

Fourth International

Tito-Stalin Conflict

Statement of National Committee of Socialist Workers Party

The Two Germanies

By Charles Hanley

Steel: Achilles of U.S. Industry

By V. Grey

Tan Malakka --- Revolutionary Hero

By J. van Steen

Two Articles from Israel

October 1949

25c

Manager's Column

Literature Agent Bert Deck of Los Angeles reports "wonderful success" with *Fourth International* on the campus. "So far Ruth has sold 17 copies of the August issue and six pamphlets, had numerous discussions with the students, eight of whom asked to be put on our mailing list. Seven attended our Leon Trotsky memorial meeting. I have been accompanying Ruth on these sales and have been carrying on discussions with students after Ruth has aroused their curiosity by approaching them with the FI. We found that the first time out took up so much of her time in discussion that she wasn't able to sell very rapidly. Now we take along a selection of pamphlets which pretty well cover the scope of the discussions and sell them a pamphlet instead of taking up too much time with each individual. We are convinced that steady work on the campuses will pay off as well as our sales of *The Militant* have done. *Fourth International* has proved to be the perfect key to unlock the collegiate door."

* * *


After this encouraging experience with the August issue, the Los Angeles comrades increased their bundle order. Even with the larger bundle the September issue "went very well," Bert Deck wrote us. "The West Side Branch is organizing more intensive work on the campuses for the coming period."

* * *

This practical experience is a good illustration of the possibilities that exist for expanded circulation of America's only genuine Marxist monthly on the campuses. With the deepening of the social crisis, interest in Marxism is bound to rise among students as well as workers. That means a bright future for *Fourth International* provided its friends and supporters help it penetrate the barriers of bigotry and preju-

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dice that surround most campuses.

* * *

A student in British Columbia, J. L., sent us the following interesting letter on renewing his subscription: "I find your journal of considerable value in my university studies. Your viewpoint is exceedingly clear and extremely timely in view of the tremendous amount of 'rightist' propaganda in circulation. However, I point out one major fault which is quite apparent to the student. Your articles are quite authoritative from your writers' point of view but the same articles lack documentation. Of course I do not wish to burden the reader with too much documentation but a few good foot notes would be helpful in continuing with some line of thought."

* * *

What do other readers think of this? Would references to further suggested reading prove helpful? Would it facili-

tate the study of genuine Marxism on the campus? Send us your opinion.

* * *

The August issue, devoted to a study of "The American Empire," made quite a splash, to judge from the orders for extra copies still coming in. Grace Carlson on ordering more for Minneapolis wrote us: "We sold out completely. As a matter of fact a number of us brought our own copies in to the headquarters of the Socialist Workers Party and these were also sold. It appears now that it is absolutely essential for us to have some on hand, however, because various readers have become so enthusiastic about the American Empire issue that they want to buy extra copies for their friends. One, who was out of town all summer, just finished reading this issue the other day and came in for two extra copies."

* * *

Among others, D. C. of St. Louis sent for more copies

of the August issue and mentioned that at one newsstand "it sold out rapidly."

* * *

James W. Connery of Keewanee, Ill., thought the last issue "was great...gave it to a fellow to read and expect to have several read it. Every article was fine, the best ever."

* * *

Winifred N., Literature Agent for St. Paul confesses that occasionally she doesn't "get around to reading the FI" but "this time I made an extra special effort" and read the one on "The American Empire." Here is her conclusion:

* * *

"A wonderful issue! It's a must for every radical in the United States and more than that, it should be read by every worker. Some practical applications: A comrade told me that he used it in his shop. The workers were very much impressed with Wright's article bringing America's 60 Families up to date. They appreciate statistics, like this because so much false propaganda is put out that many workers in America are stockholders. Wright's article shows definitely how few people actually do control the wealth—a handful of rich capitalists. This friend also said that he hoped the August FI had a large international circulation, because its material should be of much concern to workers the world over."

* * *

Winifred also liked the way the issue started "with a bang—Wright's article on 'The Reign of Oligarchy'—and then, just when you thought you'd read about the best article possible, you went to another and another equally as good, but extensions of the first one. Not only who controls American imperialist policy, but its world role of counter-revolution, its price on the heads of the people and so on. Another comrade told me, 'This is the kind of FI we want and really need.'"

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The Tito-Stalin Conflict

Statement of National Committee of Socialist Workers Party

I. THE CRISIS IN EASTERN EUROPE

The Kremlin's attack on Yugoslavia highlights the crisis in Eastern Europe. A temporary source of strength, expansion of Stalinist power into this area is generating the most acute contradictions which may in the end prove fatal for its entire system. The Russian bureaucracy has been no more successful in stabilizing Eastern Europe and in solving its manifold national and economic problems than were the imperialists who exploited and subjugated these countries before the war.

There is no other solution for Eastern Europe than economic unity and political federation under a socialist system. The elimination of the imperialist yoke over this area in the aftermath of the Second World War could have been the first step in that direction. But that solution, blocked in the past by imperialism, is now thwarted by a new master, the Russian bureaucracy. Its present conflict with Yugoslavia demonstrates that like capitalism, but for different reasons, it is incapable of unifying these nations. The Kremlin employed its political and military strength to crush the independent working-class tendencies which were striving toward socialist unification. The Kremlin sought to convert Eastern Europe into a military outpost, a pawn in its diplomatic maneuvers with Western imperialism and a source of economic plunder and tribute.

Under Stalinist hegemony the chronic crisis of the Balkans remains although its character has been altered. Their economies groan under a heavy Russian mortgage, which arrests and distorts their progressive tendencies. Nationalization of industry has only aggravated the conflict between the development of the productive forces, and the outlived national boundaries.

The irrepressible conflict in the Balkans now takes on a dual character. The capitalist elements, under the cover of the Catholic Church, maintain a constant pressure, both economic and political, to break out of the Russian orbit, return to capitalist rule and to pre-war relationships with Western capitalism. The socialist elements, seeking to complete their aborted revolutions, are thrown into conflict with the Russian overlords who block the road to progress. At the bottom of the anti-Kremlin movement is resistance to the nationalist policy of Stalinism which seeks to exploit and pillage the countries under its domination for the benefit of the Russian bureaucracy.

The socialist elements are the greater immediate danger to the Russian bureaucracy. While Stalinism could conceivably survive as it did before the war without control over Eastern Europe, the existence of independent socialist states united in a Balkan federation—and the Kremlin has blocked all moves toward that end—would be a mortal threat to its influence on a world scale and would undermine its totalitarian rule in the Soviet Union.

Therein lies the explanation for the Kremlin's fury against Yugoslavia and its murderous assault against the Tito regime. After one year of unceasing political pressure and economic sanctions, it became obvious even to the Kremlin that such means were inadequate in breaking Yugoslavia's resistance. Far from undermining the Tito regime or forcing its capitulation, the Kremlin had failed to create any important rift in its leading cadre or to weaken its support among the masses.

If anything, it was Yugoslavia which had become the pole of attraction for opposition to Russian totalitarian rule in Eastern Europe. "Titoism"—or resistance to Kremlin domination—began to win adherents in one country after another in Stalin's buffer zone and led to a purge of top Stalinist leaders, among them Gomulka in Poland, Kostov in Bulgaria, Rajk in Hungary, Xoxi in Albania and others. Although up to now, the Stalinist purges have been successful in decapitating this opposition, the very survival of Yugoslavia outside the imperialist orbit and resisting Stalin's domination remains an ever-present source of new resistance to the rule of the Kremlin.

The Kremlin can no longer postpone a decisive settlement. Like the Moscow Trials in the Thirties the present frame-up of Rajk and other "Titoists" in Budapest is designed to draw a line of blood between Stalin and his new opposition. It is the justification for assassination, guerrilla warfare and overt military aggression by GPU detachments of the Soviet army against the Tito regime. The reign of terror is also aimed at intimidating and crushing all support for Tito in other satellite countries, thus preparing them as bases for the offensive against Yugoslavia.

II. EVOLUTION OF THE SPLIT

Stalinist in origin and ideology, the Tito leadership has nevertheless been compelled by the logic of the struggle to question some of the fundamental premises on which Stalinism rests. That in itself is anathema to

Stalin and would have been sufficient reason for him to sign Tito's death warrant. But regardless of consequences, the Yugoslav leadership had no alternative but to enter the ideological struggle. They had no other recourse than to conduct the struggle openly in order to justify their policy before the Yugoslav masses, to retain and consolidate popular support and to influence world public opinion. In this there is dramatic confirmation of the Trotskyist prognosis that the pressure of class forces would produce a crisis in the ranks of the bureaucracy itself which would compel one or both sides to appeal to the masses to settle the conflict and would thereby hasten the process of disintegration of the bureaucracy as a whole.

At the outset of the conflict with the Cominform, the Tito leadership made every effort to keep the struggle within bureaucratic limits. Their criticism, purely defensive in character, was directed solely at the Cominform. They were motivated both by respect for Stalin's Bonapartist position in the Russian sphere of influence and by the hope that in that capacity he would mediate the dispute. Stalin was depicted as being above the battle if not on Yugoslavia's side and he was quoted like the scriptures against the Cominform.

But it soon became apparent that the Russian Bonaparte, far from being above the battle, was actually leading the assault against Yugoslavia. Compromise on any other basis than complete capitulation, to be followed by a bloody purge of the Tito leadership and the Yugoslav CP and GPU domination of the country, was ruled out. Tito's requests for discussion were answered by an economic blockade, his requests for negotiations by intrigues, plots and then incitement to assassination. The Tito leadership could no longer refrain from revealing the fountainhead of the attack on Yugoslavia. The significance of this development cannot be overestimated. It marks the first time since Stalin usurped power more than twenty-five years ago that an official Communist party has openly trained its fire at the Kremlin.

Step by step, forced by the exigencies of the struggle, the issues raised by the Tito leadership have become more fundamental in character and its criticisms more searching. Let us enumerate a number of the more prominent ones:

Exposure of Kremlin's Extortions

1. A damning exposure has been made of the economic methods of the Kremlin in Eastern Europe. Irrefutable facts have been published about the discriminatory trade practices of the Russian bureaucracy: the purchase of raw materials below the cost of production or at best below world market prices; the failure to deliver Soviet merchandise either on time or at all; the refusal to invest capital in mixed companies while draining them for more than their share. All these have been properly stigmatized as methods practised by capitalist powers toward weaker nations and colonial countries. These charges constitute an implicit condemnation of the Russian bureaucracy for placing its own caste interests and privileges over those of the masses of Eastern Europe and the world.

Inter-Party Regime

2. A condemnation of the blind and unquestioning subordination of the Communist parties of the world to the dictates of the Kremlin. Therewith is called into question the system which has made possible the fantastic zigzags in Stalinist policy and the constant purges in the party leaderships without consultation or consent of the party membership.

Condemning the system based on "giving and obeying orders" Moshe Pyade, theoretician of the Yugoslav CP, declared in a speech on the thirtieth anniversary of the party, that it arises from "men over there who fancy that they are called upon to direct and regulate the activities and development of all other Communist parties (which) must accept this dictation without discussion or demur. . . . In this revision of internationalism, which is preached to us by means of unconscionable pressure and unfriendly actions, there is hidden a doctrine that no other Communist party may imagine itself to have equal rights with the Bolshevik Party—that no other socialist country may imagine itself entitled to equal rights with the Soviet Union—that no other Communist leadership anywhere in the world may rise a degree higher than is permitted to it. This is no longer a leadership by right of primogeniture, it has been transformed into a natural right or law of nature."

Here again for the first time since the expulsion of the Trotskyists an official Communist party has raised the question of democracy within the international workers movement. "We believe in open discussion," says Pyade, "We come out boldly and openly before our working masses and the workers of the whole world, with our criticisms and our justified accusations. We are conscious of thus fulfilling our duty to the international workers' movement of which we are an inseparable part and without which neither we nor our 'critics' are anything."

It will be noted that the criticism here is directed entirely at the lack of democracy between parties and not its lack within the parties. The question of the internal regime is the most explosive of all questions in the Stalinist world. An examination of this problem would involve an exposure of the methods of the bureaucracy not only in the Soviet Union and the Cominform countries but in Yugoslavia as well.

Subordination of World Revolution

3. The Titoists have denounced Stalinism for subordinating the interests of the world revolution to the selfish national interests of the Soviet state. These are the words of Milovan Djilas, Secretary of the Political Bureau of the Yugoslav Communist Party, who, it will be noted, still identifies the Russian bureaucracy with the Soviet Union.

They were repeated in a different variation by Tito a short time later who declared to a delegation of miners that: "They (the Stalinists) make a mistake in putting forth the idea of the exclusive revolutionary role of the Red Army which, in fact, means the demobilization of the revolutionary forces latent in every people and in every

working class." It is clear that not all the i's are dotted or the t's crossed in the examination of this question which is restricted to the war and its aftermath. But enough is said to create a deep interest among revolutionary militants in a fundamental discussion and re-evaluation of the betrayals of Stalinism all over the world in the last quarter of a century.

4. Finally, it should be observed that the Yugoslavs have been obliged to expose the Stalinist slander campaigns, their suppression of criticism, their amalgams and frameups. Coming from a government which only yesterday was hailed as the foremost of the "people's democracies" this exposure is a devastating blow to the prestige and power of Stalinism on a world scale.

Basic Errors Remain

It is not our intention to exaggerate the meaning of these criticisms or to create the illusion that the Tito group have become revolutionary Marxists or Trotskyists. Thus far they have taken only partial steps in the exposure and analysis of Stalinism, proceeding in a piecemeal, empirical fashion and on the basis of their own recent experiences. They either do not yet understand or they are concealing the fact that Stalinism has its material roots in the privileged bureaucratic caste in the Soviet Union which plays a counter-revolutionary role in the Soviet Union and on the world arena. They do not understand or are concealing the truth that the ideological basis for Stalinist revision of Marxism and for its counter-revolutionary policies throughout the world is the theory of "Socialism in one country." In fact, the Yugoslav leaders, still distorting Lenin's conceptions and still opposing Trotsky, continue to adhere to the same theory. What they object to is the sequel to the theory that "Socialism in one country" applies to no other country than the Soviet Union, not even to Yugoslavia.

Similarly on the question of party democracy, the Yugoslavs continue to stand on the Stalinist conception of the "monolithic" party where unanimity of thought is the object of party discipline and all factions are prohibited. From the information available it also appears that these Stalinist conceptions also govern the internal life of the Yugoslav CP as well as the organs of government. Tito lays down ". . . the rule that almost every factionalist is not far from being a provocateur or similar enemy of the working class."

But only the most mechanical thinking could conceive this adherence to a body of Stalinist doctrine and practice as a fixed and unchanging condition. What is decisive for Marxists are not the shortcomings, the mistakes and the revisionist concepts but the social forces which impel the development of ideological criticism by a Stalinist leadership against the Kremlin.

III. REVOLUTIONARY ORIGINS OF CONFLICT

The underlying reason for the leftward development of the anti-Kremlin movement in Yugoslavia must be sought in the revolutionary origins of the present regime. This

alone explains the mortal hostility of Stalinism, an essentially reactionary and counter-revolutionary force, to Yugoslavia.

Yugoslavia was one of the few countries in Europe where the opposition to the Nazi occupation took the form of a genuine mass movement of resistance encompassing the majority of the population. The war against Germany and Italy was quickly transformed into a civil war since most of the former capitalist and landowning rulers had become collaborators and quislings for the occupation forces. The partisan movement became a rallying center for all the oppressed, for the many national minorities who had been persecuted by the ruling Serbian bourgeoisie, for the landless peasants and agricultural laborers, for the workers whose organizations and unions had been subjected to murderous repression by fascist-like monarchist regimes.

The armed struggle assumed vast proportions. The entire country was a battleground between the partisan forces and the foreign fascist armies. Unlike anywhere else in Europe, the partisans were a well-organized army numbering some 300,000 men. Despite eight full-scale offensives, a huge Nazi military force was never able to pacify the country or defeat the partisans. Under the exigencies of the struggle, the Tito leadership was led to adopt proletarian and revolutionary forms in its military organization and strategy. From this development there arose the first frictions with the Kremlin. Moshe Pyade writes:

Proletarian Brigades

"And an early date the CPY (Communist Party of Yugoslavia) also understood the necessity of creating a sound basis for a new people's army and guaranteeing its revolutionary character by the formation of proletarian partisan units. This also was not done in other occupied countries. Quite to the contrary, we were criticized at the time of the organization of the First Proletarian Brigade because it was feared we would narrow the base of our struggle. Quite to the contrary the experience showed that the proletarian units enjoyed vast popularity, and contributed exceptionally toward the inclusion of the broad masses in the armed struggle."

With regard to military strategy he says:

"We considered it important to draw the workers from the towns and settlements into partisan units and the army; we maintained that cities and towns had to be taken and popular power established in large areas. . . . In contrast with this strategy, certain Communist Parties in other countries . . . theorized that the struggle should be carried on only by small partisan units, which should not be combined into larger forces and into an actual army; that towns should not be liberated and the workers should not be drawn into the armed forces but should remain in the towns in order to be in a position to take power. . . . The peoples of these countries . . . paid dearly for these errors."

