SOME EFFECTS OF WAR ECONOMY IN THE U.S.A.

BY GIL GREEN

"We know that vast armaments are rising on every side, and that the work of creating them employs men by the millions. It is natural, however, for us to conclude that such employment is false employment; that it builds no consumer goods for the maintenance of a lasting prosperity.

"We know that nations guilty of these follies inevitably face the day when either their weapons of destruction must be used against their neighbors or when an unsound economy like a house of cards will fall apart."—Franklin D. Roosevelt, Philadelphia, 1936.

"It is quite gratifying to learn of the President's decision that all public works expenditures, except those directly connected with munitions production will be 'cut to the bone.'"—The New York Times, *November 28, 1940.*

I.

When the *New York Times*, this outstanding spokesman of finance capital, thus finds the budgetary proposals of President Roosevelt "quite gratifying," it is not because the budget is at long last going to be balanced. Actually, it will be *less* balanced. Nor was this editorial applause prompted by a contemplated reduction in government spending; for none is contemplated.

The truth is, that Big Business and its reactionary press—*The New York Times* included—never really opposed government spending and pump-priming as such, despite all their predictions of national bankruptcy. What they opposed, is, to use the words of the National Association of Manufacturers, "unnecessary and undesirable" expenditures, *i.e.*, unnecessary and undesirable from the standpoint of the class interests represented by the N.A.M.! Even though they aimed their shafts at spending *in general,* their real target was spending *in particular.* For in the long since gone progressive days of the New Deal, there were those in Washington who believed that new blood could be injected into the national economy by increasing the purchasing power of the masses. It was to the extent that government spending was used for *this* purpose and with this objective that it aroused the determined enmity of the economic royalists. The monopolists, of course, reaped immense benefits from government spending. But they opposed those aspects of the spending program which rested on the principle of giving assistance to the needy, of raising the standard of living of the immense majority and of curbing the power and taxing the wealth of the finance oligarchy.

Spending for What?

But the huge government expenditures program of today is approved by Big Business; for, as compared to it, the program of yesterday is as similar as is a shovel to a gun. Government spending yesterday was primarily for peace-time construction; that of today for war-time destruction. Spending then was aimed, in large measure, at increasing the purchasing power of the masses; spending now seeks to fill the coffers of the monopolists, to increase the power and wealth of finance capital. Already, corporation earnings in the first nine months of 1940 have increased by 40 per cent over the same period a year ago. And as for the monopolies in basic industry, their profits are soaring at even dizzier heights. The U.S. Steel Corporation, for example, earned $69,000,000 during the first nine months of 1940 as compared to $12,000,000 during the same period in 1939—an increase of more than 450 per cent.*

Pump-priming in the period prior to the war played an important role in bringing about a degree of industrial recovery, but it never reached such volumes or assumed the sustained character as was necessary to pull the economy of the nation out of its depression. In fact, when in May, 1939, Earl Browder proposed a twenty billion dollar low-cost housing program to be financed and constructed over a period of five years, as a means of checking the new economic crisis which had hit the country in 1937, this proposal was met with derision and denounced as fantastic. Yet, one short year later, Congress, with the plaudits of Wall Street, appropriated or authorized some sixteen and one-half billions of dollars for "national defense." And this is admittedly but a bare beginning, since present estimates of Government economists indicate that at least thirty-five billions of dollars will be spent for "defense" in the next five years. What miracles hast thou wrought, O Mars!

The "national defense" program will therefore affect the volume of national production in a qualitatively different fashion than did the more modest public works program of the past. From a secondary and subordinate influence on production it is fast looming as the primary influence. As Walter Lippmann, in the *New York Herald Tribune* of September 19, foresaw: "The time must come when the defense program passes from being a gigantic pump-primer into being the main engine. . . ."

Great jubilation is to be found in Wall Street circles over this perspective. The *United States News*, of November 15, indulging in superlatives and exaggerations, predicts: "It [the "defense" program] spells the greatest sustained boom in the history of this or any other country —as far as industrial volumes are concerned."

