A New Theory of Capitalism: Key Moments and General Logic

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Abstract

A new theory of capitalism is suggested. Its key moments and general logic are presented. This theory is based on the distinction between two market types – the simple commodity market and the capitalist one. Disequilibrium and "imperfect competition" are admitted to be a functional norm of capitalism. Respectively, an equilibrium and "perfect competition" are admitted to be a functional anomaly; crises are considered as the result of such an anomaly. General principles and concrete measures of crisis-proof policy and crisis-proof behavior are suggested.

Keywords

Theory of capitalism; capitalism; market; equilibrium (balance); disequilibrium (imbalance); perfect competition; imperfect competition; monopoly; crisis; crisis-proof policy; crisis-proof behaviour.

Introduction

A new theory of capitalism is brought to reader's attention. The theory is presented briefly and schematically – at the level of the key moments and general logic.

Why do we need "one more" theory?

Classic political economy, including the Marxist one, contained a lot of mistakes and self-contradictions. But it had a great achievement – Marxist conception of two market systems (the simple commodity and capitalist ones).

Neoclassic theory based on marginalism carelessly discarded this achievement. Generally adequate, the Schumpeter's market typology was practically discarded too.

Eventually, economic science, having obtained a series of useful results of applied character, reached a deadlock, in which it remains for hundred years by now. Disregard of the specific features of the capitalist market, of its principal difference from the non-capitalist one closes the way to comprehension of the more important manifestations of capitalism – cycles and crises.

General discussion about the various theories of capitalism is beyond our task. Concrete criticism of the key moments of the several theories is given in the relevant sections.

The suggested theory is based on the Marx conception of two "forms of circulation" (1867, pp. 102 - 108). This conception remained practically untapped in Marxist political economy. It was unclaimed in other schools too. That is why we suggest to accept the long-known Marxist dichotomy as a first step towards the new theory. But we have to make next steps on our own. Even the second step will take us far away from Marxism. The further steps will bring us to the conclusions that have nothing to do with Marxism.

"The new theory of capitalism" is essentially different from the neoclassic "mainstream" and other well-known theories. ***The main difference consists in considering imbalance as a normal state of the capitalist market*** (whereas in the other theories *balance* is anyway admitted as a norm); respectively, ***crisis is considered as a result of balance*** (other theories admit certain *imbalances* as a cause of crises).

In particular, the suggested theory allows:

- to explain the *cyclic* dynamics of capitalism,
- to reveal the positive role of *dynamic* monopoly,
- to explain *capitalist* crises and to offer the nontrivial methods of their prevention and treatment.

Subsequently, the suggested theory can find ***an important practical use*** – both in the crisis-proof state policy and in the crisis-proof behavior of individual economic players.

Point one: capitalism as one of the market types

The essence of this point is the *correct* typology of market systems. Such a typology should be able to reveal the difference between capitalism and non-capitalist market.

Marx's typology goes back to Aristotle (350 BCE, pp. 12 - 19). It is brilliantly presented in "Capital" and assumes the existence of two "forms of circulation" – "simple circulation of commodities" and "circulation of money as capital". The *simple commodity market* corresponds to the first form, the *capitalist market* – to the second one. Functioning of the simple commodity market is described by the "formula" C - M - C (commodity – money – commodity), and functioning of the capitalist one – by M - C - M (money – commodity – money). Such a dichotomy revealing the fundamental difference between the market systems has substantial and far-reaching consequences. They contradicted the surplus value theory and so were rejected by Marx.

Schumpeter created a typology that was similar to the Marx's one (1911, pp. 3 - 90). He distinguished between "the circular flow of economic life" and "economic development". Schumpeter's "the circular flow" can be approximately compared with the simple commodity market, Schumpeter's "development" – with the capitalism. But Schumpeter's classification did not receive further adequate continuation too.

As far as the economists of "mainstream" are concerned, they, from the very beginning, substituted classification of the market *systems* by classification of the concrete *markets* (land, labor, capital and so on). And, "capitalism" is considered by them as a synonym of "market", both concepts being incorrectly identified. Failure to distinguish between the simple and capitalist markets reduced "economics" to the set of poorly connected half-empirical fragments.

"Market" and "capitalism" are not the same thing. Namely, ***capitalism is a particular case of market***, ***its highest form*** (its inferior form is simple commodity market). Differentiation between the capitalist and non-capitalist markets is the starting point of our theory.

