

ECONOMICS OF THE "NEW DEAL"

This is the first article, by Jay Lovestone, in the series "The Economics of the Roosevelt Program." In the next issue we will print the second article on the "Economic Consequences and Fallacies of the N.R.A."—Editor.

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No legislative program or set of economic proposals has ever aroused more confusion than the one now parading as the New Deal, with the Blue Eagle at its head.

The source of this confusion is to be found in the nature of the Roosevelt program as well as in the general chaos now gripping the minds of large sections of the American people. In a debate, with the writer, on the New Deal, Mr. Charles W. Taussig, President of the American Molasses Company and one of the closest advisers of Roosevelt, evaluated the New Deal in these words: "The New Deal, so it seems to me, is a mobile and fluid transitory mechanism by means of which we hope to develop an essentially American social and economic system that will enable all our people amply to share in the spiritual and material bounties that our country so abundantly affords".

This definition is broad enough to include the best intentions and the most sweeping pretensions. It has enough holes in it to allow teams of horses to trot through in comfort. It is fluid and sweet enough even for a President of a Molasses Company. But developing his ideas, Mr. Taussig did not hesitate to concretize a bit by frankly saying that: "there is sufficient economic similarity between the idea of the Fascist corporate state with their trade corporations, confederations and guilds and our National Recovery Administration with its Trade Associations and codes. . . ." Furthermore, Mr. Taussig stressed that "There is no disposition among the leaders of the New Deal to abandon capitalism, for the government to take over business in general nor to scuttle the profit system. The American people are still wedded to the profit system and it is doubtful whether the communist idea would be tolerated in the United States."

However, not all the European critics have been able to see eye to eye with the American "Brain-Trusters." So solid a big bourgeois paper as "Le Temps" condemns the Roosevelt program root and branch by declaring: "It is not too much to say that the financial and economic policy now being pursued in the United States has done more to undermine and ruin the capitalist order, which is our civilization, than all the open revolutionary attacks made by the avowed enemies of our order of society."

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COCKTAIL ECONOMICS

Let Professor M. J. Bonn, who has recently been yanked out of the German academic world by Hitler, give us another and far more accurate interpretation. To Prof. Bonn the New Deal appears in this light:

"Its distinctive American features are not the measures themselves, most of which are well-known to rather conservative countries, but the methods by which they are applied: the complete disregard of established tradition, the sudden change of fronts, the utter unconcern over more remote consequences, the mixing of contradictory economics which might almost be described as the encroachment of the cocktail habit on social legislation. It is the most gigantic 'sunshine campaign' in the U. S. A. have ever entered upon".

Now we can understand how it came about that George M. Cohan, the successful side-walk song writer, composed the following poem on the occasion of Roosevelt's 52nd birthday.

"What a man! What a m-a-n! What a man!
He is the man of men.
What a lucky day
Was his first birthday!
What a man! How he leads the way!
What a lucky day for the U. S. A.!
What a heart! What a mind! What a plan!
What a birthday celebration!
What a day of inspiration!
What a blessing to the nation! What a man!"

The Roosevelt Program--I

by Jay Lovestone

Turning from whoopee economics, two questions impress themselves upon us for clarification. First, what is the aim of the New Deal? The New Deal takes 1926 as a good year economically speaking. It aims to restore prices and therefore the conditions of production and exchange to the levels of 1926. Secondly, before analyzing the curative values of the Roosevelt relief measures it is necessary to answer the question: What is a crisis? In the most fundamental sense an economic crisis is a serious rupture in the equilibrium between production and consumption.

Now to the basic problem in a critical examination of the New Deal which is pregnant with major social and political consequences of American and international significance. One: what are the general characteristics of the New Deal program? Two: what are the economic fallacies and consequences of the New Deal? Three: what are the perspectives of the New Deal economic program? Let us proceed to tackle these questions and formulate replies in the barest outline of skeleton form.

The primary features of the New Deal economics can be understood only if one drops certain over-advertised claims for it. It is not true that the New Deal is a major, or for that matter any other, kind of venture into planned economy. Rather it is the most gigantic coordinated attempt yet made at introducing some planfulness of policy in competitive relations of production and exchange. It is an attempt to introduce policy into competitive business relations in order to extend, preserve and perpetuate the private, competitive capitalist system. Obviously, it is, therefore, anything but planning in a social sense.