* "For the nine-month period, earnings of 154 companies totalled $518,841,935, compared with $370,532,250 in the corresponding months of 1939. That's a gain of 40 per cent." *Business Week*, Nov. 2, 1940.

Separating fact from fancy, it is undoubtedly true that we have entered into a period of industrial boom. Not, mind you, a normal cyclical boom, but a boom "of a special kind," a *war boom* occurring under conditions of the ever sharpening general crisis of world capitalism. The imperialist war and America's preparation for entrance into the armed struggle for the redivision of the world have therefore artificially altered and distorted the normal course of the economic cycle. This is understood even by the bourgeois economists who admit that "the recent recovery has been in the main a war boom and an armament boom." (*The New York Times,* October 25.)

II.

One of the characteristics of this boom "of a special kind" is that the masses of this country—the workers, farmers and toiling middle classes—will not even be indirect beneficiaries of the rise in industrial production. Nor are we referring to the inevitable, ultimate effects of "these follies" that President Roosevelt warned against in 1936. At this point, we refer solely to the *immediate* economic consequences for the masses of the transition to war economy.

This is of great importance; for it must be admitted that many workers, although they fear that the so-called defense program is in reality a war program, at the same time believe that it may usher in a period of relative prosperity for themselves. They see it as an ill-wind blowing some good.

Roosevelt and his labor flunkeys have fostered these illusions. During the last weeks of the election campaign, Roosevelt did not mention the word "sacrifice" once, although he has since made up for that omission. Instead he promised the "right to work for all" and an extension of progressive social legislation. His satellite Hillman played the same demagogic tune, improving on Goering by promising both butter and guns. Nor was the Executive Council of the A. F. of L. to be outdistanced by Hillman. It followed with some variation the same pattern even as late as the recent sixtieth annual convention. Forced to take cognizance of the dangers facing the labor movement from the "defense" program, it, however, sought to mollify the rising fears of the rank and file. The council admits that, "In Europe [read: capitalist Europe], nations building up great military forces and equipment have done so at the cost of drastic reductions in their living standards." But says the report, "In America, we can avoid reduction of living standards, because of our superior productivity!" (*Executive Council Report,* p. 59.)

The Enigma of Butter or Guns

These promises will now come home to roost, for since the end of the elections the real meaning of the "defense" program from the viewpoint of living and labor standards is becoming ever more apparent. The Hillmans and Greens, grovelling at the feet of their masters, dare not admit what the capitalist press and its bourgeois scribes are making rather plain—that butter and guns do not go together in capitalist war economy—not even in America. *Business Week* of November 9, in an editorial on "The Presidential Problem Ahead," strikes the following somber note:

"But the times ahead are not nearly as promising as the statistics. The country faces a tremendous task: *to produce more and more and consume less and less.* That is the economic paradox of a war economy. As we turn out airplanes, and tanks, and battleships, and armored cars, and cannon, and ammunition; as we turn out the men and things necessary to carry on a war, industrial energy—plant, man-hours, and brains—are diverted from production of goods that the civilian population can consume." (Our emphasis —*G.G.)*

This enlightening editorial concludes:

"Thus, no matter how the defense program is financed, the end result is that ultimately people may have to work harder without a compensating increase in consumption goods. That situation calls for delicate handling from the White House."

And well it does—if the temper of the workers means anything!

Walter Lippmann places the question even more succinctly:

"Once it [the defense program] begins to be the dominant factor in the sense that defense orders have priority in all the chief markets, we shall be at the stage of sacrifices. It will be necessary to tax for the purpose of reducing civilian consumption, to ration commodities of which there is an insufficient supply, to increase the hours of work when there is insufficient skilled labor, and to bring in apprentices more rapidly. No one is telling business men the truth who leaves them with the impression that 'total defense' can be had by 'free enterprise,' and no one is telling labor the truth who leaves them with the impression that 'total defense' can be had without modifying for the period of the emergency many 'social gains.'" *(The New York Herald Tribune,* Sept. 19.)

