

THE NRA BOOSTS TRUSTIFICATION

A fierce debate has been raging amongst the highly-paid economists as to the effect of the NRA on the immediate economic situation.

No doubt the NRA has had some effect as an artificial stimulant. The Government has spent many hundreds of millions of dollars in a desperate effort to set in motion the wheels of production. In the main, however, the extent to which there has been a revival in this country must be registered as part of the general trend throughout the principal capitalistic countries within the last two years. The exact extent to which the New Deal's economic policies have stimulated revival in this country can not be measured accurately. Suffice it to say, that the claims of the Administration are ludicrous. Surely Roosevelt would have a hard time standing up to-day for the claims made by his Administration, one and a half years ago, that by April, 1934 there would be "a complete restoration of prosperity," and that the number of families on the relief rolls would be reduced from 3½ million to 400,000. To-day there are approximately 5 million families on the relief rolls.

As a matter of fact, some countries, without resorting to such systematic and energetic artificial stimuli as has the United States, have made as much headway, if not more, within the same period. It is significant that recent months have seen this trend towards revival checked on a world scale. From this reversal of trend, the United States has not been immune; quite the contrary is the case. Reversal of trend, downward, has recently been rather marked in the United States.

A few figures will clearly indicate this. From June to October, 1933, according to the A. F. of L. Executive Council, 2,200,000 were re-employed. On the other hand, from October, 1933 to June, 1934, only 100,000 were re-employed. In June, 1933, 450 went back to work, but in June, 1934, 425,000 were laid off. The Federal Reserve Board Index is about 23 per cent lower than that of a year ago. The summer slump was rather painful, the July decrease in employment and payrolls being the worst for any July since 1919. The Department of Commerce was forced to admit in its survey covering July and part of August that: "Contraction in business activity during July was in excess of the usual seasonal decline, and weekly data available for August indicates a continuation of the sagging tendency."

This accounts for the atmosphere of discouragement now prevailing in business circles, which were flushed with the rosiest optimism about a year ago.

Of course, the real test of the NRA even as an artificial, temporary stimulant is yet to come. The test will really come when the Government discontinues pouring vast sums of money into industry and agriculture, that is, the day when the Government suspends its heavy spending. Judging from what happened when the CWA was dropped, it is safe to say that were the Federal Government to suspend its spending program to-day, immediate conditions would be even worse. Naturally, such policies of subsidies, grants and contributions are no small burden to the Federal Treasury. For instance, Mr. Keynes has estimated that the Government must borrow for spending a minimum of \$400,000,000 a month to keep up revival at a pace that "will ultimately pay off borrowers."

In the long run, it must be emphasized that the effect of the economic policies of the New Deal only multiplies and aggravates the sources of the next crisis. Why?

The Roosevelt Program V.

by Jay Lovestone

More Rationalization — Less Workers

Let us first look into the problem of rationalization of industry. The NRA, in some of its codes, has, at least on paper, tried to discourage the introduction of new machinery and limit the rise in productive capacities, as in the textile industry. This effort of the NRA has already given and will continue to give the impression that the army of the unemployed is reduced. Even if the NRA were able thru these schemes to reduce the army of the unemployed by 5 or 6 million, the new sources of unemployment, now in the making, will serve to aggravate the situation. For instance, the extension of the "work-spreading" schemes to the field of distribution will not check this trend because of the lack of organization amongst the workers in these industries. A genuine shortening of hours is not conceivable without an effective labor organization fighting the enforcement of a shorter work week. It is sad, but true, that no significant trend towards unionism is at present apparent in department, variety, and general merchandising lines.

