

Monopoly and the Corporate State

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MONOPOLY AND THE CORPORATE STATE

By LEWIS COREY

THE CORPORATE state of totalitarian despotism has caught liberals and radicals unaware. Its nature is still a subject of acrimonious discussion. I want to suggest that the corporate state is monopoly capitalism with the capitalist elements thrown out and the monopoly erected into a political system. The corporate state arises out of economic changes brought by monopoly capitalism that call for new institutional arrangements to master the technical-economic forces of our age. Where democracy fails to answer the call in the form of progressive social change, the corporate state comes as the reactionary answer.

I

An economic pattern is discernible in the turmoil and confusion of changes that now sweep the world. Let me briefly formulate what I think are the major elements in the pattern:

1. The first element in the pattern of change is the transformation of capitalism. Capitalism is breaking down as feudalism broke down. Capitalists are losing their functional economic dominance as owners, organizers, and managers of industry; whether ownership is taken away from them or they are allowed to keep formal rights of ownership, capitalists are deprived of the management and control of industry. All the distinctive economic forces of capitalism are being modified or destroyed: free enterprise and competition; a market that determines prices, profits, and wages; private profit-making as the regulator of production.

2. The second element in the pattern of change is emergence of a new economic order. It is still emerging, spread unevenly throughout the world and with varying political forms. But in all essentials the new order moves beyond capitalism to new economic institutions and values. The chief characteristics are the unification and planning of production and the elimination of capitalists or their transformation into *rentiers* with no control over production. Capitalists are replaced in the job of organizing

and directing industry by technical-managerial and administrative employees in corporate industry and the state.

3. The third element in the pattern of change is the increase in government economic powers. In all nations governments are multiplying their economic functions. Where the final result is a combination of all economic and political power in government, the corporate state comes into being as a totalitarian tyranny, regardless of differences in class-ideological pressures and origins.

In its most extreme form the pattern appears in communist Russia, where capitalists were all expropriated; and in fascist Germany and Italy, where capitalist ownership is still allowed, by and large, but is deprived of all functional control over industry. In nearly all nations the drift is toward a corporate state. In Britain and the United States, however, the new economic pattern is shaping up without (so far) a destruction of democracy. For while the transformation of capitalism and the functional economic dominance of technical-managerial employees are inevitable, the corporate state is not. . . .

Monopoly is the final capitalist result of the corporate revolution that uprooted the old competitive capitalism. The technology of the industrial revolution led to large-scale industry, greater capital requirements, and the corporation. Corporations grew constantly larger and formed monopoly combinations that now dominate economic activity. In the United States about 5,000 big corporations (out of more than 450,000 active corporations) year in and year out get upward of 70 per cent of all corporate net income. One striking illustration reveals the scope of monopoly power: the largest American steel corporation has a capacity greater than that of Germany as now constituted and equal to the combined capacities of Britain, France, and Belgium in 1939. The facts of American economic concentration are true of all highly developed industrial nations; monopoly, moreover, dominates backward nations through the export of capital and imperialism.

Concentration of economic power and monopoly are now an old story. What is not an old story is the economic transformation of capitalism wrought by the corporate revolution—a transformation that moves toward a new economic order.

Monopoly corporate industry replaces the old economic individualism of competitive capitalism with economic collectivism. Our economic

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system is caught in a network of interdependent forms of activity that call for organization and planning on a large scale. Ownership is separated from management in the bigger corporations, whose owners are absentee stockholders deprived of all functional tasks. Enterprise, initiative, and responsibility are no longer personal capitalist functions, they are the collective institutional functions of corporate employees. The old words are still used—free enterprise and competition, the free capitalist system—but the old meaning is without import where monopoly is dominant. Economic freedom is constantly limited. The old ideal of a democracy where most people owned independent property as a means of livelihood is no more, for the great majority is now propertiless. Monopoly corporations are, by and large, above competition, and competition no longer fully regulates production and the market. Profit is no longer a spur to greater production, for monopoly may make more money from limitation of output. Monopoly corporations are great economic empires that challenge the state and often control the state. They move toward a new combination of economic and political power in the state, destruction of whose feudal forms by capitalism was the beginning of democracy and freedom in the modern world.