Point two: imbalance and "imperfect competition" as a functional norm of capitalism

Imbalance

Equilibrium (balance) between the demand and supply is generally admitted as a functional norm of *any* market. The rival economic schools demonstrate a remarkable consensus in this matter. Marx in his surplus value theory proceeded from an assumption of the market equilibrium and value equivalence of exchange: "The conversion of money into capital has to be explained on the basis of the laws that regulate the exchange of commodities, in such a way that the starting-point is the exchange of equivalents. Our friend, Moneybags… must buy his commodities at their value, must sell them at their value, and yet at the end of the process must withdraw more value from circulation than he threw into it at starting" (Marx 1867, p. 114). Schumpeter, the first researcher of market imbalance also considered balance (with unimportant reservations) as a universal market norm (1939, pp. 21 - 64, especially pp. 62 - 64). The modern western economists associate general equilibrium not only with the normal but also (the most) "efficient" state of economy (see, for example, McConnell, Brue, Flynn 2009, pp. 193 - 197; Samuelson, Nordhaus 1998, pp. 265 - 272).

This point of view is easily explicable psychologically: the word "equilibrium" provokes positive associations and the word "disequilibrium" – the negative ones; "equilibrium" is felt and perceived as "good", "disequilibrium" as "bad". In the numerous areas of human life and activity equilibrium is truly recognized as a normal, "good" state. It is suffice to mention ecology, building, navigation, sport. Marx and Schumpeter truly recognized equilibrium as a normal state of the simple market form ("simple circulation of commodities" and "the circular flow of economic life" respectively). Marx and Schumpeter also extend this attitude to equilibrium to the "complex" form ("capitalism" and "development").

But the *capitalist* market is structured in such a way that ***disequilibrium and associated nonequivalence of exchange is its functional norm.*** It *directly* follows from the Marxist "formula" M - C - M: at the "output" we obviously must have more money than at the "input". It becomes possible due to unbalance of the output market or at least of one input market. In other words, a capitalist can get a profit using the surplus supply of the means of production and labor or the surplus demand for his product. As is known, Marx suggested another way out: "value expands spontaneously" as a result of exploitation of labor force (Marx 1867, pp. 105 - 106, 128 - 138). Criticism of the surplus value theory is beyond our task. Let us notice only that our solution is considerably easier than the Marx's one: value increases not by mysterious processes in a "hidden abode of production", but only because one or another market is unbalanced in favor of one or another capitalist. And, if all the markets are balanced, money having made some "metamorphoses", comes back as the same money… But one should not think that the capitalist market is always and everywhere unbalanced. No, the capitalist must struggle for every found or specially created imbalance. And a profit is by no means guaranteed for him in this struggle. When some capitalists get a profit, another ones incur losses or neither win nor lose. In addition, as a result of value nonequivalence of trade not only the capitalists which are partner companies but also suppliers of primary resources (wage workers first of all) and buyers of final products may incur losses. But the most important source of profitable imbalances is industrial revolutions and commodity-market innovations; in the first case profit is obtained owing to increased demand for products fallen in price, in the second one – owing to increased demand for new commodities. But inexorable competition finally reduces any profit to zero.

A qualified reader obviously noticed that the suggested solution is not new: Marx knew about it and criticized in "Capital" (Marx 1867, p. 112). That is why we must stop and have a little discussion with Marx. We want to show that Marx's criticism of our evident solution is groundless.

So, Marx assumes that *some* sellers sell commodities at the price higher than its value or *some* buyers buy at the lower price (that is a nonequivalent exchange, an exchange of value nonequivalents occurs). Let us comment Marx's reasonings.

