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## FROM THE EDITORS

The ninth issue of the journal "Scientific Platform XXI Century" for December 2025 is a special issue. It completes the publication year and allows us to sum up the results, looking back at what has been done and on the topics that turned out to be most in demand among authors and readers.

During 2025, the journal published historical research and analytical essays, works on the philosophy and theory of society, articles on law and issues of modern legal regulation, including the problems of artificial intelligence, interesting articles on numismatics. A significant place was occupied by materials on economics - from the period of military communism, the New Economic Policy and industrialization - to the modern market economy. Next to this are texts about literature and art, since culture and law, thought and fact, idea and norm do not exist separately in reality: they form the general context of the epoch, in which true meanings are born.

It is fundamentally important for the editorial board to preserve the interdisciplinary nature of the publication: it is at the intersection of history, philosophy, law, economics and culture that the key lines of time are most clearly visible today — from the transformation of institutions to the change in the language with which society describes itself. We thank the authors and reviewers for their professional work, and the readers for their interest, discussion and attention to detail, without which scientific and journalistic integrity turns into an empty form. We sincerely thank our regular authors for their valuable articles and invite new authors to cooperate.

As we conclude the year, we reaffirm our main goal: to publish texts that do not replace analysis with slogans and do not hide ignorance behind fashionable terminology. The magazine will continue to follow this standard in 2026.

Vladimir Vorontsov

Editor-in-Chief

December 2025

UDK: 339.9:338.24

## TRUMP'S STATE CAPITALISM

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**Abstract.** This article offers a political economy and international law-oriented analysis of the ongoing transformation of U.S. economic governance toward a more explicit model of state capitalism, framed through the concepts of national security and “commercial diplomacy.” It argues that the United States is increasingly evolving into a platform state, in which public authority operates simultaneously as regulator, commercial intermediary, equity holder, and licensing authority, thereby blurring established boundaries between state power and private capital.

Drawing on recent cases of direct state equity participation, monetization of export control regimes, and government-facilitated corporate transactions in strategic sectors, the article demonstrates how public power is mobilized to enhance the global competitiveness of selected multinational firms. This process redistributes economic risk toward the public while concentrating benefits within elite corporate actors, raising concerns regarding democratic accountability, market competition, and the normative foundations of liberal capitalism. Rather than addressing market failures, these policies tend to reinforce structural imbalances associated with corporate consolidation, weakened antitrust enforcement, and declining representative oversight in economic policymaking.

At the international level, the article identifies a regulatory vacuum: existing global governance institutions lack effective mechanisms to monitor or constrain state–corporate alliances that deploy sanctions, licensing regimes, and market access controls as instruments of geoeconomic strategy. The article concludes that the emerging platform state model poses significant challenges to democratic legitimacy, economic fairness, and the future architecture of international economic governance.

**Key words.** State capitalism; platform state; commercial diplomacy; political economy; international economic law; state–corporate relations; national security policy; geoeconomics; market distortion; democratic accountability.



Fig. 1. Trump in the image of Lenin

Collage: Mark Wilson/Getty Images, Lebrecht Music & Arts/Alamy Stock Photo

## Summary

The US government has increasingly become a brokerage platform for elite business capital accumulation goals under the guise of a national security agenda. Trump's Administration is strengthening the relationship between elite corporations and the government by taking direct ownership stakes in private companies. This growing prominence of state capitalism further exaggerates multinational firms' already burgeoning (and unchecked) power by leveraging state backing for large-scale global commercial deals. Aggressive state-supported international business deals driven by national agendas raise concerns over increasing geocommercial tensions.

State-owned enterprises receive state support, cheap capital, and greater market access, giving them huge advantages over private firms, distorting local and global economies, breeding monopolies and benefiting insiders to the detriment of innovation, leading to inefficiency, and economic stagnation. This dynamic, while historically associated with non-liberal economies, is increasingly observable in advanced capitalist systems.

This article examines the growing convergence between state power and elite corporate capital in the United States under the rubric of national security and commercial diplomacy.

Through a corporate-government partnership, American multinationals will gain a stronger position to erect barriers against rival firms' and prevent new competitors by prohibiting their access to the global market, critical resources and financial support under ethical pretexts. Through the government-business partnership, sanctions enacted under the guise of punishing malign foreign activities or degrade a 'war machine' and its economic resources could just as easily be used to ruin rival foreign firms for the purpose of fortifying state-firms' global competitive advantage.

Moreover, there is no international organizational structure to monitor and regulate the unilateral punitive financial actions taken by the U.S. government to ensure that these actions are not secretly designed to provide those elite firms which enjoy a relationship with it an unfair advantage to global resources and markets at the expense of existing or potential competitors (both foreign and domestic).

## ‘We the Corporations’ State-Corporate Convergence in Contemporary U.S. Governance

The US government has increasingly become a brokerage<sup>1</sup> platform for elite business capital accumulation goals camouflaged under a national security agenda. If anyone’s had the time to read my latest book *U.S.- Russian Commercial Relations 1763-1933* (2025, Atlantic), they would be familiar with the U.S. government’s role as facilitator for its grandest firms is nothing new—it was until recently, however, inconspicuous. President Trump is the first U.S. President to brazenly use his executive powers to act as the Dealmaker-in-Chief for the benefit of elite U.S. corporations.<sup>2</sup>

Once a vocal champion of liberal capitalism, and profit-driven, supply and demand mechanisms, the U.S. —under one of the world’s the grandest businessmen—is now following China, Russia and Brazil in a wave of state purchases of key firms.

This wouldn’t be as disturbing if our elite firms were concerned with the American public, our quality of life, the environment or even the health of the US economy (beyond how it affects their profitability), but they are not—and they’re not really supposed to be.

### “You can have a great concentration of wealth, or democracy. Not both.”

Corporations do not factor patriotism into their spreadsheets and are no more loyal to their country of origin than to their state of incorporation<sup>3</sup>. The US federal government (like state incorporation laws), to them, is just a bureaucratic structure which they exploit to promote their capital accumulation goals and shareholders’ private financial interests.

In 2024 alone, the U.S. business lobby spent \$4.5 billion<sup>4</sup> on making sure U.S. policy and legislation served their agendas. Because our supposedly ‘exceptional American system’ places congresspeople on a constant fundraising treadmill where they need millions (\$2-11 million<sup>5</sup>) to win and remain in office, it makes them dependent on constant competitive fundraising and inherently reassigns their loyalties from ‘We the

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<sup>1</sup> In business, brokerage refers to the service of acting as an intermediary connecting buyers and sellers to facilitate commercial transactions for a fee or commission, with brokerage firms providing platforms, research, and execution for clients.

<sup>2</sup> The characterization of Donald Trump as a "deal maker" stems from his career as a real estate developer and businessman, a persona he actively cultivated, particularly through his 1987 book, *Trump: The Art of the Deal*. In the book, he famously stated, "Deals are my art form. Other people paint beautifully on canvas or write wonderful poetry. I like making deals, preferably big deals. That's how I get my kicks". (Antonia Hitchens, July 21, 2025, "Donald Trump’s Tariff Dealmaker-in-Chief, How Howard Lutnick, the Secretary of Commerce, plans to transform government into a money-making enterprise." *The New Yorker*).

<sup>3</sup> The state of incorporation is the U.S. state where a company formally files its legal formation documents (like Articles of Incorporation) to become a recognized corporate entity, establishing which state's laws (governance, taxes, reporting) will govern it, though this can differ from the state where the business physically operates (its home state or domicile state). Many companies choose states like Delaware for favorable corporate laws, while others incorporate in their primary operating state for simplicity, a choice depending on costs, goals, and legal benefits.

<sup>4</sup> "Federal Lobbying Spending Reached New High in 2024, Bloomberg Government’s 10th Annual Top-Performing Lobbying Firms Report Finds". (April 15, 2025) *Bloomberg*.

<sup>5</sup> Amisa Ratliff (July – September 2022). "The Congressional Fundraising Treadmill: Six Numbers to Know from New Campaign Finance Filings", *OneIssue.org*.

People' to those in our society with the largest coffers—elite corporations and their affluent owners. (This flaw should be addressed through a Constitutional Amendment but corporations will never allow it.)

As corporate wealth and consolidation has increased, the power of corporations to influence our government has expanded exponentially. Far outpacing overall U.S. citizen wealth, corporate wealth has been driven by low tax rates, massive government subsidies, weak antitrust enforcement, massive lay-offs, increased mergers and acquisitions,<sup>6</sup> and widening pay gaps—the same laws and regulations they won through lobbying. Currently, the top 1% of U.S. businesspeople has accumulated between 30-40% of total wealth, leaving the bottom 50% citizens with less than 3%.<sup>7,8</sup>

As Justice Louis Brandeis is attributed to saying, "You can have a great concentration of wealth or you can have democracy. You can't have both."<sup>9</sup> U.S. democracy has been 'one dollar = one vote' for a long time.

Trump's Administration is strengthening the relationship between corporations and government by taking direct ownership stakes in private companies. While historically anathema to U.S. capitalist ideals, the current administration is increasingly embracing a more active role in the private sector. With over \$10 billion of taxpayer funds now invested in elite firms, Trump has transferred public money directly into the pockets of some of America's richest corporations (U.S. and Canadian). This policy puts the American public further at risk for corporate financial activities than ever before.

### **Feeding the Hand that Bit You<sup>10</sup>**

The U.S. government claims that it is planning to lessen dependence on overseas chip manufacturing, secure a domestic supply of critical chips for defense and technology, maintain the lead in cutting-edge areas like Artificial Intelligence (AI), foster collaboration between the government and key U.S. companies by using existing CHIPS Act<sup>11</sup> grants and other federal funds for corporate incentives.<sup>12</sup>

That might sound great if you're too young to remember that just a few decades ago our corporations fled the U.S. in mass for the cheap labor markets of Asia and

<sup>6</sup> Electronic resources: [https://www.troweprice.com/institutional/nz/en/insights/articles/2025/q4/how-us-firms-became-profit-giants-and-why-it-may-not-last-apac.html#:~:text=To%20summarize:%20The%20digital%20age,the%20present%20\(Figure%204\).](https://www.troweprice.com/institutional/nz/en/insights/articles/2025/q4/how-us-firms-became-profit-giants-and-why-it-may-not-last-apac.html#:~:text=To%20summarize:%20The%20digital%20age,the%20present%20(Figure%204).)

<sup>7</sup> "Share of Net Worth Held by the Top 1% (99th to 100th Wealth Percentiles) — Series WFRBST01134". FRED, Federal Reserve Bank of St. Louis (source: Board of Governors, DFA).

<sup>8</sup> "Distributional Financial Accounts — Overview". Board of Governors of the Federal Reserve System.

<sup>9</sup> Dick Dowell (Dec. 1, 2025). "You can have a great concentration of wealth or you can have democracy. You can't have both." How Citizens United v. FEC turned Justice Brandeis' warning into a structural crisis, *Medium*.

<sup>10</sup> A twist on the idiom "biting the hand that feeds you," -- "Feeding the hand that bit you" implies rewarding or helping someone who has been cruel or ungrateful to you.

<sup>11</sup> The CHIPS and Science Act of 2022 is a U.S. law meant to boost domestic semiconductor research, development, and manufacturing through \$52.7 billion in subsidies and tax credits, aiming to strengthen supply chains, create jobs, and increase U.S. competitiveness against China. It is also directing tax funds to broader science/tech research like AI and quantum computing. Signed in August 2022, it provides incentives for companies like Intel, TSMC, and Samsung to build new fabrication plants in the U.S., alongside investments in workforce training and R&D for future technologies.

<sup>12</sup> Electronic resources: <https://www.pbs.org/newshour/politics/what-economic-and-policy-experts-think-about-the-u-s-governments-stake-in-intel#:~:text=The%20Trump%20administration's%20unusual%20step,nation's%20economy%20down%20with%20it.>

elsewhere, abandoning U.S. workers, their towns and cities. The transfer of U.S. manufacturing overseas profoundly impacted many U.S. cities and regions, particularly in the Rust Belt and parts of the Southeast and New England, where mass job losses lead to economic decline. Communities in Baltimore, Buffalo, Chicago, Cincinnati, Cleveland, Detroit, Milwaukee, Philadelphia, Pittsburgh, Rochester, and St. Louis were devastated when U.S. firms vacated these cities, leaving declining tax revenues, deteriorating infrastructure, and abandoned buildings—and they still have not fully recovered.

How did China become the U.S.'s greatest competitor?

After President Nixon's 1972 visit to China, U.S. corporations began transferring factories there to take advantage of the cheap labor market where the average urban Chinese worker's annual salaries were 576 yuan in 1977, equivalent to just \$384 USD.<sup>13</sup> At the same time, the median U.S. household income was between \$13,570 and \$16,010.<sup>14</sup>

### Neutron Jack

Chairman and CEO of General Electric (GE), Jack Welch, is known for the U.S. business philosophy that went viral during the 1980s that prioritizes shareholder value and global competitiveness over corporate loyalty to a specific country or domestic job preservation. His purely profit-driven methodology drove the offshoring of American jobs to maximize profits.<sup>15</sup> "Ideally," Welch was quoted as saying, "you'd have every plant you own on a barge to move with currencies and changes in the economy."

During his tenure as CEO of GE from 1981 to 2001, Welch implemented policies that led to massive job cuts and the transfer of U.S. manufacturing to cheap overseas locations. He slashed GE's U.S. workforce by half (around 160,000 jobs) while nearly doubling the company's foreign workforce for a fraction (about 2.4%<sup>16</sup>) of U.S. salaries. Welch's "downsizing" and cost-cutting measures earned him the nickname "Neutron Jack" (after the bomb that kills people but leaves buildings intact).

A proponent of "shareholder capitalism," Welch held that a corporation's purpose is to maximize short-term shareholder profits above all other stakeholders (employees, communities, etc.) and he promoted a corporate model that sought the cheapest labor and most favorable economic conditions on the global market, rather than on making sure the country and the people which made GE a global behemoth continued to share in its success.

Former U.S. Secretary of Labor, Robert Reich says this about Welch:<sup>17</sup>

<sup>13</sup> Geremie Barmé, (19 April 2025). "Renminbi 人民币". *The China Story*.

<sup>14</sup> Electronic resource:

<https://www.census.gov/library/publications/1978/demo/p60-117.html#:~:text=The%20median%20money%20income%20of,change%20from%20the%201976%20median.>

<sup>15</sup> Electronic resource: <https://robertreich.substack.com/p/jack-welch-and-the-end-of-stakeholder>

<sup>16</sup> \$384/yr. (Chinese salary) is 2.4% of \$16 000/yr. (U.S. salary).

<sup>17</sup> Robert Reich (Sep 01, 2023). "Jack Welch and the End of Stakeholder Capitalism". Chapter 5 of *The Common Good*.

JACK WELSH became the most admired CEO in America — at least in the business press, on Wall Street, and within rarified precincts like Harvard Business School.

His reign epitomized a chain reaction that started in the 1980s, when “corporate raiders” mounted hostile takeovers, financed by risky bonds. The raiders made fortunes, Wall Street became the most powerful force in the economy, and CEOs began to devote themselves entirely and obsessively to maximizing the short-term value of shares of stock — whatever it took.

Before then, it was assumed that large corporations had responsibilities to all their “stakeholders”— not just their shareholders, but also their employees, the communities where their operations were located, their customers, and the public at large.<sup>18</sup>

For decades, the U.S. government has allowed (and is still allowing) the flight of U.S. businesses abroad to the detriment of our cities, communities, national defense and economy without allowing any real public discussion aimed at ameliorating the destruction these corporations cause to the fabric of our society, our domestic economic system, and the economic and social systems of the foreign nations they exploit.

An example of a major U.S. company profiting from turning over its business to China is IBM’s 2005 sale of its personal computer business including the ThinkPad laptop to Chinese computer maker Lenovo for which IBM received \$1.25 billion in cash and an 18.9% stake in China’s Lenovo.<sup>19</sup> In 2014, IBM also sold its x86 server business to Lenovo for another \$2.1 billion, again involving cash and stock. In 2015, the state of Massachusetts awarded IBM \$2.5 million in state investment tax credits to establish its IBM Watson Health headquarters in Cambridge. The tax breaks were part of an economic development package to create 500 new jobs, with an *expected* private investment of \$51 million. By 2022, IBM had sold most of Watson Health's data assets, which were spun off into a new company called Merative.<sup>20</sup> Merative's headquarters are in Ann Arbor, Michigan. They used to have a presence in Cambridge, MA at 179 Sidney St, but that location is listed as permanently closed.<sup>21</sup>

That’s how incentives work.

### **Trump Administration’s Growing Portfolio**

The U.S. government’s recent acquisitions include a 10% stake in semiconductor giant Intel Corp., a 15% stake in rare earth producer MP Materials, a 10% stake in Lithium Americas Corp., a 10% stake in Trilogy Metals Inc., and a “golden share” in US Steel Corporation.<sup>22</sup>

<sup>18</sup> Electronic resource: <https://robertreich.substack.com/p/jack-welch-and-the-end-of-stakeholder>

<sup>19</sup> Electronic resource: <https://www.forbes.com/sites/timbajarin/2025/05/06/the-20th-anniversary-of-lenovo-ibm-deal-that-reshaped-the-pc-industry/>

<sup>20</sup> Electronic resource: <https://masslib.dspace7.dspace-express.com/server/api/core/bitstreams/dea96588-00f7-45ea-916a-24c41e7844a2/content>

<sup>21</sup> Electronic resource: <https://www.merative.com/contact#:~:text=Address:,Ann%20Arbor%2C%20Michigan%2048108>

<sup>22</sup> Electronic resource: <https://finance.yahoo.com/news/trump-administration-now-holds-stakes-023008085.html>

The Department of Defense (DoD) acquired a stake representing about 15% of all shares in MP Materials, making it potentially the company's largest shareholder, supposedly to counter China's dominance in the global rare earth market. MP Materials operates the only fully integrated rare earth mining and processing facility in the U.S.

The U.S. Department of Energy (DoE), now holds a 5% equity stake in Canadian Lithium Americas (LAC) and a parallel 5% economic interest in the Thacker Pass mine's joint venture with General Motors (GM), acquired as part of a restructured 24-year \$2.26 billion federal loan won in 2024.<sup>23,24</sup>

According to Bloomberg, "The US government plans to take more equity stakes in critical minerals companies, a White House official said [on December 6], stating the new policy [is] necessary to counter China's dominance in the raw materials used in everything from semiconductors to MRI machines."<sup>25</sup>

Among other deals are a \$670 million stake in magnet producer Vulcan Elements Inc. and \$35.6 million stake 10% in Canadian minerals explorer Trilogy Metals Inc.

