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# **INTERNATIONAL SOCIALIST REVIEW**

**July-August**

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**By Joseph Hansen**

## **An Exchange of Views on Monopoly Capitalism**

**David Horowitz and Ernest Mandel**

## **Malcolm X, Black Nationalism and Socialism**

**By George Novack**

**50¢**



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## Introducing the Bi-monthly ISR

With this issue we are introducing the new *International Socialist Review*. New in format and new in the sense of increased frequency of publication. The change from a quarterly to a bi-monthly is but one step toward our goal of resuming once again regular monthly publication.

In the 32 years since beginning publication, first as the *New International*, then as *Fourth International*, later as *International Socialist Review*, we have weathered many storms. But we can be proud to record that never once have we been driven off our course of serving as authentic spokesmen of orthodox Marxism.

Now, with an ever growing interest in the great liberating ideas of authentic Marxism as advanced by its most prominent advocates, Marx, Engels, Lenin and Trotsky, the need for an accelerated schedule of publication for our Marxist theoretical magazine becomes acute.

How soon we can proceed to the next step of beginning monthly publication depends in large measure on our readers and supporters. The initial response has been encouraging. From far off Bombay a letter hailing the announcement of our bi-monthly assures us: "As the ISR is going to be converted into a bi-monthly we should be able to sell more copies in India."

From a new subscriber in this country who apparently has more than just a nodding acquaintance with the problem of publishing a Marxist magazine: "The Review (ISR) is a very professional looking publication and my guess is that it must be a losing proposition in the financial column. Have you thought of having subscribers make up the annual deficit (if there is one) each year?"

It is a good guess and even better suggestion. Yes, the ISR does have a yearly deficit and it will be larger now than ever. The future of our magazine rests in the hands of our readers and supporters. We are gambling that our increased deficit will be more than offset by the response of our supporters and thus serve to hasten the day of our next leap forward.

# **IN DEFENSE OF BLACK POWER**

**BY GEORGE BREITMAN**

Up to now the capitalist masters of this country have been able to control or contain the efforts of black people to liberate themselves. Directly and indirectly, they have set down the rules and the boundaries within which the Negro organizations have operated. As a result, the leaders of those organizations have usually been "the right kind"—moderates and liberals, who know what they may and may not do, who abide by the rules and do not cross the boundaries. The main reason why black Americans are not closer to their goal of freedom, justice and equality is that they have lacked a mass movement and a leadership truly independent of the ruling class, its ideology and its institutions.

Malcolm X set out early in 1964 to build such a movement, but he was killed before he could do more than expound some basic principles and offer a personal example of fearless independence. The Black Power tendency is an attempt, starting from a slightly different direction, to do essentially the same thing that Malcolm tried to do. Its appearance marks another stage in the radicalization of the Negro people, in accord with the law that the more

independent any oppressed group is of the ruling class, the more radical it tends to be.

Organizationally, the Black Power tendency is only in the early stages of its development; the various groups and individuals who have raised the Black Power banner have not yet defined their relations to each other or united into a single movement or federation. But numerically it is already considerably stronger than the organized adherents of Malcolm's movement. The Student Non-violent Coordinating Committee (SNCC) and the Congress of Racial Equality (CORE), groups in the new tendency, are national organizations, with thousands of members or sympathizers. They have an experienced cadre of dedicated leaders and activists, hardened in battle along many fronts and equipped with a variety of skills. They represent the best of the new generation of young freedom fighters who appeared on the scene around 1960, with a consistently more militant outlook than that of previous generations and an enviable ability to learn from experience and grow.

Ideologically and politically, the Black Power tendency is also still in the process of crystallization. But its direction—to the left—is unmistakably indicated by the way it has broken away from several of the premises and shibboleths of the old "civil rights" consensus. Internationalist and anti-imperialist, it expresses solidarity with the worldwide struggle against colonialism and neo-colonialism, condemns the U. S. war in Vietnam and rejects the contention that the freedom movement "should not mix civil rights and foreign policy." It spurns the straitjacket of "nonviolence" and proclaims the right of self-defense. It challenges the fraudulent claim that freedom can be won through the passage of a series of civil-rights laws that are largely unenforced and benefit mainly middle-class Negroes.

Some of its adherents still believe in working inside the Democratic Party, but others advocate a complete break with the Democrats and Republicans and the establishment of independent black or black-led parties—not only in Lowndes County, Ala., but in the Northern ghettos. Some accept capitalism; others are talking rather vaguely about a co-operative based economy for the black community that they think would be neither capitalist nor socialist; and there is also evidently a pro-socialist grouping, as was shown when delegates at a Black Power planning conference in Washington Sept. 3 posed the need to "determine

which is more politically feasible for the advancement of black power, capitalism or socialism."

It was therefore to be expected, and logical, that Johnson, Humphrey and the capitalist brainwashers would oppose and attack Black Power, and not surprising that most liberals tagged along behind them. But how account for the attitudes of the Socialist and Communist parties and the forces close to them? Why do they respond with distress, fear or hostility, to the development of a radical and potentially pro-socialist movement among the Negro people?

### Radical Critics of Black Power

Bayard Rustin, social-democrat and director of the A. Philip Randolph Institute, is one of the harshest critics of Black Power. Writing in the September issue of *Commentary*, he says that it "not only lacks any real value for the civil rights movement, but that its propagation is positively harmful. It diverts the movement from a meaningful debate over strategy and tactics, it isolates the Negro community, and it encourages the growth of anti-Negro forces." SNCC and CORE once "awakened the country, but now they emerge isolated and demoralized, shouting a slogan that may afford a momentary satisfaction but that is calculated to destroy them and their movement."

Paul Feldman, a member of the Socialist Party's national executive committee and editor of its paper, *New America*, is equally antagonistic. In the June 30 issue of his paper and in the September-October issue of *Dissent*, he says that Black Power "as it is practiced by SNCC means only the continuation of protest outside the political framework." "Slogans like 'black power' are substitutes for some painful rethinking; they are an attempt to stir a lagging movement by injecting heady verbal stimulants." In the same way that the social-democrats in the McCarthy era used to criticize Truman and Eisenhower for "encouraging communism," Feldman charges that: "Through the inadequacy of its approach to poverty and unemployment, the Johnson administration has encouraged nationalistic tendencies in both the civil rights movement and the Negro community."

James E. Jackson, a leading Communist Party spokesman, is more circumspect than Rustin and Feldman. That is because he burned his fingers last June at the CP's national convention when he criticized Black Power; among the younger members of the CP and among the DuBois Clubs there is sympathy for Black Power, and even some sentiment for black nationalism, and they voiced strong objection to Jackson's remarks. As a result, Jackson's article in the September issue of *Political Affairs* finds some favorable things to say about the Black Power tendency, and he couches his opposition to its essential characteristics in softer language than the kind he used to use about Malcolm X and Robert F. Williams. But this does not alter the CP's basic position, which remains, like that of the SP's, opposed to the most radical aspects and implications of Black Power.

In their efforts to belittle the Black Power tendency, Rustin and Feldman occasionally go to ridiculous lengths. "In some quarters," Rustin says, Black Power connotes "a repudiation of non-violence in favor of Negro 'self-defense.' Actually this is a false issue, since no one has ever argued that Negroes should not defend themselves as individuals from attack." No one! Ever! Rustin must think his readers have short memories or have never heard his ally, Martin Luther King, admonishing black people that if blood must flow, it should be theirs. In an attempt to support his claim, Rustin adds a footnote recalling that "as far back as 1934" (he means 1943) he, A. Philip Randolph and others "had joined a committee to try to save the life of Odell Waller . . . a sharecropper [who] had murdered his white boss in self-defense." But that doesn't prove anything; it is perfectly possible to defend someone on trial for self-defense while opposing self-defense, just as it is possible to defend a terrorist on trial for his life while remaining opposed to terrorism.

Anyway, Rustin completes the circle and compounds the confusion by adding the charge that "the new militant leadership, by raising the slogan of black power and lowering the banner of non-violence, has obscured the moral issue facing this nation [?], and permitted the President and Vice President to lecture us about 'racism in reverse' instead of proposing more meaningful programs for dealing with the problems of unemployment, housing and education." Of course this doesn't explain what kept Johnson and Humph-

rey from proposing "more meaningful programs" before the Black Power tendency "permitted" them not to. But it does show that "someone" is still arguing against self-defense. Feldman does not discuss self-defense at all. Jackson endorses the concept, but seems a little uneasy at the suggestion, by "some speakers," that "Negroes could organize their own policing system to counter the violence of the racists and the police." He deems it necessary to remind Negroes that they must continue to demand that "the government . . . discharge its duty to safeguard the lives and property of all its citizens."

Feldman doesn't concede that the Black Power tendency is militant, let alone radical.\* "The militant verbiage that frightens so many whites may well hide conservative tendencies," he says. This may explain why he never mentions the SNCC-CORE opposition to the Vietnam war, which is certainly couched in militant and radical terms, and is one of the main reasons for the conservative-liberal attack on Black Power. This is an odd omission for the editor of a paper that is in its own way critical of the war. Odder yet is Rustin's sole reference to the Black Power position against the war: "Floyd McKissick and Stokely Carmichael may accuse Roy Wilkins of being out of touch with the Negro ghetto, but nothing more completely demonstrates their own alienation from ghetto youth than their repeated exhortations to these young men to oppose the Vietnam war when so many of them tragically see it as their only way out." Such contortions—by a man who still calls himself a pacifist—are all the more notable because this is the first time that a significant section of the organized freedom

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\* In the summer Stokely Carmichael and Rep. Adam Clayton Powell jointly announced that a Black Power conference would be held in Washington later in the year. Powell's advocacy of Black Power was seized on by Feldman ("it is especially to be noted") and Rustin ("it is no accident") as evidence of its non-radical character. It turned out to be poor evidence. On Sept. 8 Powell explained that he was trying to "channelize" the tendency to assume constructive roles in American society. Later, on Oct. 9, the Harlem opportunist publicly denounced Carmichael and said, "Any effort to tie me with the SNCC definition of black power is totally erroneous."



movement has flatly opposed a major war of the American ruling class. It may be news to Rustin, but the Black Power stand against the war is one of the major sources of its popularity in the ghetto, among both young and old. This is something that Jackson has the sense to recognize, despite his trepidation on other points.

If, in the political arena, the Black Power tendency was concerned only with electing black representatives to public office, our three critics would have no objections. Jackson approves the objective of winning "the political power in those areas where Negroes predominate," and says the CP has long advocated this. Rustin sees "nothing wrong" (and "nothing inherently radical") in "the effort to elect Negroes to office in proportion to Negro strength within the population," although he doesn't think it important because there are only 80 counties and two congressional districts in the South where Negroes are a majority. Feldman says its all right too, but adds that no special strategy is needed in Southern areas where Negroes are a majority because they would win office anyway "more or less naturally as more and more Negroes in the Black Belt got the vote."

### Independent Political Action

But their reaction is quite different when certain advocates of Black Power call for the election of black representatives through *independent* political action, through the creation of political parties independent of the Democratic Party—such as the Lowndes County Freedom Organization ("Black Panther") in Alabama. Then the fur begins to fly.

Rustin rejects independent black political action ("SNCC's Black Panther perspective") as "simultaneously utopian and reactionary"—utopian, because "one-tenth of the population cannot accomplish much by itself"; reactionary, because "such a party would remove Negroes from the main area of political struggle in this country (particularly in the one-party South, where the decisive battles are fought out in Democratic primaries), and would give priority to the issue of race precisely at a time when the fundamental questions facing the Negro and American society alike are economic and social." Rustin says that "Southern Negroes, despite

exhortations from SNCC to organize themselves into a Black Panther party, are going to stay in the Democratic party . . . and they are right to stay," because their winning the right to vote "insures the eventual transformation of the Democratic party, now controlled primarily by Northern machine politicians and Southern Dixiecrats." The Black Power perspective, he declares, flows from despair, frustration, pessimism and "the belief that the ghetto will last forever." The best alternative that he can see is "a liberal-labor-civil rights coalition which would work to make the Democratic party truly responsive to the aspirations of the poor."

Feldman's arguments are similar. Since Negroes are a minority, they can at best be "a swing vote under certain conditions." The Black Panther strategy will deprive them of the ability "to affect the choice between a Wallace and a Richmond Flowers." SNCC's "most positive quality" has been "prodding liberal elements into action" and that will be dissipated if it breaks from the Democratic Party coalition. "The quick demise of the all-Negro 'Freedom Now' Party started in 1963 does not augur well for those who would start a similar political group in the North." Black Power "continues to bring the racial issue to the forefront when it is vital instead to raise and make central the eco-

*indispensable reading*

# **HOW A MINORITY CAN CHANGE SOCIETY**

**By George Breitman**

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conomic issues that can unite the black and white poor against their exploiters." "The real alternative to the coalition strategy for the Negro community is not, as SNCC would have it, a radical movement of the Negro masses but the kind of Negro machines run by Congressmen Powell in New York and Dawson in Chicago, who act as the middle men between machine hacks and power centers in the Democratic Party." Black Power "is aimed at the liberal coalition as well as at white racists; and it signifies a rejection of alliance with liberals. It sounds militant, but it marks a retreat into the ghettos of the North and enclaves in the South—a continuation of protest without politics." And probably worst of all, if SNCC and CORE turn away from a coalition strategy, "the coalition itself faces a major crisis" and may disintegrate.

### Breaking with the Democratic Party

What comes through very distinctly from Rustin and Feldman is the notion that black people are helpless, impotent, unable to do anything significant by themselves, doomed to the auxiliary role of "prodding liberal elements into action." The social-democrats of course did not originate this view; they absorbed it from the capitalist ideologists—so thoroughly that it is as natural to them now as breathing in and breathing out. Ossified by the dogmas of gradualism and reformism, their minds cannot entertain any part for Negroes to play beyond helping "to affect the choice between a Wallace and a Richmond Flowers" in 1966 (like the choice between Goldwater and Johnson in 1964). Their thinking is so frozen that they equate "political framework" with "Democratic Party," as though political action outside the Democratic Party, by Negroes or anyone else, is the ultimate absurdity. The *revolutionary* conception of the American black minority—as a vanguard of social change—is utterly alien to them.

But the most advanced Black Power forces are moving toward this conception, even though their spokesmen do not always formulate it consistently or precisely. Some of them are beginning to grasp the fact that, thanks to discrimination and segregation, which keep them at the bottom

of the social structure but also tend to unite them in resistance to their oppression, the Negro people of this country, although they are a minority, are in the uniquely favorable position of being able, through their own efforts ("by themselves") if necessary, to set into motion a series of changes that can upset the social and political equilibrium and transform the whole future of the United States.

The first step in this process is political—a break by the Negro people with the Democratic Party and the two-party system as a whole, and the formation of a political party of their own. (Whether such a party will be black-led and controlled like the Lowndes County Freedom Organization or all-black, like the Freedom Now Party of 1963-64, is a secondary and tactical question.) This would give them, for the first time, a political instrument that they themselves controlled, through which they could elect their own representatives in both the Southern counties and the Northern cities where they are majorities or the single biggest bloc. For the first time in American history Negroes would have a party that really represented them and that they could count on to contend in their interest against the parties of their oppressors.

