

State Capitalism and Dictatorship

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I.

The term “State Capitalism” is frequently used in two different ways: first, as an economic form in which the state performs the role of the capitalist employer, exploiting the workers in the interest of the state. The federal mail system or a state-owned railway are examples of this kind of state capitalism. In Russia, this form of state capitalism predominates in industry: the work is planned, financed and managed by the state; the directors of industry are appointed by the state and profits are considered the income of the state. Second, we find that a condition is defined as state capitalism (or state socialism) under which capitalist enterprises are controlled by the state. This definition is misleading, however, as there still exists under these conditions capitalism in the form of private ownership, although the owner of an enterprise is no longer the sole master, his power being restricted so long as some sort of social insurance system for the workers is accepted.

It depends now on the degree of state interference in private enterprises. If the state passes certain laws affecting employment conditions, such as the hiring and firing of workers, if enterprises are being financed by a federal banking system, or subventions are being granted to support the export trade, or if by law the limit of dividends for the large corporations is fixed – then a condition will be reached under which state control will regulate the entire economic life. This will vary from the strict state capitalism in certain degrees. Considering the present economic situation in Germany we could consider a sort of state capitalism prevailing there. The rulers of big industry in Germany are not subordinated subjects of the state but are the ruling power in Germany thru the fascist officials in the governing offices. The National Socialist Party developed as a tool of these rulers. In Russia, on the other hand, the bourgeoisie was destroyed by the October Revolution and has disappeared completely as a ruling power. The bureaucracy of the Russian government took control of the growing industry. Russian state capitalism could be developed as there was no powerful bourgeoisie in existence. In Germany, as in western Europe and in America, the bourgeoisie is in complete power, the owner of capital and the means of production. This is essential for the character of capitalism. The decisive factor is the character of that class which are the owners in full control of capital and not the inner form of administration nor the degree of state interference in the economic life of the population. Should this class consider it a necessity to bind itself by stricter regulation – a step that would also make the smaller private capitalists more dependent upon the will of the big capitalists – the character of private capitalism would still remain. We must therefore distinguish the difference between state capitalism and such private capitalism that may be regulated to the highest degree by the state.

Strict regulations are not simply to be looked upon as an attempt to find a way out of the crisis. Political considerations also play a part. Examples of state regulation point to one general aim: preparation for war. The war industry is regulated, as well as the farmers' production of food – in order to be prepared for war. Impoverished by the results of the last war – robbed of provinces, raw materials, colonies, capital, the German bourgeoisie must try to rehabilitate its remaining forces by rigorous concentration. Foreseeing war as a last resort, it puts as much of its resources as is necessary into the hands of state control. When faced with the common aim for new world power, the private interests of the various sections of the bourgeoisie are put into the background. All the capitalist powers are confronted with this question: to what extent the state, as the representative of the common interests of the national bourgeoisie, should be entrusted with powers over persons, finances and industry in the international struggle for power? This explains why in those nations of a poor but rapidly increasing population, without any or with but few colonies (such as Italy, Germany, Japan) the state has assumed the greatest power.

One can raise the question: is not state capitalism the only “way out” for the bourgeoisie? Obviously state capitalism would be feasible, if only the whole productive process could be managed and planned centrally from above in order to meet the needs of the population and eliminate crises. If such conditions were brought about, the bourgeoisie would then cease being a real bourgeoisie. In bourgeois society, not only exploitation of the working class exists but there must also exist the constant struggle of the various sections of the capitalist class for markets and for sources of capital investment. This struggle among the capitalists is quite different from the old free competition on the market. Under cover of cooperation of capital within the nation there exists a continuous struggle between huge monopolies. Capitalists cannot act as mere dividend collectors, leaving initiative to state officials to attend to the exploitation of the working class. Capitalists struggle among themselves for profits and for the control of the state in order to protect their sectional interests and their field of action extends beyond the limits of the state. Although during the present crisis a strong concentration took place within each capitalist nation, there still remains powerful international interconnections, (of big capital). In

the form of the struggle between nations, the struggle of capitalists continues, whereby a severe political crisis in war and defeat has the effect of an economic crisis.

