

Fourth International

The Twelfth Convention of the Socialist Workers Party

Resolutions and Proceedings

- 1. Theses on the American Revolution*
- 2. From a Propaganda Group to a Party of Mass Action*

Economic Trends in the United States

By Art Preis

January 1947

25 Cents

Manager's Column

FOURTH INTERNATIONAL launched a three-month campaign on Dec. 15 to get 1,000 subscriptions. The campaign will close on March 15. This action was voted unanimously by the delegates to the Twelfth National Convention of the Socialist Workers Party, held in Chicago in November.

As in every previous campaign, socialist competition will spur the determination of the SWP branches to not only meet their quotas but to go over the top. A series of attractive prizes will be awarded to the national Pace-Setters.

One point is allowed for each sub submitted, either new or renewal, for a six-month, a one-year, or a one-year combination sub to FOURTH INTERNATIONAL and THE MILITANT.

Quotas for the campaign are as follows:

City	Quota
Akron	20
Allentown-Bethlehem	5
Bayonne	15
Boston	20
Buffalo	40
Calumet	5
Chicago Local	80
Cleveland	15
Connecticut State	20
Detroit	70
Flint	30
Houston	5
Los Angeles Local	120
Milwaukee	15
Minneapolis	50
Newark	40
New York Local	200
Oakland	15
Philadelphia	40
Pittsburgh	10
Portland	5
Reading	10
Rochester	5
St. Louis	5
St. Paul	20
San Diego	10
San Francisco	40
Seattle	30
Tacoma	10
Toledo	30
Youngstown	30
Total	1000

The highest individual Pace-Setter in the country will receive a bound volume of NEW INTERNATIONAL (predecessor of FOURTH INTERNATIONAL) for 1934-5-6. This rare volume can no longer be purchased at any price. A bound volume of FOURTH INTERNATIONAL for 1946 will go

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to the branch sending in the highest number of subs per member, based on the Convention membership record. The same prize will also be awarded to the second highest national Pace-Setter.

The branches lost no time in getting their local campaigns under way. *Pittsburgh* immediately challenged all branches with a similar quota of 10—Reading, San Diego and Tacoma. Without waiting for acceptances, the comrades in Pittsburgh set the pace. "These 5 subs put us at the half-way mark on the opening date of our campaign," writes *Justine Lang*. "There's no doubt but that we'll reach 100% shortly! We're planning to get a chart made, set it up in our headquarters, and watch the progress both of the individual comrade as well as the branch. . . . How are the branches we challenged progressing?"

To date, only the Reading Branch has picked up the gauntlet.

This is *Reading's* response: "Please inform the comrades of the Pittsburgh Branch that the Reading Branch is happy to accept their

challenge in the FI sub campaign. We hope to make them wish they hadn't made the challenge."

Minneapolis too is well ahead in the campaign with 10 subs to its credit. *Dick Carlson*, Campaign Director, writes: "These ten subs give Minneapolis a good start in the campaign. The comrades are confident of fulfilling the quota. We are going to try some new methods in this campaign. A suggestion has been made that comrades visiting their doctor or dentist solicit a sub. An FI placed in a waiting room would be widely read."

Los Angeles and *Toledo* plan to go after one-year combination subs to FOURTH INTERNATIONAL and THE MILITANT. *Harry Thompson* of *Los Angeles* tells us: "Our goal is to fulfill our quota and to restore the FI to its 32-page status. We thought it might be a good idea to combine THE MILITANT and FI sub campaigns. Next Sunday, the East Side Branch is going to canvass contacts in their neighborhoods for subs to both the

FI and THE MILITANT, preferably to both."

"Toledo's FI campaign," writes *Maggie Walker*, "will be an integral part of our long-overdue MILITANT renewal campaign. I am sure that with the spirit in which the comrades are approaching this work that FI sales will come naturally and that we will achieve our full quota in the time allowed."

Confidence in fulfilling their quotas is expressed in letters from all the branches.

Winnefred Nelson, Campaign Manager for *St. Paul*, writes: "The method used in our previous campaign was so successful that we intend to use it again. We just took the names of MILITANT subscribers who had renewed their subs and mailed them a copy of the FI. We told them we could call in a short time to ask them to subscribe. This opened the door for us when we called."

Almeda Kingsley of *Cleveland*: "Please send us a list of expired FI subscriptions. We feel that this is one of our best sources for subs."

Sidney Bannon, FI Director for *Flint*: "Our FI campaign has already gotten off with a big start."

Bill Gray, *Buffalo*: "The Buffalo Branch accepts its quota of 40 FI subs although it will mean a lot of hard work to make it. But we are sure that we will come through as we usually do."

Lorene Simkins, *Calumet*: "We will easily go over our FI quota."

Jack O'Connell, Organizer of *Milwaukee Branch*, reports they are organizing a class in Marxism, to begin sometime in January. They will "attempt to interest everyone in the class in a subscription to FOURTH INTERNATIONAL, since the lectures will tie in very well with the level of the articles in the FI."

International solidarity is expressed in a letter from *Canada*: "Our comrade who handles the newsstand sales reports a rather phenomenal increase in sales of the FI. Now that our fall forums are well under way I am sure that we will be able to substantially increase FI sales here and we would like to start off with raising our bundle order from 15 to 20 copies."

The letter continues, "Enclosed are three one-year combination subscriptions to FOURTH INTERNATIONAL and THE MILITANT. We hope to be able to give you a bit of a hand with your sub drive. Best of luck."

FOURTH INTERNATIONAL

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NUMBER 1

The Twelfth National Convention of the Socialist Workers Party

By the Editors

The Twelfth National Convention of the Socialist Workers Party, the largest in the 18 years of American Trotskyism, held its sessions in Chicago, November 15 to 18, 1946. The immediate task of this national gathering, the third since the assassination by Stalin's GPU of Leon Trotsky who inspired, taught and led our movement, was to sum up the activities and lessons of the two years that elapsed since the last convention and to chart the course for the period immediately ahead.

At the same time the deliberations of the convention and its entire work centered around a longer range task, namely, that of creating the revolutionary mass party. This is the fundamental but as yet unresolved problem of our epoch.

Such a party has been built thus far only in one country—in Russia, by Lenin, Trotsky and their co-thinkers. Underlying the terrible crisis that now convulses society as a whole has been the failure to repeat and reproduce in other countries the successful attainments of Russian Bolshevism.

James P. Cannon, National Secretary of the SWP, opened the convention with a brief introductory address. He paid tribute to those comrades whom death had recently taken from our own ranks and to the memory of countless Trotskyist martyrs abroad. The convention saluted their memory by rising in silence. Comrade Cannon concluded his remarks by welcoming the 1013 new members recruited into the party since the last convention.

The convention then proceeded to take up the international resolution. For revolutionary Marxists what is decisive is the world orientation and world perspectives. Only in the light of these can they correctly approach the tasks on their respective national arenas. The delegates had before them two different points of view which represented two divergent and irreconcilable political lines.

International Report

Comrade E. R. Frank, reporting for the majority of the National Committee, defended the perspective of the proletarian revolution.

"The job of building revolutionary parties, of mobilizing the masses for the revolutionary onslaught," he pointed out, "has proven more arduous, more complicated, more difficult; it is taking longer than was anticipated in the first flush of the Russian revolution in 1917. But the task remains essentially the same. The basic task of our epoch has not been changed for the simple reason that it had not been solved."

The reporter went on to express complete solidarity with the

line set down in the resolution, "The New Imperialist Peace and the Building of the Parties of the Fourth International," adopted by the International Conference of the Fourth International in April 1946. (The text of this resolution was carried in the June 1946 issue of our magazine.)

In defending the line of this resolution, Comrade Frank stressed that it takes its point of departure not from conjunctural developments or episodic interplay of political forces but "from the analysis of the world economic situation; and that is the right way for Marxists to begin when writing a world resolution."

From this world economic analysis it follows inescapably that there is no way out for Europe along the capitalist road. "Under the present conditions, revival and reconstruction in Europe will take place at a very slow tempo; it will be very feeble in its achievements; it will not attain even the pre-war levels; under American tutelage, the European economy is doomed to stagnation and decay."

The overwhelming preponderance of the United States acts to perpetuate this condition. "On a capitalist foundation Europe is through as a major world factor. It will only sink deeper in vassalage to its American overlords. Its only chance for revival, for regaining its place in the world and saving its great cultural heritage and achievements—is to unify the continent into a United States of Europe. And this, as has been demonstrated in two tragic world wars, is a utopian dream, except under Socialist auspices."

Among the least stable sectors of world economy is the USSR which, although victorious in the war, emerged far weaker than before. Itself in the throes of a deepening internal crisis, Stalin's regime aggravates the impasse on the European continent. Characterizing the role of Stalinism, the reporter pointed out:

"The Kremlin oligarchy, counter-revolutionary through and through, fearing and hating the workers' revolution no less than the imperialists themselves, moved in not as a liberator, but as a foreign conqueror and a savage oppressor. The Red Army authorities stamped out the revolutionary manifestations and began to plunder the conquered countries. They couldn't conceive of the European peoples as socialist allies but only as helpless victims to be exploited and oppressed.

"However, by converting Eastern Europe into its closed preserve, by shutting it off from the rest of the capitalist world, by deposing the old ruling classes, and by its military domination over the whole territory, the Kremlin further undermines

the capitalist structure, further drags Europe towards the abyss, further aggravates the crisis of capitalism on a world scale."

So far as England is concerned, both her domestic and world positions are beyond repair.

Throughout Asia we witness similar conditions of capitalist instability, chaos and crisis. Japan is reduced to a vassal of American imperialism; China is once again the arena of civil war; India is in ferment. So is Egypt and the Arab Near East. In the Far East, the liberationist struggles of the colonial peoples are unfolding stormily in Indo-China, in Burma, in Indonesia.

And last but not least, the American colossus itself cannot assure stability at home where it is heading for another economic crisis and the resulting revolutionary explosions.

Summing up the world situation, Comrade Frank said:

"Thus the picture emerges sharp and clear and unmistakable that we are facing a long period of grave economic crisis, convulsions and upheavals on a world scale. World capitalist equilibrium has been shattered and a lengthy revolutionary period has opened up."

This perspective is by no means invalidated by the defeat of the first revolutionary wave that swept over Europe in 1944-45, or by the absence of the German revolution. After analyzing the causes why the German revolution failed to erupt, and the reasons for the defeat of the first revolutionary wave in Europe—for which the Stalinist traitors and their Social Democratic allies bear the prime responsibility—Comrade Frank explained:

"In defeat, just as in victory, it is necessary to keep one's head, to keep one's sense of proportion and one's perspective. We must ask ourselves the question: was the defeat a definitive one, or simply a conjunctural setback? Did we lose a battle or did we lose the war? The repulse of the revolutionary wave has enabled capitalism in Western Europe to regain a temporary political equilibrium. But as we have previously seen, it has not been able, nor will it be able, to achieve stability. The critical economic conditions, producing a frenzied inflation, are already goading the masses to renewed struggle. The strike curve is sharply rising in France, Italy and elsewhere on the continent. The workers are still full of confidence and fight, and still continue to give their main backing to the Stalinist parties. The capitalists in Western Europe—despite their throwing their weight behind the Catholic parties, and even outright Fascist movements—despite their building up the forces for authoritarian regimes, *still cannot rule in their own name*. They must still rule by coalition with the Stalinists and the Social Democrats. The defeat, in other words, was not a historical one, but a temporary one. There still lies ahead a whole period of revolutionary development which provides new opportunities for the growth and consolidation of revolutionary parties."

Revisionist Minority

This line was flatly rejected by a tiny minority in whose name Felix Morrow reported. As against the perspective of the proletarian revolution, he advanced the outlook of the "The Three Theses," first propounded some four years ago by the German emigre group of the IKD. In accordance with this perspective the working class in Europe has suffered a definitive defeat and all of mankind has been hurled back, with the socialist revolution becoming relegated to the indeterminate future and the class struggle ceding place to the struggle of the people as a whole for the restoration of national states in Europe and for the reconquest of democratic rights, that is to say, the reconstitution of bourgeois democratic regimes.

Further, Morrow advocated support to the action of the French party majority who had called upon the workers to support the capitalist constitution in the recent referendum.

In addition, the revisionist minority submitted at the last moment a resolution on the USSR, characterizing the latter as a capitalist state. Morrow, who a few weeks prior to the convention, still viewed the Soviet Union as a degenerated workers' state, supported this resolution as well.

The headlong flight of the minority from the programmatic positions of our movement disclosed once and for all that at the bottom of the struggle that began three years ago at the October 1943 Plenum were profound political differences and not episodic disagreements over such tactical issues as the use of democratic slogans or over the internal party regime, and so on.

At every stage in the dispute the majority sought to clear all non-essentials out of the way in order to probe the differences to the bottom. The minority on the contrary felt an inner need to slur over fundamentals. They continued to nibble at issues and to conduct an incessant guerrilla warfare over incidental points or estimates, branding every attempt to discuss the fundamentals as simply a rehash of ritualistic phrases and a meaningless reaffirmation of a "finished program." It took three years of discussion before the party was finally presented with the full program of the minority.

In the discussion that followed as well as by an overwhelming vote of 113 to 3 the delegates adopted the international resolution of the majority and passed a motion which reads in part as follows:

"We express our full agreement with the general political line of the Manifesto and Theses adopted by the recent International Conference of the Fourth International, together with the supplementary 'Resolution on the Withdrawal of Occupation Troops,' adopted unanimously by the International Executive Committee at its June 1946 meeting, and instruct the editors of our press to militantly present and defend this line in our publications."

By the same vote of 113 to 3 the delegates condemned the action of the French party in supporting the capitalist constitution during the recent referendum; and rejected the minority's attempt to revise both our evaluation of the Soviet Union as a degenerated workers' state, and our position of defending it against imperialist attacks.

"Theses on the American Revolution"

The next point on the convention agenda was the report of the "Theses on the American Revolution" which was delivered by James P. Cannon. (The text of the theses appears elsewhere in this issue.)

The reporter made it clear that the U.S. has moved and is moving with increasing speed toward revolutionary developments. "Our theses," he said, "specifically outline the revolutionary perspectives in America and require the party to conduct and regulate all its daily activities in the light of these perspectives."

Following the First World War it was correct to place the European countries well ahead of the U.S. so far as the probable order of revolutions was concerned. Today it would be erroneous to estimate the situation in the same way.

Analyzing the objective conditions, Comrade Cannon showed the profound changes that have occurred in the evolution of American capitalism. Following World War I the economic conditions in this country were such as to prepare for the fullest expansion of capitalism which brought in its wake a crisis which lasted for a decade and which was resolved temporarily

only by the Second World War and the colossal expenditures connected with it. Following World War II the economic conditions are such as have deepened all the contradictions and have prepared all the conditions for the explosion of another crisis far worse than that of the Thirties, and fraught with far more serious social implications.

"In surveying the future prospects of American capitalism," the reporter stated, "we simply heed the counsel of realism by putting the question:

"If American capitalism was shaken to its foundations by the crisis of the Thirties, at a time when the world system of capitalism, and America along with it, was younger, richer and healthier than it is now; if this crisis lasted for ten years, and even then could not be overcome by the normal operation of economic laws; if all the basic causes and contradictions which brought about the crisis of the Thirties have been carried over and lodged in the new artificial war and post-war prosperity, and multiplied many times; if all this is true—and nobody but a fool can deny it—then what chance has the capitalist boom of the Forties to have a different ending than the boom of the Twenties?"

"Marxist realism tells us that it can be different only insofar as the crisis must go deeper; must be far more devastating in its consequences; and that it must come sooner."

The economic debacle of the Thirties shattered the myth of permanent capitalist prosperity, propagated so assiduously by bourgeois economists and other apologists for Wall Street. Many among the disillusioned masses began to sense instinctively that capitalist forms are self-destructive in their nature; that these forms were dying and must die and they must be destroyed if this country was to live and thrive. These molecular processes which had their inception in the Thirties and which will ultimately revolutionize the consciousness of American masses, have continued beneath the surface during wartime and will be greatly accelerated by the recurring economic and political convulsions inherent in the decaying system.

Comrade Cannon placed special emphasis on the transformation that has already taken place in the American working class. In the Thirties the American workers confronted the crisis as a disorganized and helpless mass. Among the changes that have occurred since then, he listed the following:

"The proletariat has greatly increased in numbers with the expansion of industry during the war. Millions of Negroes, of women, and of the new generation of youth have been snatched up out of their former existence, and assimilated into the processes of modern industry. Thereby, they have been transformed from a multitude of dispersed individuals into a coherent body imbued with a new sense of usefulness and power. Most remarkable of all, and most pregnant with consequences for the future, is the truly gigantic leap which the American workers made from disorganized individual helplessness to militant trade union consciousness and organization in one brief decade."

From non-existence in trade unionism the American workers have leaped to a powerful mass movement, embracing more than 15 million in all the basic industries. This achievement on the plane of elementary class organization is not an accident but the product of the vast dynamic powers latent in the American working class. It opens up grandiose perspectives for the future. Once the workers begin to move, as they must, beyond the limits of trade union organization and into the political arena, they are capable of achieving the transformation of their political consciousness at the same truly American tempo.

Deeply rooted in the class is not conservatism but rather a

readiness to adopt and apply the most radical and militant methods of struggle, as was demonstrated time and again in the bitter battles that gave birth to the CIO, and in the series of strike waves that have since recurred periodically.

All the conditions for the swift radicalization of the working class have matured or are in process of maturing, Comrade Cannon pointed out.

"What are the limits to the future possibilities and powers of this remarkable class?" asked Comrade Cannon. His answer was that there were no limits whatever to what the giant American working class is able to achieve once it sets itself conscious goals. "All things are possible; and all things that are necessary will be achieved."

The American working class is admittedly backward politically. But it is generally overlooked that the Russian workers, who built the party of Bolshevism, did not begin by being revolutionary-minded either. If it could be said of any country that it had to import progressive ideas and the revolution itself, then Russia would indeed have to be listed among the first. Czarist Russia, for decades the pillar of reaction on the European continent, entered the Twentieth Century as one of the most backward countries in the world, not only economically but also politically. Russian history prior to 1905 knew nothing either of revolution or of revolutionary traditions. Russia did not even pass through a period of religious reformation. All this can hardly be deemed as favorable for political advancement. The Russian workers made their leap from extreme backwardness to revolutionary consciousness not because of their handicaps but despite them.

On the other hand, if revolution can be said to be indigenous to any country, it is surely the United States which has already passed through two social revolutions, both of which proved highly successful. The very conditions under which this vast and virgin continent was settled and developed, its swiftness of growth, the premium placed on pioneering, the propensity to audacious experiments—all these are likewise highly propitious to the assimilation and spread of revolutionary ideas. The native traditions will thus act not to retard but to aid the leap of the American workers from political backwardness to political awareness and organization.