- *Marx:* "A may be clever enough to get the advantage of B or C without their being able to retaliate".
- *Commentary:* A may be so enterprising and successful that creating and using favorable imbalances he buys during *some time* at the price lower than value and sells at the higher one.
- *Marx:* "The value in circulation has not increased by one iota, it is only distributed differently between A and B".
- *Commentary:* It is typical of capitalism: someone gets a profit, another one - incurs losses. As a result, capital concentrates in the hands of certain capitalists.
- *Marx:* "What is a loss of value to B is surplus value to A; what is "minus" to one is "plus" to the other… The sum of the values in circulation can clearly not be augmented by any change in their distribution".
- *Commentary:* Indeed, the "sum" cannot be augmented in this way but its redistribution – in favour of the progressive entrepreneurs – is very important for the development of capitalism.
- *Marx:* "The capitalist class, as a whole, in any country, cannot overrich themselves".
- *Commentary:* Some capitalists can well "overrich" at the expense of another ones (see above). It is also possible to "overrich" at the expense of wage workers and buyers of the final products (in the first case it takes place owing to the surplus labor supply, in the second one – owing to the surplus demand for the product). In addition, technological revolutions and associated explosion of the productivity of labor are an important source of profit. In this case profit is got by cost reduction – without any damage to the capitalists of another sectors, wage workers and customers. Thereby "the capitalist class" can "overrich themselves" all the same. But as we said it is not a sole source of profit…

Smith, Ricardo and Marx assumed an existence of a certain "normal" ("average", "general", "constant", "usual") profit level relevant to the equilibrium state of the market. Classics were mistaken: ***there is no profit in the state of equilibrium.*** In other words, ***there are no "constant and usual profits" – there are only "temporary and unusual" ones.***

"Imperfect competition"

"Perfect competition" is usually admitted as a functional norm (and even an "ideal") of *any* market. But perfect competition leads to an equilibrium that zeroes profits. But the capitalists do not want "working" without a profit. Economists suggest different solutions for such a collision. Let us stop on two extremes. Marx argued that the capitalists get a profit ("surplus value") in the conditions of the balance and (all the more) in the conditions of imbalance, in the conditions of severe competition and (all the more) in the conditions of monopoly (Marx 1867, pp. 102 - 138).

Modern neoclassics assume it seriously that entrepreneurs can manage without a "pure (economic) profit" at all, satisfied with a "competitive return", i.e. a return, that makes up the "opportunity costs" of advanced capital (see, for example, McConnell, Brue, Flynn 2009, pp. 155 - 156, 306; Pindyck, Rubinfeld 1994, pp. 258 - 259; Samuelson, Nordhaus 1998, pp. 138 - 140, 143 - 145, question 8 on p. 153). Both conceptions are artificial and must be rejected[1]. As there is no capitalism without a (pure) profit, there is no a (pure) profit without an imbalance, there is no an imbalance without an "imperfect competition". In other words, ***market unbalance that causes a (pure) profit is inseparably connected with a temporary monopolization of certain degree.***

An unbalanced (profitable) market has the next phases of development:

phase 0 – "(practically) perfect competition" (market is practically completely balanced, – there is no profit);

phase 1 – "(practically) complete monopoly" (the leading capitalist gets maximum possible profit using created or existing imbalances);

phase 2 – "oligopoly" (foremost capitalists get considerable profits);

phase 3 – "monopolistic competition" (foremost and several backward capitalists get insignificant profits);

phase 4 – "(practically) perfect competition" (market is practically completely balanced, – there is no profit).

Phase 1 may be skipped (at once several capitalists begin to struggle for the realization of imbalance). And, vice versa, phases 2 and 3 may be absent (if a foremost capitalist is "together" and rapidly run down by another ones).

So, ***if we admitted the imbalance as a functional norm of capitalism, we must admit on the same footing that the "imperfect competition" (i.e. complete or partial monopolization of several markets) is also the norm.*** However, it should be remembered that any monopoly of the foremost capitalists – in competitive environment – is as well transient as the imbalance associated with it.

Point three: balance and "perfect competition" as a functional anomaly of capitalism that causes crises

Just as the second point was a *natural* continuation of the first one, the third point is a *logical* consequence of the second one. If we admit a money-commodity-money essence of capitalism, it is *natural* to admit imbalance and imperfect competition as its norm; if we admit imbalance and imperfect competition as a norm of capitalism, it is *logical* to admit balance and perfect competition as its anomaly. And it is *logical* to consider this anomaly as an initial cause of capitalist crises. Let us start with them.

Crises

A direct and tangible aim of the capitalist enterprise is an extraction of money profit. But ***from time to time the main sources of profits are diminished and almost exhausted.*** It means that the backward capitalists in most cases have already overtaken the foremost ones, markets have been in general balanced, the prices of great numbers of commodities approached the real production costs, the profits of the most capitalists reduced to zero respectively. An entrepreneurial activity loses its sense without a profit. An economic growth that is appropriate to the phase of rise stops. Production and consumption become stable at the best or become to decline (sometimes swiftly). The crisis comes[2].