When, therefore, the question arises whether or not state capitalism – in the sense in which it has been used above – is a necessary intermediate stage before the proletariat seizes power, whether it would be the highest and last form of capitalism established by the bourgeoisie, the answer is No. On the other hand, if by state capitalism one means the strict control and regulation of private capital by the state, the answer is Yes, the degree of state control varying within a country according to time and conditions, the preservation and increase of profits brought about in different ways, depending upon the historical and political conditions and the relationship of the classes.

II.

The goal of the working class is liberation from exploitation. This goal is not reached and cannot be reached by a new directing and governing class substituting the bourgeoisie. It can only be realised by the workers themselves being master over production.

Nevertheless it is possible and quite probable that state capitalism will be an intermediary stage, until the proletariat succeeds in establishing communism. This, however, could not happen for economic but for political reasons. State capitalism would not be the result of economic crises but of the class struggle. In the final stage of capitalism, the class struggle is the most significant force that determines the actions of the bourgeoisie and shapes state economy.

It is to be expected that, as a result of great economic tension and conflict, the class struggle of the future proletariat will flare up into mass action; whether this mass action be the cause of wage conflicts wars or economic crises, whether the shape it takes be that of mass strikes, street riots or armed struggle; the proletariat will establish council organizations – organs of self-determination and uniform execution of action. This will particularly be the case in Germany. There the old political organs of the class struggle have been destroyed; workers stand side by side as individuals with no other allegiance but to that of their class. Should far-reaching political movements develop in Germany, the workers could function only as a class, fight only as a class when they oppose the capitalist principle of one-man dictatorship with the proletarian principle of self-determination of the masses. In other parliamentary countries, on the other hand, the workers are severely handicapped in their development of independent class action by the activities of the political parties. These parties promise the working class safer fighting methods, force upon the workers their leadership and make the majority of the population their unthinking followers, with the aid of their propaganda machinery. In Germany these handicaps are a dying tradition.

Such primary mass struggles are only the beginning of a period of revolutionary development. Let us assume a situation favorable to the proletariat; that proletarian action is so powerful as to paralyze and overthrow the bourgeois state. In spite of unanimous action in this respect, the degree of maturity of the masses may vary. A clear conception of aims, ways and means will be acquired only during the process of revolution and after the first victory differences as to further tactics will assert themselves. Socialist or communist party spokesmen appear; they are not dead, at least their ideas are alive among the “moderate” section of the workers. Now their time has come to put into practice their program of “state socialism.”

The most progressive workers whose aim must be to put the leadership of the struggle into the control of the working class by means of the council organization, (thereby weakening the enemy power of the state force) will be encountered by “socialist” propaganda in which will be stressed the necessity of speedily building the socialist order by means of a “socialistic” government. There will be warnings against extreme demands, appeals to the timidity of those individuals to whom the thought of proletarian communism is yet inconceivable, compromises with bourgeois reformists will be advised, as well as the buying-out of the bourgeoisie rather than forcing it thru expropriation to embittered resistance. Attempts will be made to hold back the workers from revolutionary aims – from the determined class struggle. Around this type of propaganda will rally those who feel called upon to be at the head of the party or to assume leadership among the workers. Among these leaders will be a great portion of the intelligentsia who easily adapt themselves to “state socialism” but not to council communism and other sections of the bourgeoisie who see in the workers’ struggles a new class position from which they can successfully combat communism. “Socialism against anarchy,” such will be the battle cry of those who will want to save of capitalism what there can be saved.