The capital of our party lies both in its trained and tested cadres and its own great traditions of revolutionary irreconcilability and unswerving adherence to program. The struggle for the socialist future of America will never be waged by those who fail to break irrevocably with the ideas, prejudices and traditions of the bourgeoisie. For a period of almost two decades the SWP has retained its allegiance to the program of the socialist revolution and has repelled repeated attempts to corrupt the movement along the lines of reconciliation with "democratic" imperialism. It is this party that will organize the young generation of American workers who are awakening to revolutionary ideas.

"A great party," said Comrade Cannon, "with a glorious record and a stainless banner, has already been prepared for them, and awaits their enlistment. It is a strong party, firmly built on the granite rock of Marxism. It will serve them well, and is worthy of their undivided allegiance."

His concluding words were:

"The objective prerequisites for the social revolution in America will not be lacking. Capitalism itself will provide them. The manpower of the revolution will not be lacking either. The many-millioned masses of the organized workers will provide this manpower. It is already partly assembled and partly ready.

"The rest is our part. Our part is the building up of this

vanguard combat party which foresees the revolutionary future and prepares for it. Our part is to build up this party which believes in the unlimited power and resources of the American workers; and believes no less in its own capacity to organize and lead them to storm and victory."

After a spirited discussion the "Theses on the American Revolution" were adopted by 113 votes against 3.

Both the theses and Comrade Cannon's report deliberately excluded all considerations other than those of a strategic character. The questions of tactics and immediate tasks were dealt with in a separate resolution, which appears in this issue under the heading: "From a Propaganda Group to a Party of Mass Action."

Tasks and Tactics

Comrade Stein examined in his report the party's slogans and their application in the class struggle, reviewed the past work in the mass movement and outlined the tasks ahead.

"To understand the need of building the mass revolutionary party is one thing; to act on the basis of this understanding is something else again," he said. "The only way the revolutionary party can become a mass party is through action. The party must demonstrate by deeds that it knows how to lead the workers in the struggle. It must demonstrate in action the superiority not only of its program but also of its cadres. In the first place the party must be in its composition flesh of the flesh of the working class, an organic part of the class it seeks to influence and lead. It must embrace in its ranks, the best, the most advanced militants."

Citing the great advances already made by our party in this respect, he stressed that the greatest opportunities lay ahead because of the inevitable sharpening and intensification of the class struggle. He outlined succinctly the basic factors that made it impossible for American capitalism to assure any prolonged period of prosperity. Instability and crisis—that is the real perspective for American capitalism. "The general instability of life is the greatest revolutionary factor driving the masses to struggle even under boom conditions. This universal instability will drive them into ever fiercer struggle when the bust comes," he added.

The masses find it impossible to settle down to any sort of normal existence. "World War II has ended—but there is no peace! The fear of World War III is deep seated. The masses can plainly see that the United Nations and the Big Four conferences are nothing but a farce. It is plain to everyone that they are not shaping peace but merely jockeying for position in the next war. Washington is stockpiling atom bombs. Experiments with deadly bacteriological war weapons continue. The Navy 'goes where it damn pleases.' Washington grabs islands in the Pacific whether others like it or not. The Brass Hats are busy standardizing the armaments of Latin American countries and of the British empire. And all these war preparations, unparalleled in history, are directed against the Soviet Union."

To combat the war danger, our party must base its agitation on the people's urge for peace. "Not by lulling them with false hopes, but by mercilessly exposing the real warmakers. We advance slogans designed to promote the independent struggle of the masses against the warmakers."

On the economic front the workers are finding it more and more difficult to defend their living standards. The gains of the great strike wave that followed V-J Day have been quickly consumed by skyrocketing prices. Our party, Comrade Stein demonstrated, was the only one to advance a realistic program, the heart of which is the struggle for the sliding scale of wages. It

is the only measure capable of securing positions already won in years of struggle; of laying the basis for an offensive for higher standards; of effectively counter-acting the corporation propaganda that wage increases are responsible for rising prices; and, what is most important, of ending the drain on the workers' fighting morale, the drain that comes from too many battles of a purely defensive character.

The slogan for the sliding scale of wages has already made its way into a number of important unions, and will play an ever-increasing role so long as the inflationary trends persist.

In the next period the workers will be confronted with another major slash in their real wages in the form of boosted rents. It is certain that rents will be hiked either through the OPA's granting of "legal" increases or through the elimination of rent controls altogether. Mass resistance to rent increases will assuredly materialize and it must be given an organized expression. Wherever possible we must initiate and champion the action and organization of tenants with the sanction and help of the trade unions, who have an excellent opportunity to give leadership to the whole community in the fight against the rent-gougers.

The need for independent political action is being driven home to the workers more and more sharply by the increasing boldness of reaction on the political front. The trade unions are under attack in Congress and in various states; the Democratic and Republican legislators are vying with one another in promoting anti-labor measures. The objective conditions for the formation of a labor party are becoming quite favorable.

"Whether or not a national labor party actually comes into existence," the reporter pointed out, "or how soon it might be formed is not decisive. The struggle for a labor party raises the class consciousness of the workers. This struggle can help build the revolutionary party. In the process of struggle for a labor party we seek to imbue the workers with a full understanding of our program and our revolutionary ideas."

Comrade Stein showed the need to introduce a correction in our attitude to the PAC. We have been too negative and abstentionist in the past. The PAC provides us with an arena for activity, for fighting for independent workers' candidates in the elections, for advancing labor legislation, and, in certain cases, for initiating local and state-wide labor party formations.

The reporter singled out the party tasks relating to the Negroes and to the veterans and then passed on to discuss the need of the party to learn how to fight effectively on all fronts, from issues such as combatting Jim Crow and incipient fascism to local problems and day-to-day grievances of the workers. The question of nurseries, playgrounds for children, overcrowded schools, unsanitary conditions in workers' districts, cases of police brutality, and similar issues must receive more and more attention on our part.

"The workers," Comrade Stein pointed out, "respond often more readily to protest action over a small grievance than a bigger issue. What is important is that such a protest action can frequently win victory. This instills the people with confidence in their own strength and their own independent action. They then become readier to undertake other struggles. They become friends of the party that shows them the way to struggle. The party members must become known in the community as the tribunes of the people, as the best fighters for their interests."

Comrade Stein concluded his report by analyzing the great gains made by the party in the recent election campaigns conducted in six states. Despite the fact that in California it was possible to run only write-in candidates and that in Ohio and New York our candidates were ruled off the ballot on flimsy

technicalities, tens of thousands of workers learned for the first time about our party and its program. As in all our other activities, we view only as a beginning this exploitation of the mass propaganda medium which is offered us by the elections. It is the party's aim to place a presidential ticket in the field for 1948.

The resolution on party tasks was adopted by the same overwhelming majority as the previous resolutions.

The trade union report made by Comrade Dobbs, together with the supplementary reports of the trade union fractions in auto, steel, rubber, railroads and maritime, provided the most striking proof that the transformation of our movement into a party of mass action is already well underway. Almost one half of the party members belong in the trade unions, primarily in the basic industries. A relatively large number hold posts of various kinds in the unions. Many of the new recruits are prominent trade union militants in the major industrial areas of the United States where a total of 41 SWP branches is now functioning.

Trade Union Report

In outlining the key problems confronting the organized labor movement, Comrade Dobbs called special attention to the current red-baiting campaign inside the unions which is part and parcel of the capitalist offensive against labor. The Communist (Stalinist) Party, which is the immediate target of the red-baiters, has pursued, on the one hand, a policy of cowardly capitulation to the red-baiters and, on the other hand, has engaged in its own special brand of red-baiting—reactionary attacks on the “Trotskyists.” Our party has been and will remain in the forefront of the struggle against the red-baiters whose aim is to split the ranks of labor.

In the United States the task of building the revolutionary mass party is facilitated by a different relationship of forces inside the labor movement from the one existing in Europe where the specific weight of the Socialist and Stalinist organizations is predominant.

Comrade Dobbs underscored the fact that the specific weight of the Socialist Party, SLP and similar formations is negligible. The Communist (Stalinist) Party is the only serious political rival, the major internal obstacle in the way of a rapid radicalization of the American labor movement. But unlike Europe, Stalinism has not been able to sink its roots as deeply here. In some localities our party already matches and even surpasses the strength of the Stalinists. While the CP has been passing from one internal crisis to the next, stagnating or losing members, the SWP has recorded steady progress and growth. Ten per cent of the party's new recruits have come from the CP itself. As our party roots itself more and more deeply in its class, it not only gathers strength but cuts the ground from under the feet of Stalinism.

Among the most pressing tasks that now face the union militants is the organization of a progressive left wing. The entire future of the trade union movement hinges on this. There is no blueprint for the left wing movement, the reporter explained. It cannot be grafted upon the trade unions but must arise in struggle as an integral and growing section of the leftward moving workers. It can grow only on the basis of a class conscious program.

In conclusion Comrade Dobbs predicted that as the struggles became more and more complicated and of necessity more and more political, the incompetence and treachery of the incumbent union officialdom would become more fully revealed, compelling the workers to seek new leaders and to enter the ranks of our party in ever larger numbers.

“It is in the unions,” he said, “that we shall build the firm foundations of the mass party of the American revolution.”

Comrade Dobbs also delivered the organization report, summarizing the work accomplished in the past two-year period and outlining the current problems before the party.

The record shows that everyone of the goals of organizational and institutional expansion set by the 1944 convention had been successfully fulfilled and in many cases surpassed.

Organization Report

The size of *The Militant* was increased to eight pages and maintained for a year and a half. Its circulation rose to new peaks through two successful subscription campaigns, through mass distributions during the strike wave and during the 1946 election campaign.

A most impressive publishing program was carried out, including the publication of three full-size books and 10 programmatic and agitational pamphlets. In the past two years Pioneer Publishers has distributed more than 100,000 books and pamphlets.

In the same period the party's organizational staff was enlarged, new branches set up and several others strengthened. The educational activity of the party was ambitiously stepped up. The Midwest Vacation School has become an established party institution, with similar projects carried out on a more limited scale on the West Coast. The quota of 1,000 new recruits to the party was met, as were the quotas in every other campaign undertaken in the recent period.

We achieved the goal of the Trotsky School, a training school for party leaders who are in this way enabled to devote six months full time to the study of Marxism. The first session of the Trotsky School had been successfully concluded and the first six graduates were present at the convention.

Objective conditions, Comrade Dobbs explained, made it impossible to continue the program of institutional expansion at the same rate as in the past. The party's financial resources have in the meantime been severely strained by inflation, especially the exorbitant printing costs. This has necessitated measures of retrenchment, among them such emergency steps as reducing the size of *The Militant* to six pages. The continued publication of our magazine in its present 32-page format depends largely on the success of the campaign for 1,000 new subscribers.

To meet the financial emergency the Convention decided to raise a fund of \$20,000 by March 1, 1947.

The work and deliberations of the convention were greatly enriched by the highly fruitful panel discussions. Comrades involved in particular phases of party activity convened in special panels between the sessions of the convention itself in order to discuss questions of the Negro struggle, problems of veterans and of the trade unions, the functioning of *Militant* correspondents and the circulation of the press.

“Unity” Proposal

The convention had before it a “unity” proposal of the Workers Party, an opponent organization which came into existence in 1940 when the petty-bourgeois opposition, under the leadership of Burnham and Shachtman, split from the SWP. The “unity” proposal of this group, whose political differences with our party have deepened and multiplied in the six-year interval, was purely maneuverist in its character, and employed for the purpose of engineering a split in our ranks. This shabby maneuver was rejected by the delegates, with only 3 votes cast

in favor. The text of the motion adopted by the convention on this point appears elsewhere in our columns.

* * *

The final point on the agenda was the internal party situation. Involved here was the need of safeguarding the party and its discipline against acts of disruption and disloyalty. For a period of more than two years the minority was guilty of unheard-of violations of discipline, of acts of disloyalty, of hostile combinations and conspiracies against the party, of threats of split and the actual carrying out of split by the Goldman half of the faction. The section of the minority that remained in the party after the Goldman-led handful split away to join the Workers Party, had continued to flout the decisions of the May 1946 Plenum which warned them to cease and desist from their anti-party conduct. It was this continued violation of party discipline and of the decisions of the highest party bodies that finally exhausted the patience of the party membership and impelled them to take drastic measures to put an end to this intolerable situation. By a vote of 101 to 4 with no abstentions, the delegates voted to expel Felix Morrow and David Jeffries for persistent violations of discipline and "disloyal and disruptive activities." The other members of the faction were granted one final opportunity and given one final warning to alter their course. The text of the motion adopted in this connection is likewise contained in this issue.

The Twelfth National Convention was a living demonstration of the unconquerable will, of the vigor and strength of American Trotskyism, and at the same time it was a preview of our great future. In its composition the convention represented, even if on a miniature scale as yet, a genuine cross-section not only of the organized labor movement but of the

American working class as a whole. It demonstrated that new layers of workers, who only yesterday remained untouched not alone by revolutionary ideas but by political life in general, are already stirring and that individuals, typical of these layers, are gravitating toward the SWP. It demonstrated that our party is making inroads into all other political formations, especially the Stalinists.

There was a large proportion of women, the majority factory workers and proletarian housewives, among the 117 voting delegates, 70 alternates and 190 registered guests. Veterans of whom there are several hundred in the party were likewise well represented. So was the youth.

An infallible sign of the party's revolutionary spirit and integrity is its ability to attract Negroes. Proportionately to the population of the country the SWP has recruited more Negroes than whites. More than a fifth of the party consists of Negroes most of whom have been recruited in the last two years. We are proud of the fact that our party has made important gains among the most oppressed section of the American population.

The Twelfth Convention was a working convention in the full sense of the term. It was a gathering not of a propaganda circle but of a movement already with deep roots among the masses, a movement imbued with confidence, conscious of its strength and abilities, aware of the need of rapid growth and of engaging in large scale activities, and capable of achieving both.

The Twelfth Convention signalized a new stage in the forward march of American Trotskyism. The resolutions and decisions adopted by this convention will make it possible for the SWP to take giant steps on the main highway that leads to the party of mass action.

Theses on the American Revolution

Adopted by the 12th National Convention of the SWP, Nov. 15-18, 1946

I

The United States, the most powerful capitalist country in history, is a component part of the world capitalist system and is subject to the same general laws. It suffers from the same incurable diseases and is destined to share the same fate. The overwhelming preponderance of American imperialism does not exempt it from the decay of world capitalism, but, on the contrary, acts to involve it ever more deeply, inextricably and hopelessly. U. S. capitalism can no more escape from the revolutionary consequences of world capitalist decay than the older European capitalist powers. The blind alley in which world capitalism has arrived, and the U. S. with it, excludes a new organic era of capitalist stabilization. The dominant world position of American imperialism now accentuates and aggravates the death agony of capitalism as a whole.

II

American imperialism emerged victorious from the Second World War not merely over its German and Japanese rivals but also over its "democratic" Allies, especially Great Britain. Today Wall Street unquestionably is the dominant world imperialist center. Precisely because it has issued from the war

vastly strengthened in relation to all its capitalist rivals, U. S. imperialism seems indomitable. So overpowering in all fields—diplomatic, military, commercial, financial and industrial—is Wall Street's preponderance that consolidation of its world hegemony seems to be within easy reach. Wall Street hopes to inaugurate the so-called "American Century."

In reality, the American ruling class faces more insurmountable obstacles in "organizing the world" than confronted the German bourgeoisie in its repeated and abortive attempts to attain a much more modest goal, namely: "organizing Europe."

The meteoric rise of U. S. imperialism to world supremacy comes too late. Moreover, American imperialism rests increasingly on the foundations of world economy, in sharp contrast to the situation prevailing before the First World War, when it rested primarily on the internal market—the source of its previous successes and equilibrium. But the world foundation is today shot through with insoluble contradictions; it suffers from chronic dislocations and is mined with revolutionary powder kegs.

American capitalism, hitherto only partially involved in the death agony of capitalism as a world system, is henceforth subject to the full and direct impact of all the forces and con-

traditions that have debilitated the old capitalist countries of Europe.

The economic prerequisites for the Socialist revolution are fully matured in the U. S. The political premises are likewise far more advanced than might appear on the surface.

III

The U. S. emerged from the Second World War, just as it did in 1918—as the strongest part of the capitalist world. But here ends the resemblance in the impact and consequences of the two wars upon the country's economic life. For in other major aspects the situation has in the meantime drastically altered.

In 1914-18 continental Europe was the main theater of war; the rest of the world, especially the colonial countries, was left virtually untouched by the hostilities. Thus, not only sections of continental Europe and England but the main framework of the world market itself remained intact. With all its European competitors embroiled in the war, the way was left clear for American capitalism to capture markets.

More than this, during the First World War capitalist Europe itself became a vast market for American industry and agriculture. The American bourgeoisie drained Europe of her accumulated wealth of centuries and supplanted their Old World rivals in the world market. This enabled the ruling class to convert the U. S. from a debtor into the world's banker and creditor, and simultaneously to expand both the heavy (capital goods) and the light (consumer goods) industries. Subsequently this wartime expansion permitted the fullest possible development of this country's domestic market. Finally, not merely did the American bourgeoisie make vast profits from the war but the country as a whole emerged much richer. The relatively cheap price of imperialist participation in World War I (only a few score billion dollars) was covered many times over by the accruing economic gains.

Profoundly different in its effects is the Second World War. This time only the Western hemisphere has been left untouched militarily. The Far East, the main prize of the war, has been subjected to a devastation second only to that suffered by Germany and Eastern Europe. Continental Europe as well as England have been bankrupted by the war. The world market has been completely disrupted. Thus culminated the process of shrinking, splintering and undermining that went on in the interval between the two wars (the withdrawal of one-sixth of the world—the USSR—from the capitalist orbit, the debasement of currency systems, the barter methods of Hitlerite Germany, Japan's inroads on Asiatic and Latin American markets, England's Empire Preference System, etc., etc.).

Europe, which defaulted on all its prior war and post-war debts to the U. S., this time served not as an inexhaustible and highly profitable market, but as a gigantic drain upon the wealth and resources of this country in the shape of Lend-Lease, over-all conversion of American economy for wartime production, huge mobilization of manpower, large-scale casualties, and so on.

With regard to the internal market, the latter, instead of expanding organically as in 1914-18, experienced in the course of the Second World War only an artificial revival based on war expenditures.

While the bourgeoisie has been fabulously enriched, the country as a whole has become much poorer: the astronomic costs of the war will never be recouped.

In sum, the major factors that once served to foster and

fortify American capitalism either no longer exist or are turning into their opposites.