Numerous entrepreneurs leave the market. But the several ones struggle desperately and the most energetic and successful ones find the way out – introduce an essentially new technology, penetrate into remote markets, become to produce new commodities, find the cheap raw materials, employ jobless (ready for any wage) and so on. The crisis equilibrium breaks now here, now there. Profits of the capitalists-innovators become positive (sometimes very big), – they intensify their production promptly, but… – the competitors follow them and finally catch up with them, – so profits are falling again (profits of the initiators of the rush are falling as well). When an effect of novelty is in general exhausted the leading markets are balanced, profits are practically zeroized and the crisis comes again.

So, ***the most general and deep cause of the capitalist crises is zeroing of profits associated with periodical balancing of basic markets.*** Just like a wage worker refuses to work if the wage is too small, a banker stops crediting if the interest is too low, a landowner or a house-owner refuses to lease if the rent is too small, an entrepreneur curtails his production if the profit is too low. But whereas the "strike" of workers, bankers, landowners and others affects labor, capital, real estate and other markets, "resignation" of industrialists hits the capitalist market as whole[3].

Balances and imbalances (generalization)

Crises is an inevitable objective evil of capitalism. But, on the other hand, it is crisis which is the main accelerator of economic progress. ***The structural and technological reorganization of economy is just a result of crises***. It is a general law of wildlife development: so far as all is "good" – development goes slowly by the way of gradual evolution; when it becomes "bad" – somebody perishes, somebody adapts and somebody makes a revolutionary leap and reaches the new level of development. And, this continues until the next "bottleneck". But the "necks" ("bad" points difficult to traverse) of the capitalism are unlike the wildlife's ones.

"Good" and "bad" of the capitalist economy are radically different from "good" and "bad" for the wildlife. For the wildlife, "good" is *a balance (an equilibrium)* in ecosystems (species and animal units are adapted to each other, there is a lot of food, climate is suitable, so development goes slowly by gradual evolution); unbalancing provokes a crisis (development accelerates dramatically, takes on spasmodic character, – some animal units and species die out, some ones reorganize, some new species appear and so on, – until a new balance). ***For the capitalist economy, an equilibrium is "bad"*** (profits of most entrepreneurs tend to zero, the drive for further production dies away, – a crisis comes and it can be overcome by breaking the equilibrium only). So, in the wildlife, the revolutionary leaps are the result of *breaking* equilibrium. On the contrary, in the capitalist economy they are the result of *reaching* equilibrium. ***Inversion of imbalance and balance as a main source of development is a most important distinctive feature of capitalism.***

But ***not only cannot the capitalist economy stand an equilibrium and stagnation; as opposed to the wildlife it cannot stand an even and rectilinear movement as well***. If the productivity of labor of all entrepreneurs of a certain sector grows with almost equal rates for a long time, if they master new technologies almost simultaneously, and so on (that is, all capitalists run in the same direction with near equal speeds without breaking equilibrium), the profit of each capitalist is near zero regardless of general growth rates. It means that the crisis comes (or continues). ***For capitalism, speed means nothing, acceleration means everything. Only the one who "runs" not quickly but "by leaps and zigzags" and from time to time takes the lead over others wins competitive race and gains a cherished profit.***

What is the cause of so radical distinction between the principles of development of wildlife and those of capitalism? One would think that in both cases we have adaptation, competition, selection. An essential distinction is the following. In wildlife (as well as in any non-capitalist economy including simple commodity one) animal units (people) and their communities strive for possession of *numerous* and *different* natural resources (hunting grounds, food, water, energy). ***Whereas in the capitalist economy "business entities" strive for possession of the only one artificial unified substance – money*** (and this ambition is end in itself: money is needed for entrepreneurs not so much for consumption as for producing new money). Thus capitalism (based on the unique *natural* human ability for *abstract* thinking) reduced all diversity of *natural* values to the one *artificial* value – *abstract*, easily divisible and infinitely multiplied, easy to keep, replace and convert into any concrete value. But ***this unification annihilated an equivalent exchange:*** if in the non-capitalist market economy (C_1 - M - C_2) selling one commodity to buy another one of equal worth is a quite reasonable operation, under the capitalism (M_1 - C - M_2) buying one commodity (means of production and labor) for selling another one (product) is reasonable if only $M_2 > M_1$. But this surplus (certainly without inflation and under conditions of law-based state) is possible only in *specific* situations and only for *several* entrepreneurs during *limited* time. ***Capitalism relies on nonequivalent exchange. Moreover: it is nonequivalent exchange, hence also imbalances creating this nonequivalence, which is its very essence.***