The outcome of this struggle depends on the maturity of the revolutionary working class. Those who now believe that all one has to do is to wait for revolutionary action, because then economic necessity will teach the workers how to act correctly, are victims of an illusion. Certainly workers will learn quickly and act forcefully in revolutionary times. Meanwhile heavy defeats are likely to be experienced, resulting in the loss of countless victims. The more thorough the work of enlightenment of the proletariat, the more firm will be the attack of the masses against the attempt of “leaders” to direct their actions into the channels of state socialism. Considering the difficulties with which the task of enlightenment now encounters, it seems improbable that there lies open for the workers a road to freedom without setbacks. In this situation are to be found the possibilities for state capitalism as an intermediary stage before the coming of communism.

Thus the capitalist class will not adopt state capitalism because of its own economic difficulties. Monopoly capitalism, particularly when using the state as a fascist dictatorship, can secure for itself most of the advantages of a single organization without giving up its

own rule over production. There will be a different situation, however, when it feels itself so far pressed by the working class that the old form of private capitalism can no longer be saved. Then state capitalism will be the way out: the preservation of exploitation in the form of a "socialistic" society, where the "most capable leaders," the "best brains," and the "great men of action" will direct production and the masses will work obediently under their command. Whether or not this condition is called state capitalism or state socialism makes no difference in principle. Whether one refers to the first term "State capitalism" as being a ruling and exploiting state bureaucracy or to the second term "State socialism" as a necessary staff of officials who as dutiful and obedient servants of the community share the work with the laborers, the difference in the final analysis lies in the amount of the salaries and the qualitative measure of influence in the party connections.

Such a form of society cannot be stable, it is a form of retrogression, against which the working class will again rise. Under it a certain amount of order can be brought about but production remains restricted. Social development remains hindered. Russia was able, through this form of organization, to change from semi-barbarism to a developed capitalism, to surpass even the achievements of the Western countries' private capitalism. In this process figures the enthusiasm apparent among the "upstart" bourgeois classes, wherever capitalism begins its course. But such state capitalism cannot progress. In Western Europe and in America the same form of economic organization would not be progressive, since it would hinder the coming of communism. It would obstruct the necessary revolution in production; that is, it would be reactionary in character and assume the political form of a dictatorship.

III.

Some Marxists maintain that Marx and Engels foresaw this development of society to state capitalism. But we know of no statement by Marx concerning state capitalism from which we could deduce that he looked upon the state when it assumes the role of sole capitalist, as being the last phase of capitalist society. He saw in the state the organ of suppression, which bourgeois society uses against the working class. For Engels "The Proletariat seizes the power of the state and then changes the ownership of the means of production to state ownership."

This means that the change of ownership to state ownership did not occur previously. Any attempt to make this sentence of Engels' responsible for the theory of state capitalism, brings Engels into contradiction with himself. Also, there is no confirmation of it to be found in actual occurrences. The railroads in highly developed capitalist countries, like England and America, are still in the private possession of capitalistic corporations. Only the postal and telegraphic services are owned by the states in most countries, but for other reasons than their high state of development. The German railroads were owned by the state mostly for military reasons. The only state capitalism which was enabled to transfer the means of production to state ownership is the Russian, but not on account of their state of high development, rather on account of their low degree of development. There is nothing, however, to be found in Engels which could be applied to conditions as they exist in Germany and Italy today, these are strong supervision regulation, and limitation of liberty of private capitalism by an all-powerful state.

This is quite natural, as Engels was no prophet; he was only a scientist who was well aware of the process of social development. What he expounds are the fundamental tendencies in this development and their significance. Theories of development are best expressed when spoken of in connection with the future; it is therefore not harmful to use caution in expressing them. Less cautious expression, as is often the case with Engels, does not diminish the value of the prognostications in the least, although occurrences do not exactly correspond to predictions. A man of his calibre has a right to expect that even his suppositions be treated with care, although they were arrived at under certain definite conditions. The work of deducing the tendencies of capitalism and their development, and shaping them into consistent and comprehensive theories assures to Marx and Engels a prominent position among the most outstanding thinkers and scientists of the nineteenth century, but the exact description of the social structure of half a century in advance in all its details was an impossibility even for them.