And that would be only part of the story. The other part would be the effect their withdrawal would have on the Democratic Party and its coalition with the labor leaders and liberals. In a word, it would be devastating. Without the support it now enjoys from Negroes, the Democratic Party would come apart at the seams; the coalition would be thrust into what Feldman fears so much—"a major crisis." The Democratic Party would cease to be the major national party. The unions would be forced to reconsider their relations to a party that could no longer win national elections; in the long run, this would strengthen sentiment for independent labor politics and a labor party. Political realignment, about which there has been so much talk for so long, would become a probability, and along more fundamental lines than the liberals have ever conceived. All this would not yet give the Negro what he needs and wants, but it would create infinitely better conditions for him to obtain it than he now has. Contrary to Rustin, "one-tenth of the population" can do quite a lot by themselves when they utilize all the opportunities within their reach.

Rustin claims that independent black politics is "utopian," but he is the last man who should use that word; it is impossible to think of a more utopian task than trying to make the world's major capitalist party "truly responsive to the aspirations of the poor." Rustin and Feldman attribute Black Power to despair and frustration, but the only sense in which this is true is that increasing numbers of black people are beginning to recognize the futility of trying to reform the Democratic Party; in general, desperate and frustrated people do not undertake a task as difficult as building a new political party. Feldman argues that independent black politics must fail because the Freedom Party suffered "a quick demise." By this "logic"—that you should never try anything again if it doesn't succeed at the first attempt—he would have a hard time justifying his policy of working in the Democratic Party after so many decades of defeats and betrayals. The fact is that there is already a sufficiently large body of Negroes disillusioned with the Democratic and Republican parties to provide the initial mass base for an independent black party. According to a recent national survey by *Newsweek* (printed Aug. 22), 17 per cent of the Negroes\* are in favor of "dumping the Democratic Party, and going it alone in all-black political organizations, while 74 per cent are against this course. A majority of black people are not yet ready for an independent party, but no political party starts with a majority of its intended constituency. If around one-sixth of the 22-23 million black people are in favor of an independent party now, before it exists, then the possibility of starting such a party, and winning the majority of Negroes to it, certainly cannot be dismissed as utopian.

When Rustin argues that Black Power moods result from "the belief that the ghetto will last forever," he may be right. Of course forever is a long time, and it is unhistorical to think the ghetto will survive long after the system that brought it into being is replaced by a non-exploitative system. But militants who expect the ghetto to last forever

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\* There is a close correspondence between this figure and the 19 per cent of the Negroes surveyed who voiced approval of Floyd McKissick and Stokely Carmichael as leaders.

are more realistic than Rustin, who thinks it will be eliminated by a reformed Democratic Party. Correct strategy and tactics must flow from the understanding that the ghetto is here to stay as long as capitalism stays, and that capitalism will stay as long as the two-party system remains unchallenged. Anyway, all such beliefs are subject to modification through experience. The real question is not how long one believes the ghetto will last, but what one proposes to do about the ghetto: Do you strive to keep its residents handcuffed to capitalist politics, or do you work to liberate them for action by organizing them in a party of their own to fight against capitalist, that is, racist, politics?

The Black Power tendency is clearing the ground for the emergence of an independent black party. The basis for such a party is the oppression common to the Negro people, or, to use the shorthand equivalent in this racist society, their "blackness." When Rustin complains that Black Power "would give priority to the issue of race" and Feldman that it "continues to bring the racial issue to the forefront," they are standing things on their heads. The "racial issue" is already to the forefront, it already has priority. The responsibility for that rests on the ruling class, not on SNCC or CORE. What they are attempting to do is utilize a situation that they did not create in order to change the situation; they are attempting to extract certain tactical advantages from that situation that will enable them to organize the black masses, whom the old civil-rights movement never organized and who cannot be organized by the Rustin-Feldman method of denying the importance of the "racial issue." At the end of this process lies not racism but equality, which will be advanced by the proper mobilization and politicalization of black consciousness, just as a classless society will be achieved through the promotion of proletarian class consciousness.

Jackson's article avoids many of the pitfalls plunged into by Rustin and Feldman, but only by refusing to discuss some of the basic questions. He is for Black Power if all it means is "the struggle to create the conditions for the Negro people to exercise the power in the areas of their majority." But he adds, ever so delicately, "In terms of the country as a whole, Negro Americans are more often than not cast in a minority situation." So? So "more than the

political and organizational build-up of 'Black Power,' more than the self-organization and militant action of the Negro people themselves is required." He even seems to be willing to grant, conditionally without enthusiasm, that a "Black Panther" approach may be permissible in certain local situations, but he insists that a different strategy is needed nationally: "The perspective and struggle to establish Black Power bases of local political control in the deep South and in metropolitan slums of the North . . . would prove useful to a total strategy of Negro freedom only insofar as they enhanced the capability of the Negro movement to consummate more favorable alliance relations with comparable disadvantaged and objectively 'anti-establishment' classes and forces among the white population."

### Anti-Monopoly Coalition

This doesn't mean quite what it may seem to the unwary reader. When Jackson and the CP talk about "objectively 'anti-establishment' classes and forces," they are not talking only about poor whites or white workers and they are not proposing an anti-capitalist alliance. What they favor is a coalition against the *monopoly* capitalists, in which "good" and "liberal" capitalists would be included. Politically, they mean the Democratic Party, the same thing the social-democrats mean. The CP wants the black people to remain inside the national Democratic Party even if, in isolated instances, Negroes create local political organizations outside the local Democratic Party. Jackson's article neither proposes nor attacks the "Black Panther" approach—it is written in the hope of influencing Black Power partisans in a pro-national Democratic Party direction. He will attack the Black Power tendency if it definitively rejects such "favorable alliance relations." He will call it "political isolationism"—the CP's name for any breakaway from the Democratic Party to the left.

It is misleading to read "isolationism" into the statements of the major Black Power spokesmen. When they project a new, more independent and more radical movement, and concentrate on the questions that will help to bring it into

being, that does not mean they are opposed to alliances with other forces, or indifferent to them. It means only that they are putting first things first. Feldman tries to make fun of the "small groupings of alienated white radicals" (he means chiefly the Socialist Workers Party and the Young Socialist Alliance) who do not see any contradiction between the independent organization of black people and their subsequent collaboration with revolutionary white workers in a struggle against capitalism. He wants us to insist that black people must commit themselves to such collaboration even before they have organized themselves. Thanks immensely for the unalienated advice, Mr. Feldman, but the days are gone when militant Negroes will give blank checks to anyone—and that, we think, is the best thing that's happened in decades. First things first.

First the Black Power movement will seek to organize the black masses independently, and then they will consider the question of alliances. How can we be sure? Because every movement does that, and has to. Capitalists look for allies, small businessmen look for allies, the labor movement looks for allies. The real question is what kind of alliances will an independent black movement seek. Will it be the kind that has existed up to now, where the methods and goals are dictated by other forces, and where black people are subordinates, with little voice and little choice but to do the legwork? Or will it be a new kind of alliance, where the blacks will have an equal say in the leadership and determination of policy—and the power to withdraw from unsatisfactory arrangements precisely because they are independently organized? The difference between an independent movement and a dependent movement is not over their willingness to enter into alliances, but over the kinds of alliances they enter.

The thing that worries the Socialist and Communist parties about the Black Power tendency is not that it may reject alliances, but that it may reject alliances limited to reforming capitalism and the Democratic Party. Here their fears are soundly based. For the emergence of an independent mass black movement will create "a major crisis" for the non-revolutionary Socialist and Communist parties as well as the Democratic Party.

October, 1966



# PROGRAM OF THE POLISH OPPOSITION

BY JACEK KURON  
KAROL MODZELEWSKI

The following is an English translation of Chapter 10 of the French text of Jacek Kuron's and Karol Modzelewski's *Open Letter*, entitled "Program." Kuron and Modzelewski are young Polish communists who are presently serving prison sentences for the circulation of this document. They were expelled from the Polish Communist Party in November of 1964 and wrote the *Open Letter* as an explanation of their views. It was addressed to members of the University of Warsaw sections of the Polish Communist Party and the Young Socialists. Kuron and Modzelewski were tried in July 1965 and are serving three, and three-and-a-half year sentences, respectively.

The present text is based on a copy of the *Open Letter* which was received by the French Trotskyist movement late last year. A translation of the complete work is in preparation and will be printed by Merit Publishers this Spring. It will also include an introduction by Pierre Frank, a member of the United Secretariat of the Fourth International.

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We have shown that revolution is the gravedigger of the old society. At the same time, it is the creator of the new. The question now before us is whether the working class, which by its very nature is the principal and leading force of revolution, is capable of offering a valid program.

This would be true if the program is advanced by the social class whose particular interest is most in accord with the needs of economic development and satisfaction of the needs of other classes and social layers—in other words, whose program permits the realization of the interests of society as a whole. The class interest of the workers requires the end of bureaucratic ownership of the means of production. This doesn't mean that workers' wages must be equal

to the total value of the product of their labor. The level of development of productive forces in modern society creates the necessity of a division of labor permitting the existence of nonproductive sectors supported by the material product of the workers.

Under workers democracy it will also be necessary to deduct a part of the labor product for accumulation, to sustain and develop health services, education and culture; still another part will be allotted for social benefits, administration and government. But all of this will be carried out only to the extent that the working class considers it necessary in its own interests. In reality, exploitation does not consist in the fact that workers' wages represent only a part of the value produced, but in the fact that surplus product is taken away from them and used for ends which are foreign and antagonistic to them; the nonproductive sectors serve to maintain and reinforce the domination of the bureaucracy (or the bourgeoisie as well) over production, over society and the life of the working class. The end of exploitation means the creation of a system where the organized working class will be the master of its labor and its labor product; where it will determine the goal of social production; where it will determine the division of the national product. It will manage the extent and direction of investments, of expenditures for social benefits, health services, education and culture, the budget of the government apparatus, and the actual duties of this apparatus. Then the working class will exercise economic, social and political power in the state.

I. The present level of productivity implies a social division of labor in which the function of production is separate from that of management. There must be workers and managers. In the process of production, the working class is not destined to manage but to produce. In order to manage, it must organize itself and be organized by its state.

If there is no workers democracy in the factory, there can be still less in the state. In fact, it is only in the plant that workers are in their own element; it is there that they exercise their essential social function. If the workers are slaves to their labor, then freedom outside work is only "freedom on Sundays," that is, fictional freedom. The working class cannot be the master of its work and of production if it does not have control over the conditions and goals of its work in the factories. To this end, it must organize itself in the plants by forming workers councils to manage the factories. It must make the manager a subordinate functionary to the council, supervised, hired and fired by it.

Today, all key administrative decisions in the factories are dictated by the central government. Under such conditions, workers councils lack any power in practice. The manager is linked by his very nature to the leading bodies and therefore to the central apparatus of economic administration. Under these conditions, the

workers councils take on the character of secondary managerial bodies, comparable to the Autonomous Workers Conferences. In order for the councils to be able to manage the factories, workers must make them independent of the factories. This would establish the preliminary conditions for workers democracy and, at the same time, give new directives for the realization of the true class goals of production. (As we have already shown in Chapter 3, centralization is necessary for organization of the means of production sector, while the production of consumers goods requires decentralization.)

In this way, the working class, by taking the first steps of its program, would realize in passing what is quite progressive in the program of the technocrats: the independence of factories. However, the working class and the technocracy give totally different social contents to this concept. For the technocrats, independence of factories places all power in the hands of management. For the workers, it means independence of the working class. This is why they cannot limit themselves to management of the factories through the intermediary of councils. It would only amount to carrying out the program of the technocrats and thereby submitting the workers to a new yoke.

Major decisions concerning the division and use of national revenue by definition have a general economic character, that is, they are made at the level of the national economy—they can be made only by a central government. If decisions made by the government remain outside the control of the working class, it cannot direct production and consequently its own labor. Workers autonomy limited to factories would inevitably become a fiction to mask the power of plant management and the domination of a new bureaucracy politically linked to the technocracy in the state apparatus. Then exploitation would continue and the old disorder would repeat itself in a new form.

II. This is why it is necessary for the working class to organize, in addition to workers councils in factories, delegations from plants throughout the country. That is, it must organize *councils of workers deputies* with a central council of deputies at their head. Under this system of councils, the working class would set the goals of social production, would make the necessary decisions, and supervise carrying out the plan at every step. At each level the councils would become the instruments of economic, political, executive and legislative authority. They would be truly elective bodies for the voters, organized on the basis of factories. Voters would be able to recall their representatives and replace them at any moment, without regard to regular election dates. Workers delegations would become the framework of the proletarian state.

III. If workers delegates in the central council of deputies had before them only a single project for the distribution of national income presented by the government or by the leadership of a single party, their role would be limited to that of a perfunctory vote. As we have shown in Chapter 1, monopolistic power cannot have a proletarian character. That automatically becomes a dictatorship over the working class, a bureaucratic organization serving to atomize workers and keep them and all of society in subjection.

In order for the system of councils to become the expression of the will, of the thinking, of the activity of the working masses, *the working class must organize itself into more than one party*. What does a plurality of working parties mean in practice? The right of every political group recognized by the working class to publish its own newspaper, to present its program via the modern information media, to organize cadres, to carry on political campaigns—in brief, to be a party. The existence of more than one workers party requires freedom of speech, press, assembly, *the end of preventative censorship*, complete freedom of scientific research, of literary and artistic creation. Without freedom of expression for different currents of thought in the press, in scientific research, in literary and artistic experimentation, without complete freedom to create, there is no workers democracy.

With the existence of more than one workers party, the different parties would present their proposals for the division of the national income in the central council of deputies; then the conditions would be created which would permit the real elements of an electoral program to emerge; it would benefit both the central representatives of the workers, and the masses, who elect and recall delegates. A plurality of workers parties does not however imply that access to these parties would be limited to workers alone. The proletarian character of the parties would reflect the nature of the state power organized on the basis of councils. Then parties seeking to exercise influence on the political power could not do so except by winning over the working masses.

For the same reasons, we oppose parliamentary regimes. The experience of the last twenty years shows that they are no guarantee against dictatorship and that, even in the most perfect forms, they are not governments of the people. In the parliamentary system, the parties only fight to be elected: The moment the vote is cast, the electoral platforms can be thrown into the wastebasket. In parliament, the deputies feel themselves bound only to the party leadership which named them as candidates. Voters are grouped in arbitrary election districts according to purely formal criteria. This atomizes them. The right to recall deputies is a complete fiction. Participation of citizens in political life amounts to nothing more than reading statements of the leaders in the press, listening to them on the radio, and seeing them on TV—and, once every four or

five years, voting to choose the party to govern them. The rest takes place by virtue of a mandate, without the voters' participation. Furthermore, parliaments only exercise legislative power. The executive apparatus holds the only real power, the power over those who control the material force, that is, the power over surplus value.