How does Big Business through the Roosevelt Administration propose to impose these sacrifices?

President Roosevelt has indicated the first step, namely, that of cutting to the bone all Government expenditures which go in the direction of social benefits. Already the campaign is on to create the impression that the armaments program is absorbing the unemployed and bringing prosperity to the masses, thus eliminating the need for government assistance. In fact, four professors of the University of Chicago, displaying a surprising alacrity and imagination equalled only by their callous indifference for the truth, have written a booklet, entitled *Economic Mobilization,* which sets out to prove that "defense" production will provide jobs for all and bring about a "general improvement in the workers' lot."

There is not a single fact to substantiate this contention, but ample evidence proves the very opposite. Let us take the question of unemployment. The volume of industrial production has already surpassed the highest peak reached in the banner year 1929, but the vast army of unemployed still remains intact.

As *Business Week* of November 9 points out, employment is higher today than at any time since October, 1929, yet "there are actually more unemployed today than in September, 1937." *Business Week* estimates the number of unemployed as 6,829,000; the American Federation of Labor's figure is 8,130,000 for October; the National Industrial Conference Board finds eight to nine million unemployed; and the calculation of the Congress of Industrial Organizations shows ten million. Clearly, whichever of those figures is taken as most accurate, no one can deny that mass unemployment is still a reality.

The Reason for Continued Unemployment

Two factors go to explain the great disparity between production and employment levels. First, the tremendous increase in labor productivity.

"Since 1935 production per man-hour in American factories has increased 25 per cent . . . for in 1940 American mines and factories are producing 6 per cent more than they produced in 1929, with a work week ten hours shorter, and 800,000 fewer persons at work. Labor output per man-hour has increased by 52.3 per cent since 1929!" (Executive Council, A. F. of L., *Report to Sixtieth Convention,* p. 59.)

Second, the increase in the available labor force, due mainly to the increase in population. In 1929, the estimated total labor force was 48,056,000; in August, 1940, it was 54,098,000, an increase of slightly more than six millions *(Ibid.)*

Nor is there any sound basis for believing that a further spurt in production will take in the slack. First, industrial output is already extremely close to capacity level. As this is being written, steel ingot production, for example, is at 96.9 per cent of capacity. Hence, even if production continues to rise, it cannot possibly reach levels capable of absorbing the bulk of the nation's unemployed. Secondly, even if a degree of plant expansion is envisioned, this will be a limited expansion, except for the aircraft industry. Thirdly, new plant equipment will be based upon the most modern industrial technique; meaning, the most effective labor-displacing machinery. The effects of the "defense" program on labor productivity has already been noted by the conventions of both the C.I.O. and A. F. of L. The A. F. of L. convention called "public attention to the fact that since the start of the defense program productivity is increasing at three times the pace of the last ten years. From August, 1939, to June, 1940, output per man-hour rose 14 per cent, compared to the average rise of less than 4 per cent per year since 1929." Incredible, but true! That is one reason why production in the past year increased 15 per cent but employment only 7 per cent.

These facts amply prove that those who put forth the claim that unemployment is diminishing as a problem for the nation engage either in willful distortion for sinister political purposes, or know not whereof they speak. Especially is this true for the Negro workers, who have not shared even in the limited increase in employment of the recent period.

Let us therefore return to the President's proposal to slash all but "defense" expenditures. It would seem that this brazen attempt to place a large portion of the armaments burden on the backs of the most unfortunate, the needy and destitute, would call forth a cry of dismay from all the "liberals," the "friends" of the downtrodden and oppressed. But no, the New Deal "liberals," including those of the *Nation* and *New Republic* stripe, were and are in complete agreement. Their hearts may bleed for the poor, but their pay-triotism comes first.

Yes, Big Business has every reason to view the new course of the Roosevelt Administration as "quite gratifying." This does not mean that it is satisfied. Oh, no! *The New York Times* makes this crystal clear. It not only applauds the President for his gallant and humane promise to "cut to the bone" all expenditures for social benefits, but proceeds to demand more.