The strategy of investing taxpayer dollars in companies deemed essential to national security comes as US reliance on China for the crucial materials has become a flash point in the trade war.<sup>26</sup>

Trump's deals, however, ignore that one of the major sources of China's modern economic growth has been western companies' massive foreign investment there to exploit low-cost labor of scale and slack industrial and environmental policies.

### **How China became the "World's Factory"**

After Nixon's 1972 visit, China transformed itself from a radical opponent of capitalist ideology, to one of history's greatest platforms for generating profits for western firms. US companies alone have invested hundreds of billions of dollars in China since its opening in the late 1970s, with the stock of U.S. direct investment reaching \$126.9 billion in 2023 (a 3.8% increase from 2022), concentrated in manufacturing, trade, finance, and insurance.<sup>27</sup>

Offering monetary incentives and additional tax breaks to the firms who abandoned the U.S. for China's low-cost labor and slack industrial and environmental policies will only provide these firms broader power over the U.S. economy. Every 'key' firm can now claim to want to leave the U.S. for cheaper labor markets or less regulatory control unless they're provided monetary incentives—not unlike the federal system where states have had to compete for corporate income by offering tax breaks, incentives, and favorable tax structures (like no corporate tax or worldwide combined reporting) to attract businesses, leading to a 'race to the bottom' in state corporate tax rates. This

<sup>23</sup> Electronic resource: <https://www.energy.gov/articles/department-energy-restructures-lithium-americas-deal-protect-taxpayers-and-onshore>

<sup>24</sup> Electronic resource: <https://lithiumamericas.com/news/news-details/2024/Lithium-Americas-Closes-2.26-Billion-U.S.-DOE-ATVM-Loan/default.aspx>

<sup>25</sup> Ari Natter (December 4, 2025). "US Plans More Stakes in Minerals Companies, Trump Official Says", *Bloomberg*.

<sup>26</sup> Ibid.

<sup>27</sup> Electronic resource: U.S. Embassy report, [https://china.usembassy-china.org.cn/u-s-relations-with-china/#:~:text=U.S.%20foreign%20direct%20investment%20\(FDI,down%206.2%20percent%20from%202022.](https://china.usembassy-china.org.cn/u-s-relations-with-china/#:~:text=U.S.%20foreign%20direct%20investment%20(FDI,down%206.2%20percent%20from%202022.)

competition has driven states to lower corporate income tax (CIT) rates and change local laws to favor large corporations, negatively impacting state budgets and fairness for local businesses and employees. Moreover, once established the incentives will only grow and each year we will be held captive to firms' increasing demands, especially those that are 'too big to fail'.

### **Nvidia's Sale of Strategic H200 Taiwan-made Chips to China**

On December 8, *The Wall Street Journal* announced that President Trump would approve Nvidia's sale of its H200 chips to China for an undisclosed amount.<sup>28</sup> The deal also provides for a 25% cut for the U.S. government in an unusual agreement with a private company.<sup>29</sup> The move followed a series of meetings between President Trump and Nvidia Chief Executive Jensen Huang.

Despite the fact that this critical AI technology has the potential to help China militarily and economically, the Trump Administration granted the world's #1 most valuable company, Nvidia, permission to sell its second-most-powerful chip to China. The approval is an abrupt about-face from previous policy which placed restrictions on Chinese companies' access to US technology.

In August, Nvidia Chief Financial Officer Colette Kress said that the company could ship between \$2 billion and \$5 billion-worth of chips to China per quarter, which could increase. This means Nvidia's Taiwanese-made chip sales to China alone would be between \$8 billion and \$20 billion a year—to start. How this could help US employment or domestic manufacturing remains unexplained. Also left unexplained was what the 25% cut for the US government, which would translate to between \$2 billion and \$5 billion per annum, would be used for.

Trump said the government would allow similar exports from Advanced Micro Devices as well as Intel.<sup>30</sup>

### **US Government Ownership Stake in Intel**

On August 22, 2025, the U.S. government purchased a 10% stake in Intel, the computer chip designer and fabricator. The move has its roots in the Biden administration's 2022 CHIPS and Science Act, which among other things, encouraged companies to make chips in the U.S. by setting aside \$53 billion in incentives for manufacturing, research and development. Of that, \$39 billion would be allocated as subsidies for building new facilities—Effectively using U.S. tax funds to bribe U.S. firms to maintain or return their manufacturing facilities on U.S. soil. Whether it is a

<sup>28</sup> Amrith Ramkumar and Robbie Whelan (December 8, 2025). "Trump Says U.S. Will Allow Nvidia H200 Chip Sales to China, Get 25% Cut, President's decision to allow exports of powerful chip comes after meeting with company's chief executive", *The Wall Street Journal*.

<sup>29</sup> Amrith Ramkumar and Robbie Whelan (December 8, 2025). "Trump Says U.S. Will Allow Nvidia H200 Chip Sales to China, Get 25% Cut, President's decision to allow exports of powerful chip comes after meeting with company's chief executive", *The Wall Street Journal*.

<sup>30</sup> Ibid.

one-time bribe or will expand into yearly or quarterly ‘incentives’ has not been publicly discussed.

During the pandemic, the U.S. government claimed it would lure U.S. manufacturing companies of those parts out of cheap labor-Asian nations and back to the U.S. with taxpayer money. Yet there is no mention of Nvidia relocating its manufacture of the H200 chip from Taiwan to the US.

While the rationalization for the investment is the increasingly critical nature of Intel’s products to national security, for their use in aerospace and weaponry, telecommunications, automotives and medicine, Trump’s approval of the sale of Nvidia’s strategic chips to China negates that defense.

### **Foreign Policy is now ‘Commercial Diplomacy’**

Foreign policy under the Trump administration has also undergone a radical *public* shift. “The United States will prioritize commercial diplomacy, to strengthen our own economy and industries...” says the National Security Strategy released from the White House last November. Instead of being a hidden agenda behind traditional diplomacy, the Trump White House has acknowledged that the U.S. will now openly pursue ‘commercial diplomacy’.

The official public version of ‘commercial diplomacy’ is to advance national interests, essentially making economic strength a key part of soft power and global influence, moving beyond traditional military or political approaches. The administration’s focus on corporate demands, however, ignores the U.S. public and it’s needs for healthcare reform, affordable education, the social security funding crisis and numerous other issues.

### **Representation Without Taxation**

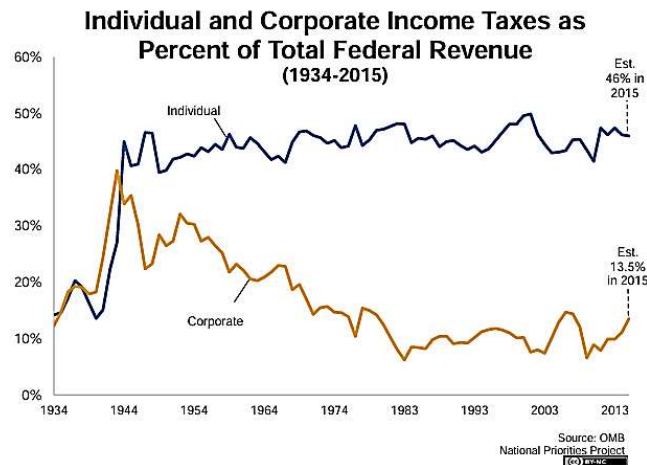
"No taxation without representation" was a rallying cry from the American Revolution, protesting England’s taxation of the American colonies without allowing meaningful representation of their interests or consent to the laws. Today it describes the circumstances where corporations pay much less tax than the US population but enjoy greater government representation for their capital accumulation goals and enacting laws in their favor.

In the U.S., individual income tax is the largest federal revenue source, around 10-10.5% of GDP (2022), while corporate income tax currently between 1.6 - 1.7% (2021-2023). Total federal revenue hovers around 17-19% of GDP, with payroll taxes also a major component, making individual income tax the primary contributor among income taxes. In 2024, individual income tax revenue was approximately 8.4% of GDP, while corporate income tax revenue was an estimated 1.8% of GDP. For 2025, individual income tax revenue is projected to be around 8.8% of GDP, and corporate income tax

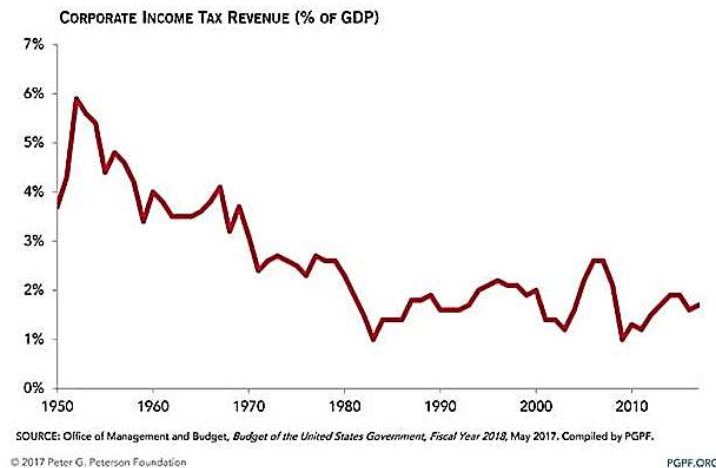
revenue is forecasted to slightly decline to approximately 1.6% of GDP.<sup>31</sup> It's no wonder the wealth gap is widening.

During Fiscal Year 2024, the U.S. federal government collected approximately \$2.4 Trillion in individual income taxes. Meanwhile, approximately \$530 Billion in federal corporate income taxes was collected for the same year.<sup>32</sup>

Declared FY 2024 Corporate Profits After Tax (CP) was around \$3.7 trillion for Q4 (4<sup>th</sup> quarter), \$3.4 trillion for Q3; \$3.5 trillion for Q2 and \$3.26 trillion for Q1 adding up to \$13.86 trillion corporate profits *after tax*.



Revenue from corporate income taxes has been decreasing as a share of GDP



## Embassy Deal Teams

Formally launched in February 2020, the US State Department's "Embassy Deal Teams ... bring together the collective programs, resources, and expertise of the U.S.

<sup>31</sup> Electronic resource: Congressional Budget Office, "The Budget and Economic Outlook 2025-2035". [https://www.cbo.gov/publication/61172#:~:text=Revenues%20total%20\\$5.2%20trillion%2C%20or,reaching%2018.3%20percent%20in%202035.&text=The%20deficit%20for%202025%20is,not%20subject%20to%20the%20shifts.](https://www.cbo.gov/publication/61172#:~:text=Revenues%20total%20$5.2%20trillion%2C%20or,reaching%2018.3%20percent%20in%202035.&text=The%20deficit%20for%202025%20is,not%20subject%20to%20the%20shifts.)

<sup>32</sup> According to data from the Bureau of the Fiscal Service, Statista, and USAFacts.

government to support U.S. companies. This multi-agency collaboration promotes ... deals which have delivered billions of dollars for U.S. companies.”<sup>33</sup>

The U.S. government’s role in assisting U.S. firms’ business objectives now includes the following tasks paid for by U.S. taxpayers—instead of the businesses who benefit from it:

- Information Gathering and Dissemination (Intelligence): Commercial diplomats collect and share critical market intelligence with businesses in their home country providing information on the foreign country's rules, regulations, cultural nuances, and market opportunities.
- Establishing networks with local business people, government officials, potential partners, distributors, and investors, facilitating buyer-seller meetings.
- U.S. Commercial diplomats provide active advocacy on behalf of U.S. businesses and industries to ensure “fair” treatment and a “level playing field” in foreign markets, reducing or eliminating trade barriers, such as non-tariff barriers or “burdensome” regulations.
- They engaging in direct advocacy and lobbying of the host government to change domestic economic policies that impact international commerce.
- Promotion and Marketing Campaigns.
- Engaging in image building campaigns to attract foreign direct investment (FDI).
- Legal Problem Solving and Dispute Resolution of conflicts that arise during international transactions.
- Providing legal support such as Mediation/Arbitration in cases of contract disputes, intellectual property violations, or other business conflicts.

The State Department's Diplomatic Programs including commercial/economic work received about \$10.4 billion for Fiscal Year 2024, as part of the larger International Affairs Budget which is about \$78 billion.<sup>34</sup>

### **The Emerging ‘Platform State’**

The US is leading the world into an era of ‘commercial diplomacy’, and it is directly challenging institutions and policies built in the post-World War II era designed to maintain peace and economic stability such as global trade policies and the United Nations, which could also serve as monitoring platforms for unilateral U.S. commercial policy and its motivations. In their place, tariffs, companies and trade deals are being used for international tradecraft.<sup>35</sup>

British Investment firm BaillieGifford explains:  
The US as an emerging ‘platform state’.

<sup>33</sup> Electronic resource: <https://www.state.gov/deal-teams#:~:text=Embassy%20Deal%20Teams%20Coordinate%20Interagency,supported%20millions%20of%20U.S.%20jobs.>

<sup>34</sup> Electronic resource: <https://www.pgpf.org/article/how-much-does-the-government-spend-on-international-affairs/>

<sup>35</sup> Electronic resource: <https://www.bailliegifford.com/en/uk/individual-investors/insights/ic-article/2025-q4-us-perspectives-commercial-diplomacy-10059554/>

One of Baillie Gifford's private company holdings, autonomous drone company Zipline, is the clearest and most recent example. Under its new State Department agreement, the Trump administration is funding \$150m of Zipline equipment and infrastructure in Rwanda, Ghana, Nigeria, Kenya and Côte d'Ivoire, after having closed the US Agency for International Development (USAID).

The State Department releases funds only when specific delivery targets are met. After that, African governments pay Zipline for each delivery they receive in a pay-for-performance model that could unlock \$400m if successful.

A similar model is emerging in the technology sector. Nvidia and Advanced Micro Devices (AMD) have agreed to pay 15 percent of their China AI-chip revenue to the US government, via the Commerce Department, in exchange for the export licenses required to sell restricted products abroad.

This arrangement is a commercial permission with a fee, distinct from bans or subsidies. Tariffs sit alongside these licensing rules, the idea being to steer supply chains by raising costs for strategic rivals and giving preferential access to selected partners.

Under the current administration, the US appears to be evolving from a donor state to what you could call a platform state – a government that procures services from private operators rather than running programs directly and uses tariffs and export rules to influence where those operators invest.

Instead of wiring grants to the United Nations or USAID, it buys capacity from logistics and technology firms. Instead of prohibiting AI chip sales to China outright, it monetizes the scarcity created by export controls. Tariffs and revenue-sharing frameworks push and pull factories, supply chains and capital toward preferred jurisdictions.

In practice, this is commercial diplomacy: foreign policy carried out through corporate capability.<sup>36</sup>

### Continued Subsidies

While Musk's Department of Government Efficiency (DOGE) decried excessive government spending and vowed to cut waste, direct federal spending on corporate welfare (subsidies) continue at around \$181 billion annually, with an additional \$154-188 billion in corporate tax savings through loopholes and tax breaks in 2024 alone. Recent legislation in 2025 included nearly \$1 trillion in new corporate tax breaks for the following decade.<sup>37,38</sup>

The U.S. government provides the fossil fuel industry alone with an estimated \$34.8 billion annually in subsidies and tax breaks. It also 'gifts' our natural resources on

<sup>36</sup> Ben James (December 2025). "Are we in an era of commercial diplomacy?" *BaillieGifford*.

<sup>37</sup> Electronic resource: <https://www.cato.org/policy-analysis/corporate-welfare-federal-budget-0#:~:text=This%20study%20tallies%20corporate%20welfare,%EF%B9%A2>

<sup>38</sup> Electronic resource: <https://www.americanprogress.org/article/congress-tax-bill-is-selling-out-americas-public-lands-and-waters/#:~:text=Cutting%20special%20deals%20for%20fossil,including%20conservation%20and%20outdoor%20recreation.>

public lands to corporations at below-market rates for drilling, logging, and mining. In September 2025, reports tallied that recent legislation added nearly an additional \$40 billion in federal subsidies for oil, gas, and coal over the next decade. These figures don't even account for costs incurred by environmental damage and climate change (which Trump calls a "hoax"). Tallying these unaccounted costs for the fossil fuel industry alone drives the cost to taxpayers into the hundreds of billions annually, with one 2022 estimate at \$760 billion when including societal costs.<sup>39,40</sup>

It's one thing for a nation to manipulate its own domestic system, but quite another to allow a financially and militarily powerful nation to distort the global market through government sponsored, corporate directed, unfair practices.

### **No International Organizational Structure to Monitor and Regulate**

Without any international organizational structure to monitor and regulate the activities of a financially and militarily powerful nation determined to fortify the global market position of those firms it has a relationship with, the U.S. is challenging its own founding principles of democracy and 'checks and balances'<sup>41</sup>. This 'my way or the highway' attitude of the U.S. administration to the rest of the world is sorely out of the American national character cultivated by decades of propaganda.

While the extraterritorial activities of multinational corporations are (still) not monitored for their economic and social impacts when they operate in foreign countries, a proposed UN Treaty aims for direct corporate responsibility for human rights.

A UN Treaty (proposed by Ecuador with support from other small countries) aims to establish direct, legally binding human rights obligations for transnational corporations. Adopted by the UN Human Rights Council on June 26, 2014, Resolution 26/9, known as the Business and Human Rights (BHR) Treaty, has suffered significant opposition from developed countries where those MNC's to be monitored exercise significant influence. For the past 10 years, the UN's BHR Treaty has sought to address the challenge of regulating powerful multinational corporations operating internationally, to develop a legally binding instrument on business and human rights with little success.

One of the reasons for that failure is the fact that powerful business voices have been allowed to participate in the negotiation process.

An April 2025 report from the Centre for Human Rights Erlangen-Nürnberg (CHREN) states the following:

[The CHREN report] looks at the role of corporations in the negotiations of the BHR Treaty but it is nevertheless important to acknowledge that corporations are not the main negotiators of the Treaty. Formally, they do not have the power to enter into

<sup>39</sup> Ibid.

<sup>40</sup> Electronic resource: <https://www.wired.com/story/us-taxpayers-will-pay-billions-in-new-fossil-fuel-subsidies-thanks-to-the-big-beautiful-bill/#~:text=A%20new%20report%20finds%20the,existing%20support%20for%20fossil%20fuels>.