Within monopoly capitalism the old middle class of small enterprisers, which only a hundred years ago dominated economic activity, has shrunk into comparative insignificance. But a new middle class has come into being more significant than the old—the new class of salaried employees and professionals. Almost nonexistent in the earlier capitalism, the new middle class grew rapidly with the growth of large-scale industry. Salaried employees and professionals rose from about 600,000 in 1870 to more than 10,000,000 in the 1930's, three times as great as the number of independent businessmen. The increasing complexity and collective nature of modern industry called for employees of various types to perform technical, managerial, and administrative functions that the competitive industrial capitalist combined in his own person. The professions multiplied as industry needed constantly more specialized talents and the increasing economic surplus made it possible for people to spend more on professional and cultural services and for government to spend more on education. Neither the industry nor the society of today can carry on without the services of useful functional groups in the new middle class.

From the angle of economic change and of a new order the most significant groups in the new middle class are the technical-managerial and administrative employees in corporate industry and government. In the past seventy years they have grown faster than any other occupational group, paralleling the emergence of new economic forms. The significance of technical-managerial employees is that they come to functional economic dominance as ownership is separated from management in monopoly corporate industry; they now perform the tasks of organizing and directing industry that in the earlier competitive capitalism were performed by owner-capitalists. Owners are still of functional importance in smaller corporations and in small noncorporate business; but economic activity is dominated by corporations in which the managers manage but do not own while the owners own but do not manage.

Functional economic dominance is not control, however. As ownership was separated from management the control of monopoly corporations was seized by finance capital—an oligarchy of corporate top-administrators and bigger stockholders who combined with investment bankers in an overwhelming centralization of financial power. Seizure of control began in the 1880's and '90's with the multiplication of corporations and their merger into monopoly combinations. Where the industrial capitalist made money out of production, the financial capitalist made money out of monopoly privilege and power, out of the "recapitalization" of industry and speculation, out of the adventures of imperialism. Finance capital meant a distortion of the constructive economic aspects of capitalism and the beginning of its decline.

Capitalist decline was evident in an inability to solve the economic crisis that afflicted Europe after World War I. The crisis weakened finance capital as governments were forced to intervene more actively in economic affairs. Finance capital controls were destroyed by the corporate states, which centralize all economic authority in government; they are being destroyed in France and are on the way out in Britain. Meanwhile American finance capital in the "golden age" of the 1920's strengthened its power and went on a profiteering spree that brought disaster. The financial titans could neither prevent depression nor bring recovery and prosperity. Government was forced to step in.

Beginning with President Hoover's Reconstruction Finance Corporation the American government multiplied its economic functions. One

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New Deal measure after another clipped the powers of finance capital—government spending and investment, regulation of security issues, separation of commercial from investment banking, prohibition of interlocking directors in banks, regulation of the stock exchange, break-up of utility holding companies. Political measures to limit finance capital were reinforced by the action of economic forces—comparative drying up of the demand for new capital which undermined investment banking, competitive bidding and private placement of securities that make monopoly corporations independent of their old financial masters, an end of the era of mergers and combinations which stoked the fires of speculation, greater taxation of incomes and profits. Now the war emergency gives government greater powers over industry: to regulate and control prices and profits, to finance new plant expansion and make loans to Latin America, to coordinate and plan economic activity.

Within these changes are long-time constructive forces that move toward a new economic order. They make possible economic planning and balance, democratic decentralization of economic power, a release of technical-managerial functional dominance to get full production for welfare. The constructive forces were thwarted by finance capital's seizure of control over collective industry. They may be thwarted again, and in worse forms, if monopoly finance capital gives way to the monopoly corporate state. While the controls of finance capital are being relaxed they are not broken. The financial oligarchy is still powerful, corporate top-administrators use their new independence to sustain monopoly privilege and power, monopoly big business remains as an institution that bars the way to economic progress. At a similar stage in Europe the corporate state came to kill the promise of a new democratic economic order.

II

The corporate state appears in its most fully developed forms in Germany, where monopoly capitalism was strongest. It is the German experience that might be repeated in the United States. As finance capital began to break apart and the government multiplied its economic powers, the crisis not being solved nor a new democratic economic order being shaped up, monopoly big business swung into action. The financial capitalists wanted to save as much of their money as they could; monopoly corporate administrators wanted to retain their power. The German experience shows that monopoly big business is related to fascism in three ways:

Monopoly big business prevents a democratic solution of the economic crisis, as it opposes all progressive measures to balance profits, consumer purchasing power, and production. The resulting social-economic disintegration and desperation gives fascism its chance to seize power. Monopoly big business gives financial and political support to fascism, after its bid for direct political power fails—a support that includes all reactionary interests in society. Fascism uses the monopoly relations of big business to build the corporate state.

