

materials and labor power. The new wage laborers draw their means of subsistence from the market in form of commodities. Prosperity is therefore dependent on the extent and pace with which new capital is invested profitably. The greater demand for commodities is not the expression of larger needs of the masses, but a consequence of the addition of new capital which, in order to make new profits, buys machinery, raw materials and means of subsistence. The higher the profits, the faster they will be capitalized, being the driving motor in economic life. It is an erroneous conception to believe overproduction arises thru underconsumption on the workers' part because the wages are too low. If profitability of capital is the prerequisite of production, than every increase in wages must be a contributory factor to the stagnation of production, and every decrease in wages must be looked upon as a means to stimulate business activity.

To understand "overproduction", it must be remembered that the flourishing of enterprises, the production that is growing from year to year, finds its cause in the realization of extracted and reinvested profits. In other words, the growing demand for commodities is nothing but the indication of new capital to be absorbed in profitable transactions. Consequently, accumulation of large stocks will result as soon as no more additional capital is available in the economic process. Commodities which were intended for the expansion of production will not be taken out of the market and will, in a very short time, cause an apparent "overproduction". Hence, overproduction is nothing but the interruption of the expansion process (of the accumulation). Looking at the situation superficially, it conveys a picture of unbalanced production and consumption. The equilibrium seems suddenly disrupted and production now exceeds consumption.

b) Production and Stocks.

Statistics of 60 important commodities well illustrate this sudden transformation to "overproduction". Looking at the year 1929, and taking 1923-25 as the index 100, we see that up to June 1929 a gradual but steady increase in production took place. The limit was reached with index 126. From this time on, production decreased slowly until in Sept. 1929 it stood at 121. Since this means only a decrease of about 4% within three months, and since such small fluctuations are not unusual, it seems reasonable to assume that production within those three months did not vary considerably. In the middle of October, when there was no indication yet of a disruption of the economic phase, the stock market crash occurred and the actual collapse of industry took place.

What caused this terrific crash and how could such a sudden end disrupt the prosperity period so unexpectedly? The explanation is to be found in the fact that from June 1929 on, practically no capital accumulation took place, and for this reason production could not be expanded. Commodities intended for the expansion of production could not be taken out of the market. Within three months, the situation presented itself as a tremendous "overproduction". It did not yet exist when the expansion of production stopped in June, which is illustrated by statistics on stocks. Newspapers remarked in this respect: "The strange phenomenon is that production does not recede when stocks are large, but only when they are low." This "strange phenomenon" is easily explained if we consider the economic life as a function of capital looking for investment, an "overproduction" being formed when no new capital for the expansion of production is available. A considerable part of the commodities - that part which was intended for the expansion of production - remains in the market and grows continuously. This, in turn, causes a situation which makes it impossible for capitalists to continue production under the old conditions. The accumulated stocks will have, finally, to be disposed of as the producers have, after all, to fulfill their financial obligations. Large quantities of commodities, however, which are to be sold at any price cause a general fall of prices. This fall of prices causes the collapse of the whole economic system, and "overproduction" appears in all industries because their total output was based on the "customary" expansion speculation. In this way, production will be restricted extensively, making millions of workers unemployed.

A resumé of the various conditions gives us the following picture: A continuous expansion of production takes place in prosperity periods by capitalizing the extracted profits. This is known as the accumulation process. Suddenly, accumulation stops while production remains almost at the same level, thus causing growing stocks of commodities which were formerly absorbed in the accumulation process. Unsold stocks threaten the financial position of enterprises and therefore commodities have to be sold at any cost. A fall in prices results, followed by a sharp competitive struggle which, in turn, restricts considerably the economic development. As a last resort, the opportunity of exporting is seized, only to be repelled by the capitalistic groups of those importing countries and counterbalanced, in their favor, by high walls of tariffs and restriction schemes. The longer a crisis continues, the more violent the struggle for new markets.

The general conception of a planless production until warehouses are filled to capacity lacks experimental proof, in our opinion. If we focus our attention to the measures taken by capitalists to overcome a crisis, we see that they attempt to do away with the difficulties by starting anew on a higher level of production. In other words, capitalists try to overcome a crisis by new methods of production which not only make possible a larger output, but which simultaneously reduce the cost of production. When dealing with "overproduction", we do not, in this respect, consider single industries that have produced too many commodities in their respective line. If, for instance, cotton has been partly substituted by artificial silk, and if, as a consequence, the production of cotton is not restricted, too much cotton will be available. A crisis will occur in this case thru disproportion; i.e., the production of a particular commodity has exceeded its limit in proportion to all other commodities. However, this situation cannot cause a general crisis since "overproduction" is limited to one particular commodity and the crisis can be overcome by balancing again supply and demand. But the general "overproduction" is rooted much deeper.

c) The Disruption of the Accumulation Process.