"All this is an excellent first step," says the *Times*. "But much more must be done if the Government's financial house is to be set in order and if we are truly to concentrate on national defense. Every effort must be made to achieve now a budget fully balanced for all items *except the increased defense costs themselves.*" (Our emphasis— *G.G.*)

The shadow of a bone balanced against the weight of a cannon! Such is the demand of the "liberal" *Times*.

This likewise is the extent of the Administration's "loyal opposition" led by the Republican knight of Wall Street, Wendell Willkie. Sir Wendell, boldly dashing to the fray, unsheathes his sword against the Administration's fiscal policy. But this is no real duel; it is but a friendly scuffle.

It was Willkie in his speech on November 12, who called upon the President to cut all expenditures but those for defense "to the bone and below the bone." Alarmed as he professes to be about the increasing Government debt, he is none the less ardently in favor of increased appropriations for armaments. But he demands that the masses foot the bill. He believes that "taxes should be levied so as to approach the pay-as-you-go plan," but insists: "Taxes and Government restrictions should be adjusted to take the brakes off private enterprise." Poor, persecuted private enterprise!

The Republican "opposition" is likewise against raising the debt limit the full twenty billion dollars by one magnanimous act of Congress. It favors instead a more gradual, piecemeal sort of increase, to be granted by Congress stintingly and grudgingly after first making positively sure that such increase is solely meant for "national defense" and cannot be procured through the further paring of other expenditures. Its concern is therefore with making doubly sure that the reactionary course of the Roosevelt Administration is ruthlessly pursued come hell or high-water.

Disagreements on fiscal matters? Of course! But only to the extent that the marauders, having selected their victims, quarrel over how best to fleece them.

Increased Payrolls and Decreased Buying Power

But the paradox of war economy is not resolved solely by cutting government spending for social benefits. Much more must be done if the masses are to *produce more and more and consume less and less.* Yet, this is no simple problem at a time when increased employment has led to increased payrolls (14 per cent during the past year) which in turn has meant increased demand for goods of mass consumption. How to undo with the right hand what is being done with the left: that is the problem.

The solution that lies closest to the heart of monopoly capital is undoubtedly that of unleashing a wage-cutting and union-busting *blitzkrieg* which would with one blow destroy labor organization and labor standards and thus slash the purchasing power of the working class. But this kind of an offensive, while advocated by some, would hardly be wise at this juncture. First, labor is more highly organized than at any time in American history and for the first time has a strong base in the most important war industries. Secondly, the past few years have witnessed a rising militancy in the ranks of labor, which it would not be safe to challenge. Thirdly, uninterrupted production is a prerequisite for fulfilling the quotas of the war program. A policy of direct wage-cuts, even if successful in the end, could be achieved only after serious and prolonged interruptions of the production process. For all of these reasons, discretion becomes the better part of valor. The cat must be skinned in another way.

This is to be accomplished, first of all, by freezing nominal wages at their present levels and by cutting real wages through a rise in the cost of living and a form of controlled inflation. A steady rise can already be noted especially in wholesale prices, but moving rapidly in the direction of higher retail prices. The *United States News* of November 22 reports: "Commodity prices have been rising at the rate of 2 per cent a week" and observes that these *"would double in a year." Business Week* of October 26 comments on the steady price rise and sees this trend as "inevitable," although not in any disparaging sense, for it concludes: "A rising commodity-price level will tend to produce a rising profit level."

High Prices and Speculation

As yet, production for "defense" has not created a shortage in either durable or non-durable commodities. The present price rise is therefore mainly due to speculation, based on anticipation of a future shortage. Even if the Government were to intervene to check such speculation, it might slow up but would not halt the trend towards rising price levels. This is so, because:

1. War economy stimulates the production of durable products of a non-consumption character in such quantities as to create a growing shortage in durable consumption products. This will hold doubly so as soon as the much discussed

"Priorities System" is put into effect by the Administration. Once the Government undertakes to *command* raw materials and production to the extent of limiting the manufacture of non-"defense" products, prices of durable consumption commodities will rise steeply.

