increased output beyond the social need it would suffer a fall in prices. Conversely if it reduced output it could enjoy higher prices. But in doing so it could disturb the other monopolies because its reduction in sales would represent a fall in demand for other products. Therefore it is likely it would act in concert with other monopolies rather than competing with it. The economy would become moribund and we could legitimately describe this state of affairs as the highest stage of capitalism, its ultimate destination, or could we?

The opposite is the case when it comes to many capitals. Now exchange dominates and with it the possibilities of unequal exchange. In fact unequal exchange is the norm because capitals differ in composition and because innovation is opportunistic and discordant. It is no longer an issue of the mass of profits but the rate of profit, the ratio of return to investment. A £30 million mass of profit may appear to be better than a £20 million mass of profit, but not if it took £300 million to produce that £30 million whereas the £20 million took only £100 million to produce. In the first instance the return would be 10% and in the latter 20%. In the latter case capital would be growing twice as fast as in the former case.

Thus the rate of profit is not only the motive behind capitalism but also its compass. It alone directs investment to where it is most profitable. It is the source of the restless movement of capital to-and-fro making the system dynamic in the up-phase of the business cycle which tends to accumulate more than is lost in the down-phase.

The question that is now posed is quite different. What prevents the centralisation of capital from ending up with an economy with few rather than many capitals? Here we distinguish quite sharply the concentration of capital from its centralisation. Concentration represents accumulation, how much capital builds up in the hands of the entire capitalist class. Here it is an issue of cumulatively dispossessing workers of their labour. But, centralisation of capital means the dispossessing by one set of capitalists of another set of capitalists ensuring that the mass of capital ends up in fewer capitalist hands. Thus concentration is compatible with many capitals while centralisation is incompatible with it. Therefore, will Point c) become the norm or will Points d) and e) prevail?

The proof is found in the pudding, that is to say in the concrete world. Marxism is not a theoretical science nor a speculative one. It is an applied science, it always tests its assumptions against the real world. And this world confirms hypothesis d) and e) more than it does b).

One decisive test is churn, how quickly and to what extent old companies are replaced by newer ones. In both the Dow Jones (DJIA) and the S&P 500 arrivals of new and departures of old corporations lend themselves to analysing this churn as they incorporate the largest corporations in the leading economy. Here is a recent analysis up to 2020. "*In fact, in the 92 years of activity visualized for the DJIA, there were 93 changes in its composition. This is not surprising, as the average duration of a company's tenure on American indices has been trending down for decades—that said, 63% of Dow changes occurred in the second half of the 92 year sample period. The current iteration of the DJIA includes some long-serving constituents, with the average length of companies in the index sitting at 20 years. General Electric was* *the last standing member of the original group from 1928, but in 2018, they were replaced by Walgreens.* Source." Visual Capitalist There is an analysis relating to the larger S&P 500 in the earlier link to my article.

Looking more closely at the Dow, not only at its members, but to which sector they also belong, we find: "*The technology sector now accounts for a larger slice of the Dow Jones than any other: 20.8%. And that's closely followed by a 17.4% slice in health care. Industrials, which the Dow Jones originally tracked, is only the third most important sector at 17.3%."* Investor's Business Daily Most of the Tech companies featured in the Dow Jones with the exception of IBM barely existed 40 years ago. Apple, today's most valuable company was only worth $1.8 billion in 1980 and would not even have been ranked in the top 100 US Corporations. Instead, the top 10 in 1980 measured by assets comprised 6 oil companies, 2 car companies, General Electric and IBM.

If the technology sector dominates today, this is not due to any state support other than tax avoidance, but because the founders of the internet and the web did not patent it, did not demand royalties, did not claim ownership over it, did not charge a toll to use it, instead they allowed it to be used for free (that is to say excluding the costs of building it and the expense of maintaining it). Without this largesse there would be no free to click companies such as Google nor free to view companies such as Facebook and TikTok, nor would Microsoft be a gigantic corporation because the explosive growth of personal computing depended on a free internet. The richest capitalists of this world would not be Gates, Bezos, Palmer or Ballmer, but the inventors of the world wide web Sir Tim and others at CERN as well as the innumerable researchers primarily at US universities who during this 25 year odyssey painstakingly built the internet into what we know today. Truly capitalism is this magical system where the non-technical and often dull entrepreneurs become fabulously rich by alighting on and exploiting an opportunity created by others, the real hidden geniuses behind the technology. For a potted history of the development of the internet visit here.

