

Profit as the Root of All Evil: The Devil is in the Details

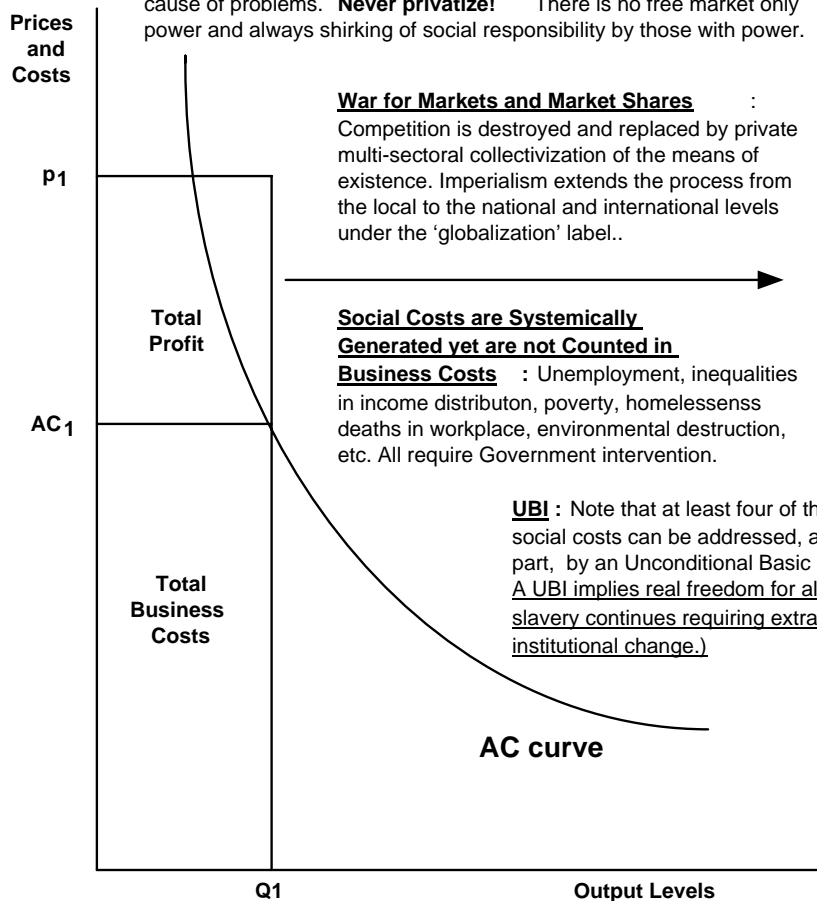
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Technological Changes : constantly wash across as 'mediums with messages.' Increases in production makes scarcity of commodities disappear. The real problem is distribution and assuring that each person shares in the benefits of technological change.

Capitalism as Fascism : "Fascism should more appropriately be called corporatism because it is a merger of state and corporate power." Private enterprise capitalism in control of the state is the root cause of problems. **Never privatize!** There is no free market only power and always shirking of social responsibility by those with power.



Profit = $(p_1 - AC_1)Q$; price is set and administered to markets; demand determines supply; since each price contains some i (interest) people are debt slaves from cradle to grave

Commentary: Marx, Schumpeter and McLuhan.

Washing across of waves of creative destruction is the medium and the message.

Profit is the Root of All Evil: Accounting—The Technical Garage Mechanics

The declining Average Cost, AC, curve depicted above is perhaps the simplest and the most revealing that economists have in their kit bags. While the curve gives an appearance of fixity it is in fact just a starting point for a discussion of the reality we all face. Hidden behind AC are social and technological control relationships that assist in drawing income and wealth towards those with power and taking income power and wealth away from the weaker members of society.

To illustrate the level of output to be produced is Q_1 . The vertically projection above Q_1 crosses the AC curve; on the vertical axis this is shown as AC_1 .

The vertical projection above Q_1 extends to and ends at a point which on the vertical axis is labeled p_1 .

Profit is 'pie,' Π . Profit per unit is, Π/Q_1 , that is $(p_1 - AC_1)$. In other words total profit is: $\Pi = TR - TC = (p_1 - AC_1) \cdot Q_1$.

Profit per unit is a net markup that falls out after the fact for all firms. AC is determined by the average fixed and average variable costs of production. Fixed costs are the important component and they determine that the AC curve declines throughout. Variable costs may be put aside as determined much like the costs of producing cakes: 10 cakes costs 10 times the costs of a single cake — so average variable costs are the price of a single cake.