We know already that the disruption of the accumulation process leads to a crisis, but this fact does not explain the nature of stagnation. As illustrated by statistics of production and stocks, the latter ones were low when the expansion process was interrupted. Thus there existed no difficulty in disposing of the produced goods. We can explain this disruption process only thru the economic forces of the capitalistic system which no capitalist is capable of escaping. It is caused by the same "natural laws" as "overproduction". If and when in a crisis capitalists have found a new profit basis thru lower wages, rationalization, new methods of production, and devaluation of capital, a new economic development sets in. The demand for commodities increases, capital produces again sufficient profits, and at this period the accumulation process continues. A lively demand for new capital is the result of this upswing period. But the same laws that regulate the prices of commodities, i.e. supply and demand, also regulate the price of money and, after all, there are only limited resources of money available for expansion purposes. A struggle of the capitalists for additional capital to be used in the accumulation process sets in, and whoever is able to pay the rates of interest demanded by banks and financing concerns will profit most. However, a stage will be reached where the demand for capital is larger than

the supply; not enough money is finally at hand to satisfy the growing needs for loans. Enterprises that still desire to borrow additional capital for expansion of their productive apparatus will find, eventually, that money is so dear - on account of the large demand - (as well as credit-money also for the continuation of production in general) that the largest part of the profits made by the capitalists goes to the banks in form of interest. We know that profits are derived from the surplus labor time of the workers. A part of these profits goes to the consumption fund of the capitalists, and the less a capitalist is consuming, the more is added to that part which goes as additional capital to the expansion of the productive apparatus, for the continuation of the accumulation process. But, altho the workers are exploited to the limit, not enough surplus value, or profit, is produced to finance a continuous expansion. Production becomes unprofitable under these conditions; the lack of capital causes automatically the disruption of the accumulation process.

We have already dealt with the decreasing rate of profit of capital and the smaller mass of profit in relation to the growing total capital, economic factors that are leading to the collapse of the capitalistic system. (Notes on 'Productivity' in C.G.#4). We do not intend to discuss it here again, but only want to warn against forming an opinion based on data and statements of the press and superficial knowledge. On the surface, a crisis appears in the stock market and banking system as the result of lack of credit and need of capital. Taking this situation without closer analysis, one might arrive at the conclusion that we have to deal with a money-crisis and not with a production-crisis, and that a change in organization of the monetary system will do away with all difficulties. Planned accumulation of capital and proper distribution of credits is to prevent all crises. However, the determining factor in capitalist society is the competitive struggle of capital which will set time and degree of the expansion needs in the productive system, when credits and loans are needed. A planned supply of capital would therefore be identical with disregarding this struggle of capital and the dissolution of private property of the means of production in general. Planned supply of capital under private property relationship - as a theoretical abstract assumption - must result in a complete destruction of the technically weaker capital because these would be incapable of maintaining their profitability. For this very reason, it is an impossibility for the capitalist class to avoid crises thru planned production.

the betrayal of the Revolution are identical. But just the same, to explain Stalin's success, Trotsky has to take into consideration class movements within Russia; which should make it clear that the roots of Stalin's policy must be sought in pre-Stalin conditions - conditions which, however, meet with no criticism from Trotsky. Stalinism can be explained only by way of Bolshevism. If Leninism was the revolutionary stage of Bolshevism, Stalinism is its phase of consolidation. The one is unthinkable without the other. No real criticism of the results is possible without a criticism of the cause. A Marxist does not restrict his criticism of capitalism, for example, to the last phase of this society, but explains the latter by analyzing the cell-form of capital and the earliest beginnings of bourgeois society. An attack on Stalin without an attack on Bolshevism has no real value, and that is all that there is to Trotsky's book.