And of course displacement is not only due to technical innovations mostly unseen until they are seen and always unplanned, but geographical as well. And here the foremost example is China. Today the Fortune Global 500 is dominated by Chinese Corporations, a far cry from 20 years ago, though this is only true for revenues and assets, not profits, where US corporations continue to dominate for the time being. Today the world's biggest company would be HUAWEI had the US government not taken it out in order to protect and advance its own champion Apple. (In fact this take down by Trump and Biden must be considered an act of war equal to the strangulation of Japan pre-Pearl Harbour.)

I do not wish to deal at length with inter-imperialist rivalries except to say this. With the national economy the centralisation of capital is predominantly market driven and is relatively free of political influences except where the state seeks an orderly rationalisation of an industry in the interest of the economy as a whole. In the case of inter-imperialist rivalries, the dispossession of one national capital by another - global centralisation - it ultimately moves beyond the market to become a political (military) process.

The final point about displacement has to do with the phasing of the business cycle. As Marx observes in Chapter X of Volume 3, when demand is robust the market price coincides with the costs of production residing in less efficient producers and when it weakens, the market price is set by the more efficient producers. In effect, during a period of capitalist expansion the amount of capital needed to be invested in a sphere of production is reduced, or what is the same thing the capital threshold is lowered, and when the economy enters into contraction, the capital threshold is raised because now only the most efficient, that is to say the more capital rich corporations can survive.

From the mid-1990s, the technical developments in the field of communication and information centred on the internet, coupled to the restructuring of the global economy it made possible, ushered in a twenty year period of capitalist prosperity, the period of globalisation proper. It created the market conditions for the emergence of new capitals because it reduced the capital thresholds around the world. It was a period of the concentration of capital as against its decentralisation, aka the emergence of China. But by 2016 that period of prosperity had come to an end narrowly avoiding the first 21st Century global recession caused by overproduction.

We are now in a global period of contraction obscured by the pandemic and its aftermath. It is a time when newer capitals will not arise and older capitals will fail, especially the less efficient ones. Churn will subside to be replaced by centralisation, aggravating the tensions within and between capitalist classes as the struggle to preserve capital replaces the opportunities to expand it.

The USSR. We begin with the observation that in the Soviet Union the labour of the individual worker under the Plan became part of the labour of society immediately and directly. The fact that the productive cell was the enterprise had more to do with the need to fragment the working class and impose managerial control, than it had to do with planning. This said our analysis begins with the enterprise. I will not go into detail, as in 2015 and 2016 I investigated these issues thoroughly and published many posts. The first exposition is to be found in My Pamphlet (republished later with graphs giving a graphic interpretation to the explanations found here).

What is important to note is that as soon as an enterprise sought to economise on the labour time expended on production its share of the labour time of Soviet Society shrank. Such enterprises found it uneconomic to do so for the following reasons. To begin with, GOSPLAN did not have the inclination, was not instructed to do so, nor did it have the capacity to accurately cost individual products. It is also unlikely that it could have done so given the guerrilla warfare that spoilt the flow of information between it and enterprise managers who sought to reduce targets and escape the pressure place on them by the planners.

Instead what happened was when the Five Year Plans were drawn up, the physical output had to be allocated financially between the wages and benefit fund on the one side and the state budget on the other. The state budget was financed by tax and profit margins, and the percentages were set by the budget itself and not the other way around. Thus once the financial plan was distributed amongst the enterprises fixed for five years, it took the form of the wages fund plus the tax and profit margins which collectively formed the output price for that sector. This kinda worked because the wages fund would be apportioned according to the number of workers in that sector or enterprise and therefore the margins would be proportional to the wages fund found there. Thus if a sector employed a million workers and another two million, the wages fund in the former could be 10 million Roubles compared to 20 million Roubles in the other. Assuming a combined tax and profit margin of 20% this would mean 2 million Roubles going to the state from the former and 4 million going to the state from the latter except where these margins were adjusted to give priority to strategic sectors.

Prices therefore were set by the plan and were not responsive to actual costs of production. Such prices could therefore not economise on labour time. By the time Khrushchev became Premier it was clear that the economy was becoming increasingly inefficient and wasteful. Khrushchev began to investigate financial incentives to reduce this and predictably alighted on the profit motive. This pursuit flourished under Kosygin where profit was given primacy to motivate enterprise managers and improve efficiencies.

However, cost plus continued to dominate. Just as the individual capitalist appears to add a profit margin set by the market, so in the USSR that profit margin was set by the state to finance its budget. Enterprise managers had little or no control over the margin. Thus when they sought to reduce their cost base, namely their wages fund through improvements in productivity the same margin yielded less taxes and profits. When it came to pricing the next Plan, these lower costs were taken into account, but prices were not necessarily adjusted because margins had to rise to compensate for the lower 'cost base' otherwise funding for the budget would fall short. What was gained on the one side was lost on the other.