NRA Boosts Trustification

To-day, no one will dispute that the NRA has enhanced the trend towards monopoly in the United States. Many of the champions of the NRA have sort of looked upon monopoly as synonymous with "planned economy." The high-priests of the New Deal have raved consistently about the virtues of their planning as indicated in the great number of codes adopted. Actually, what we have had is not at all planned economy, which must be social in its basis to be genuine, but only a sort of Codified chaos. The Petroleum Code, for instance, had been considered in the heydays of the New Deal as a model code by the oil magnates. To-day, Mr. W. T. Holliday, of Cleveland, president of the Standard Oil Company of Ohio, is compelled to tell the annual convention of the National Petroleum Association that the marketing code of the petroleum industry is "Breaking down of its own weight because of lack of enforcement. . . Pro-ration is like attempting flood control by building the dam at the bottom of the valley rather than seeking to control the head waters."

The Darrow report minced no words in emphasizing the role of the NRA in fostering the monopoly trend. Granting that the anti-trust laws, which were put on the ice by the NRA, did not effectively check the inexorable trend towards monopoly. However, the mere lifting of these provisions served as a source of great encouragement of trustification. Thus, Senator Borah, indefatigable champion of the American middle class in the United States, is prepared to put back on the statute books the Sherman anti-trust restraints lifted by the NRA. Over this there will be a serious conflict within the ranks of the employing class, as is evidenced by some of the latest court decisions. Federal Judge Marcus B. Campbell has held that the NRA represents a change in social theory and modifies the principles involved in the anti-trust laws. Said Judge Campbell:

"That theory applied by the Sherman Anti-Trust

Act was that competition would best preserve a free and orderly flow of interstate commerce, while by the Industrial Recovery Act that social theory has been modified by the provision of a system of supervised regulation of trade practices affecting interstate commerce."

That the poor are worse off despite the promises of minimum wage payments in certain industries, and that the very rich are better off, can be seen from the latest report of the Collector of Internal Revenue. Thus the reports for last March tax payments indicate the following: The taxes paid by persons with incomes of more than \$5,000 leaped from \$88,599,235 last year to \$109,766,752 this year. This is the trend as of March, 1934, in comparison with the corresponding period of 1933. The concentration of wealth is continuing under the New Deal at an accelerated pace. The general trend of income tax payments to-day is towards a decline in the number of small taxable incomes and a substantial increase in the individual taxable incomes of more than \$5,000, and an even bigger increase in corresponding earnings during 1933. This covers the first nine months of the New Deal. Within this time America has witnessed its most rapid concentration of wealth in the hands of the upper middle and uppermost layers of American society.

We must look beneath the income tax figures to see the trend a little more clearly. There are millions who are not getting enough to fall even within the lowest income tax bracket. In the first quarter of this year the statistical wage was supposed to have increased 7½ per cent. During this period food costs actually increased 16.7 per cent, and clothing and furnishings rose by 27.5 per cent. Contrast with these figures the following: The number of companies reporting deficits in the first half of this year decreased from 46 per cent of the total in 1933 to 24 per cent in 1934. Besides, the Federal Reserve Bank of New York recently declared that in its compilation of net profits for 407 industrial and mercantile corporations, the first six months of this year, indicate that they were five times those of the first half of 1933.

Still the employers, the big property owners, are not satisfied with even this swift tempo of concentration of ownership in the country. Mr. James W. Gerard, former ambassador to Germany, made a fervent plea the other day, for the investors or the country, advising the formation of a national organization for the purpose of assuring protection for security holders. He said in part: "They (American investors) are the target for every political experiment in every state in the Union and Congress. They are not given the slightest consideration at any time. They are treated contemptuously." Pursuing the same plea, Mr. Malcolm C. Rorty, president of the American Management Association, openly proposed to have cartels, trusts, immediately replace the NRA, and not wait for any more steps of regulation.

Said Mr. Rorty: "Such producers who chose to operate independent of the cartels would be required to pay a small tax, and any producer, whether a cartel member or not, would be penalized for cutting prices or for overselling his quota as fixed by the cartel."

Thus America has traveled in its trust policies the following road: from feeble persecution to investigation, from investigation to instigation, and from instigation to open subsidization and organization by the Government.