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This magazine consciously opposes all forms of sectarianism. The sectarian confuses the interest of his group, whether it is a party or a union, with the interest of the class. It is our purpose to discover the actual proletarian tendencies in their backward organizational and theoretical forms; to effect a discussion of them beyond the boundaries of their organizations and the current dogmatics; to facilitate their fusion into unified action; and thus to help them achieve real significance.

FASCISM MADE IN U. S. A.

In Germany, shortly before fascism came to power, a group of reactionary writers began to attack the capitalistic system of production and its social organizations even more vehemently than had previously been done by the exponents of the radical labor movement. An outstanding contributor to this group was *Ferdinand Fried*, whose book *The End of Capitalism*, published in 1931, announced the close of the liberalistic-capitalistic epoch and the ascendancy of state capitalism, brought about by the collapse of the old world-economy and the rise of fascism and planning.

Lawrence Dennis's new book *The Dynamics of War and Revolution*¹⁾ belongs in the same literary category.. It predicts for America what Fried once declared was Germany's inevitable fate. Neither writer, however, has much in common with the actual fascistic political movement, nor with the pseudo-fascism preceding it. Just as Fried was exiled and his book forgotten, so will Dennis and his work find little appreciation among fascists or "anti-fascists". The reason for this may be found in the illusions of these writers, who actually believe that the present fascistic movement has the character of a genuine revolution able to transform the world basically enough to guarantee further progressive development. Though they are right in predicting the success of fascism over bourgeois democracy, they are wrong in assuming that fascism can, even temporarily, break that economic stagnation which is at the bottom of all social upheavals of the present epoch.

Because Dennis, Fried, etc., expect much more from fascism than it is able to deliver, their theories do not fit very well into the vague ideologic-

¹⁾ *The Weekly Foreign Letter*, 515 Madison Ave., New York, N. Y. (259 pp.; \$3.00)

al structure of fascism; nor do these theories suit the changing requirements of the victorious fascist class. Not that they are considered dangerous; rather fascism is not "dangerous" enough to find those theories usable for any length of time. As a matter of fact, fascism is not at all in need of new social theories. What it wants are political and economic methods to secure its rule over existing society. "If one makes dogmas out of methods", Hitler once said, "he takes away from human effort and intelligence those elastic attitudes which make it possible to operate with different means at different situations in order to master them."

The idea of "social development as a permanent revolution" — the motif in Dennis's writings — can by itself suit fascism only in its struggle for power. In a modified form, it may even serve as a part of the war ideology justifying imperialistic aspirations. But fascism wants to rule for "a thousand years". It comes with the intention of staying and all talk of a "Second Revolution", let alone a permanent one, is answered with exile and murder. Even if Dennis is far from "defending all revolutions and everything done in each of them", he still holds revolutions to be inevitable and thinks "that any revolution that is big enough will end stagnation". But it is the self-appointed job of fascism to prevent a revolution that is big enough to end stagnation. It is fascism's attempt to *reform* not to *revolutionize*, the capitalistic system of production and distribution which excludes adherence to any social theory that sees all development in terms of revolution.

On Definitions

Dennis challenges not only the "defenders" of bourgeois democracy but also the Marxists. "As the world swaps revolutions and imperialism", he writes, "it is time for Americans to take new bearings. For doing this they will find little guidance in Herbert Spencer or Karl Marx... The latter-day liberals hoped to stabilize the dynamism of the industrial revolution and the frontier which are now over. The Marxists caught the equally chimerical vision of a classless society of workers from which the state would have withered away, leaving the ideas of laissez-faire to flourish in the garden of liberty completely rid of the noxious weeds of private capitalism." In the present revolution, however, the old capitalist merchant-class elite is pushed aside by a new non-commercial elite, to whom Dennis's book is addressed. This new elite is bent on realizing socialism. And for Dennis "Russia and Germany are examples setting the present standards of socialism".

Dennis justifies presenting Russia and Germany as socialistic societies with the argument that "if most of the one hundred and eighty million Russians or eighty million Germans call what they have socialism, this fact is more important for purposes of definition than the opinion of a handful of American or British idealists who are politically insignificant, but who believe theirs to be the only genuine variety of socialism". In other words, Dennis accepts the *name* the "Germans" and "Russians" have given their

societies. We, however, regard these nations as having state-capitalistic systems, which contain larger or smaller "private-capitalist sectors". We prefer to call these systems state-capitalistic because we can conceive of a still different economic and social form from those existing in Russia and Germany. Dennis, not interested in things to come, willingly accepts as socialism that which calls itself such. We will then not argue about definitions, but accept as "socialism" what at other times we describe as fascism and state capitalism. In short, if Russia and Germany are "socialistic", our opposition to those countries may then be seen by Dennis as opposition to "socialism".

There is one more question of definition to be settled before we can proceed. Dennis states that "The only consistent feature of the capitalist revolution of the past hundred and fifty years has been continuous change, which is the only law of any and every revolution". For him "the nature of change does not matter". His permanent revolution first meant continuous change of capitalism; it now means continuous change of "socialism". "The deviations of German socialism from *Mein Kampf* or of Russian socialism from *Das Kapital*", he writes, "are as natural as the deviations of modern capitalism from the theory of Adam Smith's *Wealth of Nations*". Aside from the fact that neither of the theories he mentions really formed the basis of social developments ascribed thereto, and that consequently these developments could not "deviate" from a basis they did not have, we do not think it particularly fruitful to assume that "the nature of change does not matter".

We are used to making distinctions between "essential" and "non-essential" social changes. To express the difference we speak of *evolutionary* and *revolutionary* phases of social development. Though evolution is part of revolution and the latter part of the first, still not to distinguish between them means not to understand social development. To us changes in capitalism which do not disturb the specific capitalistic production-relations (wage-labor exploitation and the divorce of the workers from the means of production) are something other than the revolutionary overthrow of those production-relations.

When Dennis speaks of the capitalist revolution, he means not only that revolutionary change from feudalism to capitalism, but the whole of capitalist development up to the present. He means the growth of capital, which changed a lot of things, but not that fundamental social relationship which consists of exploiting capitalists and exploited workers. When we then accept Dennis's term "capitalist revolution", we understand the accumulation process of capital and its social results. We fail to see, however, how on the basis of his concept of revolution, Dennis can speak, when dealing with the changes from private to collective exploitative methods in Russia and Germany, of a new social revolution. For us capitalism has not been overthrown so long as the basic capital-labor relations remain intact. While the latter exist, all other changes, however important, still indicate no more

than the further evolution, or as Dennis would say, "revolution" of capitalism.

If we, however, speak of fascistic or state-capitalistic "revolutions", we mean thereby that the further *evolution* of capitalism had to be brought about by new political and direct means, which appear "revolutionary" in comparison with the traditional indirect economic and political methods which accompanied previous capitalistic development.

Moreover, if we speak of fascism and state capitalism as varieties of capitalism, we do not mean to say that these new variations represent progress. Change does not necessarily imply progress. (Progress is here defined as increased exploitation, the growth of capital, and the territorial expansion of the capitalist mode of production). Progress as such is furthermore, as Dennis also points out, not important to capitalism. Only *accelerated progress* may solve its problems. The *rate* of capital accumulation, not a mere increase in profits, is here the determining factor. A relative stagnation of capital might be sufficient to produce crisis conditions.

In addition, the fact that capitalism is a world-wide system of production and distribution allows for changes in the creation and distribution of profits which are important, but which do not alter anything of significance in the conditions of *capitalism as a whole*. These later conditions are decisive, however, for the trends of capitalistic development. Mere shifts of economic activity from one place to another, changes in the distribution of world-created profits, may change nothing in an existing downward trend because of capitalism's inability to expand as a whole. Less unemployment in Russia and Germany, for instance, may mean more unemployment in other countries. More surplus labor and profits in America may mean less of both in Europe.

The general crisis of capitalism, for example, has now forced the capitalistically weaker nations, in order to safeguard their very existence, to other than traditional methods of combatting depressions. This, in turn, has forced the stronger nations in defense of their profits to react in a way that, though assuring an increased economic activity all over world, will obviously lead to a still further decrease of capitalism's profitability. Surpluses, instead of being capitalized, are now destroyed to an extent that the "new dynamism" thus created cannot indicate the coming of a new society, but only the more rapid destruction of the present one.

The End of the Capitalist Revolution

It will first be necessary to investigate Dennis's statement, on which he bases his claim that "socialism" is inevitable, that capitalism is declining. In his opinion, "capitalism by itself" was never dynamic. Its "expansion in geometrical progression and its development of monopolies in the course of the industrial evolution" he finds explicable only through the profits obtained from non-capitalistic territories (the British empire and the American frontier), which provided opportunities, incentives, and escapes for individuals. Capitalistic, or private enterprise, Dennis points out, has always need-

ed subsidies — something for nothing, like free lands and a perpetual land-boom — to stimulate it to a necessary amount of activity. Capitalism was able to develop because of cheap labor, because of a series of easy wars of conquest and exploitation, and through rapid population growth, which also expanded the markets. Only under such conditions were private enterprise, democracy, and liberal freedom possible. However, the end of the frontier, of imperialism of the English brand, of rapid population growth and easy wars indicate the end of democracy as well as the end of capitalism itself.

The familiar notion that not socialism, but only capitalism, through its private property form and the market mechanism, allows for political democracy, re-appears here by Dennis in a somewhat modified form. To him the disappearance of democracy is also the end of capitalism, and vice versa. Though it is true that capitalism seemed to flourish best under conditions of democracy, it also existed under other circumstances, as for instance in Russia and Japan before the ascendancy of bolshevism and fascism. There is no reason why capitalism should not be able to continue to exist under any form of government. The fact that its growth in a number of countries coincided with the rise of democracy does not prove that this is the only manner in which it can develop and exist.

That there is a direct connection between laissez-faire economy and bourgeois democracy is not to be doubted; but then there never was a pure laissez-faire economy during capitalism's development. The term laissez-faire economy is used to *emphasize* only one of the many characteristics of capitalistic expansion. "Democracy", too, existed only when it did not interfere with the needs of the various capitalistic groups which ruled in their own exclusive interests over the whole of society. "Laissez-faire" contained in itself and led to monopoly; the growth of capital transformed monopoly into *monopolistic laissez-faire*. Democracy, once the dictatorship of capitalists, became the dictatorship of monopolists.

This process of concentration and centralization of economic and political power was at the same time the expansion of capital in size and extension. As capitalists came and went, governments were installed and dissolved, institutions were developed and discarded, monopolies were formed and broken up. But during this whole process no end of capitalism could be discerned because of the disappearance of the frontier, of easy wars and rapid population growth. It seems to us that capitalism loses its dynamic long before the barriers enumerated by Dennis are really reached.

Population and Profits

How is it possible, for instance, in a world that produced 25 millions of unemployed in the 1929 depression, to say that capitalism declines because the population decreases? The decline of capitalism cannot be explained by that of population; the latter has to be explained by the former. There is no absolute law of population; each society has a law peculiar to itself. It cannot be denied that the development of capitalism was accompanied

by an enormous population increase. If capitalism can both increase and decrease population, then neither tendency can explain anything essential as regards the possibilities or limitations of capitalism. Furthermore, a population increase, brought about either by greater birth rates or by immigration, does not necessarily mean greater economic activity; nor must an opposite trend lead to contraction in production. Economic activity in capitalism depends on investments. If not enough are forthcoming, population tends to decline. For Dennis, however, result is cause. And though it is true that, once capitalism has started to decline, result becomes cause and cause result, nevertheless the question of primacy must be raised if one wants to inquire into the reasons for capitalism's decay.

On the basis of his wrong assumption that population trends determine capital expansion, Dennis then says specifically that "During the days of heavy immigration, rapid population growth and a scarcity of food and shelter, labor could not have enforced its present real wage demands, which, to the extent that they must be met at the expense of profits, are deterrents to new investment and enterprise". Aside from the fact that no serious economist any longer holds the position that the pressure upon wages, because of the larger supply of labor, could increase the rate of profits to such an extent that entrepreneurial initiative for new investments of any significance would be forthcoming, it should be quite difficult to maintain this assertion in the face of the existing large-scale unemployment, which, in Dennis's own words, is "capitalism's only enduring creation since the war". Besides, the wages Dennis refers to are the privilege of only a relatively small body of workers brought about by capitalistic trade-union policies at the expense of the large majority of the laboring population, which is hardly capable of re-producing its labor power, some workers even living on the verge of actual starvation not only in the world at large but in America as well. Aside from all this, it is still more difficult to see the point of Dennis's assertion in view of the fact that he himself has so greatly emphasized the importance of the frontier. If the latter gave many opportunities to capitalism, it also provided the workers with the chance to refuse low wages and go westward.

It seems to us rather that the social and economic position of the workers in relation to that of capital has not been improved, and that, from this point of view, it should be far easier now than before to force the will of capital upon the workers and to make them sacrifice in favor of new investments. Not a *shortage* of labor and an "abundance of food and shelter" stands in the way of further capital expansion, but capitalism's inability to use the existing *surplus* of labor and to employ the prevailing wide-spread misery for its own purposes. The increases in real wages, Dennis may be able to point out, were not due to a population decline, but to the greater productivity of labor, necessitating the betterment of living conditions. That this has been brought about by way of struggle, in which a real or produced temporary labor shortage served the workers, does not alter the fact that

a higher productivity demands a better standard of living. However, as wage statistics will show, there was never in history a situation where the workers could enforce wages that hampered capital expansion. If such a chance ever existed, it has certainly been missed.

It is true that the individual capitalists, and now even the collective-state enterprisers, see in the cutting of wages their *next* necessary step whenever profits become too small, or when larger profits are needed at once. Nevertheless, capitalism has never solved its real problems by the simple method of lowering wages. Wage reduction at one time are compensated for by wage increases at another. In the long run, and for capitalism as a whole, expansion of capital is not determined by high or low real wages.

At no time during capitalism's history have wages been *decisively* determined by the number of workers asking for one job, that is, by rapid population growth. With regard to the commodity labor power, the law of supply and demand does not work so well as it seems to "work" for other commodities. Dennis himself knows that generally in production "Producer demand, not consumer demand is sovereign", which means that the law of supply and demand can explain nothing essential, but is itself in need of explanation. Not the increase or decrease in the number of workers, but the fact that labor *must* sell its labor power in order to live, and sell it to capitalists who, in order to be able to buy it, *must* buy it at a price which gives them sufficient profits to exist and expand, explains the existence of certain wages. The workers may be able to bring the whole capitalist society to an end. But, regardless of the labor supply, they will never be able to raise their wages high enough to hinder *on their part* further capital formation. However great the unemployed army, capitalism cannot reduce wages below re-production costs for a considerable length of time without reducing its own profits. Despite wage struggles of all sorts, the decision as to what kind of wages will prevail is made neither by the capitalists nor by the workers, but only *through* them, by the needs of the economic system to which both adhere.

The increase in real wages of which Dennis speaks was, furthermore, only made possible by and was only brought about through a much faster increase of exploitation. The part of the social product falling to the workers decreased continuously with the growth of capital. This is a tautology, because the latter implies the first; it is one and the same process. Lower real wages meant lower profits, higher real wages higher profits, but labor was less exploited by lower real wages than it was by higher ones. It was less exploited during the frontier period, during rapid population increase, during the period of easy wars, and during the era of expanding markets than it is today. Capitalism's problem consists not, as Dennis sees it, in its inability to raise sufficient profits for further development because of real wages hindering this process — wages to be explained by a relative lack of population growth. The question rather is, why, despite an exploitation greater than ever in capitalism's history, despite large-scale un-

employment, serving now as before as an *additional* element to suppress wages, is it still not possible for capitalism to expand further? In short, why was it possible for capitalism to expand under less favorable conditions, and why can it not expand under the best possible conditions?

In his arguments Dennis included another familiar statement, namely, that capitalism "cannot raise living standards without reducing profits and the incentives to new investment and enterprise, (and) at the same time cannot maintain the necessary market for full production and employment without raising living standards or real wages at the expense of profits". This "dilemma" which, in Dennis's opinion, "capitalism never faced before", and did not need to face "as long as it had a frontier, rapid growth, migration and a flourishing industrial revolution", is not a new "dilemma", but no dilemma at all. When raising living standards capitalism never reduced but increased profits, frontier or no frontier. As long as it increased profits *sufficiently* it had a market for full production, for capitalism is its own best customer. The trouble now is that, regardless of frontiers and living standards, there are not enough profits, because the question is not one of how to *realize* surplus value in the face of lacking markets, but how to *produce* sufficient surplus value (profits) to *create* new capitalist markets.

Frontiers and Easy Wars

What did the frontier and imperialistic expansion mean in economic terms? Markets and extra-profits, Dennis answers. But, though it is true that these extra-profits and markets were of considerable importance to capitalism, they do not explain the success of capitalism but are the result of that success. Is it not a fact that trade between highly developed industrial countries, not to mention their internal economic activity, was and is about ten times as important for their welfare as is their trade with frontier territories? The great bulk of the profits is created in the highly developed nations; only a small percentage of their riches is derived from colonial exploitation. Though it is true that the appropriation of other people's property without an adequate equivalent has been of great importance for the development of the countries initiating the capitalist expansion process, still it only *accelerated* a movement whose success was already guaranteed through the capitalistic form of exploitation itself. And though it is true that the actual lack of profitability in recent history has raised the interest in additional profits from abroad, regardless of their size, still present-day imperialism, as well as the whole previous territorial expansion of capital, is and was only possible because of the increase in exploitation in the original and the now-existing capitalistic nations.

Obviously Dennis has things standing on their head. For example, he explains the success of American capitalism by the fact that American farmers and speculators could buy land cheaply and sell it dearly. With little effort and expense they could acquire vast land holdings either by

governmental land grants or simply by being firstcomers. The westward movement and the increasing industrialization allowed these lucky ones to sell all or part of their land at ever-increasing prices. The continuous land boom thus created made a considerable number of people rich. But one should not only inquire about the lucky sellers. Who were the buyers who paid the prices, and where did they get the money to do so? Either this money represented the savings of European immigrants, that is, came from past labor or past exploitation of labor, or the land, if given on credit, was paid for with the labor applied to it, or with profits raised in industry. Without increasing industrialization and the capitalist increase in exploitation, this whole process would not have been possible. The American frontier was a "frontier" because of the capitalist expansion process. The statistical material available shows, for instance, that during the nineteenth century the large waves of immigration followed, not preceded, upward waves in business. The dynamic of capitalism made the frontier what it was; the frontier did not give capitalism its dynamic.