Dictatorships, as those in Italy and Germany, became necessary as means of coercion to force upon the unwilling mass of small capitalists the new order and the regulating limitations. For this reason such dictatorship is often looked upon as the future political form of society of a developed capitalism the world over.

During forty years the socialist press pointed out that military monarchy was the political form of society belonging to a concentrated capitalistic society. For the bourgeois is in need of a Kaiser, the Junkers and the army in defense against a revolutionary working class on one side and the neighboring countries on the other side. For ten years the belief prevailed that the republic was the true form of government for a developed capitalism, because under this form of state the bourgeoisie were the masters. Now the dictatorship is considered to be the needed form of government. Whatever the form may be, the most fitting reasons for it are always found. While at the same time countries like England, France, America and Belgium with a highly concentrated and developed capitalism, retain the same form of parliamentary government, be it under a republic or kingdom. This proves that capitalism chooses many roads leading to the same destination, and it also proves that there should be no haste in drawing conclusions from the experiences in one country to apply to the world at large.

In every country great capital accomplishes its rule by means of the existing political institutions, developed thru history and traditions, whose functions are then being changed expressly. England offers an instance. There the parliamentary system in

conjunction with a high measure of personal liberty and autonomy are so successful that there is no trace whatever of socialism, communism or revolutionary thought among the working classes. There also monopolistic capitalism grew and developed. There, too, capitalism dominates the government. There, too, the government takes measures to overcome the results of the depression, but they manage to succeed without the aid of a dictatorship. This does not make England a democracy, because already a half a century ago two aristocratic cliques of politicians held the government alternately, and the same conditions prevail today. But they are ruling by different means; in the long run these means may be more effective than the brutal dictatorship. Compared with Germany, the even and forceful rule of English capitalism looks to be the more normal one. In Germany the pressure of a police-government forced the workers into radical movements, subsequently the workers obtained external political power, not thru the efforts of a great inner force within themselves, but thru the military debacle of their rulers, and eventually they saw that power destroyed by a sharp dictatorship, the result of a petty bourgeois revolution which was financed by monopolistic capital. This should not be interpreted to mean that the English form of government is really the normal one, and the German the abnormal one; just as it would be wrong to assume the reverse. Each case must be judged separately, each country has the kind of government which grew out of its own course of political development.

Observing America, we find in this land of greatest concentration of monopolistic capital as little desire to change to a dictatorship as we find in England. Under the Roosevelt administration certain regulations and actions were effected in order to relieve the results of the depression, some were complete innovations. Among these there was also the beginning of a social policy, which was hitherto entirely absent from American politics. But private capital is already rebelling and is already feeling strong enough to pursue its own course in the political struggle for power. Seen from America, the dictatorships in several European countries appear like a heavy armour, destructive of liberty, which the closely pressed-in nations of Europe must bear, because inherited feuds whip them on to mutual destruction, but not as what they really are, purposeful forms of organization of a most highly developed capitalism.

The arguments for a new labor movement, which we designate with the name of Council-Communism, do not find their basis in state capitalism and fascist dictatorship. This movement represents a vital need of the working classes and is bound to develop everywhere. It becomes a necessity because of the colossal rise of the power of capital, because against a power of this magnitude the old forms of labor movement become powerless, therefore labor must find new means of combat. For this reason any program principles for the new labor movement can be based on neither state capitalism, fascism, nor dictatorship as their causes, but only the constantly growing power of capital and the impotence of the old labor movement to cope with this power.

For the working classes in fascist countries both conditions prevail, for there the risen power of capital is the power holding the political as well as the economic dictatorship of the country. When there the propaganda for new forms of action connects with the existence of the dictatorship, it is as it should be. But it would be folly to base an international program on such principles forgetting that conditions in other countries differ widely from those in fascist countries.

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