IV

The prosperity that followed the First World War, which was hailed as a new capitalist era refuting all Marxist prognostications, ended in an economic catastrophe. But even this short-lived prosperity of the Twenties was based on a combination of circumstances which cannot and will not recur again. In addition to the factors already listed, it is necessary to stress: (1) that American capitalism had a virgin continent to exploit; (2) that up to a point it had been able to maintain a certain balance between industry and agriculture; and (3) that the main base of capitalist expansion had been its internal market. So long as these three conditions existed—although they were already being undermined—it was possible for U. S. capitalism to maintain a relative stability.

The boom in the Twenties nourished the myth of the permanent stability of American capitalism, giving rise to pompous and hollow theories of a "new capitalism," "American exceptionalism," the "American dream," and so forth and so on.

The illusions about the possibilities and future of American capitalism were spread by the reformists and all other apologists for the ruling class not only at home but abroad. "Americanism" was the gospel of all the misleaders of the European and American working class.

What actually happened in the course of the fabulous prosperity of the Twenties was that under these most favorable conditions, all the premises for an unparalleled economic catastrophe were prepared. Out of it came a chronic crisis of American agriculture. Out of it came a monstrous concentration of wealth in fewer and fewer hands. Correspondingly, the rest of the population became relatively poorer. Thus, while in the decade of 1920-30, industrial productivity increased by 50 per cent, wages rose only 30 per cent. The workers were able to buy—in prosperity—proportionately less than before.

The relative impoverishment of the American people is likewise mirrored in national wealth statistics. By 1928 the workers' share of the national wealth had dropped to 4.7 per cent; while the farmers retained only 15.4 per cent. At the same time, the bourgeoisie's share of the national wealth had risen to 79.9 per cent, with most of it falling into the hands of Sixty Families and their retainers.

The distribution of national income likewise expressed this monstrous disproportion. In 1929, at the peak of prosperity, *36,000 families had the same income as 11 million "lower-bracket" families.*

This concentration of wealth was a cardinal factor in limiting the absorbing capacity of the internal market.

Compensating external outlets for agriculture and industry could not be found in a constricting world market.

Moreover, the need to export raw materials and agricultural products tended to further unbalance American foreign trade. This inescapably led to a further dislocation of the world market, whose participants were debtor countries, themselves in need of selling more than they bought in order to cover payments on their debts, largely owed to the U. S.

While appearing and functioning in the role of stabilizers of capitalism, the American imperialists were thus its greatest disrupters both at home and abroad. The U. S. turned out to be the main source of world instability, the prime aggravator of imperialist contradictions.

In the interim between the two wars this manifested itself most graphically in the fact that all economic convulsions be-

gan in the Republic of the Dollar, the home of "rugged individualism." This was the case with the first post-war crisis of 1920-21; this was repeated eight years later when the disproportion between agriculture and industry reached the breaking point and when the internal market had become saturated owing to the impoverishment of the people at one pole and the aggrandizement of the monopolists at the other. The Great American Boom exploded in a crisis which shattered the economic foundations of all capitalist countries.

V

The economic crisis of 1929 was not a cyclical crisis such as periodically accompanied organic capitalist development in the past, leading to new and higher productive levels. It was a major historical crisis of capitalism in decay, which could not be overcome through the "normal" channels; that is to say, through the blind interplay of the laws governing the market.

Production virtually came to a standstill. National income was cut into less than half, plummeting from 81 billion dollars in 1929 to 40 billion dollars in 1932. Industry and agriculture sagged. The army of unemployed swelled tenfold "normal," reaching the dizzy figure of 20 million. According to official estimates, based on 1929 averages, the losses in the years 1930-38 amounted to 43 million man-years of labor, and 133 billion dollars of national income.

By 1939 the national debt soared to 40 billion dollars, or 14 billion more than the highest point at the end of the First World War. The number of unemployed kept hovering at 10 million. Industry and agriculture stagnated. The foreign trade of the U.S. in a reduced world market fell to less than half of its "normal" peacetime share.

What all these figures really express is the fearsome degradation of living standards of the workers and the middle class, and the outright pauperization of the "underprivileged one-third" of the population. The wafer-thin layer of monopolists, naturally, did not suffer at all, but on the contrary utilized the crisis in order to gobble up even a larger share of the country's wealth and resources.

The bourgeoisie saw no way out of the crisis. They had no way out. They and their regime remained the main obstacle in the way not only of domestic but of world recovery. In its downward plunge, the American bourgeoisie dragged the rest of the capitalist world with it, and kept it down.

Decisive is the fact that despite all the "pump-priming," "brain-trusting," and emergency "reforms," American capitalism was incapable of solving the crisis. The partial upswing of 1934-37 proved to be temporary and passing in character. The precipitous drop that occurred in 1937 revealed the abyss facing American capitalism. The threatening new downward plunge was cut off only by the huge expenditures made in preparation for the Second World War.

Only the war temporarily resolved the economic crisis which had lasted in both hemispheres for ten years. The grim reality, however, is that this "solution" has solved exactly nothing. Least of all did it remove or even mitigate a single one of the basic causes for the crisis of 1929.

VI

The basis of the current American post-war prosperity is the artificial expansion of industry and agriculture through unprecedented government spending which is swelling constantly the enormous national debt. In its fictitious character the war

and post-war boom of the early Forties far exceeds the orgy engaged in by European capitalism during 1914-18 and the immediate post-war years.

The diversion of production into war industry on an unheard-of scale resulted in temporary shortages of consumer goods. The home and foreign markets seemed to acquire a new absorbing capacity. Universal scarcities and war havoc are acting as temporary spurs to production, especially in the consumers' goods field.

Over-all there is, however, the universal impoverishment, the disrupted economic, fiscal and governmental systems—coupled with the chronic diseases and contradictions of capitalism, not softened but aggravated by the war.

If we multiply the condition in which European capitalism, with England at its head, emerged from the First World War by ten times and in some instances a hundred times—because of the vaster scale of the consequences of World War II—then we will arrive at an approximation of the actual state of American capitalism.

Every single factor underlying the current "peacetime" prosperity is ephemeral. This country has emerged not richer from the Second World War as was the case in the Twenties, but poorer—in a far more impoverished world. The disproportion between agriculture and industry has likewise increased tremendously, despite the hot-house expansion of agriculture. The concentration of wealth and the polarization of the American population into rich and poor has continued at a forced pace.

The basic conditions that precipitated the 1929 crisis when American capitalism enjoyed its fullest health, not only persist but have grown more malignant. Once the internal market is again saturated, no adequate outlet can be hoped for in the unbalanced world market. The enormously augmented productive capacity of the U.S. collides against the limits of the world market and its shrinking capacity. Ruined Europe herself needs to export. So does the ruined Orient, whose equilibrium has been ruptured by the shattering of Japan, its most advanced sector.

Europe is in dire need of billions in loans. In addition to Lend-Lease, Wall Street has already pumped almost 5 billion dollars in loans into England; almost 2 billions into France; and smaller sums into the other satellite countries of Western Europe—without, however, achieving any semblance of stabilization there. Bankrupt capitalist Europe remains both a competitor on the world market and a bottomless drain. The Orient, too, needs loans, especially China, which, while in the throes of civil war, has already swallowed up as many American dollars as did Germany in the early Twenties.

At home, the explosive materials are accumulating at a truly American tempo. Carrying charges on the huge national debt; the astronomic military "peacetime" budget (18.5 billion dollars for this year); the inflation, the "overhead expenditures" of Wall Street's program of world domination, etc., etc.—all this can come from one source and one only: national income. In plain words, from the purchasing power of the masses. Degradation of workers' living conditions and the pauperization of the farmers and the urban middle class—that is the meaning of Wall Street's program.

VII

The following conclusion flows from the objective situation: U.S. imperialism which proved incapable of recovering from its crisis and stabilizing itself in the ten-year period preceding the outbreak of the Second World War is heading for an even

more catastrophic explosion in the current post-war era. The cardinal factor which will light the fuse is this: The home market, after an initial and artificial revival, must contract. It cannot expand as it did in the Twenties. What is really in store is not unbounded prosperity but a short-lived boom. In the wake of the boom must come another crisis and depression which will make the 1929-32 conditions look prosperous by comparison.

VIII

The impending economic paroxysms must, under the existing conditions, pass inexorably into the social and political crisis of American capitalism, posing in its course pointblank the question of who shall be the master in the land. In their mad drive to conquer and enslave the entire world the American monopolists are today preparing war against the Soviet Union. This war program, which may be brought to a head by a crisis or the fear of a crisis at home, will meet with incalculable obstacles and difficulties. A war will not solve the internal difficulties of American imperialism but will rather sharpen and complicate them. Such a war will meet with fierce resistance not only by the peoples of the USSR, but also by the European and colonial masses who do not want to be the slaves of Wall Street. At home the fiercest resistance will be generated. Wall Street's war drive, aggravating the social crisis, may under certain conditions actually precipitate it. In any case, another war will not cancel out the socialist alternative to capitalism but only pose it more sharply.

The workers' struggle for power in the U.S. is not a perspective of a distant and hazy future but the realistic program of our epoch.

IX

The revolutionary movement of the American workers is an organic part of the world revolutionary process. The revolutionary upheavals of the European proletariat which lie ahead will complement, reinforce and accelerate the revolutionary developments in the U.S. The liberationist struggles of the colonial peoples against imperialism which are unfolding before our eyes will exert a similar influence. Conversely, each blow dealt by the American proletariat to the imperialists at home will stimulate, supplement and intensify the revolutionary struggles in Europe and the colonies. Every reversal suffered by imperialism anywhere will, in turn, produce ever greater repercussions in this country, generating such speed and power as will tend to reduce all time-intervals both at home and abroad.

X

The role of America in the world is decisive. Should the European and colonial revolutions, now on the order of the day, precede in point of time the culmination of the struggle in the U.S., they would immediately be confronted with the necessity of defending their conquests against the economic and military assaults of the American imperialist monster. The ability of the victorious insurgent peoples everywhere to maintain themselves would depend to a high degree on the strength and fighting capacity of the revolutionary labor movement in America. The American workers would then be obliged to come to their aid, just as the Western European working class came to the aid of the Russian Revolution and saved it by blocking full-scale imperialist military assaults upon the young Workers Republic.

But even should the revolution in Europe and other parts of

the world be once again retarded, it will by no means signify a prolonged stabilization of the world capitalist system. The issue of socialism or capitalism will not be finally decided until it is decided in the U.S. Another retardation of the proletarian revolution in one country or another, or even one continent or another, will not save American imperialism from its proletarian nemesis at home. The decisive battles for the Communist future of mankind will be fought in the U.S.

The revolutionary victory of the workers in the U.S. will seal the doom of the senile bourgeois regimes in every part of our planet, and of the Stalinist bureaucracy, if it still exists at the time. The Russian Revolution raised the workers and colonial peoples to their feet. The American Revolution with its hundred-fold greater power will set in motion revolutionary forces that will change the face of our planet. The whole Western Hemisphere will quickly be consolidated into the Socialist United States of North, Central and South America. This invincible power, merging with the revolutionary movements in all parts of the world, will put an end to the outlived capitalist system as a whole, and begin the grandiose task of world reconstruction under the banner of the Socialist United States of the World.

XI

Whereas the main problem of the workers in the Russian Revolution was to maintain their power once they had gained it, the problem in the United States is almost exclusively the problem of the conquest of power by the workers. The conquest of power in the United States will be more difficult than it was in backward Russia, but precisely for that reason it will be much easier to consolidate and secure.

The dangers of internal counter-revolution, foreign intervention, imperialist blockade and bureaucratic degeneration of a privileged labor caste—in Russia all of these dangers stemmed from the numerical weakness of the proletariat, the age-long poverty and backwardness inherited from Czarism, and the isolation of the Russian Revolution. These dangers were in the final analysis unavoidable there.

These dangers scarcely exist in the U.S. Thanks to the overwhelming numerical superiority and social weight of the proletariat, its high cultural level and potential; thanks to the country's vast resources, its productive capacity and preponderant strength on the world arena, the victorious proletarian revolution in the U.S., once it has consolidated its power, will be almost automatically secured against capitalist restoration either by internal counter-revolution or by foreign intervention and imperialist blockade.

As for the danger of bureaucratic degeneration after the revolutionary victory—this can only arise from privileges which are in turn based on backwardness, poverty and universal scarcities. Such a danger could have no material foundation within the U.S. Here the triumphant Workers' and Farmers' Government would from the very beginning be able to organize socialist production on far higher levels than under capitalism, and virtually overnight assure such a high standard of living for the masses as would strip privileges in the material sense of any serious meaning whatever. Mawkish speculations concerning the danger of bureaucratic degeneration after the victorious revolution serve no purpose except to introduce skepticism and pessimism into the ranks of the workers' vanguard, and paralyze their will to struggle, while providing fainthearts and snivelers with a convenient pretext for running away from the struggle. The problem in the U.S. is almost exclusively the problem of the workers' conquest of political power.

XII

In the coming struggle for power the main advantages will be on the side of the workers; with adequate mobilization of their forces and proper direction the workers will win. If one wishes to deal with stern realities and not with superficial appearances, that is the only way to pose the question. The American capitalist class is strong, but the American working class is stronger.

The numerical strength and social weight of the American working class, greatly increased by the war, is overwhelming in the country's life. Nothing can stand up against it. The productivity of American labor, likewise greatly increased in wartime, is the highest in the world. This means skill, and skill means power.

The American workers are accustomed to the highest living and working standards. The widely-held view that high wages are a conservatizing factor tending to make workers immune to revolutionary ideas and actions, is one-sided and false. This holds true only under conditions of capitalist stability where the relatively high standard of living can be maintained and even improved. This is excluded for the future, as our whole analysis has shown. On the other hand, the workers react most sensitively and violently to any infringement upon their living standards. This has already been demonstrated by the strike waves in which great masses of "conservative" workers have resorted to the most militant and radical course of action. In the given situation, therefore, the relatively high living standard of the American workers is a revolutionary and not, as is commonly believed, a conservatizing factor.

The revolutionary potential of the class is further strengthened by their traditional militancy coupled with the ability to react almost spontaneously in defense of their vital interests, and their singular resourcefulness and ingenuity (the sitdown strikes!).

Another highly important factor in raising the revolutionary potential of the American working class is its greatly increased cohesiveness and homogeneity—a transformation accomplished in the last quarter of a century.

Previously, large and decisive sections of the proletariat in the basic industries were recruited by immigration. These foreign-born workers were handicapped and divided by language barriers, treated as social pariahs and deprived of citizenship and the most elementary civil rights. All these circumstances appeared to be insuperable barriers in the way of their organization and functioning as a united labor force. In the intervening years, however, these foreign-born workers have been assimilated and "Americanized." They and their sons today constitute a powerful, militant and articulate detachment of the organized labor movement.

An equally significant and profound development is represented by the transformation that has taken place in the position occupied by the Negroes. Formerly barred and deprived of the rights and benefits of organization by the dominant reactionary craft unions and, on the other hand, regarded and sometimes utilized by the employers as a reserve for strikebreaking purposes, masses of Negroes have since the twenties penetrated into the basic industries and into the unions. Not less than two million Negroes are members of the CIO, AFL and independent unions. They have demonstrated in the great strike struggles that they stand in the front lines of progressiveness and militancy.

The American workers have the advantage of being com-

paratively free, especially among the younger and most militant layers, from reformist prejudices. The class as a whole has not been infected with the debilitating poison of reformism, either of the classic "Socialist" variety or the latter-day Stalinist brand. As a consequence, once they proceed to action, they more readily accept the most radical solutions. No important section of the class, let alone the class as a whole, has been demoralized by defeats. Finally, this young and mighty power is being drawn into the decisive phases of the class struggle at a tempo that creates unparalleled premises for mass radicalization.

XIII

Much has been said about the "backwardness" of the American working class as a justification for a pessimistic outlook, the postponement of the socialist revolution to a remote future and withdrawal from the struggle. This is a very superficial view of the American workers and their prospects.

It is true that this class, in many respects the most advanced and progressive in the world, has not yet taken the road of independent political action on a mass scale. But this weakness can be swiftly overcome. Under the compulsion of objective necessity not only backward peoples but backward classes in advanced countries find themselves driven to clear great distances in single leaps. As a matter of fact, the American working class has already made one such leap which has advanced it far ahead of its old positions.

The workers entered the 1929 crisis as an unorganized, atomized mass imbued with illusions concerning "rugged individualism," "private initiative," "free enterprise," "the American Way," etc., etc. Less than 10 per cent of the class as a whole was organized on the trade union field (fewer than 3 million out of 33 million in 1929). Moreover, this thin layer embraced primarily the highly skilled and privileged workers, organized in antiquated craft unions. The main and most decisive section of the workers knew unionism only as "company unionism," remaining without the benefit, the experience and even the understanding of the most elementary form of workers' organization—the trade union. They were regarded and treated as mere raw material for capitalist exploitation, without rights or protection or any security of employment.

As a consequence, the 1929 crisis found the working class helpless and impotent. For three years the masses remained stunned and disoriented by the disaster. Their resistance was extremely limited and sporadic. But their anger and resentment accumulated. The next five years (1933-37), coincident with a partial revival of industry, witnessed a series of gigantic clashes, street fights and sit-down strikes—an embryonic civil war—the end result of which was a leap, a giant leap, for millions of workers from non-existence as an organized force to trade union consciousness and organization. Once fairly started, the movement for unionism snow-balled, embracing today almost 15 million in all the basic industries.

In one leap—in a brief decade—the American workers attained trade-union consciousness on a higher plane and with mightier organizations than in any other advanced country. In the study and analysis of this great transformation, rather than in vapid ruminations over the "backwardness" of the American workers, one can find the key to prospective future developments. Under the impact of great events and pressing necessities the American workers will advance beyond the limits of trade unionism and acquire political class consciousness and organization in a similar sweeping movement.

XIV

The decisive instrument of the proletarian revolution is the party of the class conscious vanguard. Failing the leadership of such a party, the most favorable revolutionary situations, which arise from the objective circumstances, cannot be carried through to the final victory of the proletariat and the beginnings of planned reorganization of society on socialist foundations. This was demonstrated most conclusively—and positively—in the 1917 Russian Revolution. This same principled lesson derives no less irrefutably—even though negatively—from the entire world experience of the epoch of wars, revolutions and colonial uprisings that began with the outbreak of the First World War in 1914.