There was no way out. The actual costs of production continued to assert itself but in unexpected and therefore unintended ways. When an enterprise by economising reduced its share of the total expenditure of labour, when its aliquot share fell, so did the amount of unpaid labour it could command. So the enterprise managers did what was logical. They began to pad out their costs, because the same margin multiplied a higher cost base yielded more profit to be shared between them and the state. (This phenomena is not unknown in capitalist economies either. Many state tenders are still based on cost-plus particularly in the defence industry. Here too we find a propensity to increase costs in order to elevate the plus side.)

That is why this experiment was abandoned. Not because of the *Prague Spring* in January 1968, not because the reforms did not go far enough as the imperialists claimed, but because margins could not work in a society where the labour of the individual is immediately and directly part of the labour of society. When this is understood all the irrational economic behaviours found in the USSR become rational. The duplication of factories took place, not because it was easier, not because it reduced retooling, not because there was less down time, it happened because by duplicating production, enterprises duplicated the amount of labour time expended ensuring that their share of the labour of society increased rather than decreased. Duplication rather than innovation was the norm because this kind of investment maximised the expenditure of labour rather than minimised it. This may have been bizarre to the outsider, but it made financial sense to insiders.

That is why the profit motive had an outcome different to that found in a market economy where a Firm investing in the reduction of its share of the labour time of society is compensated for this loss, really over-compensated, through the unequal exchange its higher productivity makes possible. What is an intellectual mystery is why it took so long to understand the dysfunctional nature of the profit motive in a socialised economy. It was much easier to see this in the USSR with its socialised economy than in a capitalist economy where the transfer of value is subterranean.

And so onto the nonsense that the USSR was State Capitalist. Tony Cliff and Chris Harman of the Socialist Workers Party created the biggest wrecking ball ever against the theories of Marx. Harman laughingly even postulated that the collapse of the USSR was due to the falling rate of profit there. He miserably failed to see that the profit motive, from beginning to end, could not work in the USSR. Rather than being counter-productive through its fall, it was counter-productive from inception. The profit motive can only function in a market economy based on exchange and then only by means of unequal exchange.

A communist society. Here we find the simplest economy. Yes, the simplest in terms of its physiognomy. The motive here is to simply reduce prices for the benefit of society and to do so without harming society or nature. Here there are no dictating margins, because to create the space for the **addition** of margins the under-payment of labour is necessary. As unpaid labour is now abolished and banned for all time, and once the social product is owned by the producers, any 'surplus' to fund administration, health care, social care, child care, education, additional investment etc, has to take the form of a **deduction and not an addition.** This deduction is never imposed. Instead, the producers voluntarily deduct a portion of their contribution to donate to the social fund or *common fund* to resource all the social needs above. These deductions have to be collectively agreed and then only after an inclusive and informed process of discussion where all proposals are considered and analysed. This quintessentially democratic process of agreeing the social or common fund is the essence of workers' democracy and therefore the beating heart of this society. (For more please read my Programme.)

China. Which brings us to China. The story of modern China and its economic success will go down in history as remarkable and world changing. That it did so at a time when multi-nationals already dominated the world economy is due to the vision, tenacity and cruelty of the Chinese Communist Party. This is not a compliment but a statement of fact.

Once Deng adopted the slogan "*to get rich is glorious*" and after the privatisation of state assets was encouraged on the legal basis they were put to economic use and not for personal enrichment, China embarked on its capitalist road. Though the process of privatisation and the abandonment of planning or more precisely planned prices was essential for paving this road, it did not guarantee success. China's success in the early stages depended on the CCP acting as gang master by providing imperialist corporations and traders with a cheap and pliable work force. The factories set up were initially concentrated in the Pearl Estuary adjacent to the Hong Kong gateway and their output was mainly exported.

By building upon growing exports, the Chinese State harvested the hard currency these exports generated in order to centralise it, creating a hoard purposed to purchase foreign means of production with which to industrialise China. State owned enterprises became the main vehicle for this industrialisation. The CCP also adopted the *upstream-downstream* developmental model. The state would embark on the capital intensive and difficult to finance upstream sector - infrastructure, power, communications etc – thereby helping to create a cradle for downstream enterprises such as manufacturing, real estate, tertiary activities and so on. This succeeded in fostering a hive of downstream Chinese private concerns.

Over time the growth of industry both private and state, both local and foreign created the resources to expand the spheres of learning. Both by copying and by being able to harness the burgeoning university/research sector, China began to improve its own technical abilities. By degrees and through elevating its technical capacity, China graduated from being a mere sub-contractor to imperialism to becoming a competitor, ascending up the value chain only to meet increasing resistance from the existing Western imperial order.

