

The Economics of the "New Deal"

We are continuing below the series of articles by Jay Lovestone on "The 'New Deal' and the Workers."—Editor.

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In fine, the Industrial Recovery Act is so crude and obvious a measure in behalf of the biggest among the big business interests that not a single one of even the so-called progressive Republican, Democratic and Farmer-Labor Senators, representing the trodden-upon and muddled middle class, voted for it in the upper house.

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Subsidies And Subventions

2. Subsidies, subventions, and partnership: For this kind of economics the Germans have a word. They call it *Liebesgabenwirtschaft*, a word as meaningful and profitable for the big capitalists as it is long. In business English it could be translated as the economy of handing out gifts for the sake of love. This policy of the "New Dealer" is reflected in his entire legislative program. The "Magazine of Wall Street," for instance, tells us very innocently that "the investor begins to suspect that the law, if it works as planned, should be beneficial to the various dairy products industries, such as butter, cheese, condensed milk, powdered milk. . . The securities of corporations making these products should derive some support from the effects of the act. . . Not only will all these processing industries have their own trade boards in response to the requirements of cooperation but they will have protective agreements with the government. Finally, it must not be overlooked that the agriculturally derived industries have all the rights and privileges that the business recovery act generally accords to business groups, associations and agreements. . . Positive benefits from the Farm Relief Act seem certain for industries catering to the farm trade."

The industries that will gain soonest and most from the partnership policies of the "New Deal" are: "(1) Those now well organized into national associations, such as steel, oil, textile; (2) those in which by reason of their small number of members and the present existence of a broad cooperative spirit, specific trade agreements are susceptible of prompt achievement; (3) low-price raw materials." ("Magazine of Wall Street," May 27, 1933). On this basis, the industries which will greatly benefit from this legislation are: petroleum, cement, steel, lumber and the construction industries thru the public works provisions of the Recovery Act. The same organ informs us that: "The securities of all the sound petroleum and petroleum-based corporations should stand to benefit from the new intrusion of government into business." Commenting on other features of the Recovery Bill it goes on to say: "They are an articulated part of the general program of giving business such a push that it will thereafter supply its own power. . . There will be a favorable psychological response thruout industry and trade to the new governmental conception of successful industry as a thing to be encouraged by the government instead of persecuted."

3. Reduction of production: The Farm Bill stresses the necessity of cutting acreage, particularly in cotton and wheat in order to reduce the production of these commodities. A primary objective of the Industrial Recovery Act is to mobilize all of the government's forces and resources, thru punitive as well as profit-stimulating efforts to enable the giant corporations to reduce production—if necessary by putting out of the way the recalcitrant, petty individual capitalist who may strive to cash in big on the basis of exploiting some momentary situation or local need. Reduction of production, already down to disastrous levels, is a keystone of Roosevelt's rehabilitation program.

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Price Manipulation

4. Manipulation of prices: It is cardinal with the "New Deal" economists that prices can and must

be so manipulated as to make them higher at home than abroad, higher in the home market than in the world market. Hence the government's currency, gold standard, and inflation policies. The Roosevelt administration proposes to do this thru special powers accorded to the big trade associations under the Recovery Act. Besides, the legislation dealing with the currency crisis empowers the government not merely to raise prices thru the threats of inflation but, if necessary, shoot them skyward thru mass inflation.

5. A messianic conception of high prices: "New Deal" economists are rooted in the notion that high prices in themselves are an absolute benefit to the existing economic order. This theory is founded on the belief that if prices were raised manufacturers would resume production and that then this resumption would develop a sort of prosperity contagion, that reemployment would replace unemployment. The "New Deal" economists reason something like this: an increase of demand means an increase of price, hence, the converse is true: an increase in price will earn an increase in demand. On the basis of this doctrine of

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the stimulation and maintenance of high prices it will be impossible for the Roosevelt government to permit a substantial inflow of foreign goods. A cut in the American tariff schedules would only serve to enhance the competitive power of foreign manufacturers thru a cheapening of their products, and then thru a lowering of the prices of the American commodities battling to hold their own in competition with the imported goods.