New State Organs Created

During the course of the struggle large areas were freed

from fascist domination by the victories of the partisan army. Although the Stalinist leadership in Yugoslavia as elsewhere had hoped to postpone the question of political power until the end of the war, they were obliged by the very force of circumstances to destroy the old bourgeois state apparatus and set up new organs of government. This revolutionary transformation had a decisive influence on the outcome of the war and in molding the nature of the new regime. *"From the beginning,"* Pyade taunts the Kremlin, *"the CP of Yugoslavia saw clearly that to assure the final success of the people's struggle, it was essential to shatter the old state apparatus and build in its stead the organs of a new popular authority. No other Communist party in the occupied countries of Europe had the strength to do that."*

Even if we discount Pyade's boasts that the CP planned it that way "from the beginning" the fact remains that no other country in Eastern Europe experienced a similar development. Everywhere else Stalinist power was established by the bayonets of the Soviet army. The basic method followed in those countries was to graft a new regime (Kremlin-dominated) on the old state apparatus and to establish the new power by a series of purges against the capitalist personnel in the army, the police, the courts and other government institutions. The recurrent crises in these countries are a result of the crushing of the living forces of the socialist revolution and the imposition of bureaucratic manipulation. Only in Yugoslavia did a stable state power, excluding the old ruling classes, exist at the end of the war. The deal with the royalist government-in-exile proved to be only a passing interlude.

The revolutionary forces set into motion in Yugoslavia have had a profound influence on the development of the country. In contrast to the sullen resistance to "planning" which permeates the other Eastern European countries, there is a tremendous enthusiasm for industrialization among the masses in Yugoslavia.

Attracted by this deeply revolutionary spirit, thousands of young workers and students from all over the world have flocked to Yugoslavia to join the youth of that country in voluntary construction brigades to build highways, railroads and other public works. In the face of this sentiment the Tito leadership could not have surrendered to Stalin's attempts to maintain Yugoslavia as a backward raw-material producing nation without arousing a mass movement of opposition. Having participated in an insurrection against the foreign invaders and their capitalist quislings, an insurrection which cost almost a half million lives, the masses were determined to use their creative energies to build a better world and not to become serfs for the Russian bureaucracy.

Question of Workers Democracy

Yet the revolutionary origins of the present regime in Yugoslavia offer a strange contrast to its bureaucratic and monolithic form of rule. What is the reason for this contradictory development? At first glance it would appear that the vast movement of the masses set in motion during the war should have produced a flowering of workers'

democracy. But just the contrary occurred. The regime is dominated by a monolithic Stalinist party which imitates the Russian leader cult, boasts of its ruthless suppression of factions and prohibits all vital criticism and opposition to its basic policies.

This development has its roots in the history of the Communist Party of Yugoslavia. Beginning as a mass party after the October Revolution, it was stultified by the imposition of false policies and bureaucratic methods from the Stalinized Comintern. In 1937, on orders from the Kremlin, the entire central committee of the party with the exception of Tito was purged. The new leadership was trained in Moscow or in the GPU school in Spain. Taking advantage of the conditions of illegality and official repression, it consolidated its bureaucratic grip on the organization by the suppression of all other tendencies and by framing up and expelling its opponents and critics.

It was this Stalinized party which succeeded in gaining the leadership of the partisan insurrection. Despite the participation of masses of workers in revolutionary action, bureaucratic methods were favored by the conditions of foreign occupation and civil war which prevailed in the country. Military discipline and rule-by-command became the accepted mode of procedure and were utilized by the Stalinist leadership to stifle any tendency for greater democracy in the ranks of the party and the mass movement. It appears from a study of the events that while certain latitude was granted to bourgeois groups and parties, independent revolutionary expressions from the left were mercilessly crushed.

The development of the class struggle in Yugoslavia in its conflict with Stalinism will determine whether the conditions now germinating for an extension of internal democracy will reach maturity. It is certain that the totalitarian methods of the Kremlin, its assassination plots and unrestrained slander campaign inhibit this process and provide arguments for the Tito leadership to maintain its bureaucratic practices and monolithic regime.

Property Forms in Yugoslavia

Of all the countries in Eastern Europe, Yugoslavia has gone the furthest in the destruction of capitalism. By June 1948 virtually all industry over the artisan level and all wholesale trade was nationalized; except for small establishments the industrial bourgeoisie has been almost completely eliminated. Its five-year plan for the industrialization of the country is the most ambitious of all the plans in Eastern Europe. To be sure, there are still important capitalist elements in the economy. In agriculture the predominant form remains the small peasant holding which perpetuates and germinates capitalist forces on the countryside, particularly in the absence of nationalization of the land. In industry, the remaining strength of the capitalist elements is indicated by the fact that in 1948 their share in the national income was estimated at 11.22% compared to 25.07% for the workers.

We have already pointed out the revolutionary transformation of the organs of power in Yugoslavia in contrast to the method of grafting new regimes on the old state

apparatus in the other satellite countries. This change had its parallel in the Tito regime's efforts to resolve the national question by placing the many nationalities in the country on an equal footing for the first time. Everywhere else in Eastern Europe the national question was "solved" by the forcible expulsion of national minorities from the country or by subjugation.

This description of the transformations which have occurred in Yugoslavia is intended to demonstrate the main-springs of the struggle against the Kremlin. It should serve as supplementary material for a precise definition of the class character of the regimes in Eastern Europe which is now being discussed in the Socialist Workers Party and other Trotskyist organizations throughout the world.

IV. REGIME IN EVOLUTION

The class evolution of Yugoslavia is unfolding under conditions of mortal struggle against Stalin on the one side and imperialist pressure on the other. This is a contributing factor in the Bonapartist character of the Tito regime. The form however is at best transitory because the acuteness of the struggle is certain to produce even more sweeping changes than have occurred in the past. Reconciliation with imperialism would bring the regime into conflict with the revolutionary sentiments of the masses and isolate it from the world working class.

Conversely, to the extent that the Tito regime resists the absorption of Yugoslavia by imperialism, it will be compelled to rely more and more upon the working class and the revolutionary elements in the population at home and internationally. This can give a tremendous impulsion to the leftward and revolutionary development of the country and to its relations with the workers' movement in the rest of the world. In the last analysis the fate of Yugoslavia will be decided on the international arena and not within the narrow confines of that small country.

Yugoslavia is threatened not only by Stalinism but also by world imperialism which will seek to invade it in the event of war and use it as a base of military operations against the Soviet Union. It was to be expected that the imperialists would attempt to exploit the Tito-Stalin conflict for their advantage. They have granted limited loans to Yugoslavia with the aim of wooing it into their orbit. It should be noted however that these loans were withheld for an entire year in the hope that Yugoslavia would be so weakened that it would pay any price for economic assistance. But regardless of the long-range plans and hopes of the imperialists, Stalin's attack on the national independence of Yugoslavia has already become an important propaganda weapon for the imperialists in their "cold war" with the Kremlin.

The case of Yugoslavia is not the first or the only time that the crimes of the Kremlin have been utilized by the imperialists. The Trotskyists pointed out long ago that the Stalin regime is the worst internal enemy of the Soviet Union. Both the defense of the Soviet Union and the world revolution depend above all on the overthrow of the Kremlin despotism and the elimination of Stalinist influence in the world labor movement. Revolutionists cannot

be deterred in their struggle against Stalinism for fear that the imperialists may temporarily profit from that struggle.

Above all imperialism owes its continued existence to the betrayals of Stalinism. And if on the other hand, Stalin continues to maintain the allegiance and support of many revolutionary workers it is only because they see no alternative between Stalinism and capitalism. Unable to dominate Yugoslavia, Stalin is deliberately trying to force it into the orbit of world imperialism to avert the danger of its developing into such a revolutionary alternative.

V. CRISIS OF STALINISM

The Stalin-Tito conflict is the clearest expression of the world crisis of Stalinism. Stalin's most pliant and devoted agents are being forced into a struggle with the Kremlin in order to preserve their influence and leadership over the masses. Support of the Kremlin's tyrannical rule and plundering methods alienates them from the people and makes them abject tools of a foreign bureaucracy, subject to removal overnight on orders from Moscow. The break in Yugoslavia is paralleled in other Eastern European countries by the purges of Stalinist leaders who participated in the workers' struggles during the war, thus building an independent base of their own among the workers.

It is understandable that this break with Stalinism takes place at first on a primitive and limited basis, lacking in ideological clarity, programmatic firmness and still adhering to many Stalinist conceptions. The Yugoslav struggle has given rise to a new form of centrism, a tendency between Stalinist reformism and revolutionary Marxism. This development is unavoidable in periods of great social convulsions. Engendered by the crisis of leadership in the workers' movement, centrist formations—oscillating between social-democratic reformism and revolutionary Marxism—made their appearance in the past after World War I and later after Hitler came to power.

The specific character of the new centrism represented by the Titoists is determined by the totalitarian regime of Stalinism from which it originates. Given the total lack of democratic discussion and the free expression of ideas, opposition in the Stalinist camp tends to develop mainly on the level of intrigue, differences in organizational methods and on secondary political questions. In most cases the struggle of tendencies is aborted by the system of purges. Those who succeed in making the break have yet to overcome the terrible miseducation to which they were subjected in the Stalinist parties.

The numerical weakness of the Trotskyist world movement, which limits its influence as a pole of attraction, accounts in part for the distorted forms of development of the new centrist tendencies in the Communist parties, and the continued prevalence of Stalinist ideas among these dissident groupings. On the other hand the strength of the Trotskyist movement lies in a program which, forged in more than a quarter century of struggle and corresponding to the objective needs of the day, cannot be ignored even by those in state power like the Titoists in Yugoslavia. To

the extent that they are forced to resort to revolutionary arguments in the struggle against Stalinism they must borrow more and more from the ideological arsenal of Trotskyism.

VI. OUR POSITION

Revolutionary militants cannot remain neutral in the struggle between Tito and Stalin and wait until the opposition movement has developed ideological clarity on all the important questions. We are on Yugoslavia's side against the Kremlin. We participate in the fight as supporters of a basically progressive struggle while criticizing everything that is false and inadequate in Tito's policies and program. By our support we help to widen the breach in the hermetically sealed Stalinist world through which revolutionary ideas can penetrate. By our criticism we help deepen the struggle, projecting into it our fundamental analysis of Stalinism and our patient explanations of the need for a return to Leninism.

Should we withhold this support for fear that Yugoslavia might be absorbed in the imperialist camp in the war against the Soviet Union? Such an abstentionist position could only play into the hands of the Kremlin. A Marxist analysis of the living forces involved demonstrates that this question is still far from settled and will be decided only in struggle. The fate of Yugoslavia as well as Stalinism may well be decided by the revolutionary intervention of the masses before the outbreak of World War III. In any case, it is the task of revolutionists to consciously strive for such a solution and not to passively consign all questions to the settlement of the coming war.

Should we refuse to support Yugoslavia on the same basis that Trotskyists refused to defend Finland when it was attacked by the Red Army in 1939? In both cases Stalin violated the national integrity of a small nation and infringed on the right of self-determination. But there the similarity ends. Finland was not just another small nation whose rights were being trampled upon by a big power. It was an outpost of world imperialism on the border of the Soviet Union and its policies were determined by the imperialists.

The Kremlin's attack on Finland occurred after World War II had broken out and was integrally connected with the imperialist conflict. First, Allied imperialism attempted to use the Russo-Finnish war as the basis for transforming the inter-imperialist conflict into a combined onslaught against the Soviet Union. Later, Finland became a satellite of Nazi Germany and a military base for its anti-Russian offensive. It was clear at the time, and has subsequently been confirmed by events, that the right to self-determination was completely overshadowed by its alignment with world imperialism. To support Finland, therefore, would not only have nullified our position of defense of the Soviet Union against imperialist attack but would have been a step in the direction of social-patriotism.

Yugoslavia, on the other hand, is clearly not now a bastion of world imperialism against the Soviet Union. Whether it eventually assumes that function will be determined by the relationship and development of class forces as described

above. But the fact is that the present regime of that country, unlike that of pre-war Finland, came into being in opposition to world imperialism and not by its support.

The capitalist and landowning classes do not wield state power as they did in Finland, but were driven out of the government and important positions in the economy by the revolutionary struggles during the civil war. The Kremlin's attack on Finland, despite the bureaucratic methods employed and its reactionary effect on world working-class opinion, tended to undermine the reactionary regime and capitalist property relations; its attack against Yugoslavia aims at imposing a GPU regime on the country and of perverting its incipient socialist property forms into a source of plunder and tribute.

Support of Yugoslavia by the world working class under present conditions does not aid imperialism but acts as a counterweight to its influence by encouraging those revolutionary tendencies in the country which are striving for a completion of the socialist revolution in that country.

The only road for effective resistance by Yugoslavia against the Kremlin is the road of Lenin and Trotsky, the road of the Russian October. This is the only alternative to counter-revolutionary Stalinism and predatory world imperialism. There is no room in the international working-class movement for semi-Stalinist formations, competing for influence with official Stalinism. The Yugoslav communist workers cannot accept the nationalist theory of "Socialism in one country" and still criticize its disastrous effects on the world working-class movement. They cannot effectively expose the brutal totalitarian methods of Stalin abroad without exposing its roots in the bureaucratic regime in the Soviet Union; Stalin's foreign policy is only an extension of his domestic policy. They cannot effectively combat the stifling of democratic relations between parties and countries and accept Stalinist monolithism as the organizational form of internal party life. Only by a clean break with Stalinism can the Yugoslav communist workers link themselves with the revolutionary masses of the world.

Such a development would hasten the process of disintegration in the camp of Stalinism, the greatest obstacle to the socialist revolution in the working-class movement. To help this process is the duty of all Marxists, all fighters for socialist emancipation.

September 26, 1949.

International Information Bulletin

Political Resolutions of the Seventeenth Plenum of the International Executive Committee of the Fourth International (April 1949).

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Steel--Achilles of U. S. Industry

By V. GREY

In the twelve months beginning April 1, 1948, and ending March 31, 1949, the American steel industry poured out more steel from its furnaces than it or any other nation's industry, in any other year, peace or war, in the history of the world. The first three months of this year, the golden stream of liquid steel weighed up to more tons than any other country produces in a whole year. American plants have increased production constantly, month after month. At present writing, May 1949, they are booming along at 101.5% of rated capacity, with over 8 million tons per month.

Here is a colossus to bestride the world and defy his fate, indeed! The producer for all the world, with his empire over the five continents, the autocrat who brooks no new industry but what pleases him—and no nation's steel-producing, but what he has a finger in it—truly a colossus with an eye like Mars to threaten and command.

But strangely enough, this colossus is very much concerned about his fate; his eye is flashing signals of distress instead of threats, and he commands in a quavering voice—at least when trying to command the economic process. "A 6½% decline in sales value" wails the American Iron and Steel Institute, "would have wiped out the entire amount of 1947 earnings in the steel industry."

They are speaking here of a *price* decline, something that was extremely unlikely in 1947, considering the shortage of steel—and they are justifying the price hikes. But one may detect a note of alarm about the future, when steel will be more plentiful, and even the most solemn price-fixing agreements will not wholly resist buyers' pressure, and prices will fall.

The industry chiseled out a smooth \$450 million in profits last year, which is about the same take as in 1929. But, they lament, this was on a \$7 billion volume of business, whereas total business in 1929 was only \$3 billion! And moreover, the replacement value of their capital is far higher now than in 1929, so the net percentage return is actually a great deal less. The time, you see, is out of joint.

The industry spokesmen are worried about their rate of profit, complaining about their greatly increased costs—the "unfair" profit advantage of all the other major industries over steel—insisting upon their great patriotism and altruism in enlarging their capacity at exorbitant costs—and crying bitterly about their diminishing returns. And this is not all. Behind their conscious fears, behind their stated problems, behind their relatively lower profits, there lurks a blacker shadow still—the specter of no profits at all. Such a horrible prospect is hardly mentioned, it is true. But all the same Damocles has a sensitive head underneath the sword.

One may read almost any week in *Iron Age* many lugubrious complaints and even dire predictions on the future state of the industry. But why so in the light of all the above achievements? To answer this question we must first measure more precisely and with more sense of history

what steel under capitalism has really achieved and where it really stands.

The American steel industry, with its constant growth of plant facilities, year after year, even in panic, recession and depression, has been cited as one important empirical "proof" that Marx was wrong. If anything gave firm foundation to the "onward and upward" theories of pragmatic America, it was the development of the steel industry. But times have changed, as we will soon show.

Economists of capitalism would never dream of admitting that Marx was right, for instance, about the causes for the declining rate of profit. But the more serious ones, from Ricardo on down, have been somewhat troubled by it. Now at last, even the capitalists themselves have begun to notice it! But since they are concerned more with absolute gains than with relative ones, with hard facts more than with "theory," it is a rather more sensational aspect of this declining rate that is now confronting them, one that hits them not relatively, but absolutely, threatening not only to decline, but to disappear.

Although the factors which cause depressions do not directly concern us here, a quicker disappearance of profits in a single industry—one effect of depression—in turn becomes a cause for deepening a depression that is once under way. But before we go into this matter as it affects the steel industry, let us first briefly touch on the reasons for the declining rate of profit in general since they are closely related to our subject.

The organic composition of capital is constantly rising. The proportion of capital in machinery, and raw materials, etc. to the capital in labor-power (wages) is ever increasing. This proportion, always changing in the same direction, causes the rate of profit to decrease for the following reason: All new values are produced by labor. The value of any commodity compares with the value of any other commodity in proportion to the total amount of labor (socially necessary labor) worked up in the two products. Labor, and labor alone, *adds* value to the old values represented by heaps of raw materials, etc., when new products are made with those materials. Moreover, the machines and tools the laborer uses, as soon as they come into general use are also in a sense only so much raw material whose value the laborer transfers piecemeal to his product as he uses them in the labor process.

