



THE "NEW ECONOMIC POLICY"



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by **REVOLUTIONARY UNION**

WHO PROFITS FROM THE NEP?

Why the NEP?

On August 15th the New Economic Policy (NEP) went into effect. The NEP is not isolated, but it is a policy created to strengthen the rule of the few people who run the US and control all of the wealth. The period of inflation that we're in isn't a new thing. It happens every few years because of over-production and greedy profit-seeking by big business. The inflation that we are in today has been caused by: (1) the war in Indochina; (2) defense spending; and, (3) over-production of things that we don't need or cannot afford to buy. It is not caused by high wages. NEP has been formed to fill in the cracking foundation of US monopoly capitalism. It is designed to make working people pay for the even greater greed of the few people who own all of the wealth. It is an **ATTACK ON WORKING PEOPLE**. That is why we must know what it really is and how to fight it.

What is the NEP?

Phase I

Phase I of the NEP ordered a freeze on wages and prices for a period of 90 days. Any wage increase fought for, negotiated, signed into contract, voted on, ratified, and due to be paid to workers between August 15 and November 12, said the policy, wouldn't be paid. This included cost of living adjustments, regularly scheduled raises, retroactive pay boosts, inequity adjustments, bonuses, hardship allowances, etc. In short, all types of wages and salaries due to be paid during the 90 days, regardless of when they were negotiated, haven't been paid.

New laws established by the NEP include a law which prohibits workers' right to bargain collectively and to organize strikes. The law says: "Any practice which constitutes a means to obtain a higher price, WAGE, SALARY, or rent other than is permitted by this regulation is a violation of this regulation." The next paragraph of the law says that anyone who does strike is subject to "temporary or permanent injunction or restraining order." These laws were not idle threats. The government quickly used injunctions as well as the Taft-Hartley Act against striking longshoremen on the West and East Coasts. (The Taft-Hartley is one of the most anti-labor laws on the books. It calls for 80-day back to work periods where the strikers work without a contract.)

What is the NEP?

Phase 2

The first thing that was set up for Phase II was a more massive bureaucracy than that set up during Phase I. Two major control boards have been set up to work with the Cost of Living Council (COLC); which was created during Phase I to run the NEP. The Pay Board, which has 15 members (5 from business, 5 from "public" life, and 5 from labor) is to review all wage increases settled in bargaining, strikes, etc. The Price Commission, composed of 7 members (all of them are associated with monopoly corporations), will regulate all price increases on items that have controls on them.

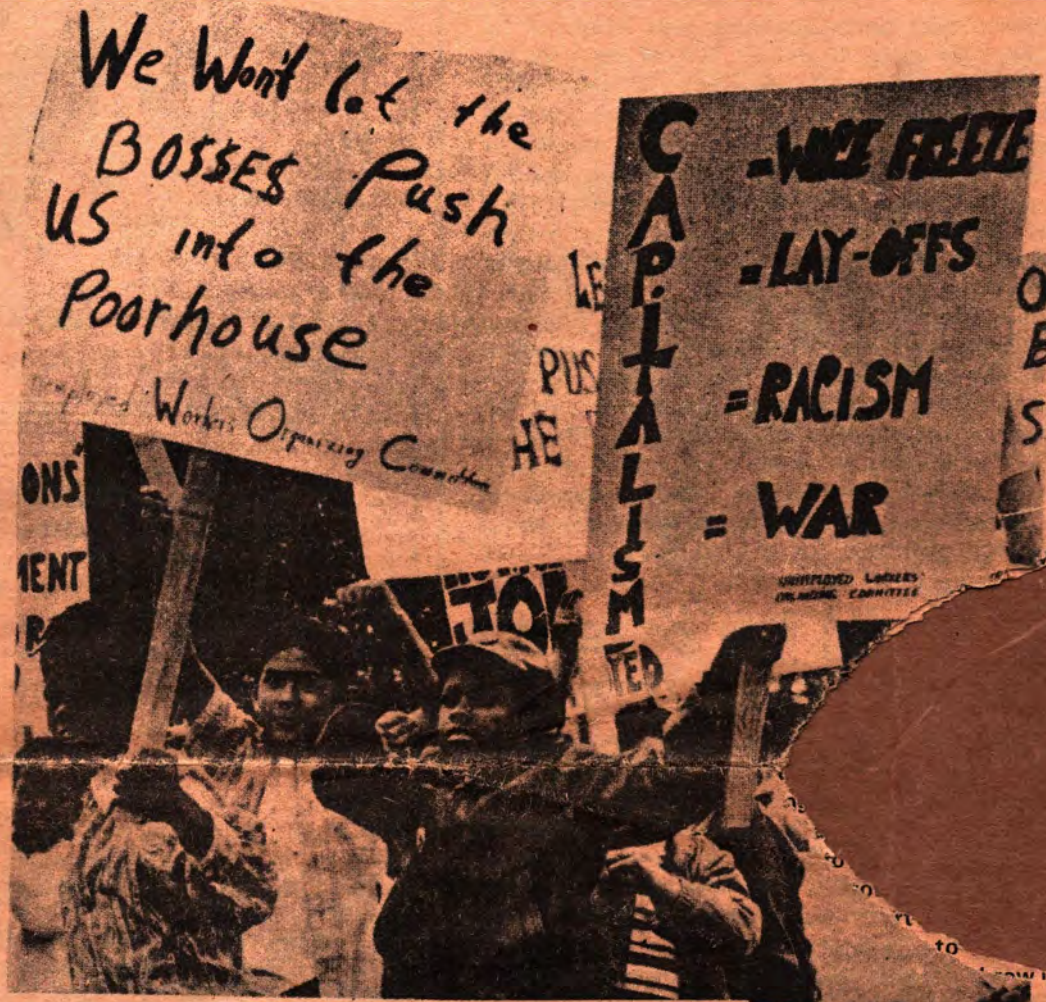
The Pay Board is supposed to represent 3 sectors of the American economy, industry, labor, and the "public". But who is really represented? Industry is represented on the Pay Board by such monopoly