6. Artificial expansion of money and credit: The "Brain Trust" has decreed that the purchasing power of the country can be enhanced, that the total production can be increased thru the government expanding the volume of currency and enlarging the available credit supply. This is the essence of inflation. Fundamentally, in its objective consequences for the great mass of the middle class and the working people, inflation is but deflation in the reverse, really deflation of the purchasing power of toilers and middle class folk.

7. Mass construction of public works: The "New Dealer" hopes to

hoist the fallen giant of big business out of the ditch thru the government's expenditure of several billions of dollars on the construction of public works. The largest single item of the funds appropriated for public works is the building of war ships costing well over a quarter of a billion dollars. The example of the government engaging in such expansion, it is hoped, will serve to inspire confidence in private employers and encourage them to do likewise and to expand their plants and factories. Besides, it is hoped that the amount, approximately three billion dollars, thus spent by the Administration, will add to the total purchasing power of the country and in this fashion set in motion the wheels of production in sundry industries, which in turn will further increase the purchasing power and insure revival and recovery.

8. Planning: It is the proud boast of the "New Dealer" and his skilled and semi-skilled socioeconomic engineers that the changes which they are bringing about in the economic structure of the country will insure sufficient planfulness in American capitalism without the loss of profits, as under the socialist soviet system. In

fact, Moley, Berle and the lesser lights and lobes of the "Brain Trust", have flashed the continent a guarantee that the profit system will be secure and that profits will rise under Roosevelt's planned economy.

9. State capitalism: What we are now witnessing in America is a gigantic growth of state capitalism. In the depths of the crisis and the ensuing despair the once proud, rugged American big business have begun to fear that, in the interest of the capitalist system as such, it has become necessary for them to allow themselves to be regulated by the government which they have set up and own. More than that. Compelled by the terrific force of constantly piling up circumstances, such as mounting bankruptcies and a repeated decline in the volume as well as rate of profit, many of the big bourgeoisie are prepared to welcome the government, not only as a business regulator but even as a business man. At the rate the "New Deal" is proceeding in its extension of state capitalist enterprises the United States will achieve in a few months what it took some European capitalist countries many years!

10. Perpetration of capitalism as a system: The Alpha and Omega of "New Deal" economics we find in its persistent, systematic effort to maintain and perpetuate the capitalist system, the system of the private (capitalist) ownership of the means of production and exchange socially used. The new Securities Act, the latest banking legislation, all talk of planned economy, the entrance of the government into business are all, like the roads of the past, leading to the Rome of today—energetic efforts to perpetuate the capitalist hold on industry and the maintenance of power by the big bourgeoisie in the United States. The liberal phrases, the progressive noise, the whining for the public weal, the "mathematical" formulas from the Columbia laboratories are only that much drapery covering the real "New Deal"—the conscious vigorous attempt of American big business, not merely to hold its own but to stage a comeback that will enable it to leap forward. These are the economic aspirations, hopes and illusions of the "New Deal."

(Continued in the next issue)

A FEW FRANK WORDS ARE WELCOME!

In the July 1933 issue of "Soviet Russia Today", the official organ of the Friends of the Soviet Union, there is an article dealing with the coming national convention of the F. S. U. (October 21 and 22, 1933).

"Despite these activities and the tremendous sympathetic interest found among all elements of the population," the article runs, "the F. S. U. has made little organizational progress. This failure is largely due to the lack of clarity among the membership as to the aims and tasks of the organization and the fact that, on the whole, the membership is limited to the more revolutionary workers. As a matter of fact the F. S. U. acquired the reputation of being a branch of the Communist Party. Moreover, the F. S. U. participated in all struggles and campaigns of friendly organizations in such a way as to confuse its own aims and tasks and its independent character. Since last Fall . . . an earnest effort has been made to clarify the aims of our organization and to establish definitely its non-party character. . ."

This analysis, except for the dishonest shifting of the blame for "uncertainty" upon the membership, is perfectly valid and we earnestly hope that future practise will conform with present self-criticism.

But what we would like to know is: Why are you a "renegade" for warning months ahead, as did the Communist Opposition, against a policy which leads to such disastrous consequences?

The "New Deal" and the Workers

For Trade Union Unity And Militancy!

WHAT HAPPENED TO I.L.G.W.U. IN MONTREAL?

Montreal, Canada.