2. While the prices of durable products will move upward at a faster tempo and will reach higher peaks than those of non-durable, *both will climb upward.* First, because production for war is intimately tied up with the preparation of manpower for war. This means—food, shelter, clothing, in immense quantities. Secondly, as production and profit levels rise in the war industries, there will be a shift of both capital and labor power from the light to the heavy industries. Thus, as the war economy proceeds to devour more and more of normal production, the gap between the price levels of durable and non-durable goods may slowly contract. This process will hold far less for agricultural products than for manufactured or semi-manufactured goods since the war has not affected the chronic farm crisis in the United States.

Another factor of considerable importance in influencing the purchasing power of the masses and the cost of living is the tax structure adopted by the Government to pay for the armament program.

Profits for the Rich and Taxes for the Poor

There has been much shouting in "liberal" New Deal circles against war profiteering and about taxing excess profits, but this din and clamor has only amounted to what is known in warfare as "a diversion." The so-called Excess Profits Tax adopted by the last session of Congress is a fraud. Through the medium of this Act large corporations will receive what is tantamount to Federal gifts under the guise of expanding plant facilities for "defense" purposes. Instead of taxing excess profits, this Act provides increasing loopholes for tax evasion. This measure, for example, grants corporations 8 per cent annually on their total investments when the average yearly rate of profit from 1926 through 1937 was only 1.7 per cent. Nor were the large corporations facing bankruptcy in those years, for the average rate of profit is in no way indicative of actual profits. During these same eleven years, at even such a low rate of profit, business succeeded in averaging $2,365,000,000 yearly in net earnings.* (*Business Week*, Nov. 2). It must be borne in mind that as capitalist industry develops it demands an ever higher proportion of constant capital. That is why under monopoly capital, there is an inevitable fall in the *rate* of profit, which of course has nothing to do with the *volume* of profits.

Now that the Government has succeeded in taking the teeth out of the excess profits tax the next logical step is, of course, to lay a heavier tax burden on the masses of the people. And so, in addition to the sales and luxury taxes that confound the American people wherever they turn, new taxes, both

* After taxes, includes interest on tax-exempt securities, but excludes intercorporate dividends.

direct and indirect, are being prepared to eat away at their income and purchasing power.

The Scripps-Howard press, that acme of liberal journalism, asks how it is possible that close to fifty million citizens voted in November, and yet but three million pay "visible income taxes to the Federal Government"? "Visible," is right, but what about the "invisible"? John L. Lewis in his report to the recent C.I.O. convention observes that 55.6 per cent of Federal taxes come from the taxation of consumer products. (*Report of John L. Lewis*, p. 35.)

Ignoring this minor (!) fact, the *World-Telegram* of November 29 continues its editorial with the plea for "an income-tax law under which at least 10,000,000 citizens meet the collector face to face." Besides such a downward revision in the income-tax structure, the Government is likewise contemplating "the sale of defense certificates directly to the public, after the manner of Liberty bonds." (*Time*, December 9.) Thus, despite all the demagogic talk about "drafting wealth," the Government has engulfed upon a program to undermine the purchasing power of the masses and to place the entire burden of the war program on their backs.

Speed-Up and Long Hours

Another aspect of Wall Street's drive is taking the form of a campaign for lengthening the working week and abolishing the provisions of the Wages-and-Hours Act in relation to overtime. Alfred Sloan, speaking before the Academy of Political Science, called for just such sacrifices from labor. Big Business is so desirous of lengthening the work-day, not because it expects a labor shortage, but because it fears that the influx of new workers into industry may result in reducing labor productivity per man-hour, thereby limiting its profit squeezing. It therefore is taking every precaution to ensure an increase of labor productivity per man-day. The campaign to lengthen the work-day and work-week is likewise tied up with a drive for general rationalization and speed-up. We have already shown how labor-saving machinery has increased the productivity of labor. The employers, while ever ready to accept Government subsidies for plant expansion, nevertheless intend to increase plant production in most industries, not, in the main, through this means, but through an intensification of the rate of exploitation of human labor power.