State Enterprises were seen as fostering private enterprise and not the other way round, because the purpose of this developmental model was to enrich the flourishing capitalist class, many of them ex-state functionaries, not to benefit the state. But in many ways this observation is by and by. If we were to analyse China at the most fundamental level over the last three decades, we find that the labour of the individual Chinese worker only becomes part of the labour of society through being exchanged. It is not direct social labour. The predominant and generalised form of labour in China is indirect labour, labour mediated by the market, labour in its commodity form.

That applies as much to state enterprises as it does to private enterprises, as much to the state banks as it does to private banks. Exchange value dominates. Unless enterprises sell they do not receive back any money, and if they do not receive back sufficient money they do not make a profit. China has grown on the basis of the profitable accumulation of capital, both state and private, and nothing else.

Xi has no qualms about admitting this. In my article on the XX CCP Congress titled, *China: A Market Economy with Socialist Pretensions* I quote from Xi's report to Congress where he states categorically that China will continue to be led by the market. Here are two key quotes from his Report, "*We will work to see that the**, market plays the decisive role in resource allocation** and that the government better plays its role."* And again: "*We will build a unified national market, advance reforms for the market-based allocation of production factors, and put in place a high-standard market system."*

Having said this, it is true that the state plays both a prominent role in the economy and an increasingly strategic one. However, this is not borne out of doctrine but from the pressure imposed on China by imperialist rivalries and in particular the aggressive attempt by the US to handicap China's technical progress in order to preserve the economic hegemony it gained after 1945 through defeating Japan and Germany and bankrupting Britain. Again in my analysis cited above, it is clear that without Xi bolstering the CCP and ensuring it remained welded to national chauvinism, the Chinese economy could have been penetrated by imperialist interests. The trojan horse in this case were billionaires like Jack Ma whose companies had grown into true multi-nationals and who now saw China centric growth as stifling their international ambitions. Their concern for an independent Chinese economy was subordinated to their concern for unrestricted access to the world market which opening the Chinese market would have facilitated.

To those who believe the Chinese economy is somehow not capitalist, a brief tour of the real estate market, the chip industry until recently, and the health industry would soon debunk this notion. The Chinese real estate market was no different to any other around the world only bigger. It was barely regulated, driven by private capital, and served as the primary arena for speculation. Until Trump slammed Huawei the chip industry was unplanned and short-termist. Chinese companies avoided less advanced indigenous chips to focus on more advanced foreign chips in order to remain competitive. In short, there was no market for Chinese Tech and it languished despite intermittent efforts to support it. In sum, Chinese assemblers of their own products exploited the international division of labour no different to anywhere else. Finally, in his report to Congress Xi committed to only providing a basic health service with the private sector cherry picking the more expensive and therefore the more profitable services. He was envisaging a health service closer to the US model than the comprehensive British NHS model. The result is clear to see, a Chinese health service sacrificed in the name of profit, unable to deal with Covid.

Thus China is best described as a market economy with an above average density of state capital bolstering an economy still technically vulnerable as it struggles to survive a more intensive economic assault on it. This is a much more accurate and therefore consequential assessment than the following one provided by Michael Roberts. "*On China, it is not correct to say that I think China has 'socialist characteristics'. Or at least I would not put it that way. For me, China is not a capitalist economy (yet) but is a transitional economy like the Soviet Union was or Cuba is. But it is 'trapped' like they were (are) within the confines of imperialism globally and the lack of workers democracy domestically. It is not socialist but also not capitalist. Nothing is black and white.*"

I disagree with the assessment that China is not a capitalist economy, but a trapped transitional economy. Using the two-part test it is clear that China is a fully fledged capitalist economy. The only issue of entrapment is whether it will overcome its technical vulnerabilities in the face of imperialist hostilities and embargoes. If it does it will take its place amongst the imperial nations.

Of course their can be no doubt that China has a unique political pedigree borne out of the history of its struggle against imperialism. It is more accurate to say that it is this superstructure which is trapped or more accurately petrified by events. The political superstructure formed from, and organised by, the Chinese Communist Party distinguishes China from the rest of the capitalist world whose histories differ. It is unlikely that the Chinese Capitalist class is inclined to force the Chinese Communist Party to abandon its one party rule. The die has been cast. The capitalists and their comrades in the Party, now face off against more than **three quarters of a billion** grave diggers (workers) in China. This is one in four proletarians world-wide (Source: ILO Table 1.1)

The issue facing the Chinese capitalist class, as always is this: what are the political consequences, mainly unpredictable, from tampering with the existing form of rule. Were the Communist Party to voluntarily step down to usher in multi-party democracy, were the ballot box to replace the party line, what forces would it unleash? Would it create a torrent of independent working class demands born out of the pent-up frustrations with the existing system? Would the satisfaction of these demands interfere with the production of profits?