Therefore the parliamentary system is one in which the working class and the entire society finds itself deprived of all influence on government—by virtue of voting. To formal voting every four or five years, we counterpose the permanent participation of the working class, organized in a system of councils, political parties and unions: Workers would assume the correction and supervision of political and economic decisions at all levels.

In the capitalist system, the bourgeoisie, which controls the surplus value, is above parliament. In the bureaucratic system, the untrammelled rule of the central political bureaucracy lies behind the parliamentary fiction. In the system of workers democracy, if representation of the entire body of citizens takes a parliamentary form, the working class will be above parliament, organized in councils and controlling the material base of the existence of society, namely the product of labor.

IV. The working class cannot decide on the division of the labor product directly, it can only do so through its central political representation. Furthermore, the working class is not absolutely homogeneous in regards to its class interests. Conflicts between the decisions of workers delegations and the interests and tendencies of workers in particular factories and particular sectors of the working class are inevitable. The mere fact of separation between management and production holds within it the possibility of the development of an elected power with a certain amount of independence, and this holds true as much at the factory level as at the state. If workers were deprived—above and beyond the right to vote—of the possibility of self-defense against the decisions of their representational system, the system would degenerate and act against the interests of those it is supposed to represent. If the working class were deprived of the possibility of defending itself against the state, workers democracy would become a fiction. The possibility of defense must be guaranteed by *trade unions absolutely independent of the state with the right to organize economic and political strikes*. The different political parties would fight to maintain the proletarian character of trade unions in seeking to exert influence over them.

V. In order that the organs of workers democracy not be turned into a façade behind which all "the old crap" will reappear, it is necessary that the forms of democracy correspond to the vital content of the activity of the working masses. For administrators, speci-

alists and politicians, public affairs is a profession. They have the time and knowledge necessary for it. The worker is an agent in the process of production. His profession is attending to a machine. In order for him to be able to take part in public life, it is indispensable to give him a minimum of time and education.

To this end, several hours per week taken out of the regular paid work must be devoted to the *general education of workers*. In these hours, the workers, organized according to the units of production, would discuss the variants of the national economic plan, the regional plans and the factory plans proposed by the different political parties. These affairs are only too difficult, if not unintelligible, when attempts are made to hide the class meanings of the division of national income. The representatives of the different political parties taking part in workers education periods would bring the working class closer to their programs and their programs closer to the working class.

VI. Under a workers democracy, political police and regular (standing) armies cannot be maintained in any form. The anti-democratic character of political police is obvious. However a plethora of myths has been created around the concept of a regular army of the dominant class, myths accepted to a certain degree by all of society.

What is a regular army? It is an organization within which hundreds of thousands of young men torn from their natural surroundings are isolated in barracks, where all independence of thought is driven out of their heads by brutal methods, teaching them to carry out mechanically any order coming from the hierarchical and professional command structure. It is this organization which is the basis of the armed force of the state. This force, separated from society, is conditioned to come into conflict with it at any time. And it is for this reason that it is not enough to change the officers: The regular army, like the political police, is in its very essence an instrument of anti-popular dictatorship. As long as it is maintained, a clique of generals can always elevate itself above any party or council.

It is said that regular armies are indispensable for the defense of nations. This is true under an anti-popular dictatorship where it is difficult to force the great masses to fight to defend a state which does not belong to them; this can only be attained by intimidation and terror supported by the regular army. Arming the masses outside the framework of this organization represents a mortal danger to the system; it is why regular armies are the only way dictatorship can organize the armed forces.

However the examples of the revolutionary wars in Vietnam, Algeria and Cuba show that armed workers and peasants—when they know why they are fighting and identify their interests with

those of the revolution—are in no way inferior to regular armies. This is true above all for small countries prey to the counterrevolutionary aggression of foreign powers: When they are attacked by a regular army they can only defend themselves effectively by the methods of peoples war. Regular armies are necessary to the aggressors for their colonial wars and interventions; they are necessary for anti-popular dictatorships to keep the masses in subjection. This is most obviously the case in Latin America where armies play the role of internal police. But it is equally true everywhere armies exist, and it is the same in Poland, as the Poznan events show. Regular armies, whether clashes occur or not, are instruments of brutal domination over the working class and society, just as a bludgeon is an instrument for beating whether or not its owner uses it. In a workers democracy, the regular army would not impede counterrevolution. On the contrary, it might become a counterrevolutionary instrument itself. Consequently, it must be liquidated.

In order to make it impossible to overturn its democratic rule, nevertheless, the working class must be armed. This is particularly true for workers in mass industry who must everywhere be organized into workers militias subordinate to the councils. Military specialists must act as instructors responsible and subordinate to the councils. In this way, the military repressive force of the state will be linked closely to the workers who will always be ready to defend their power and their revolution arms in hand.

For technical reasons, it is important to maintain permanent specialized units (missiles, air forces, a fleet, etc.). However soldiers of these units must be recruited from workers in given factories in mass industry and during their service they must remain in contact with the workers of their plants, and keep the rights due workers.

VII. Agricultural production and the peasantry play too important a role in the economy and in society for the workers program to neglect the question of the countryside.

Unquestionably, the future of the peasantry resides in large industrialized and specialized state enterprises. The technical base of this organization of agricultural production necessitates rural industrialization; it requires substantial investment only realizable over a long period of time. Under present technical and economic conditions, any attempt at general collectivization would mean the expropriation of the peasants which must be carried out against them by a police dictatorship. It would result in a drop in agricultural production and a return to the system of police dictatorship against the working class. Such a collectivization would be consonant only with the bureaucratic system. For workers democracy it would mean death; it is unacceptable.

The present agricultural structure, in which there is private land ownership, results in the establishment of farms of the capitalist

type, provided the laws of the market operate freely, without any limitations. Because they are scattered, these small holdings have small investment resources although investment is essential to their development, and consequently the major part of investment comes from the largest farms. Rationalization of agriculture would therefore signify a profound crisis: bankruptcy of the poorest peasantry and a lack of opportunities and declassment of the small peasantry.

For the factory workers, this would mean an increase in basic-necessity prices and unemployment. Such a development is acceptable to the technocrats (the natural partisans of the tendency toward concentration in agriculture), but it is unacceptable to a democratic workers state.

VIII. The productive goal of the working class is to develop the consumption capacity of the immense masses who have nothing today but the bare minimum. As we have already shown in Chapter 6, the bureaucracy lowers the consumption of the majority of peasantry below the bare minimum; it deprives the peasant economy of its surplus and the peasants of opportunities for development because it tends to reduce the real cost of labor power as much as possible and treats social consumption as a necessary evil.

The working class has an interest in eliminating the type of relationship which exists between the state and peasantry. The interests of the workers demand rational development of agricultural production (the basis of consumption) by the development of the mass of small and middle individual holdings and the corresponding increase of their investment and consumption possibilities. It is precisely this that makes the working class the spokesman of the interests of the majority of the peasants and at the same time establishes the basis of a real alliance between them.

To realize the common interests of the workers and the immense majority of peasants it is necessary:

*First*, to close the price scissors artificially maintained by the bureaucratic regime depriving the small and middle-size peasant holdings of the material basis for their development; and in addition, to establish a progressive tax on the most powerful enterprises.

*Second*, to utilize that part of the peasant labor product appropriated by the state in the form of taxes or any other form, (deducting the peasants' share in the maintenance of the administration), in order to return to the countryside the social and cultural investments and economic and technical assistance necessary in the first place to increase the productivity of the small and very small peasant holdings.

To this end, the peasantry must organize itself in accordance with its economic bases, and provide itself with political representation. It must create its own producers organizations. This is key to opening up opportunities for the 60 per cent of the peasantry which is



vegetating on small holdings and which represents a surplus labor force; at the same time, a glut of industrial investments must not be permitted.

This requires that this excess labor force be used for supplementary intensive production: husbandry, truckfarming and fruit growing. But this is very difficult, and it is impossible to create an industry capable of carrying out this transformation with the dispersed forces of the small peasant enterprises. Prerequisite to success is the creation of associations of individual small and middle-sized enterprises which would have a sufficient labor force. These associations, as a result of the land they would have at their disposal, of the cooperative work which they would permit, and with state aid (low-interest rate loans, state participation in small investments, state transport, etc.), would put in service small transitional enterprises and would organize distribution and sale. This is the most economic way of increasing the production of food products which are lacking today, of overcoming the underdevelopment of the consumers goods industry, and of increasing the productivity of small and very small holdings, employing the surplus labor on the spot.

The conditions must be created on peasant enterprises for specialized production, without which economic rationality is impossible. At the same time, in their contacts with the state purchasing bodies, the peasant producers must organize themselves to be defended against any artificial lowering of prices. The isolated peasant, who concludes "free" contracts with the state, is powerless in the face of its monopoly of the market. This is why, independently of the creation of producers organizations, the peasants must create their own general organization for distribution and sale. With relationships like this existing, the strongest enterprises, which are few in number, but which play an important role by reason of their size and their economic power, would no longer have the opportunity of transforming themselves into capitalist farms; they would lack the labor and the cheap land resulting from the ruin of the weakest enterprises. But the strongest enterprises could increase their production by virtue of their own investment resources or to the extent they succeeded in replacing the labor they lack by mechanization.

Since industry is the decisive sector of the economy, the directions taken in the development of industrial production set the general lines of development for the entire economy. In controlling the product of its labor, the working class will determine the general framework of the development of other sectors and consequently also of the peasant sector. But in the general framework of the whole economy, determined by the level, the organization, and the development of industrial production, the peasantry must have control over the product of its labor. Plans for the development of the countryside, the use of rural social and cultural investment funds,

cannot be presented unilaterally to the peasantry by the state. In this case, in fact, power over the peasantry would be exercised by a well-developed separate apparatus, which in practice would be exempt from the control of the working class and might even impose its own control over it.

The convergence of the interests of the working class and the majority of peasants permits the *political autonomy of the peasantry*, autonomy which is also a necessity of workers democracy. The economic organizations of the peasantry we spoke of above will not be adequate to assure control of that part of their product which is delivered to the state and which must be returned to them in the form of various kinds of immediate financial investments and economic aid. This can only be accomplished by a *political representation of the peasant producers at the national level* established with the aid of the economic organizations and of peasant political parties. Consequently, the working class is profoundly interested in an independence of the peasant movement permitting representation of the interests of the majority of peasants, rather than only that of the narrow layer of the most powerful proprietors.

IX. We do not consider the anti-bureaucratic revolution to be an exclusively Polish affair. The economic and social contradictions which we have analyzed have ripened in all the industrialized bureaucratic countries, in Czechoslovakia, in the German Democratic Republic, in Hungary and in the Soviet Union.

Nor do we consider the revolution to be the exclusive affair of the working class of the bureaucratic dictatorships. The bureaucratic system, identified with socialism by the official propaganda of

### *INTERVIEW WITH A YOUNG POLISH COMMUNIST*

*discussing*

- *New currents of struggle among university students*
- *The students' reaction to the arrests of Kuron and Mozelewski*

*featured in the*

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the East and West, comprises socialism in the eyes of the popular masses of the developed capitalist countries.

The international bureaucracy and its leading force—the Soviet bureaucracy—fears all genuine revolutionary movements in the world because they threaten the monolithism of its system on an international scale as well as the internal monolithism which permits it to exercise its dictatorship over its own working class. Desiring international and internal stabilization on the basis of the world division into spheres of influence, with capitalism, the bureaucracy smothers revolutionary movements on its own territory, and by means of its influence on the international Communist parties, holds back the development of movements in Latin America, Asia and Africa. The anti-bureaucratic revolution is the affair of the international revolutionary movement and of all the movements in favor of colonial revolution, in Africa, in Asia and in Latin America. It is part of the world revolutionary movement.

Like all revolutions, it threatens the established order and it is menaced by the forces which defend this order. The international bureaucracy, to the degree it is strong enough, will try to smother the victorious revolution in the first countries where it occurs. Western imperialism will try to profit from our revolution by replacing bureaucratic dictatorship with a dictatorship of the capitalist monopolies, which is hardly an improvement.

Our ally against the intervention of the Soviet tanks is the Russian working class, the Ukrainian, the Hungarian and the Czech. Our ally against the pressure and threats of imperialism is the working class of the industrialized West and the rising colonial revolution in the underdeveloped countries. Against the collusion between the international bureaucracy and the international imperialist bourgeoisie, we raise the historic slogan of proletarian class struggle: "Workers of the World, Unite!"

The working class must carry out all these revolutions in all domains, political, economic and social, in order to realize its class goals, to control its own work and the products of its own labor. Is its program valid?

In taking the first steps to realize it, that is, in giving autonomy to the enterprises, the working class creates the necessary conditions for adapting production to needs, the end of the waste of economic surplus, the utilization of the intensive factors of economic growth. The technocrats would do the same. But the productive goal of the working class is consumption on the broadest social basis and not the luxurious consumption of privileged layers. This is why the rule of the working class over production assures in the most decisive way the overcoming of the principal economic contradiction which today stands in the way of economic and social progress: the contradiction between the productive potential already developed and the actual low level of social consumption. As a result, the rela-

tions of production based on workers democracy open up the broadest perspectives for the development of the economy and society. By their unique class interest, the workers represent at the same time the economic interest of the mass of poorly paid white collar workers and the small and middle peasantry, in other words, the overwhelming majority of the rural and urban population.

The enslavement of the working class is the principal source of the enslavement of other classes and social layers; in liberating itself, the working class liberates all of society.

In order to liberate itself, it must do away with the political police, thereby liberating society from dictatorship and fear;

- It must do away with the regular army, thereby liberating soldiers from the brutalization of barrack life;

- It must institute the plurality of parties, thereby giving political freedom to all society;

- It must eliminate preventative censorship, introduce total freedom of the press, of scientific and cultural creation, of the creation of diverse currents of social thought, thereby liberating the writer, the artist and the journalist, and creating the conditions under which the intelligentsia can realize in the fullest way its proper social function;

- It must subject the administrative apparatus to constant control by, and permanent responsibility to its democratic organizations, that is, to change the prevailing relationships inside this apparatus, thereby liberating the simple functionary from feudal and humiliating dependence on the bureaucratic hierarchy;

- It must guarantee the peasantry control over its production and economic, social and political autonomy, thereby freeing the peasants from their lot of being eternally powerless subjects of every government, to become active citizens, organized and participating in the decisions which determine the conditions of their life and work.

In the process of production, workers occupy the most ungratifying position. That is why the working class more than any other class in society needs democracy: Any denial of democracy rebounds first against the workers. Workers democracy is socially the broadest form of government and creates the best conditions for the full development of society.

The specific class interest of the workers then corresponds best to the needs of economic development and consequently represents in the most complete way all the interests of society. The program of the working class is therefore valid. Will it be realized?

That depends on the state of ideological and organizational preparation of the workers at the moment of revolutionary crisis and thus on what those who consider the program of workers democracy their own do today.