However, this basic conclusion from the vast and tragic experience of the last third of a century, can be and has been given a reactionary interpretation by a school of neo-revisionism, represented by the ideologues, philosophers and preachers of prostration, capitulation and defeat. They say in effect: "Since the revolutionary party is small and weak it is idle to speak of revolutionary possibilities. The weakness of the party changes everything." The authors of this "theory" reject and repudiate Marxism, embracing in its place the subjective school of sociology. They isolate the factor of the revolutionary party's relative numerical weakness at a particular moment from the totality of objective economic and political developments which creates all the necessary and sufficient conditions for the swift growth of the revolutionary vanguard party.

Given an objectively revolutionary situation, a proletarian party—even a small one—equipped with a precisely worked out Marxist program and firm cadres can expand its forces and come to the head of the revolutionary mass movement in a comparatively brief span of time. This too was proved conclusively—and positively—by the experiences of the Russian Revolution in 1917. There the Bolshevik Party, headed by Lenin and Trotsky, bounded forward from a tiny minority, just emerging from underground isolation in February to the conquest of power in October—a period of nine months.

Numerical weakness, to be sure, is not a virtue for a revolutionary party but a weakness to be overcome by persistent work and resolute struggle. In the U.S. all the conditions are in the process of unfolding for the rapid transformation of the organized vanguard from a propaganda group to a mass party strong enough to lead the revolutionary struggle for power.

XV

The hopeless contradictions of American capitalism, inextricably tied up with the death agony of world capitalism, are bound to lead to a social crisis of such catastrophic proportions as will place the proletarian revolution on the order of the day.

In this crisis, it is realistic to expect that the American workers, who attained trade-union consciousness and organization within a single decade, will pass through another great transformation in their mentality, attaining political consciousness and organization. If in the course of this dynamic development a mass labor party based on the trade unions is formed, it will not represent a detour into reformist stagnation and futility, as happened in England and elsewhere in the period of capitalist ascent. From all indications, it will rather represent a preliminary stage in the political radicalization of the American workers, preparing them for the direct leadership of the revolutionary party.

The revolutionary vanguard party, destined to lead this tumultuous revolutionary movement in the U.S., does not have to be created. It already exists, and its name is the SOCIALIST WORKERS PARTY. It is the sole legitimate heir and continuator of pioneer American Communism and the revolutionary movements of the American workers from which it sprang. Its nucleus has already taken shape in three decades of unremitting work and struggle against the stream. Its program has been hammered out in ideological battles and successfully defended against every kind of revisionist assault upon it. The fundamental core of a professional leadership has been assembled and trained in the irreconcilable spirit of the combat party of the revolution.

The task of the SOCIALIST WORKERS PARTY consists simply in this: To remain true to its program and banner; to render it more precise with each new development and apply it correctly in the class struggle; and to expand and grow with the growth of the revolutionary mass movement, always aspiring to lead it to victory in the struggle for political power.

Resolution on French Constitutional Referendum

Adopted by the 12th National Convention of the SWP,
Nov. 15-18, 1946

The *Parti Communiste Internationaliste* of France originally took the position that the PCI advocated boycotting the referendum on the proposed Constitution which "sanctioned capitalist exploitation."

On April 23 the Central Committee of the PCI reversed by a small majority the previous position of the party and called upon the workers to vote "Yes" in the referendum on the Constitution.

In our opinion this position is incorrect. It is impermissible, as a matter of principle, for a revolutionary socialist party to support, or to ask the working class to support, any Constitution which bases itself upon private property in the means of production. Capitalist private property, together with the national state resting on its foundations, is the main source of all the evils suffered by the masses of France: war, the loss of liberties, unemployment, the high cost of living, etc. The abolition of capitalism is the indispensable prerequisite for uprooting these evils and clearing the way for social, economic and political progress in France.

At the very time that the Anglo-American imperialists and their French satellite are preparing for World War III, the proposed Constitution upholds capitalist militarism and sanctifies in advance a new catastrophic blood-bath by the ruling class.

At the very time that the inhabitants of Indo-China are heroically fighting to throw off the yoke of French domination and the best fighters for freedom in Algeria are murdered and jailed by colonial officials, this Constitution provides for the maintenance of French imperialist rule over all its oppressed colonies.

The text of this Constitution, drafted and adopted by the Socialist Party and Communist (Stalinist) Party majority in the Constituent Assembly, continues the treacherous policies of class collaboration by which these parties have led the French working class into its present blind alley.

For these reasons, it is our opinion that the Trotskyists of France should unequivocally oppose this capitalist constitution and any new version of the same thing.

From a Propaganda Group to a Party of Mass Action

Tasks of the SWP in the Present Political Situation

Adopted by the 12th National Convention of the SWP, Nov. 15-18, 1946

1. Position and Prospects of U. S. Capitalism

The position and prospects of American capitalism can be appraised correctly only from the following starting point: The crash of 1929-32 marked the beginning of the historical crisis of the capitalist regime. U.S. economy never fully recovered from the effects of this crisis. Following the feeble upturn from 1933 to 1937, came the "recession" in late 1937. The country started plunging toward depths below 1932.

The incipient crisis of 1937-38 was cut short by the desperate effort of the capitalist rulers to find a way out through a gigantic war program. They thus aimed to revive their decaying system and destroy the most menacing rivals (Germany and Japan), blocking their path to world domination. The military expenditures, multiplied with the direct entry of the U.S. into the war, lifted falling profits to new heights, reduced and then absorbed the unemployed, artificially invigorated and expanded industry and agriculture.

Only the demands of total war with its wild wastage of the country's wealth made possible the full utilization and extension of existing productive facilities. The war, far from resolving the fundamental causes of this historical crisis, has in reality only aggravated the contradictions and accentuated the disproportions of U.S. economy.

The post-war boom has not signified the reestablishment of a stable and enduring equilibrium nor has it held out the promise of prolonged prosperity. The artificially stimulated market—arising from wartime scarcities, speculation and the resumption of international ties—has provided American capitalism with a temporary reprieve, and nothing more.

An analysis of the present economic situation* shows that the post-war boom will be short-lived and that in the period ahead the crisis cannot be averted.

The constantly mounting concentration of wealth in the hands of a tiny oligarchy has proceeded at an unparalleled rate. This acts to diminish the absorbing capacity of the internal market, which has been shrinking since 1929.

The production facilities, which declining American capitalism could not make use of during the chronic crisis of the Thirties, increased over 50 per cent during the war. In 1939 these facilities were valued at 40 billion dollars. During the war 26 billions of new production facilities were added. Capitalism is now tormented with the insoluble problem of what to do with these vast means of production and how to keep them in profitable operation.

The working force likewise expanded tremendously, reaching the high point of 58 million employed in October 1946. The productivity of labor had also increased on an average of thirty per cent.

This over-expanded productive capacity comes into ever-sharpening conflict with the declining purchasing power of the people. The worker's relative share of his product, and there-

with of the national income, is diminishing steadily. Thus although between 1919 and 1938 the productivity of the average worker doubled, his relative position had worsened, because his real annual wage had meanwhile increased only slightly.

The domestic market, shrinking because of the workers' inability to buy the increasing quantities of goods they produced, was further limited by the capitalist attempts to unload the costs and consequences of their war upon the working people. The post-war tax-burden remained six times heavier than before the war. The 260 billion dollar national debt plus an annual 40 billion dollar budget—a sum equal to the entire national income in 1932—insures the continuation of this intolerable taxation, and blocks any lasting and genuine expansion of the internal market.

High taxes coupled with constantly soaring prices produced severe slashes in real wages. The CIO *Economic Outlook* estimated that at the height of the 1946 boom the weekly paycheck of the average American worker was worth one-fifth less than in 1945.

Wartime "savings," amounting to one year's national income—another factor confidently expected to vastly increase the absorbing capacity of the internal market—have instead acted to further restrict it. These "savings" do not represent mass purchasing power. 70 per cent of the population has little savings or none. 10 per cent of the population holds 60 per cent of these "savings." The balance is held by another 20 per cent. In plain words, the bulk of these savings represents—*capital*. This capital, even if idle, bears interest, which can come only from national income. And by this token, like the high taxes, the bulk of these "savings" further depresses the purchasing power of the masses.

The lifting of government price regulations removed the last flimsy restraints upon inflation. The price-gougers were given a free hand to fleece the consuming masses.

While the real income of the workers was being drastically cut, corporation profits kept setting new records. 1946 business profits will net at least 11 billion dollars—the highest in history, and this on top of the scores of billions of wartime profits.

Under these conditions the period of scarcities must approach its end and give way to its opposite: The overproduction of commodities. And this has been happening. By July the inventories of manufacturers, wholesalers and retailers soared to over 30 billion dollars, only to leap another 1.2 billion by August. This process continued in September and October and threatens to stall production.

Prices and production have kept mounting and have been maintained by the momentum of every speculative boom. Production, reaching its peak in August, remained at record levels in September and October, with the surplus accumulating in

the warehouses. What makes these huge inventories possible is the equally huge inflation of credit. Business loans increased 2½ billion dollars by the second half of this year and have kept rising. By the end of October the Treasury and federal banking authorities had issued three warnings to clamp down on loans. It still remains to be seen which will collapse first; the credit structure or the monstrous pile of hoarded commodities. In either case, a flood of goods must then pour into the market and production will become progressively paralyzed.

Growing unemployment and declining production—these are the real prospects directly ahead. Temporary fluctuations upwards are not excluded, but the general trend is down; further and further down.

The war-born prosperity of American agriculture provided one of the principal props of the post-war boom. Following World War I, over-expanded American agriculture contracted violently and collapsed. It never fully regained its health thereafter but remained in a chronic crisis relieved by government subsidies.

The war-boom did not remove any of the underlying causes of this continued agricultural decay. The first ominous cracks

in the agricultural price structure have already appeared. They came with the successive breaks in October in cotton. With the drop in cotton, other commodity markets (grain, corn, meat, etc.) also sagged. UNRRA purchases are scheduled to end this December. Authoritative capitalist economists who had issued warnings early in the year that the farm boom was fading never expected the developments that have already occurred. Far greater convulsions are ahead.

The hope of America's capitalists that the world market, shored up by American loans and credits, would prove capable of absorbing the enormous surplus of goods will never materialize. After the first great flush of peacetime buying, foreign purchasing power, restricted by universal impoverishment and ruin, must decline. The 1946 rate of 10 billion dollars a year in exports cannot long be maintained. Even this figure falls short of the required anticipated annual export of 30 billion dollars. The rest of the world is far too poor to sustain the colossal overbuilt edifice of U.S. capitalist industry.

The post-war boom has paved the way for a new and bigger crisis, mass unemployment, widespread misery, suffering and want.

2. Preparations for World War III

How can Wall Street escape the consequences of this economic catastrophe?

Just as German capitalism had no way out of its blind alley except through the organization of Europe under its iron heel, so capitalist America must attempt to reorganize the world under its domination. In its drive to achieve its imperialist aims, Germany had to fight two world wars. Similarly, the U.S. imperialists cannot carry out their program of world conquest without a Third World War.

World War II eliminated Germany and Japan as contenders for world mastery. It definitely relegated Great Britain to the status of a second-rate power. France was prostrated. But, although World War II made the United States predominant, it fell short of making American imperialism the unchallenged autocrat of the planet. To establish absolute control, the capitalist rulers must fulfill the following assignments:

1. Smash the power of the working class at home.
2. Crush the colonial and semi-colonial peoples who are fighting for their independence (Philippines, China, Indo-China, India, Indonesia, Korea, etc.).
3. Remove the Soviet Union as an obstacle to Wall Street's world domination. This is why the war plans of U.S. imperialism are directed first and foremost against the Soviet Union.

The American militarists monopolize the atom bomb. Washington is using the UN as a cover for war preparations and as an instrument for stirring up public sentiment against the USSR.

These aims determine the foreign and domestic policies of Washington and dictate its imperialist war program.

3. Party Tasks in the Fight Against World War III

For us the struggle against war is inseparable from the struggle against the rule of Wall Street. That means to broaden and deepen the class struggle against monopoly capitalism and to mobilize the masses in opposition to capitalist militarism and Wall Street's war plans.

The party's anti-war slogans are designed to tear the mask off the imperialist bandits, to expose their schemes for world

conquest, and to defend the oppressed peoples throughout the world as well as the Soviet Union, imperiled from within by the Stalinist gang and from without by the Anglo-American imperialists.

Our party must shoulder the historic task of leading and organizing the anti-war fight of the masses. This struggle must be developed around the following slogans:

**Take the war-making powers away from Congress!
Let the people vote on the question of war and peace!
Against capitalist conscription! Abolish the officer
caste system! Full democratic rights in the armed forces!
Trade union wages for the armed forces!**

**There is a working class answer to capitalist militarism!
Military training of workers, financed by the government, but under control of the trade unions.**

The fight against war is a world-encompassing struggle. The workers in every land confront a common enemy in monopoly capitalism headed by American Big Business. Every action of the masses directed against capitalist rule and imperialist enslavement helps undermine the power of the Morgans, duPonts and Rockefellers at home. Support of the anti-capitalist struggles of the European and colonial masses is therefore an integral part of the anti-war struggle of the American people.

The peoples in the occupied countries have voiced demands that the American forces be sent back home. The American troops themselves do not want to be used as tools for the dirty work of tyrannizing over other nations. **Withdraw all American troops from foreign soil!**

Solidarity with the revolutionary struggles of the workers in all lands! For the complete independence of the colonial peoples!

4. The Offensive of Capitalist Reaction

Big Business and the capitalist press has deliberately unleashed its red-baiting campaign. This mounting anti-red drive emanates from the highest government officials, and has been picked up by all of Wall Street's political and trade union agents, becoming one of the dominant issues in the 1946 election campaign and within the trade union movement.

The red-baiting campaign pursues the following aims:

1. To divert the attention of the masses from the critical conditions at home, to cover up the shameless profiteering and criminal misdeeds of the capitalists, and find a scapegoat for the capitalists' own inability to provide adequate food, clothing and shelter to their wage slaves.

2. By instigating a hue and cry against the "reds," the corporations aim to sow dissension in labor's ranks and split the unions. The success of these tactics would render the workers helpless to combat the offensive against their working and living conditions.

3. They thus aim to clear the path for Wall Street's projected war against the Soviet Union. Intensified assaults upon labor at home go hand in hand with large-scale preparations for atomic warfare abroad. U.S. imperialism seeks to gag all opposition to its conspiracy to plunge the country into World War III.

4. By these witch-hunts the government officials prepare the ground for frame-up prosecutions against militants. Red-baiting creates the political atmosphere for repressions against the most irreconcilable opponents of imperialism. The World War II imprisonment of the SWP and Minneapolis Teamsters' Local 544-CIO leaders was only the first step in this campaign of repression.

This rabid reaction, stemming from Wall Street's war-preparations and union-busting conspiracy, will set the pattern for the next Congress. The 79th Congress was characterized by

its supporter, Philip Murray, as "the most reactionary in many years." The 80th Congress will outdo its predecessor in anti-labor acts and repressive legislation.

The Democratic-Republican coalition will attempt to curb the right to strike, to restrict civil liberties, and to repeal progressive legislation now on the statute books. The demands of the Negro people for anti-lynch and anti-poll tax laws and for a Fair Employment Practices Committee will be more crudely rebuffed.

This offensive is directed not only against labor but all the oppressed. Shielded by government and police officials, Jim Crow vigilantes and Ku-Kluxers have launched nation-wide terror and lynch campaigns against the Negroes. Anti-Semitic hoodlums attack Jews.

These manifestations of capitalist reaction are paving the way for the emergence of a native fascist movement. Powerful monopolists are throwing more and more support behind the likely candidates for the role of the American Hitler.

Wherever the red-baiters raise their ugly heads, the militants must meet them with uncompromising opposition. They must teach the workers that red-baiting plays into the hands of the worst enemies of labor. The same working-class solidarity, militancy and unity in action that set back the wage-cutting drive can defeat these new boss maneuvers to split the ranks of labor. The slogan must be: **On guard against the red-baiters! Unity of labor against all divisive tactics of the bosses!**

5. The Power of American Labor

In the economic field the labor movement today stands at the peak of its power. The unions embrace over 15 million members. The basic industries are organized.

Although the official leaders of the trade unions are conservative, jingoistic, and pro-capitalist, the workers have time and again displayed a firm will and ability to fight militantly in defense of their living standards against the corporations and in defiance of the government. When the camp of "national unity," extending from Big Business to the union bureaucrats, Social Democrats and Stalinists, sought to shackle the workers to the war-machine, important sections of organized labor (miners, auto workers, rubber workers) defied the "no-strike pledge" and engaged in strike struggles even amid World War II.

The power of American labor was demonstrated in action by the unprecedented wave of strikes after V-J Day. This upsurge, the greatest in labor history, set back the wage-slashing, union-busting plans of Big Business, heightened the unity, morale and fighting temper of the working class, shook up and drew into struggle even such a traditionally conservative section as the railroad brotherhoods.

These struggles also forged strong links of solidarity between the unions and the veterans, white-collar workers and Negroes. After World War I many ex-servicemen were utilized as a strikebreaking, vigilante force against the unions. After this war the returned soldiers have been in the front ranks of labor's fights against the monopolists.

The Negro workers who in 1919-20 unwittingly served as part of the labor reserve used by the corporations as strike-breakers are today an integral part of the organized labor movement. They constitute one of its most combative and self-sacrificing detachments. Two million Negroes are in the ranks of organized labor. The Southern organizing drives of the CIO

and AFL will bring many thousands more into the house of labor.

Women comprise an important section of the American working class. In addition to those formerly employed, millions of women were absorbed into industry in wartime. The effects of this are far-reaching. The women obtained for the first time the opportunity to acquire industrial skills. They learned about working conditions and the importance of organization. Large sections became imbued with trade-union consciousness.

During the war the capitalist propagandists glorified the role of women in industry. With the termination of hostilities the same capitalists began to push them back into the drudgery of the kitchen. The wartime nurseries were closed down, and in the lay-offs the women were among the first to go. By May 1946 employment of women in all types of work decreased by more than 4 million. The altered psychology of the women, resulting from their wartime experience, expressed itself in the protest movements against these steps. Their indignation was further augmented by the food shortages and profiteering. The millions of women in and out of industry enter the next period as one of the important fighting contingents of labor.

The American working class enters the unfolding crisis far more homogeneous, better organized and with a solidarity forged in struggle. And what is no less important, without the previous illusions about the stability of capitalism and its ability to provide jobs, security and a living wage. The memory of the economic disaster in the Thirties is fresh in the minds of the youngest and oldest generations alike. Through their own experience they have learned that capitalism could end unemployment only by mobilizing the resources of the country for destruction and dragging twelve million men into the armed forces.

Wall Street faces its most formidable antagonist in the Amer-

ican working class. The economic crisis will have a profound revolutionary impact upon the American workers, accelerating their politicalization and radicalization. The attempts of the monopolists to unload the burden of war upon the workers met with stubborn resistance. The attempts to unload the burden of the economic crisis will provoke far fiercer defensive battles.