Trotsky writes: "Socialism has demonstrated its right to victory, not on the pages of Das Kapital, but in an industrial arena comprising a sixth part of the earth's surface - not in the language of the dialectics, but in the language of steel, cement and electricity". (3)-# This meaningless sentence, which will enable friends of Trotsky again to excuse the absence of intellect with the presence of a most brilliant style, essentially devaluates all criticism of Stalinism; for this "right" of "Socialism" has been far better demonstrated in the period of Stalin than before. Only with the latter could this "right" be demonstrated at all "in an industrial arena". Furthermore, Lenin did not think it possible for the present to demonstrate socialism's "right" in Russia, but only the "right" of state capitalism. When Trotsky later, under the cloak of innocent naivete, says that the "term 'state capitalism' has the advantage that nobody knows exactly what it means", (245), he only reveals the hope that his readers are unacquainted with Lenin's position on this question, a position which dominated the ideas of the Bolsheviks prior to Stalin's turn. The discussion as to the character of Russian economy is not new. At the eleventh party congress of the Bolsheviks, Lenin, in reply to those members who were afraid of the clearly capitalist turn in Russia, said, "State capitalism is that form of capitalism which we shall be in a position to restrict, to establish its limits; this capitalism is bound up with the state - that is, the workers, the most advanced part of the workers, the vanguard is we. And it is we on whom the nature of this state capitalism will depend." But as concerns the masses, this clarity on the part of the bolshevik leaders with re-

- All numbers indicate pages in Trotsky's book.

gard to the state-capitalist character of Russian economy also produced the need to camouflage this state capitalism as socialism, for, as Bucharin expressed it at a government conference toward the end of 1925: "If we confess that the enterprises taken over by the State are state-capitalist enterprises, if we say this openly, how can we conduct a campaign for a greater output? In factories which are not purely socialistic, the workers will not increase the productivity of their labor." It was not convenient to tell the workers that Russia is a state capitalist system. The international bourgeoisie, however, was not in need of enlightenment on the subject; it knows quite well that business can be done with Russia in spite of the absence of individual capitalists and the taking over of their "burden" by the state apparatus. In 1921, Lenin expressed the character of the Russian economy quite well when he said that "a series of transitional stages - state capitalism and socialism - was required in order to prepare the way for communism," for which purpose there was needed "the aid of personal interestedness, the aid of economic calculation, the building of a substantial bridge, which, in the land of the small peasants, leads through state capitalism to socialism," to which end "the proletarian state must become a provident, careful and skillful proprietor, the future wholesale dealer; in no other way can the land of the small peasants be raised to a high economic level."

Very often, for Lenin, state capitalism and socialism is even identical. In Towards the Seizure of Power, he writes: "Socialism is nothing but state capitalist monopoly made to benefit the whole people; by this token it ceases to be capitalist monopoly." This recognition by Lenin of the state capitalist character of Russian economy, does not hinder Trotsky even today from declaring that his analysis of the concept state capitalism "is sufficient to show how absurd the attempts are to identify capitalist state-ism with the soviet system." (24g)

Trotsky denies the state capitalist character of Russian economy by reducing the term state capitalism to a point where it loses all meaning. That is, he sees in the concept no more than was seen in it prior to the Russian revolution, or than is seen in it today with reference to the state capitalist tendencies in fascist countries. As it is clear that Russia represents something different from what the term state capitalism implies under fascism or in bourgeois society generally, Trotsky wins his argument because he has posed the question to suit his own convenience. A full-fledged state capitalist system is surely something

other than state capitalist tendencies, or state enterprises, or even state control in an otherwise bourgeois society. State capitalism as a social system presupposes the expropriation of the individual capitalists, that is, a revolution in property relations. While the capitalist mode of production historically grew up on the basis of individual property of the means of production, the Russian revolution has proven that under certain circumstances the capitalist mode of production can continue to exist even though the individuals proprietors are eliminated and replaced by a collective exploitation apparatus, in which no one is able to say that a particular means of production is his individual property. The Russian revolution changed property relations, but it did not change the mode of production. To deny the state capitalist character of Russia is to deny the establishment of new facts by historical development. Trotsky argues that because state capitalism in Russia is not what state capitalist tendencies are under capitalism, therefore it is not state capitalism. Marx did not foresee the possibility of a state capitalism in the Russian sense; no one foresaw such a system in all its meaning till it came about. Its existence means that tendencies have become a reality for a whole society, and it is necessary to recognize and analyse this new phenomenon created by the Russian revolution. There is no term which could express more clearly the economic order of Russia than the term state capitalism. The mode of production is capitalistic; that is to say that by means of wage labor there is an appropriation of surplus value, of profit. No longer directly the individual entrepreneurs, but by the state apparatus, which controls the means of production and distributes the surplus value according to the necessities of this system, that is, the necessities of accumulating as fast as possible and of safeguarding the apparatus by increasing its power and prestige. Only a change of the mode of production can bring about socialism; otherwise, so far as the workers are concerned, they will have only exchanged one set of exploiters for another. Under the conditions of state capitalism the process of accumulation, the building up of the productive forces by wage labor is bound up, as under capitalism, with an increased appropriation of surplus value, with more exploitation, and hence with the development of new classes, of new vested interests, in order to make this total process possible, since the working class cannot exploit itself. This necessity sufficiently explains the Russian development; no other "line", no other "policy" could have essentially changed this development. Trotsky would have been