As machinery gets more massive, and the number of workers relatively smaller—there is less new value added to the year's product in proportion to the accumulated values of previous years (raw materials, machinery, etc.).

Without going into all the divisions of this new value, it is obvious that profits (as well as wages) come from this quantity. And as this quantity is smaller and smaller proportionately, from decade to decade, so profits are also. But so long as the absolute amount of profits is increasing, especially for the big corporations—the capitalist is not too worried. And in the past few years the absolute amount of profits has certainly, to put it mildly, increased.

However, steel, with a kind of augury that would befit a much weaker sector of economy, begins to be horribly concerned about its concentration of capital—and to this effect: Its strength to weather a depression is in inverse proportion to its strength to make profits in prosperity; its weakness to resist cut-backs is in direct proportion to its concentration of capital.

The Giant Grows Up

What were the steps that led to this situation? And is it possible for the iron-master to be master of his own fate once again? To understand steel's dilemma a little better than steel itself does, let us rapidly review its history, and while we are doing so, note well the changing rates of its expansion as a whole.

With all their recent postwar expansion they have in reality added only a cubit to their size, whereas they grew from little forge and foundry to giant world industry in the expansion previous to the First World War. From 1860 to 1900 this roaring infant industry multiplied yearly production literally a thousandfold—it cut not a few throats in the process—established hundreds of records, surpassed England's production (per worker) way back in the eighties, went from hand labor to machine labor on an undreamed of scale and crowned it all by presenting to the world of high society more than a thousand brand new, first class, eighteen karat millionaires.

The puddling process was entirely replaced by the Bessemer and Open Hearth furnaces in this period. Machines were perfected to dump whole carloads of coal, limestone and ore at a time into ten thousand ton capacity boats. By the turn of the century a single blast furnace could produce 600 tons of iron a day, whereas in 1874 Carnegie's "Lucy" furnace broke the world's record with one hundred tons, and the whole crew "got gloriously drunk on free beer and whiskey."

The fabulous Mesabi Iron Mines were discovered, and the Merritt boys were swindled and double-crossed, together with many another northwest explorer. The Carnegie empire was built, and the Klomans (his partners) pushed out of business. The puddlers union was formed, took over Pittsburgh once, then disappeared with the craft of puddling itself.

Henry Clay Frick hired hundreds of thugs called Pinkertons to shoot his employees at Homestead, while philanthropist Carnegie, his boss, hid out in a Scotch castle between giving away libraries. Captain Billy Jones fired his whole furnace crew one day and took them all to the ball park the next. He made more inventions for Carnegie than anybody else, but didn't believe in buying stock in the damn company." The nearest undertaker to the mill gate used to get the business as the poor corpses came out every day and often twice a day. The men worked 13 hours nights and 11 hours days, with a day off every two weeks. But Carnegie got rich as sin.

"Rich as a Pittsburgh millionaire," the phrase went. The Pittsburgh boys bought huge mansions, hired heraldry experts to give them a family tree, while they bought ivory tooth-picks and decorated their lawns with gold-plated statues—thus far the good old American story.

The new era began to dawn when "Honest Andy," the poor messenger boy, sold out to J. Pierpont Morgan, the Wall Street banker, for 675 million American dollars. The U.S. Steel Company was formed, and it bought up dozens of other companies too. When the dust had settled down somewhat in 1901 it was revealed that more than half of the iron mines and iron and steel making facilities in the United States were held by this aptly named corporation of the bankers: "The United States Steel Co."

The Pace Is Slowed Down

New and still bigger fortunes were made. But now monopoly began to assert itself, and the industry grew at a slower pace. No basic changes in steel making or iron making were encouraged after 1900. Certainly none came to light. With all the new inventions from 1860 to 1900, production was multiplied by 10 on an average of every fifteen years. But if anything had been used in 1900 that was anywhere nearly as revolutionary as the Bessemer process in the sixties, today there would be billions of tons of steel produced per year—and the whole face of civilization would be radically different. But then a billion dollar investment would have been junked in 1900—and therein lies the tale.

True, the mad pace of increasing production—and capacity, with the inescapable addition of the machine—continued after 1900 to World War I, apparently unabated. And up to that time steel stocks were still a big thing on the market, but the rate of increase had already slowed up—even then. True again, the mass, the absolute increase, was so tremendous—12 million tons produced in 1900, 50 million in 1918—that one might forgive a little thing like a diminishing percentage of gain. You can't maintain a geometrical progression to infinity. After all, a human being doesn't keep on growing when he is grown up! Yes, but that is just the point, the steel industry had grown up. And now it has grown old. It reacts to every chill wind with a fit of ague, to every tremor with a shock.

EXPANSION OF STEEL MAKING CAPACITY (in tons)

1898	1908
16 million	38 million
Rate of increase:	137½%
Actual Amount	22 million
1908	1918
38 million	59 million
Rate:	55%
Act. Amount:	21 million
1919	1929
61 million	71 million
Rate:	16%
Act. Amount:	10 million
1929	1939
71 million	82 million
Rate:	15%
Act. Amount:	11 million
1939	1949
82 million	95 million
Rate:	16%
Act. Amount	13 million

The above table presents a fifty-year record of the growth of steel capacity. We use the figures showing *capacity* here, rather than those showing actual production (which is nearly always less than capacity) for two reasons. First, because they show the real additions of constant capital—in the form of steel-making equipment—and second because they are a sounder index to the growth of the industry than production figures.

Similar figures for periods previous to 1900 would show gains closer to 1,000 percent, with the total gain of 1900 over 1860, in the neighborhood of 100,000 percent! But the period shown tells its own story. Note the declining rate of expansion over the long pull.

It is significant that the 16% increase of 1929 over 1919 expresses an advance over a postwar high and after a previous period of tremendous growth. The 16% increase of 1949 over 1939, however, came after a crippling depression and with the aid of war expansion—providing war machines for other countries, etc. So in reality, it was a poorer showing than the 1919-29 period. (The first four years after World War I the industry expanded both relatively and absolutely far more than it has done in the last four years.)

Even more striking than the declining rate are the declining absolute amounts of increase. In the early 1900's—the "slow" years of "provincialism"—the absolute increase in capacity was 22 million tons. In the just completed decade, all the demands of total war and a world presumably at their feet, only squeezed out 13 million additional tons of capacity from the wary steel capitalists.

The only contradiction in the table is the surprising rate of increasing capacity in 1929-39. But it may be recalled that this was a period of rationalization in the steel industry—particularly in the rolling mills—and the building of new furnaces with quarter-an-hour labor, many of which did not get into operation until World War II started. This contradiction in the table is an inherent one which answers to its own laws, as we shall later see.

But for the moment let us measure the forces against expansion. Consider the extreme conservatism in the matter of plant expansion, about the now much-debated subject of "steel capacity." How long is it now, how many decades since new steel plants have been built (if we count out the plants and plant additions built by the government during the war)? Carnegie, and later Morgan, would float a stock or bond issue in the twinkling of an eye to build another plant, even if demand only half warranted it. Where are these courageous, if piratical souls now? Where is the "onward and upward" philosophy of the good old "American Way"? Where the initiative, where the "enterprise"?

A Big Clamor and a Big No

Industry has been crying for steel for three years—paying premium prices to brokers, making all kinds of "conversion" deals, using expensive alloys for substitutes—and demanding that the steel industry enlarge.

Not only Philip Murray and Walter Reuther but a whole host of government economists and big shots up to Truman himself have been calling for enlarged steel

plant capacity. They insisted that there was a bonanza of profits in it for the steel industry. The steel industry itself thought differently.

Assistant Secretary of Interior, C. G. Davidson, said last December that while the steel industry was planning to expand by about three million tons capacity in the next three years, continuing excess demand argued that that figure should be tripled. The steel industry opposed this estimate.

In June 1947, Dr. Louis Bean, assistant to the Secretary of Agriculture, predicted unemployment if a good deal more than 100 million tons of steel were not produced in 1950 (present U.S. capacity is about 95 million). His opinion was influenced by the fact that auto plants, especially, were compelled to **shut down** from time to time because of a shortage of steel. **More steel** would assure prosperity, thus also Walter Reuther. And the steel industry argued against this, too.

Today, in 1949, we see the **spectacle of five million unemployed**, not because of a **shortage of basic steel**, but because of an *abundance* of steel products and the products made with steel machines. So the steel industry was right! The steel industry fought the Reuthers, the Beans and Trumans because they knew that *capitalism* had not changed its spots; that shortage is followed by surplus, and prosperity by depression—and most of all that increased capacity is a terrible burden to the steel corporations.

They may not know that they live in the declining period of capitalism. They may not understand or believe the labor theory of value and the declining rate of profit. They may never have heard of the claims of dead labor on living labor. But they do know that a 12 million ton production in the year 1900 brought them a handsome profit. And 15 million tons in 1932 was so small compared to the overhead expenses of that time that they *lost 183 million dollars!*

The steel business has already declined considerably this year. The grey market, needless to say, has disappeared. Finished steel is easily bought at \$80 a ton instead of \$180. Railroad car builders have decreased orders by 90% (while ironically enough, steel ships more and more by truck to save money). Stainless steel and other alloy sales have declined even faster. There is apparently still a shortage at the present time (May 1949) but it is swiftly turning into its opposite. The steel barons may not be dialecticians, but they do understand that a pound of steel today may not equal a pound of steel tomorrow.

Capacity is a terrible danger to them. Increased capacity demands increasing business. And business can not increase forever. Even if business only stands still, cut-backs in the sale of capital goods must come. And steel is as frightened of a little cut-back as an elephant of a mouse.

This monster colossus of rails and rolls and girders wears its vulnerable spot rather like Cyclops his eye and Achilles his heel—close to the surface. Cut off only the outer skin of prosperity, and the body is fatally wounded.

The increased steel capacity, that is, the increased facilities and machinery, is the source of this weakness. Aid to tremendous profits when sales are booming—cause of terrible losses when sales lag. And that is why the industry

fought the "economists" so hard against the building of new plants, or the government "going into the steel industry."

The "Break-Even" Point

The steel executives express their concern over their constantly mounting investment in constant capital, particularly the "fixed costs," which causes them to have a constantly higher "break-even" point. Different industries have different "break-even" points. For the steel industry this point is very high. The break-even point is an amount of production below which the company begins to lose money. Theoretically, where no machinery or other constant capital to speak of is involved, the break-even point would be zero.

If you were a newsboy with a hundred customers for papers, on which you made one cent a piece, you would make one dollar per day. If you lost fifty customers, you would reduce your order for newspapers accordingly, and then make fifty cents per day. Thus a fifty percent loss in business would mean a fifty percent loss in profits—but no loss beyond that.

If you bought a truck and with it you could deliver 1000 papers a day, and make ten dollars, the situation would be different, however. Say the cost of owning and operating the truck is four dollars per day; your actual net would be six dollars. So if you lost half your customers, your running expenses would then still be around four dollars and your net only one dollar. Thus a 50% loss in business would mean an 83-1/3% loss in profits.

While this example is stretched somewhat as far as trucks and newsboys are concerned, it is mild indeed compared to the plight of a steel company. Unlike the lucky newsboy, the unfortunate steel barons cannot cut their orders since they own the source of supply anyway, and unlike the truck owner, they *cannot sell their machine if things get too difficult*.

Steel's Unmovable Furniture

Most machinery for steel plants is so massive that it is built right on the company property by the various contractors who specialize in one type of machine or another. An ore bridge crane for example—which now costs over a million to build—stands 50 to 90 feet high and may be 250 feet long, like a monster on stilts with roller skates on the bottom. It is operated by one man.

A blast furnace is a behemoth that can never be moved unless it explodes. It costs over \$12 million to build, is operated by five or six men and must remain in full operation for some years to pay for itself.

To run a steel plant at all this machinery must be *used*. Railroad engines, for example, must pull the ladles full of liquid iron and the car loads of steel ingots whether there is less iron or more iron to be pulled. You cannot junk the hundred miles of track within the plant and dozens of locomotives, and go back to the use of mules or men for such jobs.

Iron ore, while only seven dollars a ton, must be brought to the plant in 10,000 ton lots or more, to keep it at that price. The modern steel company runs its own iron mines

as well as its own coal mines and limestones quarries. It pays seven dollars a ton for the ore whether it gets the ore or not.

A whole fleet of lake and ocean ships is kept by each of the largest steel companies in order to keep the expense of transportation down. Even the lake ships are bigger than many ordinary ocean-going vessels, and carry 10 to 20 thousand tons of ore.

The ore and other stock is unloaded by million-dollar machines, then transferred from the stock pile by other million-dollar machines (the ore-bridge cranes) to still other machines which in turn drop the stock into the furnace top 120 feet above the ground. Machines are so tremendous—and so numerous, in relation to men—that about 25 percent of the whole labor force are maintenance men of one kind or another. A drop in production cannot be followed by a corresponding drop in the employment of maintenance men. The idle wheel, like the squeaky one, must get the grease.

Here it is not a question of realizing *surplus value*, but of realizing in the sale of steel the amount of values that will be eaten up in a year's time, by rust, corrosion and decay. The break-even point, so-called, is the point above which living labor begins to get the better of dead labor under the capitalist system, and below which dead labor exacts a toll from capitalist as well as laborer.

The 'Gratuitous Gift of Labor'

While the laborer is adding new value to the mountain of already existing values before him—and creating profits—he is also performing another service which went quite unnoticed in the past and of course, unrewarded. He not only makes steel, thus adding value to the iron ore, limestone, etc., he also *preserves* the value of these raw materials by so transforming them into desirable products. Of what use to anyone is a blast furnace standing in an idle plant?

While productive labor is changing the means of production into constituent elements of a new product, their value undergoes a metempsychosis. It deserts the consumed body, to occupy the newly created one. But this transmigration takes place, as it were, behind the back of the laborer. He is unable to add new labor, to create new value, without at the same time preserving old values. . . . The property therefore, which labor-power in action, living labor, possesses of preserving value, at the same time that it adds it, is a gift of nature which costs the laborer nothing, but which is very advantageous to the capitalist inasmuch as it preserves the existing value of his capital. So long as trade is good, the capitalist is too much absorbed in money-grubbing to take notice of this gratuitous gift of labor. A violent interruption of the labor process by a crisis, makes him sensitively aware of it." (Capital, by Karl Marx, Vol. I, Chapter 8, p. 230.)

Since Marx penned these words the "gratuitous gift of labor" has been growing bigger and bigger, especially in the steel industry. So big in fact, that it dwarfs by far the other, though more important "gift" of surplus value exacted by the steel capitalist.

The only correction we must make in the above quotation is that though "trade is good" as of now, the steel

companies are *not* too absorbed in money-grubbing—much as they love it—to escape bad dreams about the day when they will be denied this gratuitous gift of labor and the “existing value of their capital” will not lie in treasure chests as with the old fashioned pirates, but rather, in the huge hulks of empty plants and mountainous piles of useless stock.

They estimated their “break-even point” in 1939 at 50%. Benjamin Fairless, testifying before the War Labor Board in 1944 said it had by that time risen to 70%. Now it is still higher. Steel capacity in 1939 was about 80 million tons. In order to pay for all the materials, machinery and labor necessary for a year’s operations on any reasonable scale at all, the industry had to sell 40 million tons.

In 1949, the “break-even point” is estimated at between 70% and 75% (with capacity at about 95 million tons). From this it may be seen that while business could have limped along in 1939 on a production of 40 million tons, today more than 65 million tons must be produced *and sold* each year to break even.

“Oh,” how the steel kings must yearn, like Richard II to “call back yesterday!” Yesterday, the era of Pittsburgh mansions and diamond tooth-picks—and it was all built on a production of only 12 million tons a year! What a hard world for kings! Today it takes 65 million tons to buy one single gold cuspidor. And when they “talk of graves and epitaphs,” they must remember one mournful stone that bears the date 1932 and the figure: 15 million tons.

(A second installment of this study will appear in the October *Fourth International*.)

Author’s Footnote on the Nathan Report

The above article is an attempt to explain some of the long-range aspects of the profit picture in the steel industry. Since it was written (May 1949) the question of **recent and present** profits, together with the general financial position of the industry, has been dramatized in the negotiations between the companies and the United Steelworkers, CIO. In the course of the negotiations, Robert Nathan’s report on the “Economic Position of the Steel Industry” was published.

The report is a statistical bombshell which relentlessly exposes the hidden profits and super-profits of the war and postwar years. It proves beyond the shadow of a doubt that the big steel companies increased their prices far more than higher labor costs warranted, and that they could easily have paid much higher wages in the recent period than they did.

However the report is weakest in its prediction of future trends. And necessarily so. All future possibilities are drawn from June 1949 conditions and prices or from proportional variations of that index. But June 1949 is an extremely unreliable point of departure, prices having been very unbalanced and steel itself just emerging into a so-called “stable” market. It is on this inevitable weakness that the companies will of course concentrate in their rebuttal, which will probably continue in magazines and trade papers long after the present steel Fact Finding Board has adjourned.

What concerns us particularly, from a theoretical point of view, is this: Nathan says that the real rate of profit in steel has been going up steadily for more than ten years and also that the so-called “break-even” point is closer to 33% than the 66% claimed by the industry. We appear to be at variance with him. But we are not actually so far apart. It is only that we are approaching the facts in a different way.

While these two claims are undoubtedly true in a strictly

limited sense, it would be wrong to draw any theoretical conclusions from them—nor does Nathan do so. This year, especially, the steel industry made bonanza profits, dwarfing even the jackpots of ’47 and ’48. As Nathan points out, a great part of the rise this year was due to the precipitate fall in the prices of raw materials while steel itself held firm. Moreover, during the last few years including the war years, as Nathan also discloses, the industry got all kinds of special government favors, kickbacks, etc., wrote off excessive amounts for depreciation, bought government-built facilities for a song, and all in all had a far higher profit than they let the world know.