6. The Closest Allies of the Working Class

The Negro people, comprising one-tenth of the country's population, are fighting for their second emancipation. In their struggle for social, economic and political equality they have demonstrated great courage and militancy. The urbanization of the Negroes, their integration into the industries of the North and South has consolidated their hitherto dispersed ranks. Their social consciousness has undergone a drastic transformation as evidenced not alone by their role in the trade unions but also by the growth of Negro mass organizations, the Negro press and their increasing participation in political life. The Negro people as a whole have demonstrated a high degree of solidarity, a readiness to struggle and an eagerness to join in the struggles of the labor movement. Today they are the most radicalized section of the American people.

White-skinned working people can never free themselves from oppression so long as their brothers with colored skins remain enslaved. The demands and objectives of the Negro people must become those of the labor movement as a whole. In this way the natural alliance of the labor movement and the Negro people will be cemented.

Our party continues as in the past to fight against Jim Crow, lynchings and all forms of discrimination wherever they exist. We support and promote federal, state and local legislation (federal anti-lynch law, FEPC, anti-poll tax and similar measures). But above all we work for the independent mass action of the working class organizations jointly with the Negroes to achieve these ends.

Wherever Negroes have run candidates of their own in elections it has been and remains our policy to call on the entire labor movement to support them.

The political parties of Wall Street are the worst foes of the Negro people. That is why the Negro people have everything to gain from the formation of the Labor Party and will play an important role in helping to organize it.

The party favors participation in the work of the Negro mass organizations. The NAACP is the largest and most important. Despite its cowardly petty-bourgeois leadership and its inadequate program, the NAACP embraces in its ranks thousands of workers and other elements eager to struggle. Before launching new Negro organizations, a course that is by no means excluded, it is necessary to take advantage of opportuni-

ties for work in the existing ones. The possibility of influencing the policies of existing organizations in a revolutionary direction must be tested in action and cannot be written off in advance. In any case, our increased activity in the existing organizations would augment our influence and forces, and would enable our comrades to gain invaluable experience, preparing them for the bigger tasks ahead.

Millions of veterans on returning from overseas have had their eyes opened. There is no housing for them and their families; most of them can find no jobs other than at low wages, or on an "apprentice" basis; they are rapidly exhausting their year's unemployment allowance of \$20 a week. Their perspectives for future employment are even more dismal. Those who have entered industry have learned that all the propaganda stories about the workers getting rich during the war were monstrous lies. All this has impelled the veterans to the side of labor.

The Wall Street-sponsored American Legion and the Veterans of Foreign Wars have not found favor with the mass of veterans of World War II. One of the reasons is that these reactionary organizations are dominated by the same Brass Hats with whom the returning veterans have had experience at first hand and against whose caste system they staged grandiose protest demonstrations. Our party has long urged the trade unions to organize the veterans. The official trade union leadership has, however, refused to do more than organize veterans committees in the separate unions. These committees are neither coordinated nor do they embrace all the veterans inside each respective union. Although the most favorable moment has been let slip, there is still time for the trade unions to organize the veterans.

Meanwhile the vacuum thus created has been filled by a number of veterans organizations, none of which have achieved any notable success. The most prominent and aggressive among these new bodies is the American Veterans Committee. Our party favors participation in these organizations, particularly the AVC, in order to advance a militant program of struggle and to promote the alliance of veterans with the labor movement.

The youth are the greatest reservoir of the revolutionary movement.

The "locked-out" generation of the pre-war period now comprises a large section of the veterans. Their prospects of stable employment at a living wage are rapidly disappearing.

The generation of youth now growing up faces the prospect of the "locked-out" generation of the Thirties: No jobs, no chance for a normal life, army service in place of CCC camps.

Neither generation has any stake in capitalism. In their discontent they will seek the most thorough-going solutions, and look first of all toward labor to provide the program and leadership.

7. The Fight to Maintain Living Standards

Despite the gains wrested by the workers in recent strike struggles, their living standards have been steadily declining. The SWP advances the only effective program of struggle against the scourge of inflation. The heart and core of this program is the struggle for the sliding scale of wages. This demand has already been raised by a number of auto, steel, rubber, packinghouse and other unions.

Since inflationary prices play havoc with the living standards of all groups in the population who are compelled to live on a strictly limited income, this same demand extends to other

groups. Especially does this apply to veterans receiving unemployment compensation, attending school under the GI Bill of Rights, or drawing disability pensions. In addition to the demand for trade union wages for veterans in the above categories, the party demands a sliding scale of compensation to meet the rising cost of living. Trade unions and veterans' organizations should urge legislation to provide such a sliding scale retroactively on the basis of the price index at the time the GI Bill was passed.

This demand likewise covers unemployment compensation

for all workers as well as old age pensions, widows' pensions, etc., both state and federal.

So long as the war-born inflation continues to rage, the demand for the sliding scale of wages and benefits retains its full force and remains central for the immediate struggles.

The party advocates Consumers' Committees as a supplementary means of struggle against profiteering, price-gouging, black marketeering and diversion of scarce commodities. Such committees operating along correct lines can be highly effective in fighting profiteering and cementing the alliance between the workers and the city poor. These committees have thus far appeared only sporadically and failed to acquire any considerable scope or influence except in isolated instances. In the next period such committees can play a significant role, especially in the struggle against the landlords and real estate sharks.

The projected lifting of rent ceilings, under the pretext of stimulating a construction boom, will undoubtedly generate great indignation and resistance. These struggles will take the form of rent strikes, anti-eviction demonstrations, demands for adequate housing, etc.

The party must be on the alert to initiate and give organized expression to this mass movement. The tenants must be organized to resist the lifting of rent controls, raising of rents and evictions. The trade unions, the veterans and all other mass organizations should be mobilized in support of the tenants' actions.

To relieve the housing shortage we raise the slogan of an immediate appropriation of 18 billion dollars for a government low-rent housing program. In our agitation we counterpose this demand to the military budget for 1947. **We want houses, not atom bombs!**

Once the speculative boom is exhausted, the attack on the workers' living standards will take the form of unemployment, part-time employment, wage slashes, worsening working conditions, etc. The party must prepare itself right now for this next phase of the struggle. This will bring to the fore our program for full employment and job security for all workers and veterans, summarized in the following slogans:

For the 6-hour day, 30-hour week!

A sliding scale of hours—reduce the hours of work with no reduction in pay to prevent layoffs and unemployment!

Government operation of all idle plants under workers' control!

Unemployment insurance equal to trade union wages for workers and veterans during the entire period of unemployment!

The fight for the economic protection of the unemployed must be carried on by and through the unions. This is a matter of self-preservation for the unions themselves; and conversely, this is the most effective way to defend the unemployed.

In several localities our party has participated in effective actions against heavy and discriminatory taxes. The party must fight to lift the growing tax burden from the toiling masses and place it upon the rich who fattened on the war.

It is imperative to safeguard all social gains and progressive legislation. But it is not enough to wage a purely defensive battle. Our party must aggressively advance its demands for social legislation and urge all the workers' mass organizations to pass over to the offensive in this field, and fight for a broad program of social demands to be adopted by city, state and federal governments. These demands should cover the immediate needs of the unemployed, the veterans, the aged and the

disabled. Such a bold program of social legislation can act as a magnet to draw together the separate segments of organized labor and attract other oppressed sections of the population to the side of the workers.

The party must assume the initiative in calling upon the labor movement to wage mass struggles against Jim Crow, anti-Semitism, fascism and all other manifestations of capitalist-fostered reaction.

In the coming struggles the corporations and their government agents will redouble their efforts to terrorize the workers, rob the unions of their rights and paralyze labor's freedom of action. By breaking the injunction of the boss court by militant mass protest, the Pittsburgh workers have translated into action our slogan: **No restrictions on the right to strike and picket!** And **No compulsory arbitration.**

The 15 million organized workers have common problems and face a single class foe. They urgently need a broad national agency whereby they can plan, coordinate and organize their joint efforts. Our party was the first to raise the slogan for a United Conference of Labor, embracing the CIO, AFL, Railroad Brotherhoods and other unions, to draw up a program of action and launch a nation-wide struggle in defense of labor's rights and living standards.

The proposal for a United Labor Conference has already been advanced by the UAW-CIO and other unions. The necessity for united action will become more and more obvious to every thinking worker as the class struggle sharpens. The opposition of self-seeking, narrow-minded bureaucrats to joint action must be combatted and overcome through the pressure of the ranks. Our members must become untiring advocates of united action as the most effective way to avoid exhausting strike struggles in single combat against the corporations. Conferences on a local scale and for local actions will fortify the movement and pave the way for the holding of such a national Conference of Labor.

8. The Role of the Trade Union Bureaucracy

The capitalist class has powerful agents inside the labor movement. The most corrupt and servile is the top officialdom of the AFL craft unions. The last convention of the AFL echoed the ideas of the National Association of Manufacturers and set the stage for witch-hunts against militancy and progressive ideas within the ranks of labor. The voice of the AFL rank and file was not heard on the convention floor.

These union bureaucrats are far more concerned with protecting their own narrow interests than organizing action to defend the interests of the workers against the attacks of the employers.

The top CIO leaders rest on a different base from that of the AFL hierarchy. The CIO unions, young and based on the workers in mass production industries, have not been so bureaucratized. This is why the top leaderships of the CIO have been more aggressive in the struggle to defend the workers' living standards. This is why there has been more hesitancy among the CIO leading circles in openly participating in the red-baiting campaign. It has been the secondary leaders and the Social Democrats who have taken the lead in the witch-hunts and purges against the Stalinists inside these unions.

In the critical days ahead the trade unions will require unity more urgently than ever before. While this unity was actually being forged on the picket lines in the course of the recent strike struggles, the AFL bureaucracy has organized a jurisdictional war against a number of CIO unions. They declared war on the CIO in vicious red-baiting terms. They hope thereby

to gain the monopoly of the organized labor movement and to purge it of all militancy. This program of the AFL bureaucracy comes into clash with the vital interests of the workers and is doomed to failure.

Out of the crisis of the Thirties arose the CIO as a revolt against the failure of the craft-ridden AFL bureaucracy to organize the workers of the basic industries. The CIO broke the

stranglehold of the AFL bureaucracy on organized labor. The next crisis will weld the best militants in the trade union movement into an organized left wing as a challenge wherever the dead hand of the trade union bureaucracy stifles the militancy of the workers in their political and economic struggles. Only this new leadership can secure the necessary unity of the class front and defeat the offensive of monopoly capital.

9. The Crisis in the Communist Party

The American Stalinists emerged from World War II discredited among the best militants in the labor movement and among the Negro people. Their ranks have been demoralized by the sudden shifts in line and weakened by internal conflicts. No authoritative leadership commands the respect of the Stalinist ranks. The American Stalinist Party is no different from its counterparts in other countries. The Stalinists are servile agents of the Kremlin oligarchy and they faithfully pursue the policies dictated by Stalin. The difference between the various Stalinist parties lies solely in the different conditions under which each operates. The reactionary role of the Stalinists in the European countries, for example, was hidden from the full view of the masses. Under Nazi occupation the Stalinists were compelled to function underground. Many of them fought arms in hand against the occupying forces and the native collaborationist bourgeoisie. They thus gave an impression of militancy which disguised their fundamentally reactionary role.

In the U.S. (as in England), however, they functioned openly as the best defenders of monopoly capitalism; they broke strikes; they advocated speed-up; they served as informers for the FBI and the bosses against revolutionists and union militants who resisted the employer-government union-busting acts; they were the advocates of a permanent no-strike pledge and labor conscription; they opposed the struggles of the Negro people against Jim Crow in the army and civilian life.

Soon after V-J Day, the wartime sell-out policies, the breakup of "Big Three" unity, and the realignment inside the unions provoked a deep-going crisis within the Communist Party. The pseudo-"left" turn and the expulsion of Browder as an "agent of monopoly capitalism" however, produced no fundamental change in the treacherous policies of the CP and only deepened the crisis. The present Foster leadership contending with the growing disquiet and discontent in the ranks has resorted to wholesale expulsions.

Their only answer to the questioning of the members is to conduct red-baiting hunts of their own against "Trotskyists" and to expel all oppositionists. By these bureaucratic measures they hope to terrorize their own ranks and stifle further criticism. They have intensified their slanders against the Trotskyists and instigated gangster assaults upon *Militant* distributors.

The Stalinists remain the greatest single obstacle in the labor movement to the development of the revolutionary party. Through their national apparatus and their control over a number of CIO international unions, local and central labor bodies, they act as a disorienting force, restraining the workers from independent class action, contaminating the class consciousness of the workers, and continuing under more radical phrases the same class-collaborationist policies they practiced during the war.

Their character and role cannot alter. They have been the prime obstacle to the crystallization of a genuine left wing in the trade unions.

The crisis within the CP presents our party with an exceptional opportunity to strike damaging blows at the Stalinist apparatus, win over its best worker elements, and dislodge our main rival for the allegiance of the advanced workers. The relationship of forces between the CP and the Trotskyists is more favorable here than in any other country. In several key industrial centers our effective forces equal or surpass those of the Stalinists. Our struggle to rid the labor movement of this treacherous agency of the Kremlin has nothing in common with the campaign of the red-baiters. Our struggle against Stalinism is a component part of our revolutionary program, which is the most effective weapon against the red-baiters. In advancing this program and mobilizing the militants to oppose the red-baiters, we at the same time deal the most decisive blows to the Stalinists.

10. The Political Situation and the Labor Party Movement

The American workers will enter the coming crucial battles organized only on the economic field. The elemental urge of the workers toward political organization has been thwarted thus far by the combined forces of the trade union bureaucracy, the Stalinists and the Social Democrats. The coming class battles will give a powerful impetus to the entry of American labor as an independent force on the political arena. The process of political realignment is already under way.

The breakup of the camp of "national unity" following V-J Day has unloosed the political tendencies cut short and repressed by the war. The Democratic Party, which has governed the country since 1933, is rapidly disintegrating.

It comprises such fundamentally incompatible and hostile elements as bankers, big businessmen, Southern Bourbons, big city machine politicians and, on its left, organized labor and a large number of Northern Negroes. Despite minor defections, Roosevelt managed to keep these diverse forces under one roof, first by a complex system of reforms, concessions, demagoguery, and then by the war program.

Once the wartime lid was lifted, however, and the class struggle raged again, a showdown between the factions for control of the party's policies was inevitable. That struggle has been quickly concluded with the total triumph of the Truman-Byrnes Big Business gang and the rout of the New Deal wing. This victory has been sealed with Truman's firing of Wallace, the last remaining symbol of pre-war Roosevelt reformism.

The present Democratic Party leaders inherit a maturing social crisis which is not only a continuation but a deepening of the crisis confronted by Roosevelt in 1932. They have neither the material nor the political resources at the disposal of Roosevelt. For example, instead of the national debt of thirty odd billion dollars, at the time Roosevelt began his reform program, they now have a national debt of 260 billion dollars. Instead of an atomized working class stunned by the economic

crash, they face an organized labor movement of 15 million workers fighting fiercely to protect their living standards.

The principal beneficiary to date of the discontent of the masses has been the Republican Party. But the Republican Party has little or no attraction for the workers. It simply profits from the revulsion against the Democrats—and especially by the absence of a labor party.

That is why all the representatives of capitalism strive to maintain intact the two-party system which guarantees Wall Street's monopoly over political life. They want to keep the masses imprisoned within that vicious circle. That is also why they exert the utmost pressure upon the liberals and labor leaders to keep the workers enchained to the present two-party setup.

The objective conditions have never been more favorable for the successful launching of a Labor Party in the United States. The workers, disillusioned with the Democratic Party and distrustful of the Republicans, would rally by the millions behind a party of their own. Many veterans, Negroes and discontented middle class elements would follow. With the tremendous membership of the unions and the support mustered from other sections of the population, a national Labor Party would quickly become not a "third party," but the second party in the country, challenging the first for supremacy.

While the AFL bureaucracy in the main continues to follow the Gompers policy of "rewarding friends and punishing enemies" within the two capitalist parties, the CIO has been almost from its inception, impelled to seek a modified form of political expression, signalized first by the formation of Labor's Non-Partisan League, and later of the PAC. What has characterized the PAC in the main is its support of capitalist candidates by more organized and more aggressive methods. Although organized originally to corral the labor vote for Roosevelt and to forestall the formation of the Labor Party, the PAC as the existing political expression of the most dynamic section of organized labor can at the next stage play an important role in the launching of the Labor Party.

The triumph of reaction inside the Democratic Party, which renders it indistinguishable from the Republican Party, and its rapid decomposition has confronted the PAC with the immediate problem of what party to support.

Recoiling in timidity from the task of opposing the capitalists with an independent political party, and fearful of labor's political independence, the PAC bureaucracy seeks to revive the ghost of Roosevelt's New Deal through a progressive hodge-podge that will reform the Democrat Party. This is a hopeless task.

The aggressiveness of the PAC, the advance it represents over previous methods of labor politics coupled with its growing power (the adherence of the Brotherhood of Railway Trainmen) comes into an increasing clash with the conservative and limited objectives imposed upon it by its timid and capitalist-minded leadership. With the death of Roosevelt this contradiction is manifesting itself more and more clearly. On the one hand, the PAC leadership finds itself increasingly unable to

rally support for the capitalist candidates; on the other hand, it has been forced on several occasions to put forward its own candidates, (the outstanding instance was Frankenstein's candidacy in Detroit).

The impasse of the PAC leadership and the contradictions within the PAC present the party with a favorable opportunity to intervene with its clear-cut program for the Labor Party.

This would enable the SWP to form an alliance with the best elements within the PAC and crystallize the growing sentiment in the labor ranks for the independent Labor Party. Active intervention of the SWP in this highly fluid situation becomes all the more necessary because the PAC leadership may seek to divert the workers' urge toward the Labor Party into the channels of a third capitalist party.

Our approach to the PAC heretofore has not been flexible enough. Repelled by the PAC support of capitalist candidates, the party was not sufficiently alert to the possibilities latent in the PAC. It is necessary to introduce a sharp corrective. The Socialist Workers Party never supports the candidates of capitalist parties, under any circumstances or in any way regardless of whether they may be endorsed by the PAC or any other labor organization. At the same time, the party militants in the unions must penetrate the PAC and work side by side with the workers who are going through the PAC experience and help them draw the correct lessons from it.

At the present time participation in the PAC represents a medium for transforming our demand for the Labor Party from a propaganda slogan into a slogan of action.

A likely development is the formation of the labor party on a local and state-wide scale, especially in those cases where our comrades are influential in the unions and where the conditions are favorable. This is especially important. It is one-sided, and therefore wrong, to view the formation of the labor party from a purely national perspective and ignore the local and initially limited opportunities which may prove decisive in the final analysis.