# **A "WAGE - PRICE SPIRAL" INFLATION?**

**BY DICK ROBERTS**

Consumer prices are rising at the fastest rate in a decade. Between September 1963 and September 1966, the consumer price index climbed from 110.2 to 114.1; the food price index, from 109.7 to 115.1. The retail price of bread climbed 10 per cent. Between November 1964 and August 1966, milk prices increased 7.0 per cent; butter, 14.3 per cent; coffee, 19.6 per cent; pork chops, 22.5 per cent; bacon, 47.8 per cent; onions, 50 per cent; cabbage, 54.1 per cent; and apples, 79.2 per cent. These statistics were dramatically reflected in housewives' picket lines across the country. Food consumes the lion's share of wages and salaries, and it is right in the supermarkets that inflation hits first and hardest.

What is causing the present inflation? According to President Johnson's 1966 State of the Union message, things had never been better: "Workers are making more money than ever," Johnson said, "- with after-tax income in the past five years up 33 per cent - in the past year alone up 8 per cent. More people are working than ever before in our history - an increase last year of 2-1/2 million jobs. Corporations have greater after-tax earnings than ever in history. For the past five years those earnings have been up over 65 per cent, and last year they had a rise of 20 per cent."

The month after Johnson gave this report, food prices jumped a whopping 1.7 per cent. Interest rates began their dizzying upward spiral towards the 40-year highs they reached in August. And the

New York transit workers conducted a militant struggle against heavy odds to win a wage increase in excess of the administration's wage-price guideline.

The administration's explanation of this contradictory state of affairs is that workers are seeking "inflationary" wage increases. Washington directly intervened in the airline mechanics strike later in the summer, first in the form of an "emergency" mediating board under the direction of liberal Democratic Senator Wayne Morse, and then when the president himself took over negotiations. The U. S. Senate passed a bill ordering the workers back to their jobs for 30 days and gave Johnson the privilege of extending this period another 150 days if he so desired. When the airline mechanics won a settlement that exceeded both the mediating board and Johnson's terms, Morse denounced them on the Senate floor:

"The administration," he declared, "has become party to an inflationary settlement of the airline strike. There has been placed on the House and the Senate a clear legislative responsibility, while this war lasts, to pass legislation that will protect all of our people from the exercise of naked economic power on the part of labor, and naked economic power on the part of American industry in letting loose on the American people an inflationary tornado . . ."

Nor is the Senate letting this matter slide. It has appointed a committee led by New York Senator Javits to "study emergency strike laws and report to the Congress by Jan. 15 with recommendations for improving such laws." Rigorous anti-labor legislation is one of the top priorities of the incoming 90th Congress.

The appeal to the "logic" of the wage-price spiral as a means of holding down wages in time of war is not a new line in the propaganda of the American ruling class. It was the essence of Roosevelt's wage policy in World War II—the so-called "equality of sacrifice"—which actually amounted to federally enforced wage freezes and voluntary price controls. While real wages declined during the war, corporations raked in gigantic profits:

"In the third quarter of 1943," Art Preis writes in *Labor's Giant Step*,\* "corporation profits were 'the highest for any quarter in American history and 16 per cent above the same quarter in 1942.'" The figure was taken from a Dec. 18 report of the Dept. of Commerce. "In the very week Roosevelt demanded that Congress adopt a labor conscription law," Preis continues, "a Senate group issued a report revealing that net profits of 200 leading and representa-

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\* *Labor's Giant Step: Twenty Years of the CIO*, 1965. Merit Publishers, 5 East St., New York, N. Y. 538 pp. \$7.50.

tive corporations in 1942 were five to ten times greater than in the best peace-time years. These cases, the senators reported, 'are not exceptional instances.' As Roosevelt issued his new 'plea' to congress, the steelworkers union, presenting a 17-cent wage demand to the War Labor Board, submitted figures revealing that U. S. Steel Corporation had almost tripled its net profits during the two war years." (pp. 203-204.)

The wage-price spiral explanation of inflation proved to be completely fraudulent during the profit-spiral years of World War II, and it hasn't improved as an explanation of fundamental economic relationships in the intervening period. It was used after Roosevelt by Democratic Party president Truman, to "explain" the inflation caused by Korea. It is being used a third time by the Democrats to justify the inflation caused by the Vietnam war—but mere repetition of the argument does not constitute proof. What is really behind Johnson's revival of the wage-price spiral hoax at this time is the attempt to *disguise* the inflationary effect of the war on one hand, and to *preserve* the inflation as a means of financing the war on the other.

The first and most obvious weakness in the administration argument is the simple fact that the inflation going on right now is in prices and interest rates—not in wages at all. Workers did not share in the super-profits of the 1961-65 expansion that Johnson boasted about in his State of the Union message; and they are not getting a greater share of the "national product" today. Johnson affirmed that there had been higher *total* incomes of workers during the expansion, and then added that there were *more* workers. That means the total had to be divided among more people. Johnson skipped the real question, namely *the purchasing power of the individual workers*, and for good reason.

Between 1960 and November 1965, wages had increased from an average of \$2.24 an hour in manufacturing industries to \$2.65—an increase of a little more than 18 per cent. But the consumer price index had increased in the same period from 103.1 to 110.6—an increase of more than 7 per cent. This means that real wages, taking into consideration the declining value of the dollar, had only increased about 11 per cent in the five year period. That comes to a yearly increase of a shade under 2.2 per cent, a figure a good deal below Johnson's cherished 3.2 per cent guideline.

Have real wages fared better in the last year? On the contrary, the cost of living is rising faster and wages are getting hit even harder. Between November 1965 and September 1966, average hourly earnings rose from the \$2.65 level to \$2.74, an increase of 3.4 per cent. But in the same period, the consumer price index had

risen 3.1 per cent, cutting down real wage increases to a mere .3 per cent. Reporting these effects in their September 15 *Journal*, the United Mine Workers held that beginning in July, miners were faced with an actual loss of buying power. In actual fact, the relatively low increase in real wages has been one of the main underpinnings of the gigantic corporation profits in the 1961-66 expansion.

The consumer-price figures tell us something else. They show that significant price rises were already taking place, relative to the take-home pay of workers, before the Vietnam war had become a major factor in the U.S. economy. Inflationary price rises are not limited to periods of war spending. This is something the workers in England are learning today all too clearly. And "peace time" inflations occur in this country as well as in Europe. There was a sharp upturn in prices in the U.S. in 1956-57, at the peak of the 1954-57 expansion. What the war accomplishes, so far as the capitalists are concerned, is to give them the highly prized opportunity of *continuing their inflationary price increases while justifying wage-control on patriotic grounds.*

At the same time, it opens up a vast new arena of investment where highly profitable returns are guaranteed by the government. The Nov. 23 *Wall Street Journal* calculates the present cost of the Vietnam war alone at \$24 billion annually. That comes to \$2 billion a month, \$460 million a week, over \$65 million a day.

The war is not funded by taking the profits from one section of capitalist industry and giving them to another. That argument comes from some members of the Republican Party, but it is less-than-half true. By far the larger portion of war finances comes straight out of consumer income, either in the direct form of personal taxation, or in the indirect form of price inflation. This pattern was clearly established during World War II.

The Roosevelt administration financed the war through heavy deficit spending and major increases in personal income taxes: Between 1941 and 1945, the level of personal income tax increased over eight times, from 1.5 to 12.7 per cent of personal income. In the same five years, the consumer price index increased over 22 per cent. These two factors caused a sharp drop in real wages beginning in 1944. In fact, real wages did not come back up to the 1943 level until 1955, twelve years later. The deficit spending during the war, was paid for by the workers through price inflation after the war. Truman's fiscal and monetary policies simply complemented those of Roosevelt, and these are the same policies which the Democratic Party is undertaking in this period to finance the war in Vietnam.

On Oct. 6, 1966, Senator Robert F. Kennedy revealed that "49.9 per cent of all personal taxes in the United States come from the



lowest income tax bracket—the 20 per cent bracket. Forty-nine and nine-tenths per cent of all personal income taxes," he reiterated, "are paid by those who have taxable incomes of less than \$2,500 a year." (*Congressional Record*, 1966, p. 24458.)

As to corporate income taxes, Kennedy further disclosed that the sum total collected from "all our great corporations, the Du Pont and the General Motors, and down to the very smallest" is less than the sum total collected from the lowest income bracket. Individual income taxes as a whole and excise taxes, the great bulk of which are paid by consumers, account for 48 per cent of all federal income. Thus the capitalists stand to gain much and lose little from the federally underwritten war-goods market: Profits are high and the risk is small. The only chance they are taking is that the killing might come to an unexpected end.

The scramble for war profits accelerates inflation. In order to raise capital for war investment, the corporate rulers are quite willing to sacrifice investment in less profitable areas of consumer-goods production. This results in a scarcity of certain consumer items often accompanied by poorer quality. The scarcity itself drives prices up at the same time the capitalists are already maintaining inflationary price levels in order to generate additional funds for war investments.

But all the money which corporations invest in the war industry cannot be raised from internal sources. Much of it comes from banks and other sources of credit, and this is what causes a rise in interest rates. It was particularly sharp in 1966 because the borrowing for war production coincided with heavy capital-investment plans in basic industries launched under the stimulus of the federal tax incentive policies adopted in 1962 and 1964. Higher interest rates, in turn, effect prices throughout the economy. At each stage of production and distribution, money is borrowed, and higher interest rates pyramid the cost of the final product. A pertinent example is in food prices. Farmers must borrow heavily to buy their land and machinery, and a rise in interest rates will force them to raise farm-product prices. "Total farm production will probably reach a new record [in 1967]" the Agriculture Department predicts, because of "substantial increases . . . for such overhead costs as interest, taxes and depreciation charges." (*Wall Street Journal*, Nov. 11).

The shift of large capital investments from the consumer-goods sector to the war industry thus permeates the whole economy. Certain consumer items are priced out of the market: Housing construction is a dramatic example. Because housing depends on high-interest mortgage rates, it is usually hard hit by an interest-rate inflation. Since April, housing starts in this country have seen an

historic decline. From a seasonally adjusted annual rate in April of 1,502,000, they have fallen to the 20-year October low of 848,000 and are expected to fall still further. This will lead to a serious housing shortage and will drive rents up. Recent declines in auto production in part reflect high interest rates, because cars are purchased through exorbitantly high-interest auto loans; and in part the decline in auto production reflects the shrinking ability of consumers to buy high-priced products.

Does the present inflation reflect a wage-price spiral? According to the capitalists, it is wage increases that spark inflationary price rises. The truth is, it is just the other way around. Wage increases are just beginning to take place in response to rising prices which began their upward trend over a year ago. And further price rises can be anticipated which will offset these catch-up wage increases.

The capitalists are fully aware of the fact that their inflationary policies of war financing will meet stubborn resistance on the part of the working class. This is eloquently attested to by the song and dance in the capitalist press about wage-price spirals long before anything like a major wage increase has taken place for the working class as a whole. More significant is the fact that the ruling class has already taken steps to weaken the leverage of an important sector of the working class: skilled labor.

The capitalists need skilled workers everywhere, and at the lowest possible wages, in order to make the inflation pay: Sophisticated instruments of death require skilled labor, the factories to produce these weapons need skilled construction workers, and all of this at a time of peak production when skilled-labor employment is already at an all time high. This short supply of skilled workers gives these workers an excellent lever in bargaining for catch-up wage increases.

The ruling class' anxiety on this score is well depicted in a Sept. 12 article in the *U.S. News and World Report*. Based on the assumption that U. S. forces in Vietnam will climb to 400,000 by the end of the year, 500,000 by mid-1967 and 600,000 by the end of 1967, *U.S. News and World Report* makes the following predictions:

"The armed forces will reach 3.7 million by the end of next year, matching the peak level of the Korean War. . . . Defense spending will skyrocket. By the fourth quarter of 1967 it will run at an annual rate of 75 billion dollars compared with the present rate of 60 billion. . . . Labor shortages—skilled and even unskilled—will grow more severe. Unemployment, now at 3.9 per cent of the work force, will slip to 3.5 per cent by next spring, and fall to a mere [sic] 3.1 per cent by year-end. Total civilian employment will rise more than 2 million by the final quarter of 1967—but more than a fourth of the rise will be diverted into defense and defense-related production. . . .

"A manpower squeeze is the biggest single economic worry for the months ahead. . . . Says one planner: 'The major impact of a troop build-up will be to aggravate shortages of labor. That will mean even bigger wage demands—and settlements—than would otherwise be the case. So we can expect more wage-price push, more inflation.'"

In order to meet the skilled-labor shortage, the Democratic administration has undertaken steps to induce a *selective unemployment in skilled labor*. This partly flows from the inflation itself. The fact that workers are "released" from over-priced consumer-goods industries makes it possible to absorb labor into war industry without encountering wage increases. This is why high interest rates, tight money and a slow-down in bank reserves are not viewed with great alarm by the capitalist ruling class: "The experts," states an article in the Oct. 8 *Business Week*, "see the declining indicators only as a sign that the monetary policy is being used in a wholly new way; to make the civilian economy give up its command over scarce resources, thereby freeing them for use in Vietnam." (Emphasis added.)

But high interest rates alone will not accomplish the "easing" of the skilled labor shortage which the capitalists desire. Johnson has made it clear he will take any additional steps to provide labor for the war machine. The so-called "anti-inflationary" dropping of tax incentives on investment in new plant and equipment is one such step. It is hard to see how this will contribute one iota to price declines but what it will do is cause layoffs. Johnson didn't explain at the time whether the Democratic administration intended to compensate workers who lost their jobs as a result of this "anti-inflationary" action; the president apparently assumes that the workers will find their way into a war factory if they're lucky . . . or into the army. The *coup de grace* of Johnson's strategy would be to increase unemployment in skilled sectors sufficiently by 1967 to offset the bargaining position of the unions when major contracts are scheduled for negotiation. Unemployment figures have been closely followed in the capitalist press and even slight changes in their favor make the front page.

Thus the Oct. 11 *New York Times* heralds the fact that the government had announced on the previous day that "the shortage of skilled workers appeared to have eased in recent months." This occurred, the *New York Times* explained, even though unemployment as a whole had declined. The explanation lies in the *increasing employment of women*. While selectively weakening the job position of skilled workers, the capitalists force more women into jobs simply to maintain the family income.

The idea, in essence, is to *change the composition* of the reserve

army of unemployed. But while the capitalists are playing it tight with the skilled workers, they are playing it fast and loose with the Negro and teenage workers. McNamara, for his own purposes, has taken steps to reduce the "mental" and age requirements for the draft. He sets aside the fact that the same measures that could induce a change of a few percentage points in the skilled labor force could mean a change of ten or twenty points in the ranks of Negro unemployed. Even in boom conditions, Negro unemployment remained at least double that of white workers. At one point this summer, over 25 per cent of Negro teenagers were unemployed on a nationwide basis. In the 100 largest cities, the figures ran to 31 per cent for Negro teenage boys and 46 per cent for Negro teenage girls.