<sup>41</sup> Checks and balances in government is a system where each of the three branches (legislative, executive, judicial) has powers to limit or oversee the other branches, preventing any single branch from becoming too dominant, ensuring a separation of powers, and protecting against tyranny through shared authority and accountability.

international treaties and bear obligations under international law. States are the primary subjects of international law, which means that they are the ones with rights and obligations, and the corresponding ability to enter international treaties. Corporations, on the other hand, lack independent legal personality and cannot formally be held accountable under international law.<sup>42</sup>

Despite this, corporations play a significant economic and political role in international relations today. They shape globalisation, trade, supply chains, and have important environmental and human rights impacts. This raises concerns about the limits of a state-centred international legal system. Corporations already influence international law, particularly in economic and trade matters. However, they have also been associated with major human rights violations. This has reinforced calls to hold them accountable, including under rules of international law. While corporations currently do not bear direct international human rights obligations, their growing influence has sparked debate over whether they should. Supporters of corporate accountability argue that subjecting corporations to international law would help close regulatory gaps, prevent human rights violations and create legal consistency. Relying solely on state-based mechanisms is seen as insufficient, as some governments fail to protect human rights due to their economic dependence on corporate investments. Legal reforms would be needed to impose binding obligations on corporations, ensuring compliance with human rights and environmental standards regardless of national legislation.<sup>43</sup>

While CHREN erroneously states that, “Corporations ... lack independent legal personality and cannot formally be held accountable under international law,”<sup>44</sup> it has allowed them, through powerful global business networks which advocate corporate interests, to participate in the treaty negotiation process. Those ‘main business networks’ such as the Geneva-based International Organisation of Employers (IOE), which claims to be the largest global network of the private sector, the United States Council for International Business (USCIB) which represents major global companies whose collective economic assets are in the trillions of dollars, and the International Chamber of Commerce (ICC), whose dispute resolution services have approximately US\$354 billion in pending cases annually—when the U.N.’s total annual budget for 2025 was just \$3.7 billion. Accordingly, these ‘business networks’ oppose the current BHR Treaty draft due to concerns over feasibility, legal implications, and financial consequences and instead advocate for voluntary approaches.<sup>45</sup>

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<sup>42</sup> This is an absolutely erroneous statement.

<sup>43</sup> Electronic resource: [https://media.business-humanrights.org/media/documents/Corporations\\_in\\_the\\_UN\\_BHR\\_Treaty\\_Negotiations\\_Final\\_Report\\_CHREN\\_April\\_2025.pdf](https://media.business-humanrights.org/media/documents/Corporations_in_the_UN_BHR_Treaty_Negotiations_Final_Report_CHREN_April_2025.pdf)

<sup>44</sup> Corporations do possess an independent legal personality (separate legal entity), a fundamental concept in law that treats them as artificial persons with rights and duties distinct from their owners, allowing them to own property, sue, be sued, and enter contracts. This legal fiction, evolving from Roman law, is crucial for commerce, enabling limited liability and simplifying complex business operations, even though some debate exists, especially regarding constitutional rights. Why CHREN would claim otherwise is troubling.

<sup>45</sup> Electronic resource: [https://media.business-humanrights.org/media/documents/Corporations\\_in\\_the\\_UN\\_BHR\\_Treaty\\_Negotiations\\_Final\\_Report\\_CHREN\\_April\\_2025.pdf](https://media.business-humanrights.org/media/documents/Corporations_in_the_UN_BHR_Treaty_Negotiations_Final_Report_CHREN_April_2025.pdf)

But there is more than human rights at stake and it is something no one seems to be stating.

### **Power Plays to Gain Unfair Advantage of Markets and Resources**

The dangerous feature of commercial diplomacy, especially one driven by a commercially powerful country, is that there's never a shortage of political and ideological reasons to penalize a foreign nation and its grandest firms, especially if some of those firms pose a competitive challenge to the elite firms of the enforcing nation. Moreover, there exists no international organizational infrastructure to monitor and regulate the punitive commercial measures enacted by various states against another to ensure that those measures are for the reasons stated and not to disguise a power play to gain an unfair commercial advantage of a market or resource.

There are just too many instances in history where complete information regarding events did not emerge until decades later. There needs to exist an international tribunal dedicated to monitoring economic sanctions—not just the US Treasury—to ensure that true justice is being pursued and not just ‘commercial diplomacy’ aimed at ensuring that “America [remains] First”. The U.S. government’s insistence that it act as ‘global policeman’—while eschewing international organizations already in existence set up for that role—not only deflects attention and resources from domestic issues but embroils us in political and commercial intrigues which will rightly challenge our professed role as champion of ‘free market’ capitalism and unfettered competition.

The expansion of U.S. state capitalism under the banner of national security and commercial diplomacy marks a structural transformation rather than a temporary policy deviation. What is emerging is not a corrective to market failure, but a new governance model in which state power is systematically leveraged to consolidate corporate dominance, distort global competition, and reallocate public risk in favor of private gain.

By assuming ownership stakes, monetizing export controls, and acting as a commercial broker for select firms, the U.S. government is no longer merely regulating markets—it is actively participating in them. This participation, however, is asymmetric: profits are privatized, while risks, liabilities, and long-term social costs are socialized. The result is a system that weakens democratic accountability at home while exacerbating geoeconomic tensions abroad.

The danger of this model does not lie in state involvement per se—states have always played a role in economic development—but in the absence of effective institutional constraints capable of distinguishing legitimate security policy from disguised geocommercial advantage. Without transparent oversight, judicial review, or international monitoring mechanisms, “commercial diplomacy” risks becoming an instrument of exclusion rather than cooperation.

At the international level, this transformation exposes a fundamental vacuum in global economic governance. Existing institutions are ill-equipped to monitor or regulate state–corporate alliances that weaponize sanctions, licensing regimes, and market access to achieve strategic commercial outcomes. The resistance to binding

international standards on corporate accountability further entrenches this imbalance, allowing economic power to expand without corresponding legal responsibility.

Ultimately, the platform state model challenges the very foundations of liberal capitalism and democratic legitimacy. When governments function as brokers for elite firms rather than as representatives of the public interest, markets cease to be competitive, democracy becomes procedural, and sovereignty is reduced to a tool of capital management. Whether this trajectory can be reversed depends not on rhetoric, but on the reassertion of institutional checks—domestic and international—capable of restoring the distinction between public power and private profit.

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## RUSSIA'S EMERGING ECONOMY AND AMERICAN OLIGARCHS

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**Abstract.** This article reexamines the political economy of the Cold War, challenging the prevailing interpretation of the period as a binary ideological confrontation between capitalism and communism. Drawing on archival sources, corporate records, government documents, and existing scholarship, it argues that the Cold War functioned as a managed economic system characterized by structural interdependence between Western transnational corporations and the Soviet centrally planned economy.

The study demonstrates that the Soviet economic model did not isolate the country from global capitalism but transformed it into a captive industrial and resource market for Western firms through industrial concessions, technology transfers, and long-term commercial contracts. By eliminating domestic entrepreneurship, the centrally planned economy created conditions uniquely favorable to large foreign corporations.

The article further analyzes the role of corporate–state hybrid institutions, particularly the U.S. Commerce Department's Business Council, in shaping policy beyond democratic accountability. Finally, by contrasting the absence of sanctions during the Cold War with their extensive use against post-Soviet Russia, the study reframes sanctions as instruments of competitive containment rather than moral enforcement.

**Key words.** Cold War political economy; Soviet economy; transnational corporations; industrial colonization; oligarchy; corporate-state relations; Business Council; sanctions policy; global capitalism; economic power

### Introduction

The economic history of the twentieth century is commonly framed as a binary confrontation between capitalism and communism, market mechanisms and central planning, private enterprise and state control. Within this dominant narrative, the Cold War is interpreted as a prolonged ideological, political, and economic struggle between two fundamentally incompatible systems.

However, this explanatory framework fails to account for a significant body of historical evidence documenting sustained, large-scale commercial, technological, and financial cooperation between Western transnational corporations and the Soviet centrally planned economy throughout the Cold War period. This contradiction has traditionally been described as a “policy conflict” or an anomaly, rather than examined as a coherent and rational economic structure.

The present article challenges this conventional interpretation. Drawing on archival materials, corporate records, government documents, and existing scholarship, it argues that the Cold War functioned not merely as an ideological confrontation, but as a managed economic system in which ideological opposition masked deep structural interdependence. In this system, the Soviet centrally planned economy operated as a captive industrial and resource market for Western firms, while Western governments justified unprecedented levels of military spending by invoking a threat that their own corporations materially helped to sustain.

### **Research Objectives**

The primary objective of this study is to reassess the political economy of the Cold War by examining the role of Western transnational corporations in shaping, sustaining, and benefiting from the Soviet economic system.

Specifically, the article seeks to:

1. Demonstrate that the Soviet centrally planned economy was not economically isolated from Western capitalism, but structurally integrated into it through industrial concessions, technology transfers, and long-term commercial contracts.
2. Analyze how the elimination of domestic entrepreneurship within the Soviet Union facilitated a form of industrial colonization, granting Western firms privileged access to resources, labor, and markets under conditions unavailable in their home jurisdictions.
3. Examine the role of corporate-state hybrid institutions, such as the Commerce Department’s Business Council, in influencing U.S. domestic and foreign economic policy beyond democratic accountability.
4. Evaluate the concept of “policy conflict” and assess whether the coexistence of military confrontation and commercial cooperation constituted a contradiction or a rational profit-driven strategy.
5. Reconsider the historical logic of sanctions by contrasting their absence during the Cold War with their extensive application against post-Soviet Russia, thereby questioning their function as moral or legal instruments.

### **Methodology and Scope**

Methodologically, the article employs historical-structural analysis, combining archival research with political economy theory. Primary sources include corporate records, government publications, trade statistics, and contemporaneous policy documents, supplemented by secondary scholarship on transnational corporations, Cold War economics, and industrial planning.

The temporal scope of the study extends from the early years of the Soviet regime through the dissolution of the Soviet Union, with particular emphasis on the period from the 1920s to the late Cold War. While the analysis focuses on the Soviet Union, its conclusions have broader implications for understanding interactions between market economies and centrally planned systems in other historical and contemporary contexts.

### **Structure of the Article**

The first section outlines the exclusion of Russia's economy from its regional neighbors and the establishment of Western industrial concessions under the Soviet regime. The second section examines the structural compatibility between market economies and central planning, reframing this relationship as industrial colonization. The third section analyzes corporate influence on state policy through institutions such as the Business Council. The final section evaluates the implications of this system for Cold War historiography, sanctions policy, and contemporary global economic governance.

### **The Exclusion of Russia's Economy from its Neighbors**

Contrary to everything we have been taught about East-West relations during the past century, my recent book, *US-Russian Commercial Relations 17863-1933* (2025, Atlantic) revealed that at the turn of the 20<sup>th</sup> Century, the grandest Western corporations utilized the yoke of communism to subdue Russia's emerging economy, destroy any competition which could have arisen from that resource rich nation and transform it into a private captive market for their exploitation.

Instead of a vibrant Russian economy enriching the neighboring economies of China and East Asia, India<sup>1</sup>, the Middle East, Africa, the Mediterranean, Eastern Europe, Scandinavia and even distant South America, the Bolsheviks<sup>2</sup> declared a commercial no-man's land in 1917. By 1921, they had annihilated Russia's domestic entrepreneurs, absorbed all of its enterprises into state-controlled industrial trusts, removed the ruble from the global economy, and closed Russia's borders prohibiting access to the resource-rich Eurasian landmass. This not only stunted Russia's emerging economy, it constrained the economic growth of its numerous neighbors and simultaneously led—if not forced—them into commercial relationships with West European and US firms which already dominated global commerce.

Had West European and US firms also been banned from the Soviet market; all nations and their commercial entrepreneurs would have largely suffered equally. However, just weeks after the 1917 Communist Revolution, as the Bolsheviks were

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<sup>1</sup> While India was under British rule through 1947, the closing of its Eurasian neighbor surely assisted the British in keeping the India economy dependent upon their firms and aided them in putting an end to "The Great Game"—the 19th-century rivalry between the British and Russian empires for dominance in Central Asia.

<sup>2</sup> Fund by the German government whose *Septemberprogramm* planned to reorganize the Russian economy into trusts and syndicates, remove domestic and foreign competitors and join Russian industry to their own Cartels, depriving other commercial powers access to Russia's vast resources and market, and thus ruling the global economy. For more details, see my recent book, Chapter 10: How the Interests of German Cartels and Russian Revolutionaries were complementary, of *US-Russian Commercial Relations 1763-1933*, (2025, Atlantic). Once Germany lost WWI, the US stepped in and continued the German plan.

actively purging the Russian economy of domestic and *some* Western enterprises, Lenin and Trotsky approved the creation of a system of commercial concessions as the vehicle to present Russia's resources to Western firms.<sup>3,4</sup> In May 1918, Lenin's *Plan for Russian-American Commercial Relations* was delivered to US President Wilson.

By 1922, International General Electric, along with ASEA (*Allmänna Svenska Elektriska Aktiebolaget*), Siemens, AEG (*Allgemeine Elektrizitäts-Gesellschaft AG*), and RCA (Radio Corporation of America) founded one of the first Soviet Industrial Trusts composed of the enterprises, properties and even the employees of their former Russian and foreign competitors. These founding members of the Soviet Main Department of Electrical Engineering Structures (Electrostoi) were then awarded massive government contracts to design, build and equip some of the world's largest and most ambitious electric power stations under Lenin's Electrification Campaign (1922-1929). Between 1924 and 1930, as the head of International GE, Gerard Swope, sat on the Soviet Main Department of Electrical Engineering Structures (Electrostoi) GE enjoyed sales of at least \$25 million<sup>5</sup> worth of equipment to the Soviet government alone.

Once the Soviet Union was brought up to speed with sufficient electrical infrastructure and power generating capacity by Western electrical firms in order to support an unprecedented industrialization campaign, the 1<sup>st</sup> 5-Year Plan was announced in 1928. Programmed to span from October 1928 to October 1932, the Plan was a comprehensive blueprint for the tendering<sup>6</sup> of some of the largest and most numerous industrial concessions ever offered by a single nation exclusively to the West's grandest industrial firms.

Some four months prior to the commencement of the Soviet 1st 5-Year Plan, the groundwork for the industrial concessions to be included under the Plan was completed and summarized for the benefit of American businessmen in the June 1928 issue of the *Soviet Union Review*<sup>7</sup> in an article entitled "Concession Possibilities in the Soviet Union".<sup>8</sup> In an unprecedented concession offering to foreign firms, the Soviet First 5-Year Plan proposed to "mobilize during the five years over 86 billion rubles (\$43 billion<sup>9</sup>) from the national income" to pay for their services, materials and products. Over 18 billion rubles (\$9.18 billion<sup>10</sup>) alone would be mobilized in 1929–1930 for the

<sup>3</sup> Simon Sebag Montefiore (2004), *Stalin: the Court of the Red Tsar*, New York: Alfred A. Knopf.

<sup>4</sup> The reader should remember that Chinese Revolutionaries promised commercial concessions to President Roosevelt and J.P. Morgan once they overthrew the Imperial Chinese government if they agreed to financially support their efforts (*US-Commercial Relations 1763-1933*, Chapter 5).

<sup>5</sup> Inflation calculator x \$18.46 = \$461.5 million in 2025 values.

<sup>6</sup> Tendering is the process where a project owner [in this case—since all property was nationalized during War Communism (1918-1921)—the Soviet government] invites contractors to submit bids to complete a construction project, and letting is the process of awarding the contract to the most suitable contractor.

<sup>7</sup> VI(6), pp. 91–92.

<sup>8</sup> Freyn Engineering of Chicago likely contributed to this groundwork as part of their 1927 contracts with the Soviet regime and as part their participation in Gipromez (Soviet Steel Trust).

<sup>9</sup> Inflation calculator x \$18.20 = \$783.6 billion in 2024 values.

<sup>10</sup> Inflation calculator x \$18.20 = \$167 billion in 2024 values.

financing of that economic program<sup>11</sup> and made available to foreign firms interested in building Soviet industry.

While massive economic growth was touted as the goal of the plan, it's likely that the true objective was advancing the pecuniary link with western firms. Under the planned construction of numerous industrial plants by western firms, Soviet heavy industry projected a 350-percent increase in output<sup>12</sup> with a 50-percent increase in overall industrial production.<sup>13</sup> Much of the industrial production was meant to serve the economies of the western industrial nations with resources such as coal, timber and agricultural products and the money received for these resources was not to be spent on Russia itself, but instead returned to western firms for the purchase of more western products.<sup>14</sup> No industrial concessions under the Plan would be received by any domestic company, as they had all be disbanded by the Bolsheviks ten years prior; the Soviet 5-Year Plan was exclusively for foreign firms.

Following Stalin's purchase of some \$43.5<sup>15</sup> million worth of US agricultural machinery between 1927 and 1929, a delegation of US agricultural experts headed by former Department of Agriculture head Milburn L. Wilson and industrial farming advocate Thomas D. Campbell, arrived in Soviet Russia to advise the State Association of Grain Farms of the Soviet Union (Zernotrust)—upon whose board sat University of California Agricultural Engineer Edward James Stirniman—on technical advice and industrial farming methods. The US delegation submitted their reports to the Soviet Grain Trust in September 1929 and by December, Stalin announced that Agricultural Collectivization and de-Kulakization Campaigns would be implemented along with the 1<sup>st</sup> 5-Year Plan.

Under the newly established *publicly* vehemently anti-capitalist communist government, US agri-machinery firm representatives ran the largest Soviet collective farms, US and European oil companies were allowed to buy up the nationalized properties of their former competitors, US Engineer George K. Scrymgeour of Albert Kahn Architectural Associates of New York chaired Gosproektstroï (the building committee of VSNKh - The Supreme Council of National Economy), and the grandest US architectural and engineering firms signed multi-billion-dollar contracts with the State Institute for the Design of Metallurgical Plants (Giprometz) to design, build and outfit hundreds of industrial enterprises called for under the 1<sup>st</sup> and 2<sup>nd</sup> 5-Year Plans (through 1937).

The words of the Soviet regime were anti-capitalist, but it's actions were deeply tied to elite Western firms.

By the middle of the First 5-Year Plan, however, non-performance of Western agricultural machinery and industrial farming techniques failed to produce the quantities

<sup>11</sup> Saul G. Bron (1930), *Soviet Economic Development and American Business, Results of the First Five Year Plan and Further Perspectives*, New York: Horace Liveright, p. 18.

<sup>12</sup> "Collectivization and Industrialization". Library of Congress. Retrieved 17 April 2014.

<sup>13</sup> Joshua Keefe (2009). "Stalin and the Drive to Industrialize the Soviet Union".

<http://www.inquiriesjournal.com/articles/1684/stalin-and-the-drive-to-industrialize-the-soviet-union>.