corporations as United States Steel (USS), and General Electric. One member, Roger Blough, made his name in the ranks of the ruling class through his "discussion group" called "Roger's Roundtable". This roundtable consisted of high-ranking corporation officials and financiers who were planning a strategy designed to bust unions and create racial dissension and massive strikes and layoffs. They planned to allow the coming steel strike to happen so that the strikes would spread and they could bring in the Army, etc. to put down the striking workers. The purpose of this was to strike fear in the hearts of working people so that they wouldn't want to fight against the bosses.

The labor seats are filled with high ranking labor bureaucrats like George Meany, Fitzsimmons, Woodcock, and others who should refuse to serve on a board that doesn't represent the interests of working people, and whose purpose is to break the backs of working people. Besides that, they don't even represent ALL working people because 70% of the working class is unorganized!

And then there are the so-called "public" members, who are nothing but lackeys in service to men like Nixon. These include George Boldt, a long-time judge, and Arnold Weber who served on the President's Advisory Commission on Labor Management. The true worth of the public members can be seen in their voting record. Practically every vote on the board was 10-5 with the "public" members voting along with industry. The Pay Board is a sham. It was set up to make working people think that the Government is being fair with this whole deal.

The Price Commission is made up of the same kind of "public" members as the Pay Board—lackeys of government and big business. No one represents the poor and working man and woman who must pay the prices that the commission sets.



What has gone on so far?

The first major decision of the Pay Board was to guarantee that there would be no retroactive wage increases given to working people. This means that the wage increases that working class people fought so hard for and lost during Phase I of the freeze will not be granted.

Already the pay Board (with the five top labor sellouts of America on it, voted that nearly all wage increases must not be over 5.5%, knowing that the rate of YEARLY inflation is well over 6%. federal government workers, who had 5% laid off during Phase I, are not going to receive any pay increases until July, 1972.

There have been a few exceptions made to the 5.5% wage rate. They include those who are working under the minimum wage and those due for "hardship raises". These two exceptions were made only after workers all across the country raised hell about the 5.5% limit.

