

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 Caballeros 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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The period of progressive capitalist development is historically closed. The decline period of capital, a permanent condition of crisis, compels to ever greater convulsions of economy, to new imperialistic and military conflicts, to ever increasing unemployment and to general and absolute impoverishment of the workers. Thus is given the objective situation for the communist revolution in the capitalist countries. For the working class, there is only the revolutionary way out, which leads to the communist society. No one can deprive the workers of this task, which must be carried out by the class itself.

The publishers of Council Correspondence see in the acting self-initiative of the workers and in the growth of their self-consciousness the essential advance of the labor movement. We therefore combat the leadership policy of the old labor movement, and call upon the workers to take their fate in their own hands, to set aside the capitalist mode of production and themselves to administer and direct production and distribution in accordance with social rules having universal validity. As a fighting slogan and statement of goal we propose:

All power to the workers' councils! The means of production in the hands of the Workers!

MUCH ADO ABOUT NOTHING

The Future of the C.I.O.

Trade union activity increases with every decisive business upturn. Improving economic situations enable the workers to make demands on the employers, since strikes are more feared when profits are rising. Workers are encouraged by the greater demand for their labor, they are less frightened by the prospect of unemployment. To a large degree, strike and union activity is determined by the ups and downs of the market. Rising prices and increasing profits are the direct incentives. Within the unions the willingness to wage strikes and to organize workers becomes more pronounced. The unions fare badly under crisis conditions. They lose in members, influence and money. As soon as business takes a turn for the better, attempts are made to recoup the losses. Strikes become possible again as the income of the union increases with that of their members. Neglected and new industries try to get organized. The whole of labor activity becomes more intense.

During the depression years the American trade unions suffered tremendous losses in members, influence and income. It wasn't easy to organize strikes against the declining wage scales. It was difficult to make and keep agreements with the capitalists. But at a very low point in the decline of the American Federation of Labor, the policy of the newly elected Roosevelt administration brought a change for the better.

The weakness of the American trade union movement was regarded as one reason, among many others, for the extreme sharpness of the competitive struggle during the depression. In the great industrial enterprises high overhead costs and the large number of workers precluded a sufficient flexibility for adaptation to the new conditions. But such a flexibility was possible for the smaller enterprises, increasing their competitive power against Big Capital. To stop the fatal decline of prices, bound up with this ruthless competition, and to permit a number of bankruptcies, so as to bring about a general cleansing and stop further decay, the "Codes of Fair Competition", the NRA and its section 7 A were adopted by the government. Just as trade unionism had been fostered by many entrepreneurs in the beginnings of American capitalism in order to decrease competition, so now once more the government used the weapon of "equality" in exploitation to eliminate a certain amount of competition. This "equality" is inequality for different capitalists in different conditions, with different resources and different sizes of capital. A working day of limited hours, a certain minimum wage to which all capitalists should adhere, signified an advantage for the bigger capitalists and ruined many of the smaller ones, unable to continue the sweating, which had been rendered possible by the depression. The struggle against competition was only a shifting of competitive power in favor of the big industrial enterprises. The smaller capitalists developed a hitherto unknown persecution complex, the NRA-madness, and many of them entered asylums for the insane.

This political move in order to gain certain economic results was only one of the causes - and a comparatively insignificant one - which brought about the turn for the better. Without taking up the other and more important factors which changed the economic scene, we shall merely recall that as soon as the big capitalists felt more optimistic they found those laws no longer favorable but troublesome, and saw in them a source of future trouble. Such laws might give workers the idea that the government was operating in their interest. Now that the emergency had passed Big Business was again of the opinion, that the problem of labor relations could be left entirely to themselves. Furthermore, there was dislike for the heavy costs involved in the new government control activities, since they might take on proportions which would impair the newly won profitability.

The government drive for a better organization of society was not only with a view to the immediate necessities but also to those of the future. The

socially atomized capitalists can only deal with immediate questions. The government, in finding that the world depression had hit America the hardest, and that it took this country longer than others to overcome it, was trying to insure society against some of the most dangerous aspects of future crises. A series of social changes and social laws supposed to be more in harmony with the requirements of present-day capitalism were considered and undertaken. Policies, many of which had been in vogue for more than 50 years in some European countries were to be transplanted to America. And this not as a matter of social welfare, as propaganda tries to make it appear, but as a matter of economy. Only a land which in comparison with others was relatively rich could do without important social legislation for the maintenance of social peace. The absence of social security necessitates social security laws. The organization of society becomes the more necessary the more chaotic it becomes.

The question of labor relations is only a part of the total program, brought about by force of circumstances, which was launched by the government in its attempt at a better regulation of social misery. In trying to safeguard capitalism as such, any government, under prevailing conditions, can not avoid interfering with the needs of some capitalists and fostering the interests of others. It will be loved and hated by the capitalists. It will appear to be in the process of merging with capitalism into one indistinguishable unity, and also to be at war with capitalism to the bitter end. And many people are fooled by appearances. Furthermore, capitalism is not yet identical with Big Capital. No government can yet exist which would confine its attention to the most immediate interests of the big monopolies. The other capitalist groups, medium and little, can not be entirely ignored. If this were possible, the present form of privat-property capitalism would burst asunder. The government can only favor the most influential groups, and cannot avoid coming frequently into conflict with them. The masters of society have often been forced to help or to hinder their servants in the government. Modern politics becomes still more mystified and colorful, and the statesmen very noisy, not because there is an abundance of capable men, but because the conditions of capitalism cause them to jump around like frogs in the moonlight. The governments are forced to increase their independence, notwithstanding the fact that their dependence on Big Capital is ever growing. A government will naturally employ all political means to impose its will, if necessary also upon the big shots. Some capitalists are in a position to recognize this situation and its consequences, others are not. These differences make for life in a democracy.