The "enrichment" by way of the perpetual land boom did not involve the creation but only the distribution of profits. The first comers merely exploited their advantage and appropriated for themselves profits created either by others or for others. In different words, during the frontier period farmers and prospectors were able to participate in the exploitation of labor. Today the picture is reversed. Now it is industry that appropriates parts of the surpluses of agricultural production for itself, either by way of better price control or through the industrialization of agriculture. The capital concentration also affects the division of surplus value; rent and interest disappear in order to bolster industrial profits. But both situations, exploitation by land monopoly or industrial monopoly, do not enlarge the surplus value (labor) socially created. They only indicate what social group is able to sell above value, and what other group has to sell below value. Both situations change nothing of the fact that it is always labor, agricultural and industrial, that determines the amount of surplus value on hand, over the division of which the fight may then issue.

If the frontier had actually meant what Dennis thinks it meant, it should have frustrated, not fostered, capital development, because it diminished the profitability of industry and thus hampered rapid expansion. Though it is true that parts of industrial profits wandering into the pockets of the landowners and speculators found, via the banking system, their way back into industry, yet even for those parts interest had to be paid, so that industry could only feel itself doubly "cheated". It was capitalism's job to do away with the frontier. Only thus could it serve its real interests.

Just the same, the frontier was a godsend for capitalism. Not because of the perpetual land boom connected therewith nor because it subsidized capitalism, but because, though it robbed capitalism of parts of the surplus value sweat out of the workers, it provided the space and material needed for capitalistic expansion. Without an abundance and a variety of raw mater-

ials capitalist production is unthinkable. Capitalism presupposes the international division of labor, it is the creation of a world economy. The more the world is capitalized, the better capitalism will flourish. The more non-capitalistic exploitation is transformed into capitalistic exploitation, the more profits are at capitalism's disposal. Only with the end of the frontier did America become the powerful country it is today. Only then it changed from a raw-material-producing and capital-importing country into a nation selling all sorts of produce and exporting capital in great quantities. Only with the disappearance of the frontier did America cease to be a mere appendix to European capital.

Only the successful transformation of non-capitalistic into capitalistic territory is of real importance to capitalism. But each nation, expanding its capital, is opposed to capital expansion elsewhere. Though "theoretically" the capitalistic world would flourish best if it were completely capitalized, in reality each capitalistic country tries at the same time to prevent the realization of this "theoretical" necessity. Though "theoretically" the end of all frontiers should be most favorable to capitalist society, in practice the diverse, historically-conditioned, and nationally-orientated vested interests preclude the removal of these frontiers. Capitalism is not doomed because it removed the frontiers too rapidly; if the argument of the frontier is used at all, one can only say that the continued existence of frontiers demonstrates the limitations of capitalism, which has to disappear because of its inability to continue to increase the productive forces of mankind.

It should be obvious that the world at large is far from being capitalized. Even though the American frontier has disappeared, why not make use of the frontiers in South America, South-East Europe, Asia, Africa, Australia? Dennis answers that the new "social revolution" which has started in Russia and Germany excludes the utilization of the remaining non-capitalistic or backward territories for private capitalistic purposes. Why was it then that long before this "new revolution" started capitalistic expansion into non-capitalistic territory had either found its end or had begun to stagnate? Why is India as backward as it is, despite England's long rule? And why aren't the "400 Million Customers" in China properly exploited?

One may point to the existing imperialistic rivalries checkmating each other. But such a situation still allows both for a general rush of investments and for a general reluctance to invest because of lack of security. Behind the failure to capitalize the backward nations stands far more than the fear among capital-exporting countries of losing their investments in case of war.

It is true that in order to open the "virgin" territories to capitalistic exploitation wars, less easy than those which created the British empire, or which led to the present form of the United States, will have to be fought. But then the ability to fight has grown with the difficulties of warfare. A strong combination of capitalistic nations will still be able to defeat a weak-

er combination of capitalist nations and take, as its price, control over the backward countries. War is not only now, but always was, "unprofitable". It was not fighting which brought additional profits to the ascending capitalist regime, but more and greater exploitation of labor after the fighting was over. The difficulties of war cannot explain the end of capital expansion; less so, since the end of capital expansion led to the last and to the present world war.

The Decline of Capitalism

For all the reasons so far discussed, that is, the end of the frontier, of easy wars, and of rapid population growth, Dennis thinks that "as a constructive force for private capitalism, the industrial revolution is now over". The "socialistic countries", Russia, Germany and Japan, will continue where capitalism has left off. However, what he assumes to be reasons for the decline of capitalism are not the real reasons, and the real reasons, that is the capitalistic mode of production which stands opposed to the social needs of today, he does not even recognize. By denying capitalism's inner dynamic he fails to understand its present decay, and thus has to limit himself to favoring the fascist "reform" of capitalism which, whatever it might change, will not change anything in the further disintegration of the capitalist production process.

What then is at the basis of the present economic and social stagnation? Throughout his book Dennis talks extensively about many forms of capitalist exploitation. He neglects, however, to investigate thoroughly that of labor by capital. Though he realizes that expansion depends on profits, and though he knows where profits come from, still he does not grasp the whole significance of the relationship between profit and expansion. Much as he tries to, he does not concern himself with fundamental contradictions of capitalism, but is concerned only with question of profit distribution. Only thus can he remain in the superficial spheres of population growth, frontiers, and easy wars. All he needs is a few good arguments to say why he thinks that the state-capitalistic, or "socialistic" form of profit distribution is superior to that of private capitalism. As the German fascists, a la Fried, were opposed only to "interest slavery", and that at a time when the end of banking capital was already at hand, so Dennis too, though more embracing, opposes no more than private profit appropriations. He also demands this at an hour when it has already become actual practice. Today even the victims begin to realize that their days are over. Though Dennis believes he is opposing capitalism, he really favors the continuation of its mode of production if it can only be modified in such manner as to be able to withstand the possible onslaught of the dissatisfied masses. In view of rising fascism, many of his predictions as to the features of the immediate future seem to be quite realistic; however, his belief that the problems he thinks in need of solution will thereby be solved is certainly illusory.

Since for Dennis the permanent revolution, that is, social change, never consists in more than the exchange of one elite for another and a change

of institutions and functions within the otherwise unchanged exploitation-relations, it is understandable why he did not bother himself too much with the basic problems of capitalist society. To safeguard his position, he has to insist that capitalism must receive "something for nothing" in order to live and prosper. But the whole of capital is "something for nothing" that is, it consists of surplus labor past and present. Imperialism itself is finally reducible to the appropriation of surplus labor from other countries. The trouble then, to repeat, is not that capital geographically reaches its barriers, but that it is no longer able to increase its profitability sufficiently *at home* to continue capital expansion *abroad*. Not because it is no longer possible to get "something for nothing", but because it is not possible to raise the exploitability of the *existing* number of workers to provide for the capital needed for expansion does capitalism find it difficult to get *everything for nothing*.

Not the frontier, population growth and easy wars gave capitalism its dynamic, but the possibility of appropriating by capitalistic exploitation methods ever greater numbers of workers, necessitating, as well as making possible, territorial expansion. The increase in the laboring population was accompanied by a still more rapid increase in capital. The decline of the laboring population *relative* to that of capital — this fundamental capitalistic contradiction, which though not the only one is still the only one through which all other reasons for capitalism's decline become understandable — Dennis does not even mention.

The question previously raised as to why it is that capitalism stagnates despite high exploitation contains its own answer. Because exploitation is so great that its increase through lowering living standards or through exploitation from abroad ceases to be of importance as regards capital formation, it must be increased by additional exploitation of additional workers. That means, not by any number of additional workers, but by a number great enough to produce profits sufficient for still further capital expansion. However, every additional worker necessitates an additional capital outlay. This capital outlay increases with the growth of capital. The question is then: is it possible for the existing number of workers to create sufficient surplus value to produce that capital necessary to employ profitably the needed number of additional workers? How big must this capital be, and if it is created, are there enough workers on hand to make it possible for expansion to occur?

As long as capital was relatively small and its expansive needs limited, profits were relatively high. Profits are what is left over from production after wages, rent, interest, distribution and reproduction costs, etc., are accounted for. Capital expansion means that part of the profits, and unused part of other incomes ready for industrial investments, are not hoarded but are used to construct additional means of production. However, the growth of capital implies the relative decline of labor power. The wage bill becomes smaller the higher capital mounts, though the wage bill (vari-

able capital) may also increase, and in case of accumulation, must increase in absolute terms. Profits are derived from labor. As long as the exploitation of labor can be sufficiently increased, the decline of labor relative to that of capital means nothing. The tendency of a declining rate of profit inherent in the disproportional growth between labor and capital (variable and constant capital) cannot assert itself so long as exploitation increases faster than the rate of profit declines, that is, so long as capital accumulates rapidly.

The smaller profits of smaller capital are something other than the larger profits of large capital. A capital relation where, say half of the existing capital is invested in wages, and the other half in means of production, yields less profit than a capital relation where 9/10ths consist of means of production and only 1/10th represents wage capital. But in relation to the *total* capital, that is, constant and variable combined, the absolute greater sum of profit has become relatively smaller, because the profit, though won only by labor, has to be measured in relation to the whole of capital investments. Furthermore, in the case of an equal relationship of the two components of capital, a greater number of workers have to re-produce the existing capital and create its additions than in the other case. A relatively slight increase in exploitation, made possible by technological development and productive re-organizations, or even by a mere increase in the intensity of labor, or by lengthening the working day, may assure prosperity in the first case. To have prosperity in the second case means that a very small number of workers must reproduce the existing capital and create its additions. Here a greater intensity of labor may no longer mean anything, as the high productivity already reached by reason of the large capital invested in means of production may preclude sufficient increase in labor intensity. Neither would the lengthening of the working day help because, under such conditions, after a certain number of hours, the workers' productivity declines rapidly. What would be of help here is further technological development and better organization of production. If, however, the existing, already enormous, capital is unprofitable, technological development implies a still greater capital than that in existence. That does not necessarily mean greater enterprises, but additional enterprises, or the replacement of less with more productive enterprises. Capital must be sufficiently enlarged to restore profitability despite the furthering of the discrepancies between the two components of capital, constant and variable. If this, at any given time, is not possible, stagnation sets in and capital destruction takes the place of expansion.

What is "healthy" in capital is not its "prosperities", but its depressions. Those people who think that depressions are bad for capitalism, and who long for the return of prosperity, are only longing for the final capitalistic collapse. All periods of prosperity have hitherto only accelerated the development of that unfortunate disproportional development between constant and variable capital, which gave capitalism a "dynamic" otherwise

possessed only by people suffering under galloping tuberculosis. Able to "prosper" only by accumulation, capital has always increased its momentary profitability by making smaller the basis on which it rests. The more it actually expanded, the more it contradicted its own "interests".

If capitalism could prosper by a development which increased the number of exploited workers simultaneously and proportionately to the growth of capital, it would find its end with the end of natural resources and available labor power. If it could prosper by a more rapid development of population than that of capital, it would end in starvation. If it has prospered by the more rapid increase of constant capital over the variable part, it now finds its end in the inability of the relatively fewer workers to maintain and increase that capital.

Assuming the relation between constant and variable capital today approximates the 10 to 1 relationship used for illustrative purposes above, and if the existing capital has to be totally reproduced within a span of 10 years, this would mean that every employed worker today must yearly create, besides the money equivalent for his and his family's livelihood, an equal sum for capital replacements, plus the per capita distribution costs, plus taxes, plus the livelihood of the capitalists and that of the non-working population not accounted for in the previous categories, plus, finally, additional capital for expansion. If the workers are not able to create all that, capitalist society stagnates until it becomes possible to increase the productivity of the existing working population to a point where further expansion becomes possible. If capital expansion is not successful, all the items in which surplus value is divided increase, making it less and less possible to raise the capital needed for expansion. Under such conditions a forceful destruction of capital becomes necessary; that is, the ending of a relationship in production which excludes further expansion, for instance, through a change in the proportional relationship between capital and labor from 10 to 1 to, say, 8 to 1. If crisis and depression destroy capital in sufficient quantities, and thus enable a rise of profits for the enterprises capable of living through the depression, the continuation of technical advancement and the consequent increase in productivity re-establishes a level of production which allows for further accumulation.

This has been the case so far. Each previous capitalistic depression destroyed enough capital to raise the profitability of the remaining capital sufficiently to guarantee another period of "prosperity". If one is interested in the maintenance of capitalism, one should pray for better and bigger depressions. As a matter of fact, every capitalist does so. He always means, however, that the benefits shall be visited upon his fellow-capitalists. After all, this is a Christian civilization. The present depression unfortunately finds too many non-believers in the ranks of capital; the trouble with the present depression so far is not that it is so big, but that it is not big enough. Monopolization, capital concentration, trustification, cartellization, and market controls of all sorts hinder capital destruction in necessary quantities.

However, if individual capitalists and concerns have turned into heathens, not so the rest of the population which, by its own movement, brings about and enforces governmental policies which serve to an ever greater extent the destruction of capital in order to safeguard capitalist society.

The question as to whether capital will be able once more to overcome its present stagnation and decline by simultaneously destroying capital and raising profits is not an economic question. There does not exist a purely economic problem at all. However, by taking economic phenomena out of the social setting of which they are a part, it becomes possible to shed some light on the developmental tendencies of the latter. By knowing what it takes to re-establish profitability and progressive accumulation, one becomes aware of the character and intensity of the ensuing class struggles. From a "purely economic" point of view there is indeed no reason why capitalism should not be able to overcome its present difficulties. Though the workers are extremely exploited, though they may already work seven hours for capital during an eight-hour day, is there any reason why they should not work 7¾ hours for capital; is there any reason why the number of workers should not increase by 10 or 20 per cent, or even more? If it should prove possible to destroy sufficient capital in order to distribute the social profits into still fewer hands, and to polarize society so that it really corresponds to what Marx thought would be the result of accumulation, capital may be able to exceed what appears to us already to be its limits. It is true that there are more reasons against such a possibility than there are in its favor, but then one never really knows where the limits of human endurance are.

To prove strictly scientifically the inevitability of capitalism's collapse will always remain a futile attempt. Not even the assembly of data needed for such an undertaking is possible. Dennis is right in not wasting his time "to prove to doubting optimists that it is impossible to restore the necessary conditions for the successful functioning of private capitalism. Those who take my view", he says, "do not have to prove their case. They need only challenge the optimists to prove their theses by achievement". But he not only has no reason to prove his case, he could not prove it even if he were to try. All that can be pointed out are the reasons why the growth of capital implies the growth of the contradictions inherent in its productive system. If the empirical data corresponds with this, one can, without fear of being utopian, prepare and help support a social movement that attempts to end capitalism.

That one may also, by considering the consequences of capital accumulation, justifiably say that there is an objective end to capitalism, that its final collapse is assured, changes nothing of the fact that capitalism must be abolished through human actions in order to cease. The argument about the objective end, however correct, finally amounts to no more than the recognition of the obvious, that all things and all institutions come to an end in time.

Independent of the question as to whether or not the present crisis of capitalism is its last crisis, it should be clear from the rough outline of our own crisis theory as given here that Dennis is still far away from a real understanding of the problems of capitalism. It is his idea that a "capital shortage" makes for capital prosperity; but exactly the opposite is true. Capital shortage excludes expansion. If expansion fails, even those insufficient capital funds earmarked for accumulation cannot profitably be invested, and are not invested. Thus they lie idle, creating the illusion of the existence of capital surpluses. But there is a big difference between appearance and reality. How misleading it is to take the first for the latter Dennis demonstrates with numerous examples throughout his book. Even the element of truth contained in his assertion that the decline of capitalism is partly due to population decline was neither seen by him, nor would it fit, in case he had recognized it, into his exposition of capitalism's difficulties. Just as an actual capital shortage, a shortage in regard to the needed capital expansion, appears to the superficial onlooker as a surplus of capital, so the present surplus population, compared with the expansive needs of capital, would really represent a shortage of labor, if accumulation could be continued with accelerated speed.

The Industrial Revolution of "Socialism"

Although we disagree with Dennis as to the reason for capitalism's decline, we agree that private-property capitalism's days are numbered. As stated before, however, we do not believe that Dennis's "socialism" will be able to solve any of the problems which it inherited from private-property capitalism and which caused the decline of the latter. We have dealt with Dennis's theory of capital, and opposed it with our own, because in our opinion it is his wrong conception of capitalism and its developmental laws which explains his failure to understand the character and the possibilities of the system he calls "socialism".

Neither Russia nor Germany has ended the capitalist system of production. They have changed individual appropriations of the socially created surplus value into "collective" appropriation by way of the state. This involved the partial or total destruction of the old bourgeois class of private entrepreneurs and the remnants of feudalism in favor of a new ruling class — the state bureaucracy and its privileged supporters. There was also necessary a certain degree of re-organization and "planning" within given territories, which practically, however, turned out to be planning for the present war, that is, "planning" against real planning. For real planning can be done only on an international scale. Such planning Dennis holds to be impossible and unnecessary; he is satisfied with a national-socialist America defending its own interests by way of struggle against the rest of the world. The solution of the unemployed question and the continuation of the industrial revolution is all he demands, and he thinks that this would be possible within the framework of his "socialism".

It is true that in the struggle between the "old" and the "new" capitalism the initiative and the success have so far been on the side of the "new" capitalism. Its "dynamism" is based on poverty, a fact which gave Dennis the idea that only a "capital shortage" provides capitalism with the necessary dynamism. If necessity is the mother of invention, not all inventions need mothers. That nations act because they have to does not prove that "dynamism" presupposes misery. What the fascists are now doing with old and new methods has always been done by the old capitalistic states, whether they were poor or rich. The "dynamism" of the fascist states springs not from their own peculiarities, but finds its reason in the deadly general stagnation of the capitalist world. It is still an expression of the same dynamic that was the driving force of capitalism until it reached stagnation. As did private capitalism previously, so also does Dennis's "socialism" expand in order to prevent expansion. His new "industrial revolution", like the old capitalist revolution, is out to prevent the industrialization of the world. It wants to strengthen itself with the weakness of other nations. This continued "industrial revolution" means no more than the destruction of some in favor of other capital; a struggle demanding additional weapons, because the destruction of capital by way of the market mechanism is no longer sufficient.