Furthermore, the New Deal is not revolutionary even in its pretensions, let alone in its intentions. Of course, we are now speaking of the consequences of the objective logic of the N.R.A. developments. We are only considering the economic foundations of the N.R.A. The N.R.A. does not propose to transfer economic and political power from the present ruling class, the capitalists, to the main ruled class, the workers. In its essence the whole scheme of the N.R.A. is to be found in the "plan" proposed by Henry L. Harriman, Chairman of the Committee on Continuity of Business and Employment of the Chamber of Commerce of the United States. Mr. Harriman proposed his plan in behalf of the U. S. Chamber of Commerce on October 26th, 1931, before a sub-committee of the United States Committee of Manufactures, then holding hearings on the "Establishment of a National Economic Council."

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FEATURES OF THE PROGRAM

Stripped of all this gossip and pretense, the New Deal economic program appears in bold relief as characterized by the following main features:

1). Price-raising, at least in its initial stages thru artificial methods and manipulations, is the cornerstone of its policy.

2). It drives towards a revival and enlargement of the domestic market thru sundry ways. It recognizes that there is no industry in sight to help achieve this end. Through the repeal of the Volstead Act, through the end of Prohibition, it seeks to realize the enlargement of the domestic market by restoring an old industry. The restriction of imports, the aggressive discouraging of foreign purchasing is part and parcel of the technique here. But the New Deal doesn't stop with these measures. It deliberately and systematically brings a new customer into the market. This customer is the State, the Government, as a heavy purchaser, as a business man engaged in many fields of activities in order to stimulate all other avenues of business and thus hasten the revival and enlargement of the domestic market.

3). An organic phase of the N.R.A. is its vigorous effort to secure for the American capitalists a bigger and

better share of the world market. This implies an aggressive foreign trade policy thru quota arrangements and flexible, as well as reciprocal, tariff scales and treaties. It includes mass dumping of commodities. It inevitably leads to the dumping of credit, what is commonly called currency devaluation in the international exchange markets.

4). Inherent in New Deal economics is the provision for the restriction of production. This is the basis of the government's campaign for plowing under wheat, for plowing in cotton, for destroying pigs, for spilling milk, for the whole allotment plan of agricultural relief. This is a primary purpose of the licensing feature of the N.R.A. Here is the why and wherefore of the decision of the New Dealers to check and limit the introduction of new machinery in industry, for example in the textile industry.

5). The restriction of competition is part and parcel of the New Deal economics. The N.R.A. has suspended the anti-trust laws. The N.R.A. is founded on the encouragement and incorporation of trade organizations for the control of prices and business practices. It fosters monopoly. It has encouraged trustification to such an extent that such spokesmen of the small producers and business men as Senators Borah and Nye have raised wails to the heavens as well as to the White House in behalf of the small business people. The latter can veritably be called the Doomed Men of American business. And the N.R.A. is hastening their Doomsday!

6). The merging of the apparatus of Big Business with the machinery of government goes on apace under the Blue Eagle economics.

7). In an effort to counteract the decline of the productive process and the decay of production the New Deal economics push forward the State as producer, the State as investor. This is the meaning of the much-vaunted Tennessee Valley Administration. This is the economic substance of the vast public works program. It is State Capitalism on a gigantic scale, on an American mass basis.

8). A headlong drive towards Autarchy or national self-sufficiency is the Alpha and Omega of the Roosevelt Recovery Program. The New Dealers seek to achieve this thru better agricultural and industrial balance.

9). Inflation of currency and credit expansion are to serve as the lubricants for stimulating, easing and reviving the process of production and exchange.

10). Fabulous sums, threatening to border on astronomical figures, are constantly and systematically being handed out as subsidies, as gifts to banks, railroads and the biggest industrial corporations. The Germans have a word for this sort of economics. For the bourgeoisie this word is sweet, though long. It is *Liebesgabenwirtschaft*. In dollars it means, to broken-down bankers and dividend-hungry industrialists, even more than its syllables or letters would indicate.

11). The purging of impurities is an essential plank of the New Deal economic program. The N.R.A. strives to remove certain impurities of American capitalism and thus to invigorate it. Hence, the Securities Act. Therefore, the entire Blue Eagle psychology. Without question, certain surface, superficial, crudities of capitalist practice can be regulated and, in part, even eliminated. All of which means merely that the skin of the economic organism may appear better on its surface for a short time. It does not in the least indicate a revitalizing in an organic sense.

12). Creating jobs is the euphonious name for work-sharing which is an integral feature of the N.R.A. program to meet the unemployment crisis.

13). Finally, the quintessence and consummation of the entire New Deal economics "system" come to the following point: The coordination of the country's productive capacities, resources, and machinery so that it can be at a moment's notice, transformed into a perfectly clicking war machine. In every sense of the word, the New Deal economics are the economics of capitalism for war and at war.