The control of labor is one of the most powerful weapons in society. "In my father's day", Rockefeller Jr. once said, "the man with money controlled industry; in my son's day the man who controls labor will control industry". If the government participates directly in the control of labor, it has therewith a powerful weapon with which to enforce its universal capitalist will against the many atomized capitalist wills. If the government is no more than a mere police force, capital will order it around without restraint, bringing more and more in question the existence of society. Coordination is possible only by disregarding more or less individual capitalist interests in favor of the interests of capitalism. Greater coordination becomes more and more necessary.

As we are still living in a democracy the question of labor relations, and hence the question of labor organizations, has to be settled against oppositions. In the struggle for the one or the other attitude, socially to be adopted, luck changes for the different groups interested in the problem, with the change of situations. The labor question often looks like a cross-word puzzle. Illusions and disillusionment cause eyes to shine or remove from them the shine. Much ado is made about really nothing, and yet too many people are directly interested in nothing and heads are crushed, blood runs and an excitement created which makes society look like a zoo after an earthquake, though the whole show is not worth a nickel.

The traditional instruments with which to assure friendly labor relations are the unions, which also are instruments for the control of workers. Sometimes the unions can not help interfering with the interests, not of capitalism, but of one or the other capitalist group or entrepreneur. The Administration's depression policy and its attempts to gain more control over society, created a situation in which the government was favoring extensive unionization of the workers. The enterprising labor leaders had their day. To recoup the losses sustained during the depression seemed to be quite easy. For the labor union is subject to the same economic laws as every other business; either it grows or it goes to the dogs. To grow with the help of the government was an ideal condition for the union and created the enthusiasm by which the otherwise dull life of trade unionism has been peeped up of late. But there is a difference between the unions and the governments desire for unionization. Expansion in order to gain in importance is an eternal desire of the labor unions, while for the government it is only a policy, which

might, under changing conditions, be replaced by the directly opposite one. Consistency has never been given to governments. But so far the unions have been lucky, the government has not as yet changed its labor policy in relation to organization. It shares a point of view set forth in the Twentieth Century Funds "Labor and the Government", and which also represents the spirit in which the Wagner Labor Relations Act was created. There it is said: "The solution of the problem of reducing to a minimum strikes and lockouts ... lies not in the direction of rendering the parties to an industrial dispute impotent to take direct action... Collective bargaining which culminates in trade agreements between employers and responsible, disciplined labor organizations seems to be the most feasible method (for) bringing about mutually satisfactory and peaceful industrial relations".

Labor unions were fostered by the government to maintain, not to disturb industrial peace. As long as fascism is not the governmental system, labor unions are the best instruments to avoid and to minimize industrial strife. In England, without "Roosevelt-Communism", the same philosophy prevails. Speaking of the attempts recently made in England to unionize the sweated industries, the Economist of May 22, 1937, states:

"On the whole, this pressure (for unionization of neglected and new industries) is to be welcomed, for its results in raising the standard of living usually outweigh the disturbance it creates. Collective bargaining is accepted in this country, and many of the most progressive industries welcome it as a factor making for order and stability".

In the United States many economists, and also a considerable part of the capitalists are not at all afraid of the present strikes and organizational campaigns. Otto S. Beyer, member of the National Mediation Board, in an address delivered in behalf of the Stevens Institute of Technology, recently expressed this attitude quite well in saying: "Despite all the dust and noise and heat in the form of stoppages, strikes and the like, one of the biggest constructive jobs in labor relations is under way in this country right now... When the national policy expressed in such recent laws as the National Labor Relations Act, the anti-injunction act, the Social Security Act and the Railway Labor Act are commonly accepted and understood, and both employers and labor join hands in capitalizing the good inherent in those acts, then American industry will be

more efficiently run, will afford a happier working ground. Now that the National Labor Relations Act has been passed and declared constitutional, those in charge of Industry should make it clear that they would throw no obstacle in the way of an employe's right to join a labor organization". (New York Times, 7/19/37)

Not all capitalists, and not at all times are capitalists opposed to unionism. If conditions enable unions to serve the interests of capital, the latter will support the former. There is no need on the part of capital to bother with the setting up of unions, just as they don't have to bother about how the workers are going to make their living. The workers have to do their own worrying and they also have to build their unions. And just as the worries of labor, so also its unions serve the needs of capital; but not at all times and not under all conditions. General statements on the relations between unions and capital are never in order; the position of capital on this questions varies, even if it is often for rather long periods quite stable. It is necessary to investigate this relationship over and over again under changing conditions. There is no permanent harmony and no permanent opposition between unions and capital.

There is also no unified opinion among the capitalists on the union question. Today capital in the United States is split on this question. But all capitalist interests are united in the desire to keep industrial peace, that is, to prevent workers from demanding what seems to be unbearable or too much for capital to stand. "Overhead and other fixed costs", said Professor Witte in a speech on the present labor situation before the Office Management Association of Chicago on May 18, 1937, "are such a large item in the total cost of production, that capital can not afford interruptions any more. Interruptions are far more costly than in a day when much less capital was recognized in industry".