In its economic aspects the corporate state is a seizure of control over corporate management, which is separated from ownership, through a merger of top-corporate administration with government bureaucracy; control of industry by finance capital is replaced with absolute state control. The corporate state clamps down monopoly on all forms of economic activity.

In its political aspects the corporate state is a combination of *all* economic and political power in the state—"statism" in its most complete form as universal political monopoly. Monopoly's drive to master the state ends in state mastery of monopoly. The corporate state clamps down monopoly on all forms of cultural activity.

The monopoly nature of the corporate state makes it seem that it is simply a dictatorship of monopoly capitalism, as communists claim. Let me repeat the idea with which I began: *the corporate state is monopoly capitalism with the capitalism thrown out*. Fascism keeps the monopoly but its financial capitalist controls are broken, stockholders are deprived *by law* of all authority over the corporations they "own," corporate administrations are made responsible exclusively to the state. But it is also wrong to argue that fascism has no relation to monopoly capitalism, since the most reactionary, authoritarian elements of monopoly are retained, strengthened, and made universal in the corporate state. The corporate state would be impossible without the monopoly relations of capitalism.¹

¹It may seem strange that the corporate state came first in Russia, where capitalist industry was backward. But what industry there was in Czarist Russia was largely monopoly corporate industry under control of finance capital. The Bolsheviks first destroyed monopoly capitalism and then recreated its monopoly relations as they combined all economic and political power in an absolute state. In Italy, too, monopoly capitalism and finance capital were dominant; that is true, more or less, of all economically backward nations. A repetition of the communist experience is unlikely.

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When fascism gets in power it deprives monopoly big business of independence and control. But before you consider that a contradiction, observe what happens. (1) Financial capitalists are deprived of their power; if they do not fit into some "useful" job in the new order they become *rentiers* or are expropriated, imprisoned, or deported. (2) But *monopoly corporate administrators stay and become one with the corporate state*; big business remains *as an institution* that is no longer responsible to stockholders or finance capital but to the state; administrators get absolute power over technical-managerial employees and labor to organize and direct industry for totalitarian despotism.

Monopoly and its administrators fit snugly into the corporate state. Monopoly is hierarchical and authoritarian in its setup. The administrators' ideal is an industrial feudalism. They run their corporations like feudal baronies. They are against labor unions, impatient of democracy and freedom. Monopoly administrators are more arrogant and authoritarian than the earlier capitalists, who were responsive to competitive pressures and the market. While capitalists could tolerate democracy and encourage it within limits, because their power came from ownership, monopoly administrators get their power from control of corporations they do not own, and cannot afford democracy. The administrators' power becomes absolute in the corporate state; now they are limited by stockholders, however slightly, by labor unions, and by democratic government, all of which are abolished by fascism. Where competitive capitalism called for a state that governs least, monopoly calls for a state that governs most.

While technical-managerial groups perform constructive functions, their attitude toward democracy and labor is not always constructive. They are influenced by the reactionary attitudes of monopoly corporate administrators, who place men in key positions opposed to labor. Union-management cooperation becomes stronger, but it is opposed by monopoly administrators. Technical-managerial employees are enmeshed in the authoritarian relations of monopoly; they are influenced by inherited prejudices and passions and by "elite" ideas of caste; they are not fully aware of the creative progressive value in their functional dominance and what to do with it, so they may respond to brute mechanical pressures. Hence technical-managerial employees may go along, as they did in Germany, with monopoly administrators in support of fascism.

But while technical-managerial employees swing to fascism, they are not truly in power in the corporate state. Fascism recognizes their functional dominance, which makes it possible to carry on production without the capitalists and in the interest of state power. But that functional dominance is imprisoned within bureaucratic totalitarian relations. The technical-managerial groups are a subordinate, if privileged, caste under control of the absolute state. They are oppressed, deprived of freedom and the functional and personal integrity that comes from freedom, and converted into mechanical human levers to set in motion the mechanical equipment of production. Their functional services are distorted and frustrated to serve tyranny and war.