Stalin, if he had not been lucky enough to be kicked out at an early date. By not recognizing the state capitalist character of Russia, by describing its economic set-up as something transitional to socialism, that is, as the beginning of socialism, Trotsky only indicates his own readiness to make, if possible, another state capitalist revolution, which can result in nothing else but a new Stalinism, a new betrayal of the Revolution. Fortunately, Bolshevism has no such future, and Trotskyism will have no chance to become Stalinism.

Trotsky describes the contradictions of the Russian economic situation in the following: "To the extent that, in contrast to a decaying capitalism, it develops the productive forces, it is preparing the economic basis of socialism. To the extent that, for the benefit of an upper stratum, it carries to more and more extreme expression bourgeois norms of distribution, it is preparing a capitalist restoration. This contrast between forms of property and norms of distribution cannot grow indefinitely. Either the bourgeois norms in one form or another spread to the means of production, or the norms of distribution must be brought into correspondence with the socialist property system." (244) So that what is needed today in Russia, according to Trotsky, is a revolutionary act which replaces the present parasitical bureaucracy with a non-parasitical bureaucracy. Nothing else, in his opinion, needs to be changed, as the economic system is quite able to proceed toward socialism in combination with the world-revolutionary trend. A new but better bureaucracy is needed to perform the social planning and regulate the social life, which, however, needs for its full realization a tremendous amount of exploitation, as Trotsky is convinced in view of the general backwardness of Russia. This new bureaucracy, absolutely necessary in Trotsky's transitional stage, will introduce a greater equality of income. But the present bureaucracy started out with the same idea, and in the beginning it limited its income and the degree of inequality. The conditions themselves, that is, the Russian economic system, not only enabled but also forced the present bureaucracy to greater and greater economic inequality in its own favor, in harmony with the need of a faster accumulation to secure the system as a whole. Where is the guarantee that Trotsky's new bureaucracy will be different from the present one? There is not such a guarantee as there is not such a possibility. The action of this or any other bureaucracy is conditioned by the economic system, which is one of exploitation and which Trotsky thinks adequate as a basis for further socialistic endeavours. Under the prevailing

mode of production, Russia cannot develop the productive forces higher than capitalism did, and because it cannot do so, its system of distribution can never exceed the norms of capitalist distribution. There is no such contradiction as the one pointed out above between forms of property and norms of distribution. This contradiction exists only in the mind of Trotsky, because he is unwilling to say openly that the Bolshevik revolution was only able to change the form of capitalism, but was not able to do away with the capitalist form of exploitation. To point to a contradiction between its socialist method of production and its bourgeois norm of distribution it must first be proven that Russian state capitalism is able to do more in regard to the development of the productive forces of mankind than capitalism has done. But Trotsky is unable to prove this, since so far Russia has not even reached the capitalist levels. The Russian method of production is in absolute harmony with its method of distribution and nothing else in the premises is possible. We suggest that Trotsky look up Marx's point of view on this question.

Agreeing with all of Trotsky's criticism directed at Stalinism, still it is impossible to agree with Trotsky's position. It is so contradictory that after reading his book, one almost feels sorry for the man. For he is unable to say what he really wants to say; his past lies in the way of his understanding of the present.

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Max Eastman, The End of Socialism in Russia.
Little Brown & Co. 75 cents.