Lyndon Johnson's demagogic promise of "guns and butter" will have to be jettisoned. The capitalist system does not have the leeway to conduct an escalated war simultaneously with a program of domestic reform. As Johnson further and further embraces the war-time economic policies of the Truman and Roosevelt administra-

### **One Way of Reducing Unemployment**

"WASHINGTON—The Bureau of Labor Statistics unveiled changes in its method of counting the employed and unemployed but said the revisions won't make monthly job statistics substantially different from current results. . . .

"The chief change will be to drop those aged 14 and 15 from the counting system. The bureau contends these youngsters work mainly as newsboys, babysitters and the like, and that unemployed among them has 'little economic or social significance.' About one million in this age group currently are in the labor force.

"Another change will be to count as unemployed only those who are available for work. In the past, high school or college students who began looking for summer work in April were counted as unemployed. . . . Bureau officials said this change will tend to lower the number of teenage jobless in April, May and June. . . .

"Further a person will be counted as unemployed only if he has engaged in 'some specific job-seeking activity'—such as going to the unemployment service, applying for a job, or answering a want ad—within four weeks previous to the monthly survey week. . . . Under the current system, workers who are absent from their jobs because of strikes, bad weather and other reasons and are looking for other jobs are classified as jobless. Federal statisticians say there are relatively few of these types, however. . . ."

—Wall Street Journal, Nov. 23, 1966

tions, not only will no new reforms be undertaken, but the government will attempt to take back concessions already won by the workers in bitter struggle.

In a recent policy statement, Gardner Ackley, the chairman of the president's committee of economic advisers, stated that a "substantial" increase in inflationary pressures would come from further attempts to reduce unemployment by stimulating the economy. This is nothing else but an open admission of the ruling class policy to undercut labor by reducing employment. It marks a major retreat from the pretensions of the Kennedy Democrats that the problems of unemployment could be solved if only you listened to the "new" economists. Ackley went even further. He insisted that "an increasing number of increasingly serious violations of both the wage and price guideposts has been occurring." But the guideposts are not dead, he proclaimed, "arithmetic doesn't go away just because we don't like it or can't learn it." (*Wall Street Journal*, Oct. 27)

The 89th Congress set the stage for an intensification of reaction in this country. It rejected all major labor-sponsored and civil-rights legislation. It projected for prime consideration at the next session additional repressive anti-labor legislation. The almost unanimous hysteria in congress about "riots" and "Black Power" leading to an overwhelming endorsement in the House of severe "anti-riot" legislation, indicates what the Negro people can expect. Inflation is not only an economic matter; it has to be enforced, and this requires a political as well as an economic offensive on the part of the ruling class.

But will it work? The American working class has gone through this before - and when the "war effort" was much more popular. It is not going to be so easy for Johnson to pretend the survival of the "free world" depends upon war and domestic sacrifice. Few Americans see any connection at all between the survival of "democracy" at home and the support of Hitler-loving dictator Ky in Vietnam. The defiant militancy of the New York transit workers last January, the airline mechanics in August, and even more recently, the electrical workers, has shown that organized workers are not going to accept the appeal-to-war as a rationale for some latter day "equality of sacrifice" fraud under which corporations enrich themselves at the expense of the workers. American housewives are demonstrating the same mood across the country in a different way. The boycotting and picketing of the supermarket food chains is another significant indication that Johnson's program of inflation and war is bound to stir increased resistance. Ultimately, the escalation of the war must link the demands of the antiwar movement with those of the working class. The workers will learn precisely why it is in their interest to demand an end to Johnson's "police action 10,000 miles away."

November 24, 1966

## YUGOSLAVIA AT THE CROSSROADS

A number of revolutionary socialists who visited Yugoslavia last summer recorded their observations and became acquainted with the ideas expressed by many Yugoslav Communists during interviews. All this information has been woven together in the article published below as translated from the November 1966 issue of *Quatrième Internationale*. Certain parts, among others those dealing with the question of program are almost entirely the literal wording of the proposals formulated by Yugoslav militants.

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For several years, all the contradictions in Yugoslavia's political system have been coming to a head. The economic reform in 1965, and the factional struggle in the top circle of the Communist League of Yugoslavia in 1966 helped to bring these contradictions to the point of explosion. The country's social and political forces are moving toward a showdown.

Abroad, this showdown has often been pictured as involving only the question of the successor to Tito. It is true that despite his many faults and the cover he has provided for the bureaucracy, Tito incarnates more than ever the only force that is trying to prevent these contradictions from exploding. It is likewise true that the Rankovich episode glaringly revealed for the whole country to see that the struggle over the succession has begun. Nevertheless, it would be contrary to the Marxist method to limit the problem to the question of persons, more or less factional groups, or even different ideologies. What is at stake is a *confrontation of social forces* which are so well aware of their particular interests, moreover, as to instinctively seek allies beyond the borders of Yugoslavia itself.

## The Main Contradictions

The main contradiction that has affected Yugoslavia for many years lies between an economic system based on the principle of workers self-management and a governing political system based on the principle of a monopoly of power held by a very restricted group of leaders of the Communist League of Yugoslavia.

This is not a contradiction between an apparently "democratic" infrastructure and a superstructure that must sooner or later adapt itself to the base. The monopoly of power held by the leading group in the CLY is hardly confined to the economic field. It also extends into all the other fields of social life.

One hears such things as, "People in our country like to talk about the 'continuous development of self-management.'" Everybody swears by self-management. The theoreticians of the leading group proclaim, not without reason, that if the producers are not in charge of production and do not control the social surplus product, then the bureaucratization of the regime and the establishment of "state socialism" (which a few of them identify with "state capitalism") becomes inevitable.

All this seems quite acceptable from the point of view of theory. But what is the real picture of Yugoslavia? The truth is that the producers, that is, the workers, are quite unable to "control the social surplus product" *from the plant level alone*. The theoreticians of the ruling group proudly point to the statistics showing that a constantly increasing proportion of the gross revenue of the plants remains in the hands of each plant. But they are grossly mistaken in concluding that these figures prove that the producers are increasingly in charge of the products of their labor.

In reality, manipulation of these products by "objective economic laws" is increasingly displacing manipulation by the central offices of the planning services. Economic constraint is substituted for political constraint. But from the viewpoint of the producer it doesn't make such difference if his plant is compelled to invest in accordance with a plan or under the pressure of competition. He is no better off either way. When a workers council is "free" to divide up its income . . . but the bank cuts off credit so that wages can't be met unless income is invested in certain amounts, this "freedom" is largely fictitious.

Economic life has dimensions that depend largely on technique. In the world of today, to try to contain it or determine it essentially on the scale of individual plants, maintained as autonomous units,

means substituting words for realities. Decisions made at the plant level are of secondary importance, affecting but little the workers' status, his income and relation to the job. The key decisions are made at the overall level of the economy. And insofar as these decisions are made almost entirely outside of the workers' control, excluding any possibility for the workers to influence or modify them effectively, *workers self-management limited to the plant level becomes itself largely fictitious.*

The way to make it real is thus not essentially through leaving an ever-increasing proportion of the gross revenue in the hands of the plants. The way is through transferring the power of economic decision to direct representatives of the masses of workers, freely elected by them at a congress, kept under social control and subject to recall at any time. *The producers cannot actually exercise the right to dispose of the means of production effectively except as a collectivity, as a class in its entirety.* To believe that this right can be exercised at the plant level, by means of splitting the working class into groups of plants not only separated from each other but often even opposed to each other, due to competition, is an illusion that quite often masks the very tangible interests of other social groups.

The idea that workers can more easily control what goes on at the plant level than at the level of the economy as a whole seems to make sense and is thus attractive. But it holds true only within very narrow limits. At the plant level, what the workers can control is the organization of the job, calculation of net costs, choice of models to produce, the stock of raw materials, equipment to use, the division of net income. What is beyond this level, is the determination of sales prices, the real wishes of the consumers and the social differentiation of the bulk of these consumers, the rate of technical progress on a national and international scale, the implications flowing from this for the plant, etc., etc.

Insofar as data on this are presented as fixed items over which there is no control—whether handed down by the central planning authorities or revealed by the market or by a combination of the two forces—there is no genuine economic choice available. Most of the economic "decisions" that can be taken at the plant level flow automatically from the data (insofar as they do not pass a death sentence on the plant). *The real economic options are not exercised at the plant level but at the level of the economy as a whole.* The largely fictitious character of workers self-management in Yugoslavia flows from the fact that these options have been monopolized up to now by the very narrow top circle of the CLY.

The way in which the decisions were taken on the economic re-



form in 1965, plus the setbacks they entailed, clearly illustrate this. The top group presented things as if the real choice lay between certain sacrifices imposed on the workers and the still greater sacrifices that would have resulted if these reforms were not applied. It was essentially the same language as that employed by Wilson at the recent congress of the British trade unions: "Either you agree to 500,000 unemployed now, or you will have 2,000,000 next year." Obviously, at the plant level, the workers have no means to reply to such an unattractive alternative. But they feel that it is unjust and they are clearly right, whether in Yugoslavia or in Great Britain, whatever other genuine differences exist between capitalist Great Britain and socialist Yugoslavia. Only at the level of central power could the working class challenge the economic theses put forward by the leading group of the CLY.

For a period of years, economic growth had been stimulated by the autonomy of the plants, widely surpassing the average of the other socialist countries. But for several years the situation has been reversed. The rate of growth has dropped and the new plan could only recognize this phenomenon which had occurred beforehand.

The cause of the slowing down does not reside in an "excess" of investments (in fact the rate of investment in the years 1957-63 was sufficient to guarantee full employment, which the new plan is explicitly incapable of maintaining); but in an excess of plant autonomy, which has nothing to do with workers self-management.

The Yugoslav press has widely reproduced the bitter criticisms expressed by the Soviet economists between 1963 and 1966 with regard to excessive centralization in the management of the economy of the USSR. One of the most striking manifestations of this excess was the appearance of unutilized surplus productive capacity in all fields of industry. But the same phenomenon of underemployment of resources exists in Yugoslavia, flowing precisely from excessive decentralization.

Here is an example among hundreds. The Rade Koncar factory in Zagreb, one of the most modern in the country, whose sales abroad are the pride of Yugoslavia, has for some years worked at only 60 to 65 per cent of capacity, due to lack of a regular supply of raw materials, above all copper. But Yugoslavia is a big producer and exporter of copper; consequently it is clear that the copper mining enterprises likewise prefer to export their products rather than furnish them to a key plant in the national economy! One can scarcely hold "the system of administrative planning" at fault for wastes involving excessive decentralization like this.

Another example: For years, industrial enterprises of all kinds

were constructed in various parts of the country solely on the basis of local needs and without taking into account the overall production in their branch of industry. The obvious result was excess productive capacity which led to genuinely grotesque consequences—Yugoslav plants exporting below costs (in order to justify their existence through "success in the export field"); phenomenon of "socialist concentration" occurred (small enterprises being absorbed by larger ones), etc. Again, such phenomena were obviously not a reflection of excessive centralization but of decentralization. But despite this very eloquent lesson from experience, the authors of the 1965 reform went even further down the road of decentralization; and even envisaged abolishing the state monopoly in foreign trade within a few months.

In Yugoslavia interminable discussions are held on the various possible and desirable combinations of a market economy and planning. The theoreticians of the leading group sought to keep the debate centered on a dilemma: Any limitation of the market economy would automatically strengthen administrative planning and hence bureaucratization. The dilemma is not a real one even from the technical point of view; after all *democratic* centralization is not at all identical with *bureaucratic* or administrative centralization.

But the fundamental error is to pose the problem on a technical level. What is involved in reality is to decide what social force to base oneself on. In the absence of power exercised directly by the working class at the federal level and with power monopolized by a small group of the CLY, the combination of this monopoly with ever increasing decentralization reduces the power of the workers more and more, provoking an increasing number of conflicts between groups and tendencies within the class and thus drastically weakening the workers as against the bureaucracy.

### The Rise of a Privileged Bureaucracy

The theoreticians of the top group of the CLY harp constantly on the idea that bureaucracy is more or less identical with central administration and that to dismantle "administrative planning" automatically means dismantling the bureaucracy. But life is showing the workers that this is a legend. In reality the bureaucracy must be defined as the whole of socially privileged elements (receiving salaries quite higher than those of skilled workers) in all strata of social life, leaving aside of course those who own their means of production and exchange (small peasants, artisans and private traders). The bureaucracy can obviously be subdivided into various

subgroups - an "administrative" bureaucracy (government functionaries of the republics and communities), a "political" bureaucracy (functionaries of the CLY and its satellite organizations), an "economic" bureaucracy (plant administrators) and a "technical intelligentsia" (engineers, doctors, etc.). At most it can be affirmed only that to shift from a system of administrative planning to an autonomous system of the plants would weaken the power of the "administrative" wing of the bureaucracy somewhat, to the advantage of the "economic" wing and the "technical intelligentsia." As for the political bureaucracy, it went through the whole 1950-65 period without losing one iota of its power and privileges.

A primary criterion can be used to determine whether or not workers self-management, largely deprived of content as practiced in Yugoslavia, has strengthened or weakened the bureaucracy in the final analysis. This criterion is obviously "rough," "crude" and even indelicate, as we very well understand. But it is a faithful indicator. The criterion is disparity in incomes.

In 1951 white-collar workers and plant management were on the average paid 10 per cent more in wages than the workers as a whole. (*Privreda FNRJ*, Ekonomski Institut FNRJ, 1954, pp. 349-51.) In 1957 the disparity had already reached 35 per cent. (*Information Bulletin about Yugoslavia*, 1958, No. 18, p. 6.) In the same year the highest salaries paid to the bureaucrats were five or six times the average wage of unskilled workers. (The latter were listed 9,000 dinars a month in the source just indicated. The highest wages were generally above 50,000 dinars a month. See *Statistički Godisnjak FNRJ*, 1957, p. 352.) But in 1965-66 the salaries paid managers and chief engineers in the main plants were easily 350,000 dinars a month, while unskilled workers were paid only 35,000 dinars a month. The spread in income thus widened from 5 to 1 until in less than ten years it reached 10 to 1.

These figures refer only to *individual* salaries; the disparity in *family* income is much greater, since in general more than one person in a family draws income. And just as the wives and sons of workers usually bring in modest amounts, so the wives and sons of bureaucrats often receive the pay of bureaucrats. Thus some students interrupted a lecture being given by Vida Tomsic, a member of the Central Committee of the CLY and the Secretariat of the Central Committee of the Communist League of Slovenia, to ask if it was true that the income drawn by her family was 700,000 dinars a month (twenty times the wages of an unskilled worker!), whether they owned two automobiles, had sent their daughter to a private school in Switzerland at government expense, and had a bank account abroad. She had to admit that the report was an accurate one.

In fact at the top of the bureaucracy some families are paid up to 1,000,000 dinars a month, i.e., thirty times the wages of an unskilled worker and nearly twenty times the average pay of laborers and workers, including the skilled and specialized categories.

The disparity in incomes, however, does not reflect the full extent of the social inequalities that have been widening in Yugoslavia in recent years. Automobiles, villas, rest homes, "social property," are in large part accessible only to members of the bureaucratic caste, assuring them a way of life that is often equal to or better than that of the average bourgeoisie in the imperialist countries. It is said that the members of the ruling group of the CLY have seventy villas exclusively at their disposal. A new one has just been built at Zagreb that cost a fortune. Surrounded by high walls, it would meet with the approval of the wealthiest figures in the Western trusts.