To render our work most effective our comrades must familiarize themselves thoroughly with the existing local conditions, trends, and peculiarities—from the local issues to the types and records of the politicians involved—so as to concretize and translate our labor party demand into the language of the experience of the workers in the respective localities.

In this connection it is necessary to promote labor and social legislation by raising these issues inside the PAC, organizing mass actions for them, and demanding that the PAC-supported candidates sponsor such legislation. From mere vote-getting instruments, the local PAC bodies can and should be transformed into bodies functioning the year around, raising the self-action of the workers and accelerating their politicalization.

The fate of the PAC, does not hinge upon the will and policies of the incumbent leadership alone. It will be decided in struggle. The decisive word will be spoken by the left wing in the CIO whose task it will be to give the clearest expression to the movement for the labor party.

11. The Change in Character and Methods of Our Party Activities

The American workers, especially the union militants, who are already highly receptive to our party's program, will under the impact of the crisis gravitate in ever larger numbers to our revolutionary ideas and methods. This will not take place automatically. The primary condition is that the party demonstrate in action the correctness of its policies and its ability to organ-

ize the discontented masses and provide leadership in the struggle. Side-line commentators and critics of the class struggle, Monday-morning political quarterbacks no matter how talkative, will be completely ignored. The workers will listen only to those who are themselves in the thick of the fight and demonstrate by deeds their devotion and abilities.

What is needed are leaders who know how to apply theory in action—a Marxist party of action. This has always been our conscious aim. Since the beginning of the fight against the petty-bourgeois opposition in 1940, we have made important strides in this direction.

Our party's programmatic firmness and its achievements are the best pledge of its future. The Socialist Workers Party was the only one that fought American capitalism and fulfilled its obligations to the world working class during World War II. Throughout the war our party conducted an uncompromising struggle against Wall Street and its agents. Our campaigns around the imprisonment of the party leaders, against the no-strike pledge and all the war policies of American imperialism and its labor lieutenants brought significant gains to our movement and prepared the way for our subsequent strides forward.

Our party has notable accomplishments to its credit in many fields of activity. The size and circulation of *The Militant* has expanded. The paper has become transformed into a genuine workers' organ which has proved its popularity among the working people. Since the Eleventh National Convention, November 1944, 1,000 new members have been recruited, most of them industrial workers and many of them leading militants in their unions, shops and cities. A sizeable section of these new members are Negroes. New branches have been added in key industrial centers and old ones considerably strengthened. The party has reached or surpassed the goals set in all its national campaigns (financial, subscription, membership recruitment, publication sales, etc.).

The growth of the party's influence in the past two years in the trade union movement is especially noteworthy and gratifying. The party has made gains in such basic industries as auto, steel, rubber, maritime, packing, railroads. In these and other key industries the party has qualified spokesmen and tested leaders who command the respect of the best militants. Our slogans for a sliding scale of wages and for a National Labor Conference has been adopted by wide sections of the labor movement.

In the GM and the steel strikes, in the organization of the veterans, our comrades were in the forefront. The slogans issued by the party through *The Militant*, distributed by the hundreds of thousands, and through its members in the unions, became the guide of the most energetic rank and file fighters.

By its active intervention in the fight against fascist Gerald L. K. Smith, our party showed its capacity to initiate struggles and to give them a mass character. In Los Angeles, Detroit and elsewhere, large sections of organized labor, veterans and minority groups participated in imposing mass protest demonstrations against Smith. This anti-fascist work was climaxed in Minneapolis where the official labor movement, AFL, CIO and Railroad Brotherhoods, was mobilized against the fascist Smith.

In many localities the party has come forward as the most resolute defender of Negro rights and the most militant fighter for equality. The activity of the party around the Fontana case in California, the Hardy case in Chicago, the Freeport case in New York are milestones along this road.

Beginning with the campaign around the Minneapolis Labor Case, the party has undertaken a series of important struggles in defense of civil liberties and democratic rights. Outstanding among these are, 1. The campaign of the New York state organization against being barred from the ballot. The case was taken not only to the highest courts but directly to the workers of the state through the radio, press, and meetings. 2. The fight of the Detroit branch against the attempt to evict them from their headquarters. Every leading union official in the city has

joined in condemning this vicious attempt to evict the SWP because it welcomed the Negro people on an equal basis.

The entrance of the SWP into the election arena in 1946 in six states (New York, New Jersey, Ohio, Minnesota, Washington and California) represented the most ambitious electoral undertakings in the history of American Trotskyism. This must pave the way for our entry into the 1948 presidential elections, with a national ticket as well as local candidacies.

Through all these activities the party has begun to transform itself into a party of action. It is breaking out of long isolation, making itself felt as a factor in the struggles of the working people, and winning friends, sympathizers and supporters in increasing numbers.

Wherever our party has engaged in mass struggle, our members have found ready allies, especially among the Negro people and the veterans, and met with a response from a segment of the labor movement. This has demonstrated that under the existing favorable conditions even a small party can become a big influence, a small branch can set large masses into motion in its locality, and a small force in a trade union can lead thousands of workers in action.

However, smallness in a revolutionary party is not a virtue but a weakness to be overcome; and we are determined to overcome it in action and struggle. Our achievements have been limited primarily by the weakness of our forces. As our activities increase in scope and effectiveness, the party will grow in numbers and power. We aim to become the mass revolutionary party of the American workers, and on the road to that goal set for ourselves the task of recruiting ten thousand new members.

Of utmost importance is the fact that in the last period the party, by taking the road of action, has gained invaluable experience in the methods of mass struggle, increased its self-confidence, augmented its forces and striking power, and expanded its arena. This is the course we have charted and must unswervingly follow. Our resolve is to continue with greater vigor, determination and speed to expand our party as the party of mass action capable of leading the millions of American workers to the conquest of political power and the revolutionary transformation of society from capitalism to socialism.

Correction

In the introductory note to a document from the history of the French section Fourth International, printed in our September, 1946 issue, reference was made to Pierre Naville as having "remained on the periphery of the revolutionary communist movement prior to the inception of the Trotskyist organization" in France.

We have received a letter from Paris, from George Suter, who states that this reference is factually incorrect. Naville, according to the information of our correspondent, was a member both of the Communist Youth and the French Communist Party since 1926. As a youngster he took active part in the life and action of the party. He belonged to a factory cell of the industrial Parisian suburb of Boulogne-Billancourt, spoke before the factories, distributed leaflets, organized lectures, etc. At the same time he was secretary of the Communist Students and editor of their small paper, *l'Avant-Carde*. He was also co-editor of the monthly magazine *Clarté*, which was under the control of the party.

Naville came out for the support of the Left Opposition after a visit to Moscow in November 1927 and this brought about his expulsion from the Communist Party. Following that he published the magazine under the new title of "*Lutte de Classes*" (Class Struggle) and was in fact among the founders of the weekly *La Vérité*.

Our correspondent, finally, states that Naville did not sever his connections with the French Section of the Fourth International "after the outbreak of World War II," as stated in our introductory note, but before that time, because of a difference over the tactical policy of entry into the PSOP in 1939.

Resolution on Wages, Prices, Profits and the Struggle Against Inflation

Adopted by the 12th National Convention of the SWP, Nov. 15-18, 1946

1. The Program of the Fourth International

The transitional program of the Fourth International, reaffirmed by the 1942 and 1944 conventions of the SWP, has set forth the main generalized slogans and methods of struggle necessary to combat the plague of inflation inflicted upon the masses under the prevailing conditions of disintegrating capitalism.

The transitional program sets forth as the central slogan of the struggle against rising prices the *sliding scale of wages*. This slogan calls upon us to conduct a struggle to have the trade unions insert a sliding scale clause in every union contract tying wages to prices, which would insure an automatic rise in wages with every rise in prices, under a guaranteed minimum. The sliding scale would defend the living standard of the workers by giving automatic protection against the concealed wage cuts in the form of rising prices which force the labor movement to fight over and over the same ground merely to maintain existing standards. By freeing the labor movement from the burden of the defensive struggles, the sliding scale would permit the workers to turn their efforts to the struggle to raise basic rates of pay. The fight for wage increases would then constitute an attempt on the part of the working class to improve its real standard of living and to share in the benefits of technological progress and the increase of the productivity of labor.

The transitional program rejects *monetary stabilization* as a slogan of struggle and counterposes to it the slogan of the *sliding scale of wages*.

The transitional program takes cognizance of the fact that Big Business attempts to unload the responsibility for rising prices on the shoulders of the working class and its struggles

for higher wages. "By falsely citing the 'excessive' demands of the workers, the big bourgeoisie skillfully transforms the question of *commodity prices* into a wedge to be driven between the workers and farmers and between the workers and the petty bourgeoisie of the cities." The program further recognizes that the petty bourgeois sections of the population are unable to fight under the slogan of a *sliding scale of wages*. This dilemma can be solved by the creation of broad consumers' and workers' committees to fight for the control of prices and against the high cost of living.

This broad political fight for price control under united front committees of the working class organizations and the representatives of the urban and rural petty bourgeoisie is not made a condition of or directly tied to the wage earners' fight for a *sliding scale of wages*. Rather, the struggle for price control is conducted parallel to the latter. The two struggles thus stand on different ground and are conducted in a different manner. The advanced workers push for this class struggle program because they are aware that the official struggle of the government against inflation is a mockery and that inflation is inherent in capitalism in its period of death agony. The working class, in joint struggle with the petty bourgeois elements against high prices, however, is enabled to expose the propaganda of the big capitalists and to prove to the middle classes "that the real reason for high prices is not high wages but the exorbitant profits of the capitalists and the overhead expenses of capitalist anarchy." Thus the labor movement is enabled to win the confidence and support of sections of the middle class—and the more backward workers, for that matter—and to mobilize them for greater struggles against big capital.

2. Lessons of the Recent Strike Wave

The post-war upsurge of the American working class climaxed by the greatest strike wave in its history provided a powerful vindication and verification of these aspects of the transitional program.

It is interesting to recall that this program, when first presented by Trotsky in 1938, was rejected by many skeptics as "unrealistic," "unsuited to American conditions," "revolutionary romanticism," etc. (Burnham in his 1940 letter of resignation from Schachtman's Workers Party, declared loftily: "The Transition Program document seems to me—as it pretty much did when first presented—more or less arrant nonsense, and a key example of the inability of Marxism, even in the hands of its most brilliant intellectual representative, to handle contemporary history.") Yet, in the recent strike wave, the American workers, long considered one of the most politically backward in the world, adopted as their own several of the key slogans of the transitional program and demonstrated in action what a colossal power is lodged in the program when it is fused with the mass movement. The fact must be recorded that the

recent series of strikes, particularly the GM strike, demonstrated in life, the realism and correctness, as well as the power of this section of the transitional program of the Fourth International.

The GM strikers made an important contribution towards advancing the struggle by their big propaganda campaign against rising prices. Under Reuther's leadership the union conducted forceful propaganda to prove that huge profits, not high wages, are responsible for rising prices. By this significant campaign, setting a new precedent in modern American trade union practices, the union was able, to an important degree, to shift the onus for rising prices where it belonged—onto the shoulders of the big capitalists—and to deepen the social understanding of the workers. This propaganda campaign was essentially very progressive and was so estimated by our party.

The main slogans under which Reuther projected this propaganda campaign were "Open the Books of the Corporations" and "Wage Increases Without Price Increases." The slogan "Open the Books" is borrowed directly from our transitional program. We have already mentioned what a great impression

it made on the minds of the working population, how it served to put the General Motors Corporation "on the spot," and to expose the criminal responsibility of the war profiteers for rising prices. Reuther, however, never agitated for this slogan in the revolutionary spirit of our transitional program which conceives this as a bridge to workers' control of production. Rather he maneuvered the fight to proving that the Corporation could "afford to pay" a 30 per cent wage increase while retaining a "reasonable profit." At one point, during the hearings before the "Fact-Finding Board" in Washington, he even agreed to delegate the examination of the Corporation's books to the Government "Fact-Finding" arbitrators, and that, if it was found that GM could not "afford" to pay the wage increase, the union would scale down its demands accordingly!

3. On Morrow's Proposals to Revise the Transitional Program

Morrow's document "The Political Committee's Principal Mistake in Trade Union Policy During the Strike Wave" dated April 6, 1946 and his remarks at the April 23 PC meeting make clear that Comrade Morrow is not making specific criticisms of our trade union tactics or the character of our *Militant* articles from the common standpoint of our transitional program. Morrow is instead proposing a *fundamental revision* of this program with regard to the questions under discussion.

Morrow declares in his document: "Thus the Transitional Program demanded that wages should follow the movement of prices but, quite clearly, made no proposal for struggle to *halt* the movement of prices. On the contrary it implied that such a struggle would be futile.

"Can we take these formulas of the 1938 program and insist on them today? *Manifestly not.*" (our emphasis).

Why not? Because in the opinion of Morrow there exists an entirely new situation today. The newness consists in this: "This time there was the OPA system for which there was no parallel in 1917-18. Every worker who thinks at all knows that this time, with far more pressure on prices than in 1917-18, there was no comparable rise in prices since OPA was established. Hence the indubitable popularity of OPA, the widespread demand not only of union officialdom but of the masses for continuation of OPA. Hence the absurdity of the doctrinaire position of telling the worker to concern himself with the movement of wages but not with the movement of prices; the worker, not saddled with a literal adherence to the 1938 program, looking instead at reality, knows that the labor movement can do something not only to raise wages but also to stop prices."

It is obvious that Morrow considers the declaration of the transitional program that "the official struggle of the government with high prices is only a deception of the masses" is today outlived.

From the alleged newness of the situation Morrow deduces the necessity for a new program, namely to transfer the center of gravity from the struggle for a *sliding scale of wages* to a fight for price control. "Until the next contract comes up, the sliding scale of wages slogan provides no avenue of struggle for the workers," Morrow writes. "The workers want to know what they can do about stopping prices now. Reuther's slogan provides him with an approach to an answer." To this end Morrow proposed in the PC of April 23 that we add to our transitional program Reuther's slogan of "Wage Increases without Price Increases" and make this slogan the central point of our struggle.

At this meeting Comrade Cannon put the question: "We

The second slogan "Wage Increases Without Price Increases" is not our slogan and we do not accept it. The erroneousness of this formula consists in the fact that it directly links together the struggle for higher wages with the fight against high prices. But as we have seen, these struggles are parallel struggles, conducted on different grounds and in different ways.

We hail the fight of the GM workers against price increases and point out the colossal significance and progressive character of this struggle. At the same time we criticize and correct its shortcomings and work to broaden the struggle into a truly natural political struggle conducted along the correct, truly fruitful lines as indicated by our transitional program. We support every genuine mass struggle against the high cost of living. We participate in such struggles with our own program.

are confronted with the problem, then, what should be our central slogan: the sliding scale of wages, or wage increases without price increases? Which would you put in the center of our agitation at the present time in the next period? My impression is that you want the slogan, wage increases without price increases, as this central slogan."

Morrow: "Your impression is correct."

The transitional program says: "Neither monetary inflation nor stabilization can serve as slogans for the proletariat because these are but two ends of the same stick." What the program specifically rejects, Morrow proposes as the central slogan of struggle.

* * *

Our analysis of the movement of prices and the role of the OPA is diametrically different from Morrow's. The OPA was set up in 1942 as part of Roosevelt's fraudulent "Equality of Sacrifice" program which promised to hold down prices and profits along with wages. The facts show that wages alone were frozen while prices and profits soared. *The Militant* has demonstrated this week in, week out, for four years. Instead of stabilizing prices, OPA became the official instrument for sanctioning price increases. It was set up with the deliberate purpose of deceiving the workers with the false promise that price rises and profiteering would be halted in order to provide hypocritical justification for the freezing of wages.

The claim that the OPA held down prices is thoroughly spurious. As the CIO and AFL research staffs have demonstrated, all government figures on this score are tendentious and false. Their only value is to provide an indication of the *trend*. They are worthless in providing a picture of the extent of the *real, the actual* rise in the cost of living. All workers *know* from their *experience* that the real cost of living has soared. To arrive at a scientific estimate, one would have to study actual prices of commodities as distinct from the official OPA ceiling prices, the black market, the deterioration of quality of all commodities, the hidden price increases given producers in the form of billions of dollars of subsidies and paid for by the poor people through the draconian tax laws, etc. This state of affairs confronts the labor movement with an inescapable duty: To reject the official government figures and to set up its own price-index research staff which will issue at short intervals the true price index on which trade union wage demands will be based.

The current inflationary processes which are becoming increasingly pronounced in the U.S. are an inescapable expression of the decay of rotting monopoly capitalism and the unparalleled destruction of the second world war. Monetary depreciation and soaring commodity prices are world-wide phenomena. These

predominant trends in capitalist economy can be modified, that is, accelerated or retarded by governmental intervention, but they cannot be eliminated or reversed.

Capitalist politics consists in the attempt to unload the costs of the anarchy of the system and the burdens of the war upon the toiling masses.

Governmental "price-control" is an integral means along with currency depreciation and high prices to accomplish this same aim.

Government regulation of prices in the U.S. during wartime was undertaken exclusively in the interests of the monopolists. The sole commodity which was effectively frozen was the price of labor power, the wages of the workers. Other commodities were either permitted to rise, diverted to the black market or indirectly permitted to rise through huge governmental subsidies. Since the government was itself the biggest customer on the market, a certain amount of regulation was imposed by common consent of the business community for its own protection. But, as the unprecedented profits prove, this was done con-

sistent with the greatest profiteering in history.

Now with the end of the war the dominant business community has declared that it sees no further need for even the measure of regulation of prices that existed during the war. Regardless of the exact legislative fate of the OPA, even the wartime regulation of commodity prices is virtually at an end. We are facing an explosive inflationary trend and the labor movement must prepare its struggles with this understanding.

On the basis of the above we reject Morrow's analysis of the movement of prices and the role and significance of the OPA as false to the core and saturated with reformist illusions.

We furthermore reject his proposed revision of our transitional program. Morrow's program—an opportunist adaptation to the fake "price control" campaigns of Murray and Green—would sidetrack the struggle into a dead-end reformist alley.

The recent strike experiences proved not the necessity of discarding and revising our transitional program, but of applying it more boldly, concretely and consistently.

The Fight to Defend the Workers' Standard of Living

Supplementary Resolution of the Struggle Against Inflation

Adopted by the 12th National Convention of the SWP, Nov. 15-18, 1946

The monopolists have launched an all-out offensive to bring down the workers' standard of living through sky-rocketing prices. Their pliant tools in Washington have accommodated them with an OPA which in reality gives government sanction to the upward spiralling of prices. The workers' purchasing power is declining rapidly while the war-fattened monopolists continue to pick up billions in profits.