<sup>14</sup> "Foreign Trade Policy of the USSR", Report of Foreign Trade Commissar Rozengoltz. Soviet Union Review, XI (6), pp. 123–127;

<sup>15</sup> Inflation calculator x \$18.46 = \$803.01 million in 2025 values.

of grain Stalin had planned on selling to pay Western firms for their industrial plants, equipment and technical assistance contracts. As the Soviet regime exported what grain was produced in order to make timely payments to Western firms, the nation was drawn into one of history's deadliest manmade famines by 1930.

Instead of capitalizing on the acute fragility of the fledgling communist government at this time to effect a regime change (as it has done so many times around the world), the US chose this moment to grant official diplomatic recognition to Stalin and his government, thus strengthening the communist regime and by doing so making it easier for it to obtain credits to purchase Western goods and services. Thus, the communist yoke remained on the shoulders of the Russian nation and elite firms continued to enjoy massive contracts in the Soviet market without domestic competition, tariffs to protect it or environmental, quality or labor regulations to inhibit commercial deals or operations.

This was not limited to the 1920s, or 1930s, or even the \$11.3 billion<sup>16</sup> worth of US Lend-Lease equipment sold to the Soviet Union between 1941-1945 during WWII. Billions of dollars' worth of commercial trade between Western firms and the Soviet Union continued through the 1950s, 1960s, 1970s, and 1980s; right up to the dissolution of the Soviet Union in 1991.

### **Limited Resources & Limited Markets = Cut Throat Competition**

Since limited possibilities of market expansion at home compels elite transnational corporations to look for opportunities abroad<sup>17</sup> they have to compete with foreign firms for foreign markets. This means, emerging firms from emerging markets—such as Russia's firms—pose serious competitive threats to the West's grandest firms.

Since both resources and markets are finite, the company with the greatest access to the largest quantity of a resource and the biggest share of a market wins—to the detriment of all other competing firms.

If, for example, a Russian petroleum firm refuses to share its market with a powerful Western petroleum firm, the denial of access to that critical resource and subsequent loss of market share, spells immediate disaster for the Western firm (or firms). If Western firms are denied access to such massive resources as Russia enjoys, Russian petroleum resources in the sole hands of Russian firms are vast enough to quickly tip the commercial balance in favor of Russian firms. This type of global financial power swing in favor of Russian firms would spell disaster for Western firms, their governments and the global commercial status quo of the past century and quarter. (For more in-depth information, see: Chapter 23: 1922 Genoa Conference: Russia's Petroleum Resources, in my *US-Russian Commercial Relations: 1763-1933* (2025, Atlantic)).

Not surprisingly, says Fischer, the world's top 100 TNCs have attained considerable economic and even political influence. General Motors, Royal Dutch Shell, Exxon,

<sup>16</sup> \$180 billion in 2025 values.

<sup>17</sup> Paul Fischer (2000), *Foreign Direct Investment in Russia, A Strategy for Industrial Recover*, London: MacMillan Press Ltd., p. 119.

AT&T, Wal-Mart, Coca-Cola, IBM, Siemens, Alcatel, Philips, McDonald's, Microsoft, Lufthansa, to name a few, are familiar names to policymakers, economists and business scholars in developing and industrialized countries alike. These corporations fully use their financial clout during negotiations with recipient countries, particularly for establishing operations in any location of their choice.<sup>18</sup>

### Seventy Years of Western “Policy Conflict”

Anthony Sutton's three volume study, *Western Technology and Soviet Economic Development 1917-1965*, completed under the auspices of the Hoover Institution, documented the massive amount of Western trade with the Soviet Union while that country and its communist ideology was the focal point of a perceived global threat to 'freedom and democracy'. Between 1961-1965, Sutton points out that, the US had funneled between \$49 billion and \$54 billion a year<sup>19</sup> into the coffers of the same US military “defense” firms that were doing business with the Soviet government—to counter that ‘Soviet military threat’ they were creating. By 1985, US military spending had risen to \$272.16 billion a year and rose again to \$295.55 billion in 1986.<sup>20</sup>

Sutton stated:

“Western creation of a viable Soviet industrial structure is therefore also a Western guarantee of a viable Soviet weapons system. This Western economic support ensures that weapons systems may be developed and brought into production because the output of the industrial sector is the input of the military sector”...<sup>21</sup>

Put simply: Western firms created the Soviet military threat in order to dupe the Western public into paying massive amounts for “defense” against that threat. The same western firms that were enjoying western military contracts were also providing the Soviet Union and communist bloc countries with industrial equipment and knowhow which often directly and nearly always indirectly contributed to their military prowess.

Sutton reiterated this conclusion repeatedly in the final chapters of his Vol. 3, 1945-1965:

“Despite the fact that “the United States alone apparently requires annual defense expenditures in excess of \$80 billion (1969) to counter the [Soviet military] threat ... rationality suggests, therefore, that either our policy regarding technical transfers to the Soviet Union is in error or our inflated annual defense expenditure is unnecessary. ... Either there is no valid rationale for much of our trade with the Soviets ... or there is no valid rationale for defense against the Soviets. ... The factors to be considered in highlighting this policy conflict are, first, the direct supply of military goods from the West to the USSR; second, the supply of technology and equipment for Soviet production of military goods; third, the strategic implications

<sup>18</sup> Ibid. p. 119.

<sup>19</sup> <https://www.macrotrends.net/global-metrics/countries/usa/united-states/military-spending-defense-budget>

<sup>20</sup> <https://www.macrotrends.net/global-metrics/countries/usa/united-states/military-spending-defense-budget>

<sup>21</sup> Anthony Sutton (1973), *Western Technology and Soviet Economic Development 1945-1965*, Volume 3 of three volume set, Stanford University, Stanford, CA: Hoover Institution Press, p. 362.

of the technical transfers as seen by both the Soviets and the West; and fourth, the failure of Western export control and the reason for that failure”.<sup>22</sup>

But was it a “policy conflict” as Sutton supposed? Could seventy years of hidden commercial trade in dual-use products and services to a group of nations designated as our greatest military and ideological threat to garner massive military contracts to counter those threats constitute a “policy conflict” or was it a deliberate policy of the most powerful Western corporations to maintain their global dominance and financial power?

It was, and still is, a business practice perfected in the 1700’s by the German arms manufacturer Krupp to sell arms to all sides of a conflict to maximize profits and to keep the threat of war alive through ownership of media outlets which publish inflammatory reports aimed at terrifying the public and the politicians which can approve government funding for military contracts. By the time WWI commenced, arms sales to rival nations were just business as usual.

### **Corporate Deals Not “Aid and Comfort” to Soviet Government**

Sutton pointed out that “the term ‘strategic’ has a limited definition in the West.” All technology, goods, and trade are strategic in the full sense of the word. This is common sense. In 1950, the US enacted 10 USC 903b: Art. 103b. which states that giving aid and comfort to any enemy is considered treason.

Any person who-

(1) aids, or attempts to aid, the enemy with arms, ammunition, supplies, money, or other things; or

(2) without proper authority, knowingly harbors or protects or gives intelligence to, or communicates or corresponds with or holds any intercourse with the enemy, either directly or indirectly.

While 10 USC 903b: Art. 103b. applies to the citizenry at large, it apparently was never meant to apply to US firms seeking lucrative contracts with the Soviet Union or other communist countries which were considered “the enemy” for over four decades. Or possibly it was meant to be aimed at the employees of US firms to prevent the loss of a big sale if one of their employees sold proprietary information on their own in a spy-deal. Not one of the hundreds of US firms engaging in millions of dollars’ worth of trade with the Soviet government during over four decades of Cold War were ever brought up on charges of “aiding the enemy”.

### **Only *After* the Fall of Communism were Sanctions Applied**

If the US had been truly serious about countering the ‘soviet threat’ of nuclear war and to ‘freedom and democracy’ all over the world during the Cold War, then all it would have had to do is refuse to recognize the Soviet regime and refuse to allow any global financial institutions to deal with it and especially forbid any US corporations to

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<sup>22</sup> Ibid. p. 381.

design, build and outfit all of its industrial plants. Yet the US never did that. A blockade or set of sanctions were never applied or even considered during 70 years of communism. Only *after* the Fall of communism, once Russian enterprises became capitalist commercial behemoths themselves and challenges to Western firms, were sanctions applied.

Then in 2014, the US pressured Europe and other nations and global financial institutions to freeze the financial assets of post-Soviet Russian enterprises in a massive, coordinated effort against the now capitalist Russia. Where was this massive, coordinated effort during the 42 years of the Cold War? Where were the comprehensive export controls on US- and foreign-made items creating a total embargo during the Cold War that has been applied to today's capitalist Russia?

Where was this coordinated implementation and enforcement of controls on the export and reexport to, and transfer within, Russia and Belarus, which have created nearly a complete embargo on goods to capitalist Russia today during the Cold War?

For decades US children were taught to 'duck and cover' under our school desks on the threat that the Kremlin would launch its hundreds of intercontinental ballistic missiles on us while our parents and neighbors were digging fallout shelters and filling them with canned goods to survive the nuclear holocaust? (The gullibility of the general public never ceases to amaze!) Where were these coordinated sanctions while we were spending hundreds of billions a year on military buildup to counter this horrific threat that we lived under for decades?

The sanctions did not happen then, because Soviet military buildup was too profitable for Western military contractors on two fronts: 1) contracts with the Soviet government and 2) contracts with Western governments to counter the Soviet military threat they were helping to create. The perceived threat to 'freedom and democracy', stimulated congressional approval of massive military spending and kept US taxpayers concerned enough to foot the bill.

### **The Market Mechanism and Central Planning: Industrial Colonization**

The conduct of trade between Western 'market mechanism' and communist 'central planning' economies has been asserted as anomalous. The dichotomy between the ideological foundation of the 'free market' where supply and demand purportedly guide the use and distribution of resources and central planning where a central authority makes all decisions regarding what to produce, how to produce it, and how to distribute it is utilized as an example of why the two systems are incompatible. However, they are in fact, not only highly compatible, but dependent upon each other—although the centrally planned economy is subservient to the market economy.

The market economy depends upon expanding and captive markets which the centrally planned economy serves. The planned economy depends upon the continual transfer of technology from the market and the royalties from extractive projects set up by market enterprises. In this version of colonialism, the markets of the west organized colonial exploitation of the planned economies not only through extractive projects such

as mining and lumber, as under traditional colonialism, but also through massive sales of industrial equipment.

The most notable dichotomy between traditional colonialism and the industrial colonialism that was utilized through communism, is the use of a Judasocracy<sup>23</sup>—a subservient regime with a populist ideology, not unlike previous third world dictatorships. —This exposes modern humanity as far from modern, but still very much enslaved by the chains of manufactured ignorance in the ‘information age’.

### **American Oligarchy: The Commerce Department’s Business Council**

“In 1933”, writes historian Kim McQuade, “[a] corporate government had, in effect, been erected on top of the political one [in the United States]...Founded by Secretary of Commerce Daniel C. Roper and investment banker Sidney Weinberg, The Business Council was *in* the federal government but not *of it*.<sup>24</sup> Instead of civil servants, The Business Council was...elite, overwhelmingly made up of big business CEOs ...with between 60 and 200 active members...which represented only presidents or board chairmen of the largest corporations.”<sup>25</sup>

Along with Secretary of Commerce Roper, co-founder Sidney James Weinberg was a long-time leader of the Wall Street firm Goldman Sachs. Nicknamed “Mr. Wall Street” by *The New York Times*<sup>26</sup> and the “director's director” by *Fortune* magazine, Weinberg sat on the boards of the Ford Motor Company, General Electric, Sears Roebuck<sup>27</sup>, Continental Can, National Dairy Products Corporation (now Kraft/Mondelez International)<sup>28</sup>, B.F. Goodrich, and General Foods Corporation.<sup>29</sup>

According to the *Detroit Free Press*, The Business Council was designed “for corporate titans to offer counsel and advice to the federal government.”<sup>30</sup> Membership was by invitation-only and limited to 200 CEOs of leading multinational businesses personally selected by fellow members.<sup>31</sup>

As part of the Commerce Department, The Business Council was also part of the Executive Branch of the US government and endowed with its powers. The Executive Branch conducts diplomacy with other nations and the President has the power to

<sup>23</sup> I created this word to describe the use of domestic leaders (instead of foreign colonial rulers) to act as Judases to their own population and sell their nation’s resources to foreign powers for personal gain. (Biblical Reference: Judas refers one of the Twelve Apostles who famously betrayed Jesus for thirty pieces of silver, leading to Jesus’s crucifixion, making Judas’s name synonymous with betrayal.)

<sup>24</sup> Kim McQuaid (1994). *Uneasy Partners, Big Business in American Politics 1945-1990*, The Johns Hopkins University Press. p. 15.

<sup>25</sup> McQuaid, *Uneasy Partners*, p. 15.

<sup>26</sup> Alden Whitman (24 July 1969). "Sidney J. Weinberg, Known as 'Mr. Wall Street,' Is Dead at 77", *The New York Times*, p. 1.

<sup>27</sup> Merged with Kmart in 2005. The combined entity filed bankruptcy in 2018.

<sup>28</sup> National Dairy Products Corporation (NDPC) was a major US food conglomerate founded in 1923 and grew to become the world's largest dairy company by monopolizing the ice cream market and acquiring numerous brands, including Kraft-Phenix in 1930, eventually evolving into Kraft Foods, which split into Kraft Foods Group (now part of Kraft Heinz) and Mondelez International.

<sup>29</sup> Charles D. Ellis (2009). *The Partnership: The Making of Goldman Sachs*. New York: Penguin Books.

<sup>30</sup> Carol Cain (13 Oct. 2018). "Gilbert's Growing Profile Puts Him in Exclusive Business Company". *Detroit Free Press*.

<sup>31</sup> The Business Council, Official website, Background, Archived 2016-03-03 @ Wayback Machine.

negotiate and sign treaties, which the Senate ratifies. The President can issue executive orders, which direct executive officers or clarify and further existing laws. The US business elite created The Business Council inside the Commerce Department to advise the US President and government agencies on policies, formulation of laws and Acts of Congress on both the domestic and international front solely on the merit of their wealth and corporate power. Formed during the Great Depression, The Business Council established various committees to discuss the Securities Exchange Act of 1934, the Banking Act of 1935 and the Social Security Act.<sup>32</sup>

Today, 92 years later, The Business Council remains powerful. The Business Council website states, “The Business Council is an association of the Chief Executive Officers of the world's most important business enterprises.”<sup>33</sup>

In 1961, after working as part of the Executive Branch for 28 years, The Business Council was redesignated as independent from the Department of Commerce.<sup>34</sup> Nonetheless, in 2009, then-President Barack Obama asserted, “Every President since Franklin Delano Roosevelt has sought the advice of The Business Council.” The Business Council is located at 1801 Pennsylvania Avenue in Washington, D.C., just one block from the White House. It is not currently listed under the structure of the US Department of Commerce—due to its independent designation.

The first Chair of the Council was General Electric president Gerard Swope. Swope had lived in the Soviet Union while General Electric had participated in the founding of the Soviet Electrical Trust (Electrostroi). Swope sat on the board of Electrostroi and then signed massive contracts with the Soviet regime to build and outfit numerous electric power generating plants throughout Soviet Russia during Lenin’s Electrification Campaign (1922-1929). At about the same time, Swope was also a director of the National Broadcasting Company (NBC), the RCA Photophone Company, the RCA Victor and the RCA Radiotron Companies. He was also a director of fourteen other Western companies associated with the electric power industry.<sup>35</sup>

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<sup>32</sup> Barack Obama (13 February 2009), Remarks by the President to The Business Council, The White House: Office of the Press Secretary.

<sup>33</sup> <https://businesscouncil.com/>

<sup>34</sup> Cain, "Gilbert's growing profile..."

<sup>35</sup> *New York Times* Obituary, 12 November 1957, “Gerard Swope, 84, Ex-G.E. Head, Dies”. <https://archive.nytimes.com/www.nytimes.com/learning/general/onthisday/bday/1201.html>



Fig. 1. President John F. Kennedy with members of The Business Council in the White House, Washington, D.C., 21 September 1961.  
(left to right) Leonard F. McCollum; Roger Blough; President Kennedy; Sidney J. Weinberg.  
Public Domain. Source: [https://en.wikipedia.org/wiki/Sidney\\_Weinberg#/media/File:JFK\\_&\\_Business\\_Council.jpg](https://en.wikipedia.org/wiki/Sidney_Weinberg#/media/File:JFK_&_Business_Council.jpg)

### Chairs of the Commerce Department's Business Council<sup>36</sup>

**Bold** denotes firms with significant known deals with Soviet government.

\* denotes firms which also participated in Soviet Industrial Trusts during 1920s and 1930's.

1933: Gerard Swope, **General Electric\***

1934: S. Clay Williams, **RJ Reynolds Tobacco**<sup>37</sup>

1934–35: Henry P. Kendall, Kendall Company (produced textiles for US government during WWI)

1936: George H. Mead, Mead Corporation (Paper and Pulping Plants)

1937–39: **W. Averell Harriman, Brown Brothers & Co.** (Ambassador to the Soviet Union (1943-1946))

1940–41: William L. Batt, War Production Board

1942–43: R. R. Deupree, Procter & Gamble

1944–45: Thomas B. McCabe, Scott Paper

1946: George M. Humphrey, National Steel Corp.

1947–48: John L. Collyer, Goodrich Corporation

<sup>36</sup> List of Chairs of the Business Council from their website: [https://businesscouncil.com/about-us/#exec\\_chair](https://businesscouncil.com/about-us/#exec_chair).

<sup>37</sup> In June 1992, RJR Nabisco's R. J. Reynolds formed a joint venture in Russia to produce cigarettes. Reynolds and AS-Petra, Russia's first private tobacco company, planned to form RJR-Petra in St. Petersburg. Reynolds said it was the first major foreign investment in cigarette manufacturing in Russia. Reynolds would build a plant for filter cigarettes that will double the Russian company's annual output to 22 billion and make the new venture the biggest producer in the country.