The functioning of the "automatism" of the market was based on a rapid capital accumulation. As long as the latter was possible the destruction of primitive industry involved the construction of advanced industry; the destruction of primitive agriculture, the development of modern agriculture; the end of limited and backward markets, the opening of world-trade. As long as capitalism expanded by reason of a sufficient profitability, its "anarchy", that is, private interests opposed to social needs, was a sort of "regulator" which provided for both frictions and their elimination. Over-production in one or another field of production was punished by lower prices and profit losses, which re-established some sort of "equilibrium" between supply and demand. Extraordinary unemployment found its compensation in temporary booms and in the spreading of capitalism. Underdeveloped fields of production, yielding high profits, were soon invaded by additional capital reducing the extra-profits to "normal". Obsolete industries became the first victims of crises and depressions when the market mechanism re-established a lost equilibrium, that is, a situation which granted capitalist society sufficient stability to feel itself secure. In short, competition provided for a kind of trial and error method able to bring "order" into the capitalist system.

Nevertheless, from its very inception, the capitalist system was never a system of "perfect competition". It favored from the beginning those nations and industries within nations endowed with social and natural advantages. The growth and spread of capitalism increasingly weakened and destroyed the element of control provided for in the competitive mechanism. *Laissez-faire* was never more than a convenient philosophy for successful capitalists

or capitalistic nations. The less fortunate nations could see in it, if they could see at all, no more than a shrewd device against their own progress. But history is more than economics; if it were impossible to gain competitive strength under the "rules" of laissez-faire, other means could be and were tried. The protectionists ruled, and if their endeavors proved to be successful, they too could then become adherents of the laissez-faire ideology. The changing needs of the capitalist system and the changing policies and fortunes of the different capitalistic nations explain the different economic theories developed during capitalism's history.

Throughout every shift in political and economic power, through peace and war, booms and depressions, capitalism advanced. The possibility of increasing exploitation and thus accumulation with accelerated speed indicated — from another point of view — insufficient capital concentration and lack of political centralization. This "weakness" gave to wars, depressions, and bankruptcies the "strength" to re-establish lost "equilibriums". In other words, "life" was still stronger than capital; the needs of the whole of society, however violated by capitalism, were not as yet totally subordinated to the specific interests of the capitalist class.

Because capitalism failed to master the world, it could declare itself master of the world. Its "success" was due to an unsearched-for strength and an unpreventable weakness. No group of capitalists nor any capitalist nation can possibly be engrossed in more than its own advancement and is thus always vitally interested in the frustration of its competitors. That the "original" capitalist nations did not succeed in keeping the rest of the world primitive is certainly not their fault. That in attempting to do so they actually advanced the capitalization of the world does not show the guidance of an "invisible hand" nor Hegel's "cunning of reason", but only that the real needs of the social world are always stronger than the limited interests of one or another class which finds itself in power.

It is capitalism's dilemma never to be able to advance without simultaneously putting new obstacles in the way of further "progress". It has "two souls in its breast". One wants to restrict, the other to extend expansion. But though capitalistic interests are restricted, the needs of society are limitless. Because individual capitalists have to work against each other, they hamper their common conspiracy against society. For this reason capitalism's struggle against society brings forth the quest for capitalistic "solidarity", which must however be achieved through the elimination of capitalists and the continuous weakening of all other social classes. This concentration process is materialized in commandeering masses of constant capital, achieved by greater exploitation. The never-ending need for more exploitation finally defeats itself. The rule of capital becomes no longer compatible with the basic needs of society.

The one-sided and therefore wrong assumption that crises and depressions point to the limitations and end of capitalism leads to other misunder-

standings, namely, that fascism is already "socialism", or that it represents a new form of capitalism with better chances of survival. For Marx, crises and depressions were "healing processes"; his theory of accumulation ends in the revolution. If anything, the success of fascism, or "socialism", could promise only the further sharpening of the conflict between capitalistic and social needs. The present world struggle in all its various forms is only another gigantic crisis of capitalism, a new, all-embracing, terrible attempt to reach that degree of capitalistic "solidarity" now needed to control the labor of the world. That this crisis has such an out-spokenly political character is also not new; it only reflects the degree of capital concentration already reached. The struggle between fascism and democracy is in its essentials a repetition of the struggles between protectionists and free-traders in times past. Today, however, the scope of the struggle is enlarged, the intensity greater, because of the greater pressure resulting from more polarized class relations. The economic aspects of the crisis are driven into the background because of increased monopolization. The old business cycle has already been replaced by a virtually permanent stagnation. Monopolization and the stagnation connected with it can be broken only by powers stronger than capitalistic monopolies. State-capitalism is such a power; it is the opposition of a more perfect to a less perfect monopolistic society.

The "new dynamism" displayed by the fascist powers is then only a new version of the *old crisis dynamism*. Both have the same cause and can lead only to essentially identical results, unless other factors, such as a revolution ending all capitalistic relations and problems, intervene. If the crisis should fail in its political aspects — that is, as war and "revolution" — as it has failed since 1914 in its economic aspects, to re-establish a socio-economic relationship which guarantees the further accumulation of capital, the crisis itself will become the basis of new social struggles and must be ended in a non-capitalistic manner. But if this crisis should have sufficient force to re-establish a profitable capital accumulation on a world-wide scale, it would demonstrate only that the old capitalistic dynamism is still at work. The crisis would not have "solved" any of the capitalistic problems; it would once more have postponed the downfall of capital. As the problems of society would remain the same, so also would the task of the workers be unaltered.

However, we are still in the midst of the crisis and there is nothing visible which could suggest its early end and a new prosperity. In one sense the present crisis is only the deepening of the capitalistic depression which came into being long before the first world war. With the beginning of the twentieth century, industry and agriculture began their relative stagnation, surplus populations arose in village and city, a lack of capital for expansion was felt everywhere. Life went on just the same. People travel other roads if the traditional ones become impassible. The necessary re-orientation may be a slow and painful process, but history proves that it has never failed. If capital is lacking to safeguard and expand vested interests, whether private or national — interests for whose defense some sort

of social stability is needed — production will be maintained with less regard for those vested interests or with none at all. If production is carried on via the market mechanism, where money must yield more money before economic activity is possible, and if this mechanism begins to fail, production must be carried on without consideration for private profit needs. Production must then be ordered, partially or totally. The ordering implies economic authority and hence control over all phases of social life. The question as to who is going to do the ordering is settled by political struggles involving shifts in class positions.

That political group which secures for itself the control over the means of production, coercion, and integration will do the ordering. In what manner this control is reached, whether by legal or “revolutionary” means, depends on historically-conditioned, specific circumstances, which vary for different countries and different times. To order or “plan” what previously had not been “planned” because it was thought that the “automatism” of the capitalist market would take care of it, that is, continuing and regulating production on the basis of labor exploitation in the interest of a ruling class, is then celebrated as a new social advance.

Whatever ordering or “planning” is done in Dennis’s “socialism”, for instance, is done in order to reach the same results — that is, more surplus labor and profits — which private property capitalism achieved without that much bother. As always before, so also in Dennis’s “socialism” property and control go together. The ruling classes in Germany and Russia have control over both the means of production and the means of destruction. For labor there remains the necessity of selling its labor power in order to live, and selling it at a price that satisfies the needs and desires of the ruling class. The power of this ruling class is now strengthened by more direct methods of coercion which are supposed to compensate for the loss of the automatic control measures that operate under private property conditions. At a “higher” stage of “socialism” artificial market control may be re-introduced for the convenience of the “planners”. The various theories of “market socialism” now in vogue are supposed to supplement and make easier organized exploitation in state capitalism.

The Russian collectivization, that is, the realization of the old capitalistic dream to abolish once and for all the tributes paid landowners, and the transformation of the agricultural population into wage workers was carried out by the bolsheviks. However, this was possible only through the simultaneous destruction of the whole of the old ruling classes. Yet nothing has changed in the essential social arrangements, though in industry and agriculture private enterprise and incentive for private investments have been ended. Private incentives are only detoured; they are now directed toward political and social positions which determine the degree to which one may participate in the enjoyment of surplus value. It is true that there are no capitalists in Russia, but there are rich and poor, exploited and exploiters, rulers and ruled. Private enrichment is now based on the possession of jobs.

The social struggle for positions in “socialism” was already foreshadowed in the increasing discrepancies between ownership and management and in the growth of trade unions in old-style capitalism. There are now as many varieties of rich people in Dennis’s “socialism” as there are wage scales for workers, or degrees of impoverishment.

In order to escape exploitation in “socialism” one must become an exploiter. All aspirants for exploitative positions and those in the lower ranks of the exploiting group must continuously strive to better their positions. To escape the lowest class one must have his eyes on the highest. Those who occupy the best positions must defend them against the rest of society beneath them. In order to rule they must also, like all other rulers, divide. Their own needs and security enforce the establishment, re-creation, or maintenance of class relations. Increased social productivity on the basis of class relations increases all the frictions in all layers and between all layers of society. To weaken those who are seemingly powerless in order to secure the rule of the “strong”, the weak must be kept impoverished. If they are continually impoverished, they are not only weak but also dangerous. To cope with this danger the forces of coercion must be strengthened and kept intact. They have to be maintained with the profits sweat out of the workers. Newly arising social groups have to be “bribed” to remain loyal. To get the profits needed for the security of this hierarchical arrangement on the basis of an expanding economy, exploitation must be increased. To make this possible, capital must be accumulated. If the expansion process starts on such a basis, accumulation in the interest of the ruling class becomes of necessity accumulation for the sake of accumulation.

Responsible for this fatal trend are the continued class relations on the basis of a developing social division of labor. The necessity for each group to secure its own restricted interests atomizes the whole of society and fosters the struggle of all against all. Social solidarity is here excluded. Such a situation does not allow for the elimination of those blind forces which operated *through* the market mechanism throughout capitalistic development. For it was not the market but the class relations behind that market which were responsible for the unseen forces back of the capitalist accumulation process. The end of market relations does not indicate the beginning of a consciously regulated social production and distribution so long as the class relations which were behind the market relations continue to determine social production and distribution. All planning turns out to be planning in the interest of a class and can only deepen the contradiction between special and social interests which is at the bottom of all present-day troubles. As long as there are buyers and sellers of labor power, all the planning of the buyers is planning against the sellers. The enlarged reproduction process under such conditions deepens the reproduced class frictions and leaves unsatisfied the objective need for real social planning. Such a system cannot exceed the social accomplishments of private property capitalism, but if it secures further expansion, can only increase the prevailing

chaos because it adds another irritating element — this very same planning — to the already thousandfold-disturbed economy. Just as the growth of monopolies increased the capitalistic disorder with the increase of production, state-capitalistic “planning” is making more chaotic what seems already to be completely crazy. It is an illusion to conclude from the fact that state capitalistic planning has been able to expand production at a time when the rest of the world was unable to overcome its stagnation that this kind of “planning” can solve the social problems of today. It can expand production, yes, but at the price which had to be paid for all unplanned capitalistic expansion: greater chaos. Furthermore, as there is no longer a “national economy”, the element of planning — in each nation only further disturbing the economic and social relationships — helps to create a greater chaos in the world economy. The ascendancy of “planning” occurred simultaneously with the increased difficulties of world-capitalism. The further disruption of the old world economy brought about by national planning in turn reacts quite unfavorably upon the different nationally planned economies. Planning meets counter-planning, finally war. This whole contradictory trend is no more than a further expression of the still declining capitalistic system.

The accelerated atomization of society comes to light also in feverish attempts to overcome its objective destructive element by strengthening its subjective control element. Attempts are now made to create the perfectly controllable human being, because social and economic conditions which would allow for both social order and class rule cannot be established. The “old” capitalism has been able to do both foster its specific interest, a fact expressed in the growth of monopolies, and without much effort to guarantee some sort of regulation securing social stability and allowing, as a by-product, illusions of democracy and liberty. Dennis’s “socialism”, however, functions exclusively and most directly in the interest of the ruling class. That it cannot help leaving parts of the social product to the workers, this regrettable necessity it shares with all other ruling classes of all other societies. But where the “old” capitalism, because of the absence of “planning”, because of market fluctuations, crisis conditions, and other uncontrollable phenomena often could not prevent the rise of situations which granted the workers moments of respite, this kind of unearned “social justice” has now been planned away in “socialism”.

Within certain limits workers have been able to take advantage of capitalistic anarchy — for instance, during depressions, when prices fell faster than wages, or during strikes, which gave them an otherwise unobtainable leisure period. And though these “lucky breaks” for some of the workers could not influence the course of capitalist development or the general situation of the workers, nevertheless they represented openings in the otherwise watertight capitalistic exploitation system. This kind of “waste” is now eliminated in the “socialist” planning system. The more wasteful the exploitation system becomes by reasons of its unreconcilable

enmity to the social needs of the world, the more it tries to restrict that “waste” which, though in a very paradoxical manner, somehow favors the workers. “Socialism” is thus the replacement of a less perfect by a more perfect exploitative mechanism.

A greater need for profits is expressed in this kind of “planning”. To achieve it, the changes from private property economy to Dennis’s “socialism” are necessary. But nothing of importance in regard to social needs has here occurred. The need for ever greater profits is capitalism’s permanent need. Heretofore it has always been satisfied by more intensive exploitation and by the exploitation of additional laborers. Capital grew with the growth of productivity, its concentration progressed, and thus society became polarized into two essential classes. “Socialism” changed nothing in this respect. With additional political means it only accelerated that very same process. The greater need for surplus value — and there is a greater need in capital — poor countries such as Japan, Russia, Italy and Germany — forced those nations to go farther with capital concentration than richer nations had to do, because of their so-called more “organic” development. It became necessary for capital-poor nations to approach the extreme in concentration and centralization because of world-wide depression and general capital stagnation.

It is a known fact that in Germany long before the first world war cartellization in industry and state interference in economic life were much more advanced than in other countries. It is known that Russia was characterized not only by its backward agriculture but also by the existence of large industrial trusts, partly under governmental control. A similar situation existed in Japan. These nations had to do in *advance* what became with the “richer” nations only the *result* of a long development. Politics had to play a greater part in the poorer countries that tried to industrialize themselves. “Planning” had to compensate for economic disadvantages. In the case of Russia a whole state-capitalistic revolution was necessary to break an economic stagnation which was slowly strangling the country. That the “stronger” nations now have to follow suit indicates only that their strength is also waning. The general dearth of capital also forces the richer nations to reorganize their exploitative mechanism.

No new industrial revolution or continuation of the old through “socialism” is here involved as Dennis wants to believe, but, to repeat, only another forceful attempt by present-day capitalism to fight its way out of world-wide depression. Those nations most pressed by the crisis fight the hardest. Whatever Dennis may read out of the books of the apologists for Russian and German “socialism” he cannot prove that “socialistic” countries have carried on the industrial revolution where “old” capitalism left off. The single continuous strip-mill for steel production in Germany, for instance, was imported from the United States. Manchukuo was opened by *England* and Japan on a fifty-fifty basis. German rationalization was made possible by American loans. Machinery imported from capitalistic

nations made possible Russian expansion of industrial production. The tempo of Russian development is no greater than that of other capitalistic countries that profited from the experiences of older capitalistic nations, sometimes under even less favorable conditions — for instance, Japan. What distinguishes these countries from the so-called democratic nations is not their furthering of the industrial revolution, but their *early direction* of production toward a war economy designated to reach by warfare and political pressure what they could not reach by any other means. This kind of “socialistic” advancement of the industrial revolution can also be achieved by the democratic nations, as they are at present trying to prove.

To support his view of the matter Dennis points out that, in contrast to the “democratic” nations, there is no unemployment in Russia and Germany. However, in the first place, socialism would not be socialism if it could not increase unemployment, that is, reduce working hours and give people a chance to enjoy life. Socialists may oppose the insane distribution of the social labor in capitalism which forces some workers to work until their tongues hang out of their mouths and others to dream about the great privilege of being exploited. But socialism cannot oppose unemployment. In one sense, socialism is finally nothing else but the triumph of unemployment. Secondly, it is not true that Germany and Russia have solved the unemployment question.

Capitalistic unemployment means suffering. Workers will demand jobs in order to better their conditions. Full employment appears to be a real service to the workers. But even this paradoxical solution, able to satisfy an immediate demand on the part of the workers, has not been fulfilled in “socialism”. Unemployment may exist even where it is no longer recorded. The English and rather pro-Russian economist *Colin Clark*, only recently pointed out in his book “A Critique of Russian Statistics” that the Russian countryside is very much overpopulated. He showed, for instance, that the 1928 output of Russian agriculture could have been handled by 40 or 50 million workers, but that 74 million were thus occupied at that date. He puts the surplus population of the Russian country-side at 40 to 50 millions, workers and dependents together, and calls it “disguised unemployment on a gigantic scale” which overshadows the whole economic life of Russia. As regards the industrial revolution in Russia, he shows that there was virtual stagnation in the years from 1928 to 1934, accompanied by a decline in agricultural production. The greater influence exerted upon the whole economy by the increased armaments since that time and the repercussions of the world-wide economic depression upon Russian economy have not improved the situation. No, Russia has not as yet demonstrated that its societal form is a better medium for the industrial revolution than private property capitalism.

Neither can Germany's war economy be given as a proof of her success in doing away with the problem of unemployment. In economic terms German war socialism implies the opposite — it proves an increase in un-

employment. Beyond a certain number of jobless, that which is called “normal”, needed to fill the fluctuating demands of capitalistic production and to serve as an additional weapon to keep wages down and workers in their place, unemployment fills the hearts of capitalists with deep sorrow; the loss of exploitable labor power demonstrates to them lost opportunities to get rich. The war economy, however, employs all hands. It raises an enormous amount of surplus labor, but fails to transform that labor into profits able to be capitalized. What should be profits leading to industrial expansion and still more profits is only another form of waste. There is no difference if profits are not produced at all, or if their basis, surplus labor, after it has taken the form of “use values”, disappears as costs of war. The destruction of the potential capital here involved and the deterioration of the capital on hand are only the accelerated form of capital destruction experienced in former crises. The unemployed soldiers are merely the uniformed version of the unemployed armies of former depressions. Their feeding and fattening before the slaughter is only another variation of relief in addition to all the others enforced in previous crises. This, too, is a disguised form of unemployment and demonstrates “socialism's” inability to solve that problem which was one important reason for the change from capitalism to “socialism”.