This is an excellent answer to the “prevaricators and hypocrites” who have robbed the workers of billions and are now pleading poverty to the modest request of employes who ask only a pittance to die on. But skulduggery and outright robbery on the corporations’ part does not really alter the basic trends of the capitalist system, nor, for that matter, of their own industry.

Nathan points, for example, to U. S. Steel’s acquisition of the government-built Geneva plant for \$40 million. It cost the government \$200 million. A profit of \$160 million was made on the deal—a profit which can be shown or concealed in the books in a dozen different ways. But it is still a constant capital of \$200 million, having a certain relationship to variable capital, or money spent for wages of men to operate the plant. And this relationship will still be more or less the same as the relationship in other plants acquired by less spectacular and more “accepted” methods of thievery.

Let us say that this plant had been acquired in the same way (for \$40 million) by a private individual such as Henry Kaiser. Suppose he sold the plant to someone else for its full value—or suppose he sold \$160 million worth of stock to several other people—thus taking his “profit.” In either case the new capitalists would look for the return on the \$200 million, not the \$40 million. And if they could get 2% bank interest, i.e., \$4 million, it would be cold comfort to tell them that the plant is netting \$4 million which is really 10% of \$40 million!

Nevertheless, it is of course true that steel profits have been going up, even apart from “gifts” and other hidden items, if only because of the steel shortage and the extremely high production rate. However, the “declining rate of profit” does not refer to a year-by-year subtraction, but to a **tendency**. And we indicate this tendency over the long-term period only to come to our main point which is the constantly increasing concentration of capital and its effect on the “break-even” point.

There has never been any great controversy over this percentage figure, and we have taken the industry’s figures which have been public for some time. Nathan, in his very conscientious report, states that he thinks the corporations’ own figures were correct for the pre-war period, but now believes that the “break-even” point has gone down instead of up.

Due to the recent drop in raw materials prices and to many other factors, such as the war “extras” mentioned above, a good case can be made for the 33% figure. But again, only with limitations. Nathan rightly ridicules the companies’ phony claims for depreciation allowances during the war. Nevertheless actual depreciation is beginning to play a larger and larger role than ever before. And if you go on the theory that the industry must struggle through many years of peace, their war-time fatness counts for less and less.

The corporations themselves, have naturally disregarded their war-time peccadillos in figuring their “break-even” point. They are interested in the “long pull” considerations and are more concerned with theoretical aspects of the matter. This touching devotion to theory on their part is of course closely related to their affection for profits. (The Bureau of Internal Revenue might well take Nathan’s tip and clip them for another big chunk of tax money.) But it must be recognized that if the Nathan figure for the “break-even” point were correct

in any long-term or general sense, the larger companies would not have hesitated to build great new plants in the post war years in order to get the gravy profits from the steel shortage—and without fear of cut-backs causing any actual loss.

At any rate, the foregoing article, analyzing the steel industry's vulnerability from its own figures over the past few years, attempts to give some background for coming strug-

gles. Today the magnates resist wage increases, because for the first time in years, the increases must come out of profits directly, however big those profits may be. They cannot be passed on to the consumers so easily in the form of price increases. But tomorrow, the steel companies (if labor has not already begun its own great offensive) must initiate a life and death struggle with the unions for the reasons set forth in the article.

The Two Germanies

By CHARLES HANLEY

For many years writers and politicians have been speaking about "the other Germany" which is counterposed to the Germany of monopolists, junkers, policemen and the nationalist petty bourgeois. But they do not agree about the nature of that "other Germany," some liberals strongly recommend a spiritual return to the traditions of Goethe (1749-1832). Goethe, to be sure, was one of the greatest personalities in world literature, but it is difficult to see how his "tradition" can solve the economic and social problems of our time.

Stalinists think that Soviet-occupied Eastern Germany is the other, the better Germany. But the German masses hate the Stalinist regime, its police terror against independent working-class militants and unionists, its favoritism to former Nazis who have become lackeys of Stalinism, and the shameless pillage by the Russian occupiers.

Social Democratic leaders praise education for "democracy"; but they forget that there is no abstract democracy without a class content, that the bourgeois democracy of the Weimar Republic (1918-33) was the breeding-ground for Nazism, and that the bourgeoisie, ruling by democratic methods as long as it is able to do so, switches over to fascism when the situation gets out of hand economically and politically.

There are two Germanies indeed. A front line runs through the former "Reich." But this front line is not identical with the frontier between Western and Eastern Germany.

The present situation in Germany cannot be understood without analyzing the situation and aims of classes and their relations with the occupying powers.

Wall Street and the Western German Capitalists

The anti-trust laws and decrees of the American occupation authorities have never been enforced seriously and were never meant to be. Wall Street and the State Department are preoccupied with World War III and want German capitalism as a strong ally against the Soviet Union; Germany is the most important industrial country in Europe and the natural European base for an eventual imperialist offensive against the USSR and its buffer zone.

The impoverished British have not quite ceased the dismantling of German plants. Wall Street lays much more stress on the strengthening of German capitalism. The

monetary reform was destined to contribute to this policy, and it certainly did. Relations between German and American monopolists were renewed by the American visit of German capitalist representatives. Their task was not too difficult because even during World War II contacts had been maintained between German and American trusts and the latter still respected certain agreements they had concluded with the German trusts before the war.

Naturally some changes occurred in the German capitalist class after the breakdown of the Nazi regime in 1945. Some (not many) of the leading capitalists, having been too active in the Nazi party itself, had to retire into private life; some trusts were camouflaged by altering their structure almost completely, especially in the British zone. New layers of capitalists, whose property derives from black-market speculation, sprang up between 1945 and 1948 and are now investing capital in new business enterprises.

As a whole, the German capitalist class is intact. It is still in command; and German capitalists know that they owe this to the Western powers which protected them after the surrender in 1945, maintained capitalist management of industry and dissolved the workers' committees. German capitalists also know that without the active support of Wall Street their present position would be much more difficult. They are not in favor of any real deterioration of relations between Western Germany and American imperialism and are therefore not likely to adhere to neo-Nazi parties for the time being. But they are prepared to blackmail the United States by threatening to favor neo-fascists groups, ultra-nationalism and hostility to the occupiers if the American imperialists do not grant them more profits and a greater degree of independence.

The German bourgeoisie would like to be the junior partner of American capitalism not a mere satellite. In exchange, it offers its wholehearted collaboration in the preparation of war against Soviet Russia. In fact, the German bourgeoisie hopes that in a third world war, the United States will need a "strong Germany" and German military aid. It believes that a new war is the way to the re-birth of German imperialism, forgetting that a new conflict might only complete the work of destruction done in Germany by World War II.

Of course, Wall Street does not want the competition of a revitalized German imperialism, but it is confident that its overwhelming strength will exclude that danger and it is therefore prepared to raise the German bourgeoisie to the

rank of a Number One ally in Europe. The British government would have preferred to deal with German labor bureaucrats who are willing to give Britain the "reparations" she asks for and do not cherish any dreams of new greatness. Britain fears that an American-supported German capitalism would become dangerous to its export trade. The French bourgeoisie is anxious to prevent any rebuilding of German unity as well as the strengthening of German industry, their own industry being unable to compete with the restored industrial potential of Germany.

Borrowing an image from a recent cartoon by Low, we might say that the British and the French did not wish to let the German tiger out, while the Americans thought themselves strong enough to ride it safely. If the Americans are strong enough, the British and French certainly are not, and they know it. However, the policy of the strongest imperialism—American imperialism—prevailed. To withstand the pressure of American competition, the British bourgeoisie would like to set up some sort of (British dominated) European Union which would coordinate European economy (a utopia under chaotic capitalism).

Winston Churchill, its foremost spokesman, advocates the immediate inclusion of Western Germany in that European structure: the "tiger" now being loose anyway, British capitalism has to cajole it, hoping to come to friendly terms with it, to keep it tamed inside the European Union, and to use its savage instincts against the Soviet Union. The German "tiger" as the watchdog of European capitalism—this is now one of Churchill's most cherished ideas. That the Churchill of "Unconditional Surrender" has become the friend of (capitalist) Germany, is a clear reflection of the dialectics of historical evolution.

The Middle Class and the Bourgeois Parties

No real Marxist ever believed that the pauperization of the German middle class at the end of World War II would automatically transform it into a part of the proletariat and thus "proletarianize" the German people. The impoverished petty bourgeoisie is generally full of contempt for the life of the workers and longs to recover its former economic privileges. It continues to imagine itself "bourgeois" and not proletarian, especially when the labor movement is not very dynamic and is not a pole of attraction.

There is no independent course for the middle class. Either it becomes the ally of capitalism or the ally of the working class. But capitalism needs an ideology suited to petty-bourgeois aspirations in order to attract the middle class. Nazism was defeated in 1945 but there remained another ideology to be used by capitalism: "Christian democracy." Nazism, being still more totalitarian than Italian fascism, had often clashed with the equally totalitarian aspirations of the Catholic Church and even with the Protestant Church, a clash occurring not on fundamental political grounds, but mainly on the issue of education. Although the Catholic hierarchy was among the forces which helped Hitler seize power and the Vatican was the first foreign state to sign a treaty with the Nazi government in 1933, its clashes with the Nazis bestowed the prestige of a somewhat doubtful martyrdom upon the Church.

Even in other countries of the European continent which were free of this friction, a big fraction of the bourgeoisie shifted from defeated fascism to "Christian democracy" (France, Italy, Belgium, Holland, Austria.). The Church is one of the most precious and influential supporters of capitalism (being a giant capitalist trust itself).

At present, the Christian Democrats constitute the most important party of the German bourgeoisie with 139 seats in the new federal parliament. But numerous "national-liberals" and non-Catholic conservatives have rallied to the Free Democrats (52 seats); the Bavarian autonomists voted for the Bavarian Party (17 seats), and a minority of former active Nazis for the two neo-fascist parties who together received 22 seats.

For farmers and black-marketeers business was very good between 1945 and 1948 while the masses starved. Later monetary reform improved the food supply for the population. Thus capitalism still seemed to have something to offer. Moreover, the support given to German capitalism by the United States, the outspoken hostility of American imperialism to nationalizations and its campaign for "free enterprise" not only impressed the petty bourgeoisie as a capitalist show of force but also encouraged them to hope for a restoration of middle class prosperity, for a share in profits. The mixture of "free enterprise," Christian traditionalism and the immense power of American imperialism supporting him makes the German petty bourgeois feel rather comfortable. He doesn't like the Americans or the other occupiers but since they are strong it seems natural to him to be in their camp, extracting a maximum of political concessions, economic aid, and advantages of all kinds. Yet in spite of his illusions, he sees that things are not going too smoothly and doesn't understand why. So he often takes refuge in confused phrases which are vestiges of past nationalist education and of the propaganda of the late Dr. Goebbels who blamed everything on foreigners and Jews.

The political leaders of the bourgeoisie took this all into account during their election campaign last August. (However, they carefully avoided compromising their collaboration with the Western powers and especially the USA by going too far in their nationalist agitation.) In view of the present state of mind and aims of the German petty bourgeoisie it is therefore not surprising that they voted for the bourgeois parties, and that these gained an absolute majority.

The Eastern German Bourgeoisie and the USSR

Fundamentally, the situation in Soviet-occupied Eastern Germany is much the same as in other territories which the Russians occupied in 1945.

The big landowners fled before the Soviet troops arrived. The peasants took the land. An "agrarian reform" was soon proclaimed, because something had to be done with the abandoned property of the Junkers and because the Stalinists wished to win the peasants' support. Though they generally didn't give the peasants enough agricultural machinery needed to cultivate their new farms in a rational

way, the elimination of the Eastern German Junkers undoubtedly was an important progressive fact.

At first, the Soviet occupiers and the Eastern German Stalinists handled the bourgeoisie in their zone with kid gloves and confiscated or nationalized only a relatively small percentage of industry. Although the Kremlin made every effort to collaborate with the political parties of the bourgeoisie, the capitalists continued to view the USSR as a danger to their class rule. The Eastern German bourgeoisie looked westward. Naturally, it had greater sympathies for American (and German) capitalism than for Russian (and German) Stalinism. When the Russian and the German Stalinists discovered that the capitalist parties (Christian Democrats and Liberals) were agencies of Western imperialism, they began to put pressure on the bourgeoisie, nationalized more and more factories, changed the leadership of the bourgeois parties, and even created a party of former Nazis friendly to the Kremlin in order to win away members from the Christian Democrats and the Liberals. But there was practically no mobilization of the toiling masses against the bourgeoisie. Although compelled to struggle against the Eastern German bourgeoisie in self-defense, the Stalinists dared not employ revolutionary methods which could at a later date be turned against the dictatorship and corruption of the bureaucracy. Not the workers, but the Stalinist bureaucrats have taken over the economic power which was formerly held by the bourgeoisie.

In spite of their unquestioned hostility the Stalinists still hope to attract some bourgeois elements by their slogan of "German unity" and through their "German People's Congress"; they are even trying to come to terms with some Western German capitalists through negotiations with Rudolf Nadolny, former German Ambassador to Moscow. Thus the Stalinist bureaucracy, which mortally fears any revolutionary mass movement, despite its "left" turn is still seeking alliances in the capitalist camp. But in the event of a third world war the German bourgeoisie will be on the side of imperialism, on the side of its class interests.

"Denazification" and Renazification

The Western and the Eastern occupiers deal with the problem of former Nazis in much the same way. First there was much talk about "denazification" which, however, did not seriously disturb many of the most authentic and influential Nazis. But as this kind of "denazification" provoked widespread discontent—the bourgeoisie considered it too severe while the workers denounced it as ridiculously unjust and inadequate—the occupiers dropped it more and more and began to play "their" former Nazis against one another. The present phase is one of "renazification."

Let us recall some examples of the practice of "denazification" during the first phase: the Western allies sentenced Admiral Donitz, former commander-in-chief of the U-boat fleet to 20 years in prison but acquitted two outstanding representatives of German capitalism and sponsors of the Hitler regime, Dr. Hjalmar Schacht and Franz von Papen. The Russians retained von Witzleben, the Nazi director of the big Siemens works, in spite of the angry pro-

tests of the workers, but the famous actor Heinrich George died in a Russian concentration camp because he had been a member of the Nazi party.

The present phase of renazification is characterized by the birth of legal neo-fascist parties on both sides of the "iron curtain" (although legalization has, of course, been denied to the Tito-ite Independent Communist Party of Karl Heinz Scholz). There are now two authorized parties of former Nazis in Western Germany and according to the *N. Y. Times* the relaxation of the censorship will see the publication of fifty to eighty Nazi newspapers (especially in reactionary Bavaria) by former Nazi editors and journalists. As acknowledged specialist of anti-communist propaganda these elements are very useful to imperialism.

In the Soviet-occupied zone there are not only many former Nazis in the Stalinist Socialist Unity Party (SED) but the Stalinists have themselves created a special party of former Nazis, allied to the SED and willing to serve the foreign policy of the Kremlin. The Stalinists now systematically favor "repentant" Nazis, while brutally persecuting non-Stalinist socialists many of whom had previously been imprisoned and tortured under the Nazi regime.

Occupation means renazification. The only force capable of denazifying Germany is the German working class, first victim of Nazism. But its hands are fettered so long as the foreign occupation remains.

The Workers and Stalinism

The German workers have had their experience with Stalinism, and they hate it. They know Stalinism in Eastern Germany where they are oppressed by the Stalinist bureaucracy; where the purely German provinces of Pomerania and Silesia were annexed by the Polish Stalinists in 1945 and where German East Prussia was annexed by the Russian Stalinists in the same year, where the former Nazi concentration camps of Buchenwald and Sachsenhausen are full of non-Stalinist militants; where there is neither freedom nor food for the working class but all kinds of privileges for SED bureaucrats; where miners and factory workers are ruthlessly driven by the Stakhanov system (which is called the "Hennecke movement" in Eastern Germany), with no say in the administration of their mines and factories, part of which have to work for the USSR; where Stalinists have unmasked themselves as brutal strike-breakers.

The catastrophic policy of Stalinism is grist to the propaganda mill of the Western powers which appear to many as the only possible liberators of Eastern Germany, especially since the end of the Berlin blockade, that monstrous manifestation of Stalinist stupidity. Far from being an effective force in the anti-imperialist struggle, Stalinism provides imperialist propaganda with its best arguments and throws many demoralized workers into the arms of Wall Street and reaction. However, Tito's resistance to the Kremlin and the Cominform has made a deep impression on numerous German communists, aggravating the crisis in the ranks of the SED, and has led to the formation of an Independent Communist Party in Berlin.

In Western Germany, the workers know Stalinism from what they have read about Eastern Germany and espe-

cially from what Eastern German refugees have told them. They have seen the pitiful droves of frightened people from Silesia, Pomerania, and East Prussia, expelled by the Stalinist Polish and Russian conquerors, and they won't soon forget them. They understand that Stalinism completely ignores the international solidarity of the working class. An indication of this attitude was apparent in the heavy defeat suffered by the Stalinists in the Bundestag elections receiving only 15 seats in the new Federal Parliament. Max Reimann, the leader of the Stalinist party, was not re-elected. This in a country where up to 1933 the Communists boasted of the second largest Communist Party in the world! These are the fruits of repeated Stalinist betrayals.