Ever so subtly is this thought expressed in the program adopted by the National Association of Manufacturers on December 4. The N.A.M., it goes without saying, is opposed to wage increases, but for the sake of piece-work speed-up it favors, "the practice of paying, wherever feasible, workers according to their individual or group accomplishment, thus giving the most return to workers who produce the most for national defense." This speeding-up process has already taken its toll in human life and limb and is the main cause for the numerous explosions which have occurred in the chemical, powder and mining industries these recent months, as well as for the general rise in the total of industrial accidents.

Furthermore, in those industries or sections of industries where the workers have not yet won the right of collective bargaining, the employers and the Government will do all in their power to keep the workers from becoming organized. That is why the N.A.M., once again in the name of patriotism and national defense, insists that "the status quo in bargaining relationships should be maintained so long as the preparedness program is a major national policy." What this means in plain language is that the employers want the Government to declare all attempts to organize the Ford, Bethlehem and aircraft plants as unpatriotic and contrary to the interests of "national defense."

Class Collaboration and Intimidation

These reactionary objectives are to be imposed upon labor and the people through a combination of two well-tried methods: (1) Intimidation; (2) Class collaboration. Some believe these two methods to be mutually exclusive. They are not. They are complementary. The former cannot succeed in this period without the skillful use of the latter, and vice versa. *The New York Times* understands this duality perfectly. Bristling with hatred of the Vultee strikers who dared demand a higher minimum wage, the *Times,* in its editorial columns of November 20, threatens labor with "legislation to apply to the defense industries something of the same sort of machinery that is provided for in the Railway Labor Disputes Act." This does not mean that the *Times* is for coercion. Heaven, no! And the way it proposes "to avoid Government coercion" is by establishing the "equivalent of the old War Labor Boards." (!) But if these are to serve their purpose, says the *Times,* "the most important requirement will be to appoint men to such boards whose names and records will carry the greatest possible prestige and will have the confidence of both industry and labor." Page Sidney Hillman!

This same thought is expressed even more pointedly by Dr. Horst Mendershausen, in his recent book, *The Economics of War.* Basing himself on the American experiences in the last war and upon British and French experience in this war, the author warns (p. 107) that "the Government's labor policy should be directed by men who hold the confidence of the country's working class [!] and who realize the requirements of war economy. They should obtain the necessary concessions from labor by means of persuasion [?] and secure cooperation of the important labor organizations for this purpose." Page William Green, who has already promised no strike "for any reason" and who is working hand in glove with those ultra-reactionaries who aim to make strikes illegal and treasonable.

In this connection, Wall Street's sudden interest in "labor unity" would be both touching and pathetic were it not that the real interest lies elsewhere. David Lawrence, Washington columnist and editor, tells us where:

"Thus the real reason for the active drive to try and bring the C.I.O. and the A. F. of L. together is to endeavor to find some means of dealing with unwarranted strikes and indiscriminate interruptions to production on defense contracts." *(New York Sun,* November 20.)

The Workers Will Have to Be Reckoned With

The hysteria which manifests itself over the Vultee strike, both in the daily press and in the august halls of Congress, is symptomatic of the growing fear in the ranks of the bourgeoisie that labor may not be so ready to sell its birthright for a mess of Hillman pottage. They need only recall that during the last war "neither public opinion nor patriotism prevented strikes when workers found that their real wages were being diminished by rising prices while, as they believed, their employers were making huge profits." *(Editorial Research Reports,* Vol. II, No. 2, p. 22.) And this time, labor is far better organized, prepared and partially led.