The Blessings of Fascism

Though it would be quite difficult for Dennis to prove that the industrial revolution would actually continue under fascistic auspices, it must be granted that there is far more activity and noise in fascism than in yesterday's democracy. To justify the fascist transformation of capitalist society, celebrated as the return of “dynamism”, Dennis rightly asks: “Why should a political regime enjoying a monopoly of propaganda and guns take orders from men who have nothing but money?” Indeed there is no reason why they should, as “property rights derive from guns and propaganda, not guns and propaganda from property rights”. However, though it is true that guns and propaganda were and are pre-requisites to property, the fact that Dennis's “socialism” arrived at a certain stage of capitalistic development shows, at the very least, that guns and propaganda cannot always be directly identified with the power to control complex societies.

Guns and propaganda control society when they are fused with the productive apparatus, which presupposes that the productive apparatus lends itself to such a fusion. Capitalism's development was such that fascism — that is, the fusion of guns, propaganda and property — could only be the result of a long process of economic and political centralization. Even the fact that it became possible to shorten with political means the period of monopolistic development, as in the case of Russian state-capitalism, can be explained only through the concentration of capital previously carried through in other nations. When Lenin, for instance, pointed out that the Russian Revolution was a bourgeois revolution against the bourgeoisie, he

practically said that because of the actual world situation created by previous capitalistic development there could be no Russian repetition of the process of capital development such as other countries experienced. Russia had to do *rapidly* what in other nations occurred *slowly*. The Russian Revolution was furthermore a state capitalistic revolution against world capitalism, because it attempted to stop the latter's exploitation of Russian labor. There is undoubtedly a direct connection between the present-day fusion of guns, propaganda, and property in the "socialistic" nations and the general development of world capitalism.

Capitalist society evolved out of feudalism, that is, out of a society of numerous relatively independent units of force and property. The modern nation-state created by capitalistic elements, developed a new unity of force and property operating on a larger scale. At first, however, there arose what was apparently a separation of property, guns, and propaganda. The variety of classes and interests, fostered by the rapid extension of the division of labor, specialization in economic activity, and growth of capital production, demanded a state with limited powers. Such a state was sufficient to guarantee "order" because of the expansion of capital, by which, seemingly, all classes, and even parts of the working class, profited. The dissatisfied elements in society, even if in the majority, could not seriously challenge the prevailing optimism which could speak of the existence of "civilization" because "one could walk unarmed among his enemies". No particular class or group needed to usurp all state power for itself nor found it possible to do. Even Napoleon did not dare to interfere, nor did he wish to interfere, with the interests of French commerce and industry. Even he had to leave intact the division of property and guns, which slowly turned the state into the direct servant of capital.

A relative "balance of power" between the various exploiting groups precluded for a long time the fusion of state and capital. But the divorce between state and property was of concern only to the exploiting classes; it never existed for the exploited. Despite all the frictions among the ruling classes with regard to the exploited part of the population their interests were identical. For themselves the ruling classes favored as the "best government, no government". Government was thought of as no more than the instrument of class rule. But after the concentration-of-capital process had been completed, the instruments necessary for centralized control by coercion and integration of the whole of society — with a sufficient polarization in a relatively small group of actual rulers and a large majority of ruled — had been created, and after the state had already become the direct instrument of capital, it then became possible once more to fuse completely guns, propaganda and property.

When the Marxists pointed out that the state could never be more than a class organ of capitalism (and they pointed it out at a time when governments controlled by landowners were occasionally willing to "cooperate" with the workers against capitalists, and other governments were willing

to "cooperate" with capital and labor against agrarian interests), they did so because, as far as the workers were concerned, there always existed the unity of propaganda, guns, and property. What was true for the workers at any particular time during capitalism's development became true for the whole of society with the further concentration of capital and its political consequences.

To speak of a difference between property and state was only another way of saying that the *division* of surplus value was still largely determined by market laws, that the monopolistic destruction of competition was only in its infancy. However, commodity production is only competitive because it is also monopolistic. Commodity production, however competitive, is always production for monopolists, that is, for profit in the interest of those who own or control the means of production. The existence of *commodity labor power* implies the monopolistic character of production and distribution. If a socio-economic development starts out on such a basis, and if it is not interrupted by a real social revolution which destroys the commodity character of labor power, it can end only in the completion of monopolistic rule, in state capitalism. State capitalism thus finds its cause not in the concentration process of capital, not in an organizing principle, but in the commodity character of the workers' labor power. The concentration process is only one phase of this general development. For this reason it is inconceivable for Marxists that capitalism could be abolished except through the abolition of commodity production, wage labor, and value relations.

The new fascistic unity of guns, propaganda, and property rests also on commodity production, on the existence of a proletariat which sells its labor power to those who have a monopoly over the means of production. This being the case, Lenin was forced to forget in post-revolutionary Russia the Marxian demand to end the wage system. He had to satisfy himself with adopting the prevailing capitalistic organizing principle which could effect, not the exploitative character of society, but only the division of surplus value. "Socialism", he said, "is nothing but the next step forward from State Capitalistic monopoly. Socialism is nothing but State Capitalistic monopoly. It is nothing but State Capitalistic monopoly made to benefit the whole people; by this token it ceases to be capitalistic monopoly".

The "dynamic" of "socialism" consists then of no more than the activity necessary to change the form of distribution. It leaves untouched the fundamental class relations that it takes over from the "old" capitalism, and thus *excludes* the change in distribution so much desired. Unhampered by a socialist past, not committed to a Marxian ideology, profiting from the experiences of the last twenty years, Dennis does not speak of a state capitalistic monopoly "made to benefit the whole people". Where Lenin thought he could turn his state into a paternalistic institution of the finest sort, leading over to the communist society, Dennis restricts himself to the sober statement that all that can now be expected is "a new pattern of inequality, emerging from the current revolt of the have-nots and the world triumph of national socialism". But, he continues, "for some time to come, it will

correspond better than the present pattern of distribution to the actual and new force pattern, all of which amounts to saying that it will constitute social justice". He fails, however, to offer one serious argument which could support even this kind of meager optimism with regard to the immediate future. All he is able to suggest is an enlarged and somewhat unessentially modified public works program, executed by a new set of politicians. In other words, he argues in favor of what already exists. But continuing "pyramid-building" in peace and war — that is, production for the sake of production, discipline and sacrifice for the sake of discipline and sacrifice, autarchism and hemispheric reorganization to guarantee more wars and an uninterruptedly Spartan life — means only prolonging and intensifying the present-day miserable reality.

Some interesting speculation would have been possible if Dennis had entered into a discussion on the economic opportunities of state capitalism on the basis of a hypothetical unified world economy. There would even be some sense in discussing the economic and social aspects of national-socialism on the basis of its possible evolution into a perfect state-capitalist entity. But all that Dennis "forecasts" is the emergence of an American "mixed economy" where private incentive and private enterprise exist side by side with state-controlled enterprises, where the state takes over wherever private economy fails. But such proposals are only descriptions of a situation which has already arisen, and which is already delivering proof that it does not bring forth a new pattern of distribution favoring the poorer classes, but only drives the poorer classes from the relief stations to the battle field.

However, Dennis is less interested in the distributive side of his "socialism" than in the spiritual values connected thereto. In his opinion "the social problem of the world crisis today is one of finding sufficient dynamism, not of finding enough food." He thinks that there exists in men a real desire for war and danger, that sadistic and masochistic drives are important social forces, that people possess an inner compulsion to suffer, a need for discipline, heroism, sacrifice, and community feeling based on a sense of duty. The ideological noise accompanying the further concentration of capital in fascism appears to him as a revival song of the real human spirit on which society thrives. But all this grand phraseology, mere ideological weapons employed by the exploiting class to secure its position, has no more meaning than all those other sayings which the poor have always been forced to listen to — such sayings as "Dry bread brings color to the cheeks", "Hunger is the best cook", that one grows best if one eats little, or even if one walks in the rain. Dennis's other prerequisites for the recreation of a social dynamism, such as the "will to power", the desire to rule, which makes history no more than the ever-recurring struggle between the "ins" and the "outs", the changing of the world by the changing of seats — all this, too, is old stuff, as meaningless as it is popular. The un-social character of society, increasing insecurity, and wide-spread misery have at all times provided more than enough of that kind of "dynamism".

The "desire for war and danger" in capitalism is none other than the desire for peace and security. People go to war and seem to like it, just as they seem to go happily to work. But they have no choice, and where there is no choice the question of desire cannot arise. Desire can determine action only in situations that offer alternatives; the "desire" to find work is not a desire but compulsion through outside forces. The "desire" to go to war results from the recognition that there is no escape. What one has to do, one "desires", because to "desire" what has to be done anyway makes the compulsion more bearable. But this kind of "desire" has nothing to do with "human nature". It is an "artificial desire" growing out of socially-created wide-spread fear and loneliness. The renaissance of spiritual values attributed to war and danger indicates no more than the general growth of fear due to further social disintegration. The "accidental" character of each one's existence, the decreasing opportunities to integrate one's life into the social process, prepare people to accept a life of "accidents", especially when such an attitude is fostered and supported by the enormous propaganda apparatus at the disposal of the ruling classes interested in war — interested in war not because they are human beings, but because they have to make others fight if they want to maintain class rule and exploitation. That there is a real desire on the part of some people to see others go to war springs from the quite ordinary desire to make some money or get a job.

Dennis's "idealistic" position with regard to the psychological motivations of men interests us least of all. It brings to light only his own perfect capitalistic mentality, which makes out of "socialism" in his mouth exactly what "democracy" is in the mouth of a capitalist. Despite all his insight into the brutal relations of contemporary society, despite the fact that his sharp eyes have spotted so many details in the ugly social panorama of today, and that his pen has put them down masterfully, still, his book is only another contribution to that bitter family feud now being waged between the supporters of state capitalism and the supporters of capitalism pure and simple. In this feud all the advantages are on the side of Dennis, not only actually, but also theoretically, as his book bears witness. A liberal democrat could not possibly oppose his arguments with any measure of success. And in fighting Dennis's "socialism" the laugh will be on Dennis's side, because his enemies will certainly in the process of fighting fascism have turned themselves into fascists.

The liberal democrat as well as Dennis has, however, nothing to say to nor offer the working class. According to circumstances both will have the workers' support for some time to come, but the societal forms defended or proposed by both are and remain in opposition to the real social needs of today, and thus in opposition to the working population. Dennis is right in believing that the workers have no reason whatever to prefer democracy as they know it to the fascism of today, but they have also no reason to prefer fascism to the democracy of yesterday, as they soon will be forced

to find out. To thinking workers who have escaped the capitalistic ideology of yesterday and today Dennis's book has nothing to say that they do not already know. Those workers who find themselves opposed to capitalism, not because the latter can no longer exploit them efficiently enough, but because they do not want to be exploited at all, can learn from Dennis's book just one thing, namely, that it is their job to start where he has left off, that what he sets as the temporary end-point of social development must be regarded as the starting point for new investigations and new actions directed against the new fascist reality.

Paul Mattick

THE DYNAMICS OF WAR AND REVOLUTION

Reply:

As a criticism of a criticism would necessarily get pretty far afield from the original subject of both and tend to degenerate into a rather sterile exercise in dialectics, I shall try only to summarize the main points of disagreement between my thesis and that of orthodox Marxism, the first thesis being that developed in my book and the second being that most ably presented in Mr. Mattick's criticism of the book. Both these are essentially explanations of the crisis of capitalism and of what may be the successor system.

My thesis: Capitalism is a culture which, like all cultures, is doomed by the iron law of change to decay and disappear. In the case of the capitalist culture, the specific changes explaining the actual phase of capitalist decline are (1) the end of the frontier; (2) the end of the industrial revolution — in the capitalist countries; and (3) the end of rapid population growth.

The Marxist thesis: Capitalism is doomed by reason of its inherent contradictions, the chiefest of which is the mechanics of the profit system, and, also, by reason of the progress of human enlightenment which will cause the workers of the world to set up and operate, in place of capitalism, a workers' socialist society.

My Rejoinder: The so-called contradictions in the capitalist system are operative factors only after the end or slowing down of the expansive factors of the frontier, industrialization and population growth. Capitalism worked like a charm as long as it had possibilities of continuous expansion in geometric progression. There is no contradiction in the rate of growth or proliferation in a colony of bacteria or living things. There is no contradiction in growth. But it is impossible for anything to keep on growing. Marxists cannot accept this thesis because they believe in progress and, also, in a future millenium. They could not entertain a hypothesis which would

doom the workers' paradise to decline and fall just like every preceding society.

My thesis: Every culture or social order tends, or has tended to be either fairly static or more or less revolutionary. An Egyptian civilization lasted for thirteen hundred years. Capitalist civilization is more revolutionary and shorter lived. By revolution is simply meant rapid change. Evolution refers to a slower rate of change. Modern inventions and technology make rapid social change a necessity. Capitalism was a pattern of rapid change. Present day collectivism, to work, has to be equally revolutionary.

A culture requiring continuous revolution, i. e., rapid change, needs a dynamism to sustain the necessary tempo of change. The great dynamisms of all societies have been religion and war. This remains today as true as ever. War is providing the dynamism for the inauguration of the successor system,—socialism—to capitalism. Quite possibly, within a few centuries or even, within a few decades, the conditions of modern technology and congested population may have so changed that mankind can revert to the simpler and more static cultures of the distant past. Certainly the tempo of either the capitalist revolution of the 19th Century or the socialist revolution of the 20th Century cannot be indefinitely maintained. This consideration, however, need not concern us greatly today since there is an evident possibility of running the socialist revolution at high speed for a longer period than most of us can possibly live.

The Marxist thesis: The Marxist cannot use the term revolution in this sense. Nor can he take this view of the dynamics of social change. Marxists have a teleology. They believe in social evolution as a process of progressive change towards a millenarian social order. Revolution for them is either a phase involving a shift from one scheme of "exploitation" as they call it to another or else a phase of change from exploitation to a non-exploitative order.

My thesis: Every culture has to be run by an elite. The more complex and the more revolutionary, the more essential the function of the directing elite. This is more or less Michel's "iron law of oligarchy".

The Marxist thesis: Past civilizations and the present capitalist culture have been based on exploitation of the workers by virtue of the monopoly enjoyed by a small class over the whole of production. In a worker's socialism such exploitation would cease. Inasmuch as there is exploitation in Soviet Russia by a ruling class today, true Marxists have to deny that Russia has true socialism and to call what Russia has state capitalism. It is, of course, impossible to prove that the socialist heaven on earth cannot be attained or that the Christian millenium is not going to be realized. It is possible only to point out that the socialist heaven and the Christian millenium are matters of faith rather than probability based on experience.

Pursuant to the Marxist tenet, Mr. Mattick attacks my analysis for failing to take account of the exploitation of labor by capital. The reason is quite simple: In the Marxist sense, every working society past or present has been or is characterized by exploitation and, it would seem to the realist who has not a millenarian vision of the future, must always be so characterized. In the Marxist sense, the exploitation of labor by capital merely means that capitalists retain a part of the product of labor for profits, interest or rent. In Russia, the ruling class retains a larger part of the product of labor for the general purpose of state capitalism there, one of these purposes being war and another being the enjoyment by the ruling class of a higher standard of living than that attainable by the mass of the workers.

My reply is that the ruling class must always retain a part of the product of labor for new capital investment, for governmental purposes, for preparation for war, a form of state investment, and for giving the ruling class a higher standard of living than that enjoyed by the masses. Else, there would be insufficient investment and insufficient incentives to management. To say that the masses will democratically order the right amount and types of investment is, in my opinion, to beg the question. Management is a specialized function. To say that the masses can manage their industries or their government is arrant nonsense. To say that those to whom they may delegate the functions of management will exercise these functions for the same rewards as those enjoyed by the masses of the workers is to talk contrary to all experience. In the capitalist countries the workers are not, anywhere or at any time, in revolt against the facts of management by the elite or of unequal rewards for the elite. What the masses revolt against is the break-down of a system and the failure on an elite.

My idea of a desirable socialist society for the near future is one in which there would be greater equality in distribution, greater stability in production, greater security and less liberty for the individual. The drive towards a new order is generated by frustration and hate rather than by aspiration and love. The leaders in any social revolt are those having vision and qualities of leadership. They are apt to be found mainly among the members of the managing class of the old order, though individual leaders may emerge from any social class. Our immediate problem is the next step. This will probably be a war, followed by general break-down. As a result of these experiences, the people will demand new leaders — a new elite — to give them greater stability and security of income. To command the loyalty of the masses, the new leaders must have an appropriate folk-myth and social dynamic. These will be found quite easily in the given social situation. Aspiration for a millenarian utopia has no dynamism. People won't fight and die for such an ideal, that is not in significant numbers. They will, however, fight and die to avenge themselves against leaders who have failed them or against foreign foes. They will accept discipline as a means to order. They especially demand of their social order and their leaders to be integrated into the social scheme. This sense and

reality of community is what I understand by the word democracy in an ideal context. The role of the elite cannot be capricious, irresponsible, incompetent or inconsiderate of the demands of public welfare, as such role tends now to be in a declining capitalism. The masses now are growing dissatisfied, not with capitalism, but with the way it is working.

Lawrence Dennis

Rejoinder:

Having expected from Lawrence Dennis an elaboration and strengthening of his own position, we feel rather disappointed by his reply to our critique. His re-statement of the theses we challenged has the value of all repetitions, but nothing of interest is added to the controversy. We could leave it at that had Dennis's formulation of the Marxist theses actually expressed our own position. Since this was not the case, we have to deal with the matter once more.

First we should like to say that Dennis's reference to *the* Marxist thesis with regard to one or another problem is more than unfortunate. A Marxist position is taken with respect to historically-conditioned, specific situations. The Marxist thesis on the question of the capitalist market some eighty years ago, for instance, would not be the Marxist thesis on the same question in 1940. The Marxists' theses produced by Dennis are as dead as the capitalist period during which they arose. Though some Marxists did, Marxists never had to accept, nor do they any longer accept the thesis that the realization of socialism depends on "the progress of human enlightenment", nor do they believe in a "future millenium", nor do they shrink from the hypothesis that "the worker's paradise is doomed to decline and fall just like every preceding society." Dennis is undoubtedly able to point to a great number of statements proving the validity of his formulation of *the* Marxist theses. However, these belong to history, and one may safely predict that the last remnants of the capitalized labor movement, apparently adhering to a "Marxism" of the kind refuted by Dennis, will in the near future disappear completely.