In every case the answer would be one urging caution. Better the devil you know, particularly one as well organised as the CCP, though latterly it is increasingly finding itself out of its depth. This does not rule out granting concessions in the future including the right to vote, should that be the only way to tame a revolutionary Chinese working class and divert it into the swamp of reformism. But until this transpires it is likely that the rule of the CCP will endure, and in doing so, continue to give Marxism a bad name. We just have to recall the riposte of protesters to the authority's accusation of foreign meddling, when they countered asking; *were Marx and Engels not foreigners*?

Conclusion.

We need to up the debate on the nature of China. As the Chinese economy sags preventing the CCP from buying off Chinese workers with higher wages and improved conditions, then the alternative as we saw at the Foxconn iPhone factory, is increased repression. Thus this is not simply a theoretical debate, but one which has the most profound political consequences. We cannot and must not allow the situation to arise, as it did in 1956, as it did with the fall of Comecon in 1991, that Stalinism once again gives the imperialists the ideological advantage. We must not allow the final gift which Stalinism has to offer capitalism, namely the anti-working class behaviour of the CCP, rewarding capitalism a new lease of life, especially at a time when the credibility of western capitalism is itself under siege due to the deepening economic slump and cost of living crises.

Now more than ever, ideological clarity is indispensable if we are to offer an alternative to workers in these dark days. I am inviting all the Marxists, especially those with substantial readerships or followings to create an international forum to thrash out these differences before it is too late. I hope they will accept this invitation which I am more than happy to help organise.

Addendum:

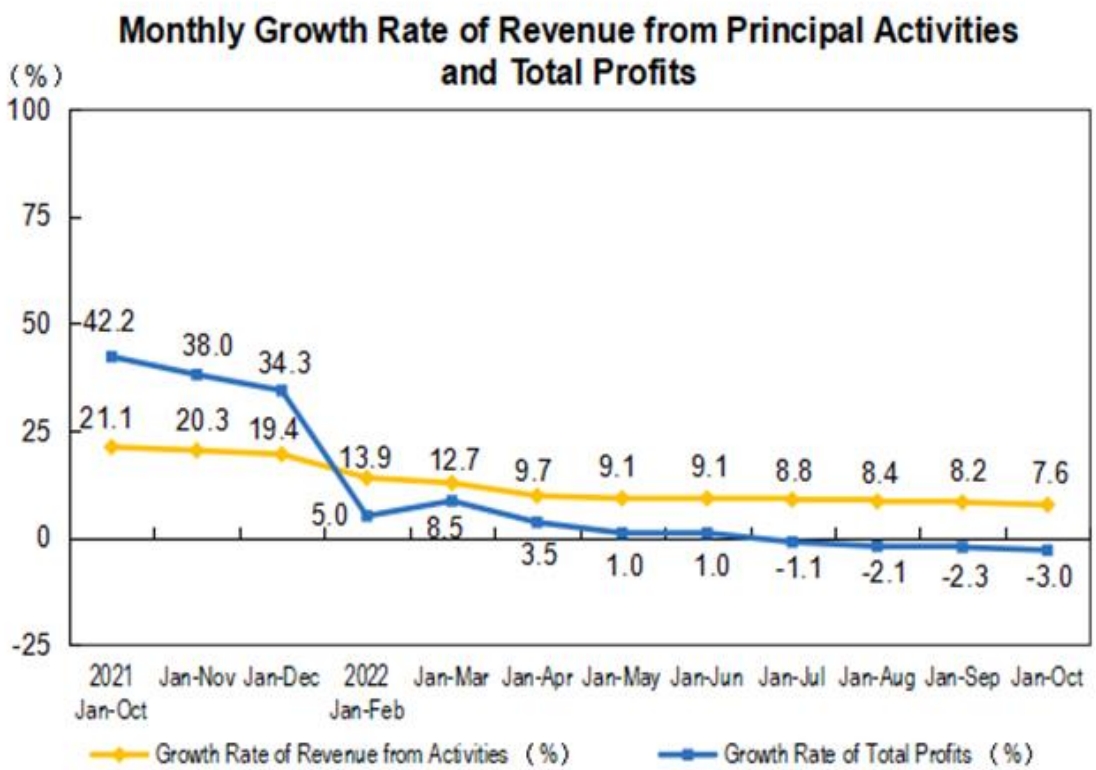
While I am on the topic of China I thought it would be useful to report on China's latest rates of turnover and of return. Below are extracts from the latest release of the National Bureau of Statistics of China.

