

The Bankruptcy of the "New Deal"

TROTSKY AND GERMANY

For the sake of the ideological clarity so necessary in the Communist movement today, for the sake of exposing the fundamental falseness of the Trotskyist outlook as expressed in its colossal errors on Germany, for the sake of bursting the self-inflated bubble of the infallibility of Trotsky himself, we recall to the reader the following quotations:

1. From: "The Militant", July 25, 1931, "Stalinism and the German Crisis", by J. P. C.

"They say the imperialists will welcome a Fascist dictatorship in Germany. But nevertheless the imperialists do not have to have such a policy. . . Only when the majority of the workers turn away from Social-democracy to the Communists will the capitalists turn to the last resort (Fascism) . . . It has never yet been demonstrated that Fascism can have a stable endurance in such a highly industrialized country as Germany. . ."

2. From: "The Militant", February 24, 1933, article by L. D. Trotsky, dated February 5, 1933.

"Even under the most favorable conditions for Hitler he requires a long number of months . . . in order to establish the hegemony of Fascism. . . Hugenberg requires a screen. As yet today, he cannot hide behind
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The "New Deal" and the Workers. II

This is the second article in the series.—Editor.

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At this writing, the entire Roosevelt program cannot be examined. It is by no means finished. Still, enough of it has already been enacted to make clear its character and larger aims. Its intent and "efficacy" are clearly seen in the Inflation Bill. It is therefore, not really necessary to go into a detailed analysis of the public works program of the National Industrial Recovery Act, the Muscle Shoals Tennessee Valley plan for power production, etc. A brief evaluation of only some of the keystones of the arches of the "New Deal" brings home the essentially unsound base on which the Roosevelt edifice rests.

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Credit And Inflation

In the Moley-Thomas Bill for inflation, the Federal Reserve Banks will engage in open market operations on a huge scale. Upon Woodin's orders, they will buy as much as three billion dollars worth of Federal securities and hold them for a definite time. These three billion dollars in cash will then be passed on to the banks, which will be expected to pass them on into commercial credit. There is nothing new in this step of the "New Deal". Hoover tried the same method of credit inflation when the Federal Reserve, under his leadership, brought \$950,000,000 worth of government securities. However, these securities remained in the banks and never got to the country. In many instances, business was too bad to be worthy of credit. In some cases those

by Jay Lovestone

who wanted the credit were big enough to get it without any effort or government help. In other cases, those who were offered credit, either, didn't need it or couldn't use it.

The President is also given the right to issue three billion dollars worth of new paper money on the basis of the Greenback Law of 1862. This new money will not be backed by gold or bonds but only by good faith of the "New Deal." It will be used to meet Federal obligations. Thus, it is hoped to develop a *controlled inflation*. If this injection should fail, then the "New Dealer" is authorized to give another injection, another "shot in the arm" to the United States business organism thru his authority to cut the gold content of the dollar up to 50%.

We are not going into the other provisions of the Currency Bill just now. Suffice it to stress that the provisions will not solve the difficulties of American capitalism either at home or abroad. Of this, life affords crushing proof. After solemn assurance by MacDonald and Roosevelt that relations between the United States and England were just swell, Great Britain announced a new trade treaty with the Argentine which literally slams the door in the face of Wall Street. After Herriot at the "New Dealer" embraced each other warmly and boasted of the good understanding between them, the French Government announced that it had decided to plaster a 15% tax on all American goods in order to make up for the drop in

the value of the dollar and to prevent the franc from being at a disadvantage in the world market against Wall Street currency. It is clear that the "New Deal" has brought a sort of control of exchange which only spells repudiation of debts and a debasement or even an abandonment of the much-vaunted stability of American currency.

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Economy In Government And Speculation

Much noise has been made by the Roosevelt administration about economy in government. Thus the veterans compensation has been slashed. Federal employees salaries have already been cut 15%. Another cut is in store for Christmas. But this does not at all mean that the government has stopped spending money or is economizing on other fields. The money taken from the veterans and government employees plus much more, has already been appropriated for other "needs", like bank "conserving" "public works" schemes to float scores of new warships, etc. Obviously, even the *excuse* of budget-balancing was not given in good faith by the "Brain Trust" when it slashed wages and veterans compensations.

The administration has launched a campaign to win back for big business the full confidence of little business, to restore the faith of Main Street in Wall Street—a faith subjected to earthquake after earthquake since the stock market crash of 1929. This is what the Roosevelt Securities Bill really aims at when its proponents

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FOR UNITY OF FURRIERS

New York City.

Openly backed by the police and the fur manufacturers, the bankrupt and discredited officials of the International Fur Workers Union have opened a campaign of intimidation and violence to destroy the Fur Workers department of the Needle Trades Workers Industrial Union and to drive the fur workers into their organization. On Wednesday, May 24, over 225 members of the Associated Fur Coat and Trimming Manufacturers Association met here and after a speech of Dudley Field Malone, promised to support the reactionary union officials. The notorious labor-hating Industrial Squad of the New York police also promised its support.