Despite the fact that Eastman does not display more theoretical insight in his analysis of the Russian situation than Trotsky, nevertheless this small booklet is by far superior to Trotsky's larger volume. We don't think that Eastman can be considered a Marxist, even if he likes to describe himself as such. But his exposition of the Russian scene from a common sense point of view, tells the workers more about the "Fatherland" than Trotsky will ever be able to do. Eastman shares with the latter the attitude of distinguishing between Lenins' and Stalins' "Socialism", that is, he displays the same lack of interest in historical truth as Trotsky, which devaluates to a large extent his otherwise very useful pamphlet. As there never was socialism in Russia, it cannot have come to an end. If there was socialism, than nothing else but socialism can exist

there today. It seems to be impossible for all these bolshevist enthusiasts to confess their earlier ignorance in relation to the question of what the Revolution brought about in Russia. However, it is never too late, to speak out the truth. And this, Eastman has done, in relation to present-day Russia. He describes it properly as a system of state capitalism and opposes here not only Stalinism but Trotskyism as well. His pamphlet will be read with profit by all revolutionary workers.

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FROM TSAR TO LENIN

(A Film edited by Max Eastman)

Whether propaganda is mightier than history is no riddle to our political intelligentsia. Documentary material released by the Russian Government for the enlightenment of the capitalist world gives ample proof of the successful attempt to correct history for the glorification of the regime. This time we find the well-trained Stalinists pointing the accusing finger at Max Eastman for his latest release Tsar to Lenin, as a film marred by the obvious desire to change the meaning of events.

We greet every attempt to attack the "crude despotism" of the so-called "Workers Fatherland" but we also reject the "crude primitivism" of Eastman to explain the Russian Revolution, its economic forces and their relation to the uprising.

We have to confess that Eastman, as the editor of the news-reel shots, has done nothing of the masterful work accredited to him by the hailing critics. We admit that it is a lovely piece of idealism, but the facts of history have been neglected. Too many events have been overlooked in the ecstasy of creation, even if the accumulation of the material took over 10 years. Whether Trotsky-sympathizers look with awe upon their master shouting - All power to the Soviets - or Stalinists mumble "traitor", the torrent of flashes proves that their selection often is aimless.

Still haunted by the old man with the camera complex, the smiling condemned soldier giving up his shoes, we can't forget the Tsar's wistful ball-playing and his urge for nude-bathing. He must have been a sympathetic, democratic, little fellow. But where were the oppressed workers, the beaten farmers? Certainly the few shots of starving children and dirty workers were not the criterium of Tsarism.

And the interpretation, that it needs only the concentration of the leaders from various corners of the world, to make a successful revolution, to fulfill the destiny of a nation is quite naive. As for the American audience, after seeing the film, the Russian Revolution remains to them as nebulous as the many other manifestations we encounter along the road of truth.

P.E.

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John Strachey, The Theory and Practice of Socialism.
Random House. \$ 2.50

This book is an elaborated statement on what goes today for theory and practice in the Communist Party. Neither on the general question of socialism, nor in all the detailed questions, like religion, peace, war, nationalism, liberty, etc., will the reader find one original idea, or even an old idea expressed in a new way. Strachey understands neither capitalism nor communism. He sees only the party-line. A part of the book contains essays on the development of the working class movement, which, although partly interesting and readable, are of no real import. The last part of the book, The Science of Social Change, is the most meager of the whole work, overstuffed with quotations from Engels "Anti-Dühring", illustrating most clearly Strachey's theoretical incapacities.

His book directs itself to the "best men and women of every class in Britain and America", and is in line with the present "Peoples Front Ideology". Naturally it sees in Russia the practice of socialism and in Leninism-Stalinism its theory. It also directs itself against all attempts towards socialism, by denying the possibility as well as desirability of equality. Whoever wants to be assured that Russia and Bolshevism represents nothing but a new system of capitalist exploitation should read this book.

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READ:

LLENINISM OR MARXISM
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THE BOURGEOIS ROLE OF BOLSHEVISM 10 cents

What Communism Really Is

The Social Average Labor Tim. as the Basis of
Communist Production and Distribution. 10 cents
Order From: Council Correspondence, P.O. Box 5343,
Chicago, Ill.

The Recovery Problem in the United States

(\$ 4.00)

The Brookings Institution, Washington D.C.

This book is indispensable to the lay as well as professional student of contemporary economics. It is impossible at this place to do justice to all its contents or the tremendous and important factual material which it presents.