To prevent strikes, some capitalists suggest legislative action, prohibiting especially sitdown strikes and mass picketing. Much is also expected from legislation for the compulsory incorporation of unions. Great national employers' organization are propagandizing for such a program. But other capitalists are sceptical, as legislation has never really solved such problems or really done away with strikes. The state of Michigan drafted recently a new labor law, in which section 19 dealing with strikes and picketing declares as illegal and punishable:

"patrolling or attendance by any persons, whether on behalf of a labor organization or otherwise, at or near a place of business or

employment affected by a labor dispute, or the residence of any person employed therein or other place where such person may be, in such manner or numbers as to (1) obstruct or otherwise interfere with approach thereto or egress therefrom, or (2) to interfere with the free and unimpeded use of a public highway". Governor Murphy vetoed the bill, July 30, an hour before it would have become law automatically. He explained that the provisions of the bill were open to misinterpretations, and in a message to a joint session of the house and senate he pleaded for revision of the labor bill to liberalize its provisions restricting the right to picket. Murphy is not less capitalistically minded than the sponsors of the bill, but capital is not at present united on the question of how to deal with the workers.

Many capitalist enterprises try to counteract the unionization of their plants by the artificial setting up of so-called "independent", that is, company unions. But other capitalists see no remedy in such a move or find it impossible to proceed in this way. Attempts at real unionization will not be stopped by company unions; strikes also will not be prevented, but will take place in spite of the company unions.

At the present time refusal to sign written agreements with the verbally recognized union is another tactic with which to hinder unionization or make its maintenance difficult. As verbal agreements can be broken any day, and as the master-of-the-house position of capital is here preserved, the value of the unions to the workers becomes rather vague, and the enthusiasm for unionization is restrained.

Some capitalists also think it wise to play the A.F. of L. and the C.I.O. off against each other, which is not difficult in view of the sharp competitive struggle in which these organizations are engaged. Others hope for the destructions of both; but if this hope is fulfilled, other organizations, more radical than the present ones, may arise, and strikes may take place also through a total absence of organization. The competitive struggle between the two organizations might also be bad for the company which promotes it, as it might bring about disturbances worse than would the recognition of the unions.

The more enlightened bourgeoisie prefers the present organizations and wishes rather to control than to oppose or destroy them. "By certain policies", Professor Witte says wisely, "capital can determine the type of labor organization which it will have, it

can guide the organization in one direction or the other". "Give the unions a trial", he asks the employers, and he assures them that the present hubbub, especially concerning the C.I.O., is really quite uncalled for. "In the history of labor", he explained,

"recognition has developed responsibility. Practically every labor leader that we now call conservative, started out as a radical. For instance, the railroad brotherhoods were regarded as extremely radical organizations. Today they are regarded as a most conservative group of labor organizations. But do not expect the union people to change all of a sudden ... Conservatism on the part of labor will come with recognition and responsibility. Already the principal executives in the C.I.O. movement have come to realize that the sit-down is completely destructive to union discipline, that the unions lose control of their own members if they have many sit-downs. These labor leaders are worried, just as much as management, about the sit-down strikes, and that is the main reason why sit-downs are getting less frequent". And in conclusion this enlightened professor repeated that the recognition of the unions is to be considered if an evil, at least as a lesser evil, for: "Let the labor organizations be destroyed, and you will have governmental regulation of labor conditions to a much greater extent than now. I have noticed that in the most completely non-union cities, labor is much more radical politically".

But capitalists are not likely to listen to professors; rather the contrary. The speeches are really no more than Club affairs. And then business traditions are just as forceful as ideological traditions. The "rugged individualists" don't go modern of their own free will. Just as they buy the old Masters and let the surrealists starve, so they also prefer their pinkertons to the social worker, or the union agent. And, what is more important, all those nice lectures dealing with labor relations, approach the problem from the "long run" point of view. But what ails capital as well as labor is of today and tomorrow. Today to many a capitalist unionization may be almost unbearable, even if he accepts it in theory. The unionization process can not be held up until such time as the capitalists are ripe for it. Whatever labor relations exist is not determined by theory but by struggle and practical politics. The organization of society as well as labor relations are violently established in the struggle of all against all. Agreements arrived at are only recognitions of temporary defeats by one or the other adversary, calling for nothing but new battles.

The actions of any class are also determined by struggles within the class. Each class is only basically opposed to other classes in a socio-historical sense. There is in reality an ever-changing overlapping of interests from one class into the other. Groups struggle within the classes, and struggles of individuals take place within the groups. Capitalist actions often turn out for the good of the workers, workers action might help capital. Not only is disunity among the workers consciously developed by capitalist politics, much more is this disunity based on the economic conditions of the workers. The position of the class permits of all shades and forms of labor organizations.

The decline of the A.F. of L. has brought about opposition within its membership as well as among a part of the leaders. Readiness for action on the part of the unorganized, desire to overcome the apathy of the A.F. of L., ambitions of labor leaders, and the general condition of society, together with the governmental attitude, brought about a revival of the long advocated idea of industrial unions. The C.I.O. was organized for the unionization of mass production industries. Interests bound up with craft unions opposed the C.I.O. movement within the A.F. of L., and later led to a split. The competition between A.F. of L. and the C.I.O., in which craft lines were to a large extent disregarded even by the former, resulted in a tremendous increase of organized workers. The A.F. of L. claims to have 3,500,000 members today, the C.I.O. reports 2,500,000. No doubt both statements are exaggerated, but the rapid growth of the two organizations can not be denied. It is true that many of the newly organized will drop out again, that they were often admitted without initiation fee and without paying dues. But once again unions have actually worked towards a greater mass basis.