The one time that industry and labor voted together on the Pay Board was to give miners a 16.8% wage increase. At first this seems very "fair" of industry, but there are underlying reasons for the position that they took. First of all, industries which are very dependent on soft coal for production were loosing millions every day. Miners were on strike for 45 days and they refused to go back until they got their raise. Finally, the industrialists on the Pay Board liked the idea of the raise for miners. They even went so far as to play up the raise in their newspapers. But, **THEY ONLY PRINTED HALF OF THE STORY**. The raise given to miners is way below the 16% that they talk about because this size raise was only given to **LESS THAN HALF OF THE MINERS** in the union. Why did they emphasize this wage raise in

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their papers? Just like they use racism to divide us, they use this example of the "privileged" miners to divide us even further. We can learn from the tactics that the capitalists used in this case and we can also learn from the miners. The factor that made this wage raise possible was the strong and determined fight that the miners put up to the bosses. Instead of feeling jealous of the miners we should follow their example.

The Price Commission says that there is a 2.5% average price hike that they are aiming for. Already they have violated this "average" by giving Bethlehem Steel a hike of 7.6%; National Steel, 7.2%; and 8% for Crane Company (a subsidiary of C.F.&I. Steel). This only for the steel industry. The auto industry got some excessive rate hikes. Ford got a hike of 2.9% and Chrysler got a hike of 4.5%. Coal companies are expected to get a rate hike. Philadelphia Electric Company, a "public" utility owned by private interests, will soon be given permission to raise their rates by 8%, giving them in excess of \$30 million extra profit. The meager exceptions to the 5.5% wage rate clearly don't weigh against the massive benefits to the monopoly corporations.

The initial action of the Price Commission was to announce all products exempted from controls. Among them were: apartment rents (they will be allowed to go up if at least 10% of the rents for similar apartments in the same unit were raised during the 30 days before August 15.), used cars and used homes (this is a direct attack on working people who cannot afford new homes and cars.), raw agricultural products, exports, TAXES, and government surplus materials. All of these facts and figures show how the NEP works — in the interests of the few people who own all of the wealth.

The question is; Can the NEP solve America's economic crisis? No it Cannot! The type of crisis that we face now is built into the capitalist system. It comes because the capitalist bosses who own the factories are interested in one thing only—MAKING MORE PROFITS. What the NEP is trying to do is blame all Americans for the crisis and then make working people carry the burden, while boosting up the big corporations.

Did the economic crisis come from? WHO TO BLAME?

Now the situation of soaring unemployment developed. As we see, the capitalists are interested in one thing only—that is produced is decided by what the masses of American people need. This leads to overproduction. That is, the bosses are trying to increase their profits by producing more and more products, while at the same time trying to keep working people's wages as low as they will tolerate.

Not only do the bosses try to make profits by attempting to make workers produce more per hour for the same wage; but also the gigantic multi-million dollar monopolies need to wipe out competition that used to keep prices under some control. In fact, they can set prices as high as they want.

The system of overproduction and price fixing creates large profits for the capitalists for a while. But by keeping wages low working people cannot buy all the products made or even that they need. This means we must demand more money from the bosses. The bosses, not wanting to give up their boom profits continue to raise prices faster than wages go up. Eventually, unsold products accumulate and the next step is massive layoffs, slowdowns, and shutdowns. The bosses can no longer make huge profits by selling large volumes so they try for a while to keep prices as high as possible. The final result is masses of people out of work and inflated prices.

THE WAR AND INFLATION

Adding even more fuel to the so called "normal inflation" is the war being waged by the government. Like everything else under capitalism, this war is being waged to increase and protect big business' profits.

Since the turn of the century, the economy of America and other major capitalist countries has been controlled by monopoly corporations. As they have explained, they have all had to extend their domination to the rest of the world in order to have larger markets. These larger markets give them raw materials, and cheaper labor than in their own countries. This open access to foreign markets is a means of keeping their surplus capital earning more money.

The Oil Companies in Indochina



This map shows Southeast Asian waters staked out by giant oil combines for off-shore drilling. The whole world is carved up by the monopolies in this fashion. We pay for and die in the monopolies' wars to rob other countries of their wealth. The Vietnamese, Laotians, Cambodians and other people are fighting—and winning—a war to liberate their countries and prevent them from becoming slices of the monopolists' pie.

We can see how important Vietnam and Southeast Asia are to American corporations by looking at a map which shows who controls the waters around that area.

But now, people all over the world and especially people in Asia and Africa are tired of having their countries controlled by foreign powers and are fighting back. How would you like it if the Vietnamese people decided to take over the east coast of the U.S. and rob us of our raw materials and work for any wages they told us we had to work for?