Dennis's "iron law of change and decay" which will also affect socialist society only repeats once more the commonplace statement that nothing will endure forever. The decline of capitalism, for instance, means in social terms the decline of living opportunities for the non-capitalist layers of society. These layers are thus forced into opposition to the ruling elements that profit from this situation by virtue of their being in possession and control of the socio-economic power sources. In one sense, therefore, the "decline" of capitalism is also its further "rise." Capitalism is the livelier the more death stalks around; it is the "truer" to itself the more it is endangered by its willing and unwilling enemies; it is the richer the more it impoverishes. Expansion and contraction of its economic activity serve equally the profit and power needs of the ruling capitalistic groups. There is

then no such thing as the "decline" of capitalism, unless forces arise which make it decline by struggling against it to the finish. The conditions which create those oppositional forces show a decline only in so far as those forces will really struggle against capitalism. Otherwise one may speak of many things, such as mass starvation, unemployment, misery, war, but not of the decline of capitalism. As long as capitalist expansion means the growth of its contradictions, the end of expansion alone cannot be called the decline of capitalism. One may as well celebrate the end of expansion as the beginning of capitalism's eternal life — as is actually done by some of the modern advocates of free-trade.

Nor, like Dennis, can one get around the question by saying that "in growth there is no contradiction; it is only impossible to keep on growing", which, as regards social phenomena, means to "deny" a statement by repeating it. Chinese society, for instance, did not decline despite the absence of expansion and the existence of conditions of misery and want. This situation, transferred to the capitalist scene, would induce people to speak of the decline of capitalism. The decline of feudalistic China now in progress, as well as her previous "expansion" by way of emigration, cannot be brought "in line" with capitalistic expansion and capitalistic decline. The difference between the decline of feudalism and that of capitalism cannot be adequately expressed by stating the obvious: that one society was more static than the other both in its ascendancy and in its decline. Why was the one more static and the other more "dynamic"? Such an inquiry cannot be satisfied with the statement that "modern inventions and technology make rapid social change a necessity". Why did this technology not arise in China and force a rapid change upon her? These questions can be answered, but not by naming the facts which gave rise to the questions, not by an empty generalization such as "the iron law of change and decay", but only by a thorough investigation of the concrete differences between various societal forms — an undertaking which reveals at once that it is not possible to speak of forms and reasons of decline that hold good for all societies.

The "decline" of capitalism makes sense only if it finds expression in the action of the masses. It is neither stagnation nor the increase of misery which gives validity to revolutionary expectations, but the fact that together with those conditions there arise an industrial proletariat, the wide-spread division of labor, the dominance of commodity production, large scale industry and a capitalized agriculture, the urbanization and break-down of the gap between city and village, the internationalization of economy, the mechanization of warfare, the industrial character of the armies, etc. The specific capitalistic character of society gives a specific meaning to its rise and decline. The reasons for revolutionary change, as well as the forces bringing it about, are particular ones and make sense only in so far as they are particular. Finally, that they must also be regarded as parts of the general development of mankind is as true as it is unimportant. With or without variations in the tempo of development, the "decline" of socialism will certainly not be a repetition of that of capitalism any more than the decline

of capitalism was a repetition of that of feudalism. The changes in socialist society will have their specific reasons and their particular forms, quite unlike the reasons and the kinds of change in previous societies. What they will actually be like the Marxists leave to the future to decide, not because they lack curiosity, but because they do not try to know the as yet unknowable.

It is interesting, however, that the same Dennis who overflows with terms like change, dynamism, permanent revolution, etc., has such a static outlook with regard to change and revolution that all past and future social changes are to him only copies of those experienced in the bourgeois revolution and within the capitalistic development, that the "dynamism" that changes capitalist society is to him the unchangeable dynamism of the past and the conceivable future. For him the necessary partition of the social product for different social purposes and needs remains for all time to come, and was determined throughout history by the specific production and distribution requirements of capitalist society — and this to such an extent that he even uses specific capitalistic terms such as "capital investment" when he speaks of the increase of production in socialism. He mistakes capitalistic formulas, such as profit incentives and profit motives, for necessary and unalterable requirements of the division of labor, although they are nothing but false "psychological" explanations for the curious character the division of labor, surplus value, of workers and management assume under capitalistic relations. All that is specifically capitalistic is eternalized by Dennis, who, despite the professed "dynamic" outlook, restricts himself everywhere to the static and sterile demand of maintaining the present by making the capitalistic more capitalistic.

But what, besides being the most unfortunate term one could select in speaking of social development, is this "dynamism" anyway? For Dennis it is, as far as private-property capitalism is concerned, the "frontier, rapid industrialization, and population growth". As far as all previous development is concerned "religion and war" provided the "dynamism". War also provides "the dynamism for the inauguration of socialism", which will then derive its further dynamic from the continued industrial revolution. All this is finally "generated by frustration and hate", which moves people to "demand new leaders — a new elite — to give them greater stability and security of income". It is, however, difficult to see why frustration and hate must work in the interest of a new elite, why only a new elite can turn the war into the medium for further industrialization, and just why this new elite cannot afford to be "capricious, irresponsible, incompetent or inconsiderate of the demands of public welfare". Frustration and hate may just as well serve the class in power, war may be waged and the "demands of public welfare" somehow fulfilled by it, especially when, as Dennis wants us to believe, the "problem of the world crisis today is one of finding sufficient dynamism, not of finding enough food" — that is, one of finding more frustration and hate, engaging more frequently in war, and creating greater demands for the changing of elites.

All this would be quite ridiculous if Dennis were really out to explain social development. But his peculiar theory of social change is no more than a description of the present political situation from the viewpoint of a conscious fascist, for whom all and everything leads to and ends in the replacement of one set of leaders by another.

To continue from this point would only lead us back to a repetition of our original critique of Dennis's work. A re-statement, however, in view of the utter sterility of his reply, might easily be somewhat less appreciative of his positive attempts to find a new social theory. P. M.

THE WORKERS' FIGHT AGAINST FASCISM

"Democracy" — a self-styled name for the traditional set-up of present-day capitalist society — is fighting a losing battle against the attacking forces of Fascism (Nazism, Falangism, Iron Guardism, and so forth). The workers stand by. They seem to say again what their predecessors, the revolutionary workers of Paris in 1849, said in regard to the final struggle between the leaders of a self-defeated liberal democracy and the quasi-fascist chief of a new Napoleonic imperialism, Louis Bonaparte. They said (as interpreted by Marx and Engels) "*C'est une affaire pour Messieurs les bourgeois.*" (This time it's a matter to be settled among the bosses).

The "secret" underlying the verbal battles between "totalitarianism" and "anti-totalitarianism" and the more important diplomatic and military struggle between the Axis and the Anglo-American group of imperialist powers is the historical fact that the worst, and the most intimate foe of democracy today is not Herr Hitler, but "democracy" itself.

Yet this is not a problem of "split personality" nor can it be explained as an "inferiority complex", or a "father complex", or any of the other lofty creations of Freudian psychology. It is not even a conflict between old age and youth, or, as Mrs. Lindbergh puts it, between "the forces of the past and the forces of the future".

The real facts underlying all these high-sounding phrases are to be sought nowhere else but — re-enter Marx — in the material basis of all ideological conflicts, that is, in the economic structure of contemporary society or in the impasse that modern capitalism has reached in the present phase of its historical development.

Ambiguities of Democracy

We must not, however, jump to conclusions. Before we explain the basic reasons for the ambiguities of "Democracy" in its present "fight" against the fascist challenge, we must deal somewhat more closely with the phenomenon itself. We must show that the assumed split, though it does not exist in any psychological, anthropological or cosmical sense, does yet

exist as a very real split in what, for want of a better term, we shall continue to call the "class consciousness" of the ruling strata of present-day society.

We shall not waste our time with a discussion of the more conspicuous forms in which this condition manifests itself — a world-wide war between two equally capitalistic parts of that one big capitalistic power that rules the world today, and the open division of each of the fighting parties into mutually opposed factions. In spite of the fact that in our truly "Chinese" age every party and every faction endeavors above all to "save face" by hiding its own and borrowing its opponents' slogans and by pretending "not to offer any solution", it is sufficiently clear today that the same divisions that became visible in the collapse of Norway, Holland, Belgium and France exist and develop in various forms both in the actually fighting, and the so-called neutral, "democracies". This alone is sufficient to prove that the present "war" is fundamentally a "civil war", and will be decided in the future, just as it has been up to now, not by the relative military, or even the economic, strength of the fighting countries, but by the help that the attacking force of fascism will get from its allies within the "democratic" countries. The main task of the following paragraphs is to deal with the less conspicuous manner in which this internal strife pervades the "conscience" of every group, of every institution, and, as it were, of every single member of present-day "democratic" society.

The American public today hates and fears the growing threat of fascism. It takes a fervent interest in the various official and non-official forms of the search for "Trojan horses" and "fifth columnists". It girds itself for the defense of the democratic traditions against the attack that is brought nearer our shores by the progress of the Nazi war in Europe, Africa, and Asia. At the same time, an increasing part of this American public is secretly convinced of the several material benefits that could be derived for the so-called "elite" and, to a lesser extent, for the mass of the people as well, from an acceptance of fascist methods in the field of economics, politics, and, maybe, even for the promotion of the so-called "higher" cultural and ideological interests. It is apt to regard the very institutions and ideals for which it is prepared to "fight" as a kind of "faux frais" of production, of conducting the business of an efficient modern administration, and of fighting a modern war. It never seriously considered "democratic" methods as an adequate means of running an important private business, or, for that matter, a business-like trade union. It would prefer, on the whole, to have its cake and eat it too, that is, to apply those amazingly successful new methods to the fullest advantage, and yet at the same time, somehow retain a workable "maximum" of the traditional "democratic" amenities.

It is easy to see that this more or less platonic attachment to the great democratic tradition, in spite of the assumedly greater material advantages of the fascist methods, offers small comfort for the real prospects of democracy in times of a serious and hitherto unconquerable crisis. In fact, an increasing number of the foremost spokesmen, the most vociferous "experts",

and the truest friends of democracy begin to express some grave doubts as to whether their unyielding allegiance to the "underlying values of the democratic American tradition" has not already degenerated into a costly hobby that the nation may, or, in the long run, may not be able to afford. (This sentiment became most evident in the all too-ready response of the greater part of the American "democratic" public to Anne Lindbergh's recent booklet).

There are some definite fields in which even the most fervent opposers of the ruthlessness of the fascist principles admit an undeniable superiority of totalitarian achievements. There is, for example, universal admiration for the splendid work done by the Nazi propaganda. There is widespread belief in the full success of the Nazi attack against the most incurable plagues of modern democratic society. Fascism is supposed to have abolished permanent mass unemployment and, by one bold stroke, to have released the brakes put on free enterprise by wages disputes and labor unrest. There is a tacit agreement that an all-round adoption of fascist methods will be necessary in time of war.

An Economic Pythia

The most striking testimony to present-day democracy's implicit belief in an overwhelming superiority of fascist methods is to be found in an official document published in June, 1939, by the National Resources Committee, that deals with the basic characteristics of *The Structure of the American Economy*.¹⁾ We shall make ample use of this Report when we approach the main question of our present investigation. For the moment, however, we shall disregard the momentous discoveries made by Dr. Gardiner C. Means and his staff with regard to the present state of American economy. We shall deal exclusively with the forecast of the chances for a survival of the democratic principle that is revealed in the general statements contained in the Introduction and Conclusion.²⁾

The authors of the Report start from an impressive description of the well-known "failure" of the present economic system to use its gigantic resources effectively:

"Resources are wasted or used ineffectively as parts of the organization get out of adjustment with each other, or as the organization fails to adjust to new conditions; as individuals fail to find, or are prevented from finding, the most useful field of activity; as material resources are unused, or as their effective use is impeded by human barriers; and as the most effective technology is not used or its use is prevented."

They attempt to estimate and picture the "magnitude of wastes" that resulted from this failure both during the depression and the preceding non-depression years. According to this estimate the depression loss in national income due to the idleness of men and machines from 1929 to 1937

1.) For sale by the Superintendent of Documents, Washington, D. C.; vii; 396 pp.; \$1.00.
2.) Cf. pp. 1-5, 171. All quotations in the following paragraphs, if not otherwise marked, are taken from these pages. Emphases by K. K.

was "in the magnitude of 200 billion dollars worth of goods and services". This extra income would have been enough to provide a new \$6,000 house for every family in the country". At this cost "the entire railroad system of the country could have been scrapped and rebuilt five times over". It is equivalent to the cost of rebuilding the whole of the existing "agricultural and industrial plant" of the nation.³⁾ Even in the peak pre-depression year, 1929, both production and national income could have been increased 19% by merely putting to work the men and machines that were idle in that year, even without the introduction of improved techniques of production.⁴⁾

The authors then go on to deal with the "impact" of this waste upon the community as reflected in the development of a "sense of social frustration" and in "justified social unrest and unavoidable friction". They begin, however to show a wavering in their democratic convictions when they proceed, in the following paragraph, to discuss the "tremendous opportunity" and the "great challenge" that this very waste of resources and manpower presents for the American nation today. The "great challenge" for democracy assumes at once the sinister features of an impending tragedy:

"How long this opportunity will be open to the American democracy involves a serious question. The opportunity for a higher standard of living is so great, the social frustration from the failure to obtain it is so real, that other means will undoubtedly be sought if a democratic solution is not worked out. The time for finding such a solution is not unlimited."

And they reveal their inmost sentiment as to the probabilities of a "democratic solution" of that tremendous task by the very language in which they finally "state the problem" arising from the results of their investigation:

"This problem, the basic problem facing economic statesmanship today, can be stated as follows: How can we get effective use of our resources, YET, AT THE SAME TIME preserve the underlying values in our tradition of liberty and democracy? How can we employ our unemployed, how can we use our plant and equipment to the full, how can we take advantage of the modern technology, YET IN ALL THIS make the individual the source of value and individual fulfillment in society the basic objective? How can we obtain effective organization of resources YET AT THE SAME TIME retain the maximum freedom of individual action?"

This same defeatistic sentiment pervades, as it were, the whole of this otherwise most valuable official document. There is nowhere an unambiguous attempt to claim for the democratic principles any material value or usefulness for restoring the good old days of capitalism or for bringing about an even greater expansion for the productive forces of the American economic community. There is nothing but a sentimental craving for a policy that would not be altogether incompatible with a more or less verbal allegiance to a few remnants of the "democratic" and "liberal" traditions and that might yet work as well as the fascist methods, which they never question. Thus the whole of the proud attempt to conquer a new world of prosperity and of full use of resources and manpower for American democracy boils down to a pronouncement about the result of the impending struggle between democracy and fascism that in its sinister ambiguity rivals the

3.) Cf. pp. 27

4.) Cf. *America's Capacity to Produce*, Brookings Institution, p. 422 Quoted — p. 3

well-known oracle of the priestess of Delphi. "If Croesus sets out to conquer the country beyond the Halys, he will destroy a great empire," said the oracle of ancient Greece. "If the present government of the U.S.A. sets out to conquer the problems of unused resources and mass unemployment, it will destroy an important form of government," echoes the economic oracle of our time.

A New Fighting Ground

It appears from the preceding observations that the workers are quite right if they think twice before they listen to the generous invitations extended to them from every quarter, including most of their former leaders, to forget for the time being about their own complaints against capital and to join wholeheartedly the fight against the common enemy. The workers cannot participate in "democracy's fight against fascism" for the simple reason that there is no such fight. To fight against fascism means for the workers in the hitherto democratic countries to fight first of all against the democratic branch of fascism within their own countries. To begin their own fight against the new and more oppressive form of capitalism that is concealed in the various forms of pseudo-socialism offered to them today, they have first to free themselves from the idea that it might still be possible for present-day capitalism to "turn the clock back" and to return to traditional pre-fascist capitalism. They must learn to fight fascism *on its own ground* which, as we have said before, is entirely different from the very popular, but in fact self-destructive, advice that the anti-fascists should learn to fight fascism by adopting fascist methods.

To step from the ground on which the workers' class struggle against capitalism was waged in the preceding epoch to the ground on which it must be continued today presupposes full insight into a historical fact that is not less a fact because it has served as a theoretical basis for the claims of fascism. This historical fact that has finally arrived today can be described, as a first approach, either negatively or positively, in any of the following terms: End of the Market, End of Competitive Capitalism, "End of Economic Man"; Triumph of Bureaucracy, of Administrative Rule, of Monopoly Capitalism; Era of Russian Four Year Plans, Italian Wheat Battles, German "Wehrwirtschaft"; Triumph of State Capitalism over Private Property and Individual Enterprise.

The tendency toward this transformation was first envisaged by the early socialists in their criticism of the millennial hopes of the bourgeois apostles of free trade. It was later more and more neglected by the socialist writers in their attempt to adopt their theories to the needs of the progressive fractions of the bourgeoisie. When it was finally revived, around the turn of the present century, it was already destined — as we can see today — to serve not the purposes of the socialist revolution, but rather the aims of the imperceptibly-growing counter-revolution. We shall presently see that today any further denial of the accomplished fact has become impossible

even for hard-boiled defenders of the traditional dreams of bourgeois economy.

The Corporate Community

For a more detailed description and factual confirmation of this general statement we turn again to the above discussed document which contains, as far as the writer can see, by far the most comprehensive, the most reliable and, at the same time, the most dramatically presented information on the subject. When this government report on *The Structure of the American Economy* first became known to the American public, the chief sensation was created by its careful statistical proof that even the boldest estimates previously made were far below the degree of monopolistic concentration actually reached by American Economy. According to the statistics given and explained in Chapters VII and IX and Appendices 9-13 of the Report — that bring up-to-date the figures published in 1930 by Berle and Means in *The Modern Corporation and Private Property* — the 100 largest manufacturing companies of this country in 1935 employed 20.7% of all the manpower engaged in manufacturing; accounted for 32.4% of the value of products reported by all manufacturing plants; and contributed 24.7% of all the value added in manufacturing activity.