So far as conservatism is concerned the A.F. of L. and the C.I.O. don't differ in the least. There are more radical elements in the rank and file of the C.I.O. than in the A.F. of L., but as far as leadership is concerned one organization is just as corrupt as the other. The bureaucratic control in the C.I.O. is more ruthless than in the A.F. of L. The C.I.O. is obviously also more willing than the A.F. of L. to employ political measures in gaining its end. As regards control over the organization by its leaders, the C.I.O. might well serve as an example for fascist principles of organization. No provision is made for self-expression on the part of the members. A handful of people controls the whole apparatus without reserve. But the workers are not as yet very much interested in this characteristic of the new organization. Unadmitted they are still quite

willing to let others think for them; they actually want a leadership with great power of control and with large influence in society, to make better deals for them. Not the one who is molested by the police, but the one who is a guest at the White House, appears to be more able to do something for the workers. After all, the whole union question is one of bargaining for a better price on the market. The more capitalistic leaders are the best for that purpose. Leaders are not supposed to be enemies of the capitalists, but a good match for them. Lewis, in spite of his history, appears also to the thinking workers within the unions as the best man to get good results. The American workers in their large majority are not as yet opposed to capitalism; they might fight a struggle of life and death with individual capitalistic concerns, but it is to them a struggle against brutal, or stubborn elements of the employing class, while capitalism itself is not hated and not recognized as an enemy. The enthusiasm for unionization is an indication that the American working class is far removed from any real class consciousness.

The organization drive helped to increase the wave of strikes recently taken place. The extent of the strike wave, however, is much exaggerated. The number of strikes occurring at the present time was not only exceeded in every year during the period from 1919 to 1922, but also in 1933 and 1934. Although wage rates in many industries are either back to or nearing the 1929 level, with reduced hours, the workers' earnings are below that level. Total labor income, according to the Survey of Current Business of the Bureau of Foreign and Domestic Commerce, was 19% lower in 1936 than in 1929. This situation has not yet changed. The productivity of the workers was raised to a large extent. The workers were ready to react to this situation, but rather with a view to a permanent betterment of their position than for direct and immediate results. Traditionally unions are looked upon as instruments for securing gains in wages and labor conditions. Here, however, strikes were often conducted with no other goal than the recognition of unions, for closed shops, without regard to wages. The strikes were largely strikes for organization; for instance, the automobile strike and the steel strike. In both strikes the workers gained practically nothing and in the steel strike the C.I.O. was the loser. The strike was waged against the so-called independent companies, involving up to 75,000 workers. The great steel corporations had recognized the unions. But the independents were selected to test the real strength of the C.I.O. The outcome of the struggle will largely determine future agreements with the C.I.O. by the big corporations. also.

At the present time capital is trying to change certain governmental policies. It is not pleased with the taxation program. The National Debt darkens the prospects for profits in the near future. Reduction of the costs of government is one of the proposed means of making life easier for capital. To stop the "spending program" as soon as possible, more pressure must be applied to the Administration for a change of policy. The struggle against the C.I.O. was at the same time a fight against the government, by which the C.I.O. was nourished. Public opinion in turning against the C.I.O., as a result of skillful work on the part of the capitalistic propaganda apparatus, turned also against certain phases of governmental policy.

The brutal attacks on strikers in Chicago and elsewhere were intended to change the "public attitude" towards the C.I.O. and the Government. Labor questions became a nuisance. A desire was created to end the whole mess as soon as possible; to put Labor back where it belongs and have peace again. Skillful propaganda actually had the effect that "public sentiment" shifted the guilt from the murderers to the murdered. After the Chicago slaughter it became obvious that the great public was against the C.I.O., and the latter recognized this situation by backing out of the attempt at organizing the steelworkers by way of strike. The government, under pressure from many sides, could not come to the support of the C.I.O. as its leaders had hoped. The defeat in the steel strike brought a set-back to the C.I.O. Many people see in this failure already the beginning of the end of industrial unionism. Others think that now the C.I.O. will eventually find its way back into the A.F. of L. Still others hope for coming bigger and better battles which will bring triumph to John L. Lewis.

From the point of view of the interests of the workers as a class, the C.I.O. is of no great importance. And so its successes or its failures are no occasion for any great excitement. The C.I.O. is no class struggle organization. It fights for itself, not for the class. The workers are only functioning as instruments to safeguard the incomes of a set of bureaucrats. Even in the beginnings of the C.I.O. the few attempts on the part of the striking workers to have a say in their actions, were strongly opposed by the leaders, who made it clear that the members have to follow orders. The union is not an instrument of the workers, but the latter are the instrument of the union. The ruling body of the United Automobile Workers, for example, voted in June 1937 to call upon local unions to discipline all members for unauthorized stoppage of work, by fine or suspension or both.

There can be no possible doubt that in the C.I.O. the workers are creating an instrument which will eventually prove detrimental to their own interests. The time has passed when trade unionism, even on an industrial scale, could be looked upon as progressive. Rotten as the present C.I.O. leaders no doubt are; but even if they were as the workers wish them to be their performance would necessarily be reactionary.