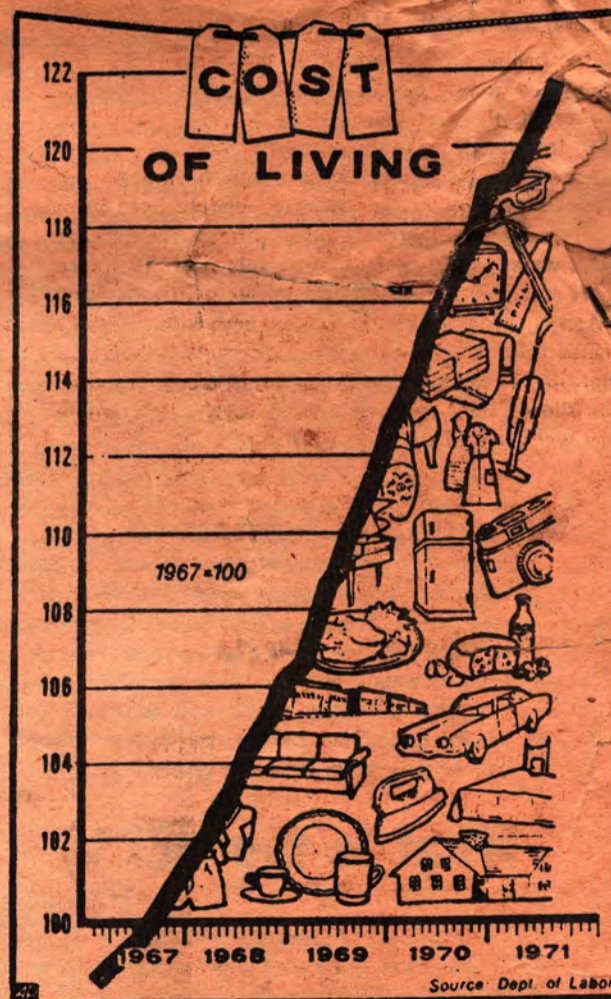
The Monopoly Capitalists are fighting desperately to keep their control over southeast Asia at the expense of the masses of American People. Not only is it the bodies of the sons of the working class who are on the line, but also the war is stoking the flames of inflation which burn up the working man's hard earned money. This happens in two ways.

The first way is to raise the money through increasing taxes. This method does not add to inflation but takes money out of the working man's pocket directly. We can see very easily where our money is going and why. For this very reason Nixon and his gang prefer not to use taxes as a means of collecting money to pay for the war.

The second way the government has for raising money is to have the mints just print it up. They do this through a lot of complicated machinery which boils down in the end to the government borrowing money from the big monopoly banks at interest rates of 4 to 5%, and then printing up more money in the mints to pay the banks back. This makes big profits for the monopoly banks and also adds to inflation. More greenbacks are circulating but the number of goods and services are not increasing so that the new money is worth less and causes prices to go up. While the government is not taking money out of our pockets directly to pay for the war, they are doing it by making us pay inflated prices for the goods and services we need.

Unlike taxes, this way of raising money is quiet, sneaky, invisible to the general public and mysterious in its workings; therefore it is ideal for the government's purpose of paying for an unjust and unpopular war.

This process started in the winter of 1965-66 when Defense Secretary McNamara figured that the war would cost \$10 million for 1967, but wound up costing \$20 million. The president decided not to ask for a tax increase and instead put in the complicated machinery of printing up money to pay the govern-



ment debt. This is when the superinflation we face now really got into full swing.

Another way the war causes inflation is by causing a shortage of certain goods that people need and want. This again is caused because capitalists are interested in profits, and not meeting the needs of the people. It is more profitable for the big corporations to produce war supplies for the government than to produce goods and provide services that the civilian population needs. The shortage of needed goods and services on the civilian market causes their price to go up. An example is steel. Much of the steel produced today goes for war supplies. This leaves little steel left over for new housing construction; then the cost of new housing goes way up.

So to sum up, we can say that the inflation the American people are facing comes from three things, all caused by profit seeking. They are,

1. Price fixing by monopoly corporations.
2. greenbacks being pumped into the economy so that the government can pay its war debt,
3. shortage of certain consumer goods and services because production is geared to making war supplies.