The demands for higher wages, for no reduction in the work-week, for the right to organize and strike, against speed-up and for adequate labor protection and compensation—these are the issues around which labor must defend its rights and its living standards. *Especially the demand for higher wages is the very keystone to whether labor can maintain its present standards or whether these will be eaten away by the pending wave of price inflation.*

These demands and the struggles that they precipitate will be attacked by the employers, the Government and the labor bureaucrats as unpatriotic and "Communistic." Attempts will undoubtedly grow to prohibit strike struggles, to make arbitration compulsory, to tie labor's hands through long-time contracts, to use forced labor camps and the draft to "discipline" youth and labor; in short, to lock labor and capital in holy matrimony, even if through the medium of a shotgun wedding with Minister Hillman of the church of Social-Democracy holding the Bible and chief executive Roosevelt wielding the gun.

But it is precisely in the struggle for its demands, in the struggle to defend its living standards, that labor will emancipate itself from the Roosevelt myth, will learn who are its true friends and who its sworn foes, and will move in the direction of independent political action.

The Middle Classes Are Hard Hit

Capitalist war economy will not only tend to deteriorate labor standards, but will also adversely affect the living standards of the other toilers, the farmers and lower middle classes. We can already note that while production for war has boosted the prices of manufactured goods, the peculiar character of this war as against World War I, has destroyed America's export food market. Therefore, the disparity between the prices of manufactured goods and those of agricultural commodities is now considerably wider. Here labor faces a special problem. Big Business is trying to explain the rise in industrial prices as due to rising labor costs and excessive labor demands. In the coming period, with an increased demand on the part of labor for wage increases, this argument will be used even more than in the past to turn the farmers against labor, especially its most militant sections.

This same will be true of the lower middle classes and the large number of salaried employees, governmental and otherwise, whose wages are already frozen on a yearly salary basis. These too must be kept from placing the responsibility for rising prices upon the labor movement.

A People's Program

The economic program which can rally and unite these strata will emerge from the struggles of the period itself, but its outline already exists in the report of John L. Lewis to the recent C.I.O. convention and in most of the resolutions and documents of that convention. This program consists of five planks:

"1. The proportion of all income which goes to wages must increase." In other words: [*Higher wages!*]

"2. The cost of living must be protected by the maintenance of a stable and reasonable price structure." [Therefore: *Lower the cost of living!*]

"3. Profits must be kept at a reasonable and just level." [Hence: *Stop war profiteering!*]

"4. The national tax structure needs a vigorous reversal. . . ." [Thus: *Tax the rich! For a real excess profits tax!*]

"5. A further expansion in purchasing power must be made available to beneficiaries under the Social Security program and to the unemployed." [This means: *Increase Government aid to the unemployed, poor farmers, the aged and the youth!*]

These economic planks when indissolubly connected with the broader issues of keeping America out of the imperialist war and defending the democratic and civil liberties of the American people, provide the foundation for a real people's struggle against the ravaging effects of war economy.

III.

What will be the effect of war economy on American capitalism? Here we can but note briefly some of the principal effects:

Impoverishing the Nation

First, contrary to normal peacetime production, production for war does not add to the material wealth of the nation. This is especially true for countries directly involved in the war which face wholesale destruction of properity and wealth plus an accelerated falling off of production due to shortage of manpower, plant destruction and general depreciation. But it is likewise true, although to a lesser degree, for countries not directly at war but whose economy is geared to the piling up of war materials and war profits, such as the United States today. This is so, because war materials "never return to the process of production either in the form of means of production or of means of consumption." They "are definitely lost."

"The larger the share of the total products of the country that assume the form of war materials, the more must production diminish in every circulation of capital, and the more impoverished the country becomes." (E. Varga, *The Communist International,* 1940, No. 4.)

Secondly, the bourgeoisie therefore enriches itself not by increasing the total wealth of the nation, but by concentrating a larger portion of the existing wealth into its hands, especially into the hands of monopoly capital. War production therefore accentuates the tendency for the concentration of capital in fewer and fewer hands. Professor Mendershausen takes note of this tendency in his study of war economy.