Private appropriation by the bureaucrats of the benefits of social property even finds a genuine reflection in legislation. Formerly automobiles belonged to plants, could not be used after hours and they had to be driven by designated personnel. This represented an excess of red tape and control which the bureaucrats hastened to rectify. They decided that in the future, the bureaucrats themselves can drive their automobiles - an end to "administrative control"!

In addition they won the right to take automobiles home and to use them whenever they feel like it, including pleasure trips and vacations. The difference a private automobile makes is imperceptible . . . unless it is purchased and maintained at the expense of the collectivity. The workers have become so irritated over this "democratic reform" and the new abuses it entails (the massive importation of deluxe Western models) that they say bitterly that the bourgeoisie has been replaced by the Peugeotie (in honor of the Peugeot automobile made in France).

In the workers councils the bureaucrats use and abuse especially their "technical skill"; the shift to a "market economy" involves expanding "scientific procedures" in order to determine the answers to many questions. You have to use intricate calculations to determine "consumer trends"; you have to transform the question of organizing the labor process from a problem of social relations into a question "determined scientifically." As if by chance, on this subject, the Western management system of "job evaluation," so vigorously opposed even by the Western reformist trade unions, is found worthwhile. The workers to a considerable extent feel disarmed in face of this line of argument due to the fact that they have at their disposal only the centralized information and documentation services, which are contradictory and uncertain in comparison with the "science" of the managers. But from time to time they do get angry over some particularly scandalous proposal, and have it

out with a manager who is too disregardful of the interests of the workers and even discharge him.

But as soon as you go beyond the plant level, the power of the bureaucrats is no longer affected by even the feeble functioning of workers management. At a higher level the bureaucratic power is absolute. In the Council of Producers in the Federal Assembly, only a few seats are held by workers actually still on the job. The immense majority of the "elected" representatives are bureaucrats or members of the "technical intelligentsia."

The bureaucracy has every interest in expanding the market economy. The reconversion of the economy not only assures them higher incomes, easier means of owning automobiles, apartments, villas, even funds abroad; it also assures them, after all, greater stability for their power and privileges, since the system is much more yielding than the system of "administrative planning" and makes it easier to employ demagoguery in channeling the discontent of the workers.

In contrast to the other socialist countries, even including countries at a high level of industrialization like Poland or even Czechoslovakia, Yugoslavia seems to produce an abundance of consumer durable goods. There is no problem of a long waiting list for televisions, washing machines or even a car. There are stocks of them even in the smallest towns. But as soon as you check the ratio between the prices of these commodities and the wages of the various groups in the population, it is apparent at once that they are completely out of reach for ordinary workers. On wages of 50,000 dinars (old issue) a worker can't buy a television set that costs 200,000 or a secondhand motorbike for 300,000. The production of manufactured consumer goods is almost exclusively oriented towards satisfying the needs of the bureaucracy, the privileged layers of the population. And if installment buying is more developed than in the other socialist countries, Yugoslavia is also one of the rare countries in Europe where selling on credit is practiced on a big scale for . . . clothes. It is the only way a worker can get a new suit from time to time.

In recent years the development of the privileges of the bureaucracy has proceeded parallel with the increase by leaps and bounds of tourism and emigration (involving skilled workers and technicians essentially). To this has been added, since the 1965 reform, the enrichment of certain layers of self-employed peasants and proliferation of private entrepreneurs in the service sector. The overlapping of all these privileges and interests creates a climate conducive to speculation and thirst for gain that provokes disquieting results. We leave aside the development of prostitution, the spread of gambling, the attractiveness to the youth of Western "values." In Slovenia, for example, this has reached the point where certain consumer durable goods are not even sold except for foreign exchange!

## The Discontent of the Workers

This whole development of material privileges and social inequalities could not but give rise to pronounced discontent among the workers, often accompanied by deep sadness. They wonder, with bitterness, if they sacrificed themselves in the War of Liberation and for twenty years in constructing socialism, for the enrichment and pleasure of these "new gentlemen."

The main points of discontent today are the following:

1) Unemployment and the rise in the cost of living provoked by the 1965 economic reform. According to official statistics, total employment dropped from 3,675,000 in July 1964 to 3,404,000 in February 1966, that is, by 271,000. These figures do not tell the whole story. To this must be added the new job-hunters, estimated by Tito himself in a recent speech at 150,000 a year, and emigration which must have amounted to more than 200,000 between the indicated dates. And still, the number of unemployed in the cities can without any doubt be placed at 300,000, to which should be added considerable hidden unemployment in the countryside.

This unemployment is due to rise in the near future. In general the plants did everything possible following the reform to avoid laying off personnel. They sought to make up for the very high jump in the prices of raw materials and other supplies by raising sales prices. But the regime is tending to cut off this route and seems resolved to import low-priced goods from abroad in order to bring down the prices of industrial products somewhat. This will compel a good number of plants to shut down or to order a mass layoff.

The official index of the cost of living rose from 84 in January 1965 to 125 in June 1966; i.e., it rose 50 per cent in eighteen months. The increase was particularly noticeable during 1965, since prices, beginning with 1966 have become increasingly stable. Nominal wages have not increased in the same proportion save for a few rare exceptions. Thus there was a decline in real wages in 1965-66. In Slovenia the average decline was 20 per cent. Tito, moreover, admitted at the plenum of the Central Committee held in March 1966 that it was the wages of the lowest-paid categories in particular that underwent a drop in buying power. (*Kommunist*, March 3, 1966.) From the standpoint of employment and income, it was the workers who paid for the 1965 reform.

The fact that the deficit in the balance of payments was considerably reduced, thanks to an increase in exports, leaves the workers relatively unenthusiastic, particularly when they note that the pre-

ferred imports are products for the comfort of the bureaucracy. And the fact that the entire operation was carried out under the control and active aid of the International Monetary Fund, an agent of international capitalism, and that the aim was to assure the convertibility of the dinar—while the Yugoslav economy is obviously in no condition to meet the competition of the industrialized imperialist countries—could only increase their uneasiness over the assurance of employment. An old Communist worker told us: "The Yugoslav workers will produce more and more surplus value for the German capitalists, who will come to Yugoslavia to spend it . . . to the profit of the foreign entrepreneurs in the hotel industry." (The allusion is to a project inviting foreign investments in the Yugoslav hotel industry.)

2) The increased cost of public services and lodgings. The application of the principle of "profitability" and of "financial self-management" in public service enterprises has yielded the most absurd results. Post offices have been eliminated in small towns where they existed since the time of the Kingdom of Serbia and the Austro-Hungarian Monarchy. The pretext was that these offices were not "profitable." Even the principle of "public service" has been sacrificed to the more and more encroaching notion of a "market economy."

The worst effects of this encroachment have been felt in the field of medical aid and lodgings. At present in Yugoslavia, two Unions are manufacturing and selling pharmaceutical products. One of them has placed on sale, and made widely available, tranquilizers, which can now be obtained without a doctor's prescription! Obviously the "profitability" of this product has increased; but can the same be said for the level of public health? The Communist doctors have protested in vain. They are treated like "partisans of the system of administrative control," "purveyors of the bureaucracy," if not of still worse crimes . . .

The application of the principle of profitability in the construction and upkeep of apartment buildings has been handled by rapid increases in rents. Rent now amounts to more than 10 per cent of the wages of a skilled worker and close to 10 per cent of the wages of teachers and scientific personnel. Rent is to be doubled again next year. This will make the second time in two years. The consequences are obvious. Workers have had to move out of modern apartments, giving them up to bureaucrats and to members of the professional arts, and going back to the semi-slums. "Production" is being oriented according to "demand," but as in all market economies, this means effective demand and not material needs, and this orientation is not in the interests of the workers.

The discontent of the workers is real and explosive, all the more

explosive since it is mixed with a feeling of deep disappointment. Again and again, the workers hoped that the bureaucratic abuses were going to be abolished. The last time was when Tito gave a speech in 1962 at Split in which he vigorously attacked the privileges of the managers, their automobiles, luxurious villas, etc. This speech was followed by instances of criticism from the left, of which the most striking and effective was undoubtedly the film, *Face to Face*, which was devoted to a conflict between the workers and the bureaucrats in a factory, the entire action occurring in a meeting hall.

But despite the attacks, despite the public criticism, nothing changed in practice. To the contrary, it could be stated not without reason that the bureaucratic privileges have increased considerably since the speech at Split. The workers have thus been compelled to conclude that any new attack by a member of the top group of the CLY against bureaucratic abuses is demagogic. This, by and large, was likewise their reaction upon the elimination of the Rankovich group from the party leadership. Their reactions can be understood when only three months after the Central Committee meeting at Brioni, where the top leaders of the CLY were handled with such violence, Tito at the October 1966 meeting of the Central Committee sharply denounced the organs of the press that were criticizing current leaders of the CLY.

The discontent of the workers is expressed not only in bitter and disillusioned words concerning the leaders of the CLY and the unions, by innumerable witticisms, by increasing abstention from all political activities. It is likewise expressed by numerous job conflicts in the plants, including many partial work stoppages that sometimes reach the height of considerable strikes like those of the miners in 1962. In the eighteen months since the 1965 economic reform, emigration, hunting for a second job, bidding to put up tourists, have constituted outlets for and partial derivatives of this discontent. But the discontent threatens to become more and more explosive if an early, radical rectification of the situation, does not occur.

Tito himself recognized in his speech at the meeting of the Central Committee in Brioni that the CLY was no longer listened to by the workers; this was what identified him in the eyes of the workers with the bureaucrats and profiteers. A radical reform is required if this identification is to be overcome.

Naturally, aside from a few exceptions, most of the working class remain attached to the system of social ownership of the means of production and the system of workers self-management in the plants. They know that despite all the faults of the monopolistic political regime, socialist Yugoslavia has made enormous progress com-



pared to prewar semifeudal Yugoslavia. They also know that the Yugoslav workers in general enjoy more freedom and a higher standard of living than the workers in most of the other socialist countries. But the justifiable national pride—weren't the Yugoslav peoples the first to resist Hitler and then Stalin successfully?—is steadily turning against the present regime, since it has not succeeded in projecting a cause to the people meriting deep commitment and enthusiastic engagement.

### The Tensions between Nationalities

Relations among the various nationalities constituting socialist Yugoslavia are a good barometer of the contradictory currents running through the popular masses. During each phase in which revolutionary consciousness rose and the socialist revolution advanced, unity and fraternity among the various nationalities was cemented and reinforced. This was the case in 1941 at the time of the popular insurrection against the fascist occupation; it was the case in 1945 when the socialist option was chosen by the majority of the people; it was the case in 1948 when it was decided to oppose the dictates of Stalin's Cominform; and again in 1950 when self-management was proclaimed. But each time revolutionary consciousness subsided, due to mistakes committed by the leading group, through erroneous options and decisions, frictions among the nationalities again rose to the surface. This happened in 1946-47; it happened in 1951-53; it is happening again today.

The responsibility for this renaissance of nationalism lies completely with the leading group of the CLY, inasmuch as this group deliberately utilized nationalism to broaden its base of support. With the exception of Tito—his merit in this must be recognized—all the leaders of the CLY have identified themselves with the interests of a particular nationality, and have appeared in recent years as spokesmen of the special interests of "their" nationality.

It is obviously impossible to re-educate the popular masses and particularly the youth in a spirit of systematic opposition to nationalism without simultaneously developing internationalist proletarian education. But since 1951 education of this kind has increasingly run up against Yugoslavia's foreign policy and its repeated concessions to American imperialism which they try to justify by the considerable gifts and handouts which the U.S. government has granted Yugoslavia. In the Vietnam war, "solidarity" with that magnificent revolution which has so many traits in common with the one carried out by the peoples of Yugoslavia during the second world war, has been limited to a few modest collections of money.

As against this, there are Yugoslav plants that are not ashamed to furnish materiel (particularly shoes) to the American army – a matter of increasing their profitability. When the Slovenian students courageously denounced this in their newspaper in May of this year, they were severely reprimanded. Under these circumstances, nationalism obviously finds fertile soil for growth among the youth.

The material cause of the tensions among the nationalities constituting socialist Yugoslavia is clearly the very unequal levels of economic development among these nationalities. A dual problem arises from this: On the one hand, the less developed nationalities feel discriminated against in relation to the more advanced nationalities (particularly the Slovenians and Croats); on the other hand, the more developed nationalities feel exploited, since the Federation takes part of their surpluses to invest elsewhere.

The latter reaction has no scientific basis. Within the framework of a united market, with the prices of industrial products higher than those on the world market, trade between industrially advanced regions like Slovenia and Croatia, and the underdeveloped republics is an unequal exchange and a transfer of value operating in favor of the former and at the expense of the latter. The funds for the development of the underdeveloped republics, which come from the industrialized republics, could not have been raised unless they had first been obtained from the underdeveloped republics thanks to unequal exchange.

However, in the long run, there is no other solution to the problem of economic inequality among the republics than a higher rate of investment in the relatively backward republics, provided by a central pool. This was the way it was done up to 1957. This is no longer the case. Since then, per capita investment in Serbia and Montenegro, has risen less rapidly than the federal average. And if in Macedonia you deduct investments for reconstruction in Skoplje, the conclusion is the same. Less industrialized from the beginning, and receiving less investments than Slovenia and Croatia, these republics have fallen further behind.

The spokesmen of the top group of the CLY have replied to this by saying that investments in the backward republics had proven to be scarcely profitable and often made no sense. You hear talk about "political investments" in this connection. The case is cited of the Niksich steel mill in Montenegro where almost all the workers had to be "imported" from other republics. Things are presented as if the choice were between particularly profitable investments and particularly "political" investments involving scandalous waste.

This dilemma is hardly a real one. If the workers of these republics are associated in a valid way, if pains are taken to go into things with loyal and disinterested technicians, there are ways of

considerably increasing the rate of investment in the backward republics. The "political" character of such investment does not at all derive from the fact that it occurs in underdeveloped regions; it derives from the monopolistic character of the top group, whose members are outside the control of society and who end up deciding everything.

In any case the real dilemma lies elsewhere. Either the rate of development in these backward republics must be considerably accelerated, or the tensions among the nationalities will end up by likewise reaching an explosive level. The same thing is happening today among the cadres of the army and the diplomatic corps as occurred among the cadres of the UDBA [Uprava Drzavne Bezbednosti - Administration of State Security] at the time of the Rankovich crisis. With regard to this some of the indices are extremely interesting, constituting danger signals. To devote only 2.5 per cent of the national income to the development of the backward regions is obviously insufficient. Moreover it is not necessary to wait to see the consequences. During the past few years, the percentage of illiteracy among the youth of Bosnia-Herzegovina has risen from 6 per cent to 12 per cent due to insufficient credits for schools and teachers.