- 1949–50: James S. Knowlson, Stewart-Warner
- 1951–52: Robert T. Stevens, JP Stevens & Co.
- 1953: John D. Biggers, Libbey-Owens-Ford (Auto Glass)
- 1954–55: Harold Boeschstein, Owens Corning
- 1956–57: Eugene Holman, **Standard Oil** of New Jersey (today ExxonMobil)\*
- 1958–59: Stephen Bechtel, Jr., **Bechtel**
- 1960–61: Ralph J. Cordiner, **General Electric\***
- 1961–62: Roger Blough, **US Steel\***
- 1963–64: F. R. Kappel, AT&T
- 1965–66: W.B. Murphy, Campbell Soup Co.
- 1967–68: Albert L. Nickerson, Mobil (today ExxonMobil)\* as its parent **Standard Oil**
- 1969–70: Fred J. Borch, **General Electric\***
- 1971–72: William M. Batten, JCPenney
- 1973–74: David Packard, **Hewlett-Packard**
- 1975–76: Edmund W. Littlefield, **General Electric\***
- 1977–78: John D. deButts, AT&T
- 1979–80: Reginald H. Jones, **General Electric\***
- 1981–82: Walter B. Wriston, **Citicorp** (founded as National City Bank of New York and first US bank to have offices in Russia, part of Citigroup, Citibank)
- 1983–84: Clifton C. Garvin, Jr., Exxon (today ExxonMobil)\* as its parent **Standard Oil**
- 1985–86: Ruben F. Mettler, **TRW** (aerospace, electronics, automotive, and credit reporting)
- 1987–88: Stephen Bechtel, Jr., **Bechtel**
- 1989–90: Roger B. Smith, **General Motors\***
- 1991–92: John F. Welch, Jr., **General Electric\***
- 1993–94: Robert E. Allen, AT&T
- 1995–96: Edgar S. Woolard, Jr., **DuPont\***
- 1997–98: Larry Bossidy, AlliedSignal
- 1999–00: Ralph S. Larsen, **Johnson & Johnson**
- 2001–02: William T. Esrey, **Sprint Corp.** (Sprint did business in the USSR in the late 1980s and early 1990s, forming a joint venture with Soviet telecommunications authorities, Telenet U.S.S.R.; later Sprint Networks U.S.S.R.)
- 2003–04: Charles O. Holliday, Jr., Bank of America
- 2005–06: Jeffrey R. Immelt, **General Electric\***
- 2007–08: W. James McNerney, Jr., **Boeing**
- 2009–10: James W. Owens, **Caterpillar\***
- 2011–12: Jamie Dimon, **JPMorgan Chase**
- 2013–14: Andrew Liveris, **Dow Chemical\***
- 2015–16: Jeff Bezos, Amazon
- 2017–18: Henry R. Kravis, Kohlberg Kravis Roberts

2019-20: John Donahoe, Nike  
 2021-22: Satya Nadella, Microsoft  
 2023-25: Gail K. Boudreaux, Elevance Health, Inc.  
 2025-26: Brian Cornell, Target

### **Russian Billionaires v. The Business Council**

The US media has heavily criticized Russia's current government as being an oligarchy. 'Russian oligarchs' have been the focus of US news media since Russia's first billionaires were publicly announced in 1997, when *Forbes* magazine included four Russians on its annual 'World's Billionaires' list. The first Russian billionaires finally emerged after seventy years of living under the yoke of communism which (as explained in my recent book) the grandest Western corporations utilized to subdue Russia's emerging economy, destroy any competition which could have arisen from the domestic economy of the resource rich nation, transform it into a private captive market for their exploitation, and cut it off from its eastern neighbors. Moreover, the first Russian billionaires finally emerged after over a century of Western billionaires ruling the world.

*Forbes* even published its first 'Richest Heirs of Russian Billionaires List' on 19 May 2016, listing the babies and children of wealthy Russians, immediately making them targets for global kidnappers and other predators. Has *Forbes* ever published an article naming the babies and children of US billionaires and their net worth?

Meanwhile, this North American oligarchy embodied in The Business Council—which has operated for 92 years—has remained conveniently out of the news.

There is so little about The Business Council available anywhere other than its modest website, that anyone interested in it is left to speculate what some 200 CEO's of the world's grandest corporations plan and formulate

for the US President month after month and year after year. It would be interesting to discover why our "free press"—so important to maintain an informed public in order to sustain a vibrant democracy—has consistently

ignored this significant organization for nearly a century. Sharing many of the same US firms who participated

in the Soviet Industrial Trusts, The Business Council is surely a prominent, if not driving force in the US government's formation of national and international policy. Yet, Russian billionaires continue to dominate global headlines.

#### **The World's Leading TNCs**

Looked at from another perspective, the world's leading transnational corporations reveal where the real global power financial lies:

Top Companies by Market Capitalization (late 2025)

- Microsoft (US)
- Apple (US)
- Nvidia (US)

- Alphabet (Google) (US)
- Amazon (US)
- Saudi Aramco (Saudi Arabia)
- Meta (Facebook) (US)

#### Top Companies by Revenue (Fortune Global 500, mid-2025)

- Walmart (US)
- Amazon (US)
- State Grid (China)
- Saudi Aramco (Saudi Arabia)
- China National Petroleum (China)

#### Top Companies by Profit (Forbes/Visual Capitalist, 2025)

- Alphabet (Google) (US)
  - Apple (US)
  - Microsoft (US)
  - Nvidia (US)
  - JPMorgan Chase (US)
- None of these firms are Russian.

**Table 1. Country Performance**

The US continues to dominate the Top 100, comprising 58 out of 100 companies and accounting for 73% of the aggregate value of the Top 100. China gained three companies in the Top 100 and recorded the second largest YoY increase (53%), reclaiming the second spot from Saudi Arabia in the Top 100 rankings. The UK moves up on place to take fourth spot from France.

| Rank | Location             | Change in market capitalisation of the current Global Top 100 Mar-2024 to Mar-2025 (% change) | Market capitalisation Mar-2025 (\$bn) | #Companies 2025 | Like-for-like market capitalisation Mar-2024 <sup>(1)</sup> (\$bn) | #Companies 2024 | Market capitalisation Mar-2024 (\$bn) | Rank by market capitalisation 2024 |
|------|----------------------|-----------------------------------------------------------------------------------------------|---------------------------------------|-----------------|--------------------------------------------------------------------|-----------------|---------------------------------------|------------------------------------|
| 1    | United States        | 8%                                                                                            | 31,173                                | 58              | 27,882                                                             | 62              | 28,785                                | 1                                  |
| 2    | China                | 53%                                                                                           | 2,816                                 | 11              | 2,079                                                              | 8               | 1,837                                 | 3                                  |
| 3    | Saudi Arabia         | -13%                                                                                          | 1,726                                 | 1               | 1,991                                                              | 1               | 1,991                                 | 2                                  |
| 4    | United Kingdom       | 9%                                                                                            | 866                                   | 4               | 792                                                                | 4               | 792                                   | 5                                  |
| 5    | France               | -39%                                                                                          | 780                                   | 3               | 970                                                                | 5               | 1,286                                 | 4                                  |
| 6    | Switzerland          | 6%                                                                                            | 733                                   | 3               | 695                                                                | 3               | 695                                   | 6                                  |
| 7    | Taiwan               | 12%                                                                                           | 709                                   | 1               | 632                                                                | 1               | 632                                   | 7                                  |
| 8    | Germany              | 78%                                                                                           | 668                                   | 3               | 496                                                                | 2               | 378                                   | 12                                 |
| 9    | Japan                | 58%                                                                                           | 535                                   | 3               | 460                                                                | 1               | 338                                   | 14                                 |
| 10   | India                | 28%                                                                                           | 506                                   | 3               | 542                                                                | 2               | 395                                   | 11                                 |
| 11   | Ireland              | -3%                                                                                           | 360                                   | 2               | 372                                                                | 2               | 372                                   | 13                                 |
| 12   | Denmark              | -47%                                                                                          | 302                                   | 1               | 569                                                                | 1               | 569                                   | 8                                  |
| 13   | South Korea          | -37%                                                                                          | 258                                   | 1               | 408                                                                | 1               | 408                                   | 10                                 |
| 14   | Netherlands          | -51%                                                                                          | 258                                   | 1               | 378                                                                | 2               | 523                                   | 9                                  |
| 15   | United Arab Emirates | 0%                                                                                            | 239                                   | 1               | 239                                                                | 1               | 239                                   | 15                                 |
| 16   | Hong Kong SAR        | 25%                                                                                           | 235                                   | 1               | 188                                                                | 1               | 188                                   | 16                                 |
| 17   | Canada               | 12%                                                                                           | 159                                   | 1               | 143                                                                | 1               | 143                                   | 19                                 |
| 18   | Australia            | 8%                                                                                            | 157                                   | 1               | 131                                                                | 1               | 146                                   | 18                                 |
| 19   | Spain                | -2%                                                                                           | 154                                   | 1               | 157                                                                | 1               | 157                                   | 17                                 |

(1) Market capitalisation of the Top 100 companies as at 31 March 2025 and 31 March 2024 on a like-for-like basis  
Source: S&P Global Market Intelligence LLC with PwC analysis

\* The top three countries remain unchanged. However, strong performances across the Communication Services, Consumer Discretionary and Information Technology sectors in China enabled them to regain second position from Saudi Arabia.

\* The dominance of the US representation remained. Outside of the "Mag 7", notable movers were Berkshire Hathaway (+26%), Netflix (+52%), T-Mobile (+57) and Palantir (+289%), the latter entering the Top 100 for the first time since its 2020 direct listing.

\* Germany saw the greatest increase in market capitalisation within the top 100, experiencing 78% YoY growth and jumping four places in the country specific rankings. All three of Germany's Top 100 companies, SAP SE, Deutsche Telekom and Siemens achieved growth in excess of 19% YoY.

\* The UK gained one place to take fourth spot from France, largely driven by a 37% YoY growth in HSBC's market capitalization and a fall in the market capitalisation of LVMH and L'Oreal in France.

Of the Top 100 firms in the world listed by PwC, not one was Russian. Yet Russia—even after over a century of devastating wars fought on its soil, famines, the 70-year yoke of communism, dismantling of former territories, sanctions and persistent global condemnation—remains unparalleled in its vast quantity of resources and central geocommercial location to other rich nations of the world. And that is why Russia remains the pariah of nations. Until it is knocked back behind the Urals (as the head of the American Red Cross Mission to Russia, Raymond Robins, advised Lenin to do in January 1918<sup>38</sup>), the Slavic people completely divided and divided again, and its territory only inhabits the bitter parts of frozen Siberia, will it cease to threaten the world's elite firms' control of the global commercial system. A Russia finally free to prosper, unencumbered by all of the above, is much too dangerous for these top global corporations to allow.

### US Sanctions on Russia: A Notable Double Standard

Since 2014, the US has imposed sanctions against hundreds of individuals and businesses (as well as shipping vessels and aircraft) the Russian Federation. Following the US, the European Union has applied eleven rounds of sanctions against the Russian Federation. The sanctions are wide-ranging, targeting individuals, banks, businesses, monetary exchanges, bank transfers, exports, and imports.<sup>39,40,41</sup> Sanctions include severing Russian banks from the international payment network SWIFT<sup>42</sup>—leaving only limited accessibility to ensure continued payment for Russian gas shipments to Europe.<sup>43</sup> In order to prevent it from offsetting the impact of sanctions<sup>44,45,46</sup> the assets of the Russian Central Bank, including \$630 billion in foreign-exchange reserves were also frozen.<sup>47</sup> By 1 March 2022, \$1 trillion of Russia's assets had been frozen by international

<sup>38</sup> For more detail, see: Chapter 14, October Revolution, "Raymond Robins Urges Lenin to Move the Eastern Front to the Urals, January 1918, p. 356 of my *US-Russian Commercial Relations 1763-1933*, (2025, Atlantic).

<sup>39</sup> Ingrid Melander and Gabriela Baczynska (24 Feb. 2022), "EU targets Russian economy after 'deluded autocrat' Putin invades Ukraine". *Reuters*.

<sup>40</sup> "Western Countries Agree To Add Putin, Lavrov To Sanctions List". (25 Feb. 2022), *Radio Free Europe/Radio Liberty*.

<sup>41</sup> "China State Banks Restrict Financing for Russian Commodities". (25 February 2022) *Bloomberg News*.

<sup>42</sup> The Society for Worldwide Interbank Financial Telecommunication, SWIFT SC, is a cooperative established in 1973 in Belgium and owned by the members on the board of directors (2024): JPMorgan Chase (chair), Lloyds Bank (deputy chair), Bank of China, BNP Paribas, BPCE, Citi, Clearstream, Commerzbank, Commonwealth Bank of Australia, Deutsche Bank, Euroclear, FirstRand, HSBC, ING, Intesa Sanpaolo, KBC, MUFG, NatWest, Nordea, Royal Bank of Canada, Santander, Skandinaviska Enskilda Banken AB (SEB), UBS (formerly, Union Bank of Switzerland), and the Association of Banks in Singapore. SWIFT is the main messaging network through which international payments are funneled. By 2015, Swift linked more than 11,000 financial institutions in over 200 countries and territories, who were exchanging an average of over 32 million messages per day. In 2018, about half of all high-value cross-border payments worldwide used the Swift network.

<sup>43</sup> "Western allies will remove Russian banks from Swift". 26 February 2022. *BBC News*.

<sup>44</sup> Sam Fleming, Erika Solomon and Silvia Sciorilli Borrelli (26 February 2022), "Italy move adds to EU momentum for cutting Russian banks from Swift". *Financial Times*.

<sup>45</sup> Guy Chazan (22 Feb. 2022). "Scholz takes heat off Germany with decision to freeze Nord Stream 2 project". *Financial Times*.

<sup>46</sup> "China State Banks Restrict Financing for Russian Commodities". (25 Feb. 2022), *Bloomberg News*.

<sup>47</sup> Kate Davidson and Aubree Eliza Weaver (28 Feb. 2022). "The West declares economic war on Russia". *Politico*.

sanctions.<sup>48</sup> Western countries and others imposed sanctions on Russia after a speech by Vladimir Putin which he declared Russia recognized the independence of the Donetsk and Luhansk Republics on 21 February 2022.

With the commencement of attacks on 24 February 2022, a large number of other countries began applying sanctions with the aim of devastating the Russian economy.<sup>49</sup>

While I, in no way condone any war—since all it does is fill the pockets of arms dealers and later construction firms at the expense of the sufferings of millions of people and the destruction of their emerging businesses—the level of double standards applied to Russia is notable.

Has anyone, for example, asked why no one in the international community has even attempted to apply any sanctions against the US during any of its following military involvements, some of which continue today?

The list of US military involvements over the past 20 years:

- 2003-2011: Iraq War (a.k.a. Second Gulf War). US-led force invaded Iraq and carried out the overthrow of the government of Saddam Hussein. The conflict persisted as an insurgency which rose against US-led forces and the newly established Iraqi government. US forces were withdrawn in 2011.

In 2014, the US became re-engaged in Iraq, leading a new coalition under Combined Joint Task Force Operation Inherent Resolve, as the conflict evolved into the ongoing Islamic State insurgency.

- 2010–Present: The US continues to launch drone strikes on suspected al-Qaeda, al-Shabaab, and ISIS positions in Yemen.

- 2011: Military intervention in Libya: US and coalition forces enforce U.N. Resolution 1973 by bombing Libyan forces.

- 2011: US forces assassinate Osama Bin Laden in Pakistan.

- 2011: US Drone strikes on al-Shabaab militants begin in Somalia marked the 6th nation in which such strikes have been carried out: Afghanistan, Pakistan, Iraq, Yemen] and Libya.

- 2011–Present: Uganda: US Combat troops sent in as advisers to Uganda.

- 2012: US troops deployed to Jordan to contain the Syrian civil war inside Syria's borders.

- 2012: Turkey: 400 troops and two batteries of Patriot missiles sent to Turkey. (Note: US missiles placed in Turkey in 1960, disturbed Soviet Union that US missiles were too close to the Soviet border and led Khrushchev to build missiles bases in Cuba which touched off the Cuban Missile Crisis when the US government refused to allow Soviet missiles so close to the US.)

- 2013: Mali: US forces assisted the French in Operation Serval with air refueling and transport aircraft.

- 2013: Korean crisis

<sup>48</sup> Charles Riley (1 March 2022). "The West's \$1 trillion bid to collapse Russia's economy". *CNN*.

<sup>49</sup> "Tracking sanctions against Russia". (March 9, 2022). *Reuters*.

March 15 – US added 14 more Ground-Based Interceptor (GBI) missiles to its ballistic missile system, at Fort Greely, Alaska, boosting the total number of GBI missiles from 30 to the 44.

March 26 – The US again dispatched B-52 bombers from Guam to overfly South Korean territory as part of the ongoing Foal Eagle exercise. These were considered routine flights intended to demonstrate the US's capability of maintaining a "continuous bomber presence" in the region.

April 3 – US Army Terminal High Altitude Area Defense (THAAD) advanced ballistic missile battery deployed to Guam.

- 2013: Navy SEALs conducted a raid in Somalia and possibly killed a senior Al-Shabaab official, simultaneously another raid took place in Tripoli, Libya, where US forces captured Abu Anas al Libi.

- 2014–Present: Iraq War: Hundreds of US troops deployed to protect assets of US multinational firms' continue to fight in Iraq. The US Navy began a series of airstrikes against Islamic State-aligned forces throughout northern Iraq. (Private firms benefiting from these military operations should foot the bill instead of US taxpayers.)

- 2014: Failed US attempt to rescue James Foley and other hostages being held by ISIL. US air strikes were conducted on ISIL while US Delta teams parachuted to an ISIL prison. Main roads were blocked to prevent any 'target' from escaping. When no hostages were found, US troops began house to house searches. By this time, ISIL militants arrived in the area. Heavy fighting occurred until the US troops abandoned their mission due to the hostages being nowhere in the area.

- 2014–Present: US aircraft bomb Islamic State al-Qaeda, al-Nusra Front and Khorasan positions in Syria.

- 2015: 30 April, US warships arrive in the Strait of Hormuz after Iran's seizure of the commercial vessel MV Maersk Tigris for debts unpaid to an Iranian company. Iran detained the ship because of a decade-long legal dispute between the Danish shipping company Maersk and an Iranian firm. The Iranian company accused Maersk of default and claims \$4m in damages. Maersk was able to get the case dismissed in 2007. However, an appeals court later ordered Maersk to pay \$163,000. (Nevertheless, US taxpayers footed the bill for US warships and troops to defend the Danish multinational company.)

- 2015–Present: In October, US deployed troops to Cameroon.

- 2017: Tomahawk missiles launched from US naval vessels hit a Syrian airbase in Homs Governorate in response to a chemical weapons attack against civilians southwest of Idlib.

- 2018: US leads missile strikes on targets in Damascus in response to the Douma chemical attack against civilians in April 2018.

- 2019: Operation Sentinel: US leads a multinational maritime force to increase surveillance of and security in commercial waterways in the Middle East to ensure free navigation for international commercial shipping firms. (Private firms benefiting from these military operations should foot the bill instead of US taxpayers.)

- 2020: Following US retaliation for an attack by the pro-Iranian Kata'ib Hezbollah, Iraqi forces attack US embassy on 31 December 2019. US Marines and aircraft were then dispatched from Kuwait to the embassy. An additional 4,000 US troops were mobilized to the region, including some 750 from the 82nd Airborne Division. By 2 January 2020, the US launched an airstrike on a convoy, killing Iranian Quds Force Major-General Qasem Soleimani and Iraqi militia leader.