The German workers understand the utter hypocrisy of the Stalinist propaganda slogan of "German unity": Stalin (as well as the imperialists) destroyed German unity by the Yalta and Potsdam agreements and by the annexation of Eastern Germany. No Stalinist "People's Congress" will make the German masses forget these crimes.

The Social Democratic Party

With its 800,000 members in Western Germany the Social Democratic Party (SPD) is the mass party of the German workers occupying a position somewhat similar to that of the British Labor Party. Although they know that the party committed fatal errors and crimes in the past, that its leaders are often too soft, the workers stick to it, thinking that the political unification of the German working class, the overwhelming majority of which intensely dislikes Stalinism, is possible only in the SPD (131 seats in the Federal Parliament) and cannot be accomplished by any other political force.

The main enemy of the German socialist workers is the bourgeoisie, particularly its strongest party, the Christian Democratic CDU. They understand the class issue at stake and never liked the coalition between the SPD and the CDU. Two years ago in Bavaria the Socialist workers succeeded in compelling their leaders to break the coalition in Bavaria. But there is a difference between the opposition politics of the party bureaucrats and that of the workers. The reformist bureaucrats understand "opposition" as a means of getting back into the apparatus of the capitalist state when capitalist parties have strong majorities. They don't want to abolish the bourgeois state, but to hold offices and positions in it, to be the "loyal administrators of capitalism," to use Leon Blum's expression. Their opposition is purely parliamentary and very tame at that. Under pressure of the workers and in order not to lose their hold on the labor movement they are often obliged to employ rather strong language against the occupiers and against the German bourgeoisie, frequently stating fundamental principles of socialism and defending the workers' interests up to a certain point. But this does not prevent them from collaborating with the bourgeoisie and imperialism.

Since the bourgeoisie has become strong enough to rule, the imperialists prefer to collaborate with an all-bourgeois government discarding their policy of a Socialist-Catholic coalition. The more the reformist leaders show their readiness to collaborate with the bourgeoisie, the more arrogant the capitalists and the bourgeois politicians become.

This situation is bound to give rise to serious reflection among the members of the SPD, many of whom have by no means forgotten the lessons of the Weimar Republic and openly express their hostility to class collaboration.

The SPD rank and file is aware of the fact that the imperialists resolutely support German capitalism, and that the struggle against German capitalism excludes collaboration with the imperialist occupiers. They also understand that the struggle against foreign occupation and war danger means in practice a struggle against the German bourgeoisie, the ally of imperialism, and requires an appeal to the international solidarity of the world proletariat for the withdrawal of all foreign troops. More and more the German workers realize that the essential problem is to find a political line independent of Washington as well as of Moscow. In the struggle for such a program they will learn that the reformist bureaucrats are no less cowardly and treacherous than their Stalinist opponents.

Under these conditions the task of the German revolutionists is to popularize the transitional program of the Fourth International in the SPD and in the unions, and to work for a crystallization of opposition basis of that program. German Communists disgusted with Stalinist policies (and dissident groups of left Socialists and Communists) can be expected to welcome such a movement. Yet it must be recognized that even under favorable conditions the creation of a revolutionary force will not be an easy task and will require considerable patience and endurance. It will not come as a gift from heaven but only as a result of relentless efforts by the vanguard of the working class.

The "Other Germany"

The "other Germany" is the workers' Germany. The bourgeois state in Western Germany remains the state of monopolists, Junkers, imperialist ambitions, petty-bourgeois nationalism, and policemen. The Stalinist bureaucracy has abolished the power of monopolists and Junkers in the Soviet zone but its government is a typical police state with the old capitalist state machine no longer operated by the bourgeoisie in the interest of capitalism but by the German Stalinist bureaucracy in the interest of the Stalinist bureaucracy of the USSR.

The only class whose interests are absolutely opposed to both regimes and to the foreign occupiers who support them—the imperialists in the West and the Stalinists in the East—is the working class. The working class is the only class to represent another Germany because no other class of the German population is interested in the birth of a Socialist Germany in a Socialist Europe which means the elimination of the capitalist state—whether run by the bourgeoisie or by the Stalinist bureaucrats—and the end of imperialist and Stalinist influence.

The idea of a United Socialist Europe is so popular with German workers that even the reformist SPD leaders have been compelled to pay lip-service to it in their speeches although their real aim is to become dignitaries in a German capitalist government, even one dominated by imperialism. A Socialist Germany in a Socialist Europe is the only solution of the German and of the European prob-

lem. A European economy coordinated, managed, and planned by the European workers themselves will open great vistas for the German masses whose skill and efficiency will be of invaluable service to all the peoples of Europe.

Of course, it is absurd to speak of the establishment of a Socialist Germany while Germany remains occupied by imperialist powers who are bitter enemies of a German

workers' state. It is the duty of the workers of the United States and of every other country to call for the withdrawal of all the occupation troops not only in order to give their German fellow-workers a chance to decide their own fate but also to deprive Wall Street of one of its main bases for a third world war. This is an important step toward a workers' world.

A Chronicle of Anti-Imperialist Struggle

Tan Malakka--Revolutionary Hero

By J. van STEEN (Amsterdam)

According to an American news agency Tan Malakka, the Indonesian revolutionary leader, is alleged to have been executed by official republican authorities in the western part of Java. Shortly after, these authorities themselves confirmed the news in their information bulletin *Indonesia News*. The reason given for the execution was "political infiltration of the republican army" (Statement of the republican police chief of Jogjakarta, Konsoumo, reported in the Amsterdam *Algemeen Handelsblad* for June 25, 1949). It was also announced that a detailed report of the circumstances surrounding the execution would be published forthwith. Thus far, however, this report has not been made public.

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Despite all these accounts, it is still difficult to believe this report. Rumors of the death of Tan Malakka had been frequently circulated in the past, either because the revolutionary leader himself was anxious to throw a half-dozen police agents, constantly at his heels, off the track; or because his enemies hoped thereby to demoralize and discourage his supporters. The heroic life of Tan Malakka, his exploits and his spectacular escapes, his sudden appearance at the nerve centers of the revolutionary struggles in the Far East, made him a legendary figure among the exploited masses of southeast Asia. Whatever the truth of these reports it will be a long time before his death is really accepted and before the hope dies that he will turn up again to lead the struggle against imperialism to which his entire life has been devoted.

We fear however that this time enemies have achieved their aim. If confirmed, the assassination of Tan Malakka by the Indonesian republican government will take its place on a par with such political crimes perpetrated against the revolution as the assassination of Karl Liebknecht and Rosa Luxemburg in 1919 and Leon Trotsky in 1940. Once again it will have been demonstrated that the most "democratic" governments do not hesitate for a moment in utilizing the most totalitarian methods against a threatening revolutionary danger. In light of this crime, how fraudulent is the artificial distinction made by centrists and ultra-leftists of all shades between the counter-revolution-

ary methods of Stalinism and those of bourgeois democracy, as well as social democracy.

No sooner does the revolutionary movement become a great force in any country than all official public opinion is aroused against its leaders who are hounded and persecuted by a class which stops at nothing in its attempt to get rid of them. The Indonesian Stalinists made a number of attempts on the life of Tan Malakka all of which fortunately ended in failure. The "successful" execution by the "democratic" republican government is a real symbol of what can be expected from the democratic bourgeoisie when the proletariat is prepared to struggle for its complete revolutionary emancipation.

Founding of The Communist Party

In assassinating Tan Malakka, the Indonesian bourgeoisie struck at the revolutionary movement of that country through its most outstanding leader. Together with Semanoen, Alimen, and others, he was among the founders of the Indonesian Communist Party which came into being in 1920. The new party emerged from a split in the Social Democratic Association of Indonesia after the right wing split from the majority of the organization which decided to affiliate to the Communist International. Tan Malakka took the lead in quickly transforming this organization into a mass movement which played a leading role in the struggles of the worker and peasant masses.

In 1921 he succeeded in winning over the left wing of *Sarekat Islam*, the nationalist mass organization, and in building a national revolutionary movement led by the Indonesian CP. As a participant in two world congresses of the Communist International, he vigorously defended his tactical conceptions with respect to the utilization by the Communist Party of revolutionary and popular tendencies in the National Islamic movement not only in Indonesia but throughout Asia. In the same period he wrote a remarkable pamphlet in which he set forth the strategy to be employed in the liberation struggle against imperialism in Indonesia. He pointed out that the central region on the island of Java would be the principal nerve center

of the revolutionary struggle, a prediction which was confirmed to the hilt by the post-1945 events.

In 1925, the Executive Committee of the CI selected him as their representative for all of southeast Asia. He left Indonesia and began his life as a traveller which enabled him to acquire an extraordinary knowledge of this far-flung area of the world. It was during these travels that he developed his personal conviction defining the Malay Archipelago (the Philippines, Indonesia, New Guinea and the peninsula of Malacca) as the zone of revolutionary struggle in southeast Asia.

Beginning with 1923, the internal situation in Indonesia was rapidly deteriorating. Reaction increased its pressure on the toiling masses while mercilessly persecuting the communist militants. The workers were rapidly becoming radicalized. In December 1925 the leadership of the Indonesian CP decided to make preparations for an early insurrection. In March 1926 they sent an emissary to Tan Malakka, who was then located in Manila, to discuss the tactics for the insurrection. Tan Malakka took a position against the whole plan on the basis that the timing was wrong and the organization not mature. It seems that this opinion of Tan Malakka was not transmitted to the leadership in Indonesia. In any case, the insurrection broke out in November 1926 in Java and in western Sumatra in January 1927. After a bloody struggle, it was crushed by Dutch imperialism.

Tan Malakka's break with the CI dates from this time. In June 1927 he founded the P.A.R.I. (party of the Indonesian Republic) in Siam which was clearly communist in character. He was then to experience years of travelling which took him as far as Aden on the one side and to Japan on the other; hiring out as a stoker on ships that plied the Red Sea and the Persian Gulf, working as a coolie and a servant, crossing the Pacific Ocean as a stowaway and making the acquaintance of innumerable jails. It was only in 1945, after having patiently bided his time for 18 years, that he was able to resume open political activity in Indonesia.

Evolution of the Peoples Front

Although documentary material on the political history of the Indonesian Republic from 1945 to 1949 is still extremely inadequate and although we only know of the activity of Tan Malakka through notes, letters and articles in periodicals which are often garbled, we can nevertheless retrace the essential stages of this activity from the revolutionary leadership of the Indonesian Peoples Front Organization, through the constitution of the Peoples Revolutionary Movement to the formation of the Proletarian Party of Indonesia. The very names of these three organizations clearly illustrate the political evolution of Tan Malakka and of the whole Indonesian revolutionary vanguard from the beginning of the Indonesian revolution to the present day.

The Peoples Front was formed on January 15, 1946 in Surakarta in central Java as a united front organization in which 140 parties, organizations and groups of all types participated. This figure is proof of the extremely vigorous

political life which characterizes the Indonesian revolution. It can be said without exaggeration that not since the Spanish revolution has there been a comparable upsurge of the workers anywhere in the world.

Tan Malakka himself took the initiative in the formation of the Indonesian Peoples Front which was composed of the principal political organizations and Republican army detachments. He was its main leader. The aim of the organization was to constitute a united front of the entire national revolutionary movement for the purpose of winning the complete independence of Indonesia and conducting the struggle against imperialism. At the time Tan Malakka was not associated with any party in particular but he attempted to defend his program within the Peoples Front which was published in the *Tribune*, March 5, 1949, organ of the Dutch section of the Fourth International as a reprint from the February 1946 Indonesian paper, *Pari*. The program consisted of the following points:

1. *Centralization into one organization or one front of the whole national movement for the purpose of winning complete independence for Indonesia.*
2. *Complete freedom of discussion for all parties within the front.*
3. *Prohibition of all intervention of foreign capital in the Indonesian economy.*
4. *Planned organization of consumption and production. Elimination of the Indonesian bourgeoisie from the direction of the economy.*

This transitional program, which is not identical in every point with the program of the Fourth International, nevertheless constitutes an enormous improvement over all the Stalinist conceptions regarding "the revolution by stages" which poisoned the revolutionary movement of the Far East for decades. At the same time it reveals an inadequate understanding of the need for an independent organization of the proletariat within the national revolutionary movement, a conception moreover which Tan Malakka had previously defended at the Fourth Congress of the Communist International.

Shortly thereafter the Peoples Front came into conflict with the policy of collaboration with Dutch imperialism pursued by the Sjahrir government. The official left wing parties, such as the SP, the CP and the Workers Party, quickly broke away. Then the official right wing parties also came to terms with the government and split from the Peoples Front. The latter retained only a few left socialist groups and a few radical petty bourgeois organizations, all under the leadership of Tan Malakka.

The government, led by the social democrat Sjahrir however considered this opposition dangerous enough to arrest Tan Malakka twice, the second time as a result of the kidnapping of Sjahrir by a detachment of the Republican army (T.R.I.) on June 27, 1946. This kidnapping was slanderously attributed to the Peoples Front and all of its leaders were imprisoned. They were freed again for "lack of evidence" in the summer of 1948.

Peoples Revolutionary Movement

The revolutionary elements did not relax their activities

during the time their leaders were in prison. They founded the *Peoples Revolutionary Movement* (Revolutionary Gerakan Rakjat, GRR). One of the leaders of the GRR was a former member of the Dutch parliament, Roestam Effendi, who had broken with the CP. The headquarters of the GRR was established in Surakarta, in central Java. The organization numbered some 60,000 members. Its president, Sukarni, was the former secretary of the Peoples Front. GRR was composed of a number of small groupings as well as two more important parties, the Peoples Party (Partai Rakjat) and the Independent Workers Party (Partai Buruh Merdeka). The Peoples Party was characterized as follows by *Merdeka*, the organ of the Indonesian Press Service, published in New Delhi, India (November 1948):

"Most of the supporters of the left wing, political opponents of Sjahrir (Social Democrat) and Sjahrafuddin (Stalinist) are ranged behind this party. In keeping with its anti-capitalist principles, this party opposes with all its strength the development of capitalism in Indonesia, even an Indonesian capitalism. Its principal aim is the building of an independent Indonesian Republic based on socialism."

It should also be added that the GRR had an important following in the army and was supported by a fighting force, the Lasjkar Rakjat Djakarta Raya (Peoples Army of Jakarta Raya). This army was the backbone of the partisan armies which operated in provinces occupied by the Dutch.

Hardly had Tan Malakka been freed in June 1948, becoming the political leader of the GRR, than the Stalinist putsch occurred in Madioen. This putsch, as well as Stalinist policy as a whole in Indonesia, deserves separate treatment. It suffices here to point out that the putsch was a miserable failure, the Stalinists having acted alone in complete isolation from the masses of the country. But the defeat of the putsch was the signal both for the unleashing of a vicious reaction in the republic, in which 20,000 workers regardless of political affiliation were imprisoned, and for imperialism which felt that its hour had struck for what it cynically called "the second police action," meaning the all-out aggression of December 1948 directed at eliminating the Republic from the map of Indonesia and re-establishing a slightly camouflaged colonial regime.

The Proletarian Party

Tan Malakka's influence grew constantly during this entire period which was a period of ideological and organizational regroupment of the proletariat and of the revolutionary vanguard. The result of this regroupment was the formation in October 1948 of the Proletarian Party (Partai Murba) of which Tan Malakka was the unchallenged leader and in whose ranks were gathered most of his former lieutenants from the Peoples Front days. The Peoples Revolutionary Movement dissolved itself into the Proletarian Party and became a decisive section of the new organization.

The new party numbered some 80,000 members at the time of its formation and was generally considered as the

third party in Indonesia. Its influence was reflected in the fact that a number of newspapers in Surakarta and in Jogjakarta (capital of the Indonesian Republic) declared in its favor. It held its second convention on November 8, 1948 in Jogjakarta and adopted the following minimum program (reported in the Indonesian paper, *Berita Indonesia*, November 15, 1948):

1. *Not to engage in any negotiations until all imperialist troops are evacuated from Indonesia and then only on the basis of complete independence.*

2. *Formation of a government responsive to the interests and the will of the people.*

3. *Formation of a people's army by the arming of the people.*

4. *Expropriation and operation of all imperialist enterprises (probably plantations).*

5. *Seizure and operation of all enemy factories.*

6. *Institution of a regime of economic well-being for the people.*

The Second Partisan War

Several weeks later, on December 18, 1948, the imperialist assault occurred. The Republican armies retreated to the mountainous regions, more conducive to guerrilla warfare. In short order these guerrillas engaged in more widespread actions, constantly closing in on the imperialist army thus compelling the UN to intervene through its "Good Offices Commission" to avert a complete debacle for the imperialist army. The influence of the Partai Murba and Tan Malakka in the partisan war became more and more decisive, especially on the island of Java. It was at this point that the Associated Press correspondent cabled on March 27, 1949 that "the veteran Tan Malakka is leading a movement which may be difficult to control in the future."

It thus becomes clear why the "official" Indonesian authorities were to attempt to eliminate this revolutionary influence at any cost while preparing to liquidate the partisan movement and to once again conclude a rotten compromise with the government at The Hague. That is why they assassinated Tan Malakka. But although this crime is a very heavy blow to the Indonesian revolutionary masses and although it is a heavy mortgage on the future of this movement, it has not succeeded in destroying it.

We learn, on the contrary, that after the conclusion of the Van Royen-Roum agreement which (officially) put an end to the partisan war, the leadership of the Proletarian Party met "somewhere in the environs of Jogjakarta" in June 1949 and denounced the agreement. Two tendencies found expression at this meeting, one in favor of the uninterrupted prosecution of the partisan war and the other for a temporary cessation of the armed struggle and a turn to political opposition.