For the past year, the Croatian Ustashe and the Slovene bourgeois nationalists have resumed serious activities. This is fed not only by the old political emigrés but by the new ones who go abroad for economic reasons. It even strikes a chord among certain circles of the youth. On May Day this year fascist leaflets were distributed at the University of Zagreb for the first time in twenty years! This speaks volumes about the political impasse of the CLY. The leadership of the Croatian and Slovenian Communist League, which shamelessly exploited the reactionary sentiments of a part of the population against the southern nationalities, bears an enormous responsibility for this. Rapid rectification is required if a catastrophe is to be avoided.

### Ten Point Emergency Program

The approaching showdown between the workers and the privileged layers is complicated by the tension among the nationalities on the one hand, and on the other by the many links which a part of the bureaucracy and the technical intelligentsia have already forged with the bourgeois circles of the West and by the absence of communist convictions among a good part of the youth. There is danger, too, that it will occur at a time when the relationship of forces is still hardly favorable to socialism. It should not be for-

gotten that 50 per cent of the active population is still made up of peasants and of private elements in other sectors.

For all these reasons, socialist Yugoslavia is in danger of undergoing a crisis of exceptional gravity at some moment in the future, for example when the question of the succession to Tito is posed concretely. All the genuine communists must begin preparing from now on for this crisis by considering what emergency measures the workers should propose and undertake in order to block the counterrevolution and to assure renewed progress for the country along the socialist road.

Insofar as we may venture to formulate an opinion based on necessarily fragmentary information, the emergency program of the Yugoslav communists should include the following points, corresponding to the gravest problems facing Yugoslav society in general and the working class in particular:

- 1) Immediate convocation, at the level of the republics and the federation as a whole, of a Congress of Workers Councils, to sit permanently with the right of final decision on questions relating to economic and financial planning, political budgets of the republics and the federation, and social legislation. It is a question of a transitional measure while the constitution is amended to place political power in the hands of representatives democratically elected by the workers.

- 2) The Congress of Workers Councils should be composed of direct delegates of the workers councils. No one who earns more than three times the average wages of a worker should be allowed to take part in it. The delegates to the congress ought to continue to be paid their wages and be reimbursed only for their travelling expenses. The deliberations of the congress should be public, published by the entire press and broadcast by radio and television whenever the congress so desires. The electors should have the right to recall their delegates at any time by a 40 per cent vote.

The election for the Congress of Workers Councils, as well as the election for the workers councils, should be done by secret ballot and on the basis of several slates of candidates. Any group of workers upon collecting the signatures of at least 5 per cent of the members of the collectives (5 per cent of the members of the workers councils for an election of delegates to the congress of councils) has the right to present a slate of candidates. They must issue a declaration of principles and present programmatic proposals dividing them from the other slates of candidates. Candidates considered to be fundamentally hostile to the socialist constitution and the principle of social ownership of the means of production should be rejected. The rejection of candidates should be made only by an ad hoc commission of the Congress of Workers Councils, and after a fair de-

bate in the presence of the candidates in question and after publication of a motion stating the reasons.

4) The congress should have the right, until the statutes involving the plants has been basically re-examined and settled on, to hold up any decisions of workers councils in the plants considered to be gravely prejudicial to the development of the socialist economy and fraternal relations among the peoples of Yugoslavia. They should not do this until after a fair and public debate and on the basis of a motion stating the reasons.

5) All layoffs of workers should be immediately held up. The reduction in the labor force in plants should not take place until a public discussion has been held on the matter, either at the community level, or the level of the republics, and after equitable possibilities of employment have been offered to the possible victims of the reduction in the labor force.

6) Charges in all public services and rents should immediately be frozen and any new increase forbidden pending examination of the problem as a whole by the Federal Congress of Workers Councils. The supplementary resources necessitated by this measure can be found by reducing outlays for luxuries, reducing high salaries and reorienting investments.

7) The monopoly of foreign trade should be immediately re-established. Control over imports should be re-established by an ad hoc commission of the Congress of Workers Councils with the aim of ending all imports of luxury products and goods that are not essential for the development of the national economy and the standard of living of the workers. Dependence on capitalist economic "aid" should be progressively reduced. Agreements for bilateral cooperation and combined economic development on the basis of mutual interest should be concluded with all the socialist countries who accept it in principle.

8) The Congress of Workers Councils should charge the planning authorities as well as possible groups of competent economic experts to work out several variations for the next plan, centering it on priorities capable of mobilizing the creative enthusiasm of the workers and the youth and of consolidating fraternal relations among the peoples of Yugoslavia. Among such objectives can be listed the following: the complete liquidation of illiteracy during the next five years; the re-establishment of jobs and the guarantee of full employment; the acceleration of the development of the underdeveloped regions and republics; the general reduction of the work week to 40 hours; the method of voluntary mobilization of the youth

in the struggle against illiteracy, utilized by the Cuban revolution, could be employed on a broad scale.

9) In foreign policy the question should be posed in relation to the following fact: Secretary of State Marko Nikezich, speaking on television last June 23, stated that his department no longer held a monopoly on Yugoslavia's foreign policy and that this monopoly did not belong to anyone. But he immediately added that the way in which the Yugoslav press followed international events created the impression that such a monopoly existed. Thus the right must be immediately established for all social organizations, all the youth movements, and any group of workers to express themselves freely on this subject. Any group that has its documents refused publication several times by the existing organs of the press should have the right to set up its own organ, on condition that the program it submits is in conformity with the constitution and based on the defense of social ownership of the means of production. A ban on such organs, or refusal to release paper and press facilities to such groups, should only be decided by an ad hoc commission of the Congress of Workers Councils after a fair public debate and on the basis of a motion stating the reasons.

10) For the CLY it is a question of life or death to regain the confidence of the workers, to regain their esteem. To achieve this, radical reforms must be introduced in party procedures. It must return to the Leninist rule of a "maximum" salary—no member of CLY who is placed in a responsible post, whether in the CLY, the unions or a government body of any kind, should be paid more than twice the salary of a skilled worker, and the tendency should be to reduce salaries progressively to those of skilled workers.

This reform in itself would do more than all the measures taken in the past ten years to re-establish a mass base for the CLY, a base which it has lost according to Tito's own admission. To this reform the following in particular should be added: abolition of the cadre commission in the party; election of all officials, at all levels, by secret ballot; introduction of the right of all members of the CLY to prepare and to submit to the congresses and conferences, at all levels, common platforms different from those of the leading bodies; introduction of the right of minorities in the central committees and all the leading bodies to submit their minority opinions to the membership in written form and through fair debates in meetings during the period of preparation for congresses and conferences; all the secretariats of the CLY should be obliged to disseminate these platforms and minority opinions of individuals or groups to all the members of the CLY, and to organize written and oral debates in connection with this; the same rules should be progressively extended, returning to the democratic centralism of Lenin's

time, to the procedures of the Socialist Alliance of the Peoples of Yugoslavia; the leading bodies of the CLY and the SAPY should be elected on the basis of the proportion of votes received by the various platforms in secret balloting.

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The leading group of the CLY, which is proud of its propensity to undertake radical and democratic reforms, will recoil with horror at such a program of immediate reforms, which are nonetheless both radical and democratic. They will try to fight it by means of a double amalgam—linking it with the rightist, pro-Western opposition on the one hand, and with the ultra-bureaucratic elements of the Rankovich type on the other.

The attempt to create an amalgam between the criticisms of the left opposition and the revisionist elements of the right, who are vassals of the "democratic socialism" or "Christian socialism" of the West, has already been employed against the magazine *Perspektive* of Ljubljana, which was suppressed at the beginning of 1965 as an "organ of Christian socialism." This was a pure and simple slander. The magazine carried obvious left-wing criticisms of the official policies which were inspired by genuine communist and Marxist convictions. Its directors included a prewar communist, a political commissar of a division of partisans during the War of Liberation, and two sons of old communist militants, both of them communists themselves.

An attempt to make an amalgam between the left-wing criticisms of the leading group of the CLY and elements of the Rankovich group is all the more dishonest and all the more slanderous since the leaders of the CLY based themselves on the Rankovichs both big and little, including their police apparatus, in order to stifle criticism from the left up to the very eve of the Central Committee meeting in July 1966. To present things now as if the victims were "objectively" conniving with their persecutors is quite revolting.

Whatever may be the indignation of the leading group of the CLY over the program outlined above, this is the general direction in which the genuine communists should rapidly move if they hope to avoid, if not the confrontation of social forces that now seems inevitable, at least a confrontation in which the working class and socialism would emerge with a grave defeat. This is the direction in which they must turn in order to resume the socialist revolution, to provide faith among the youth and the workers in the ideals of communism, in order to instill on a broad scale the spirit of sacrifice and class solidarity which have wrought so many miracles in the past, in order to make the CLY once again a vanguard respected and admired by the majority of the toiling masses of Yugoslavia.

## BOOK REVIEW

# SURPLUS CAPITAL AND REALIZATION OF SURPLUS VALUE

BY ERNEST MANDEL

*Monopoly Capitalism* by Paul M. Sweezy and the late Paul A. Baran is an interesting and important book.\* It represents an attempt to explain the contemporary functioning of the capitalist system in the United States with the Marxist tools of analysis. But it resolutely breaks with the stereotype repetition of the Hilferding-Lenin analysis which is, after all, more than half a century old, and tries to apply the tools in an independent way, to the reality of today.

*Monopoly Capitalism* is more than that. It is an attempt to explain all the typical aspects of American society today—its foreign policy and the rise of mental illness; the crisis of the educational system and the militant upsurge of the Negro movement—by the socio-economic roots of that society which the authors are convinced they have discovered. Much of that analysis is stimulating and some of it is a courageous advance compared with the positions which Sweezy defended in *The Theory of Capitalist Development* and *The Present as History*.

But interesting as it would be to critically analyze many of these parts of *Monopoly Capitalism*, it would distract attention from what should be the main problem posed by the book: the discussion of the problem of "surplus absorption" and the political perspectives which the authors have drawn from their economic analysis.

In *The Political Economy of Growth*, Paul A. Baran had shown

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\* *Monopoly Capitalism: An Essay on the American Economic and Social Order*, by Paul A. Baran and Paul M. Sweezy, 1966. Monthly Review Press, 402 pp., \$8.75.



the operative usefulness of the notion of "economic surplus" for understanding the economic problems of the underdeveloped countries. Contrary to the current apologetic assumption about the "vicious circle of poverty"—"underdeveloped countries are poor because they invest too little; and they invest too little because, as a result of their poverty, too small a part of too small an income can be invested"—Baran proved that the *potential* investment fund of these countries (i.e. the part of the national income not consumed by the producers) is actually a larger part of national income than in the industrialized countries. Thereby he counter-posed to a tedious tautology ("the backward countries are backward because they are backward": that's what the "vicious circle of poverty" really says) an analytical and socially critical *explanation*: that there is a substantial potential investment fund in the backward countries, but this cannot be channelled towards speeded-up economic growth because of specific social forces (the native ruling classes and foreign imperialism) with whose interests such a channeling would clash.

The advantage of the Baran thesis is a double one: at one and the same time it explains why there has been no significant economic growth in those semicolonial and colonial countries which have remained imprisoned in their old social structures and in the capitalist world market, and why those countries which, thanks to a social revolution have broken these fetters, actually have experienced a process of economic growth at sometimes breathtaking speed.

In *Monopoly Capitalism*, Sweezy and Baran now try to apply the same category of "economic surplus" to the most advanced industrialized capitalist society of today: the United States of America. Their thesis could briefly be summarized as follows:

At a certain stage of capital concentration there occurs a decisive change in the way the market operates. Under monopoly capitalism, the dominant corporations are so strong that they can practically suppress price competition and price cutting. But technological innovation continues at the same time, and the dominant corporations continue to respond to strong incentives for cutting production costs. Therefore, there comes into being a widening gap between production costs and selling prices, as a result of which the rate of profit tends to increase sharply. Or, to put it in the authors' words: the economic surplus tends to grow constantly.

But the monopolists must now dispose of this surplus. And the normal outlets for surplus absorption seem to be blocked. Consumption by the capitalists themselves does not grow at an ever increased pace (the authors use only one indicator to prove this, i.e., the fact that distributed dividends represent a declining portion of total net corporate profits; but the demonstration seems to us quite convincing). Productive investment cannot grow at such a pace either, for this would create an even bigger surplus absorption problem and would rapidly snowball into a tremendous excess

capacity. To put it in other words, the corporations don't invest just because they have funds available, they invest only if they can be reasonably sure of selling the products the newly invested capital will produce.

So if normal means of surplus absorption become more and more insufficient and inadequate, new means must be discovered. And the authors quote three main forms of surplus absorption which have risen to phenomenal proportions since the first and especially the second world war, i.e., since monopoly capitalism fully developed its main traits: a stepping up of sales effort, an expansion of the means put at the disposal of civilian government; and an expansion of military expenditures. The general tendency, therefore, is to continuously increase the irrationality of the system. More and more people are busy producing more and more goods which are either useless or wasteful or outright harmful. They can't find any satisfaction in this sort of activity. And more and more people are kept busy trying to convince the majority of citizens that these useless, wasteful or outright harmful things should be bought or paid for by all means. The international implications of such an irrational system are evident: more and more aggressions abroad—among other things to support the growing foreign investments of the large American corporations—eventually leading towards the brink of total irrationality—nuclear world war and self-destruction.

Much of this analysis is not new. Sweezy and Baran draw heavily upon the most intelligent academic analyses of contemporary capitalism, especially Steindl and Kalecki<sup>1</sup>. The theory of the reversal of the tendency towards declining profits after the first world war into an apparent tendency to increasing profit has been developed at length by the American Marxist economist Joseph Gillman<sup>2</sup>. And the same author has also highlighted the tremendous increase in sales costs since the appearance of monopoly capitalism, although he draws from it quite another conclusion than Sweezy and Baran (for Gillman, in brief, unproductive expenses such as sales effort at home and abroad are indispensable for the realization of surplus value, are to be deducted from surplus value to determine "net profit" and thereby, the decline of the rate of net profit continues to be valid). Rosa Luxemburg established more than fifty years ago the importance of military expenditure for surplus value realization. And this reviewer arrived in the beginning of the sixties at a series of conclusions part of which are similar to those which Sweezy and Baran draw today.<sup>3</sup>

I stressed the appearance of two average rates of profit in the economy of monopoly capitalism: the *average rate of surplus profit* enjoyed by the monopolist corporations; the lower average rate with which the rest of the capitalist entrepreneurs had to be content. I drew the conclusion that administered prices and high surplus profit,

had cut loose the corporations from control by investment banks and made them financially autonomous, their main problem becoming one of disposal of surplus capital. I indicated that the main uses for this surplus capital were (1) investment in sales effort and service industries (which have the great advantage of enjoying a lower organic composition of capital, and could thereby counteract the tendency toward a declining rate of profit resulting from an increasing organic composition of capital, (2) increase in military expenditures and (3) foreign investments.<sup>4</sup> Excess capacity and surplus capital without outlets seemed for me as for Sweezy and Baran the main contradictory features of monopoly capitalism.