Competition and monopoly (generalization)

A concrete capitalist market in the process of its development passes through the phases of monopolization and demonopolization. At the beginning and at the end ("perfect competition") there is no profit: money, undergoing some transformations, exchanges finally for… the same money. Correspondingly, there is no practically capitalism that is inseparable from nonequivalence of money exchange. Moreover, there is no practically market as such: as the simple (non-capitalist) market presupposes an exchange of not *abstract universal* money but *different concrete* commodities – an exchange that is reasonable even when their values are equal. So, a concept of "high-competitive capitalist market" has an inherent contradiction: ***"perfect competition" is incompatible with the capitalist market at all***.

"Perfect competition" balancing market and annihilating profit deprives capitalists of the drive for further market activity. On the other hand, it is "perfect competition" that persistently encourages profitless latent capitalists for the search and creation of new profitable imbalances. ***The capitalist market dies away in perfect competition and revives in it***[4].

Theoretically, *an integral* capitalist market (sectoral, regional, national) in the process of its development also passes the phases of monopolization - demonopolization. Namely:

phase 0 – "(practically) perfect competition" (the main markets are almost balanced, – there are no profits, – there is a general crisis of one or another degree);

phase 1 – "(practically) complete monopoly" (the main markets are considerably unbalanced, – capitalists-leaders gain maximum possible profits, – "general recovery");

phase 2 – "oligopoly" (the main markets are unbalanced, – capitalists-leaders gain considerable profits, – "general stable growth");

phase 3 – "monopolistic competition" (the main markets are being quickly balanced, – leaders and several outsiders gain insignificant swiftly diminishing profits, – "general boom");

phase 4 – "(practically) perfect competition" (the main markets are almost balanced, – there are no profits, – there is a general crisis of one or another degree).

Thus an important aspect of an economic cycle consists in general monopolization (to some extent) with subsequent demonopolization. Monopolization leads to rise, demonopolization – to crisis. Crisis is characterized by the "perfect competition" of the main markets.

Fortunately, concrete markets evolve asynchronously: the peak of one's monopolization fits the competitive state of another ones; several markets stay in the state of perfect competition for a long time, several ones – in the state of complete monopoly. This fact moderates considerably general crises but does not cancel them: in the capitalist economy all markets are closely connected, and crisis of one sector (or one country) can touch upon all the capitalist world.

Thereby both in a concrete case and in the integral one the "perfect competition", "complete monopoly", "oligopoly" and "monopolistic competition" are not so much the co-existent *static forms* of the market (as is conveyed usually) as its *dynamic phases*. And ***the phase of the perfect competition is*** (contrary to the common point of view) ***the most unfavorable phase*** (but also necessary one).

But if the market stays in one or another phase for a long time, specific *time* can be really transformed into specific *state*. So the temporary monopoly attended as a result of creation of a new commodity can be transformed by efforts of the capitalist and by support of government (or by coincidence) into the constant monopoly, more precisely into the *long*-term one. Mention should be also made about the quasistatic "natural" monopolies. But the most part of concrete and sectoral markets is characterized by the phase dynamics. Thus the degree of competition (the degree of monopolism) of the most markets permanently changes and the succession of phases corresponds usually to the one just described.

"Perfect competition" is a necessary latent base of the capitalist market. Capitalism is actualized by the process of explosive monopolization. The subsequent demonopolization returns capitalism to the latent state of the perfect competition that is fraught with new actualizations.

Point four: recommendations for crises moderation

The fourth moment (theoretical and practical) logically follows from the third one. If the competitive market equilibrium causes a crisis by zeroing of profits, ***one must counteract crisis by such unbalancing and monopolization of the market that can give acceptable profits to the foremost capitalists.***

General principles of crisis-proof policy

Capitalism exists and develops owing to the natural capitalist's drive to the profit. It is the profit which is a central point that other economical substances depend on eventually – such as national income and price level, employment and inflation, wages and pensions, prosperity and crises. If society with the capitalist economy wants to prosper it must care first of all about sufficient profits of capitalists. Crisis-proof state policy must proceed from this rough and unpleasant for "ordinary people" reality.