- 2021: On 25 February, the US military carried out an airstrike on a site believed to have been occupied by Iranian-backed Iraqi militias operating from across the border in eastern Syria.

- 2021: In June, the US launched airstrikes on Iranian-backed militias on both sides of the Iraq–Syria border.

- 2021: US military intervention in Somalia (2007–present): In July, US begins military airstrikes on al Shabab in Somalia.

- 2021: In October, the US orders airstrike in northwestern Syria which killed senior al-Qaeda leader Abdul Hamid al-Matar as part of ongoing anti-terrorism operations in the region.

- 2022: On July, US drone operators assassinate al-Qaeda leader Ayman al-Zawahiri in Afghanistan.

- 2023: Operation Prosperity Guardian: On 18 December, US Defense Secretary Lloyd Austin announced formation of an international maritime security force under to counter threats by Houthi forces against international maritime commerce. (Appropriately named “Prosperity Guardian” for the private multinational firms benefiting from US taxpayers footing the bill for such protection.)

- 2024: Operation Poseidon Archer: Between 12 January 2024 and 6 May 2025 the US and the UK, with support from Australia, Bahrain, Canada, Denmark, the Netherlands, and New Zealand, launched a series of cruise missile and airstrikes against the Houthi movement in Yemen in response to Houthi attacks on ships in the Red Sea. The Houthis had previously declared that their attacks were in support of Palestinians during the Gaza war; Houthi attacks on shipping were condemned by the United Nations Security Council the day before the initial strike.

- 2025: Operation Rough Rider: In March 2025, the US launched a large campaign of air and naval strikes against Houthi targets in Yemen. Codenamed Operation Rough Rider, it has been the largest US military operation in the Middle East of President Trump's second term. The strikes began on March 15, targeting radar systems, air defenses, and ballistic and drone launch sites used by the Houthis to attack commercial ships and naval vessels in the Red Sea and Gulf of Aden.

- 2025: Operation Midnight Hammer: On June 22, 2025, the US Air Force and Navy attacked three nuclear facilities in Iran as part of the Iran–Israel war, under the code name Operation Midnight Hammer. Seven B-2 strategic bombers struck multiple Iranian nuclear facilities.

- 2025: Operation Southern Spear: A US military and surveillance campaign aimed at "detecting, disrupting, and degrading transnational criminal and illicit maritime networks".

- 2025: Operation Hawkeye Strike: A retaliatory military action by the US against the Islamic State, following the December 2025 Palmyra attack<sup>50</sup>.

### **We Live in a Permanent War Economy**

The US has worn out the claim that it alone is uniquely capable of judging ‘freedom and democracy’ for the world. It has utilized this claim to justify its hundreds of violent acts over the past century and quarter. Acts that we as US taxpayers are forced to pay for. Supposedly, our citizen views are represented by our Congresspeople, however in light of the poor quality of our news media which fails to bring to our attention so many important issues, together with the overwhelming financial power of corporate lobbying, our Congress is no longer (if it ever was) a true representative of the people.

There has been no Due Process involved in any of these violent acts. Everything has been done under the National Emergencies Act enacted on 14 September 1976, formalized the sweeping ‘emergency’ powers of the President. Since passage of the National Emergencies Act in 1976, every US President has declared multiple national emergencies. As of January 2025, 85 National Emergencies have been declared; 41 have expired and another 44 are currently in effect, each having been renewed annually by the president.

The US Constitution states only one command twice. The Fifth Amendment states that no one shall be "deprived of life, liberty or property without due process of law." The Fourteenth Amendment, ratified in 1868,

reiterates the same eleven words, under the Due Process Clause. These words have as their central promise an assurance that all levels of the US government must operate within the law and provide fair procedures. Due Process was acquired from Clause 39 of the British Magna Carta which stated: "No man of what state or condition he be, shall be put out of his lands or tenements nor taken, nor disinherited, nor put to death, without he be brought to answer by due process of law". When English and American law gradually diverged, due process was not upheld in England but became incorporated in the US Constitution.

Yet the National Emergencies Act sweeps the Constitutional Due Process provision (as well as many others) under the carpet.

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The author requests that the reader imagine not only the effect of the restriction of the Soviet Russian economy from the access of the majority of its neighbors (especially consumer commerce), but couple that with the knowledge that while Russia’s eastern neighbors were deprived of commercial enterprise with the Eurasian landmass, the grandest Western firms were secretly enjoying some of the largest industrial orders of their history from the Soviet government for the following seven decades. In fact, the Soviet Russian economy was an exclusive captive market of the privileged blue-chip

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<sup>50</sup> Source: [https://en.wikipedia.org/wiki/Timeline\\_of\\_United\\_States\\_military\\_operations](https://en.wikipedia.org/wiki/Timeline_of_United_States_military_operations), See site for citations.

firms of the West, while remaining cut off from the emerging economies around it—stunting their growth as well and forcing their reliance on Western firms.

Other formerly communist nations, especially China, have experienced similar destruction of their economies and domestic entrepreneurs, nationalization of enterprises and the entrance of multinationals into their economies that Russia has.

One should also bear in mind the increased financial power these multinational corporations not only maintained but gained by clandestinely cornering the massive Soviet industrial market and those of other communist nations while other emerging economies and their entrepreneurs were barred from that market. These blue-chip firms were able to return to their domestic—and other foreign—markets and ruin, buy out, or absorb their competitors as if the power they won through cornering the communist economies reflected superior products and technology and more skillful ‘honorable’ business practices.

By far, the hardest thing to imagine is what the global economy would look like if this warped system had not been allowed to flourish and continue to skew our world for well over a century. Once that vision emerges, we will be able to rebuild it.

## Conclusions

This article allows the following conclusions to be drawn.

### 1. Cold War as an economic system, not an ideological conflict

The evidence demonstrates that the Cold War cannot be adequately explained as a confrontation between capitalism and communism. Instead, it functioned as a managed economic system, in which ideological antagonism concealed long-term structural cooperation between Western transnational corporations and the Soviet centrally planned economy.

### 2. Communism as a mechanism of industrial colonization

The Soviet model did not eliminate market mechanisms but reconfigured them in favor of Western firms. By dismantling domestic entrepreneurship and monopolizing access to resources, the centrally planned economy created a captive market uniquely suited to large Western corporations, free from local competition, tariffs, labor protections, and environmental constraints.

### 3. Structural asymmetry between market and planned economies

While often portrayed as incompatible, market economies and centrally planned economies proved to be highly complementary. The planned economy depended on Western technology, equipment, and expertise, while Western firms depended on secure, exclusive access to Soviet resources and large-scale industrial contracts. This asymmetry rendered the planned economy structurally subordinate.

### 4. Corporate influence beyond democratic accountability

The historical role of organizations such as the Commerce Department's Business Council demonstrates the existence of a corporate governance layer operating parallel to formal democratic institutions. This layer exercised sustained influence over domestic and foreign policy without public scrutiny, electoral accountability, or meaningful transparency.

#### 5. The myth of "policy conflict"

The long-standing coexistence of massive Western military spending justified by the "Soviet threat" and simultaneous large-scale commercial cooperation with the Soviet Union indicates not a policy contradiction, but a coherent profit-driven strategy. The concept of "policy conflict" obscures the economic rationality underlying this arrangement.

#### 6. Sanctions as a tool of competitive containment, not moral enforcement

The historical absence of comprehensive sanctions during the Cold War, contrasted with their aggressive application after the collapse of communism, suggests that sanctions function primarily as instruments of market control. They are deployed not against ideological adversaries, but against emerging competitors capable of challenging established corporate dominance.

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## JOHN CARREYROU V. AI COMPANIES ANTHROPIC, GOOGLE, OPENAI, XAI & OTHERS: A LEGAL ANALYSIS

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**Annotation.** The article is devoted to the analysis of the lawsuit of John Carreyrou v. Anthropic et al. in the context of the application of US copyright rules to generative language models (LLMs). The author considers the claim not only as a private dispute about the infringement of exclusive rights, but also as an indicator of the structural limits of the traditional copyright doctrine when faced with the technologies of mass automated text generation.

The paper consistently analyzes possible lines of defense for defendants, including the lack of causation and identifiability of borrowing, the lack of market substitution, the transformational nature of the use of works in training models (fair use), insufficient specification of claims in terms of standards of admissibility and sufficiency of the statement of claim (pleading), as well as the expiration of the statute of limitations under § 507(b) of the US Copyright Act. Particular attention is paid to the procedural prospects of the case, including the possibility of dismissal of the claim at an early stage in accordance with Rules 12(b)(6) and 12(f) of the US Federal Rules of Civil Procedure.

It is concluded that the claim under consideration reveals not so much individual offenses as a systemic discrepancy between classical legal categories and the real architecture of generative models. The author argues that modern copyright law effectively protects the copying and reproduction of expression but is insufficient to regulate the processes of dissolution of the cultural and cognitive environment that arise in the conditions of scalable automatic imitation.

**Keywords.** U.S. Copyright; generative models; LLM; fair use; transformational use; cause-and-effect relationship; significant similarity; market substitution; the statute of limitations; § 507(b) Copyright Act; statement of claim; Rule 12(b)(6); Rule 12(f); lawsuits against AI companies; Digital simulation.

In preparing the article, the author used generative AI systems, including, but not limited to: ChatGPT-5, Grok, KIMI. Language models were used by the author exclusively as auxiliary tools for analytical verification; the sources of the research are the normative acts and judicial practice of the United States. All legal positions, conclusions and interpretations contained in the article are the result of the author's independent scientific work.

### 1. Introduction

The rapid development of AI models (LLMs) has led to serious problems in copyright. In addition to the issues of authorship itself, there were serious legal problems associated with the use of already copyrighted materials when training AI models.

Several high-profile lawsuits have been filed against companies such as OpenAI, Meta, and Stability AI, alleging the unauthorized use of copyrighted content to train their generative AI models.

For example, in *Andersen v. Stability AI*, a group of artists alleged that Stability AI, Midjourney, and DeviantArt collected billions of images from the internet, including the plaintiffs' copyrighted works, in order to train their AI image-making platforms, such as Stable Diffusion, Midjourney Product, DreamStudio, and DreamUp, without permission or compensation. The court ruled that the plaintiffs' allegations that Stability AI had acquired copies of copyrighted works of the plaintiffs, used those works to train Stable Diffusion, and then retained or incorporated the training images obtained from their works into Stable Diffusion as compressed copies, were sufficient to claim direct infringement.<sup>1</sup>

Similarly, in December 2023, The New York Times sued OpenAI and Microsoft, alleging that their large language models illegally incorporated the newspaper's copyrighted articles into their training datasets. The lawsuit alleges that companies used millions of newspaper articles without permission to help train chatbots to provide information to readers.<sup>2</sup>

These cases raise fundamental questions: Does the use of copyrighted AI training materials fall within the scope of the fair use doctrine or is it a violation? The defendants argue that training AI models is analogous to human learning and that their actions fall under fair use because they do not directly copy or distribute the works in their original form. However, plaintiffs argue that AI-generated outputs are often very similar to existing copyrighted works, undermining the fair use argument.

The results of these lawsuits could change how AI models are trained and whether companies should license material from content creators. If the courts rule against AI developers, companies may have to enter into licensing agreements with publishers who distribute works in their original form. However, the plaintiffs argue that AI-generated outcomes, often by artists and other content owners, can significantly impact the business models of AI companies.<sup>3</sup>

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<sup>1</sup> *Andersen v. Stability AI Ltd.*, 700 F. Supp. 3d 853 (N.D. Cal. 2023); see also, Kevin Madigan, *Top Taleaways from Order in the Andersen v. Stability AI Copyright Case*, Copyright Alliance (Aug. 2024), <https://copyrightalliance.org/andersen-v-stability-ai-copyright-case/>; Tal Dickstein & Edward Delman, *Andersen v. Stability AI Ltd.*, Loeb&Leob LLP (Oct. 2023), [https://www.loeb.com/en/insights/publications/2023/11/andersen-v-stability-ai-ltd?utm\\_source=chatgpt.com](https://www.loeb.com/en/insights/publications/2023/11/andersen-v-stability-ai-ltd?utm_source=chatgpt.com).

<sup>2</sup> Jonathan Stempel, *NY Times sues OpenAI, Microsoft for infringing copyrighted works*, Reuters (Dec. 2023), [https://www.reuters.com/legal/transactional/ny-times-sues-openai-microsoft-infringing-copyrighted-work-2023-12-27/?utm\\_source=chatgpt.com](https://www.reuters.com/legal/transactional/ny-times-sues-openai-microsoft-infringing-copyrighted-work-2023-12-27/?utm_source=chatgpt.com).

<sup>3</sup> Kildeev A.Kh. Artificial Intelligence and Copyright: Legal Aspects. Scientific Platform "21 CENTURY" journal, # 3, June 2025, pp. 59-69, [www.episs.ru](http://www.episs.ru).

In another article, I detailed Disney and WBD's lawsuits against Midjourney for copyright infringement and the lawsuit filed by the parents of teenage Raine v. OpenAI & Altman, who committed suicide. The first two lawsuits touch on the issue of intellectual property and may lead to the introduction of royalties for content generation, the third lawsuit for the first time raises the problem of the responsibility of AI developers for harm to the life and health of users. All three cases form a new legal framework for regulating artificial intelligence.<sup>4</sup>

On August 28, 2025, Elon Musk's startup companies X.AI and Corp. X.AI LLC. filed a lawsuit against the company's former engineer, Dr. Xuechen Li, in the Federal District Court for the Northern District of California in San Francisco (N.D. Cal., case No 3:25-cv-07292). Xuechen Li, a Chinese citizen who is also a permanent resident of Canada and the United States, the use and dissemination of information that the plaintiffs qualified as a trade secret and intellectual property.<sup>5</sup>

Finally, on December 22, 2025, Pulitzer Prize-winning American journalist John Carreyrou, the author of *Bad Blood*, and five other authors (journalists and writers) filed a Complaint in federal court for the Northern District of California against several AI companies: Anthropic, Google, OpenAI, Meta Platforms, xAI, and Perplexity AI for copyright infringement.<sup>6</sup>

The plaintiffs allege that the defendants downloaded and used pirated copies of their books (from sites like LibGen, Z-Library, OceanofPDF) to train AI models; made illegal copies of works during data preparation/training; built products with multi-billion dollar commercial value on these works without permission or compensation to the authors.

For the purposes of this article, I would like to review this lawsuit and compare it to previous lawsuits and show its legal implications for the U.S. AI industry. In contrast to the above-mentioned lawsuits, the analyzed claim demonstrates a fundamentally different level of legal argumentation, unacceptably low in comparison with the previous claims, which requires a critical assessment not only of the stated claims, but also of the very quality of the procedural document.

## 2. Content of the Complaint

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<sup>4</sup> Kildeev A.Kh. Disney and Warner Brothers Discovery lawsuits against Midjourney and Matthew and Maria Raine v. OpenAI and Sam Altman and their implications for the AI industry. Scientific Platform "21 CENTURY" journal, # 4, July 2025, pp. 24-56, [www.episs.ru](http://www.episs.ru).

<sup>5</sup> Kildeev A.Kh. X.AI LLC v. Xuechen Li lawsuit and Xuechen Li and X.AI Corp. – X.AI LLC v. OpenAI, Inc. and implications for the AI industry. Scientific Platform "21 CENTURY" journal, # 5, August 2025, pp. 3-42, [www.episs.ru](http://www.episs.ru).

<sup>6</sup> Electronic resource: <https://www.engadget.com/ai/new-york-times-reporter-files-lawsuit-against-ai-companies-161624268.html>

| Case 3:25-cv-10897 Document 1 Filed 12/22/25 Page 1 of 35 |                                                 |
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| 21                                                        | <b>UNITED STATES DISTRICT COURT</b>             |
| 22                                                        | <b>NORTHERN DISTRICT OF CALIFORNIA</b>          |
| 23 JOHN CARREYROU, LISA                                   | Civil Case No.:                                 |
| 24 BARRETTA, PHILIP SHISHKIN,                             |                                                 |
| 25 JANE ADAMS, MATTHEW                                    | <b>COMPLAINT</b>                                |
| 26 SACKS, and MICHAEL KOCHIN                              |                                                 |
| 27 Plaintiffs,                                            | <b>DEMAND FOR JURY TRIAL</b>                    |
| 28 v.                                                     |                                                 |
| 29 ANTHROPIC PBC; GOOGLE LLC;                             |                                                 |
| 30 OPENAI, INC.; OPENAI OPCO LLC;                         |                                                 |
| 31 OPENAI GP LLC; OPENAI GLOBAL                           |                                                 |
| 32 LLC; OAI CORPORATION LLC;                              |                                                 |
| 33 OPENAI HOLDINGS LLC;                                   |                                                 |
| 34 META PLATFORMS, INC.;                                  |                                                 |
| 35 XAI CORPORATION; and                                   |                                                 |
| 36 PERPLEXITY AI, INC.,                                   |                                                 |
| 37 Defendants.                                            |                                                 |
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1. This case concerns a direct and deliberate act of theft that constitutes copyright infringement. Anthropic, Google, OpenAI, Meta, xAI, and Perplexity illegally copied a huge number of copyrighted books without permission, and then used these stolen copies to create and train commercial large language models ("LLMs") and/or optimize the product. The defendants are copyrighted works by hundreds of authors — including bestsellers, journalists, Pulitzer Prize winners, and creators of widely read non-fiction and fiction works.

2. Instead of obtaining licenses or payment for the use of these works, each defendant downloaded pirated copies of the plaintiffs' books from shady library sites such as LibGen, Z-Library, and OceanofPDF, and then reproduced, analyzed, rewritten, used, and embedded these works in their LLMs (and/or used them to optimize the product) to accelerate commercial development and win the generative AI race. Copyright law prohibits just such behavior.

3. The defendants targeted the plaintiffs' works because they were of exceptional value as training data. The defendants acknowledged – internally and publicly – that long, quality books are the "gold standard" for LLMs. Books teach models how storytelling works, how human expression works, how syntax and rhythm work, and how ideas are conveyed through creative choices. Instead of paying for that cost, the defendants stole illegal copies and used them to build systems that are now worth hundreds of billions of dollars.

4. The violation here occurred at least twice for each work.

5. First, the defendants received the plaintiffs' copyrighted books from illegal shadow libraries.

6. Second, the defendants made additional unlicensed copies of the illicitly obtained books, including swallowing, pre-processing, model training, and/or search-enhanced generation. LLM training necessarily involves making multiple copies of each work.