The prices are administered to customers by firms or their selling agents or their networks of dealers according to the modes of operation each uses. As a rough check ask whether the many prices you have to pay each day or week are administered to you by the various dealers you shop with.

We do not need to know whether formula were used in calculating each p . Indeed, formulas may not have been used at all. There is no set of equations that can necessarily be asserted as determining any p .

To increase profit to higher levels than Π , all that seems necessary is expand from Q_1 , (and associated sales) to successive levels above Q_1 . The attempted expansion of sales by each bumps into each firm's competitors. In the bump and grind there are eventually winners and losers.

The mode of operation of the each firm will determine success or failure. Each firm tries to create a demand for what it produces and sells. Each tries to differentiate its products from others and tries to convince consumers that they are selling, as it might be said, the best thing since "white bread." Part of the competitive processes may involve firms and dealers keeping consumers ignorant of the character of the bill of goods they are being sold. Ignorance is bliss and may be vital in certain circumstances. In the modern world, product complexity and an attractive tele-marketeering voice located somewhere on

earth, but in any case at the other end of the line, assists in keeping consumers ignorant and buying into the bill of goods offered.

The important point is that a firm increases its market share by beating competitors. Any number of devices have been used including mergers and takeovers. Some may be noisy and disruptive others peaceful and barely heard.

For the successful firms emerging from the ongoing competitive wars the profit rectangle grows as Q_1 shifts ever to the right to say, Q_2 , Q_3 , etc. Thus economic strength and power begets power and greater and greater control over markets for some while other firms drop out. The ongoing *process results in a private collectivization of the means of existence* at home and abroad. This collectivization is a well-known outcome in all private enterprise sectors.

But the word collectivization recalls for some the forced collectivization of agriculture in Russia under Joseph Stalin. His collectivization of land in state hands meant the murder of many thousands of Russian peasants. Private collectivization implies the elimination of farms and farm labour forces, and is a process supported by the state under the guise of addressing problems the *market has forced on farmers*. Because *collective* implies social and socialist it is a fact muted by alternative words such as *consolidation of operations*, *growing industrial concentration*, or the *increased concentration and ownership of industry in fewer and fewer hands*.

It may also be muted for purposes of avoiding the argument that a socializing state is not violating rights! Thus "... the socializing state is not violating rights, or even overriding them in the interests of something more important, but righting wrongs; it is rectifying violations of rights, violations inherent in the structure of private property."¹ In other words at what point does a state recognize that private concentration is collectivization so why not make it a social concentration.

This issue can be raised for all private concentrations of power and wealth. The most conspicuous cases that cry out for rectification by social ownership and social control are insurance companies and private or commercial banks – institutions that are allowed to prey on the weaknesses and life vulnerabilities of citizens. With or without concentration or private collectivization their profit rectangles increase each year.

One perhaps first confronts the processes of collectivization in the issue of the disappearance of the family farm and its replacement by corporate agriculture. Technological changes boost agricultural productivity and allow the number of farms and the size of the farm labour force to be reduced. Concomitantly as the farm market declines in size the producers of farm machinery and equipment, farm suppliers, fall in number. There was a day when farm machinery was produced in local blacksmith shops.

¹ G. A. Cohen, "Freedom, Justice and Capitalism," *New Left Review*, No. 126(March/April 1981), 13. "...the socialist objection of justice to the market economy is that it allows private ownership of means of existence which no one has the right to own privately, and therefore rests upon an unjust foundation."

Now days, one is hard pressed to find a smithy. The annual sales of farm machinery can now be produced by a few very large and powerful manufacturers. So again concentration of production or collectivization.

And the process goes on intersectorally and internationally and it seems to be acceded to by governments either unaware or unconcerned by what is happening. Indeed government may be co-opted by private enterprise to assist the growth of their power and control.

Private collectivization of the means of existence is Fascism.

“It was actually Italian philosopher Giovanni Gentile who wrote the entry in the Encyclopedia Italiana that said: "Fascism should more appropriately be called corporatism because it is a merger of state and corporate power." Mussolini, however, affixed his name to the entry, and claimed credit for it.”²

² Thom Hartmann, “Reclaiming The Issues: Islamic Or Republican Fascism?” Baltimore Chronicle & Sentinel. <http://baltimorechronicle.com/2006/090306HARTMANN.shtml> As the 1983 *American Heritage Dictionary* noted, fascism is: "A system of government that exercises a dictatorship of the extreme right, typically through the merging of state and business leadership, together with belligerent nationalism." (The US dictionary definition has gotten somewhat squishier since then, as all the larger dictionary companies have been bought up by multinational corporations.)