Although there are some cases in which these large corporations comprise almost the whole of a particular industry (steel, petroleum refining, rubber and cigarette manufacturing), manufacturing industries on the average cannot compete with the much higher degree of concentration that has been reached by the railroads and public utilities. Of the total number of the 200 "*largest non-financial corporations*" that are listed in the Report approximately half are railroads and utilities; the railroads included in this list in 1935 operated over 90% of the railroad mileage of the country, while the electric utilities accounted for 80% of the electric power production, for most of the telephone and telegraph services of the U.S.A., and a large part of the rapid transit facilities of New York, Chicago, Philadelphia, Boston, and Baltimore. No less striking are the figures relating to the 50 "*largest financial corporations*" including 30 banks, 17 life-insurance companies, and 3 investment trusts, each with assets of over 200 million dollars. The 30 banks together hold 34.3% of the banking assets of the country outside of the Federal Reserve Banks, while the 17 life-insurance companies account for over 81.5% of the assets of all life-insurance companies. There is an equally high degree of concentration in the field of government activities. The 20 "*largest government units*" together employ 46% of all the manpower employed in government, excluding work-relief programs. The largest of these, the Federal Government, is by far the largest single "corporation" in the country; the post office alone employed in 1935 nearly as many persons as the largest corporate employer.

All these figures, however, do not tell half the story of American business concentration. Much more is shown by a breakdown of the total

number into major industrial categories and by an investigation into the growth of the relative importance of the large corporations from one-third of the assets of all non-financial corporations in 1909 to over 54% in 1933. And the whole picture begins to reveal its true significance when the report endeavors to show the tremendous degree of inter-relationships through which "the managements of most of the larger corporations are brought together in what might be called the *corporate community*." (emphasis by K. K.) This is indeed a picture that might cure the illusions of the most innocent believers in that "spirit of free enterprise" that must be protected by "all means short of war" from the sinister threat of "totalitarianism." There is very little difference between that economic "co-ordination" that is achieved, and sometimes not achieved, by the political decrees of victorious Nazism, Fascism, and Bolshevism, and this new "corporate community" that has been created by a slow but relentless process in this country through the system of "interlocking directorates", through the activities of the major financial institutions, through particular interest groupings, through firms rendering legal, accounting, and similar services to the larger corporations, through "intercorporate stockholdings", and a number of other devices.

After a careful study of the working of all these different devices, the Report reaches its climax by disclosing that no less than 106 of the aforesaid 250 largest industrial and financial corporations and nearly two-thirds of their combined assets are controlled by only "eight more or less clearly defined interest groups". (Even this estimate, as pointed out by the authors themselves, falls far short of reality: "No attempt is made to include the assets of smaller corporations falling within the same sphere of influence, though many such could be named." Other and more important shortcomings will be discussed below.) To give an idea of the significance of this fact, we must restrict ourselves to a few data concerning each of those eight mammoth groups.

1) *Morgan-First National* — Includes 13 industrial corporations, 12 utilities, 11 major railroads or railroad systems (controlling 26% of the railroad mileage of the country), and 5 banks. Total assets:

	(Millions of dollars)
Industrials	3,920
Utilities	12,191
Rails	9,678
Banks	4,421
Total	30,210

2) *Rockefeller* — Controls six oil companies (successors to the dissolved Standard Oil Co.) representing 4,262 million dollars, or more than half of the total assets of the oil industry, and one bank (Chase National, the country's largest bank; assets: 2,351 million).

3) *Kuhn, Loeb* — Controls 13 major railroads or railroad systems (22% of the railroad mileage of the country), one utility, and one bank. Total assets: 10,853 million dollars.

4) *Mellon* — Controls about 9 industrial corporations, one railroad, two utilities, two banks. Total assets: 3,332 million dollars.

5) *Chicago group* — Controls on the basis of interlocking directorates 4 industrial corporations, 3 utilities, 4 banks. Total assets: 4,266 million dollars.

6) *Du Pont* — Comprises 3 top rank industrial corporations and one bank. Total assets: 2,628 million dollars.

7) *Cleveland group* — The Mather interests control through the Cleveland-Cliffs Iron Co. the four so-called independent steel companies; control two other industrial corporations and one bank. Total assets: 1,404 million dollars.

8) *Boston group* — includes 4 industrial corporations, 2 utilities, one bank. Total assets: 1,719 million dollars.

In interpreting this list, the reader should have in mind that it is far from complete. As we have seen, the authors, on principle, have only considered interconnections between the 250 largest non-financial and financial corporations. Even within these limits, many corporations that are "fairly closely related with one or another of these groups" have been left out for technical reasons. For example, the giant *International Paper and Power Corporation* that is equally closely related to Boston and Rockefeller was therefore assigned to neither the Boston nor the Rockefeller groups. Ten equally important links between the eight big interest groups are considered in the Appendix but are only slightly touched upon in the body of the Report.

Even with these restrictions, the *corporate community* as described in this report appears as a momentous concentration of economic and thus also of political power. The Report does not deny the importance of the controls that the corporate community "exercises over the policies of the larger corporations, through them affecting the whole American economy." It is equally aware of their political significance. Just as the controls exercised by the organized interest groups — the big associations of capital and labor, the organizations of farmers and of consumers — operate through government, so also do "some of the controls exercised by the corporate community operate through government." Yet, says the Report: "it is not intended to imply that these aggregations of capital ever act as a unit under the rule of individual or oligarchic dictatorships. The social and economic content of the relationships which bind them together is far more subtle and varied than this." It would not be easy to determine just what degree of subtlety and variety separates a democratic from a dictatorial exercise of an uncontrolled power. We have to trust, instead, the judgment of our experts when they tell us that the corporate community as existing in the U.S.A. today is not a dictatorship; it is only a "concentration of economic leadership in the hands of a few."

The End of the Market

The fore-going description of the degree of concentration reached by American capitalism does not by itself answer the crucial question as to whether the present structure of this economy still conforms to the traditional principles of "democratic" capitalism, or whether it already assumes the characteristic features of present-day Nazi, Fascist, and Bolshevik economies. Recent history has shown that a "totalitarian" form of government could just as well be imposed upon the comparatively backward economies of Russia, Italy, Spain, etc., as upon that most highly concentrated type of capitalist economy which existed in Germany. On the other hand it would be "theoretically" possible to imagine a development by which a highly concentrated capitalist economy would still retain, in an unaltered form the whole of the internal structure of nineteenth century capitalism.

The actual truth that is revealed in another and, to the writer, most significant part of Dr. Means' report is that this miracle has not happened and that, on the contrary, the external change of the structure of the American economy has been accompanied by an even more incisive transformation in its internal structure and operating policies.

American economy today no longer receives its decisive impulses from the competition of individual enterprises in an uncontrolled ("free") market, but has become, by and large, a manipulated system. Goods are still produced as commodities. There is still something that is called "prices", and there are still the three capitalist "markets" — goods, labor, and securities. There even remain some sizable areas in which "the price of an article can still act, after a fashion, as a regulator of production." "The proportion of cotton and corn planted on Arkansas farms varies from year to year with changing relationships in the prices of those crops and reflects the operation of the markets as an organizing influence." Yet outside of those increasingly restricted areas — agricultural products and listed securities — the bulk of "prices", including labor rates, are no longer established in free markets. They are manipulated by administrative decisions that are influenced to a varying extent, but no longer — as of old — strictly and directly determined by market conditions. This appears, for example, in the wholesale price of automobiles and agricultural implements that are set and changed from time to time by the respective manufacturers, and thus result from "administrative" decisions.

The reader should be careful here to distinguish between those elements within the "administrative" organization of production that have long existed and have changed in degree of importance only, and that other aspect that is entirely new and is still widely ignored by traditionally-minded economists.

The mere fact that administrative rule replaces the mechanism of the market in the coordination of economic activities within the limits of a

single enterprise has no novelty for the Marxist. It is true that even this fact assumes a new importance under conditions of modern concentration when, as in the case of America's largest enterprise, the A.T. & T., the activities of over 450,000 persons are coordinated within one administrative system. It is also true that there has been a great increase in the proportion in which the economic activities of the producing community are administratively coordinated (within single enterprises) as against that in which they are still coordinated through the shifting of prices and the interaction of a large number of independent sellers and buyers in the market.

The decisive problem, however, that has to be investigated if one wants to grasp the process that has recently undermined the traditional democratic character of American society is contained in the question of how far that change of proportion reflects itself in the whole structure and operation of present-day American economy. It is the great merit of the authors of this Report that they have investigated that decisive problem to the full and that they are absolutely unambiguous and outspoken about the results of their investigation. According to them American economy as a whole has been transformed "from one regulated by impersonal competition to one in which politics are administratively determined."

They never tire of repeating this most important result and of describing in most impressive terms the "significance of the extensive role of administrative prices" that appears to be "inherent in the modern economy" and forms "an integral part of the structure of economic activity." They insist again and again that "however much of a role price-administration may have played in the earlier years of this century, there can be little question that it plays a dominant role today."⁵

There is no space here to describe in detail the one-hundred-and-one methods and devices by which prices, apparently settled by the law of supply and demand in an open market, are in fact manipulated and controlled by very definite "price policies" of the decisive strata of the "corporate community." These controls may originate from one or from different foci of control. "The threads of control over labor policy may be divided between the corporation and a labor union, some threads focusing in the corporate management and some in the union officials; threads of control over some aspects of policy may rest with the government bodies, as in the case of minimum working standards or public utility regulations; still other threads may rest with some dominant buyer, or a supplier of raw materials or of services, etc." They may, furthermore, be direct and immediate or indirect and intangible. "They may operate simply through establishing a climate of opinion within which policies are developed."

They may be entirely informal or may be accomplished by a formal setting, and in many cases the formal and the actual lines of control will differ. They arise from three main sources: possession of one or more of the "factors of production", possession of liquid assets, and most important, position in relation to a functioning organization.

⁵ Cf. pp. 116, 145, 155, 333, etc.

The main thing to understand is that the new "structure of controls" that emerges from these various forms of non-market control 1) is entirely a child of modern times, and 2) it has come to stay for a very long time.

The controls thus exercised over prices and markets on a nation-wide scale by the leading members of the industrial community far surpass in importance the well-known non-market controls heretofore exercised by financial institutions through the handling of investment funds — the so-called supremacy of finance capital. In fact, as shown by recent investigations not yet included in this report, most of the largest business firms are today "self-financing" and no longer depend on the aid of the money-lender and his organizations. The strictly "private" controls exercised by the administrative acts of the members of the corporate community are even more important than the old and new forms of non-market controls which are exercised by government (federal, state, and local) through its fiscal policies, through the protection of property and enforcement of contracts, and so forth.

Nor can the influence exerted on the market by the action of some powerful pressure groups any longer be regarded as a transitory and un-"normal" encroachment on the normal activities of trade — any more than the influences exerted on the U.S. Congress by political pressure groups in Washington can be considered an anomaly. The constitution of the corporate community has become the real constitution of the U.S.

There remains the question of the working of this new system. How can "administration-dominated prices" that are changed from time to time replace the practically unlimited flexibility of market prices both in their reaction to the different phases of the industrial cycle (prosperity and depression) and to the technologically-conditioned structural changes? Dr. Means and his staff are inclined to take a very optimistic attitude toward the working of the new type of administration-dominated prices. They clearly see certain "violent distortions" that arose during the years of the last depression and the succeeding "recovery" from the differential behavior of the two kinds of prices co-existing in American economy:—"Between 1929 and 1932 there was a considerable drop in the wholesale price index, but this drop was made up of a violent drop in the prices of market-dominated commodities, and there was only a very small drop or no drop at all for the bulk of the prices which are subject to extensive administrative control. In the recovery period from 1932 to 1937, much of this distortion was eliminated (perhaps new distortions were created?—K.K.) by the large increases in the market-dominated prices and the relatively small increase in the bulk of administration-dominated prices."

Yet they do not blame this disturbance on the new phenomenon of administration-control of prices. They rather take it for granted that the market, though "theoretically" still able to act as an organizing influence, does in fact no longer act in that beneficial manner. On the other hand, they have proved to their own satisfaction that the degree of flexibility which

results from the administrative regulation of the bulk of the prices of goods, labor and securities "appears sufficient to allow the gradual readjustment of price relationships to reflect the gradual changes in wants, in resources, and in techniques of production, *if the level of economic activity were reasonably well maintained.*" (emphasis by K.K.) Thus to the authors of this Report, "the serious distortions in the price structure resulting from the differential sensitivity of prices to depression influences reflect a disorganizing rather than an organizing role that the market can play" (p.152)

This statement might be acceptable to us who are equally convinced — though from an altogether opposite viewpoint — of the impossibility of retaining or restoring the traditional forms of capitalist economy. It seems, however, that they take a lot for granted if they assume that the level of economic activity could be reasonably well maintained under existing conditions of the "democratic" society. They do not tell us in what way they think that this condition will be better fulfilled in the near future than it has been during the recent past. It is quite possible that this omission betrays on the part of the authors an unconscious anticipation of a future dictator who will fill this apparent gap in the structure of the American economy. The only hint of a solution of this crucial problem that we were able to discover in the Report is its pathetic appeal to "an increased understanding of the problem on the part of leaders of business, labor leaders, farm leaders, political leaders, and other leaders of public thinking."

The Viewpoint of the Workers

We do not propose to discuss the "task" of the workers. The workers have already too long done other people's tasks, imposed on them under the high-sounding names of humanity, of human progress, of justice, and freedom, and what not. It is one of the redeeming features of a bad situation that some of the illusions, hitherto surviving among the working class from their past participation in the revolutionary fight of the bourgeoisie against feudal society, have finally been exploded. The only "task" for the workers, as for every other class, is to look out for themselves.

The first thing then that the workers can do is to make absolutely clear to themselves that the old system of "free trade", "free competition", and "democracy" has actually come to an end. It does not matter so much whether we describe the new system that has replaced it in terms of "monopoly capitalism", "state capitalism", or "a corporate state". The last term seems most appropriate to the writer for the reason that it recalls at once the name that was given to the new totalitarian form of society after the rise of fascism in Italy twenty years ago. There is, however, a difference. The corporate community of the U.S. represents as yet only the "economic basis" of a fullfledged totalitarian system, and not its political and ideological super-structure. On the other hand, one might say that in backward countries like Italy and Spain there exists as yet only the totalitarian super-structure, without a fully developed economic basis.

As to "monopoly", there is no doubt that every increasing concentration of capital is tantamount to an increase in monopoly. The term itself, however, has changed its meaning since a predominantly competitive economy has been superseded by a predominantly monopolistic system. As long as "monopoly" was regarded as an exception, if not an abuse, the emphasis was on the "excessive" and "unfair" profits derived from a monopolistic position within an otherwise competitive economy. An observation made by Marx at an early time in his critique of Proudhon has recently been unconsciously accepted by an increasing number of bourgeois economists. "*Competition,*" said Marx, "*implies monopoly, and monopoly implies competition.*" Thus the terms "monopoly" and "competition" have recently been re-defined to refer to the "elements of a situation" rather than to the situation itself, which as a whole is neither entirely monopolistic nor entirely competitive. In a sense it can be said today that all (or most) profits are essentially monopolistic profits, just as the bulk of prices have become monopolistic prices. Monopoly has become not an exceptional but general condition of present-day economy.

Thus it is quite correct to describe the historical process here discussed as a transition from competitive to monopolistic capitalism; but the term monopoly has, by the very generalization of the condition to which it refers, become an entirely descriptive term, no longer fit to arouse any particular moral indignation.

Similarly there is no serious harm in describing American economy as a system of "state capitalism." Yet this description does not fit American conditions so well as it does the general pattern of German and other European societies. In spite of the special powers of coercion invested in the political authorities alone, the administrative decisions emanating from various economic enterprises controlled by the government have become the most important influences exerted by the government on the functioning of the U.S. economy. They are co-ordinated with all other forms of non-market controls which, together with the still-existing remainders of market controls, constitute the essential features of the "control structure" of the present economic system. The authors of the Report use the terms "administration", "administrative rules", etc., indifferently with reference to all kinds of non-market controls whether they originate from governmental agencies, from different kinds of organizations based on business interests, (or for that matter on labor, farmer, consumer interests) or from private firms and combines. There is no doubt that the position of the government will be considerably strengthened in case of war. But even this would not be a decisive reason to call the existing system of American economy a "state capitalism" as the same condition will occur in all countries at war whether they are backward or fully developed, "competitive" or "monopolistic", whether they are based on a scattered or a concentrated system of capitalist production.

The second thing the workers may be expected to do, once the importance of the change in the basic conditions of capitalist economy has been

fully experienced and grasped by them, is to reshuffle their hitherto most cherished revolutionary and class ideas. When Marx described capitalist society as being fundamentally a "production of commodities" this term included for him — and was meant to include for all those who would be able to understand the peculiar "dialectical" slang of the old Hegelian philosophy — the whole of the suppression and exploitation of the workers in a fully developed capitalist society, the class struggle and its increasingly stronger forms, up to the revolutionary overthrow of capitalism and its replacement by a socialist society. This is all right as far as it goes, except that today it should be translated into a less mysterious and much more distinct and outspoken language. But Marx's emphasis on "commodity production" included something else and, this time, something that may well have become inadequate for the workers' fight against the two species of the "corporate state" that exist in the fascist and the so-called democratic countries today.

The emphasis on the principle of commodity production, that is, production for exchange, for an anonymous and ever-extended market was at the same time an emphasis on the positive and progressive functions that capitalism was to fulfill by expanding modern "civilized" society all over the world and, as Marx said, "transforming the whole world into one gigantic market for capitalist production." All kinds of illusions were inevitably bound up with that great enterprise that was conducted, as it were, by humanity itself. All problems seemed to be solvable, all contradictions and conflicts transitory, and the greatest happiness for the greatest number ultimately obtainable.

The workers, in all their divisions, had a big share in those illusions of commodity production and their political expression, the illusions of democracy. They shared them with all other suppressed minorities and progressive strata of capitalist society — Jews, Negroes, pacifists. All "reformism" and "revisionism" that distracted the workers' energies from their revolutionary aims have been based on those illusions. The very advent of fascism in the world and its intrusion into the inner sanctums of traditional democracy has at last destroyed the strength of those illusions. We shall attempt in a later article to trace the positive features of a new program for the workers in their fight against the class enemy in his new and more oppressive form which, at the same time, is more transparent and more exposed to their attack.

Karl Korsch

THE WAR FOR A BETTER WORLD

The belated war declaration contained in the President's last "fireside chat" indicated the continuation of the war on an enlarged scale. That Mr. Roosevelt did not consider his "talk on national security" a "chat on war" probably refers to the term "chat" which would be a truly surrealistic expression for a declaration of war. In other respects too his reluctance to call a spade a spade was in keeping with the spirit of the time. Actual war declarations are as now outdated as Mr. Churchill's hats.