Not much over 10% of the American workers are unionized. It is not possible that this proportion should increase very considerably. In England also unionization could never exceed 10% of the total number of workers. The value of labor power is determined at any given time by its cost of production and reproduction, though market fluctuation allow of modifications of this law. At times some workers are paid above their value and others below their value. But for society as a whole, the total price of labor is equal to its total value. Unions are job trusts, and like any other monopoly they are often able to keep the wages of their members above the value of labor power. But as any extra profit realized by monopolies is counterbalanced by the losses of other capitalists subject to the laws of the market, so all "extra"-wages above the value-wage are compensated by the underpaying of other workers. Unions can operate as a guarantee for better than general wages only in case they maintain their minority position. A reduction of capitalist surplus value, in order to maintain high wages for unionists is not possible, and if it were possible it would be selfdefeating, for only in a progressive capitalism can monopolies be built up. A capitalism unable to accumulate sufficiently is a capitalism on the decline, in which the unions also necessarily decline. But if high wages of some workers require low wages for others, no class front against capital can be established. If the basic interests of the workers differ, all their conceptions will differ too. The better paid worker, regardless of his greater insight into social problems, will nevertheless be a rather reactionary worker. The problems of union power, closed shops, etc., always benefit only a minority, become problems of reaction. What appears to be in favor of the workers is in reality an obstacle. In the struggles of the class to better its class position, or to abolish itself as a class. Trade unionism, regardless of its philosophy, is bound up with the maintenance of capitalism. The success of the unions is a defeat for the class. Unions are objectively reactionary at a time which precludes further capitalist progress. Union activity is then reduced to bribery.

The future of the C.I.O. as well as that of the A.F. of L. has only two possibilities. If the organization remains a minority, it serves the interest of capital by opposing in its own interest the interests of the class and hindering the development of a class front. If it becomes a mass organization, then it loses the possibility of securing for its members better conditions. The former is possible only in case capitalism is willing to grant concessions to minorities to exploit the majority more; the second position can be realized only in a fascist system, where organization is compulsory. But then trade unionism has ceased to function according to its name, then it is nothing but a political instrument to control the actions of the workers in industry, as is the case in Germany and Russia.

We are unable to appreciate the present enthusiasm for the C.I.O. But we are nevertheless interested in strikes, we support them as much as possible. Within those strikes all must be done to develop self-initiative and self-action on the part of the workers. But since we know that the C.I.O. will not be able or willing to wage such strikes in such a way that the workers will learn to master their own destinies, we will oppose in all strikes both capital as well as capitalistic labor organization, of which the C.I.O. is one. More about this organization in future issues of the C.C.

As to our own activity in this field, we shall return to the matter in a later issue of the C.C.

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STRIKERS and LEADERS

The Economist of May 22, 1937, reports: "After nearly two months the strike of 1,500 engineers employed at Messrs. Beardmore's Parkhead Forge has come to an end, at least temporarily. The men who were working on armaments came out on strike on March 27th because of their employers' refusal to pay an extra penny per hour.... The National Executive of the Amalgamated Engineering Union disapproved of the men's action and sought to persuade them to return to work pending further discussions. The strikers, however, demanded direct negotiation, and were supported by the Glasgow District Committee and a large body of Clyde-side engineers. The National Executive at length recognized the strike, after a decisive ballot of the Parkhead men in favor of the action they had taken, and the way was opened for ending the deadlock."

C O N T R O L of M A R K E T S
and
W O R L D C A P I T A L I S M

Capitalism of today is essentially world capitalism. Economic problems and interests of nations are so closely interrelated that difficulties arising within one nation affect simultaneously the rest of the capitalist world in one way or another. Time and again attempts have been made to settle these difficulties peacefully by way of cooperation but, as a rule, success is only of limited duration or accomplished at the expense of another nation.

The development of a country follows a certain pattern; it is not modeled after the will and plans of men but is determined by the forces of the prevailing system of production. The specific economic conditions in certain countries, the degree of industrial development, the advance of technic, the standard of living, the control of the political set-up, natural influences like weather conditions, good and poor crops; all these, and many more factors beyond the human will, play a role and make all good-will assurances of cooperation at the end ineffective.

The productive system sets specific demands upon capital. When profits were not large enough anymore to satisfy the needs of accumulation at home, industrialists resorted to the exportation of capital and commodities to undeveloped countries. This was, at the beginning, a very successful move since it enabled capitalists to exploit native laborers, much more than the workers in capitalistically developed countries, thus realizing higher profits. Furthermore, the acquisition of raw materials and foodstuffs reduced in their home countries production cost of commodities and reproduction cost of the workers, relative to their increased productivity. Expansion which, on the one hand, proved to be a necessity for progressive capitalism, was, on the other hand, also a very lucrative adventure. Since opportunities for expansion were limited competition became international. Furthermore, formerly backward countries were being developed by foreign nations and the bourgeoisie of these countries started to build up its own national industry, thus increasing the list of competitors.

Competition within crisis conditions called for trade agreements, tariffs, quotas, restriction schemes, attempts at stabilization of currencies, economic investigation committees, and endless international conferences to bring economic appeasement to the world. Since there are comparatively few undeveloped countries on the world map left to be parceled out for capitalistic exploitation, and since a great many nations are prospective candidates, it becomes extremely difficult to increase the field of profitable capital investment. And it most certainly cannot be achieved in a peaceful way. Capitalists today, that is those belonging to the "have" nations, in the first respect center their efforts around defense of once acquired fields of investment. Those, however, that do not "have", struggle very hard to change their future status. Preparedness is the demand of the present, rearmament on a gigantic scale the result and independence, so far as raw materials and foodstuffs are concerned, the aim.