Still worse off are the professional and cultural groups in the new middle class. They, too, are deprived of freedom and integrity, they must serve absolute power. A system whose spokesman can say, "When I hear the word 'culture' I grab for my revolver," offers little but degradation to educators, writers, and artists. Their job is not to liberate the human spirit but to enslave it; to use education, science, and art to condition people to accept uncomplainingly, if not enthusiastically, the tyrannical immoral values of the corporate state.

Performers of professional services, too, are deprived of freedom. Those among them are preferred who can best use their talents to promote the totalitarian way of life. By and large, however, the performers of professional services are sacrificed to the political-military bureaucracy. This bureaucracy *must* grow to sustain the corporate state. Multiplication of professional services depends on a constant increase of material and moral welfare among the people, and such welfare is scorned by the Caesarian "elites" who rule the corporate state.

The reactionary nature of the corporate state appears clearly in its destruction of independence among small businessmen and farmers. Communism abolishes small business and "collectivizes" the farmers, while fascism clamps down monopoly controls upon them. Neither is necessary from the angle of technical-managerial functional dominance, which is limited to large-scale industry, or from the angle of economic planning. They are necessary, however, from the angle of the power politics of the corporate state, for universal monopoly controls makes it simple to manipulate the whole economic system and its employees to serve the state. So the fascist corporate state deliberately restricts small independent business, uses

taxation and deprivation of raw materials to drive it out of existence, forces it to merge into monopoly combinations, tightly controls what is left of it. Farmers are tied to the soil with a network of monopoly relations that limit their economic and personal independence. Controls that are economically unnecessary are imposed to promote absolute state power.

The small independent enterprisers in the old middle class, and their struggles to maintain competition, were a check on monopoly under capitalism. As the corporate state destroys that check it destroys another: free labor unions and collective bargaining, which are not only a check on monopoly but introduce a constitutional element into industry that moves toward a democratic economic order. Neither fascism nor communism abolishes labor unions, only their independence; the unions are converted into *unfree* government organizations with a new type of "labor leader" to manage the workers for the corporate state. Fascist tyranny begins with the enslavement of labor. The vast apparatus of repression needed to enslave the workers, who are a majority of the people, must devour the freedoms and rights of all social groups. You cannot enslave workers without enslaving society.

The final check on monopoly that the corporate state destroys is democratic government. The state becomes a universal, unopposable, repressive monopoly that uproots all the economic elements of democracy: separation of economic from political power, free enterprise and competition, the freedom of association. One-party totalitarian dictatorship is the political expression of a state become monopoly.

One point should be emphasized repeatedly: *technical-managerial functional dominance is not the basis of the corporate state*. That dominance already largely exists under capitalism and it would exist in any new order after capitalism, including a socialist order. Not only is the organization and direction of industry by technical-managerial employees compatible with democracy, they can perform their constructive functions fully only in a democratic economic setup. But the corporate state thrusts aside finance capital and seizes control of management and unionism to implement a political monopoly of economic activity. Hence the basis of the corporate state is *the recombination of all economic and political power in the state*. Totalitarianism is an absolute centralization of power that is unopposable.

“Political elites” in the swollen bureaucracy of the corporate state become absolute masters of society. Top-administrators and top-bureaucrats combine to manipulate all activity to serve the totalitarian combination of economic and political power. Corporate and government bureaucrats merge, but the political bureaucracy is supreme. The corporate state is a bureaucratic collectivism—as distinguished from monopoly capitalism or democratic collectivism—within which technical-managerial and professional groups perform their functional services on orders from tough, Caesarian political and military “elites” whose barbarian values become a way of life. The greater democracy and freedom, the greater welfare and integrity that are potential in cooperative performance of functional services are destroyed, while performers of those services are hirelings of the absolute state.

Only a small upper layer of the new middle class is in power in the corporate state. The situation is analogous to the condition of the capitalist *bourgeoisie* under the absolute monarchy. A handful of big bourgeois, wealthy merchants and financiers who aped the nobility, was in power with the king and lords and the “political elites” in an absolute state. The lesser *bourgeoisie*, the useful small producers, artisans and craftsmen, the small merchants, were underlings oppressed by the monopoly economic privileges and power of the bourgeois-feudal masters of the monarchy and its military-bureaucratic caste. That is the condition in the corporate state with these class-historical differences: top-administrators in the political and economic bureaucracy replace the big bourgeois and the useful functional groups (especially the technical-managerial) replace the lesser bourgeois.