The terrific impact of the brazen price-gouging attack by Big Business is arousing ever broader layers of the workers and consumers generally to the realization that they must fight back through their own organizations and with their own program. Protest demonstrations have been held. Wage increases have been demanded. Buyers' strikes are spreading. Consumers' committees are forming. However, these struggles are as yet localized and uncoordinated both in program and in organization.

It is the task of our party and every class-conscious worker to introduce into this movement clear objectives and correct methods for an effective struggle. Toward this end we recommend the following:

1. The Sliding Scale of Wages

Our central transitional slogan for the unions in this period of inflation has been and remains the sliding scale of wages to meet the rising cost of living. This slogan has already taken hold in some sections of the trade union movement.

The powerful Goodrich Local 5 of the CIO United Rubber Workers in Akron has raised a demand through its newspaper for the sliding scale of wages. In Detroit, the General Council of Ford Local 600 and the Briggs and Budd locals of the CIO United Auto Workers have likewise raised this demand. Similar action has been taken by the Executive Board of UAW Local 659 in Flint and the AFL Cannery Workers and Fishermen's Union in San Diego. Numerous other unions are bringing for-

ward a demand for the sliding scale of wages. The CIO Packinghouse Workers Union has raised a modified version of this demand by calling for a cost-of-living bonus to meet the rising cost of living.

These concrete examples of the application of the demand for a sliding scale of wages should be freely applied in introducing the slogan within each local union and in the general agitation for the demand. Those unions which have already adopted this demand should be urged to bring pressure for its adoption by the rest of the trade union movement. For example, local unions should bring pressure on their parent bodies by means of resolutions, telegrams, letters, delegations, etc., as circumstances permit. Similar action should be taken to spread the demand within the central labor bodies in each locality and the various union conventions. Publicity should be sought both in the labor press and the capitalist press. This can be done through formal union statements, through articles by individuals and letters to the editor from unions and individuals. When the time is propitious, organizational expression should be given to the campaign for this demand by forming inter-local caucuses of the unions favoring the demand.

The pressure of the workers has already compelled Murray, Reuther and some other top union officials to raise the issue of wage increases to offset rising prices. Every possible advantage of this opening must be taken to demonstrate that in the face of inflation limited wage demands on a fixed basis are utterly inadequate. There is only one effective wage demand in this period—the sliding scale of wages, an escalator wage clause in all union contracts to provide automatic wage increases to meet the rising cost of living.

2. The Sliding Scale for Veterans

Inflationary prices play havoc with the standard of living of all groups in the population who are compelled to live on a

strictly limited income. Especially does this apply to veterans who are receiving unemployment compensation, attending school under the GI Bill of Rights, or drawing disability pensions. In addition to the demand for trade union wages for veterans in the above categories, the workers must raise immediately a demand for a sliding scale of compensation to meet the rising cost of living. The trade unions and veterans' organizations should raise an immediate demand for legislation to provide such a sliding scale based retroactively on the price index at the time the GI Bill of Rights was passed.

This demand could be applied also to cover unemployment compensation for all workers and to cover old age pensions, widows' pensions, etc., both state and federal.

3. Committees on Prices

Committee for struggle against high prices, originally sponsored by the Stalinists and some sections of the trade union bureaucracy, have recently been formed in many localities. The Stalinists and the trade union bureaucrats have sought to use these committees as a substitute for a renewed fight for higher wages. Price committees operating with a correct program are effective as a means of struggle parallel to the fight for higher wages, but they cannot be a substitute for the fight on the wage front.

The activities of these committees have included protest demonstrations, buyers' strikes, picketing of merchants, demands for government price control, etc. These committees have so far been loosely organized and more or less local in character. Nonetheless, they have already had the effect of drawing large numbers of people into direct struggle against price increases.

The program imposed by the Stalinists and the trade union bureaucrats is false and can lead only to disillusionment and frustration among the masses. Buyers' strikes are extremely limited in their effectiveness because the worker is in any case able to buy little more than the bare necessities of life and these he must have. The callous withholding of meat from the market for many weeks by the big packers in their fight against price control already demonstrated to what lengths monopoly capitalism will go in starving the people to protect profits. Picketing of small merchants can have real effect only if it is used as one step toward the exposure of the real robbers, the big trusts.

It is the task of every class-conscious worker to participate in committees on prices, to initiate them where none exist and to imbue them with a correct program and with militancy in action. Through these committees an alliance can be forged among the industrial workers, white collar workers, veterans, professional people, and even the farmers and small merchants in their capacity as consumers. The object of this alliance must be to demand its own control over the fixing of prices, since the government has already demonstrated that its price-fixing measures are a fraud.

The following are some of the steps the committees on prices could take in their struggle against high prices: They should demand the cooperation of the retail merchants in the fixing of prices. Those merchants agreeing to cooperate could be supplied special display cards to indicate their pledge of cooperation. Regular checkups on prices should be made to see that the pledge is kept. Merchants refusing to cooperate should be picketed. Experience has shown that independent merchants usually cooperate, while chain stores most often refer the committees to the "home office." Thus the role of the trusts quickly reveals itself in this limited form.

Even if the retail merchant is willing to cooperate, he is

limited by the price he must pay to the wholesaler. The committee must therefore demand that the retailer open his books and reveal the price lists of the wholesalers with whom he does business. This step brings the committee face to face with the wholesaler from whom they must likewise demand a pledge of cooperation to control prices.

The wholesaler in turn is limited in his ability to cooperate by the prices he must pay the manufacturer or processor. Therefore, the committee must demand that the wholesaler open his books and reveal the price lists of the manufacturers and processors with whom he does business.

By this process the committees ascertain the financial operations and profit margin of each capitalist in the chain beginning at the point of distribution and extending to the point of production. Finally they will reach the big monopolists and demand of them that they open their books. By this means the workers will be able to prove that the real reason for high prices is the exorbitant profits of the capitalists.

In the books of the monopolists will be found the evidence to prove who are the real big-time profiteers. In these books will be found proof of withholding goods from the market and deliberate destruction of goods to create artificial scarcities; collusion to corner markets; adulteration of products; super profits; fantastic executive salaries and bonuses; stock swindles; huge expenditures for anti-labor propaganda; payrolls for industrial spies; huge sums spent for advertising as a means of controlling the press and radio; lavish expenditures for lobbying in state and federal legislatures; huge contributions to the capitalist political parties; mammoth tax steals; funds used to corrupt officials; and numerous other devices for controlling the government, the press, and the radio in order only more ruthlessly to plunder the general population.

The struggle for control over the fixing of prices has meaning only if linked to the demand for the opening of the books. This demand, which will be fiercely resisted by the profiteers, will thus become the point of departure for the whole unfolding struggle. This struggle will assume the most variegated forms, such as picketing, demonstrations, boycotts, publicity exposes, demands upon the politicians to support the committee in its struggle, proposals to clean house on the non-cooperating politicians, etc. We can best develop the present unfolding struggles along these lines.

As recent experiences have already demonstrated, these struggles have been essentially local in character. As the local struggles assume a sharper and more politically defined character, we will have an opportunity to broaden the movement on a regional scale. And at a further stage, as the struggle between the workers and the profiteers becomes intensified in character, the question will necessarily be posed of uniting the local and regional organizations into a national body of struggle.

4. A United Conference of Labor

Only the labor movement can rally the broad mass of consumers to carry on this fight. This pressing task, along with the other key problems of the workers, emphasizes again the urgent need for a broad United Conference of Labor embracing the CIO, AFL, Railroad Brotherhoods and other unions. Such a conference could coordinate and broaden the struggle to defend the workers' standard of living. Such a conference could launch a united struggle for a sliding scale of wages to meet the rising cost of living. Such a conference would coordinate the fight of the committees on prices to control the fixing of prices. Furthermore, a broad United Conference of Labor would give an impetus to the building of an independent labor party.

Economic Trends in the United States

By ART PREIS

Bernard M. Baruch, Wall Street's master-planner, confidently predicted in April 1945 that during the immediate post-war period American "free enterprise" would enjoy not less than five to seven years of continuous boom.

By September 1946, this widely-heralded prophecy was being washed down the drain of the third longest and deepest stock market slump in American financial history. Only October 1929 and August 1937 saw steeper stock price declines. One year after the end of the war, the exuberant outlook of American Big Business had turned into Wall Street's vote of no-confidence in the future of its own system.

Most Wall Street spokesmen and financial commentators took a very sober view of the situation. W. Randolph Burgess, vice chairman of the board of the National City Bank of New York, told a gathering of the American Bankers Association on September 25 that American economy was entering the "phase of bitter disillusionment." He warned:

An immediate economic problem is whether we can avoid a boom and bust. We are set for it, just as after World War I. It did great damage then and set the world back on its heels. It would be still more dangerous today.

By October 5, the Truman administration joined the admonitory chorus. Reconversion Director Steelman admitted in his report, ironically entitled "Second Year of the Peace," that the economic system faced "great danger" and "acute threat."

At the same time, all the mouthpieces of Big Business hastened to assure that we did not face "another 1929." Analogy was most frequently drawn rather with 1919-20 and the "small depression" of 1921.

No one can positively predict at the present time whether the particular economic decline generally foreseen for 1947 or 1948 will be a "1921" or a "1929" depression. But it can be safely prophesied that regardless of any temporary upturns or downturns, American capitalism is heading toward a titanic economic debacle in the not too distant future.

American capitalism today retains all the basic and malignant contradictions that produced the economic breakdown of the pre-war decade—but with the addition of six years of the most devastating and costly war in all history.

If World War II provided an interruption of the 1929-39 crisis of American capitalism—it was an interruption that prepared the way for a resumption of that crisis on a scale that will dwarf the pre-war catastrophe.

What were the *basic* factors leading to the chronic economic depression between 1929 and 1939? What were the factors that relieved this depression—if only temporarily? What effect did the latter factors have on the *long-term* prospects of American economy? And finally—the main content of this analysis—is there any reason to believe that the basic factors that created the pre-war crisis have now so altered that they promise an expansion of the economy, rather than a new and drastic contraction?

The pre-war economic breakdown followed the classic operation of the laws of the development of capitalism as uncovered by Karl Marx. Social production had raised the productivity of American capitalism to unprecedented heights by 1929. But the

system of individual appropriation by the capitalist owners of the products of labor had caused a tremendous diminution of the purchasing power of the masses in relation to the output of goods.

This was accompanied by a tremendous accumulation and concentration of capital in the hands of American Big Business. This capital could not be profitably invested. The inevitable tendency was to seek outlets for goods and capital in other lands, at a time when the world-wide crisis of capitalism had intensified the struggle for markets and fields of investment. The resultant competition was the irresistible impulsion toward World War II.

The chief expression of the contradictions of capitalism that produced the 1929 collapse was overproduction in terms of the available market. The productive machine ground almost to a halt, choked with the glut of goods that could not be sold. By 1932 there was an estimated 18,000,000 to 21,000,000 unemployed. No matter how much production was reduced, the mass purchasing power was reduced even more speedily.

This process was slowly altered only with the gradual liquidation of surpluses, involving tremendous losses to the bulk of capitalists, the shrinkage of their capital and the final bolstering of the market on a low level through the expenditures of public monies and the sharp increase of government debt.

Government spending proved to be of decisive importance. The pouring of tremendous funds into the hands of businessmen and farmers through government loan and credit agencies; expenditures for relief and public works; assumption of private debt through mortgage loans, etc., by the federal government—all these served to give a brief upward impetus to production.

But by August 1937, the machine started to creak to a halt again. There was the famous Roosevelt "recession," when in a brief three months, production fell half way back to the bottom point of 1932. It would have fallen all the way, and further, but for the pouring in of new government funds to prime the pump. And these new funds, expended on an ever more lavish scale, came under the heading of: War preparations. Even so, unemployment in 1939 remained at from 11,500,000 to 13,000,000.

The rate of government pump-priming and the growth of public debt can be seen from the following table:

Years	Federal Expenditures (In Billions of Dollars)	Federal Debt (In Billions of Dollars)
1929	2.958	15.7
1937	7.754	31.3
1939	8.361	34.8
1940	8.824	36.7
1941	13.862	47.6

Between 1942 and 1945, the years of United States direct military participation in the Second World War, annual federal expenditures increased seven times over the 1941 rate, hitting 98.1 billion dollars in 1945. The federal debt increased at almost as fast a pace, reaching 279 billion dollars by March 1946.

This was the titanic burden of public debt foisted on the American people in order to achieve a slightly more than double production by the peak war year of 1944. This increase in

production was achieved, moreover, by an increase in the industrial labor force of less than 50 per cent—from 15,639,000 industrial workers in 1939 to 21,325,000 in 1944.

During the period between 1933 and 1939, the government provided a growing market for the capitalists. This market increased more than ten-fold in the next five years. By 1944, two-thirds of the nation's total production was being diverted to war purposes.

But what the government bought, it bought mainly on credit. And the bulk of what it bought was wasted and destroyed in the war. Only a small fraction of the staggering output of the war years remains to add to the total wealth of the country.

The end of military hostilities also ended the single greatest market and source of profit for American capitalism: Government war purchases. Now, instead of being a market, the government is turning into a drain upon the productive resources. Government expenditures continue at a rate five times as great as in 1939, at more than \$41 billion for the fiscal year 1946-47. But this is not providing primarily a market for goods, as it did during the war. It is true that about \$18 billion is going for military appropriations. But another \$18 billion is going to payment of debt.

An Acute Dilemma

Thus, the end of the war has confronted American capitalism once again with its most acute dilemma, the dilemma it could not solve before the war, and could solve only temporarily through the war. Where can it find a profitable outlet for goods that can now be turned out at a rate 100 per cent greater than in 1939?

Somewhere, the American capitalists must find an expanding market which will absorb between \$50 billion and \$75 billion worth of production above the civilian production of 1941—a boom year.

The capitalist economists and government "experts" answered—at least before the stock market slump—that the prospects for such an expanded civilian market were extremely bright, based on the following calculations:

1. There was a potential domestic consumers market for additional tens of billions of dollars worth of goods in the vast "backlog of savings" accumulated during the war.

2. Private capitalists planned to expend an annual sum estimated at around \$22 billion for plant expansion, particularly in the production of capital goods for an anticipated tremendous boom in automobile production and housing construction, not to speak of other durable goods industries.

3. American exports to other countries as a result of "post-war demand" would increase three to four times above the previous all-time peak of 1920, to at least \$30 billion. That was the figure cited last year by ex-Secretary of Commerce Henry Wallace and widely repeated by other government officials.

As our further analysis of current economic trends and factors will show, this 3-point program of continued capitalist expansion is based on the most imponderable "Ifs—" and gross distortions of elementary economic facts. In short, it is largely wish-thinking.

How much is the so-called "back-log of savings," who has it and what proportion of it will be spent for consumers goods to fill that vast void left in the market by the end of swollen government spending for war production?

The most authoritative source of information on this question is the "Official Report on the National Distribution and Intended Use of Families' Liquid Assets," issued in August

1946 by the Board of Governors of the Federal Reserve System. The full report is published in the August 30 *United States News*.

According to this official report, the total personal holdings of liquid assets by the end of 1945 was \$130 billion, truly a stupendous sum of potential purchasing power. This was \$90 billion more than at the end of 1939.

But, the report shows, the bulk of these savings, in the form of currency, bank deposits and government securities, is concentrated in the hands of a minority of the population. The top 10 per cent of income receivers, who secured 29 per cent of total national income, held 60 per cent of the national net savings and 60 per cent of liquid assets. The bottom 50 per cent of income receivers, who secured only 22 per cent of the money income, held only three per cent of liquid assets and actually went into the hole 11 per cent—that is, their expenditures in the war boom year 1945 were 11 per cent greater than their incomes.

The bottom 40 per cent of those with any liquid assets had an average of \$40; the next 30 per cent had an average of \$700; and the next 20 per cent, an average of \$2,350. The top 10 per cent had average holdings of \$10,500.

What did these holders of assets intend to do with them? The report says:

The survey questioned consumers on their spending intentions. The overwhelming majority reported they had no expectation of using their liquid assets for any purpose in 1946. More than half of those with bank deposits had no intention of using any of them this year (except in an emergency), while only one quarter definitely expected that they would utilize some part of their holdings.

In short, as the report states, "the bulk of the savings and of asset holdings is concentrated in a relatively small proportion of all the spending units," and these don't intend to use their "back-log" for consumer spending. They expend from current income. Their savings constitute capital for investment—one of the primary sources of funds used for speculative purposes that have aggravated inflation.

Among those with liquid assets—as of the end of 1945—who intended to spend some, the report states they expected to buy between \$4-\$5 billion worth of automobiles; up to \$4 billion in other consumer durable goods; and between \$13-\$15 billion in houses. "On the average," the report adds, "prospective buyers expected to pay \$1,100 for a car . . . and \$5,020 for a house."

As we shall see further on, the supply of \$1,100 cars and \$5,020 houses is virtually nil—and many of those 70 per cent with average savings of under \$700 have been forced to liquidate their savings to provide their families with bare necessities—food, clothing, medical care, rent.

Among the report's major conclusions, are: 1. "current buying will be paid for primarily out of current income"; 2. the use of instalment credit and borrowing "will be substantial during the year"; 3. savings will decline for most consumers as prices go up. And finally:

The liquid assets held by the majority of people cannot be considered to constitute a reserve fund large enough for carrying on regular expenditures in the event of drastic changes in income. Total asset holdings of three-fourths of the people amounted to less than one-fifth of their annual income.

All it would take to wipe out the "backlog of savings" of 75 per cent of those having any savings in 1945 would be two-three months of unemployment or a 20-25 per cent cut in their regular money incomes or a similar degree of rising prices.

There are ample signs to show that the "backlog of savings" of the 75 per cent of savers in the lowest brackets is being rapidly dissipated. The First National Bank of Boston reported on September 25 that "borrowings are on the increase and savings on the decrease."

Another straw in the wind is the fact that between January 1 and October 1946, the number of participants in war savings bond payroll withholding plans declined from 27 million to 7½ million and that redemptions have exceeded sales of the \$18.50 E bonds by more than \$800 million.

This situation, according to Secretary of the Treasury Snyder, worries the government because the primary objective of selling bonds to workers is "to maintain a widespread distribution of the public debt and to aid in our fight against inflation . . . by making possible the retirement of additional amounts of bank-held debt."

In reality, the reverse process to saving is taking place: Consumer debt is rising rapidly.

Credit Expansion

J. Gordon Dakins, manager of the credit management division of the National Retail Drygoods Association, on September 19 stated that outstanding consumer credit had increased between October 1945 and April 1946, at a rate of more than \$2¾ billion a year—more than for any similar seven-month period in 16 years. He warned retailers to beware of "overloading the customer with credit."