Financial, political and social difficulties gave rise to conscious control schemes. On account of the wide consequences government intervention was required in most cases. A great many attempts were made towards equalizing supply and demand to stabilize the price of a certain commodity at a profitable level, or restricting the actual output of commodities. Regulation of prices is usually a difficult and costly project and accompanied by a huge waste of material, as we shall see later. Restriction schemes, on the other hand, very often not only remain intact when recovery sets in, but they are utilized for monopolistic exploitation. International cooperation is a prerequisite for the smooth functioning of these schemes, and that this is not always easy to attain may be gathered from the examples given below. Other control schemes aim at independence or self-sufficiency. They, as a rule, necessitate high protective tariffs and quotas to develop the home industries raising, of course, the commodity prices greatly.

The last war changed the economic situation considerably, and conscious control appeared much more desirable. Production, due to certain conditions, diminished in one industry and was stimulated in another; some pre-war markets were closed to certain countries, or under the protection of competing nations. Others lost their colonial possessions and became dependent on foreign powers for their supplies of raw materials and foodstuffs. The great danger incorporated in this dependence, especially in case of war, led those nations to develop their home-industries as much as possible. To compete against the often better equipped and more efficient foreign competitors, the national industry had to be protected by high duties. For example, almost every country tried to be self-sufficient after the last war as regards sugar, no matter at what cost. The cost of production in Great Britain, considering the financing of tariffs, subsidies, etc., is about three times as high for home sugar, and two times as high for preferential sugar than the supply bought in the world market, and yet independence and development of the national industry is a greater necessity than low prices. The sugar industry, by the way, illustrates well a number of the points raised before, and for the better understanding a few details may be cited. *)

Cost and methods of production of sugar vary considerably. There are two sorts of sugar: beet sugar and cane sugar. Cuba and Java are the two leading producers of cane sugar. Java, before the war, more or less supplied the East (China, Japan, India) while, for instance, Great Britain and the U.S.A. used to purchase a large part of their needs from Cuba. The Cuban sugar industry achieves low cost production by relying mainly on nature. Since there is an abundance of fertile land, little effort is spent in cultivation and, due to other natural influences, production is relatively easy and profitable. Java, on the other hand, attains this low-cost

*) The following examples are taken from the book "Markets and Men", by J.W.F. Rowe. MacMillan Company, New York, 1956.

production by application of much capital and labor in an extremely scientific and intensive cultivation. During the war, vast areas of beet sugar were destroyed in Europe, causing a lack of sugar and stimulating simultaneously new planting in Cuba. Cuba was practically the only country capable at that time to expand production, which became even more profitable through new equipment and technological improvements, reducing the cost to about one half of the former price. But after the war the European Beet Sugar Industry recovered, and by 1925 the sugar industry witnessed a tremendous output. The price now fell below production cost and Cuba finally decided to restrict her output. Java did not follow suit, and as the European countries protected their home industries by high tariffs and quotas, it was a case of Cuba against the world. The failure of the Cuban restriction scheme to raise the price finally resulted in the abandonment of the plan. However, shortly afterwards the chaotic situation was increased by record crops all over the world, and even Java found it then impossible to sell her crops. Previously Java had refused to agree to restriction because a new variety of cane had been introduced which gave a 30 % greater yield and enabled her to retain a profitable price, in spite of the general low level. Now, the unexpected overabundance of stocks and continuous decline of the price forced Java to yield and join the international sugar agreement in 1931. But the scheme was not very effective since countries not belonging to the control scheme committee profited by restriction in raising their own production. The international agreement was not renewed in 1935 because "the members of the committee felt that nothing was to be gained by further collective action, and that the time had come for them to fight out amongst themselves which of them should supply what remained of the world market."

Nevertheless, hope to settle the difficulties has not vanished and conferences are being continued, as the one a few months ago in London with a large number of participants. News papers remarked in this respect "...this parley, which was expected to demonstrate international cooperation in one economic field, is apparently going from bad to worse due to the extraordinary demands of many countries, such as the Soviet Union, which today demanded an export quota of 400,000 tons annually, although she has never exported more than a fraction of that total". And then "...22 nations agreed on sugar quotas...setting an example of international cooperation...remarkable accomplishment..." And in another corner of the press..." the total output has been fixed at 3,600,000 tons a year, in contrast to a visible demand for 3,000,000 tons ... Officials believe, however, that the new plan has an excellent chance to succeed in view of the increasing restoration of economic stability throughout the world which broadens the consumer market." In other words, only another period of prosperity with an increased demand can save the sugar situation. There was no other choice left for international 'cooperation' than to place all hope into the future - a wish-recovery .

Control schemes were also tried on cotton and wheat, whose price, due to an overabundance, brought about by the decrease in capital accumulation, dropped far below profitability. To protect the

American farmer, millions of bushels of wheat were bought by the Federal Farm Relief Board. Later (in 1933) this policy was changed to direct control of acreage under wheat, which means that the farmers received a compensation for leaving the land unplanted. This compensation was financed through a tax on flour. The abundance of wheat in the international market and the resulting low price, with steadily increasing capacity in production, led finally to the International Wheat Agreement (1937). However, on account of the drought, this did not prove very profitable for the U.S.A. and Canada in 1934, and these countries then even became importers. In the meantime other countries, like Russia and Argentina, increased their output and a general disorganization in control schemes of wheat took place. Speculation runs high in this field, and the exchange market reflects any change of the situation at once. Natural as well as economic forces may change the picture overnight, and a general feeling of insecurity persists.