What happened to the International Ladies Garment Workers Union in Montreal?

It must be stated right from the outset that, tho the international Ladies Garment Workers Union is still keeping up an office in the city of Montreal, the cloakmakers have no union to protect them against the bosses. The employers are free to do whatever they want to. The cloakmakers are helpless because they are not united in a union able to defend the conditions they have and, if possible, get better ones for them.

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What Has Happened To The International

But why haven't the cloakmakers a union? What has happened to the International? What has happened to the strike that the International called in the middle of February? To give an answer to the above questions we must acquaint ourselves with the history of the International in Montreal for the last six or seven months.

Two or three months before the strike was called, the I.L.G.W.U. of Montreal, under the leadership of I. Fineberg, vice-president of the International and manager of the Montreal Joint Board, initiated a campaign against every progressive and left winger in the union. This was, I presume, a part of the "preparations" for the general strike. This campaign was quite a success. Thru manipulated elections Fineberg succeeded in removing every progressive worker from every executive and joint board.

After this job was done Fineberg and his newly elected officers began negotiations with the manufacturers for the renewal of the old agreement. But the union leaders did not mean this step seriously and the manufacturers knew this well enough. Nothing at all was done to prepare the strike. No move was made to unite all the forces in the union for the strike. But, because the cloak manufacturers ignored the union, Fineberg was forced to take up the challenge and this is how the strike came about.

And so the general strike was called on February 16, 1933. Out of about 1400 cloakmakers only about 600 answered the strike call and, out of the 600, 200 were unemployed. Most of the workers that went out on strike were working in small shops; the workers in the big shops remained on their jobs. And, tho the response to strike was a poor one, the workers

by D. Breslow

that did go down were enthusiastic about the strike; they really meant to fight to improve their conditions. They were on the picket line, they attended mass meetings and they did all they could to make the strike a success. It is worth while mentioning that the progressives, tho they were mistreated and slandered by the leadership before the strike, proved again their loyalty to the workers by participating actively in the strike and they were on the watch as to the agreements that would be made.

So much must be stated in favor of the International that during the strike the progressives were given an opportunity to be active and to help in the work of the strike which was led democratically. The strike lasted for about ten days.

The gains of the strike were small. About 40% of the workers got increases from 5% to 10% in their wages and that's all. None of the unorganized shops were organized during the strike; on the contrary, some of the union shops were lost during the strike. And so we see that, after the strike, great demoralization infected the ranks of the workers. This was quite natural when we take into consideration that the strike was not prepared, that no organizational work had been done to organize the unorganized shops, that the leadership was not serious in regard to the strike, that the majority of cloakmakers did not respond to the strike call, that the big shops remained working and that the International leadership

from New York did not do anything to help in the strike. Only a few hundred dollars were sent for the general strike in Montreal and neither the president nor any of the vice-presidents considered it necessary to come down to Montreal and address the strikers. Is it a wonder then that the union apparatus was shattered right after the strike? Is it a wonder when the bosses who did settle with the union and gave raises to workers, took back more than they gave?

The Situation Today

What is the situation now? The situation now is a tragic one. The bosses are free to do whatever they please; the union is smashed to pieces; only an office is kept up by a group of workers. Fineberg left the union and does not care any more what will happen to the Montreal cloakmakers. (It is high time for the cloakmakers of the United States, especially of New York, to call Fineberg to responsibility and to ask him for an account of his deeds in Montreal). The ultra-left sectarians seem to be quite satisfied with the present situation. When the International was on the eve of the strike, the self-styled "Lefts" played around with united front conference and brought in more confusion among the cloakmakers. During and after the strike they were completely passive.

There are in the International individuals who are honest left wingers, progressives, who would be able to give leadership to the cloakmakers to get out of the present difficult situation. But it seems that these individuals are afraid of a fight on two fronts, against the International bureaucracy and against the sectarian phrase-mongers.

The cloakmakers must utilize the coming Fall season for a wide campaign to organize the cloakmakers into the union, to strengthen the union and to prepare for a genuine, general strike for conditions when the Spring season will come. The cloakmakers of New York must see to it that the International should do everything in its power to help the Montreal cloakmakers to get out of the present chaotic situation.

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