The Profit of Industrial Enterprises above Designated Size from January to October in 2022

National Bureau of Statistics of China2022-11-28 09:30

From January to October, the total profits of industrial enterprises above designated size reached 6,976.82 billion yuan, a year-on-year decrease of 3.0 percent (calculated on a comparable basis, see Note 2 for details). Annualised = 8.371 trillion

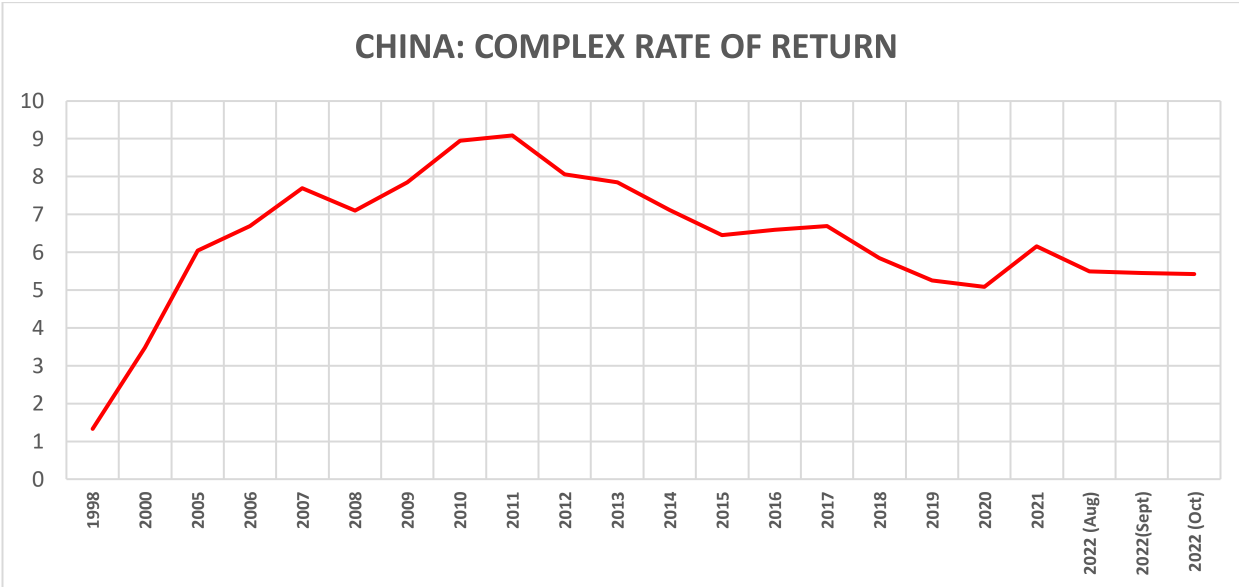
Graph 1.



At the end of October, the assets of industrial enterprises above designated size totaled 154.15 trillion yuan, a year-on-year increase of 9.0 percent; the total liabilities were 87.57 trillion yuan, up 9.4 percent; owner's equity totaled 66.58 trillion yuan, up 8.5 percent; the asset liability ratio was 56.8 percent, a year-on-year increase of 0.2 percentage point. 8.371/154.15 = 5.43% complex rate of return.