Federal Reserve Board figures show that consumer credit increased in the 11 months between August 1945 and July 1946, by more than \$2 billion from the low point of \$5.3 billion. At the present rate, it will pass the 1941 peak of \$9.9 billion dollars by the end of 1947. Personal debt is piling up 13 times as fast as during 1945 and 1944. And these debts are being accumulated not for automobiles, houses or jewelry, but for living necessities. Automobile loans account for only 4 per cent of the total; jewelry store installment purchases only 1 per cent.

The point will be reached in the not too distant future when those with mounting debts will have to pay off. Their current purchasing will decline and this will mean a drop in consumption—and production.

The decline in savings and rapid rise in consumer debt is but one aspect of the shrinkage in mass purchasing power that is setting the stage for a new depression.

Far more serious is the decline in real current income from which comes the bulk of consumer spending and which is the main prop of the domestic market for goods. This decline is shown in the total money wages paid out and the drastic increase in the cost of living.

The total of individual incomes, according to the Steelman report in October, are the "highest they have ever been," running at a rate of \$167 billion a year. This seems enormous in terms of the 1941 total of \$96.9 billion. But much of this difference is illusory; and it does not show the current trend.

First of all, the dollar is not worth the same as in 1941. The extremely conservative figures of the U.S. Bureau of Labor Statistics, on October 23, placed the decline of the purchasing power of the dollar between January 1, 1941, and September 15, 1946, at 31 cents. The wage earner can buy with each dollar what 69 cents bought in 1941. This does not take into account the tremendous spurt in prices of necessities since September 15.

The cost of living for the majority of the population has more than doubled since August 1939. The purchasing power of their dollar has been cut in half. This can be easily proved.

A survey of actual food prices—not OPA fictional ceilings—reported by the September 13 *United States News*, revealed that a standard market basket loaded with 15 basic foods that cost \$3.96 in August 1939, cost on the average throughout the country the sum of \$7.95 by mid-August 1946. That is double the pre-war cost.

Clothing, house furnishings and other main essentials of living have more than doubled in price. Average rents have increased since the pre-war year anywhere from 15 to 30 per cent. Add to that taxes that absorb between 10 and 20 per cent of the total income—such as payroll withholding taxes and sales taxes—and it can be seen that the estimation of a 50 per cent cut in the buying power of the average consumer's dollar is no exaggeration. This is what has happened to prices. But what has happened to money wages? To get the main picture, we need study no more than the official report of the government, Steelman's "Second Year of the Peace."

"The money which the average family has to spend per week has decreased since V-E Day," says the report. Although some workers won hourly gains of as much as 18½ cents an hour last spring, the popular belief that this set the general pattern, admits the report, has "served to obscure essential facts."

The essential facts are that only 4,000,000 workers received wage increases by formal approval of the Wage Stabilization Board between February and June 30, 1946, and the average increase was 14.7 cents per hour. Many more millions received no increases at all. Hourly wage gains did not compensate for reduced total income due to shorter hours, loss of overtime, downgrading, shifts to lower paid industries, etc.

The net result, the report points out, was a *decline* between April 1945 and July 1946 of 8.5 per cent in the gross weekly earnings of manufacturing workers—the best organized section of labor. Real weekly earnings, the report adds, suffered a much more severe decline "with the rise of 11 per cent in the prices of consumers goods" in the period surveyed. It adds: "Greatly increased personal income taxes paid by workers constitute another significant factor."

The CIO *Economic Outlook*, basing itself on figures up to July 1946, finds an "over-all reduction of over 19 per cent in the real earnings of American workers" from the previous year. By the end of this year, it is estimated that the real purchasing power of the American workers will have declined on the average 30 per cent. That represents a 30 per cent cut in the share of the workers in the goods they produce. That is the basic factor in the shrinkage of the domestic market.

Whose relative share is increasing? Primarily those whose income largely goes into capital accumulation—those who do not spend a great portion of their current income.

The Steelman report states that corporation profits after taxes this year reached the "highest point in history," more than \$11 billion annually, or about 20 per cent above the gigantic wartime average profits. The latest findings of the CIO Research Department, reported in the October 14 *CIO News*, show that "the best estimates available indicate that corporate profits, after taxes, will be at the fantastic level of almost \$14 billion by the fourth quarter of 1946."

Another section of the population that has enlarged its relative share of national income is the farmers. Farm income, says the Steelman report, has reached "an all-time high and farmers have never been in so liquid a position." This favorable situation of the farmers, however, as we shall show later in this analysis, will not continue for any very long period in the future.

More and more of the income that is available for spending

for durable goods—autos, homes, etc.—is being concentrated in the hands of a very small portion of the population in the top income brackets. This is shown in the record of dividend payments to stockholders. Dividend payments for the three months ending August 31, 1946, were up 6.6 per cent from the corresponding three months of 1945, according to the Department of Commerce.

Consumer Spending

The effects of the sharp decline in real wages combined with the extraordinary increase in the incomes of the capitalists may be seen in the trend of consumer spending.

The Steelman report noted that consumer spending, during August, had hit a peak of \$126 billion annually, 20 per cent above the wartime high and 60 per cent above the pre-war record. However, the report warned that it was "the big question" whether this rate of spending would continue. It observed that since April the purchases of nondurable goods (food, clothing, etc.) "have been comparatively level" and, considering price rises, "may actually have declined slightly."

Lewis L. Schellback, economist of Standard & Poor's Corp., reported on October 12, that there was a "current excess of production over consumption" and that the index of retail sales "has been declining since February."

The Federal Reserve Board reported on October 28 that "department store sales have shown no further rise from the high level reached at the end of August, although there is usually a considerable increase at this season." And the Office of Business Economics, Department of Commerce, while reporting a gain for August in retail sales over the previous year, emphasized that the "major factor in the rise since the middle of this year has been higher prices rather than increased quantities of goods."

Much of consumer spending, on the part of the war wealthy and inflation speculators, has been for conspicuous waste and luxuries. This has heightened the inflation that has reduced the amount of goods absorbed by the mass consumer.

Thus, the September 6 *Wall Street Journal* pointed out: "Consumer spending is heavy but unbalanced. . . . Individual resources counted on to buy durable goods—such as scarce automobiles and refrigerators—are being dissipated in expensive foods, clothing, amusements and luxuries. . . . a full development of these trends could produce what the economists call a recession next year." On October 31, the *Wall Street Journal* calls attention to "consumer resistance to high prices" and "a tremendous increase in supplies."

The so-called "buyers resistance"—more correctly the dwindling ability to buy—is beginning to have its effect in the sphere of durable goods—in particular automobiles and houses, two of the principal anticipated sources of the expanding market on which the capitalists have banked their hopes.

The October 17 issue of *Wall Street Journal* observes in bold-face type that, "First faint signs that auto demand is being nicked appear here and there." It quotes spot reports from dealers all over the country that are summed up in the statement of a San Francisco salesman: "The easy money auto buyers are about gone."

A United Press dispatch from Kansas City on October 25 reports the pessimistic views voiced by the general sales manager of the Pontiac division of General Motors to a meeting of 450 dealers from 13 states. He warned that the public's buying "enthusiasm" is on the wane. He spoke of those who think the "buyers' market is a long way off, but I say we are approaching it right now."

The same fears are now being expressed regarding the demand for new housing. The need for over 12,000,000 new housing units, plus the "backlog of savings," was supposed to provide a capacity limit to the housing market for years to come.

But average building costs, due mainly to the inflated prices of materials, are now 94 per cent higher than in 1939. Those savers in the Federal Reserve Board report who expected to spend \$5,200 for a home, are faced with average prices now of between \$6,500 and \$10,200.

The situation in housing-demand is summed up by the October 21 *Christian Science Monitor*: New construction in August declined from the post-war high point in July. By September, only 708,100 units had been started of the government's program to start 1,200,000 homes this year.

The Steelman report observes as a fact of "great promise"—judiciously tempered by other facts of "great danger"—that industrial production by August had hit an all-time peacetime peak of \$172,000,000,000. In terms of volume of goods, and not inflated currency, the output on the whole was slightly higher than in 1941.

Standard & Poor's weekly index of industrial production, as of October 12, shows that "the trend has been flat since the end of July."

Moreover, a tremendous volume of this production has been withheld from the market. These hoards, reflected in gigantic inventories, amounted by August to the phenomenal all-time sum of \$31 billion, according to the official figures of the Department of Commerce. Manufacturers' inventories alone amounted to \$18,430,000,000, and the Commerce Department noted the "real danger" that will arise "when a part of output is no longer channeled into stocks."

What all this adds up to in the minds of Washington officials, according to a report of Standard & Poor's is that "by next September some items will be piling up. Production will have to shrink to the size of the market."

A similar shrinkage of the market is facing the agricultural industry, which has enjoyed extraordinary prosperity since the war began on the basis of world-wide scarcity. The precipitate break in cotton market prices in October, necessitating the closing of the cotton exchanges for the first time in 76 years, revealed the underlying instability of the high agricultural commodity prices.

On this score, the *Wall Street Journal*, warned editorially on October 31 that "commodity price declines have begun a wholesome correction. . . . We say it has begun a correction. We must confess our inability to predict whether or when the correcting process will be completed."

The position of the small family farms, which comprise the overwhelming majority of agricultural production units, is far from secure. Between 1940 and 1945, according to the U. S. Bureau of Census, the number of farms declined by 219,799, to a low point of 5,877,000 total. Despite the fact that the number of tractors on farms increased 55 per cent in the same period, the number of farms with tractors increased only 42 per cent. Two-thirds of all farms still have no tractors, and one-third don't even have horses or mules.

It is the "factory farm" of more than 1,000 acres, which now number more than 110,000, that is rapidly displacing the small farmer. The inevitable break in farm commodity prices, coupled with the competition of the more productive "factories in the field," will spell ruin for tens of thousands of small farmers.

The prospect of the shrinking domestic market is coupled with prospects of reduced foreign markets, that other great out-

let for goods that the American capitalist had been banking on and had, in fact, gone to war to ensure.

We know that American capitalism has dreams of a \$30 billion annual export trade. But this year, including \$1½ billion in lend-lease accounts, the total of exports is expected to reach only \$9 billion, according to the October *American Exporter*. At the same time, imports from other countries are expected to total around \$5¼ billion a year by mid-1947.

Foreign Markets

With exports nearly double imports, countries which buy from the U.S. are buying "on the cuff." They are merely piling up debt to American capitalism—debt which in the ruined state of European and Asiatic economy must in the end only aggravate the economic chaos prevailing in these bankrupt sections of the world.

On the export side, *World Report*, September 5, observes that "uncertainty is a large element in the future of world trade" and adds that "odds are against continuance of the present export boom beyond another two or three years."

The effect of the decontrol of prices in the U.S. has had immediate repercussions in the reports from a score of countries that they will not be able to buy from this country at the present level of inflated prices. Australia has officially announced that the rise in U.S. prices has forced it to curtail purchases.

The decline in the domestic market and the gloomy outlook for further expansion of its foreign market has seriously affected the plans of American capitalism to maintain a boom on the basis of an extraordinary outlay of capital for expansion. This year's original plans for such outlay called for about \$12 billion—little more than half of the anticipated \$22 billion.

The trend is to retrenchment from expansion plans. The N. Y. *World-Telegram*, September 21, noting the effect of the stock market slump, reported that "business people have begun to restrict their operations" and that "expansion plans in many sections have been discontinued for the time being, and workers have been laid off in consequence."

The automobile industry, says the N. Y. *Times*, September 29, has been compelled "to cut back and slow down a large part of its program to spend something like \$1 billion for re-conversion and expansion." The steel industry, says the N. Y. *Times*, October 13, is a "bone of contention" with government officials because industry heads, contrary to claims of government officials, insist that present production capacity "will be more than ample to feed all demands that are presented." And officials of the aircraft industry have announced that their plans for a \$750,000,000 expansion program have been reduced to \$400,000,000 "at most."

What has brought the dilemma of American monopoly capitalism to an especially acute pitch is the enormous increase of productive capacity during the war and the tremendous accumulation of capital crying for profitable investment.

American industry, in five years, expanded to the point where it could turn out 100 per cent more goods than in 1940. The total industrial facilities in 1939 was worth \$40 billion. The wartime government added \$26 billion worth of plants, of which an estimated \$20 billion worth are usable for civilian production.

In its survey, "Economic Concentration in World War II," the Senate Small Business Committee has shown that most of this 50 per cent addition to productive facilities has fallen into the hands of the small group of gigantic monopoly corporations that control American economy. Today, just 250 corpora-

tions own two-thirds of all manufacturing facilities having assets of \$40 billion dollars—or as much as the entire total of manufacturing assets in 1939.

On top of this, the man-hour productivity of labor increased phenomenally during the war. The average worker today can turn out 25 to 30 per cent more in an hour than in 1939. An important example of the increase in per capita productivity was given by CIO President Philip Murray when he stated on October 15 that it took 460,000 steel workers during the war an average of 46.6 hours of work per week to produce 89,000,000 tons of steel; but now 462,000 workers produce 84,000,000 tons in a work week of 36.5 hours.

At peak operations, American industry can turn out goods far faster than the limited market can absorb them. But American corporations must expand inexorably. They have accumulated \$54 billion of working capital—triple the amount in 1941. This must be invested because it cries out for profit.

But with shrinking domestic and world markets, with productive capacity at heights never remotely reached before, where can American capitalism invest its huge idle capital profitably? Indeed, every investment in further plant expansion, either at home or abroad, merely paves the way for an aggravation of the glut of goods that have begun to flood the available market.

At the present time, American Big Business is shouting for "more production." But it doesn't want more total production. It is scared to death that more goods will eliminate scarcities and undermine the price structure. Indeed, as Leo M. Cherne, executive secretary of the Research Institute of America, told a meeting of 600 business men in New York City on September 25, "In far too many cases, management's left hand has been accumulating inventories while its right hand has been advocating productivity."

The program of Big Business to meet the coming crisis was stated very succinctly on October 17 by Mariner S. Eccles, chairman of the Federal Reserve Board. He said that a depression can be staved off if 1. "productivity per worker can be raised—this is most important" and 2. "if large-scale industrial disputes and further general wage increases can be avoided." He added as an afterthought "and if business groups are willing to refrain from further price increases."

In essence, what Wall Street has in mind is to maintain its present volume of profits by forcing the workers to turn out more production in less time—the speed-up—and blocking wage raises or even slashing wages. It wants to stabilize the economy on a lower level. In other words, it will try to solve the crisis on the backs of the working masses.

Changed Conditions

But this is indeed not 1920, as some financial commentators concede. Casting a heavy shadow over these plans of Big Business is the organized labor movement, 15,000,000 strong, that wrested wage concessions from the American plutocracy last spring and is preparing to fight for new concessions in the immediate period ahead.

No doubt, American capitalism will try to maintain its unstable profits position at the expense of the living standards of American labor. But Wall Street is sure to meet savage resistance.

Where will it turn next for a solution, if the mass resistance proves too strong? It will turn once more to the public treasury and try again to prime the pump from that source. But these measures, as the "New Deal" era proved between 1933 and

1937, will not suffice to permanently quicken the blood stream of American capitalism. It will be found necessary to heap government spending upon government spending, pile up debt upon debt. And finally, to the present colossal sum of \$263 billion of federal debt built up mainly in World War II, will be added at an ever faster pace vast debts for military expenditures in preparation for World War III.

Inflation would be intensified and add intolerable burdens

to the working class. And this inflation in turn would only lay the basis for an even more terrible crash of the economy.

For one thing is certain, even if the depression that lies immediately ahead is temporarily overcome, American capitalism is heading for an inevitable economic explosion, a crisis of such dimensions that the whole system will be torn apart. That crisis—as Wall Street well knows—will bear with it profound revolutionary implications.

Motions Adopted by the Twelfth Convention of the Socialist Workers Party

Motion on the Minority Faction

Adopted by the 12th National Convention of the SWP,
Nov. 15-18, 1946

The 12th Convention of the SWP, on the basis of the reports of the Control Commission and the records of the National Committee and the Political Committee, has established the following facts:

1) The May 1946 Plenum censured the Goldman-Morrow faction for repeated and systematic violations of party discipline and acts of disloyalty to the party and warned them to cease and desist.

2) Confronted with this decision of the Plenum the Goldman section of the faction withdrew from the party, formally joined the Shachtmanites and utilizes the Shachtmanite press and platform to attack the SWP as a venomous enemy.

3) The Morrow section elected to remain in the party and promised the Plenum that they would be loyal and disciplined in the future, while continuing to defend their political positions in the party, as was their full right. However, in practice they proved that their statement to the Plenum was not made in good faith, but on the contrary was an unworthy stratagem designed to deceive the party and abuse its tolerance to continue their disloyal and disruptive activities. They even went so far as to organize a campaign to sabotage party funds. These facts have been fully demonstrated and proved in the report of the Control Commission and the minutes of the Political Committee.

In order to protect the party from any further disruption, the Convention therefore resolves as follows:

A) Felix Morrow and David Jeffries, the leaders of this disloyal faction, are hereby expelled from the party.

B) The other members of the faction are hereby given one final opportunity to return to the path of party loyalty and one final warning that the slightest violation of party discipline on their part in the future will result in their immediate expulsion.

The National Committee and its Political Committee, as well as all subordinate party units which may be concerned are instructed to carry out this decision to the letter, and without any delays or modifications, in case of any further violations of party discipline on the part of the minority.

Motion on Unity with the Shachtmanites

Adopted by the 12th National Convention of the SWP,
Nov. 15-18, 1946

1. The so-called unity proposal of the Shachtmanites has been fully and freely discussed in the party for more than a year.

2. This discussion has established that the theoretical and political differences which caused the split in 1940 have not disappeared or diminished but, on the contrary, have deepened; and new and important differences have arisen in the meantime and continue to arise—as demonstrated in the document adopted by the Political Committee and published in Internal Bulletin, Vol. VIII, No. 10.

3. The minority faction of the National Committee, who were ostensibly the original proponents of the unification proposal, were in reality acting as agents and stoolpigeons of the Shachtmanites in our ranks. After a long period of systematic violations of party discipline, disruption and sabotage of party work and party funds, most of the members of the minority faction have split from the party and formally announced their membership in the Shachtmanite party.

4. It is perfectly clear to everybody now that the so-called unity proposal was not put forward with seriousness or good faith. It was a shabby maneuver designed to provoke disruption and split in the ranks of the Socialist Workers Party.

5. Therefore, the 12th Convention of the SWP rejects the so-called unity proposal of the Shachtmanites and closes all discussion of this question in the party.

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