The book recognizes that "the present world recovery movement has been under way for approximately four years, but the degree of economic improvement has been far from sufficient to absorb unemployment and to restore former standards of living. This also holds for America, in which recovery has been appreciably less than that in many other countries." This limited improvement has been possible by an increase in profitability due to better exploitation methods, increase in productivity and the reorganization of capital on many lines of economic activity. Real recovery, as measured by previous periods of recovery after crises, has not as yet occurred. The downward trend of capital was stopped and turned into a new upswing, which, however, has been unable to surpass the production level of 1929. For a real boom, the 1929 level must be surpassed by far, but as yet nothing of the sort can reasonably be expected. The Brookings Institution describes the existing situation quite well in saying that it is "one of delicate adjustment and precarious balance. In a very real sense the world stands at the cross roads. We may move gradually forward along a broad front, achieving progressively higher levels of well-being; or we may suffer a reversal of current trends and enter upon a new period of recession, involving further deterioration of living standards and bringing a new era of disorganization the consequences of which no one can foresee."

The deepest point of world economy was reached in the middle of 1932. From that time on to the present the trend is upward. But four years of such favorable development have been unable to bring about a real prosperity. If the old business cycle were still in effect, a new crisis could be expected by 1938; but this crisis would set in at a lower point of production than that on which the boom of 1929 was broken. In other words the new crisis would establish the fact that capitalism was unable in the whole course of a complete business cycle to surpass the production level previously attained; it would justify the statement that capitalism is unable to overcome its stagnant character. The present depression would

have failed to fulfill its function, that is, to clear the way for further progressive advance of capitalist society. But if depression has changed, then so also has prosperity. If the former is unable to function in the well known ways, then also the latter will look different from previous periods which were called prosperous. "Prosperity" would then be nothing more than a breathing spell in an irresistible downward-trend of capital.

The upward trend of economic development experienced lately could only reach its insufficient level by a great increase of production from public funds and by the tremendous armament program. If, in spite of the fact that it was a period of general rationalization, the years from 1921 to 1928 were already relatively unsatisfactory in regard to profitability of capital, the expectations can not be great with reference to the profit needs for further progressive accumulation on the basis of the present character of the development of production.

The Recovery Problem presents the following picture: "On a full-time basis such as prevailed in 1929, more than 20 per cent of the nations' labor force remains unutilized in 1936; by the middle of 1936 we were still 25-30 per cent below the adjusted 1929 level in both manufacturing production and total output of goods and services." A very unfavorable situation, indicating the difficulties of capitalism in bending the economic reality to suit its need for profit. After two years of depression the productivity of the workers, which previously had increased after the crash of 1929, declined considerably, making the reestablishment of profitability still more difficult and indicating the impracticability of a decisive reduction in wages as a means of over-coming the crisis. What can be saved in that way may be wholly offset by a decrease in productivity, showing once more that only an accelerated accumulation is a real solution for capitalist difficulties. But this failed to come about, in spite of a rate of interest lower than ever before in capitalist history. The favorable circumstances for capital expansion were largely offset by many arising circumstances of an unfavorable character; as for instance, by an increase of socially unavoidable expenditures which ate from the already insufficient surplus value.

The Brookings Institution notes that the degree of recovery so far attained was rendered possible only by a further spread between the actual output of the workers and their actual income. More value

and surplus value was realized on a given capital, and this, in conjunction with the re-organization of capital during the crisis, and also with the governmental spending program, permitted the face-lifting of capital which we have now witnessed. In so far as "prosperity" was advanced by an increase in governmental spending, made possible by extending the credit facilities, it can be justified only in case it leads to a real prosperity which will cover the deficits to which this artificial method has given rise. So that the somewhat happy present situation is clouded by forebodings about the future. Still, the basic need remains, in the eyes of the Brookings Institution, "the absorption of the unemployed in the production of additional goods and services in the field of private industry." To raise the standard of living of the wage workers, as the Institution claims it desires, involves, in their opinion, "necessarily increasing the spread between wage rates and prices. An increasing spread between wage rates and prices depends fundamentally upon increasing the efficiency of production." Prices should be lowered so to allow more purchasing power to the workers and all other classes. But if prices are lowered so also the price for labor power, otherwise profits would be reduced. However, according to the Institution, "only inconsequential increases in wages can be achieved by trenching upon the profits." The Brookings Institution wants to say that prices should fall faster than the price of labor power, a thing which characterizes the upward trend of capitalism, but which also means that the productivity of the workers must increase more rapidly than their consumption. But such a process has led to the present capitalist dilemma, to repeat the process is equivalent to bringing about the same situation, which, however, the Brookings Institution is out to change, and the gap between production and consumption, which the Institution wants to be closed, will be widened.