The President insisted, in proof of a continued "short of war" policy, that "There is no demand for sending an American expeditionary force outside our own borders". To understand this statement better it is only necessary to remember that not so long ago it was declared that "America's frontier is on the Rhine". There might be some quibble as to the difference between "frontier" and "border", a quibble unbecoming a nation which proudly proclaims that on her territory also the sun never sets. Borders are variable anyway, almost as variable as the speeches and intentions of statesmen. We may trust in God that a reason will be found to "demand" the inclusion of an expeditionary force in the "short of war" policy. The appetite of the adventurous is already whetted with descriptions of the daring exploits of "khaki-uniformed figures stealing with machine-gun-bearing motor cycles" into Nazi-occupied territory to "terrorize and harass the German forces thinly strung out to a point of great vulnerability over a thousand-mile coastline".¹⁾ The war department announced that it would ask Congress to appropriate a supplemental 3 billion dollars to buy arms for 2 million men at once and provide manufacturing facilities to supply an army of 4 million. Experts believe that, in addition to the British forces, 2 million soldiers will be needed for a successful invasion of Germany.

America has been in this war since its inception and will stay in as long as it lasts.²⁾ "Neutrality" is only a specific form of warfare.³⁾ The President is quite right in saying "It is no more unneutral for us to supply England than it is for Sweden, Russia, and other nations near Germany to send steel and ore and oil and other war materials into Germany every day". And though one may say that some of the nations supplying Germany have no choice in the matter, from the viewpoint of capitalistic interests America is equally forced to deliver. It is also inconsequential what is sent into the belligerent countries — raw materials or finished war products. That has something to do with the established international

1) W. M'Gaffin in *The Chicago Daily News* (1/4—41)

2) See "Long Live the War" in *Living Marxism*, Vol. V, No. 2.

3) See "The War is Permanent" in *Living Marxism*, Vol. V, No. 1.

division of labor, but not with morals or international law. Whose ships, whether America's or England's, are used for the transportation of planes, tanks and munitions is simply a question of power. Thus far it suits America better to sacrifice English tonnage instead of her own including the neutral and axis ships in American harbors. Britain cannot as yet back up a demand for parity in losses. Thus an American Navy and Merchant Marine "second to none" is in the process of realization. And progress is made not only at sea, but also at home. At a time when factories, docks, and mines are being blown to pieces in England and on the continent, when raw materials are disappearing into the reddened skies, when laborers are shaking in the knees and becoming less productive, America strengthens her industrial base, builds up a powerful army, and gets her people drunk with expectations of an enormous war boom with profits for everybody.

Why declare war? America will win anyway with or without participation in the bloody part of the business. As long as the fighting lasts in Europe — and the longer the better — America has a chance to make her second important step in the direction of world supremacy. The last world war made America independent of European capital; the new world war is to make Europe dependent on America,— that is, if all goes well. There are however some doubts as to the outcome of the European war and thus there are differences of opinion as to what course America should pursue. Those differences find expression in organizations such as the "Committee to Defend America by Aiding the Allies" and its apparent counterpart the "America First Committee". At first glance this is somewhat bewildering since it seems to be clear that a policy that helps Britain short of war would be exactly the one that serves America first. The interventionists, however, though still insisting with their leader Roosevelt that they do not mean to send troops and warships to Europe, are nevertheless organized for that very purpose. The isolationists, though quite willing to support Britain, think the time inopportune for decisive intervention. A more cautious policy is set against a more adventurous. But both groups are interested neither in Britain's success, nor in that of Germany. Both represent finally no more than American imperialism. As soon as "unity" becomes essential to the interests of imperialism, they will be united.

Of course mere tactical considerations do not fully explain existing differences on the question of war. The "riddle" of pacifistically inclined capitalists may be solved in many ways. There are some who fear that actual participation in war will bring fascism to the United States. They insist that we should first put "our own house in order" before meddling in European affairs. Though opposed to fascism, they are looked upon as fascist because, being good capitalists, they are not opposed to a fascist policy against the workers, but wish it carried through in their own exclusive interests. They oppose the increasing national debt, rising taxes, "pampering" of workers by social legislation, and they insist that the tradi-

tional policy in respect to both internal and external questions is best. In short, though being suspect of harboring fascistic ideas, they are merely old-fashioned, conservative, and possessed by fears that the government — all powerfull in the event of war — will drive them out of business. It must be a queer world for the men of yesterday. Though opposed to fascism at home, they are forced to foster it abroad by refusing to fight against it.

But times are also bad for the men of tomorrow, the "appeasers" of the Lindbergh variety. They do not want to enter the war and thus hasten the fascization of America because they see the war as a superfluous undertaking, an unnecessarily expensive way of carrying through needed fascistic reforms. They are forced to lengthen the life of "democracy", while trying to shorten it, by refusing to fight in its name. They think that a German defeat would only interfere with, and stupidly set back, the natural course of development toward the fascization of the world. For them an old world goes under with the fall of democracy and a new one is born with the conquests of fascism; and they hold with Nietzsche that one should help to destroy what is already crumbling.

Then there are those engaged in anti-interventionist work for the money there is in it; those who have greater business interest in Germany than in Britain; those emotional types working for their "mother countries" which happen in this case to be the axis powers; those whose concepts of imperialistic expansion find more opposition in England than in Germany; those who simply admire Hitler too much; and finally, those who actually are against the war because it hurts.

There is not in America, however, evidence of an open cleavage such as exists in the ruling classes of England. In Britain there are, besides the aspirants for governmental and administrative positions in a Hitler dominated fascist England, large and quite powerful capitalistic groups more interested in the maintenance of their relations with the European continent than with safeguarding the far-flung Empire; forces more interested in striking a bargain with Hitler at the expense of America, France, and Italy, than of putting the Empire, the maintenance of which becomes more and more questionable, under the "protection" of America. Though these "Fifth Columnists" are submerged at present, they have not disappeared.

The American "appeasers" may or may not be in love with fascism. They are certainly not in love with German fascism. When Roosevelt spoke of them as "citizens who are aiding and abetting the work of evil forces, and do exactly the kind of work that the dictators want done in the United States", he only betrayed a petty sensitivity to criticism, and foreshadowed the government's attitude in the coming American *Gleichschaltungs*-process; but he did not do justice to his "fellow-citizens" who are not so fond of "sacrificing American boys on the altar of European quarrels". The American "appeasers" are skeptical as to England's chance of winning the war, or of even lasting through it despite all the help that

America could possibly give. They do not think it wise to be on the side of the losers, and, being aware of the cleavage in England, they ask themselves the question: How secure is Churchill? What will become of British "national unity" when American help forces Hitler to invade England immediately? What if Hitler is not beaten back? What if, with the dwindling of English "morale" through incessant bombings and the destruction of tonnage, the English "appeasers" once more gain the upper hand and come to terms with Hitler? They do not trust England any more than they trust Germany.⁴⁾ And if America, entering the war openly, should not be able to prevent the invasion of England and bring about a German defeat, will she then be strong enough to successfully oppose Japan in Asia, a Japan now also acting in behalf of Germany? Will America be able to oppose Nazi-European and Asiatic interests in South America? Could she enforce her will in the Western hemisphere, or will she possibly be sabotaged by South American interests closely allied to Europe and encouraged by the German success. Is boldness advisable in face of the possible threat of fighting engagements in two oceans? How long will it take to destroy Europe in such a measure and to militarize America to such a degree that what her imperialists desire can really be gained and kept? What if the Nazis act and succeed before the military plans of America can be carried out? To enter the war now is too great a risk to take, though it is a risk only if Hitler takes the still greater risk of trying to knock out England with one bold and hazardous stroke. But why tempt Hitler? Is it not wiser to restrict the world conflagration, to win time, until, in a possibly further-changed world situation, the American forces are really strong enough to insure victory. Otherwise, and for a long time to come, the realization of the "American Dream" in Asia and South America may be shattered altogether.

The worst that could happen anyway in case Germany wins is to resume business with her under probably less favorable terms than heretofore. But if a war-tired Germany requires a lengthy peace, it may even be possible that great concessions will be made to the United States. Besides, participation in a lengthy war might mean conscription of all the "national wealth", and what would be the use of gaining the whole world and losing one's capital? What, furthermore, would a defeat of Hitler mean? English dominance in Europe? Revolutions on the continent and in the colonies. Transformation of the imperialist wars into full-fledged civil wars? There

4) When it was recently disclosed in the English parliament that Britain continues to supply Japan's army with war goods, that is (under pretense of being forced to do so in order to obtain foreign currency) continues to play the old imperialistic game of hampering American ambitions in Asia by fostering those of Japan (a policy that came also to light in the reluctance with which England bowed to the American demand to open the Burma Road) the "appeasing" CHICAGO DAILY TRIBUNE (1/6-41) wrote bitterly: "Some Americans certainly will think it is a bit thick for the British to urge a willing American government to put all American war supplies at their disposal and then use some of their own to strengthen an axis partner who is threatening to turn his guns on America". England, however, counting on the possibility of winning the war, also counts on the possible resumption of her old Asiatic policy and thus will not give up easily to America what she considers her interests.

are a thousand questions and not one single assuring answer. Let us then play safe. Maybe England will hold out, maybe a compromise solution will be found. *We* might end the war by having no part in it, thus forcing England to make concessions to Hitler. His terms might be harsh, but it might still be the lesser evil for both England and America.

Thus run the arguments of the isolationists. But their "cause" is already defeated. There will be no need to suppress them. They will soon silence themselves in order that they too may profit from an undesired war situation. It is much too late to avoid intervention. Only the complete and immediate success of Germany could possibly keep America out of the military war at this time. England will for this reason do her utmost to prevent an immediate German success. Besides this, she is already in a position to "blackmail" America into ever greater commitments. The threat that England may quit the war at a time when America alone could not possibly oppose successfully the world policy of a Nazi-dominated Europe, the threat that in case of Churchill's fall following a German-English peace move, England might copy the French example, co-operate with Germany and hand over her fleet to Hitler, makes the increasing support of Churchill an American necessity unless she forfeits all her imperialistic ambitions for years to come — years that may be decisive. America's staying out of the war would be equal to a major American defeat. In a third world war she might face, not an atomized Europe, but one consolidated into a mighty power bloc with enormous influence in the Western hemisphere, Asia and Africa. She might have lost her chance for world supremacy by missing her cue in World War No. 2.

Both the American and English imperialists will see to it that the cue is not missed. They recognize quite well that those English interests more akin to Hitler than to Roosevelt may end the Churchill government as soon as defeat gives them enough public support to overthrow the "imperialists" willing to incorporate the Empire into the United States of America. The "revolution" which might end the Churchill government might be able to prevent deliverance of the fleet. It will try to do so anyway in order to secure better peace terms for the new regime. Thus, considering even the event of an English defeat, America must support Churchill. The support must be the greater the more precarious his position becomes in order to save enough of the fleet and of the empire to make worthwhile the new Anglo-American Empire of pooled resources and interests. As long as sufficient American help reaches England shores, Churchill is secure. As long as he is secure quite a lot of damage can be done to the axis partners. But to keep him secure, more and still more help is needed. Finally, only the declaration of war on the part of America will strengthen English "morale", that is, Churchill's policy. If even this fails because of a few million of additional German bombs, American troops will be needed to bolster "morale". Besides all this, what English newspapers⁵⁾ wrote in response

5) Quoted from the liberal NEWS CHRONICLE and the Laborite DAILY HERALD in the CHICAGO DAILY NEWS (1/3-41).

to Roosevelt's speech is true, namely, that though Roosevelt urged his country to give speedy help to Britain, yet

"no country has, in fact, been able to mobilize its whole industrial potential without going to war. It was not until Britain was fully and formally at war, and was feeling the force of the imminent dangers that beset her, that her war production reached anything like a war tempo. America is no more likely than was Britain to put her giant industrial machine on a war footing and to turn out the avalanche of supplies of which she is capable unless the American people have staked their all on victory and the United States administration is equipped with war emergency powers to organize production for a single end."

If England should win, nothing is lost for America. Though the privilege of swallowing parts of the empire and units of the fleet will be lost, Europe will be disunited and her imperialistic forces shattered and tired. America will be able to take advantage of her relative strength, to become the absolute master of the Western hemisphere and the most forceful influence in Asia. Whatever may be in the offing for England — defeat or victory — America's support for Britain cannot thereby be influenced for this support is no "aid for the allies", and in so far as it constitutes such aid does so only incidentally. It is the necessary action for American imperialism. To stop the trend towards actual participation in the more bloody aspects of the war means to put an end to American imperialistic aspirations which, in turn, would mean the end of American capitalism. Short of this there is no escape, and mothers might as well start crying right away.

Of course the war will not be fought in the name of American capitalism, but in the name of "democracy". "Three powerful nations, two in Europe and one in Asia", said Roosevelt during his chat,

"joined themselves together in the threat that if the United States interfered with or blocked the expansion program of these three nations — a program aimed at world control — they would unite in ultimate action against the United States. The Nazi masters of Germany have made it clear that they intend not only to dominate all life and thought in their own country, but also to enslave the whole of Europe, and then to use the resources of Europe to dominate the rest of the world".

Thus the defense of America is at the same time the defense or reestablishment of world democracy whether the world likes it or not. In his annual message to Congress, Roosevelt pointed out "four essential human freedoms" for which America is going to fight.

"The first is freedom of speech and expression — everywhere in the world. The second is freedom of every person to worship God in his own way — everywhere in the world. The third is freedom from want — which translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants — everywhere in the world. The fourth is freedom from fear — which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbor — anywhere in the world".

But first the war must be fought because "No realistic American can expect from a dictator's peace international generosity, or return of true independence, or world disarmament, or freedom of expression, or freedom of religion — or even good business". And as every "realistic" American is undoubt-

edly interested in good business he will rush to its defense and will not even mind listening to those more lofty human freedoms being thrown into the bargain. If they really would be realistic they might start laughing instead of fighting.

Democracy versus Fascism — really? Were not Austria, Poland, Abyssinia, and Albania dictatorships? And were they not attacked by the dictatorships of Germany and Italy? Are Greece and China democracies, “galantly waging war for democratic existence” as Roosevelt claims? No; the fronts are not marked by democracy and dictatorship. Hitler will not hesitate to ally himself in this war with any democracy willing to do so. Roosevelt and Churchill will kiss any dictator rallying to the defense of “democracy”. The issue is not dictatorship versus democracy, but for America, as Roosevelt also explained in his fireside chat, “it is a matter of most vital concern that European and Asiatic war-makers should not gain control of the oceans which lead to this hemisphere”,—and thus be able to muscle in on the “good business”.

The defeat of Germany, Italy, and Japan will not usher into existence that kind of world so beautifully described by Roosevelt as “the very antithesis of the so-called new order of tyranny which the dictators seek to create with the crash of a bomb”. The President’s “kind of world” demands for its realization 50,000 airplanes, 4 million troops and countless people “who value their freedom more highly than they value their lives”. But those who value their lives highest because without them there can be no values at all, those “slackers or trouble makers in our midst”, the President wants first “to shame by patriotic example, and if that fails, to use the sovereignty of government to save government”. Thus charity does not begin at home, First, democracy must be saved — “anywhere” before it can be realized in America.

The President is quite right; the capitalist world of today precludes democracy, save as a war cry for imperialistic purpose. Only recently a group of the most democratically-inclined professors and instructors pointed out⁶⁾ to those people who propose some sort of self-government in industry to prevent totalitarian methods and loss of democracy arising from governmental control that in America also, or especially in America, “governmental control is preferable to self-government in industry”, because “industrial associations would be monopolists... and as monopolists they would greatly reduce freedom in the market”.. (thus)..., *more*, rather than less, government administrative control would be required if government were not to allow these cartels (of monopolists) to set their own prices”. But this is only to jump out of the frying-pan into the fire, because governments, just like monopolies, set their prices only to fit their own purposes. Furthermore, such industrial associations do not have to be formed; they have been in existence for a long time; they are monopolistic and set their own prices.⁷⁾

6) *Economic Mobilization*. By P. H. Douglas, H. Si Bloch, O. Lange, F. H. Harbinson, and H. G. Lewis. American Council on Public Affairs; p. 42.

7) See the article “The Workers’ Fight Against Fascism” in this issue.

Thus “democracy” already depends on government administrative control, a control which, when exercised in Italy and Germany, is called fascism. This is indeed a cruel world where even democracy in business, and thus democracy in other fields, has to be safeguarded by fascistic practices.

The war will neither save American democracy nor will it restore democracy in the rest of the world. The program of further domestic reform and better social legislation outlined in the President’s message to Congress, more advanced than the war-promises of English labor leaders dared be, will remain on paper, because “we must all prepare to make sacrifices that the emergency demands”. The more produced the less consumed. The working-day will be lengthened in the armaments industries because all industries will become defense industries. “Let us work and work harder” is the slogan issued by Defense Commissioner William Knudsen to fight a barbarism “that drives women and children to live in cold wet holes in the ground”.⁸⁾ Let us build more bombers to make sure that they stay in the holes in the ground for another five or ten years. The ruling class of America is neither willing nor able to end the growing barbarism. It can enlarge the battlefield, throw in more men and more machines, but it cannot end the slaughter nor can it realize any of its promises.

If Hitler wins, it is true, there will be no peace, no socialism, no civilization, but only the preparation for greater battles to come, for future destruction. But if the “democracies” win, the situation will not be different. They will have ceased to be democracies even in their advertisements; they will do exactly the opposite of what they promised. There will be no peace, no socialism, no civilization, but only more brutal attempts to destroy for generations to come the possibility of establishing a social, economic, and international order capable of satisfying the needs of men. The world will be divided differently for different sets of exploiters — but that is all that can happen. Already now a dozen “governments in exile” and all that goes with them, sit over maps excitedly marking new borders and re-shuffling populations, waiting to be returned to rule as of old, possibly on a larger territory. People who “retaliate” for night-flights over Berlin by destroying whole communities in enemy territory are not capable of conceiving or carrying out a new social order beneficial to the powerless in society. But neither can this be done by people who cry, “Save London by bombing Berlin”.