The capitalists in the newspapers and T.V., which they own and control, have been trying to tell working people for years that we are to blame for inflation. This is to soften us up for bearing the burden of the crisis the capitalists have caused. But the capitalists themselves well know where the blame lies. While they won't admit it to us, they admit it to themselves. Peter L. Bernstein, president of a New York investment counselling service, said in the Wall Street Journal, "Instead of labor costs pushing prices up, what we see instead is a sort of profit push. Profits are already on their way up before prices begin to rise, and prices are well on their way up before wages begin to rise faster than output."

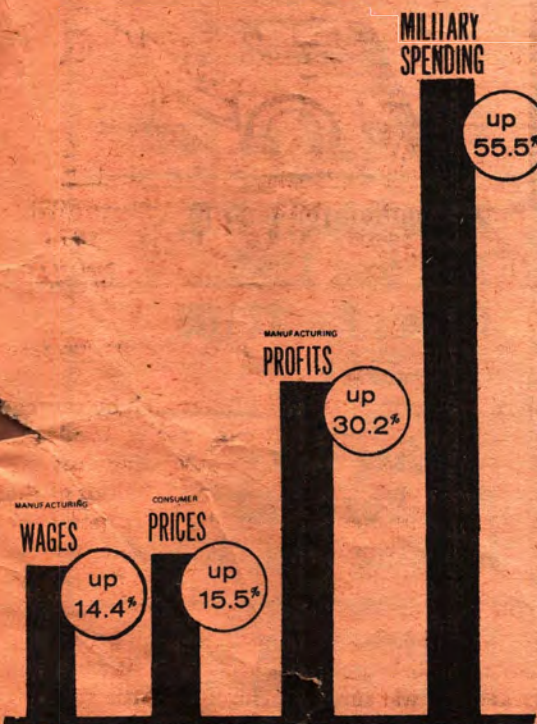


That sure is different from what they tell us! Capitalists and the government that serves them are very good at lying when it is in their interests. The government's biggest lies, right now are that the N.E.P. and Phase II are making big business and the working man carry the burden of the economic crisis equally, and that the N.E.P. can even cure the crisis!!

To begin with, up until the time that the wage-price freeze went into effect, real wages of workers (that's what your paycheck will actually buy after inflation), have gone down, but profits and prices of the monopoly corporations have gone up. The wage increases that working people have been fighting for are increases just to keep their heads above water as the cost of living tide rises. To freeze wages now, when the buying power of the working person is as low as it is, just shows who Nixon and his friends think should carry the burden. If they are so interested in doing something about the cost of living, why didn't they roll prices back to the level where they were five or six years ago?

Who is responsible for inflation? 1965 - 1969

2nd Quarter



Government Warns Capitalists About Freeze

While workers did not receive wage increases that were promised long before the wage-price came on the scene, there is good evidence that certain industries were tipped off about the freeze long before it was announced.

In the oil industry, gas prices were coming down to a reasonable level because of a price war, when suddenly, at the end of July, gas prices all over the country zoomed up, and a week later went down. It was clear that the oil companies wanted to establish a high maximum price for gas in the period before the freeze that would decide how high prices could rise during the freeze.

Rules of the wage-price freeze were also eased so that a planned steel price increase could go into effect, and insurance companies could raise their rates.

Rules on Freeze Eased to Permit Steel Price Boost

Initially, There Was Doubt On 8% Rise Aug. 5; Council Definition Relieved Worry

THE WALL STREET JOURNAL, Monday, August 23, 1971

But even if the capitalists didn't cheat before the freeze, the government made it easy for them to cheat during it. Wages and prices were supposed to be frozen voluntarily. Any working man or woman knows that bosses are very happy to freeze wages. As a matter of fact, they try to do it all the time. The only reason that they haven't been able to do this is because working people have fought to get the increases that they have worked for. But the capitalist bosses won't freeze prices if they can get away with it, and the government knows that every working person understands this very basic rule. So to make it look like the government is cracking down on offenders, it set up the Cost of Living Council (COLC) to control prices and wages. Its punishment power of \$5,000 fines and injunctions is like whipping with a wet noodle to multi-million dollar corporations.