Naturally we cannot give an opinion on these tactical differences without a concrete analysis of the situation. But the evacuation of Jogjakarta by the imperialist army, considered a signal victory by the masses, certainly does not create an unfavorable atmosphere for the development and deepening of the revolutionary tendencies.

It is the duty of the cadres of the Fourth International, especially in the Far East, to assist the Indonesian revolutionary vanguard in its work of programmatic clarification while expressing in practice their complete and unqualified solidarity with the magnificent example of anti-imperialist struggle and courage exhibited by these tendencies. Therein will be the contribution of the Fourth International in keeping Tan Malakka alive not only in the memory of the Asiatic proletariat but also in an organization capable of completing his life work: the destruction of imperialist domination over the Indonesian masses.

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Since this article was written we have come across a

report on the communist movement in Indonesia in the Catholic paper, *De Volkskrant*, on July 18, in which the author, speaking of the four parties claiming to be communist, states:

"For the time being Sukarni is the leader of the Partai Murba (the communist party which did not participate in the revolt—of the Stalinists—because it did not feel that the time was ripe). However its real leader is still Tan Malakka who, despite all news to the contrary, is not dead. It is certain that they killed someone who resembled him. He himself is now living somewhere in eastern Java. Sukarni is now in the neighborhood of Jogjakarta. . . ."

Zionism and The Middle East

The Aftermath of the Jewish-Arab War

By S. MUNIER (A Report from Israel)

The course of events in the Middle East since the creation of the Jewish State over a year ago should shake two great illusions held by large sections of the international working class: (1) that imperialism was defeated by the creation of a new independent state in an anti-imperialist struggle; (2) that the existence of this Jewish State has a progressive influence on the working class and the labor movement in the Arab countries of the Middle East.

It is important to make clear to every socialist in the world that without the support of Anglo-American imperialism the State of Israel could not have been founded.

Had not the US delegation to the UN influenced and bribed a certain number of delegations of small states, Haiti, Philippines and others; had not the US government allowed Israel to be supplied with money and materials so it could pay in dollars for Czechoslovakian arms; had it not given the new state recognition within a few hours of its creation; had not the British army tolerated the opening of the road to Jerusalem by conquest and evacuation of the Arab villages along this road (on March 2, 1948, British troops joined the Hagana to break up an Arab block at Bab al Wad, then early in April it failed to intervene when military actions along the road began, then on April 6 the British brought some supply trains into the city, etc.); had the British army not come to the rescue of the Jewish settlements Dan and Kfar Szold in Upper Galilee on the 9th of January; and last but not least, had not the first truce which was imposed by the UN in June 1948 saved Jewish Jerusalem from starvation and military collapse—had not all this happened the State of Israel could not have come into being.

The aim of Anglo-American imperialism was to create a force which would play the same role in the framework of the Middle East as a whole that Zionism had played for 30 years in Palestine. As a focus for chauvinist hate it would serve to divert the revolutionary struggles of the Middle Eastern Arab masses from anti-imperialist into racial or religious channels. But since the balance of power

(or perhaps rather the balance of impotence) between Arabs and Jews in Palestine had been disturbed by the development of the last year, and since a device had to be found to cope with the rising labor movement all over the Middle East, a new balance had to be created between a Jewish State and the Arab states which surrounded it.

Only in this light can the seemingly wavering policy of the US government be understood. On November 29, 1947, the UN Assembly adopted the resolution to partition Palestine and to create a Jewish State. The signal had been given: the next day fighting between Arabs and Jews began in Palestine. But something went wrong with the plan in its initial stage in most of the Arab countries: demonstrations were directed mainly against foreign companies and establishments, including the Soviet Union because of its support of partition, and the Communist Party, whose offices in Damascus were wrecked. Only where they ruled directly did the British succeed at the time in turning these riots against the Jewish minority, e.g., in the British Crown-Colony of Aden anti-partition demonstrators killed 75 Jews and wounded many more.

The fighting between Jews and Arabs in Palestine early in 1948 showed clearly that, on the Palestinian scale, the Jews were militarily stronger. The cause for Arab weakness was not only because of the feudal structure of Arab society in general, but also the reactionary Arab leadership which had deliberately prevented the growth of any mass movement similar to that of 1936-39 in fear of the working class which had emerged during World War II. The question was now: Will the Arab governments of the surrounding countries intervene?

On January 12, 1948, British diplomatic sources in London confirmed the report that Great Britain was supplying arms to Egypt, Iraq and Trans-Jordan according to "treaties," but still the will and ability of these governments to invade Palestine remained doubtful. They needed new encouragement which came in the form of the American declaration at the UN in March 1948 renouncing parti-

tion and favoring trusteeship. This declaration, together with the conspicuous helplessness of the UN apparatus to implement its own decision, induced the governments of the Middle East to make a bid for the position of sole agent of Anglo-American imperialism in the Middle East to the exclusion of the Zionist leadership.

But in the course of their invasion, after May 15, when the Trans-Jordan Arab Legion threatened to defeat Jewish Jerusalem and the Egyptian army reached the southern Jewish colonies on the gateway to Tel Aviv, the first truce was imposed giving the Jews a needed respite to organize their army, to import weapons and to supply Jerusalem. The aim of the truce was to create a balance of power, not to create the opportunity for a decisive military victory of the Jews over the Arab armies. British officers continued to serve with the Arab Legion, and Egypt and Syria continued to buy arms in several European Marshall Plan countries.

New truces were imposed as the need arose to maintain this balance of power.

The last one was imposed when Israeli forces moved into Egyptian territory and threatened the annihilation of the whole Egyptian force in Palestine, whose collapse would have had serious social repercussions in Egypt. In the meantime the creation of the Arab refugee problem, together with quarrels over boundaries, resulted in enough tension between Israel and the Arab countries for American diplomacy to undertake the "pacification" of the Middle East for the time being by the conclusion of a "permanent truce" in Rhodes.

New Phase of Imperialist Penetration

However, the creation of the State of Israel as a diversion for the Arab masses of the Middle East from the anti-imperialist struggle, was not the only gain for Anglo-American imperialism from the war and the new balance of power. An important by-product of last year's events was the exhaustion of resources and reserves of almost all the Middle Eastern governments. Benefiting from the war-time prosperity of World War II, the Arab bourgeoisie all over the Middle East and especially in Egypt gained strength and resources, considerably improving their bargaining position vis-a-vis British imperialism.

Britain had to be very "generous," as the *Economist* puts it, in its sterling agreement with Egypt. Egypt could afford to quit the sterling bloc and Syria the franc bloc. Although general economic trends (e.g., the new influx of imported goods which compete with the products of the newly established native industries) were the main cause for the end of the war-time boom, the Palestinian war played an important part in the disruption of government finances and the dwindling of state resources.

The reserve fund of the Egyptian government at the end of the financial year 1946-47 amounted to about 70 million Egyptian pounds. Financial circles in Egypt estimated the expenditure of the Palestinian war (which has to be covered by the reserve fund) at 30 million pounds. An additional 8 million pounds were voted by the Egyptian parliament for extraordinary military expenditure in April 1949. Together with drawings on the reserve fund for the

so-called "5-year plan" (approximately 10 million pounds yearly), this fund will now be diminished by six-sevenths, i.e., it will have fallen to 10 million pounds.

No figures have been published about the expenditures of the Iraq government on the Palestinian war, but the deficit on the state budget for 1948-49 in consequence of this war has been estimated at 15 million Iraqi dinars (pounds sterling). (The whole regular budget amounted to 25 million dinars including 10 million dinars ordinary expenditure on defense.) In Iraq the war caused a financial crisis which threatens the country with "economic chaos"—as the Arab News Agency put it.

Syrian reserves had already been exhausted before 1949. In the financial year of 1949-50 the Syrian budget amounted to 129 million Syrian pounds (approximately 14.3 million pounds sterling). Syria's expenditure on defense in the same year had been fixed at 39.5 million pounds sterling plus 15 million pounds sterling on internal security. But after the coup d'état the new dictator increased the defense budget to the fantastic sum of 70 million pounds sterling, i.e., to more than half the budget which together with expenditures on internal security amounts to 65% of the budget.

Although Lebanon also had to increase its military expenditures tremendously, the main burden it had to assume from the Palestinian war was expenditures on Palestinian Arab refugees which amounted to more than half the Lebanese budget. The official figures given for the expenditure on the Trans-Jordan Arab Legion during the last year were 3.5 million pounds sterling. It was declared that these costs are to be met from the surplus of the coming years' budgets; the entire budget of poor Trans-Jordan for this year amounts only to 2,430,000 pounds.

It goes without saying that the Arab governments of the Middle Eastern countries did all they could to shift the burden of these huge expenditures on their suppressed masses. Special taxes on essential consumer goods were introduced in several of the above-mentioned countries. But these alone were not enough to see the Arab feudals and bourgeoisie through their political adventure in Palestine, or to cure the financial ills of their states which had been aggravated by the war with Israel.

As a result, the Middle East has been swept by a new wave of international—mainly American—loans and investments reminiscent of the good old days of imperialist expansion in this part of the world. A special mission visited the Middle East on behalf of the International Bank to explore the possibilities of outlets for American capital in this region which, according to American sources, has become the main market along with Africa, for US capital investment.

The first item, of course, on the list of the new imperialist expansion is oil. The situation in Syria arising out of the Palestinian war finally convinced the ruling classes in this country that they need the royalties of the oil companies. In May 1949, the agreement with the Trans-Arabian Pipeline Co. was ratified after having been opposed by popular demonstrations and the Syrian parliament for many months. While new oil concessions are being offered to American companies, British companies are exploring the possibilities of investment in the Latakia harbor and the

Euphrates water schemes. Other American oil companies are feverishly exploiting Egyptian oil resources on both shores of the Gulf of Suez, while at the same time American capital is not neglecting the possibilities of the iron industry near Assuan and development schemes of the Nile.

However, together with oil, the main channel of investment today is government loans through the International Bank or the Import-Export Bank of the US. Various sources have reported that Iraq is requesting a loan from the International Bank of between 48 million and 100 million dollars. At the same time, the Iraqi government is negotiating a loan from Britain of 15-20 million pounds sterling. According to a report of the Egyptian paper *al Misri*, Egypt has requested a loan of 15 million pounds from the International Bank. Israel, whose economy has been exhausted by the war and the new mass immigration at least as much as the Arab countries, has already been given a loan of 100 million dollars by the US. Thus the Palestinian war has created an atmosphere conducive to this new wave of imperialist penetration.

At the same time, the bourgeoisie of the Arab countries has lost many of the strong positions it gained during World War II. The large accumulation of capital resulting from the military expenditures of the allies, the absence of competition from foreign goods, and the decline of British imperialism generally, tremendously strengthened the bargaining position of the Arab bourgeoisie, especially Egypt, in relation to British imperialism. One of the indications of this process, for instance, was the promulgation of the Egyptian Company Law which went into effect on November 4, 1947. According to this law at least 40% of the directors of any Egyptian joint stock company must be Egyptians; the number of Egyptian employees not less than 75% and their total compensation not less than 65%; and the total of Egyptian workers shall not be less than 90% and their total compensation not less than 80%. Firms were given three years' grace to bring their percentage of Egyptians employed up to the prescribed level. Moreover, at least 51% of the shares of new joint stock companies and of new capital investment were to be earmarked for Egyptians.

However, the first trial of strength showed the inability of the Egyptian bourgeoisie to implement the new law. When the Suez Canal company defied the law, a special agreement was signed between this company and the Egyptian government on March 7, 1949, according to which Egypt gets only 5 instead of 11 new seats on the board of directors (of the 32 directors at present only two are Egyptians) and that not in the course of three but of fifteen years! The strengthening of the Egyptian element among the employees is mentioned only in general terms, percentages being fixed only for new employees without specifying any time limit. Nothing is said in the agreement about the share of Egyptians in new capital investment. Mr. Tuck, formerly US Ambassador to Egypt, became a member of the Board of Directors of the Suez Canal Company.

Thus the domination of the Egyptian and other Middle Eastern companies by foreign capital has been enormously strengthened during the last year while the native bour-

geoisie has been unable to make any serious move in the direction of creating the necessary base for an independent national economy.

The Palestinian War.— Political Asset for Imperialism

Facilitating the new wave of economic penetration, the Palestinian war has also aided the imperialist powers by strengthening their political position in the Arab East. The general surge of chauvinism created by this war has been very useful in diverting the anti-imperialist mood of the Arab masses all over the Middle East against the Jewish and other minorities in these countries. Hanging of Jews in Iraq and death sentences for those who fled the country, persecution of the Jewish communities of Damascus and Aleppo in Syria, the confinement of many Egyptian Jews to concentration camps and confiscation of their property—all this created a suitable atmosphere for imperialism to carry out its political schemes.

The failure of the Security Council of the UN in September 1947 to concede the Egyptian case provoked huge demonstrations involving, among others, the workers and employees of the Egyptian Army Workshop. But a year later, in October 1948, no reaction whatsoever followed the British declaration that "in view of the international situation" Britain was not prepared to withdraw troops from Egypt in keeping with its own commitments. On the contrary, the feudal clique governing Egypt by military dictatorship was able to retain office during all this time without even trying to win the support of the masses by promising to ameliorate their social plight or to free Egypt from imperialist domination—such promises were made by the more bourgeois Wafd party. Instead the attention of the masses was diverted to terrorist attacks against non-Egyptian minorities. Under such circumstances the government was even able to speak about the revival of the Bevin-Sidqi pact which Egypt could not sign in 1946 because of serious danger of revolution.

But it was further south where British imperialism dealt its main blow. Under the cover of the Palestinian war Britain rapidly consummated the final separation of the Sudan from Egypt and the installation of a separate so-called "Legislative Assembly," in the Sudan consisting mainly of pro-British tribal chiefs appointed by the British Governor. The "assembly" is devoid of any power except that of agreeing, *ex post facto*, to all steps taken by the Governor; it is not even allowed to propose changes in the budget. No action was taken by Egypt when the so-called "elections" to this assembly were held on November 15, 1948, or after it met early in 1949, except for a dissenting statement by the Egyptian government. In the meantime, the Egyptian bourgeoisie is trying to come to terms with Britain in order to obtain some share in the exploitation of the Sudan. It fears the cooperation of the Sudanese anti-imperialist, national and labor movement, which grew immensely in the recent months, with an anti-imperialist movement of the Egyptian workers.

A similar development has taken place during the last year in Iraq. Only a year and a half ago, in January 1948, huge mass demonstrations of workers and students fol-

lowed the conclusion of the Treaty of Portsmouth between Bevin and the pro-British Iraqi premier Saleh Jabr, confirming the right of Britain to use Iraq as a military base to protect its interests in the Middle East. After a week of demonstrations the Iraqi regent was obliged to denounce the treaty, and another week of violent mass movements forced the resignation of Saleh Jabr who fled the country. New demonstrations broke out against the British-Trans-Jordan Treaty of Alliance concluded in March 1948.

One year of war in Palestine, however, sufficed to alter this situation to enable Britain to regain her dominating position in Iraqi politics. Beginning with October 1948, pro-British Iraqi politicians penetrated again, one by one, into Iraqi cabinets, among them Shaker al-Wadi (who had signed the Portsmouth Treaty as defense minister). New demonstrations were now violently suppressed. The process culminated with the selection, on January 6, 1949, as premier of Iraq, of Nuri Pasha Said, the agent par excellence of British imperialism in the Middle East.

The course of events in Egypt and Iraq during the last year shows clearly how dependent the feudal and bourgeois classes of the Arab East have become on imperialist help and support. The Palestinian war was ample proof for these classes of the necessity of an alliance with imperialism. Yet events have demonstrated not only that these classes are incapable of leading any fight against imperialism for the independence of their countries, but also their complete impotence in overcoming the feudalistic particularistic tendencies prevailing in the Middle East. The Arab League created by British imperialism mainly for the purpose of concentrating the attention of the Middle Eastern masses on the problem of Palestine, was not even able to coordinate military operations in the Palestinian war. In the end each front collapsed separately, and open rifts arose between the Egyptian and the Hashemite blocs.

Moreover, in the course of the last year and a half, complete separation between Syria and the Lebanon occurred, the borders were closed and customs walls erected, the Lebanon remaining within the franc bloc and Syria quitting it. (It should be remembered that even at the time of French rule in these countries, which fostered separation and quarrels, economic unity between them had always been maintained.) If we add the creation of the new dwarf state of Israel the picture of the Balkanization of the Middle East becomes complete. Imperialism has succeeded in erecting boundaries to prevent contact between the labor movement of the different countries of the Arab East on the one hand and in order to create blocs according to need, on the other hand.

Setback for Labor Movement

It would be futile to deny that the period of the last year, from May 1948 to May 1949, has been a period of stagnation of the labor movement in the Arab East, except perhaps for some countries on the fringe of the Arab states like the Sudan (where strong trade unions came into being and took part in the political struggle of the Sudanese anti-imperialist movement) or Cyprus which had little connection with the Arab countries and less with the Palestinian

war. This stagnation was only natural in face of the creation of Israel, the war and the chauvinistic atmosphere connected with it. Nevertheless, the Arab working class in the Middle East has not been defeated in a decisive struggle and is, therefore, capable of drawing the lessons of last year's events.