So, ***the main task of the state is not to allow mass simultaneous zeroing of profits.*** Does it mean to regulate, to control, to intervene, to help some entrepreneurs, to hold back other ones and so on? No! The state with rare exceptions must not intervene into competition.

Because the *free* competition:

a) forces ones to accelerate, to make leaps, that is to create profitable imbalances what is good in the short-term prospect and bad for a long-term one (leaders lose drive for further leaps);

b) gives to another ones an opportunity to catch up that is to restore profitless balances what is bad in the short-term prospect and good for a long-term one (it forces leaders to search opportunities for the new leaps without relaxation).

It is very difficult to detect an "urgency" objectively; moreover, "observers" usually have their own preferences and mercenary aims.

That is why ***in the general case one should not intervene into competition*** (with benefits, subsidies, limitations and so on).

The state must support a competition as such, namely:

1) help beginners to start race (so the leaders will run more fast);

2) help losers to leave race (so the beginners will be braver);

3) help to pass from one track to another;

4) control the observance of the rules of game and not favor anybody;

5) control the improvement of "stadium" (ecology, health protection);

6) ***inform "runners" (actual and potential) in due time about the state of affairs, the main index being the dynamic of profits*** (it makes no sense for backwards to follow leaders when the velocities of majority mainly equalized, it would be better for them to look for other ways).

7) train the new "sportsmen" (education) and prepare the new "running tracks" (science).

In all: the state,

firstly, *must* promote the capitalist "sport" as such by all means;

secondly, *must not* (in general case)

a) start the race personally,

b) help or disturb certain runners.

Governments of the developed capitalist countries usually consider *general stabilization* of economy as their main interior task whereas the suggested theory sets an absolutely different task for a democratic state – ***the local destabilization***.

The state must look after:

a) that *local focuses* of instability permanently pulse in economy,

b) that these focuses not stay in the same place but move from one sector to another, from one region to another,

c) that *local* and *temporary* instability not lead to *general* and *constant* one.

The public opinion of the developed capitalist countries is inclined to consider "perfect competition" as an ideal of any market; monopoly is in general admitted as a harmful departure from the norm. Respectively, governments (at least in words) usually consider *general demonopolization* of economy as an important interior task. Whereas the suggested theory sets an absolutely different task for democratic state – ***the local monopolization.***

The state must look after:

a) that *local focuses* of monopolization permanently pulse in economy,

b) that these focuses not stay in the same place but move from one sector to another, from one region to another,

c) that *local* and *temporary* monopolization not lead to *general* and *constant* one.

It is easy to understand that local temporary monopolization and local temporary instability are two sides of the same medal. Respectively, the task of a state becomes easier.

But the main thing is that ***capitalism is a self-regulating system with numerous feedbacks. That is why the state must not govern this system, the state must only look after it and correct it, when necessary.***

What to do when crisis approaches

If profits of the leading producers approach zero (the imminent crisis indicator) the state must pay special attention to points 6 and 3 (to convince the backwards not to run to the appearing deadlock and to help them to move to the promising tracks).

Points 6 and 3 are not trivial in their combination. ***The well-time movement of entrepreneurs from the sectors that are near equilibrium to the ones far from it can considerably moderate and shorten coming crisis.*** And the special accent must be made on the statistics and information.

An informational policy (but not fiscal, monetary or other one) ***must be the main state policy on the threshold of crisis. An informational crisis-proof policy must be based on the qualitative and timely statistics of profits.***

What to do in the crisis time

In the crisis time the state must:

a) pay a special attention to points 1 - 3;

b) support the research and development directions that are close to practical realization (as for fundamental science it is necessary to take care of it beforehand, in time of rise);

c) stop any attempts of commercial espionage and commercial bribery (if many entrepreneurs learn about the new sources of profits the rise may turn out slack or may not come at all).

What economic players must do

Above, crisis-proof policy of a state was discussed. But economic players (in conditions of real freedom of enterprise and trade) first of all must care about themselves.