Some of the most juicy plums offered to big business and bankers came under Phase I. The first thing Nixon did was to guarantee that there would be no freeze on loan interest, bond interest, and interest on mutual holdings. Business got a 10% guaranteed saving on all new equipment that they bought during the freeze. The big agribusinesses throughout the U.S. were guaranteed greater profits during the freeze because there was no freeze on the price of fresh food and vegetables. Also the big corporations of this country were guaranteed no competition from foreign corporations. To do this, Nixon forced a 10% tariff on all foreign manufactured imports.

The results of Phase I very clearly show us who the N.E.P. serves. During the freeze period, companies like Coca-Cola, Sears, and North American Rockwell all had profit rises way above the normal for their volume of sales increases. This shows that the extra profit that these companies got came directly from the pockets of working people. A few days after Phase I began, the Nixon Administration gave the Steel Industries a price increase of 5%.



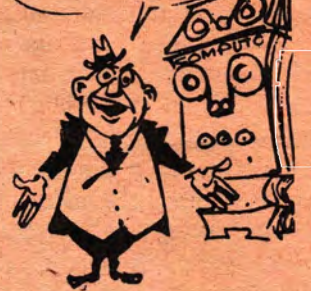
TO RESTORE PROSPERITY (LOWER MY TAXES...)



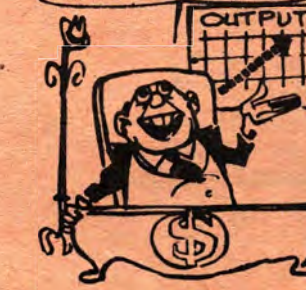
..SO I CAN BUY



NEW MACHINES...



WHICH MAKE MORE PRODUCTS



WITH FEWER WORKERS



What does this all mean? It means while working people are struggling to make ends meet, big corporations are being given a free hand to raise prices and bring in huge profits which keep the capitalist system going. It just goes to show how "fair" the wage price freeze is and whose interests the American government represents.

Government A Labor's

Unlike the owners of the working people have nothing and minds. The only way we to protest inadequate wages is to power- to strike!! If we try to protest the Wage Freeze (which we had no part we try to fight to get a decent wage to families the government can come along and throw us in the klink. The government is threatening our most basic right as working people and is taking a step toward fascist rule.

Cost of Living Rises, Wages Go Down

Well now that Phase I is over what were the results? In September, government statistics show that 40% of all food prices that were to be frozen rose. The Bureau of Labor and Statistics showed that the cost of living rose 0.3% in August, 0.2% in September and in October 0.2%.

What about Unemployment?

To try to bring down unemployment the NEP has been giving big business all sorts of tax breaks with the idea that by doing this business will expand and hire more people. Businesses which buy new U.S. made equipment are getting a 10% tax rebate. But the average company right now uses only 75% of the machinery they already have. Plus, 80% of new equipment bought by companies is used to replace old worn out equipment. This means that with the rebate, overhead costs are less so even with prices frozen, profits are higher. New equipment means more automation and that means fewer jobs. Nixon says: More Jobs. It sounds more like "More Layoffs". On top of this, Nixon is laying off 130,000 government employees to lower the national debt.

How did unemployment fare during Phase I? Unemployment went from 6.1% to only 6.0% of the work force. Most of the new jobs were only part-time. The unemployment rate of black people, who suffer the worst under capitalism, went up from 9% to 10.5%.

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How Long Will the NEP Last?

President Nixon stated at his introduction of Phase II that controls will remain in effect until the government is satisfied that inflationary pressures are checked. The President will ask Congress to extend his authority to impose economic restraints to April 30, 1973. We should not expect that controls will end then. This is only one step of many in big business' campaign to keep capitalism alive.

To start with, wages and prices are not at the heart

of what is causing inflation. The real reason for uncontrollable inflation is the drive for profits. Profits are the one thing that the NEP doesn't control; as a matter of fact, it was designed to increase profits.

The wage and price controls are a stopgap method to hold back inflation without hurting monopoly capitalism. If wage-price controls are removed, inflation will break out again with more force than before.

As the U.S. finds it harder to compete on the world market and sees its position as the number one boss in the capitalist world being threatened, we will see more controls put on the American people. These controls will be designed to make our economic system produce more profits. As the monopoly capitalists attempt to strengthen their rule, the working people of this country will fight even harder against them!!!

HOW DO WE FIGHT THE NEP?