Another fruitful comparison may be made. What Francis Bacon said of the monarchy of Henry VII is truer of the corporate state: it moves “from the consideration of plenty to the consideration of power.” The corporate state’s economic policy resembles the mercantilism of the bourgeois absolute monarchy. Mercantilist theory and practice differed from country to country, but the fundamental concepts were everywhere the same. They included bureaucratic regulation and control of economic activity; the use of economic power to serve political power, production being encouraged to make the state strong for war; the belief that prosperity came from conquest, one’s own country (meaning the feudal-bourgeois “elites”) being enriched by despoiling some other country and destroying

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its economic power. The new imperialism of fascism promises the German people "prosperity" through destruction of the industrial resources of non-German peoples in Europe, who are to become colonial producers of foodstuffs and raw materials for a master industrial Germany.

The absolute monarchy expressed the upthrust of a new economic order, capitalism; and the coming to functional economic dominance of a new class, the capitalist *bourgeoisie*. There was need for the encouragement of industry and trade, for larger national unity and larger markets, for destruction of the powers of feudal lords that were incompatible with economic progress. Those constructive historical needs were seized upon by absolute monarchy to consolidate a tyrannical monopoly of economic and political power. Much of feudal privilege was retained, while mercantilism revived in bureaucratic forms the medieval system of economic regulation and restriction. The monarchy in Spain made economic progress impossible for centuries to come, as it discouraged the creation of wealth from production in favor of draining the New World of gold and silver to pay for one war after another. In France a vast government bureaucracy regulated and suppressed economic activity; although some industries (war and luxury) were encouraged, industry on the whole was stifled by monopoly political controls. That is the major reason why the industrial revolution did not come first in France but in England, where the powers of absolute monarchy were early clipped by revolution and mercantilist influences were least strong. The absolute monarchy was a reactionary expression of a progressive economic upthrust; it limited and distorted economic progress.

The corporate state, too, expresses the upthrust of a new economic order and the coming to functional economic dominance of a new class, the technical-managerial. But even more than the absolute monarchy it is the reactionary expression of a progressive economic upthrust. Economic changes now call for an end of the power of finance capital, for economic planning to get full production, for larger international unity. Those constructive historical needs are seized upon by the corporate state to consolidate a tyrannical monopoly of economic and political power. It retains and makes universal the monopoly of capitalism while it kills all that is progressive in capitalism. It makes production serve absolute power, while bureaucratic controls uproot economic freedom. It makes war the object

and ideal of all activity. Like absolute monarchy the corporate state distorts and limits economic progress.

There are strengths in the corporate state that do not exist in capitalism: the balance of economic unity; planning for full production; no cyclical crises, which cannot arise in an administrative planned economy. But the strengths become largely negative as new economic weaknesses develop in a system of absolute state power. Within the efficiency of full production are the inefficiency of a bureaucratic collectivism that stifles independence, initiative, and the free play of economic and cultural forces; new types of administrative crises that are worse than cyclical crises; bureaucratic-military supremacy that creates new vested interests to gnaw at the nation's economic vitals.

Production in the corporate state is production for power. That is worse than production for profit. Despite its exploitation and economic contradictions, industrial capitalism was a system whose dynamics drove toward greater production and welfare. For the greater the capitalist's output the greater his profit, and markets had to grow to absorb the output. Automatic economic forces under capitalism promoted progress until monopoly, which is afraid of production, limited and reversed them—a limitation and reversal that become complete in the corporate state. The bureaucratic-military masters of the corporate state are not concerned with production for welfare; and production for power is compatible with a decline in production and welfare, whereas industrial capitalist profit depended on their increase. So, too, monopoly may survive and grow while production drops. Regardless of what happens to production the masters of the corporate state may hold on to privilege and power, which are unshakable in a system of absolute bureaucratic controls and destruction of democracy.

The corporate state is no improvement on capitalism, whose progressive forces it destroys while the reactionary forces are erected into a system of infinite oppression. It is a catastrophic interruption of the progressive transformation of capitalism. The answer is to shape that transformation in the direction of a new economic order in which technical-managerial and professional groups in the new middle class come to functional dominance under conditions of democracy. That means limited socialization of monopoly in a setup of constitutional self-government of industry,

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with limited strategic planning, the largest amount of free enterprise and competition within planning, and union-management cooperation to prevent a recombination of economic and political power in the state. Under those conditions democracy and freedom may live *and grow*.