What is needed today is to end a social and economic system divided in classes, groups, nations, and power blocs — a job which can only be done by those who do not profit from the existence of power blocs, nations, privileged groups, or class positions. The rule of naked power can be broken effectively only by those who are today still powerless. If the German fascists were really out to change the world into a better place for human beings to live in, they would first of all have to abolish exploitation, privilege, and national aspirations in their own country. If Roosevelt was really

8) Knudsen as quoted in the CHICAGO DAILY TRIBUNE (12/14—40).

out to make true what he declaimed in his congressional message he would first of all have to advocate the end of capitalist exploitation, privilege, and imperialistic desire in America. But neither the fighters for fascism, nor those for democracy as much as mention the basis for all the present-day misery in the world: the capitalist system of exploitation. If Hitler speaks against the "capitalistic democracies" and in favor of National Socialism, he speaks only of the fight between somewhat differently organized capitalistic exploitation systems. The democracies promise "reform" of the existing society, but no more; what this "reform" can possibly be is demonstrated precisely by Hitler's fascism.

This then is the problem of today: How can the powerless in society abolish power in society, that is, class power over other classes, national power over other nations. To state the problem does not solve it. To change society it is not enough to assert revolutionary aims. What should be done? There are a number of proposals. Some say, let Hitler win, he will do away with small nations in Europe, co-ordinate European economy, abolish in this very process more and more of the capitalistic mechanism and provide a greater and better stage for coming revolutionary struggles. Others say it would be better to defeat Hitler by supporting the democracies because in the latter there remain opportunities to organize and develop the revolutionary forces needed to some day bring socialism into existence. Furthermore, in the very struggle against fascism the democratic nations might be transformed into socialistic societies, or will thus be transformed at the end of the war. The victory of Hitler, however, would enslave the whole world, would lead to fascism everywhere and destroy probably forever all chances for a socialist society.

Mr. Ernest Bevin, the great labor leader and now Labor Minister, who only recently was authorized to carry through the most undemocratic of all measures of war, that of drafting labor — so despised when it was done in Germany — promised his followers the acceptance after the war of "social security as a main motive of all our national life. That does not mean", he rushed on to say, however, "that all profits and surpluses would be wiped out, but it does mean that the whole of our economy, finance, organization, science, and everything, would be directed together to social security not for a small middle class or for those who may be merely possessors of property but for the community as a whole". Though hardly necessary, he nevertheless made it clear that this national attempt at security must not be mistaken for a real revolution, but regarded as a means of coping with the aftermath of war, and as an instrument against a possible revolution. He continued:⁹⁾

"The greatest social implication arising out of this war is the effort to get rid of that horrible queue outside the labor exchanges... I am afraid that unless the community is seized with the importance of this you may slip into revolutionary action. What I am horrified at is the thought of a blind revolution of starving men that is undirected and that ends in disaster for the whole community."

9) Quoted by J. B. Reston in the *NEW YORK TIMES* (12/8—40).

No; the defenders of democracy a'la Bevin will not assist in changing society in such a way as to transform the present war into one that ends all wars, ends national rivalries and the exploitation of men. They fight for the preservation of democratic institutions "because they realize that victory for Hitlerism would mean the destruction of working-class freedom and the theft of union funds, as was the case in Germany when Hitler usurped power".¹⁰⁾ The kind of controlled capitalism they propose is not so much one that secures working-class freedom as one that "prevents the theft of union funds". But even this is possible only because it is in England and America still "an enormous asset that men whom labor trusts should now be lending their aid in invoking a ready response to the call for longer hours, fewer, if any, holidays, and unaccustomed restrictions".¹¹⁾ They will have to go after their services are no longer needed and in case they do present the bill of social reforms to their masters. Though in justified fear of their own future they feebly attempt some changes in the social structure today, and feel inclined, as Harold J. Laski has said, to "expect to see large-scale social reforms during the war"¹²⁾ they must feel quite uneasy just the same. Did not Laski point out¹³⁾ only three years ago that Chamberlain was correct in saying "that the result of the arms programme of Great Britain is the necessary postponement of social reform for a generation". If that programme postponed social reform for one generation, what will the war itself do to social reform?

The Bevins and Laskis and their American counterparts may seriously believe that they are fighting for the maintenance of democratic institutions, but their beliefs have no countenance whatever. Even if they thought differently, they would act exactly as they do. The luxury in which they can still indulge — that is, of having an interpretation of the war, which, in the last analysis, is only slightly different from that of their capitalist masters, and which expects not only to save democracy, but to bring about some sort of democratic socialism — remains their meaningless private affair, for they have no power of any kind outside of that granted to them by their capitalist masters. If today they proclaim with great gusto that to win socialism Hitler must first be fought, their good counsel to the English and American workers is not really important, for these workers would have to fight even if what their leaders proclaim to be true were not true, because as little as their organizations could the workers afford to disagree with their governments.

Finally, in defending the position that democracy as against fascism should be supported, it is pointed out¹⁴⁾ that, though it is true that in this

10) Editorial in "Labour" (London) Sept. 1940, p. 580.

11) *Britain's Reasons for Fighting*. By Brig. Gen. G. Cockerill, C. B. in the *NEW YORK TIMES* (9/8—40).

12) Laski in *THE NATION* (New York) 5/25—40.

13) "Liberty in the Modern State", Pelican Edition, p. 24.

14) Oscar Lange "The Socialist Attitude toward the War" in *THE MODERN QUARTERLY*. Vol. XI, No. 6, p. 12.

war imperialists oppose each other, still, differences between the adversaries must be recognized. British imperialism is saturated and disintegrating while German imperialism is vigorous and aggressive, making it more advisable to oppose the fascist imperialism, though it would mean to defending democratic imperialism. However, what could be said of the German can also be said of the American imperialism, young, vigorous, and aggressive as it is, if it were not altogether senseless to indulge in such comparisons. But on the basis of the comparisons it is then argued that *later*, after the war, it will be easier to get rid of democratic imperialism if only the fascist kind is out of the way. Oscar Lange says:

"The imperialism of liberal capitalist nations is based on export capital and leads to the industrialization of the colonies, thus preparing the social forces leading to emancipation; whereas, fascist imperialism is not moved by the quest for private profit but is part of the totalitarian state economy. It, therefore, does no aid the economic development of the subject people but merely exploits their natural and agricultural resources".

By this reasoning and by looking at the results of liberal imperialism, especially in India and China, imperialism must always have been "fascistic" despite its liberal promoters. If it were true, furthermore, that a German victory would establish "the rule of a young and vigorous imperialism much more oppressive and *stable* than the old one", this could only be true in case it would do better what liberal imperialism did so badly, for greater stability and greater exploitation depends on additional capital investments even for the exploitation of only natural and agricultural resources.

Anyway it is too early to worry about that. The colonies are still securely in the hands of liberal imperialism, and it might be better to ask the colonies their opinion before arriving at a judgement as to what masters they would like to have. But this argument of Lange's is carried over to the European scene. He thinks that for international socialism it would be better if Hitler were defeated than that the democracies should suffer such a fate, because, if there should be a chance at all, the chances for a socialist revolution would be greater in the first than in the second case. But though it is true that in a defeated England there would be no social revolution, as there was none in France, because German fascism would prevent it, it is not less true that a German revolution in the wake of a defeat would also be crushed by the bayonets of the allies. One case can be argued as well as the other.

If Germany, having experienced years of fascism, should be defeated, it is quite possible that the revolution would be carried through in the name and spirit of proletarian socialism since a return to bourgeois democracy is precluded. The existence of social institutions created by monopoly capitalism and fascism hinders such a return. The proletarian element would once more be in the forefront of social change and thus induce the capitalist victors to wage a relentless war against the new and really revolutionary threat, much more feared than Hitler was ever feared. This German revolution will be crushed in blood, unless this is prevented by simultaneous

revolutions in the victorious countries. But revolutions hardly break out in victorious nations; it is difficult for solidarity to arise in the ruins of London and Liverpool. On the other hand, if Germany wins, it will bring fascism to the whole of Europe. It will prepare itself for the waging of the hemispheric war and thus increase a hundredfold all the difficulties already experienced. It will drive forward the change of the world by negative measures and submerge for years to come all possible positive attempts of a proletarian socialism to end the prevailing chaos.

The question as to what the "labor movement" should do in regard to the war and in order to safeguard its own vital interests is an artificial question, for there is no labor movement which could raise it in actuality. The question is only whether there will arise — in the course of the war — a labor movement, or rather a social movement, determined to end war, which is possible only by ending capitalism. Where will it start first, how often will it be defeated, and when, under what conditions, may it succeed? And to these questions there is no satisfying answer. Not being able to answer it is only to share with the rest of the world the fearful inability to do more than the next best thing. But under no circumstances, is it the next best thing to accept once more the great swindles of our time, namely, that the struggles of capitalism, democratic or fascist, could have any values for the proletarian class, that out-worn slogans such as that of national independence could serve more than imperialistic purpose, that the workers could ever improve their lot by simply choosing among their enemies. Rather, the next best thing to do is not to be fooled by current slogans, promises, rationalizations, and often ordinary lies; not to fall victim to the machinations of the present rulers of the world, hidden behind all possible and impossible phrases, uniforms, and programs. It is to keep one's head clear as to what is really going on in the world, and to watch out for the first true signs of a rising opposition to the prevailing barbarism.

Luenika

BOOK REVIEWS

THE BOLSHEVIKS AND THE WORLD WAR. The Origin of the Third International. By Olga Hess Gankin and H. H. Fisher. The Hoover Library on War, Revolution, and Peace. Publication No. 15. Stanford University Press. Stanford, California 1940. (856 pp.; \$6.00)

This work makes available in English — and in some cases for the first time — a collection of documents on the origin of the Communist International. It will be followed by another book entitled *The Bolsheviks and World Revolution: The Founding of the Third International.* Together with the already published volume *The Bolshevik Revolution, 1917-1918*, by J. Bun-

yan and H. H. Fisher, this series constitutes one of the most important reference works on the Russian Revolution.

The present volume begins with the correspondence between Bebel and Lenin in 1905 dealing with the Bolshevik-Menshevik conflict in the Russian Social Democracy, and ends with the results of the Stockholm Conference of 1917, the last docu-

ment (an appeal of the Zimmerwald Committee to the working masses of all countries) being dated September 1, 1918. It is accompanied by a very careful chronology, bibliography, and by biographical notes of the many personalities involved. The unavoidable gaps between the different documents are filled in with editorial notes which carry on the narrative of events and give the work the character of a comprehensive history.

A review of the relations between Bolsheviks and Mensheviks in the Second International and of the relations of both fractions to the "Revisionists", "Centrists", and the Left within the International introduces the problems which were discussed in the labor movement shortly before and during the world war. Of special interest here are the relatively unknown but by now far more important differences of opinion between the Russian Left, e. g., the Bolsheviks, and the Left of Western Europe, that is, the groups with which such names as Luxemburg, Liebknecht, Gorter, and Pannekoek were associated. The position which the Second International took during the war could already have been predicted from the proceedings at the conferences before the war, from the character and the speeches of its leading elements. The different national units of the Second International obviously shared the imperialistic ambitions of their countries. For this reason the anti-war policy of the Left was also directed against the organization in which it functioned. Actually only the Bolsheviks, however, split the organization and thus became the nucleus for the re-formation of the International after 1914.

Much space is given to the proceedings, resolutions, speeches and articles related to the socialist conferences in Stuttgart, 1907, Copenhagen 1910, and Basel 1912; especially in regard to the conflict within the Russian Social Democracy, to attempts at unification, and the role

of the Bolsheviks in the formulation of policy. In these discussions there was often foreshadowed what, after the Bolshevik Revolution, became an actuality, that is, the attempt on the part of the Bolsheviks to make the specific revolutionary conditions of Russia the criterion of the methods of struggle for the entire European proletariat.

The activities of the Bolsheviks abroad from 1914 to 1917 are best revealed in Lenin's work during this period. His theses on war, the discussions around them, and the preparation of anti-war conferences resulting in the Zimmerwald movement fill up an important section of the work. The conference in Berne, that of the Socialist Women and the Youth Internationale in the same city, the conferences in Zimmerwald, Kienthal, and the last conference in Stockholm which terminated the Zimmerwald movement lead into the first Congress of the Communist International in Moscow in March 1919.

The content of the whole movement, a movement in which frictions and dissensions continued to exist, may best be summed up in the Bolshevik proclamation that "It is the task of the proletariat in Russia to complete the bourgeois democratic revolution in Russia in order to kindle the social revolution in Europe". But the emphasis on the Russian Revolution, determining Lenin's position on the question of the "self-determination of nations", led to differences among the Bolsheviks themselves, as well as to dissensions between the Bolsheviks and the Left of Western Europe. The Bukharin-Piatakov group allied itself on this point with Luxemburg, Gorter, Pannekoek rather than with Lenin. The arguments offered by Lenin in defense of the "self-determination of nations" as well as his controversial view on the role of the state in the proletarian revolution are, in connection with the views of the Left of Western Europe, given at length in this important reference work, which cannot be too highly recommended.

THE DEFENDERS. By Franz Hoellering. Little, Brown and Company, Boston 1940. 484 pp.; \$2.75)

Franz Hoellering's novel of the Austria of 1934 is of considerable political significance. He accomplishes the difficult task of successfully merging fictionalized individual experience with an important historical situation. Not only are history and social life revealed as one, but the relationship between the individual and society is shown as an inescapable and inseparable unity, which — by reason of its existence — allows for both hope and despair, defeatism and the assurance of victory.

It is very fortunate that Hoellering did not attempt to write what has come to be known as the "proletarian" or "revolutionary" novel. He might have failed, as may be guessed from his treatment of the proletarian characters appearing in the book. They are less real than those who seem to be nearer the author's own way of life — the intellectuals and the petty-bourgeoisie. Not that his proletarian characters are false, far from it; it is rather astonishing how close Hoellering comes to their true characterization. But aside from a few deeply moving scenes revealing the qualities of the "unspoiled" working people (unspoiled by the prevailing ideology because of the great cleavage between this ideology and their real life, and because of an intelligence already too advanced through their industrial and urban existence), his workers are still only like the supernumeraries of a great drama in which the main roles are played by those who have names and positions that give them at least the appearance of being personalities in the old bourgeois sense.

Because of the lack of self-initiative on the part of the workers it seems closer to reality to describe the Heimwehr Putsch through the eyes of non-working-class elements. This is also quite useful, as it brings to life the fact that the destiny of the petty-bourgeoisie is not to educate and to rule but to despair and decay. The critical and somehow "revolutionary" situation is experienced by café literati, socialist parliamentarians, bureaucrats, students, advanced workers, priests,

politicians, officers, scientists and the aristocracy.

The book is not impartial, but it is not limited by the narrowness of a party point of view. Hoellering deals with the social needs of today. But he knows that these needs can be solved neither by those who claimed only yesterday to be in possession of a solution, nor by a new resolute elite, a new group of leaders and exploiters. He knows that the wider view-point of the industrial proletariat is no longer sufficient to formulate the concepts needed today, because what so far has been only a propaganda slogan, is now obvious, namely, that social needs and the needs of the workers are truly identical. He knows, too, that this "party of humanity", this contradiction in terms, expresses a real contradiction which can be solved only by way of further struggles. He does not hail or bewail this situation but only recognizes it in order to do away with it.

The book propagandizes nothing. It does not need to. It explains why the cause was lost in 1934, and why it will not always be lost. It does so merely by recognizing facts. Though it does not moralize, it is moving, pleading, encouraging, exciting and very much alive, simply because it sticks to the factual truth. There are no great ideas behind the working people in this book. There is a way of life, a world of facts which moves them, and which moves the oppressed in the right direction whenever they act in accordance with the needs of their existence.

Nothing is left out of this book. Not only that which was wonderful and undying in the uprising of the Austrian workers, but also the negative side is shown with all its ugliness, its insufficiency, its betrayals, hypocrisy and cowardness which played their part — and probably the greater part. It becomes clear also that the defenders of the rights guaranteed by the Republic were fighting against much more than the Heimwehr and the police. The individual cannot isolate himself; neither could the City of Vienna, nor the State of Austria go their own

way. Austria's politics were not determined in Vienna. "The Germans and Italians were in open revolt against the Anglo-French majority bondholders. The small states were carried along on one side or the other, they had no choice." The connection between internal class struggles and external politics is revealed as being complementary.

ECONOMIC ASPECTS OF THE MONROE DOCTRINE. By T. H. Reynolds. George Peabody College. Nashville, Tennessee. (194 pp.)
AS OUR NEIGHBORS SEE US. Readings in the Relations of the United States and Latin America 1820-1940. (314 pp.)

The second world war and the vast changes accompanying it find the United States once more defending her policies in the name of the Monroe Doctrine. But as always before discussions about the Doctrine are vague and misleading. Dr. Reynolds' book is of great help in understanding the present situation. It offers a sober interpretation of the economic aspect of the Doctrine, almost exclusively neglected in previous literature, and approaches the problem from the Spanish-American point of view, which is also presented in selection from a wide variety of South American sources in the companion volume "As Our Neighbors See Us".

Dr. Reynolds goes back to the earliest interests of the United States and Great Britain in Hispanic America, the relations of Spain and France to Latin America, and the American and English reactions to the aspirations of these countries. He deals with the expansionist policies of North America before and after the Civil War and ends with the present-day relations between South and North America.

England and the United States needed an independent South America to foster their own trade which was hampered by the Spanish colonial monopoly. The Monroe Doctrine, supported by Britain, at first found the approval of South American nations because it helped them in their struggle for independence and gave them some sort of security against new European imperialistic adventures. The Doctrine was from the

Much more should be said about this excellent book, but nothing could replace reading it. It is more than just a book. It is a monument to the Austrian fighters of 1934 which reaches up to their level and thus gives not only understanding and a positive attitude towards the future, but also a recognition of the worth of death if its cause is life.

very beginning, however, promulgated to serve specifically the particular interest of the United States, and to serve those of Hispanic America only in case the latter did not contradict the peculiar inclinations of North America.

The Monroe Doctrine has no general principle; it never corresponded to a definite plan; interpretations of it vary according to time-conditioned, political and economic needs and desires. There are however three major ideas behind the Doctrine: defense, non-colonization in South America, and two separate hemispheres. This idea of two hemispheres, though fostered by the United States, did not prevent the U. S. from interfering in European affairs. The Doctrine, however, was invented to insure the supremacy of the United States on the American continent. It is essentially anti-European and aggressive in character, though always interpreted as a mere defense measure.

The Monroe Doctrine began with economic interests and developed with them. It became an instrument for imperialistic purposes, and has been regarded as such by South America. Up to now, American imperialism has aroused antagonism in South America, and an entirely different interpretation of the Doctrine — one favoring South American interest rather than those of the United States — will be necessary in order to change this situation.

The book contains an excellent bibliography.