If one compares this analysis with that of *Monopoly Capitalism* one could get the impression, at first sight, that the only differences are terminological: where I speak about the growth of surplus capital, Sweezy and Baran speak about the growth of "economic surplus."

It would be easy to argue of course that even that difference is not simply terminological, but strikes at the roots of Marxist economic theory. Sweezy and Baran define the category "economic surplus" as "the difference between what a society produces and the cost of producing it" (p. 9) in a very loose way. If one uses the definition in a literal sense, one could conclude that the problem which they call "surplus absorption" is just the old problem of "surplus-value realization."

But the authors do not stick consistently to that definition. Surely, depreciation costs—abstractions made of excess allowances which are just hidden profit, i.e. surplus value—are not part of surplus value but reproduction of constant capital. Equally to take sales costs *en bloc* as part of the surplus is to indicate that this notion encompasses something more than surplus value. Evidently, the part of sales costs which is just reproduction of *capital invested in the service sector* is ~~not~~ part of social capital. So one gets the impression that the authors have mixed together surplus capital and surplus product, and that they would need at least to disentangle these two categories before they could prove convincingly that the "surplus" (and the rate of profit) has been constantly increasing since 1929.

These are not just semantic niceties. In a market economy "surplus product" can be disposed of only through exchange; it assumes the physical form of commodities for which there are no customers. "Surplus capital," on the contrary, is potential purchasing power which, for the moment, finds nothing to buy. One now sees the logical inconsistency of adding surplus product to surplus capital, where indeed an operation of subtraction would be more to the point.<sup>5</sup>

The real problem is a double one: to invest excess capital in such a way as not to further reduce the market for the existing

monopolies which already operate at less than their full capacity because of insufficient markets; to assure a constant level of capacity utilization for the existing industries, although the laws of motion of capital tend to depress this level of capacity.

The answer to the first problem has been till now: the military establishment, the service industries and capital export. The answer to the second problem has been essentially, *credit*, i.e., a colossal private and public debt structure, and *constant inflation* (incidentally, the question of transfer payments of the state, of social welfare, and in general of the budget as a source of income to realize part of the surplus value without *immediately* reducing either wages or profits has its place in this chapter).

The question of viability of the economic system in the long run can only be answered if one examines the contradictions arising in both these fields: the absorption of surplus capital and the absorption of surplus product. And here we have the key to the basic weakness of the Sweezy-Baran analysis. By mixing together surplus capital and surplus product in their category of "economic surplus," and thereby being unable to disentangle problems of excess capital absorption and excess commodities disposal, they slur over the main contradictions of the system which undermine it *economically*.

On the one hand, the U.S. corporations could only have a guaranteed growing market for their goods (a guaranteed rate of operation for their growing productive capacity), if one assumes complete control over technological innovation and complete disappearance of price competition. This assumption—which is at least in parts of *Monopoly Capitalism* implicit in the authors' analysis—is unwarranted and in fact contradicted by actual developments.

The monopolist corporations are in fierce competition with foreign rivals for shares of the world market, and these shares can fluctuate rather sharply. They are challenged in their own home market by foreign competitors and by "new industries." Furthermore, periodic declines of the industrial reserve army (during and after the second world war, in the sixties) tend to exert upward pressure on wages which can only be combatted through stepped-up automation, which reconstitutes the reserve army and brings downward pressure to bear upon wages.

For all these reasons, notwithstanding a growing outflow of capital from productive to non-productive purposes (military production being considered non-productive in this context), there is the distinct threat of a declining rate of utilization of productive capacity, of a rate of increase in productivity out-stripping the rate of growth of production, and therefore of growing unemployment. The "automation explosion" cannot be contained within the framework of a stagnating but self-content society as Sweezy and Baran depict it. It poses problems which monopoly capitalism cannot solve within

the framework of its economic *modus operandi*. One way out of course would be an increasing number of "conventional" wars. And there is certainly a relation between the escalation of imperialist aggression in Vietnam and the difficulties of the American economy, unable to absorb four million unemployed even after the unheard-of period of five years prosperity.

On the other hand, a *temporary* solution of the overproduction problem has been possible only through the erection of a colossal debt structure and of constant inflation. Eventually this would tend to disorganize any capitalist economy—but it could take a very long time to do so—provided the USA were insulated from the outside world.

But, of course, it is nothing of the kind. Inflation inside the USA—as a necessary prop against recurrent grave crises of overproduction—has worldwide consequences of which the international capitalist class and its economists are very well aware. The contradiction between the dollar as an instrument for anti-recession policies on the US market and the dollar as a means of payment of the world market, is rapidly reaching an explosion point. And the grave international monetary crisis which is in the making will have its consequences on the US economy too.

We cannot therefore accept the conclusion of the authors that there are no internal forces inside the economy of monopoly capitalism which are strong enough to challenge the system. This conclusion again rests on the implicit assumption that monopoly capitalism can somehow guarantee the *mass of the wage and salary earners*—the vast majority of American society—a constant and slowly rising living standard.

Otherwise, the thesis of the authors that the "organized cores [of the American working class] in the basic industries have to a large extent been integrated into the system as consumers and ideologically conditioned members of the society" (p. 363), even if it is a fairly accurate description of the situation today, would by no means be a valid proposition for the future. If one assumes that the dual forces of automation and inflation will introduce growing instability into the American economy, there is at least a reasonable assumption that this instability will eventually undermine the stability of the union bureaucracy and the relative quiescence of the workers. Active opposition to monopoly capitalism which is today largely confined to the Negro movement, the antiwar protest of the student youth, and relative militancy of certain lower-paid wage and salary earners, could readily blossom again into a powerful and unbeatable alliance around the industrial working class.

Having lost sight of the main internal contradictions of contemporary monopoly capitalism, Sweezy and Baran look, above all,

towards world revolutionary developments as possible avenues for challenging and overthrowing American monopoly capitalism. Taken by itself this is a healthy development, for Marxism is internationalist by its very nature, and we fully agree with Sweezy and Baran that the main task for the progressive forces of American society today is to link up with the forces of world revolution which are challenging the rule of Capital on all continents.

Having discovered world revolution, Sweezy and Baran correctly stress its permanent character, i.e., its tendency to grow into a socialist stage. Here again we can only agree with them. And further, that the growing involvement of the US ruling class in military conflicts with world revolution, will bring about important transformations in the consciousness of parts of the American population seems also obvious. There is a direct link between the revolt in the Negro ghetto and the African revolution. The counter-revolutionary actions of the US monopolists against the Cuban and the Vietnam revolutions are the major causes of the new radicalization among American students and American intellectuals.

But there still remains the inescapable conclusion that all these forces are today minority forces in American society; that even the conscious option in favor of socialism, as a result of the example of the more efficient and more democratic functioning of the countries calling themselves socialist, — some time in the future predicted by Sweezy and Baran, — could only be a minority action as are all purely ideological options in history. This much is certain — *in the absence of powerful socio-economic motives growing from the basic instability of American society*, the hope for a revolutionary overthrow of monopoly capitalism by these forces remains largely utopian.

Worse: if the process of world revolution, with its inevitable ups and downs, continues in the sense of an overall expansion, and if the military involvement of US imperialism against this process likewise grows; and if at the same time the majority of the American people remains passively integrated in a society which guarantees at least its basic welfare, then we come to the terrible conclusion that no objective forces could in the long run prevent nuclear world war, i.e., prevent the American ruling class, when finally in extreme frustration and isolated in its own part of the world, to defend the past part of its empire by all the means at its disposal, including nuclear weapons. Certain no *outside* force could prevent some American Hitler from doing so.

But we can see no basic reason to accept such a pessimistic conclusion, which flows more or less logically from the Sweezy and Baran analysis. Growing world revolution will also bring with it growing economic difficulties for many parts of the international capitalist system, and inevitably for the US economy too. Increased

intertwining of the American and international capitalist economy will eventually transform the crisis of world capitalism into a crisis of American capitalism. The crisis of American capitalism will shake up the passivity of the American working class as it did in the thirties.

Outside the general line of research of the problems of automation and inflation - although intimately related to them - there appears the supplementary problem of the international fragmentation of the cycle of world capitalism. One of the main "stabilizing" factors of world capitalism after World War II has been the absence of a general recession. Since 1945, recessions in the USA (and in a few countries intimately linked with US economy), have coincided with a continuous boom in most of the Western European capitalist countries and in Japan. And in the last three years recessions which occurred successively in four major capitalist countries (France, Italy, Japan and now Britain) coincided with an uninterrupted boom of the US economy. The fragmentary character of these recessions, of course, acted as a powerful factor limiting both their depth and their duration.

But will this fragmentation last? Will not a recession in Western Germany have more severe consequences for the whole international system? Would not the next American recession coincide with a phase of the cycle in Western Europe where most of the forces generating long term growth have already spent themselves, and thereby cause a general recession in the whole international capitalist economy? These questions and many others strike one as relevant, and they should at least be resolved before one accepts the extreme conclusions of *Monopoly Capitalism* that no basic instability of the system will create a powerful social challenge to it from within the United States.

We admit that posing the question is not answering it. More time, more independent and collective research, discussion and debate by all Marxists, on both sides of the Ocean, will certainly be necessary, before a definitive answer will be found to these questions.

Oct. 1, 1966

### Notes

1. Josef Steindl: *Maturity and Stagnation in American Capitalism*, 1952, Basil Blackwell, Oxford.  
Michal Kalecki: *Theory of Economic Dynamics*, London, 1954.
2. Joseph Gillman: *The Falling Rate of Profit*, London, Dennis Dobson, 1957.
3. Ernest Mandel: *Traité d'Economie Marxiste*, Vol. II, Chapter XIV,

pp. 190-198, ed. Julliard, Paris 1962. An English edition of the *Traité* will appear in 1967, by Merlin Press in Great Britain, and Monthly Review Press in the USA.

4. Sweezy and Baran deny that foreign investments are an outlet for the "surplus," because, they say, inflow of profit from foreign investments are greater than outflow of private capital in the USA. They forget, however, government expenditure in the form of foreign loans and gifts, in its double role as an outlet for surplus capital in the USA and as additional purchasing power used by the receiving countries to import additional quantities and values of US commodities.

5. That such a subtraction has a very real meaning can be shown by the example of the war economy, under which the surplus product takes the physical form of weapons and the surplus capital is transformed into government bonds to finance the purchase of these weapons.

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## BOOKS RECEIVED

THE ECONOMIES OF THE SOVIET BLOC: A Study of Decision Making and Resource Allocation by Stanislaw Wellisz. McGraw-Hill. 245pp. \$2.45 paper.

WORLD REVOLUTIONARY ELITES: Studies in Coercive Ideological Movements edited by Harold D. Lasswell and Daniel Lerner. M. I. T. Press. 478pp. \$2.95 paper.

REVOLUTIONARY HAMBURG: Labor Politics in the Early Weimar Republic by Richard A. Comfort. Stanford University Press. 226pp. \$6.00.

SOVIET TRADE UNIONS AND LABOR RELATIONS by Emily Clark Brown. Harvard University Press. 394pp. \$6.95.

SOCIALIST ORIGINS IN THE UNITED STATES: American Forerunners of Marx, 1817-1832 by Dr. David Harris. Van Nostrand and Co. N. Y., Netherlands. 140pp. \$6.80.

THE SECOND OSWALD by Richard H. Popkin. Avon Library-New York Review. 174pp. \$.95 paper.

THE OSWALD AFFAIR: An Examination of the Contradictions and Omissions of the Warren Report by Leo Sauvage. World Publishing Co. 418pp. \$6.95.

WRITERS AND POLITICS by Conor Cruise O'Brien. Pantheon. 259pp. \$4.95.

GHANA: End of an Illusion by Bob Fitch and Mary Oppenheimer. Monthly Review Press. 130pp. \$3.50.

THE STRUGGLE FOR INDOCHINA, 1940-1955 by Ellen J. Hammer. Stanford University Press. 373pp. \$2.95 paper.

HISTORY OF AMERICAN SOCIALISMS by John Humphry Noyes. Dover. 678pp. \$2.75 paper.



- STEADY WORK: Essays in the Politics of Democratic Radicalism, 1953-1966 by Irving Howe. Harcourt, Brace and World. 364pp. \$6.95.
- DOLLAR DIPLOMACY by Joseph Freeman and Scott Nearing. Monthly Review Press. 353pp. \$6.50.
- BIRMINGHAM: People in Motion. Published by the Alabama Christian Movement for Human Rights, 1616 Fourth Ave. N., Birmingham, Alabama. 32pp. \$1.00 paper.
- PATTERNS OF SOVIET THOUGHT: The Origins and Development of Dialectical and Historical Materialism by Richard T. De George. University of Michigan Press. 293pp. \$6.95.
- THE POLITICS OF ESCALATION IN VIETNAM by Franz Schurmann, Peter Dale Scott and Reginald Zelnik. Beacon Press. 160pp. \$3.95.
- VIET CONG: The Organization and Techniques of the National Liberation Front of South Vietnam by Douglas Pike. M. I. T. Press. 490pp. \$8.95.
- CHINA UNDER MAO: Politics Takes Command: A Selection of Articles from *The China Quarterly* edited by Roderick MacFarquhar. M. I. T. Press. 525pp. \$3.95.
- THE DRAFT AND THE VIETNAM WAR by Jacquin Sanders. Walker and Co. 156pp. \$1.95 paper.
- IRONIES OF HISTORY: Essays on Contemporary Communism by Isaac Deutscher. Oxford University Press. 278pp. \$5.75.
- THE BOLSHEVIK REVOLUTION by E. H. Carr. Penguin Books Inc. In three volumes. Paper. I, II, \$2.25 each; III, \$2.45.
- AMERICA'S VIETNAM POLICY: The Strategy of Deception by Edward S. Herman and Richard B. Du Boff. Public Affairs Press. 123pp. \$2.00 paper.
- MAO TSE-TUNG IN OPPOSITION 1927-1935 by John E. Rue. Stanford University Press. 387pp. \$10.00.
- THE PARTY and the NATIONAL QUESTION IN CHINA edited and translated by George Mosley. M. I. T. Press. 186pp. \$7.50.
- STUDENT NATIONALISM IN CHINA, 1927-1937 by John Israel. Stanford University Press. 253pp. \$7.50.
- THE POLITICS OF THE CHINESE RED ARMY edited by J. Chester Cheng. Stanford University Press. 776pp.
- ECHOES OF REVOLT: THE MASSES edited by William L. O'Neill. Quadrangle Books, Inc. 303pp. \$12.95.
- BRITAIN AND THE WORLD ECONOMY by J.M. Livingstone. Penguin Books Inc. 234pp. \$1.75 paper.
- THE LEAN YEARS: A History of the American Workers, 1920-33 by Irving Bernstein. Penguin Books Inc. \$2.25 paper.
- THE VOLUNTEER ARMY AND ALLIED INTERVENTION IN SOUTH RUSSIA: A Study in the Politics and Diplomacy of the Russian Civil War by George A. Brinkley. University of Notre Dame Press. 446pp. \$8.95.

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