In one place of the Middle East, however, changes have occurred which are comparable to a major defeat of the working class, and that is in Palestine itself. The mass flight of the Arabs from Haifa, the center of the Palestinian working class (oil refineries, railway workshops, etc.), and from Jaffa and the rest of the coastal plain, brought with it the complete annihilation of the Arab working class of Palestine (together, by the way, with the annihilation of all the progressive capitalist development of parts of the Arab society in Palestine). The cooperation of Jewish with Arab workers in Haifa during the big strikes of government workers and employees in the spring of 1946, or during the strike in the oil refineries early in 1947, transcended the local arena in its importance. The barrier between Jewish and Arab workers built by imperialism, Zionism and Arab reaction, which had been broken from time to time as, e.g., by the above-mentioned strikes, has now been fortified by political boundaries between belligerent or at least rival states, excluding the physical contact between Jewish and Arab workers.

In the other countries of the Middle East as well the Palestinian war left its marks. In Egypt the labor movement never again reached the climax of February 1946, when for some days the Workers' and Students' Committee dominated the streets of Cairo and Alexandria. Nevertheless, new big strikes and struggles were still to come. In September 1947, for instance, a strike was declared at the big textile factory in Mehalla al-Kubra where about 30,000 workers are employed. The strike led to armed clashes with the police. On April 5, 1948, however, it was the police force itself which went on strike, demanding improvement of its working conditions. In the strike in Alexandria thousands of workers left the factories and organized a huge demonstration which was joined by the striking policemen, part of whom were armed. It took the Egyptian army two days to restore order after martial law had been declared. It should be stressed that this strike was only the culmination of a whole series of strikes and disputes at oil companies, textile factories, sugar mills and transport companies (i.e., the Suez Canal Co.) which broke out in March and April, 1948.

One month later, however, in May 1948, the invasion into Palestine began and martial law was declared. A new drive was launched against independent trade union activity and arrests of workers and left-wing intellectuals followed. Huge concentration camps were erected for all who had communist records, one of them at al-Tor—the place of exile for criminals famous for its high rate of mortality! Thus the Palestinian war brought with it a slowdown of working class trade union and political activity because of police repression and martial law which was extended in May 1949 for a full year after the cessation of hostilities. Moreover, the Egyptian government and ruling classes, who have always tried to convince the Egyptian masses that

communism is a movement of non-Egyptian minorities living in Egypt, now made the attempt to connect it with Israeli and Zionist espionage.

Yet in Egypt, unlike some other countries, the attempt to concentrate the attention of the masses on the Palestinian war and the Zionist danger has to a large degree failed. Welcome as this fact is for future struggles of the Egyptian working class, it was partly the consequence of a certain apathy on the part of organized labor in Egypt toward the labor movement in the other Arab countries because of the failure of Stalinist trade union leaders to coordinate the organization and struggles of organized labor all over the Middle East.

The crusade against the working class and the labor movement swept Syria and Iraq as well. All trade unions not connected with the government were ruthlessly suppressed and many of their leaders arrested. Two weeks after the UN resolution on partition of Palestine the Communist (Stalinist) Party of Syria was outlawed. In Iraq there followed a series of executions of leaders and members of the illegal Stalinist organization. Even in the Lebanon, where the Stalinists had been allowed a larger degree of freedom, Mustafa al-Aris, one of their leaders and the representative of the Middle Eastern trade unions in the WFTU was arrested on November 19, 1948.

Yet while the working class in Egypt underwent only a certain stagnation in its activity because of police suppression, in Syria and Iraq the labor movement suffered a considerable moral setback. One of the main reasons for this was the support given by the Soviet bureaucracy to the partition of Palestine at the UN. The Syrian ruling classes succeeded in inducing the demonstrators against partition on December 1, 1947, the day after the decision was made, to attack Stalinist headquarters in Damascus. The Syrian and Iraqi Stalinists, who always had been the most ardent opponents of partition, connecting it, not unreasonably, with the whole imperialist scheme of enslavement of the Middle East (pointing to the fact that partition goes hand in hand with the Greater Syria Scheme), ceased their opposition overnight because of the Russian position and made one of their famous 180 degree turns. A few years ago, the Stalinists were engaged in forming common committees with feudal and chauvinistic parties in Iraq, Syria and Palestine to fight partition and Zionism. Thus it was not too difficult for the ruling reactionary governments of Syria and Iraq to identify communism with Zionism in the eyes of the masses, adding a moral defeat to police suppression. Stalinism was deserted by many of its prominent leaders in Syria, the Lebanon, Iraq and the Arab parts of Palestine, who went over to the camp of the ruling class reaction.

Moreover, in Syria and Iraq the ruling feudal agents of imperialism succeeded to a certain degree in infecting the politically conscious masses of the towns with their chauvinist poison. The demonstrations in Baghdad, for instance, which denounced the reintroduction of the pro-British politicians into the Iraqi cabinet, did not voice any opposition to the Palestinian adventure of the Iraqi army but on the contrary called for the continuation of the

war against the Jews. One factor strengthening this trend of chauvinism was that, unlike the Egyptian army, neither the Syrian nor the Iraqi army suffered a major defeat on the Palestinian battlefield. Thus the recovery of the Syrian and Iraqi labor movements may be more difficult and painful than that of the Egyptians.

Total Bankruptcy of Stalinist Policy

The events in the Middle East during the last two years, the fate of the Stalinist parties in this part of the world, and the turn in the policies of these parties which occurred since Russia changed her attitude toward the various trends in Middle Eastern politics, prove only too clearly the total bankruptcy of the Stalinist program pursued for more than a decade and a half in the Arab countries. In accordance with their world policy, the Stalinists in the Arab East refrained from any independent working class policy, flattered the feudal and bourgeois nationalist leaders, tried to form "popular fronts" with them and preached "national unity." Examples of how the Arab Stalinists omitted socialism from their program, how they even renounced the demand to divide the feudal estates, how they opposed strikes in "national establishments," how "national unity" became their main aim would fill a book. We shall therefore confine ourselves to the attitude of the Arab Stalinists toward the two forces which played the main role in the Arab East in carrying out the imperialist plan to incite the Palestinian war: the Palestinian Arab leadership and the Arab League.

The attempt to induce the reactionary feudal Palestinian Arab leadership into a "national unity" alliance with the Stalinist organization, the "League for National Freedom," was the basic line of policy of the Palestinian Arab Stalinists. (At the same time the Jewish Stalinists kept their own separate organization, the "Communist Party of Palestine," under the Zionist blue and white flag.) When the party of the Mufti, the so-called "Arab Party," officially resumed activity after the war, the secretary of the Stalinist "League" sent them the following telegram: "*The League for National Freedom in Palestine sends you its congratulations on your decision to resume activity by your national party and we believe that this decision will help us all in the unification of the efforts to serve our dear fatherland*" (al-Ittihad, No. 1).

In order not to do them an injustice, however, we should report that the Stalinists supported others besides the most reactionary exponents of feudal interests in Palestine, the party of the Mufti. When Mussa al-Alami, who later became the leader of a somewhat more urban opposition to the Mufti party, was named representative of the Palestinian Arabs in the parleys for the formation of the Arab League, the Stalinist organ wrote: "*The Arab people in Palestine see in the election of Mussa al-Alami as its representative at these talks a first step, and a big step, in the direction of national unity in Palestine.*" (al-Ittihad, No. 21.) (Today al-Alami is the mouthpiece of Britain and King Abdullah—S. M.)

The Stalinist attitude toward the Arab League was no better. After it had been formed, the Egyptian Stalinists wrote in their paper, "*al-Fagr al-Gadid*" (May 16, 1945):

"The Arab League . . . constitutes a support to the dominating world trend of this epoch which signifies the struggle against fascist imperialism. . . . The Arab League does not restrict the sovereign national rights of its members. It guarantees these rights and strengthens them and defends them against any violation. Moreover, it works for the achievement of the national rights of the member nations and fulfills their hopes for freedom and independence. There can be no doubt that the Arab League will succeed to achieve this aim as long as its policy is based on connecting the Arab national cause with the general international situation, and as long as it believes that history pushes forcefully forward towards the strengthening of peoples' freedoms and the fortification of their national rights. . . ."

With such a policy, there can be no doubt that the Stalinists of the Arab East did their share in strengthening the prestige of those leaders who on the Arab side were responsible for carrying out the imperialist plan of racial war and working class suppression in the Middle East.

With the change of attitude of Russian foreign policy, the Arab Stalinists immediately followed suit. A leaflet published early in April 1949, and signed by the Stalinist parties of some Middle Eastern countries, stated: "*The Palestinian war has proved beyond discussion that the 'Arab League' is only a tool in the hand of imperialism, a den of betrayal and intrigues against the Arab peoples.*" It seems that, more than anything else, the Arab League betrayed Stalinist illusions. Nevertheless, the same leaflet still speaks about "national unity" and a "popular front," although apparently the new partner to betray the new illusions has not been decided on.

On the Palestinian arena the turn was even sharper. The same Arab Stalinists, who had hailed the Mufti party and Mussa al-Alami, now merged—inside the State of Israel—with the Jewish Stalinist party and joined the Jewish Stalinists in hailing and praising the establishment of this state. Their common program for the elections to the Jewish parliament began with the words: "From suppression we have emerged to freedom!" All that was lacking was an open repudiation of their former policy. But this was soon remedied in an Arabic pamphlet published in September 1948, "*Why must we fight for Arab State in Palestine*" (in accordance with the UN resolution on partition):

"We ourselves have a share in the responsibility (for the catastrophe of Arab society in Palestine) because of the mistake in our policy of national unity. Our demand for complete national unity comprising the leadership of the national movement together with sincere national elements was in reality a cover for the treason of this leadership. Our duty should have been to uncover its real character before the masses with explicitness and courage in order to remove it from leading the people and to prevent it from carrying out its abominable crimes."

How right—but how belated! Yet the old betrayed love affair was to come to an end only for a new one to begin—the signs are already discernible. When the Israeli army took the Egyptian village Abu-Geila in December 1948, it came upon an Egyptian concentration camp full of Arab Stalinists from Hebron, Gaza, and other places which had been occupied by the Egyptian army. Although they had been interned for opposing the war, they were not set free but were transferred at once to an Israeli concentration camp where they remain interned to this day.

What Next?

As we have seen, the Palestinian war was a further step in the direction of the Balkanization of the Middle East. Anglo-American imperialism succeeded in creating a situation in which it was able to deal separately with each state in the easiest way in order to carry out its economic and political plans. The war provided the opportunity for the suppression of the working class in the Arab East, and Stalinist policy did its share in demoralizing the labor movement. The question now before the revolutionary communist movement in the Middle East is: What are the prospects for the Middle East working class in the near future?

Like every historical process, recent developments in the Middle East will not lack in dialectically opposite effects. Postwar reopening of the connections between the Middle East and Europe and America have caused a considerable crisis in native industries which developed during the war. Syria has been suffering from severe unemployment and Egyptian industry, especially textiles, is threatened by the lack of home markets and feels the need of exporting and competing with foreign goods.

Yet the main working class concentrations in this part of the world have always been the establishments of foreign capital. The new investment drive of foreign, mainly American, capital (oil, development schemes, etc.) will bring with it new large concentrations of workers and working class organization. Moreover, the inter-Middle Eastern scale of these investments and schemes will confront the Arab working class with the urgent need of coordinating the struggle in the different countries of the Arab East. It should be noted that the only strike in these countries which surpassed the boundaries fixed by imperialism was a strike in the Iraq Petroleum Co. which operates all over the Middle East.

At the same time, the difficulties which the Middle Eastern countries will face in supply and marketing will reveal the extreme hardships suffered by the masses of the Middle East because of imperialist partitioning. It goes without saying that in the case of a new world economic crisis this hardship will become a catastrophe for the masses of the Middle East.

Politically, too, the Palestinian war will have not only the immediate consequences described above. It is true, chauvinism has been fostered, a state of permanent tension has been created, the Middle East has been divided even more than it had been before. But one thing has been proved by the Palestinian war: the complete dependence of the Middle East bourgeoisie and feudal chieftains on imperialism, their impotence in leading even the slightest struggle against imperialism and their complete failure to overcome particularism and parochialism, even in the interest of fostering chauvinism in the Palestinian war. Moreover, military defeat and responsibility for the creation of more than half a million Arab refugees (shared, of course, with British imperialism and the Zionist massacres as in Deir Yassin, Lydda, Galilee and other places) have undermined to a large degree the prestige and political influence of the feudal and bourgeois Arab leadership.

But that does not automatically mean the revolutioniz-

ing of the Arab masses. As long as no revolutionary communist leadership is able to direct the disillusionment of the masses into progressive class channels, religious fanatics or military "heroes" will direct it into racial hate and communal riots, carrying with them mainly the urban petty bourgeoisie and the lumpen-proletariat of the big slums of Cairo, Alexandria, Aleppo, Beirut and Baghdad. One thing, however, is clear: the scope for Stalinist "national unity" and "popular front" maneuvers has narrowed considerably.

The first and foremost task of the Middle Eastern working class today is the demand for legalization of trade unions and labor organizations. The main aim, however, for which Trotskyist groups in the Middle East must strive is the unification of labor across the imperialist boundaries. Our old slogan—A Congress of Trade Unions all over the Middle East—is not only still valid, but has acquired additional importance in the new situation.

Today, after the experience of the Palestinian war, it will be more difficult for the Stalinist leaders of some Middle Eastern trade unions to sabotage this unification, as they did in the past to avoid embarrassing their relations with the ruling classes. (When asked why he opposes such a Middle Eastern Workers' Congress in the framework of the

WFTU, Mustafa al-Aris, the Stalinist representative in the WFTU, once answered that in that case he would be compelled to invite the Jewish Histadrut too, which was what he wanted to avoid.)

A Congress of Middle Eastern labor would be the best means to overcome parochialism and chauvinism, to coordinate the struggle in the different countries. Based on an internationalist policy, it could appeal to the working classes of the minority peoples including the Jewish working class. It could become the nucleus of the United Socialist States of the Middle East.

The struggle of the labor movement in the Middle East may have to face severe suppression in the near future. Neither the local ruling classes, whose position has become extremely precarious, nor imperialism, for whom the Middle East has become economically and strategically essential, can afford a liberal policy toward the workers and the labor movement. Only the concerted action and organization of the workers of Egypt, both parts of Palestine, Syria and the Lebanon and Iraq can succeed in overcoming this suppression, liberate the toiling masses, the workers and the poor fellahin, from the foreign and native yoke and build a new society.

May, 1949.

Notes on the Israeli Economy

By A Palestinian Trotskyist

The first impression received from a study of the economy of Israel is the lack of statistical data. This is officially explained as a "security" measure although this can hardly be the real reason. The release of such data would do little more than highlight already well-known facts concerning the complete dependence of the new state on imperialism—to which it owes its existence—as well as the importance of the fund collections (Magbioth), especially in the U.S. They fear the effects of publicity which would also shed light on the great chaos in the over-expanded government apparatus.

One of the great misconceptions about Israel concerns the rise and expansion of industry. Although the most recent information dates from October 1948, it can be assumed that no important changes have occurred since then. The only branches of industry showing any growth due to war production were metals and electric power. The index figures for metal were 103.5 in January 1948 and 106.2 in October (1947-100). For electric power the figures for the same period were 105.1 and 100.6. Index figures were lower in all other branches, the general average in January being 87.3 and 80.5 in October.

It is true that this constitutes a great advance over the low point of 67.8 in July but if we take into account the large influx of immigrants then an entirely opposite picture emerges from this increase in population. Finally, there has been the military mobilization of large sections of the working population. This factor explains the reason for the decline in the number of industrially employed, but on the other hand the existence of extensive unem-

ployment explains the fear of demobilization which prevails among the troops. Industrial progress is virtually non-existent.

Investment by foreign Jews is the great hope for industrial development and a special department has been created by the Jewish Agency for this purpose. But of all those seeking information about investment possibilities and terms, only 32% have decided to invest and only a small part of these have taken concrete steps in this direction (First Report of the Zionist Action Committee, May 14, 1949).

Situation in Agriculture

Agriculture showed progress as compared to industry. But agriculture suffers from a shortage of manpower as few new immigrants are prepared to become farmers, or to become farm laborers on the *kibbutzim* (cooperative settlements). Yet the economic policy of the government is directed toward the largest possible agricultural development and, in contrast with more advanced countries, the percentage of agricultural labor being demobilized from the army is much larger than that of industrial workers.

In spite of government plans, local production and consumption of agricultural products declined in June 1948. It was 90% of June 1947 and 60-70% for milk, eggs and vegetables in the spring of 1949; local production for cereals is still smaller and continues to decline with the growth of immigration despite a rise in production. An important cause of this is the liquidation of Arab agri-

culture. Of total imports, agricultural products accounted for 31.1% from July to December 1947; 38.7% from July to December 1948 and 40% in January-February 1949.

Colonization Plans

One of the heads of the colonization department of the Jewish Agency, Mr. Eshkol, declared in a speech that the two problems facing the J.A. in the realization of their plans in this field were finances and willing pioneers. Seven million pounds were made available in 1949 by the JA for new settlements and its immigration department has worked out a plan for the colonization of these agricultural settlements. This consists first of establishing transient camps in rural areas with the object of keeping the new immigrants on the land. And second, in the formation of so-called "labor groups" (Machals, etc.) for the purpose of establishing settlements in the border districts and in the Negeb.

The policy has yielded meager results. The new settlements consist mainly of those who had been organized as cadre groups and Palmach groups (army commando units) and were waiting for such openings for years. Most of the new immigrants leave the settlements after a brief period and others refuse to enter them at all. The same Eshkol, answering a group of critics of the Mapam organization (a centrist Zionist workers' party with leanings toward Stalinism), declared that conscription was the only way to build these new settlements just as it had been for the army.