Entrepreneurs must follow the next general principles of crisis-proof behavior:

1) to try by all legal means to unbalance and monopolize the market for their benefit;

2) then, as the market is balancing and demonopolizing, to move capitals into sectors that are far from equilibrium and "perfect competition";

3) if the market is already unbalanced / monopolized by other entrepreneurs the next variants are possible:

a) if unbalancing / monopolization has only begun and the right capital is available, it is necessary to try to catch the leaders up and to intercept the part of profits from them;

b) if unbalancing / monopolization has already reached its peak and the reverse tendency began to appear, it is necessary to find other ways.

Crisis-proof behavior in pseudocapitalist economy

At the end let us notice that side by side with the capitalist countries there are numerous ones with *pseudocapitalist, criminal* economy (among them, for example, are Russia and Ukraine). Freedom of enterprise and trade in these countries is limited by invasions of the state, individual bureaucrats and just bandits; institutions of private ownership and competition in spite of their apparent observance are deeply deformed.

There is a question: are the crisis-proof recommendations of this section actual for the countries with false, artificial capitalism? Alas, only partly. Because ***the criminal pseudocapitalist economy is guided by its own specific laws and its analysis respectively needs a peculiar approach*** (Zheleznyak 1998).

And, nevertheless:

a) Russian (Ukrainian) regions, sectors and subjects of economy have different degrees of criminalization; side by side with absolutely criminal segments there are relatively healthy ones;

b) Russian (Ukrainian) economy is involved into the world market and responds to the foreign "diseases" with its own "complications".

That is why understanding of crises nature and of the methods of their prevention and treatment stays to a certain degree actual – if not for the state, at least for the non-criminalized entrepreneurs and for ones who work for the foreign market.

Conclusions

If we admit the specific essence of capitalist market expressed in formula M - C - M we must admit imbalance and imperfect competition as a functional norm of capitalism, balance and perfect competition – as its generating crises anomaly. Crisis-proof policy and crisis-proof behavior must be ground on this base.

So, the suggested theory – at least on the level of its key moments and general logic – naturally follows from the money-commodity-money nature of capitalism that was revealed and analyzed by Marx. But it is the only point that our theory has in common with Marxism: "new theory of capitalism" draws close to the Marx's surplus value theory in its starting point only.

As to neoclassic mainstream, the presented theory has nothing to do with it: an unprofitable equilibrium and perfect competition which are admitted as normal and "good" in neoclassic, are considered as anomalous and "bad" in our theory; as opposed to neoclassic, the profitable disequilibrium and imperfect competition (in the form of dynamic monopoly) are admitted as normal and "good".

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[1] Let us notice that both conceptions have an anti-capitalist orientation that is evident in the first case and unobvious in the second one. "Neoclassic" policy reducing profits to an average bank interest makes investments in industry and trade meaningless that undermines the capitalist economy as whole.

[2] "Classic" crisis typical of the 19-th - the first half of 20-th centuries usually started with the break-neck fall (abrupt fall of production, "epidemic of bankruptcies", mass unemployment and so on); the market moved from the profitable disequilibrium to unprofitable one passing by the point of equilibrium. "Modern" crisis (the second half of 20-th - the beginning of 21-st centuries) starts not with fall but with stagnation, and it continues with stagnation too (even if production and consumption curtail, this effect is insignificant); in other words, there is no aforesaid "inversion of disequilibrium": during all crisis till the next rise the market stays in unprofitable (but also breakeven) equilibrium (supply and demand are almost equal). In what follows, we shall talk only about "stagnant" crises; respectively, only *profitable* disequilibrium will be considered as such. On one hand, this simplification gives us an opportunity to illuminate key moments of the suggested conception better and to stress its crucial differences from the other theories; on the other hand, it is quite admissible because it corresponds to reality of *mature* capitalism.

[3] The more sectors are affected, the more acute is crisis. Zeroing of profits in all sectors of national economy at the same time is practically impossible in the conditions of accelerating scientific, technical and informational progress of the second half of the 20-th - the beginning of 21-st centuries. Capitals are permanently flowing from equilibrium and unprofitable sectors to the really or potentially profitable ones; it moderates and eases crises. The "Great depressions" with destructive phase of fall are left in the past.

[4] But if the phase of perfect competition is dragging out, the capitalist market becomes to decompose (or transforms into the simple, non-capitalist one). The classic example of the high-competitive and that is why chronic unprofitable market is the farm enterprise of USA that exists owing to the government help only, in spite of highest productivity.