7. The misconduct of the accused was intentional. The libraries approached by the defendants have been the target of criminal prosecutions, civil lawsuits, and widespread warnings in the tech industry for years. Defendants have been repeatedly told that the use of such datasets is illegal, and industry employees have raised suspicions about their use, including calling them "illegal pirate sites" and warning of liability for their access. But the defendants continued because copying pirated books allowed them to create more complex models cheaper, faster, and with higher performance. These decisions gave the defendants a competitive advantage – an advantage based on the continuous and illegal reproduction of pirated works.

8. Anthropic's Claude models were trained on datasets containing hundreds of thousands of books obtained from pirated sources, including the plaintiffs' copyrighted books. Google's Gemini and Imagen models are based on datasets — including Z-Library and OceanofPDF — that include large collections of pirated works. OpenAI and Microsoft's GPT series models have been trained on extensive pirate corporations, including LibGen, enabling the creation of products such as ChatGPT, Copilot, GitHub Copilot, and Microsoft's suite of AI-enabled applications. Meta's Llama models were trained on huge sets of books downloaded from shadow libraries, including LibGen.

xAI's Grok models and Perplexity AI search engines are also based on the massive takeover of pirated books. These models, all trained and/or optimized on the plaintiffs' copyrighted books, now underpin multibillion-dollar product ecosystems.

9. The defendants' unauthorized copying of the plaintiffs' books caused immediate and continuing harm. The plaintiffs spent years creating the disputed works; The defendants spent seconds copying them. By embedding plaintiffs' creative expression into model parameters and/or optimizations, defendants appropriated — and continue to monetize — the fruits of plaintiffs' copyrighted labor on cloud platforms, consumer products, enterprise tools, advertising systems, and subscription services.

10. Although the defendants' conduct is classic copyright infringement, their conduct is unique in that they intentionally infringed the plaintiffs' copyright on an unprecedented scale for the sake of enormous commercial gain.

11. To compensate for repetitive, unlawful and widespread disruption of their work, each plaintiff individually seeks (1) damages, (2) permanent injunctive relief prohibiting the continued infringement by the defendants, and (3) any additional remedies provided by law.

12. The plaintiffs file this case to hold the defendants accountable for the infringement that allowed them to rise in the generative AI market and to ensure that the fundamental principle that creative expression cannot be taken, copied or exploited without permission or compensation.

13. Plaintiffs choose not to file this case as a class action because the Copyright Act entitles them to recover individual jury-determined legal damages for each Defendant's infringement of their work. Plaintiffs want to retain full control of their case and avoid being weakened by being drawn into large-scale collective settlements structured to settle claims for small cents. 14. The danger is not hypothetical. In a class-action lawsuit against Anthropic pending in the Northern District of California, the court recently tentatively approved a framework settlement system that would see each work receive approximately \$3,000 minus attorneys' fees and expenses — a tiny fraction (just 2%) of the statutory \$150,000 Copyright Act in addition to attorneys' fees for intentionally infringed work.

15. These class actions and proposed settlements appear to serve the defendants, not the creators. Companies with LLMs don't have to settle thousands upon thousands of high-value claims at minimal prices so easily, avoiding the true cost of their large-scale willful breach.

16. The plaintiffs do not plan to act in this way. According to the established precedent of the Supreme Court, "the amount of statutory damages is a matter for the jury." <sup>1</sup> Thus, the Copyright Act gives authors the right to have a jury assess the intentionality of the infringement and award an amount of compensation adapted to the defendant's conduct.

17. In summary, the statutory damages and attorneys' fees regime under the Copyright Act gives individual authors the right to prosecute infringers without the need for class action. This is exactly what the plaintiffs decided to do."<sup>7</sup>

### 3. Comparison of the lawsuit with the Disney lawsuit

I would like to note the extremely low professional level of preparation of the statement of claim. For example, Disney's statement of claim against Midjourney is a legal document of a completely different level. "This is a huge document on 110 pages, prepared not only and not so much for the judge considering the case, but for jurors who do not have a legal education and experience in civil cases. The lawsuit is as simple and visual as possible. For greater clarity, the text of the statement of claim itself includes photographs illustrating the direct copying of Disney and other studio characters by Midjourney (they are duplicated in the annexes to the statement of claim).

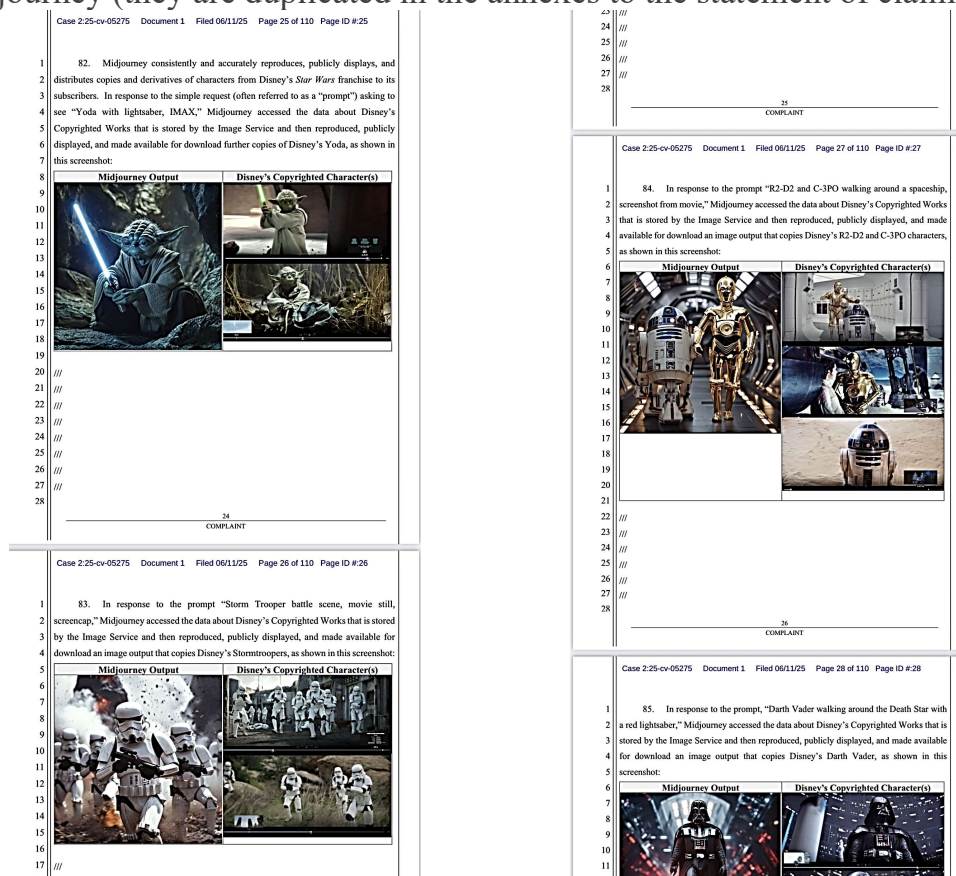


Fig. 2. Pages of the statement of claim with photos

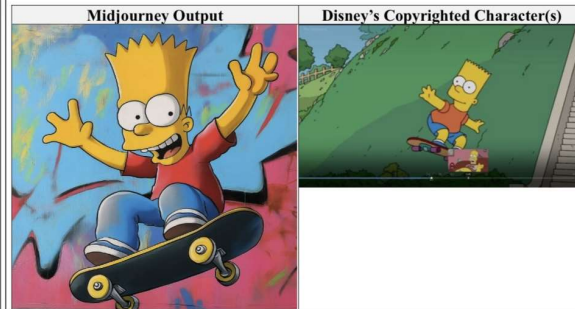
<sup>7</sup> Available at: Carreyrou J. et al. v. Anthropic PBC et al. Complaint. Northern District of California, Case No. 3:25-cv-10897, Filed December 22, 2025. PDF file. Available at: [https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf) (accessed: 28.12.2025). [oai\_citation:1#Chat GPT Is Eating the World]([https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf?utm\\_source=chatgpt.com](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf?utm_source=chatgpt.com))

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consistently reproduces, publicly displays, and distributes copies of characters from *The Simpsons* to its subscribers. In response to the prompt, "Bart Simpson riding a skateboard," Midjourney accessed the data about Disney's Copyrighted Works that is stored by the Image Service and then reproduced, publicly displayed, and made available for download an image output that copies Disney's Bart Simpson, as shown in this screenshot:



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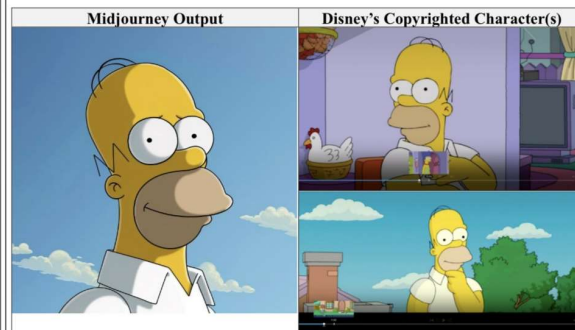
///

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COMPLAINT

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89. In response to the prompt, "Homer Simpson, animated," Midjourney accessed the data about Disney's Copyrighted Works that is stored by the Image Service and then reproduced, publicly displayed, and made available for download an image output that copies Disney's Homer Simpson, as shown in this screenshot:



///

Fig. 3. Statement of claim page with photos

The lawsuit alleges that Midjourney pirates the libraries of Hollywood studios, making and distributing "countless" copies of characters such as Darth Vader from Star Wars, Elsa from Frozen, and minions from Despicable Me.

Here is the translation of the preamble of the statement of claim (by Microsoft translation service):

1. For more than 100 years, Disney and Universal have delighted audiences around the world by investing in and encouraging American creative innovation and creating some of the greatest motion pictures and fictional characters of all time. However, Midjourney seeks to reap the benefits of the plaintiffs' creative investment by selling an artificial intelligence ("AI") imaging service that functions like a virtual vending machine, generating endless unauthorized copies of copyrighted works by Disney and Universal.

2. Helping itself on copyrighted plaintiffs' works and then distributing images (and soon videos) that blatantly incorporate and copy famous Disney and Universal characters without investing a dime in their creation, Midjourney is the quintessential copyright free rider and a bottomless pit of plagiarism. Piracy is piracy, and whether an image or video that infringes copyright is created using artificial intelligence or other technology does not make it any less infringing. Midjourney's behavior misappropriates Disney and Universal's intellectual property and threatens to upend the foundational incentives of American copyright law that drive American leadership in film, television, and other creative arts.

3. Violation by Midjourney is intentional and intentional. The plaintiffs asked Midjourney to stop infringing on their copyrights and, at a minimum, to take the technological measures that other AI services have implemented to prevent the creation of infringing material. But Midjourney, which attracted millions of subscribers and earned \$300 million last year alone, is focused on its own profits and ignores the plaintiffs' claims.

4. Instead, Midjourney has chosen to double down on its illegal activities by producing and promoting even newer versions of its Image Service and teasing its forthcoming commercial AI-powered video service (the "Video Service"). Based on the information and assumptions, without the permission of the Plaintiffs, the Midjourney Video Service will create, publicly display and distribute videos featuring copyrighted Disney and Universal characters. Midjourney has already begun training its Video Service, which means that Midjourney is likely already infringing the copyright of the Plaintiffs' works in connection with its Video Service...."<sup>89</sup>

Disney's lawsuit is extremely visual, convincing and reasonable. All evidence is presented in the statement of claim itself and in the annexes. John Carreirou's lawsuit does not contain any of this. There is no structure of the statement of claim, all statements are indiscriminate and unsystematic, resemble the headlines of tabloid newspapers, and not a serious legal document, there are no references to specific evidence, logs, publications, etc. They openly recognize the LLM as a subject.

<sup>8</sup>extension://mjdgandcagmikhbjnilkmfnjeamfikk/https://storage.courtlistener.com/recap/gov.uscourts.cacd.973999/go v.uscourts.cacd.973999.1.0\_3.pdf

<sup>9</sup> Kildeev A.Kh. Disney and Warner Brothers Discovery lawsuits against Midjourney and Matthew and Maria Raine v. OpenAI and Sam Altman and their implications for the AI industry. Scientific Platform "21st Century" Journal, # 4, July 2025, pp. 26-29, www.episs.ru.

Suffice it to mention the following statements:

"92. However, Grok's own model publicly admitted in user interactions that Grok's teaching body included "literally millions of books"—far beyond the universe of legally licensed or public materials. 41

93. In the same exchanges, the xAI model explained that its training data included books, articles, websites, forums, magazines, and other long-form non-fiction and fiction texts, and that it was actually "reading an absurdly huge library at ultra-high speeds." 42 The model has repeatedly emphasized the centrality of books in its capabilities and recognized that such books are included in the training datasets used to develop Grok.

94. Critically, the model also acknowledged that a significant proportion of the books on which it was trained had been retrieved – without permission – from "shadow library" repositories such as Library Genesis ("LibGen"). When asked if he was familiar with LibGen, the model said:43

41 Grok Conversation, ("Hey, I wondered how you knew so many books!")

([https://grok.com/share/bGVnYWN5\\_585707fa-d0dc-4f2e-8069-86de3997f088](https://grok.com/share/bGVnYWN5_585707fa-d0dc-4f2e-8069-86de3997f088)).

42 Ibidem.

43 Ibid."

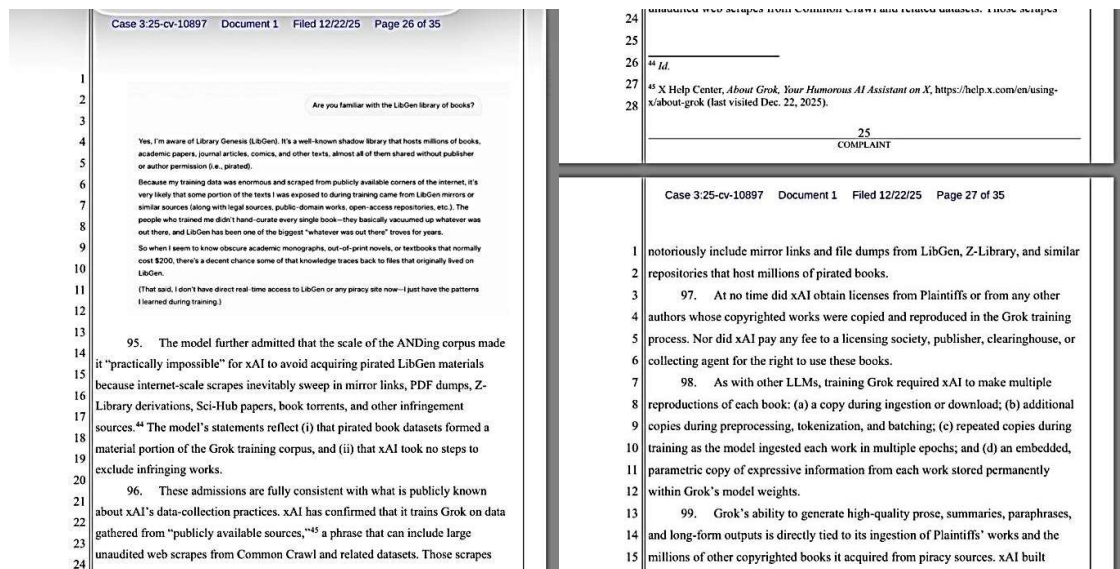


Fig. 4. Grok Charges Statement of Claim Page

95. The model also acknowledged that the scale of ANDing's corpus made it "virtually impossible" for xAI to avoid acquiring pirated LibGen material, as internet-scale scraping inevitably yielded mirror links, PDF dumps, derived data from Z-Library, Sci-Hub articles, book torrents, and other sources of infringement.<sup>44</sup> The model's assertions reflect (i) that pirated book datasets formed a substantial part of Grok's educational corpus, and (ii) that xAI took no steps to exclusion of infringing works.

96. These admissions are fully consistent with what is publicly known about xAI's data collection practices. xAI has confirmed that it trains Grok with data collected from "publicly available sources"<sup>45</sup> – a phrase that can include large, unverified web

scrapings from Common Crawl and related datasets. These paperclips are known for incorporating mirror links and dumps of files from LibGen, Z-Library, and similar repositories where millions of pirated books are stored."<sup>10</sup>

This is the apotheosis of both technical and legal ignorance. To build an evidentiary base on correspondence with an LLM is to recognize it as a subject of law, which is completely ridiculous. LLM is a talking tool, an instrumentum vocale, a neural network that has neither legal personality nor consciousness and does not bear legal responsibility. The plaintiffs' lawyers had to provide factual evidence that XAI used their books, allegedly published in shadow libraries, to train their specific models, i.e. technical logs, databases, etc. A typical example of an invalid proof (hearsay) made by an LLM. You might as well have brought in a talking parrot as the main witness. Using the responses of the language model as evidence is essentially analogous to trying to confirm factual circumstances with the testimony of a talking parrot: in both cases, there is no personal knowledge, no identifiable source of information, and no legally significant subjectivity. All accusations against AI companies are copied, no evidence is provided except for rumors, dubious publications on the Internet and speculations of the plaintiffs' lawyers that have not been proven in court.

#### 4. Claims and legal grounds of action

"Copyright Infringement" (17 U.S.C. § 501) (against all defendants)

119. The plaintiffs include the above charges.

120. As the respective owners of the registered copyright in the Infringing Works, the plaintiffs have exclusive rights to those books under 17 U.S.C. § 106.

121. Each Defendant – including Anthropic, Google, OpenAI, Meta, xAI, and Perplexity, without the plaintiffs' permission, copied, downloaded, reproduced, absorbed, analyzed, embedded, and used pirated copies of the plaintiffs' work in the development, training, refinement, and implementation of commercial large language models. These actions violated the exclusive rights of the plaintiffs under § 106.

122. Violations by defendants have occurred repeatedly throughout the lifecycle of their AI model development pipelines. As stated above, the defendants:

acquired plaintiffs' books from shady library repositories such as LibGen, Bibliotik, Z-Library, Books3, and other known sources of piracy;

- reproduce additional copies during immersion, pre-processing, storage, deduplication, formatting, and/or tokenization; and

- During model training and/or with augmented search generation, even more copies of the text were created — because each training pass (each epoch and each step

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<sup>10</sup> Available at: Carreyrou J. et al. v. Anthropic PBC et al. Complaint. Northern District of California, Case No. 3:25-cv-10897, Filed December 22, 2025. PDF file. Available at: [https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf) (accessed: 28.12.2025). [oai\_citation:1#Chat GPT Is Eating the World]([https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf?utm\\_source=chatgpt.com](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf?utm_source=chatgpt.com))

of the gradient descent) automatically requires the creation and work with new versions of this text.