The relative rise in agricultural production was made possible by the theft of the property of the expelled Arab fellahin and by the assistance of fund collections throughout the world. At this writing, 35 million dollars of the American loan are still available to Israel for use in agriculture but can only be invested on terms stipulated by the lender. Agricultural production has increased and with the help of mechanization will continue to develop. But the fantastic rate of immigration leads to new efforts at autarchy, thus depressing the standard of living.

The establishment of "austerity" conditions is one of the most important aims of the newly created Economic Planning Board, whose members, Hoofien, Naftali and Shapiro, are directors of the Anglo-Palestine Bank and the Workers Bank. Their program can be summarized as a limitation on the import of essential goods to the disadvantage of the poorer sections of the population. This is also the essence of the "Zena" plan of supply minister, Dr. Dov Joseph. After ordering the complete cessation of imports of eggs, which cannot be replaced by domestic production, native producers were advised to cut production because of their reliance on imported chicken feed which had to be paid for in foreign currency.

Reality is more and more exposing the utopianism and the blindness of the Mapam ideology of Chalutzvith (Pioneering). Dreaming of the expansion of the "socialist" islands (*kibbutzim*) these "socialists" base their hopes on the *kibbutzim* becoming the decisive institutions for the integration of mass immigration and the "fighting" organs for the "socialist" construction of Israel.

Conditions of the Immigrants

In this connection, it is interesting to observe the manner in which the immigrants have been received and sheltered. Almost 60,000 live under terrible conditions in transient camps which are financed by the J.A. Chaos prevails; very few work, there is no care for the seriously ill, the mentally ill and the orphans receive no attention. The J.A. proceeds planlessly while the finances at its disposal are dwindling. Everybody is asking: "Where will all this lead?" and criticism of mass immigration becomes more and more open.

The "Joint" (Joint Distribution Committee) is responsible for the Jews up to the time of immigration to Israel, while the J.A. assumes the responsibility for their transportation to and reception in the country. "Joint" offered to take part in the social welfare system and to take over the transient camps in order to relieve the financial and personnel strain on the J.A. But the Zionists rejected this proposal. They feared that this would increase the influence of the "Joint" in the United Jewish Appeal despite the beneficial effects the proposed arrangement would have had for the immigrants as well as for the J.A. They also feared that an increase in the influence of the "Joint" would intensify the competition between the two swollen bureaucracies—the government and the J.A.—and they feared that the "Joint" would become too influential in Israeli politics. The American Zionist Organization has long been jealous of the "Joint" and wants to prevent an extension of its influence.

But the Jewish Agency cannot handle the financing of this project alone. Funds collected for this purpose are inadequate. The Zionist Action Committee, which determines the policies of J.A., made the following decision on May 15: "The Zionist Action Committee deems the participation of the Israeli Government in the matter of reception of immigrants to be a necessity and requests its leadership to begin negotiations with the Israeli Government for that purpose."

This proposal will have the effect of placing an additional burden on the people of Israel through the imposition of new taxes. Mass immigration is senseless, and bureaucratic inefficiency and conceit put the finishing touches on the confusion. That is the way everything is done in Israel whose economy is now nearing a catastrophe.

Imports and Exports

The import and export of goods and the plans for the import of capital are a far cry from reality and one of the tragic-comic aspects of Israeli economy. A month ago the former head of the State Department of Trade, Hollander, outlined a program at a press conference for the promotion of exports and the development of industry and for the restriction of internal consumption of exportable goods. He also expressed the hope for a yearly capital investment of some 200 million pounds by foreign Jews.

Data on exports were recently issued for the first time by David Horowitz, acting as deputy for Finance Minister Eliezer Kaplan. In the second half of 1948, two-thirds of all exports consisted of citrus fruit and diamonds. The citrus

export plan for 1948-49 was set at 1½ million crates less than the exports of 1947-48 (not including Arab produce). But even this goal could not be attained.

In 1938, there were 135 thousand dunam (a dunam is approximately one-fourth acre) under cultivation by Jews. This figure dropped to 110 thousand dunam in 1947 and an additional 10,000 dunam were abandoned or destroyed in 1948. This sector of the economy, which accounts for 45.3% of Israeli exports, is in a critical condition. Inflation has so increased the price of citrus fruit that England, the main customer, as well as the rest of Europe, is not willing to pay the asking price. As a result, Israel is obliged to make concessions and although all the facts are not known, it is certain that this reduced price does not cover production and transportation costs.

Between July and December 1948, diamond exports accounted for 17.3% of total exports. This industry is in a state of complete collapse, with the market for cut and polished diamonds constantly shrinking. The remaining 37.4% of exports consists of alcoholic beverages, dentures, woolen fabrics, processed furs, metal scrap, raw wool, religious objects, etc.

Foreign Investments

The estimated 200 million pounds annually, set by Hollander for capital investment by foreign Jews (including money from collections), is nothing but wishful thinking. Up to February 1949, 61 foreign Jewish capitalists made inquiries at the J.A. about investment possibilities. (Half of them were from South Africa and South America.) "*They come, they look, they leave,*" says Ben-Sosan, in *Haaretz*, describing their reactions after having made their on-the-spot investigations. They feel that prices are too high and the export market is entirely too unreliable. Besides, they want a guarantee to be able to re-export their capital, if need be. A willing South American investor declared: "If I sell all my merchandise, I could double the size of my big South American business, but if I invest the same money in Israel, I would only be able to open a small workshop."

The Israeli government has made special provisions for investment in its fiscal system. But that didn't improve matters. Since February, the enthusiasm of foreign investors has disappeared and with it one of the main pillars of Israeli economic policy. The 32 foreign Jews, who promised to invest in the six-month period, beginning with April, 1949, were not prepared to invest more than 1,617,000 pounds, but even this has not yet transpired.

A similar situation exists in the import field. Unbelievable as it may seem, there is a tendency toward autarchy, which results in depressing the living standards of the masses. Although imports have declined in comparison with imports by the Jewish sector of Palestine in 1937, they are now five times greater than exports. The excess of imports for 1949 was estimated at 400 million pounds. Food accounted for 40.1% of imports in January-February 1949. These figures relate only to civilian needs. The army does its own procuring and does not publish any figures.

Profiteering in Trade

The facts speak for themselves. Despite a highly complex system of controls, no real control exists. Importers made tremendous profits during the war year 1948. The difference in price between what the importer pays at the port of entry and what is paid by the consumer runs to between 150 and 200 per cent. Toward the end of 1948, cheese was imported from Turkey for 220 mils per kilogram, but the food controller set the price for consumers at 645 mils per kilogram.

In the spring of 1949, the cost of potatoes in the harbor was 13 pounds per ton; to the consumer it was 40 pounds per ton. 14 pounds of the difference between the consumer price and the import price went to importers, wholesalers and retailers; their "take" raised the price by 107% and the remainder was accounted for by duties and taxes, an additional burden which was carried by the masses.

The new so-called "Zena" economy proposes to save foreign currency by a maximum reduction in the imports of foodstuffs and mass consumer goods. The food ration is being qualitatively and quantitatively reduced. The Minister of Supply is already beginning to use the calory idiom.

Israel cannot live by its own means. Overseas fund collections provide for the army and its equipment, for the immigrants and their subsistence. But as previously stated, the young state is burdened with a big bureaucracy. Since fund collections are inadequate, they are provided for by taxes and duties. The bourgeoisie knows how to take care of itself, but the masses are impoverished.

Shocken, a leading figure in the so-called "progressives" and one of the richest men in Israel, declared publicly: If we lose in the elections, there are still other means available, as we have already demonstrated by our struggle against the proposed laws for a property tax and a forced loan.

Nevertheless, the government has the impudence to declare that a "progressive" tax system prevails. If this is what Shocken means by his "progressiveness," then he is right.

Direct and Indirect Taxes

It would be interesting to make a list of the differences of consumer prices in Israel and the cost of these goods abroad, since these items make up a very important part of internal consumption. Unfortunately, this is impossible because of lack of statistical data. But enough is known to prove that in addition to the big profits of importers and middlemen, the government's tariff policy is a heavy drain on the masses. From July to September 1948, 46% of the total state budget was covered by revenues from duties. From January to March 1949, these revenues, according to official figures, accounted for only 25% of the total state income, but it was in reality much higher. The government has now introduced a new tax, which is actually a duty, but is listed under a different category. It is an indirect tax for imported mass consumer goods: white flour, industrial sugar, butter, coffee, frozen meats, glucose, eggs and powdered milk. The sum total of revenues

derived from this tax has not been made public. But the masses paid the tariff.

In an article in *Haaretz*, May 11, 1949, Ben-Sosan cites some figures, from which can be deduced the fact that the cost of potatoes imported by the government in the spring of 1949 went up 38% c.i.f. and for herring by 49%. These examples, he says, are typical. Another point illustrating how the burden is placed on the masses is the following: the official rate of exchange for the dollar is 250 mils, but the importers, who pay in dollars, must purchase them from the state at the rate of 333 mils per dollar. The importers recover this difference in the selling price and the state enriches itself thereby by an amount which doesn't appear in the budget but is taken out of the pockets of the consumer.

In July-September 1948, income, duty and indirect taxes accounted for 87% of the state budget and 75% in January-March 1949. The decline is accounted for by budget speculation. Unfortunately, it is impossible to ascertain the distribution of income from income tax reports, since it is even admitted by the bourgeois paper, *Haaretz*, that the industrialists, importers and merchants have many ways of evading taxation and the workers therefore pay the lion's share of income taxes out of their wages.

An example of how the government takes advantage of every opportunity to tax the workers is illustrated in the following instance, which appears to be entirely unique: The dock workers in Haifa are required to show identification papers which must be renewed every month, in order to gain access to the harbor. This system prevailed under English rule and was purely a police measure and not a source of income. Under the state of Israel, however, the charge for renewal of these passes was 160 mils and has recently been raised to 250 mils.

In addition to this, there is the city tax system which was taken over from the mandate government. These taxes are very high and are constantly increased. They are not based on income but according to number of rooms per apartment, which means that the poorest of the poor are required to pay only slightly less than the rich. Another method of discriminating against the masses was revealed in the press conference held by Minister Dr. Joseph on the subject of the new austerity law. According to him, savings resulting from the new austerity law limiting consumption will be siphoned off by forced savings and other means.

High Cost of Bureaucracy

State expenditures are divided among the following items: health, pensions to disabled veterans, subsidies to hold down bread prices, social welfare, education, culture and sports, all of which account for 23% of the total budget. This figure also includes administrative expenses for these departments. Up to now, Israel's war and the flood of immigration are not the reason for the small proportion assigned to social expenditures since these big items have been primarily covered by fund collections abroad. The lion's share is consumed by the enormous government bureaucracy and the swollen diplomatic corps.

Now that a part of expenditures for immigration will have to be carried in the state budget, the relative and absolute appropriations for social expenditures will probably decline drastically.

To round out the picture of the economic pressure under which the workers live, it should be pointed out that there are also taxes for Histadruth and Zionist institutions, which amount to about 10% of wages.

Standard of Living

The problems which are dealt with here do not give an all-sided picture of Israeli economy. Above all, what is lacking is a detailed account of wages and profits. We limit ourselves at this time to a few facts. With the exception of a small privileged group, workers' wages are low. Even if nominal wages are high in relation to British and American wages, real wages are at a minimum because of high prices and taxes. Besides this, there are many unemployed and part-time workers. Every work day lost, no matter how high wages appear to be, is disastrous in the budget of a working-class family because of the high level of prices. The number of unemployed mounts daily; new immigrants and demobilized soldiers cannot find work.

The cost of living index, which is computed by a government institution, does not give a true picture of the rise in prices. But even this falsified index shows that only part of the rise in prices has been offset by wage increases.

Rent constitutes a large item in the cost of living for the poor. The rent-fixing committees created by the British, which had the power of law to fix rents, no longer exist for all practical purposes. The practice of extracting high bonuses for renting dwelling units is general. The inexperienced new immigrants are robbed by the authorities and the landlords.

A Utopian Project

The masses are very apprehensive about their economic future. Their skepticism is great but they try to console themselves with the illusion that Jewish resourcefulness will solve all problems. But subjective ability or lack of ability is not a decisive factor. The present and future of the proud dwarf state of Israel, which, according to Ben-Gurion, will be the home for 10 million Jews, are being determined by the objective political and economic situation in the Middle East and in the whole world.

The nation is completely dependent on the interests of the imperialist powers and on fund collections. The collapse of the economic structure is an acute threat. Living standards of the masses will tend more and more to align themselves with conditions in other colonial countries. Unquestionably, there will be ups and downs in economic development. But the realization of the grandiose plans for a highly developed industrial and agricultural economy in Israel is both impossible and completely utopian.

A Program for the Middle East

The Middle East has been kept in a condition of economic and cultural backwardness and disunity by imperialist policy and by feudal-capitalist interests. It can

only realize its tremendous potentialities by political and economic unification, which is the only way out for Israel. Even a superficial view of the situation makes this clear: There is crude oil in Iraq which is transported by pipe line through Jordan to refineries in the Lebanon and Palestine. There are rich, but untapped oil resources in other sections. The Dead Sea, on the Israel-Jordan border, contains fabulous quantities of chemicals and other minerals, which can be extracted without great labor or costly equipment. The Haifa harbor in Palestine is extremely important for the Arab hinterland which has no outlet to the Mediterranean. Palestine is a vital geographic link between the northern and southern parts of the Middle East, its railroads and highways connecting three continents.

The advanced Arab culture known in the Middle Ages grew out of the development of agriculture between the Euphrates and Tigris Rivers, a society which was destroyed by imperialism and not replaced. Central administration and regulation of rivers would make possible a modern development of the Mesopotamian "paradise." This is essential for the whole Middle East.

These are only a few examples and only life itself will reveal how great is this potential. A revolutionary policy based on a breakup of the present structure of the Middle East, on the removal of its political borders, its social system and on the elimination of imperialist slavery, is the prerequisite for the economic and political welfare of the Middle East.
May 1949.

PRESS CLIPPINGS

A Yugoslav on The Budapest Trial

The following excerpts of a full front-page article in the Yugoslav newspaper "Borba" (September 22) entitled "What Does the Budapest Trial Reveal" by Moshe Pyade, member of the Politburo of the Yugoslav CP, are reprinted from a news summary of the text by the Information Service of the Yugoslav Embassy.

"It is mostly reminiscent of the trials in the Soviet Union in 1936, the organizers of which could have helped in staging the Budapest trial with their abundant experience. Still the trials in Moscow, although they were of significance for all Communist parties, were the internal affair of the Soviet Union, the indictment charged and the trial was conducted against Soviet citizens accused of various crimes, among which was also of having linked up with German and Japanese fascism. But Hitler was not charged nor mentioned. A non-aggression pact was concluded with him a few years later, on which occasion even toasts to his health were exchanged.

". . . This means that the indictment itself suffices to denote this trial definitely, without hesitation, without any fear that an error can be committed, as a new foray of the counter-revolution directed from Moscow. This penetration into Europe of the sinister methods of the Soviet intelligence service is a harsh example of the application of the 'leading role' of the Bolshevik Party and the Soviet Union. . . .

"The trial reveals in a crude, almost

cruel way the decline of some Communist Parties, of that in the Soviet Union and those in other Cominform countries. It reveals the full subservience of all these parties to the Soviet intelligence service, which has compelled this and which dictates the political line to them. It reveals the self-glorifying, Marxist-ically unjustified, petty bourgeois vanity, the 'leading role' of the Bolshevik Party and the Soviet Union, in practical international life means not only a tendency toward absolute subservience of all Communist Parties in the world to one party, and all Socialist Countries to one country; not only the turning of countries, some of whose leaders surrendered their countries without reserve to the free disposal of the 'leading' power, into dependent, satellite countries which no longer have anything of their own either in internal or in foreign policy, but also the turning of the party leaderships and governments of these countries into ordinary police prefectures of a foreign country.

"It reveals the real degeneration, and that can no longer be camouflaged, of one part of the leadership of the Bolshevik Party. The Budapest trial is the fruit of this degeneration, the fruit of the ruthless greater-state, greater-Russian chauvinism, which does not hesitate before all means to penetrate into the life of the European peoples and to impose the Great Russian nation as being the world nation-leader. It is the fruit of a vain-glorious madness which is assailing the most important fruits of the October

Revolution, which is wrecking the unity of the revolutionary world workers' movement and the entire world democratic front, and thus rendering the greatest service to world reaction. What the indictment reveals is the veritable, ugly features of revised internationalism.

". . . And when today we recall those charges of March 1948 (the first Cominform attack against Yugoslavia—ed) we do so because it has been proved since then that this false and unjustified charge, at that time, was actually self-accusation of the plaintiffs, self-confession, self-betrayal, a concealment of their own reality, which they knew better than we did, because during this time it has been proved in practise that certain people in the leadership of the Communist Party of the Soviet Union have actually degenerated, that their guiding light is no longer international Socialism, but precisely as they themselves first said, 'greater state chauvinism.' And upon this this platform there can only be counter-revolution, and not the victory of Socialism in the world.

"It has been proved that the counter-revolutionary attitude of these Bolshevik leaders towards Yugoslavia cannot be an exceptional or partial deviation from the general line, that it cannot progress parallel with a general, correct revolutionary attitude; but that it is a component part of a new policy, a new ideological line, which is a deviation from the basis of Marxism-Leninism itself, a work of revision which has encompassed all fields of theory and practise."

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