The Fur Department of the N. T. W. I. U. recently gained some hold in the smaller shops of the trade, while the I. F. W. U. has practically collapsed. Because the N. T. W. I. U. is affiliated to the Communist Trade Union Unity League, the "Red" issue is being used in the drive against it.

The attitude of all fur workers, whatever their political leanings, can be one and one only. The campaign to "rebuild" the I. F. W. U. is one of the most shameful examples of class collaboration ever witnessed in the American labor movement. Union officials, alleged representatives of labor and Socialists to boot, have the brazen

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by Jay Lovestone

promise safety of investments for the middle and little man. While the Chief Executive raves against speculation and speculators in his drive to purge, to purify and to invigorate the increasingly anemic capitalist organism, his measures only make for a return to speculation and for the extension of speculation to unheard-of scales.

The new Security Bill does not mean to end speculation. Rather, it does mean to remove certain "wrongs" that are bad enough to be obvious. In this fashion, confidence will be restored to the old speculative institutions and new vigor will be lent to speculation as such. It is clear that the new Securities Bill, which is a twin of the Inflation Bill, does not strike any blows at the stock market. In fact, the currency program and the securities legislation put on a speculative basis not only stocks but all industry.

* * *

The Railroad Program

In trying to appease a hard hit middle class, the administration has worked out a program aiming at lowered railway rates, particularly freight rates. The little help that is to be afforded to the impoverished farmers will have to be paid for by the reduction of wages, that is, at the expense of the railway workers. Even the officialdom of the railway unions, reactionary as it is, could not keep silent about this crude attempt to shift additional burdens on to the railway hands. For the officials to have kept silent about the wage-cutting provisions of the new railway legislation would have meant to invite to open rebellion the membership of the unions.

But this is not all. The Roosevelt railway program means the handing out of gigantic bonuses to the wealthiest railway magnates of the country. The "Magazine of Wall Street" hastens to assure the biggest rail-stock owners that "this will probably involve more direct cash help for the railways—perhaps something sensational... The objective, it should be remembered, is friendly. It is to regenerate the railways, to solve their problems, to save them for their patrons and the millions of investors who own them." (April 15, 1933, page 664). This is what some of the liberal papers are calling and hailing as the "Socialistic"

legislation of our liberal president.

* * *

Reforestation And Relief

The "Brain Trust" has devised no more silly solution for the crisis than the Reforestation Bill. By leading a few hundred thousand men into the woods, they hope to blaze the trail out of the wilderness of the crisis! The hundred million dollars appropriated for tree-raising is a small drop in a good-sized bucket. In reality, the whole reforestation scheme and the afforestation camps have the following effect: *They relieve the rich of some relief burdens.* Instead of these jobless men—and, if the Lady President will have her way, these jobless women—being given relief and the local communities paying for such relief, they are sent to the woods to work under military regulations for a \$1 a day. This is henceforth to be the new American wage scale—"a fair day's wage for a fair day's work," as Roosevelt sees it and the workers get it.

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Aiding The Farmers

In a subsequent article we will examine the economic fallacies of Roosevelt's agrarian program. For the moment it is sufficient to underscore that in his Farm Relief Bill the "New Dealer" falls far away from his goal. The ostensible aim of the Farm Bill is to enhance the total purchasing power of the country, to increase the pur-

chasing power of the rural population. Actually, the Farm Bill at best does not improve conditions. In effect, it aggravates them. The artificial imposition of higher prices on farm commodities, assuming for the sake of argument that it can be done, of course, that millions of consumers in the cities would have to pay more. The Roosevelt experts insist that it will increase the purchasing power of the farming masses by a billion dollars. Abstractly speaking, it is possible that a billion dollars of purchasing power may be transferred from the cities to the country. But this does not increase the total purchasing power of the country. The whole line of reasoning is fallacious. At a time when the great mass of the population in the cities do not have enough money with which to buy farm products at lower prices, how will they get enough money with which to buy them at higher prices.

The much-vaunted mortgage legislation which is supposed to be a gift of the gods handed down thru Roosevelt to the harrassed home-owners, is in its essence only a government guarantee for the payment of interest to the mortgage holders. In the last resort, such relief is as impotent and as useless even as a palliative, as the contemplated deposit guarantee. When times aren't bad, no deposit guarantee is necessary. When times are very bad, all the legislation in the world providing for deposit guarantees and the guarantee of interest payment on mortgages do not add one bit to the stability, to the equilibrium of the economic machine. When times are supposedly good, the government income is substantial, but then it does not have to invest any portion of it in guaranteeing mortgages or deposits. In "prosperity" days mortgage and deposits are safe. In the throes of a crisis, government income collapses and it has no funds with which to guarantee deposits or mortgages. It could then resort to extensive inflation as a means of raising the necessary currency with which to meet such guarantees. However, such extensive inflation means a cheapening of the dollar or a confiscation of a substantial proportion of the few dollars still remaining in the hands of that very section of the middle class which such legislation is supposed to help. The circle is vicious and its diameter is great!

"I Accuse!"

by

M. N. ROY

From the Suppressed Statement
of N. N. Roy on Trial for
Treason Before Sessions
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