"Experience in a sort of business as collectivistic as war production quite naturally strengthens the tendencies toward concentration and centralization which are constantly at work in our industrial system." (*The Economics of War,* p. 157.)

How this operates can easily be seen: (a) Finance capital endeavors to put the cost burden of armaments on the masses through taxation and through cutting their ability to consume. (b) The war-producing industries are the most highly centralized and trustified; therefore, it is the monopolies which reap the lion's share of the profits. (c) Through the granting of munitions orders and the utilization of the priorities system, the Government favors the larger and more efficient production units of monopoly capital, thus further weakening, if not completely eliminating, the small independent manufacturers.

Tendencies Toward State Monopoly Capitalism

Thirdly, the transition to capitalist war economy intensifies the tendencies towards state monopoly capitalism, in which the Government plays a more direct and decisive role in the national economy and in which finance capital plays a more direct and imposing role in the Government.

It is both interesting and instructive to note the change of heart that has occurred in certain Big Business circles towards Government interference in the national economy. This, as will be recalled, was branded but a few months ago as nothing less than "socialism." But when Wendell Willkie, forgetting the needs of "national defense," challenged the right of the Government to command industry, he was properly spanked in public by some of his most influential backers. Boners of this kind were not to be tolerated. On this subject as on that of Government spending, it all depends on: *for whom,* and *against whom.* Why not give the Government the power even to run industry, as long as monopoly capital has the power to run the Government?

Of course, monopoly capital wants to be absolutely certain of the latter before it embraces the former. That is why the National Association of Manufacturers still speaks in favor of "free enterprise," even though it knows that *laissez-faire* capitalism is as dead as the nineteenth century. It wants to be absolutely sure that the Knudsens and Stettiniuses will have the final word to say on "national defense" and that labor will be put and kept "in its place."

Within the last weeks, influential Wall Street circles have begun to press the Administration for swifter and more decisive action in regard to priorities, for firmer control over imports and exports, for special legislative measures and executive action to prohibit strikes and to curb labor stoppages and even for the declaration of a state of complete national emergency.

Thus are the tendencies towards state monoply capitalism developing in the United States, as they already have in Germany, Italy, Japan, France and England. The outcome of this development is highly uncertain for the bourgeoisie; for state monopoly capitalism cannot be fully achieved without intensifying all internal and external contradictions, without ushering in a period of prolonged and intense class conflicts, not only between capital and labor, but between various groupings of the bourgeoisie itself.

That is why finance capital takes its steps in this direction hesitatingly and fearfully, finally being propelled towards this goal as a matter of dire necessity. For state capitalism expresses the inability of the bourgeoisie to rule in the old way. It reveals to the masses the fundamental truths: that captialism cannot solve the contradiction between the social form of modern production and the private ownership of the means of production; and that the state, which has hitherto appeared as above classes, is but the executive committee of the ruling class. No wonder the closer the bourgeoisie comes to state capitalism, the more haunted it is by the specter of socialism. For:

> ". . . socialism is nothing but state capitalist monopoly *made to benefit the whole people;* by this token it *ceases* to be capitalist monopoly." (V. I. Lenin, *Collected Works,* Vol. XXI, Book I, p. 211, International Publishers, New York.)

In other words, socialism has nothing in common with state monopoly capitalism; it is its final negation—the dialectical transformation of a decayed system to its very opposite.

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Finally, production for war, arising from the preparation for participation in the imperialist scramble for world empire, in turn, becomes an additional incentive and cause for war. Having distorted the normal economic cycle; having created an artificial boom; having shifted industry from the production of articles of consumption to instruments of destruction; having lowered the purchasing power of the masses; having done all these things, then, in the words of the Roosevelt of 1936, our weapons "must be used against our neighbors," or, "an unsound economy like a house of cards will fall apart." This is the inexorable logic and meaning of war economy.

Irreconcilable struggle against monopoly capital, its government, and its Social-Democratic agents in the ranks of the working class: this is the only path which lies open to the working class and the people if they are to avoid the horrible consequences of capitalist war economy and imperialist slaughter.