Quite different is the situation in the tin and copper industries. These are highly organized and concentrated in a few hands, mostly simultaneously owners of high-cost and low-cost mines, in the U.S.A., Chile, Peru. For this reason it was so far possible to maintain a rather high price, not justified by the new and lower-cost mines. If the productive apparatus had not been monopolized, the high-cost mines would have been forced into bankruptcy long ago. Only for this reason could the price be kept artificially high. But, stimulated by the apparent profitability in this industry, new mines developed in the meantime in Bolivia and Nigeria, capable of producing, due to advanced technical equipment, much more cheaply. And thus monopolization does not seem to be able to safeguard an artificially high price for very long. Wherever there still is a chance of profitability, competitive forces will find their way, although now we have to deal with nations instead of individuals.

It took a long time to come to control schemes in the rubber industry. A number of factors are responsible for this development, and it may be of interest to investigate a little closer the driving forces that caused the growth of competition. accelerated technical progress, brought about collapse to the whole industry, made government intervention very difficult and continue to cause much concern.

The world's most important rubber producing areas are: the Malay Peninsula, mostly under British dominance; the Netherland East Indies; Ceylon and Sumatra. The production of the rest of the world is negligible. The different methods in cultivation and tapping the rubber trees are of great importance; they, as a matter of fact, determine the profitability of the capitalistically operated estates. Now, the policy of most European estates on Malaya, is a steady permanent output and, by applying scientific methods, improved management and rationalization, to obtain a maximum yield. Selective breeding of trees more than doubled the average yield. The factories are at central points on the

estate where the rubber liquid is cleaned, solidified, rolled, smoked and packed, all of which reduced the cost of production considerably, in contrast to the primitive method of production. British estates get most of their laborers from India. This mode of production is well organized and it is essentially a capitalistic one; it is more or less the same for Malaya, Ceylon and the Dutch East Indies. The local competition consists of a large number of native producers on the Malay Peninsula, possessing small estates on which the owner and his family do the whole work. Conditions are very different in this case. The Malay native plants the trees close together, taps them often and carelessly, uses very simple methods and is, as a rule, within fairly easy reach of a market. The native producer has no large capital outlay and he has no ambition to get rich. He does not increase his output when prices are high, but only when prices are low, since he needs almost always the same amount of cash in order to buy manufactured goods for his livelihood.

The natives of the Dutch East Indies produce rubber in a still different way. The staple product and means of existence there is rice. Due to the abundance of land, a native clears about 2 acres of forest land each year for his rice production, and then he moves on with his hut. In the course of time he learned about rubber, the wealth producing commodity, and especially in 1925/26 when prices were high an enormous amount of planting took place. Rubber became a by-product of the native's agricultural operations, which means that he simply put rubber seeds into the grounds with the thumb when he planted the rice crop. Little care was spent on the cultivation of trees. The native of the Dutch Indies only taps the trees when prices are high, and at that time he will try to sell as much as possible.

All these different modes of production and varying conditions had, of course, different effects and influences on the economic situation and forced to different actions at a particular time. In 1900, practically none of these producers existed; the main supply of rubber came from the Amazon Valley and Central Africa. The total output at that time amounted to about 83,000 tons from Amazon and Africa and about 11,000 tons from the East. Then the rapid growth of the motor-car industry gave life to a new field of exploitation and led to the fast development of estates on Malaya, Ceylon, and Java, soon to be followed by planting of the natives. In 1919 no less than 350,000 tons of rubber were exported from the East. In 1920 an enormous fall in the price of rubber occurred and gigantic surplus stocks accrued. British investment capital was in danger, and the British Government thought it necessary to intervene. Cooperation was, however, refused by the Dutch Government. Being almost exclusively dependent on taxes and other levies of her colonies, Holland on account of the different situation in the Dutch East Indies saw no reason to apply restriction, and thus England started the control scheme alone. All went comparatively well up to the year of 1925, when the demand for rubber was very large, especially from the U.S.A. Exports increased considerably and mainly, of course, from the Dutch Indies. Enormous profits were made, pro-

duction stimulated and --prices fell again. More restriction was imposed by the British Government, while other countries still increased their output. Finally England realized the ineffectiveness of her efforts and abandoned restriction. Up to 1929 conditions in the rubber industry were still bearable, but with the general collapse of the economic life in 1930 competition between the European owned estates (who, in the meantime, had developed new methods for cheaper cost production) and the natives became so sharp that conditions were absolutely chaotic. In 1932 the price had fallen to 1½ d per lb. (Against a production cost of 5d.) Now, also the Dutch Government thought it advisable to come to terms with the competitors. Negotiations were resumed with England which led to some sort of production-quota-agreement. For some time conditions improved and profitability was again assured, at least for a number of producers. However, due to the varying conditions and different interests of the Dutch and English rubber producers and the natives, control is so difficult and costly that the situation is not at all stable, the more so since profitability is in general dependent on a world recovery and prosperity period and is, furthermore, greatly influenced by the advance of technic. In this respect the efforts of the German government, to promote the production of artificial rubber (called buna) may well be mentioned. The cost of production of buna is still about 3 times as high as natural rubber, but with science and technic fully employed in this process, it does not seem out of place to figure with a revolution in the rubber industry in due time.