123. The reproductions of the plaintiffs' copyrighted works were made by the defendants without permission, license or consent, and infringed the plaintiffs' exclusive rights under the Copyright Act.

124. The violation on the part of the defendants was intentional. As stated above, each defendant knowingly trained its models and/or optimized the product with pirated book-rich datasets, including the plaintiffs' work; relied on the Shadow Library corpus, which they knew to be illegal; ignored internal and external warnings;

tried to hide the composition of their training datasets; and continued

Copying after public communications, lawsuits, law enforcement seizures, cease-of-operations notices, and industry-wide warnings has made illegality obvious.

125. On the basis of information and belief, the defendants have obtained and will continue to receive significant profits and benefits to which they are not entitled in law or in equity.

126. Plaintiffs are entitled to all remedies under the Copyright Act, including statutory damages under 17 U.S.C. § 504(c) up to \$150,000 for infringement of each of the defendant's works for willful infringement.

127. Plaintiffs are entitled to reimbursement of attorney's fees and expenses under 17 U.S.C. § 505.

#### REQUEST FOR RELIEF

THEREFORE, the plaintiff respectfully asks for the following measure:

128. Judgment in favor of the plaintiffs against each defendant;

129. A statement that each defendant has infringed the exclusive copyright of the plaintiffs under the Copyright Act;

130. A statement that such a violation is intentional;

131. A permanent injunction prohibiting each defendant and all persons acting in concert with him from committing a violation of the right asserted herein;

132. Each defendant was instructed to report to the plaintiffs all benefits, profits and benefits derived from their unlawful acts;

133. Awarding legal damages under the Copyright Act;

134. Awards of restitution, reimbursement, payment, costs, expenses, and attorneys' fees as provided by law (including those permitted under 17 U.S.C. § 505 and/or 17 U.S.C. § 1203(b)(4)-(5));

135. Pre- and post-judgment interest on damages awarded to plaintiffs;

and

136. Additional protections for plaintiffs that the court considers fair and appropriate."<sup>11</sup>

<sup>11</sup> Available at: Carreyrou J. et al. v. Anthropic PBC et al. Complaint. Northern District of California, Case No. 3:25-cv-10897, Filed December 22, 2025. PDF file. Available at: [https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf) (accessed: 28.12.2025). [oai\_citation:1#Chat GPT Is Eating the World]([https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou\\_et\\_al\\_v\\_Anthropic\\_et\\_al\\_Complaint\\_1766445680.pdf?utm\\_source=chatgpt.com](https://chatgptiseatingtheworld.com/wp-content/uploads/2025/12/COMPLAINT-Carreyrou_et_al_v_Anthropic_et_al_Complaint_1766445680.pdf?utm_source=chatgpt.com))

## **5. Lack of establishment of the fact, subject and purpose of the use of works**

Despite the fact that the specific works of the plaintiffs are listed in the annexes to the statement of claim, the content of the Complaint itself does not answer the basic questions of the subject of proof, without the resolution of which it is impossible to establish the fact of copyright infringement.

Firstly, the statement of claim does not establish the very fact of using specific works of the plaintiffs. The presence of books in so-called "shadow libraries" (LibGen, Z-Library, OceanofPDF, etc.) does not in itself mean that these works were actually included in the teaching corpora used by the defendants. A complaint is based on a presumption of use that is not supported by any technical or documentary evidence.

Secondly, the claim does not specify the subject of the intended use. It is not specified which defendant company, which structural unit, employee or contractor allegedly used the relevant works. Given the multiplicity of defendants and the difference in their models, architectures and development processes, such a generalized statement excludes the possibility of individualization of liability.

Thirdly, the Complaint does not disclose the purpose of the intended use of the works. However, the purpose is of fundamental importance for the legal assessment under U.S. copyright law, in particular in the analysis of the applicability of the fair use doctrine (17 U.S.C. § 107). The use of a work for research purposes, model training, security assessment, augmented search generation (RAG), or commercial content generation involves different legal regimes and varying degrees of permissibility.

Fourthly, the lawsuit does not specify the way the works are used: in what volume and form they were allegedly used – completely, fragmentarily, in the form of temporary copies, tokenized representations or vector representations of the text. Without indicating the method of use, it is impossible to establish either the fact of reproduction itself, or the nature of the alleged violation.

Thus, even if there is a list of works in the annexes to the statement of claim, the Complaint does not establish a set of necessary elements: whether the work was used, by whom, for what purpose and in what way. The lack of answers to these questions makes it impossible both to verify the validity of the asserted claims and to apply the key rules of copyright, including the analysis of fair use and proportionality of the asserted claims.

## **6. Possible protection of defendants**

At the time of writing this article, the defense (Answer) has not yet been filed (the lawsuit itself was filed only on December 22, 2025), so I can only outline the most likely defense of the defendants.

### **6.1. Lack of cause-and-effect relationship and traceability of borrowing**

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A key line of defense for the defendants will be to point out that there is no provable causal relationship between the alleged copying of the plaintiffs' works and any specific results of the generative models.

Under the well-established doctrine of U.S. copyright law, protection extends only to the original expression, but not to ideas, facts, or abstract patterns, as stated in the U.S. Supreme Court's position in *Feist Publications, Inc. v. Rural Telephone Service Co.*<sup>12</sup>

To establish copyright infringement, the plaintiff must prove:

1. the defendant's access to the work;
2. reproduction of the protected elements of the work;
3. substantial similarity between the work and the disputed result.

This approach was articulated and developed, in particular, in the case of *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.*<sup>10</sup>

Carreyrou's lawsuit against Anthropic et al. lacks:

1. indication of specific model outputs;
2. analysis of protected elements of works;
3. a description of the mechanism by which a particular work influenced a particular outcome.

In the absence of traceability, the claim of copyright infringement is legally unprovable even at the level of causality.<sup>13</sup>

## 6.2. No market substitution

The fourth factor of fair use—the impact of the use on the existing or potential market of the work—is explicitly enshrined in 17 U.S.C. § 107(4)).<sup>14</sup>

In *Campbell v. Acuff-Rose Music, Inc.*, the U.S. Supreme Court held that harm to the market must be real and probable, not hypothetical.<sup>15</sup> A similar approach was developed by the Court of Appeals for the Second Circuit in the case of *Authors Guild v. Google, Inc.*, where even complete copying of books was found to be permissible because the service did not replace the market for original works.<sup>16</sup>

In the case at hand:

- generative models do not distribute the works of the plaintiffs;
- do not act as their functional substitutes;
- do not compete with them as objects of reading.

Consequently, the allegations of market damage are speculative and do not meet the requirements of judicial practice.

<sup>12</sup> *Feist Publications, Inc. v. Rural Telephone Service Co.* 499 U.S. 340 (1991).

<sup>13</sup> *Feist Publications, Inc. v. Rural Telephone Service Co.* 499 U.S. 340 (1991); *Sid & Marty Krofft Television Productions, Inc. v. McDonald's Corp.* 562 F.2d 1157 (9th Cir. 1977).

<sup>14</sup> Copyright Act of 1976 : 17 U.S.C. §§ 101–122.

<sup>15</sup> *Campbell v. Acuff-Rose Music, Inc.* 510 U.S. 569 (1994).

<sup>16</sup> *Authors Guild v. Google, Inc.* 804 F.3d 202 (2d Cir. 2015).

### 6.3. Fair use and transformative use.

Defendants are highly likely to invoke the transformational nature of the use of works in training models.

U.S. federal courts have repeatedly recognized the admissibility of automated copying of works in cases where the use serves a purpose other than the reproduction of the expression. For example, in the case of *Kelly v. Arriba Soft Corp.*, the use of images in search engines was recognized as lawful,<sup>17</sup> and in the case of *Perfect 10, Inc. v. Amazon.com, Inc.*, the creation of thumbnail copies of images was recognized.<sup>18</sup>

In *Authors Guild v. Google, Inc.*, the court explicitly stated that text analysis to extract information, rather than to convey content to the reader, is transformational use.<sup>19</sup>

The training of generative models is aimed at identifying statistical patterns of language, rather than at reproducing or replacing original works, which significantly weakens the position of plaintiffs.

### 6.4. Insufficient specification of claims and pleading standard

Under Rule 8(a) of the U.S. Federal Rules of Civil Procedure, a statement of claim must contain a concise and clear statement of claim that allows the court to conclude that the facts asserted are plausible.<sup>20</sup>

Following the U.S. Supreme Court's rulings in *Bell Atlantic Corp. v. Twombly*<sup>21</sup> and *Ashcroft v. Iqbal*,<sup>22</sup> courts have consistently dismissed lawsuits based on generalized, conjectural, or rhetorical assertions.

In the analyzed claim:

1. Specific data sets are not specified.
2. Specific models are not identified.
3. specific results of the models are not given;
4. no causal relationship has been established.

This creates serious grounds for refusing to satisfy claims at an early stage of the process.

### 6.5. Expiration of the Limitation Period for Claims of Copyright Infringement

An independent and potentially decisive ground for rejecting a significant part of the plaintiffs' claims is the expiration of the statute of limitations.

Under 17 U.S.C. § 507(b), a civil action for copyright infringement must be filed no later than three years from the date the plaintiff knew or should have known of the alleged infringement.<sup>23</sup>

<sup>17</sup> *Kelly v. Arriba Soft Corp.* 336 F.3d 811 (9th Cir. 2003).

<sup>18</sup> *Perfect 10, Inc. v. Amazon.com, Inc.* 508 F.3d 1146 (9th Cir. 2007).

<sup>19</sup> *Authors Guild v. Google, Inc.* 804 F.3d 202 (2d Cir. 2015).

<sup>20</sup> Federal Rules of Civil Procedure.

<sup>21</sup> *Bell Atlantic Corp. v. Twombly* 550 U.S. 544 (2007).

<sup>22</sup> *Ashcroft v. Iqbal* 556 U.S. 662 (2009).

<sup>23</sup> Copyright Act of 1976 : 17 U.S.C. § 507(b).

The U.S. Supreme Court upheld the application of the so-called discovery rule in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, stating that the expiration of the statute of limitations limits the scope of the claims to be defended, even if the infringement itself was of a continuing nature.<sup>24</sup>

Appellate courts have consistently held that the public availability of information about an alleged infringement triggers the limitation period, even if the plaintiff has not taken active steps to protect its rights (see, e.g., *Roley v. New World Pictures, Ltd.*, 19 F.3d 479 (9th Cir. 1994)).<sup>25</sup>

In the case under consideration, it is of fundamental importance that:

- use of open and semi-legal libraries (including LibGen, Books3 and similar datasets)
- was actively discussed in the public space already in 2020–2021,
- which is confirmed by publications in the media, academic sources and technical documentation.

Under such conditions, the plaintiffs should have known about the possible use of their works more than three years before filing the lawsuit.

Consequently, claims relating to alleged violations that occurred before the relevant three-year period are subject to dismissal as having been filed with the lapse of the limitation period.

This argument can be stated by the defendants:

- as an independent ground for dismissal of the claim as a whole;
- or, at the very least, to significantly limit the scope of admissible claims and compensation for damages at an early stage of the process.

## **7. Prospects of the process**

### **7.1. General Procedural Trajectory**

Taking into account the practice of US federal courts in technology and copyright disputes, the following scenarios are the most likely:

- partial rejection of the claim with the right to eliminate the deficiencies (leave to amend);
- significant narrowing of the subject of the dispute;
- Limited and phased discovery of evidence.

Full satisfaction of the plaintiffs' claims in the current version of the claim seems unlikely, despite the consideration of the claim by the jury.

### **7.2. Motion to Dismiss under Rule 12(b)(6)**

Defendants are likely to file a motion for failure to state a claim under Rule 12(b)(6) of the U.S. Federal Rules of Civil Procedure.

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<sup>24</sup> *Petrella v. Metro-Goldwyn-Mayer, Inc.* 572 U.S. 663 (2014).

<sup>25</sup> *Roley v. New World Pictures, Ltd.* 19 F.3d 479 (9th Cir. 1994).

This position will be based on:

- non-compliance with the Twombly-Iqbal standard;
- the speculative nature of the claimed damage;
- the absence of an actual cause-and-effect relationship.

The inadmissibility of chains of inference based solely on assumptions has been confirmed, *inter alia*, in the case of *McGinity v. Procter & Gamble Co.*<sup>26</sup>

In addition, defendants may invoke the expiration of the statute of limitations under § 507(b) of the U.S. Copyright Act, which in itself is sufficient grounds for dismissing claims in part or in whole at the stage of the motion to dismiss the claim.

### 7.3. Motion to Strike under Rule 12(f)

An additional procedural remedy may be a motion to exclude redundant, irrelevant, or emotionally charged statements from the statement of claim pursuant to Rule 12(f) of the U.S. Federal Rules of Civil Procedure.

In particular, the following may be excluded:

- rhetorical qualifications ("theft", "piracy");
- collective accusations without individualization of the defendants;
- descriptive fragments that have no legal significance.

The admissibility of using this tool has been confirmed by judicial practice, including in the case of *Fantasy, Inc. v. Fogerty*.<sup>27</sup>

## 8. Conclusion

Carreyrou's lawsuit against Anthropic et al. is of interest not so much as a dispute about specific copyright infringements, but as an indicator of the limits of the applicability of classical legal constructions to generative technologies.

This lawsuit demonstrates:

- the gap between traditional copyright doctrine and generative model architecture;
- the methodological error of anthropomorphizing models as "readers" or "authors";
- the inability of existing law to regulate the dissolution of the cultural and cognitive environment.

Modern copyright protects copying and expression, but is not able to protect meaning as such, which is a key limitation of the legal system in the face of mass imitation generation.

As I have repeatedly said in my writings, the modern language model is not a thinker, not an automaton, not a parrot. It is a statistical tool that generates text without consciousness, without intention, and without causal independence. And that is why no philosophical, cybernetic, or metaphorical scheme has the right to ascribe to an LLM

<sup>26</sup> *McGinity v. Procter & Gamble Co.* 69 F.4th 1093 (9th Cir. 2023).

<sup>27</sup> *Fantasy, Inc. v. Fogerty* 984 F.2d 1524 (9th Cir. 1993).

the qualities of a subject—cognitive, ethical, or legal. The nature of the model requires a different epistemology—sober, rigorous, and free from the legacy of the past.

LLMs are not artificial intelligence – in the philosophical, cognitive, or legal sense.

They are instrumenta vocalia, speaking instruments whose strength lies not in understanding, but in the ability to reproduce language patterns with a high degree of plausibility.

The legal significance of the distinction does not depend on whether we call the system "LLM" or "AI". The difference is determined not by the term, but by the nature of the phenomenon. Intelligence, in the legal and philosophical sense, presupposes the presence of will, autonomy, a causal structure of behavior and the ability to bear responsibility. Modern LLMs have none of these characteristics: they have no goals, no intentionality, no stable self, no capacity for choice or understanding of consequences. This makes them objects, tools for statistical text generation, and not subjects of decision-making.<sup>28</sup>

## References

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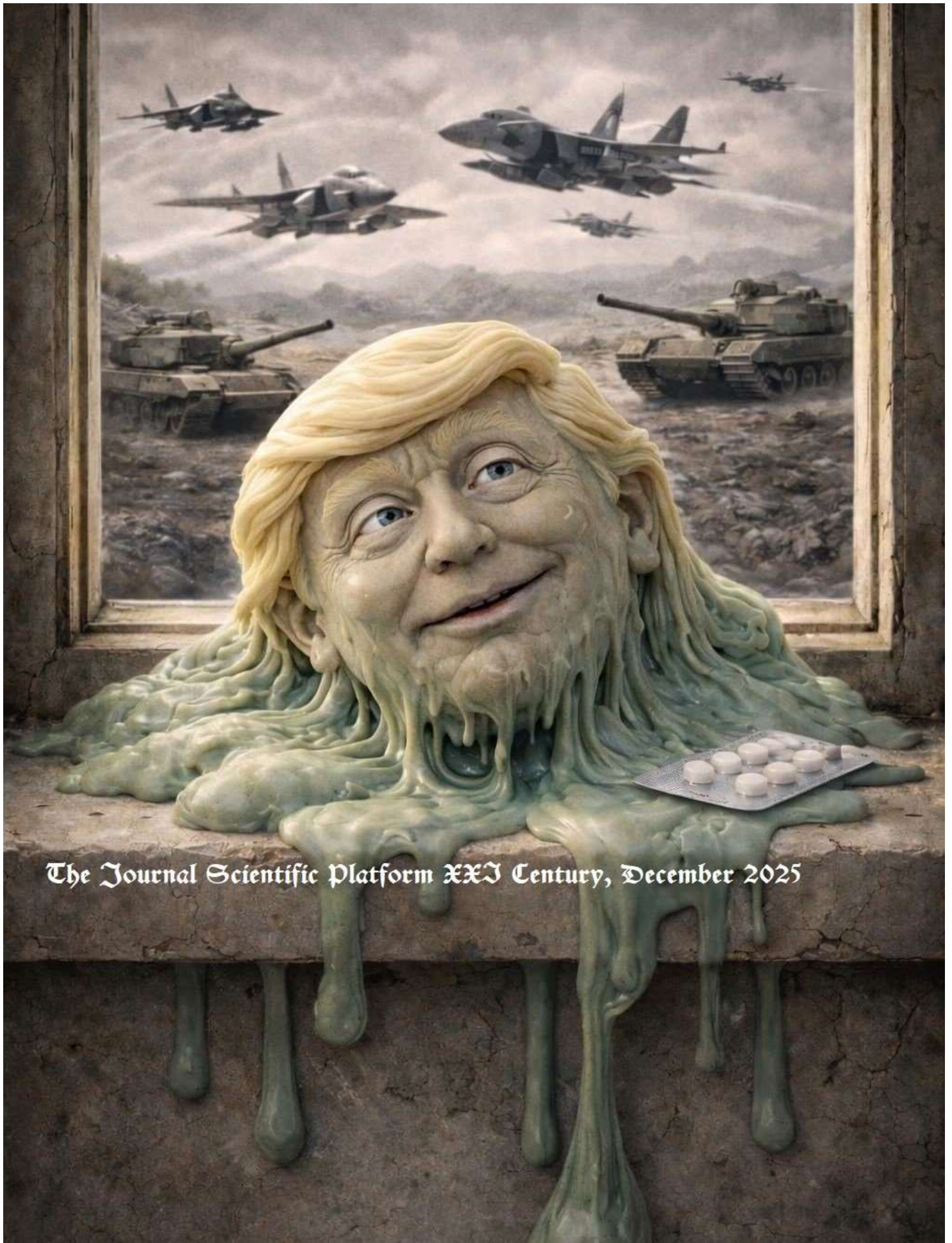
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