Some politicians have been opportunistically opposing the NEP, especially the Democrats. Some time ago, the Democratic Party proposed an "incomes policy" to combat the super-inflation resulting from the war in Vietnam. In fact, the Democratic dominated Congress last year passed the laws which gave Nixon the power to impose the wage freeze in August. Now, some of these same politicians are hypocritically faking an "opposition". But it is all bark and no bite. McGovern, Muskie, and all the rest all want to turn the discontent of the American people into votes for them come election time.

The week of Nixon's August 15th speech, George Meany made a big fuss, only because the rank and file of the AFL-CIO were angry. He even called the NEP an attack on working people, and swore he would never serve on any commission, or anything to do with the wage-price freeze. But as fast as he raised hell with Nixon, he quieted down and sat on the Pay Board. He even allowed Nixon to speak at the AFL-CIO convention on November 19th. Woodcock, Fitzsimmons, Bieme and the rest of them are no better. They are all bark and no bite. Meany even said he would lead a walkout of labor leaders who are on the Pay Board if retroactive wages weren't paid. He and his labor bureaucrat friends but they claim they are fighting the bureaucrats, like heads of unions and workers to "toe the line". Supporting the NEP, just like the leadership has taken us to the NEP and they have every reason to masquerade. Sitting on the Pay Board but they've even gone to the militant unions who are supposed to sound like they are ready to fight the NEP. The labor leaders are lying and do another. They are traitors and downright sellouts.

Some proposals include a General Strike to fight the wage freeze. This won't win us anything now and besides, all of us aren't ready for it, especially since the labor bureaucrats are misleading us all. The conditions aren't ripe for a General Strike and we aren't even unified yet, but we can't turn to creating new unions either. We must fight in our unions to take them back so that all working people, Black, Brown, White and men and women, can benefit from them.

Black, Brown, and other non-white people are the most affected by the N.E.P. The unemployment of Black people has increased. These people are the lowest paid among us, and the capitalists use that so the rest of us think we're better than them. There's nothing easier for the capitalists to do than to split



working people up. They do it especially by racism. We aren't winning anything by supporting the capitalists' exploitation of these people. Our fight must be together, with the most advanced people in the lead. This means that Black and Brown people, who are fighting hardest now against the capitalist class, are leading the rest of us.

N.E.P. can definitely be defeated. The friends and beneficiaries of the N.E.P. are a tiny handful of people surrounded by, and isolated from the masses of the people in this country, and in other countries affected by N.E.P., and who oppose it. Compared to the working class, they are like a gnat to an elephant.

The working people produce, transport, and service everything that is produced, transported, and serviced. Without the working class, the machines stop, life stands still, and everything falls apart.

When the working class moves, nothing can stop it. Injunctions, demagogic politicians, treacherous labor leaders, not even the police and army can stop the working class.

What Can We Do Right Now?

1. We can educate our brothers and sisters in our unions as to what N.E.P. and Phase II really are.

2. We can vote to strike and we can wildcat.
3. We can support our sister unions when they fight.
4. We can organize within our own unions to get leadership that really represents our interests.
5. We can support the causes of Black, Brown, Asian, and other oppressed nationalities in the U.S.
6. We can join with the people on welfare, the unemployed, the people in our communities, and students- all who have no reason to support this New Economic Policy- and we can defeat it.

This is how we can win and definitely defeat the new economic policy, and break the power of its founders and beneficiaries.

**Workers Against Bosses;
Class Against Class!**

**Workers and Oppressed People;
Unite and Fight!**

Defeat the NEP!

Revolutionary Union



What is the Revolutionary Union?



The Revolutionary Union is an organization made up of workers and students of many nationalities and races; Black, Brown, Asian, Native American and White. What we all have in common is that we understand that the American government is controlled by one class, the monopoly capitalist class. It does not serve the interests of the majority of American people. The attacks on the living standards of working people, which is the essence of the NEP is just one example of the monopoly capitalist class rule.

The Revolutionary Union's immediate program is to bring together, under the leadership of the working class, the main spearheads of struggle against the monopoly capitalists class rule. These include liberation struggles of oppressed minority nationalities, the fight against imperialist wars of aggression like in Vietnam, opposition to fascism, the liberation struggle of women and the fight against the attack on the living standards of the majority of American people. We see as our long range goal, the overthrow of monopoly capitalist rule and to build socialism and finally communism in America. This will be a society without class rule; a society run by and run for the working people of America.

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