A few words may be added about the coffee industry where a number of schemes have been tried. The whole economic life of Brazil is practically dependent on the export of coffee. Brazil's coffee industry, due to favorable conditions, had developed greatly during the last few decades, and since the world's consumption did not rise correspondingly, a collapse was bound to come. Many unsuccessful attempts at maintaining a profitable price were made, and finally, starting in 1931, a policy of destruction was pursued. A crop restriction (picking fewer trees) would not have been favorable since the vast territories involved would have required an enormous number of officials and administrative offices to watch over the situation. Already as early as 1922 a control scheme had been introduced. The 1929 depression and natural influences, such as several so-called bumper crops, caused a terrific abundance of coffee, which meant ruin for many planters and threatened the entire economic life of Brazil. In addition, on account of the previous comparatively profitable conditions of the coffee industry many were induced to invest surplus capital in new planting which around this time carried fruit and increased the bumper-crop still further. The government then took complete charge of the surplus coffee to prevent a further decline in the price. The destruction period set in. Up to 1935 about 35 million bags of coffee were burned, financed by an export tax on coffee. It sounds fantastic and almost incredible that capitalism, in order to preserve itself, had to take recourse to such a costly waste and destruction of labor power and commodity. But, since commodities under the capitalist system are produced in the first place for the market and only secondarily for use, the horror of abundan-

co forced it to do away with this unprofitable situation. To illustrate the extent of destruction better, the following lines may be quoted from "Markets and Men": "... over one million people worked for two whole years, sweated from morning to night ... looked after 2000 million coffee trees...by a long series of operations, carried by mules or by lorries over rough roads to the railway...At the end of that journey it was thrown into enormous heaps, and with the aid of petrol these heaps were set alight until the last coffee bean had been completely destroyed...Two whole year's work gone up in smoke".

Brazil, however, unlike countries that are dependent on one product only, has one hope to escape the dilemma, namely, to grow other products. One of them is cotton, and it has already been found that Brazil can produce this commodity at half the cost of the U.S.A. What this means to the farmers of the U.S.A. is only a question of the near future. On June 17, 1937, we read in the New York Times: "Brazil held threat in cotton markets. United States cotton is losing its place in world markets. Foreign producers, including Brazil, increased production from 13,000,000 bales in 1934 to almost 18,000,000 bales last year."

III.

At this stage of capitalist development, all economic conferences are doomed to fail. Even newspapers are sceptical. Said the New York Times on the occasion of the recent international conference at Geneva "...it is hard to see how any ambitious conference on economic problems could be better than a fiasco even if it were summoned a year from now. The conference method is felt to be too productive of friction to be used and there is no sign as yet of that give and take in economic policies which is essential to the success of any conference...It is proving increasingly difficult for some nations to open the blocked channels of international trade, no matter how earnestly their leaders would like to do so".

And Germany, not attending the international conference, was bold enough to state that "she was disinclined to participate in useless discussions and economic conferences that pose problems falsely and represent perhaps merely a detour for the attainment of quite definite political objects." Norman Davis, American spokesman at the recent sugar parley in London, also expressed quite frankly his feelings about "the apparent general unwillingness of the European powers to discuss now disarmament plans and economic problems at this time—despite occasional public statements to the contrary".

Despite this, the League of Nations carries on and still gets the attention of the public with 'serious' disarmament, economic and whatnot conferences. Its hypocritical character has been exposed time and again. Economic conferences are inevitably linked up with disarmament and peace talks, and since the League failed so notably in action and effect as far as the latter is concerned, it is now deemed highly in place by the proper powers, to preserve the last glimmer of life in this decaying corpse. The Imperial Conference in London, which came to a close or, rather, once again

adjourned a couple of weeks ago, suggested that the League "be divorced from peace treaties".

IV.

Access to and control of raw materials and foodstuffs are extremely urgent demands. The last war showed that military power is not measured by territory and population but by a nation's equipment and capacity which implies the possession of, or securing access to the basic industrial raw materials.

Some countries are very rich in raw materials or resources: for instance England, the U.S.A., Russia and Holland, while others like Italy, Germany, Japan, are extremely poor. The latter are dependent on the former which not only means that the "have"-nations are in a position to make extra-profits, but that they also exert great material influence over the "have-nots" in case of war.

Germany's dependence on foreign markets and supplies, especially after the great war and already during the war, is well known. Failing in her many attempts to get back her colonies and raw materials, she now works at a forced pace to produce synthetic supplies. The new 4-year plan is designed to reduce her dependence considerably. Maximum self-sufficiency is the goal. The plan aims at making Germany independent of foreign oil, rubber, textiles, metals, foodstuffs, etc. The scheme calls for considerable capital to develop the respective home industries, but industry and consumers have to contribute their share to the self-sufficiency plans of the government. Tariffs are levied, as for instance the 100% tax on rubber imports to finance the production of artificial rubber. A vigorous price control is exerted upon industry and agriculture. Profits are restricted, and exports are being pushed. Trading without money, e.g. payment in machines or armaments, is preferred. Under the 4-year plan encouragement is given to practically every form of raw material production. Home iron production rose from 1,340,000 tons in 1932 to 5,000,000 tons last year. Domestic zinc production increased 100 per cent and is expected to make Germany independent shortly. Borings of mineral oil is encouraged, and the output was doubled between 1935 and 1936. An army of chemists and research workers is busy experimenting with the production of synthetic rubber, petrol, oil by hydrogenation from coal, artificial silk and staple fiber, textiles and foodstuffs from timber, like raw wood sugar, alcohol, glycerin, fat proteins, carbohydrates, and so forth. Subsidies are given to breeders of silk worms, flax growers and sheep raisers. While everything is being done to solve the raw material shortage, economy is being urged. Regeneration schemes for used materials have been designed, as for instance the collection of used oil, old metals, and textiles and fiber waste materials of which alone 800 classifications are in existence for the door-to-door canvassing of the Hitler Youth.

Italy, the poorest among the world's great nations, as far as raw materials and colonies are concerned, has become a new competitor in the production of coffee. Her expansion attempts begin to bear fruit. At the beginning of the year the first coffee from Ethiopia was put on sale in Italy. So far very little has