To be sure, the Brookings proposals are quite in harmony with the needs of capitalism; any other sort of proposals is so much nonsense. That this is the only field of action for capital is recognized by the Marxist also. More profits, more surplus labor: that is the real need of capital. If that need is satisfied, capitalist society will be happy all around. For this reason and in spite of its class harmonizing philosophy, the Brookings Institution recognizes as favorable factors in the present situation; the low rate of interest, the reduction of private indebtedness, increasing efficiency of

production and fuller utilization of capacity, making possible higher wages and higher profits in relation to prices; a sound banking and monetary policy, expansion of foreign trade, and the accumulated deficiency of production as a stimulus to further expansion. For all these factors increase the profitability of capital. And it looks with sorrow on all the existing unfavorable factors, such as the difficulties involved in maintaining fiscal stability, the danger of price inflation, the present trend in the labor movement toward a more self-seeking activity, the ill-conceived industrial and social legislation, and also the unstable international situation.

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In the next issue of the Council Correspondence
REVIEWS on:

H. Levy, The Web of Thought and Action
A. Woodburn, An Outline of Finance
A. R. Williams, THE SOVIETS
Hill & Mudie, The Letters of Lenin.

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Rates: Yearly U.S.A. \$1.50. Canada and Foreign \$1.75.

CIVIL WAR IN CATALONIA

The recent upheaval in Catalonia as well as General Franco's purge have proven conclusively that the outcome of the war will not be decided on the battlefronts alone. Indeed, unless we follow the conflict brewing in the hinterland we lose sight of the whole meaning of the revolution.

The clash between the Generalidad and the Anarchists is a natural outgrowth of the politics of the "Peoples Front". On the one side we have a decentralized organization of politically conscious workers on the other a centralized state apparatus controlled by the Socialist and Communist Parties (P.S.U.C.) subordinated to the Moscow International. The logic of the Peoples Front politics dominated by Russian diplomacy makes the shooting and suppression of revolutionary workers inevitable.

The treacherous role of the Peoples Front was nowhere more obvious than in Catalonia, economically and politically the most progressive part of Spain. The rise of the generals has brought about a new chain of contradictions in the revolutionary process of republican Spain. These contradictions arose from the beginning of the upheaval in Catalonia where the anarchists were the most dominant political factor. We must not forget that it was the spontaneous rise of the anarchists that prevented the immediate victory of the Generals. The spontaneous counterattack of Catalonian workers consisted of taking over of factories, transportation and the telephone Station of Barcelona, and with it the setting up of Councils and Committees. Because of its organizational form so well fitted to the spontaneous mass-struggle methods of the workers it immediately found itself in the forefront of the counter offensive. Thus it came about that the anarchists politically opposed to the council idea, were in fact the activisers of the factory- and militia- councils. This brought them into sharp opposition to the P.S.U.C. which has, since the Russian intervention, and because of an increasing influx of the left-bourgeois elements, increased its influence in the Generalidad. The P.S.U.C. though still adhering to the soviet idea in its program on paper, advocates a bourgeois-democratic authoritarian policy. Caballero has only recently declared that the Spanish Communist Party is with the bourgeois-liberal parties of the Peoples Front government on the right of the Spanish Republic of which the Socialist Part is the Center.

Because of their anti-centralization, anti-state

doctrine the anarchists failed to give its committees the necessary methods of control, which the logic of its mass power demanded. The third political organization of the Catalonian workers, the P.O.U.M., though confirming to the central idea of political power for the masses, does not at all fit into the Spanish scene due to its Leninist character. There were two governments: the hundreds of de-centralized committees reigned from below and the State apparatus from above. A double reign which must give rise to dangerous conflicts. The anarchists remained aloof and failing to centralise the power of the masses sought to ameliorate this failure by entering the Generalidad. With this they succeeded in obscuring the contradictions between the committees and the central power but did not do away with them. The tension increased and gave rise to continual friction between organs of the state and the committees and thus resulting in repeated government crises. If the anarchists did not try to solve the conflict by insisting upon a council system with all the power at its disposal, then the Generalidad and also the Valencia government could set out to make an end to this rival power by insisting upon the disarming of the anarchist workers. The recent collision has brought the problem to the fore: either total control of centralised councils or a central government in the interest of bourgeois democracy. The struggle in Barcelona indicates that the anarchists at the same time went too far and also not far enough in their struggle within the framework of the Peoples Front policy.

About the Barcelona collision itself we will bring a few facts which the newspapers friendly to the "Peoples Front" preferred to overlook.