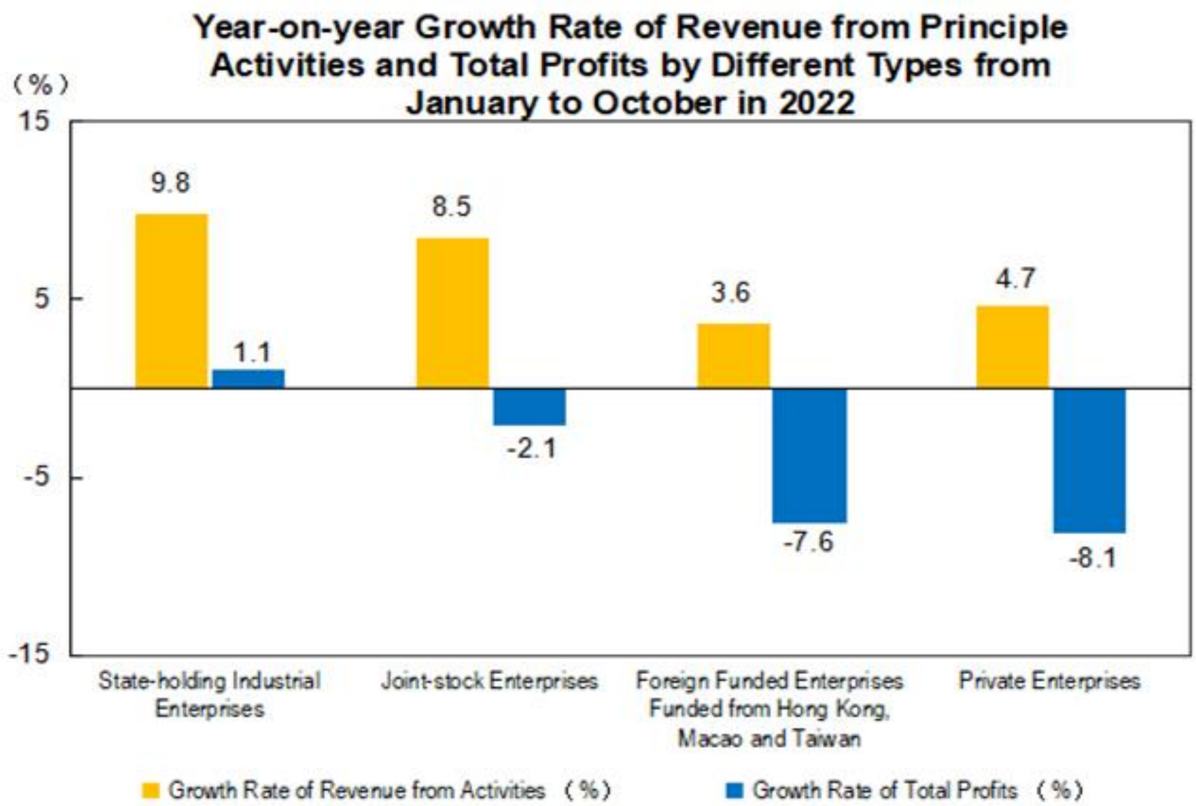
Thus in Graph 1 we see an accelerated fall in the mass of profits due to the greater fall in October. At the same time the value of assets increased by 9%. This fall in profits vs the rise in capital resulted in a fall in the complex rate of profit from 5.45% for the year up to September to 5.43% in the year up to October. Thus as Graph 2 shows since 2021's rate of 6.16% there has been a consistent fall approaching three quarters of a percent. This gradual erosion in the complex rate of return, down by over a third from an average of 8.4% between 2009 and 2012, acts as a barrier to the raising of wages and conditions, particularly now productivity gains are ebbing.

Graph 2.



We also note in Graph 3, that the fall in profits was concentrated in the private sector.

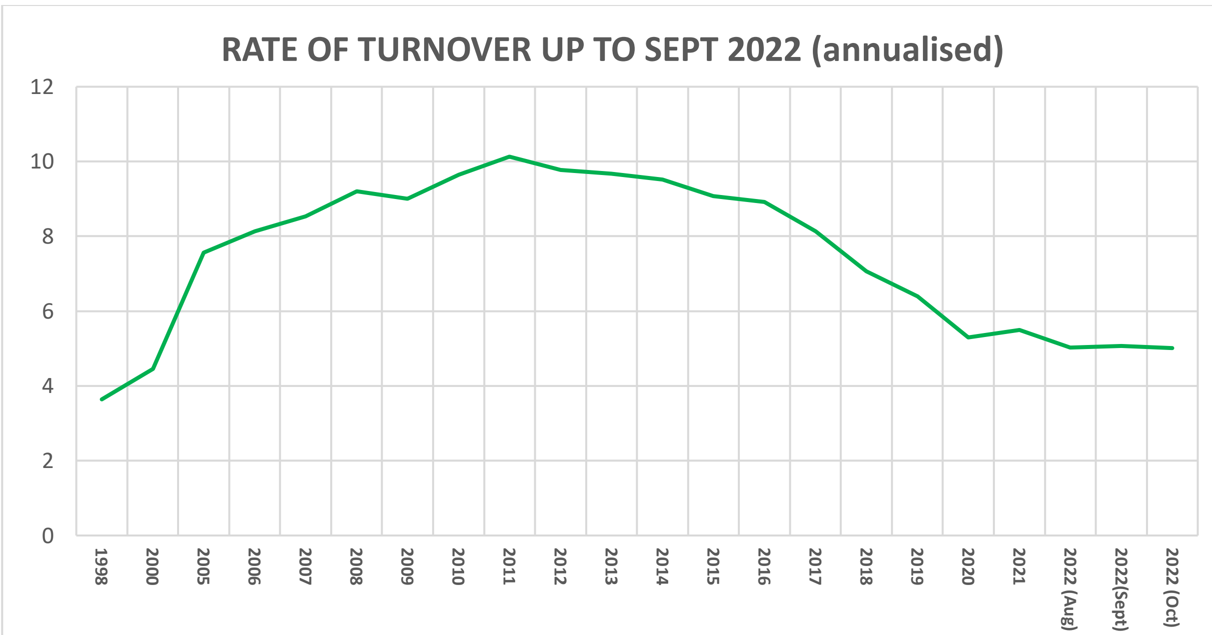
Graph 3.



And onto the annual rate of turnover. Its deceleration which continued into October, is one of the reasons why the complex rate of return is depressed. Despite more opening up of the economy the rate of turnover did not increase though this could happen over the next few months as lockdowns are relaxed.