1) The hostilities were the spontaneous reaction of the anarchist masses to the decree of the Valencia Government which tried to subordinate the Catalan militia to the military general staff. Politically the government attacked the anarchists and not vice versa. To justify its decree, the government pointed to the stagnation of the offensive on the Aragon front, blaming the anarchists for this situation. The inactivity of the Catalan militia is due mostly to its inadequate military supply, especially artillery. Furthermore, even if the Catalonians have no great victories to point to, neither have they suffered any such catastrophic defeats as Toledo and Malaga. They have held the Aragon front.

2) The shooting began in Barcelona on May 3 when upon the orders of the Generalidad, the anarchists were

ordered to leave the Telephone Station which they have held from the beginning. The military attack also was initiated by the government and not by the anarchists. It is proven beyond doubt that the anarchists did not undertake a "putch".

3) The leadership of both the F.A.I. and the C.N.T. had no hand in the spontaneous resistance. For even on the first of the three day struggle they have used press and radio to urge their followers to make an end to the shooting and to enter negotiations with the socialist unions and the government. Hostilities ceased when the anarchists left the Telephone Building upon the condition that no reprisals were to be taken against them. The government waived police occupation.

The fight in Barcelona ended in a compromise; that is, on the surface everything remained as before. The opposition press is appearing again, though with blank spaces deleted by the censor. The funeral of the victims was turned into a mass demonstration. The arrested were all freed, with the exception of a few leftist radicals who were taken to the private jail of the Communist Party. The local committee of the P.O.U.M. declared openly in its La Batalla, May 12, "with armed hands have we answered the provocation of the Reformists". The change in the Generalidad, too, was a result of the compromise. The C.N.T. is, as before, represented in it. Only the P.O.U.M. was ousted from the Committee of Defense, but is not curbed in its political activity.

Meanwhile the Valencia Government had used the conflict to solidify its own position by decreeing the militarization of the Catalan militia, by the disarming of the civilians and the councils, using 5000 civil guards from Valencia for the task. It has also appointed two executives to take over both civil and military power. General Pozas for the army and Colonel Escobar of the national guard as police chief. The disarming, however, pertains only to the civilian population. The militia of the C.N.T. and the P.O.U.M. are closed politically unified bodies which cannot be touched without provoking a new slaughter and endangering the Aragon front.

The attack against Catalonian Anarchism was instituted against the will of Caballero who resisted it sharply. In his paper "Adelante" of May 11 appeared an article condemning the control of the Comintern over the Spanish Communist Party and taking a stand against the sudden request to oust the Anarchists from the Valencia Government. The article ends with

the following: "A government composed mainly of working class representatives cannot resort to methods that are reserved for reactionary and fascist states...Under no circumstance will we tolerate any attacks upon legally functioning organizations."

It is clear that the offensive against the anarchists was Moscow inspired and that the methods, as Caballero organ states, were reactionary and fascist. It is further clear that the doing away with the Caballero Cabinet was due to his stand against it. With the C.N.T., the Socialist Trade Unions and the left wing of the Socialist Party from the new Cabinet the situation assumes far reaching political significance.

Is Moscow striving for a "moderate regime" to facilitate a compromise with the Insurgents? Is Russia's foreign policy paving the way for British and French intervention? Whatever its aims the question facing the Peoples Front is: who is ruling the Republic of Spain?

The occurrences in Catalonia have shown the danger of these political developments. The Generalidad has sought an understanding with the anarchists without which no solution is possible. Should the Central Government attempt the insane adventure of subjection it will face not only the workers but all Catalonia which has repeatedly risen against Castillian dictatorships.

Police action will not solve the problem. The inner contradictions of the Spanish Peoples Front continue unabated, Franco of course will not be put down by the Governments crusades against the anarchists or by its forceful methods of conquest in Catalonia.

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SEVEN WORKERS HAVE BEEN KILLED

by Chicago police on behalf of Republic Steel. More than seventy are in hospitals, some of them in very critical condition. Many are under police guard to go to jail as soon as the doctors permit it. The police murdered those workers because Republican Steel was selected as the testing ground as to how far the power of the C.I.O. goes. How far will it go? What is this organization doing to stop further massacres of workers? Why doesn't it call all its organized members out of all plants in all America? SEVEN WORKERS HAVE BEEN KILLED! This should be reason enough to shake the whole world, it does not shake the leaders of the C.I.O. They are going to do NOTHING!

INTERNATIONAL COUNCIL CORRESPONDENCE

For Theory and Discussion

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