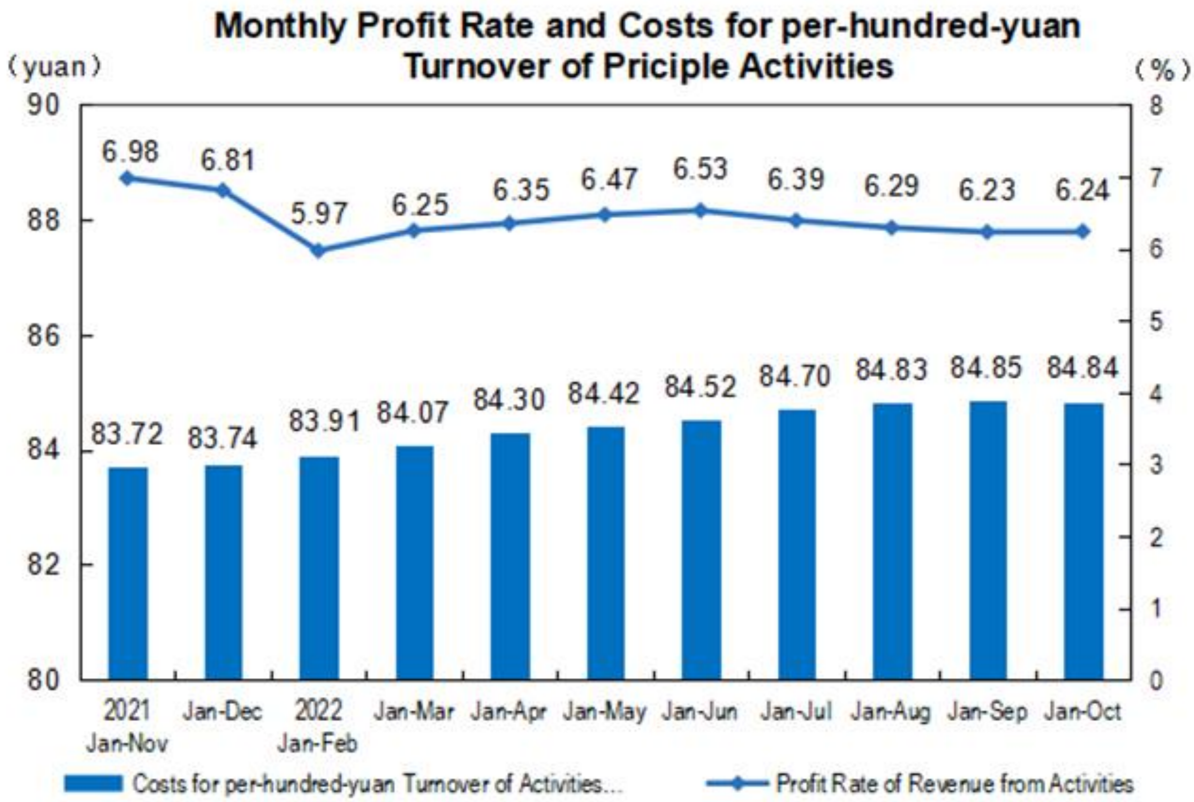
At the end of October, the operating income of industrial enterprises above designated size per 100 yuan of assets was 90.5 yuan, a year-on-year decrease of 1.8 yuan; the per capita operating income was 1.787 million yuan, a year-on-year increase of 148,000 yuan; the turnover days of finished goods inventory was 18.2 days, a year-on-year increase of 0.9 days; the average recovery period of accounts receivable was 54.6 days, a year-on-year increase of 3.1 days. Annual rates of turnover 5.01% 365/(18.2 + 54.6)

Graph 4.



In summation, the fillip from the export boom during and after the pandemic is now over. The data is stabilizing around the levels last seen in 2019 though the outlook is now more negative than it was three years ago.

Brian Green, 6th December 2022.


Monthly Profit Rate and Costs for per-hundred-yuan
Turnover of Priciple Activities
(yuan)
(%)
90
88
86
84
82
80
8
7
6
5
4
3
2
1
0
6.98
6.81
5.97
6.25
6.35
6.47
6.53
6.39
6.29
6.23
6.24
83.72
83.74
83.91
84.07
84.30
84.42
84.52
84.70
84.83
84.85
84.84
2021 Jan-Nov
Jan-Dec
2022 Jan-Feb
Jan-Mar
Jan-Apr
Jan-May
Jan-Jun
Jan-Jul
Jan-Aug
Jan-Sep
Jan-Oct
Costs for per-hundred-yuan Turnover of Activities...
Profit Rate of Revenue from Activities