

August, 1940

THE NEW INTERNATIONAL

A Monthly Organ of Revolutionary Marxism

Liberty, Equality and Fraternity

1789-1940 • *An Editorial*

Albert Gates:

THE INTER-AMERICAN CARTEL

J. R. Johnson:

STATE AND COUNTER REVOLUTION

D. L. Robbins:

THE NATURE OF GERMAN ECONOMY

ARCHIVE SECTION:

Rosa Luxemburg: The Progress and Stagnation of Marxism

Fifteen Cents Single Copy - - - Subscription Per Year \$1.50

Manager's Column

THE NEW INTERNATIONAL has reapplied for second class mailing privileges. This course was taken when the Cannon Group proceeded to contest our mailing rights to the magazine in which they had never before expressed the slightest interest, nor in whose existence they were very much concerned. Rather than engage in a fruitless legal struggle with malicious obstructionists we have refilled. It has added to our financial burdens, but there was no other way for us.

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Last month the Manager's Column was omitted to make room for the splendid article by J. R. Johnson, entitled, "Capitalist Society and the War". Judging from the response to the July issue, we are certain that the printing of the above article, taking up the entire issue, was well worth it. The issue has been almost completely sold.

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Yet, the Editorial Board prefers not to print articles which take the entire issue. The chief reason why this has happened even for the first time is due to lack of space in a sixteen page magazine. We are planning to reissue the thirty-two page *New International*. Only a thirty-two page magazine will permit the publication of thorough analytical articles on the great problems of our time. A well-rounded magazine treating with the variegated issues of the war in Europe, American policy, the elections, the situation in the world labor movement, book reviews, archives of the revolution, and theoretical studies. is the need of the moment. *The New International* must become a thirty-two page magazine!

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While the August issue is somewhat late in appearing, we have already prepared material for the September issue. We plan to make that a special election number with articles reviewing the political situation in the United States, the role of the two main political parties in the light of the war, American imperialist policy, and the currents in the labor movement. There is to be printed the concluding section of J. R. Johnson's, "The State and Counter-Revolution." Frank Demby is now at work on an article dealing with the factional struggles in the ranks of the financial ruling class. A discussion article on the nature of German economy is promised by Dwight Macdonald. These are some of the materials waiting to be published.

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It is easy to see why the thirty-two page magazine is indispensable. But it cannot be had just for the asking. While there has been a good response to *The New International*, it is not near enough to guarantee the continued existence of the magazine, or its enlargement to thirty-two pages. How are we going to realize this absolutely necessary improvement? By donations, first of all! By an increase in subscription! By an increase of the bundle orders and a general increase of the sales of the magazine. If the peg is lifted on each of the items, we shall be able to hurdle the present difficulties and come out with the thirty-two page magazine in September.

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We believe that this is as good a time as any to call attention of the branches and literature agents on the outstanding debts to the magazine. The business office has communicated with all comrades in respect to this matter, but as yet the response is not what it should be. We want our accounts up to date, since that too, will go a considerable way in helping to realize the thirty-two page magazine.

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Every comrade! Into the campaign for the thirty-two page *New International*. Let's get all bundle order accounts paid up at once. All sympathizers and friends of the New International are asked to send in their donations and do their bit to help enlarge the magazine. We want more subscriptions and we want an increase in sales! We know it can be done. Just a little more effort all around and we'll get it without delay.

THE MANAGER.

LEON TROTSKY MURDERED

The tragic news of the assassination of our beloved comrade and leader, Leon Trotsky, reached us as this issue of **THE NEW INTERNATIONAL** goes to press. Comrade Trotsky fell, a victim of a savage attack by a foul hiring of counter-revolutionary Stalin and his murderous GPU.

The next issue of *The New International* will be devoted to this tragic event and will evaluate the heroic role and life of the outstanding Marxian revolutionist of our generation. With Natalia Ivanovna, Trotsky's life-long comrade and companion, we mourn our great loss.

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Editor: MAX SHACHTMAN

Business Manager: ALBERT GATES

TABLE OF CONTENTS

LIBERTY, EQUALITY AND FRATERNITY, 1789-1940. <i>An Editorial</i>	131
THE INTER-AMERICAN CARTEL <i>By Albert Gates</i>	133
STATE AND COUNTER-REVOLUTION <i>By J. R. Johnson</i>	137
THE NATURE OF GERMAN ECONOMY <i>By D. L. Robbins</i>	140
ARCHIVE SECTION, <i>The Progress and Stagnation of Marxism,</i> <i>By Rosa Luxemburg</i>	143

THE NEW INTERNATIONAL

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VOLUME VI

AUGUST, 1940

NUMBER 7

Liberty, Equality, Fraternity

1789-1940 • An Editorial

The End of French Democracy

IN France, bourgeois democracy once more has fallen, and this time it has fallen like Lucifer, never to rise again. Since July, 1789, when "Liberty, Equality and Fraternity" became the motto of bourgeois France, the republic has been at various times replaced by two monarchical and two imperial regimes, but, republic, monarchy, or empire, "Liberty, Equality and Fraternity" remained. Today, "Labor, Family and Nation" have been substituted, voted for by a majority of both chambers. The French bourgeoisie has thus given notice that for it an epoch has closed. The democratic regime has now outlived its camouflage in France as well as Germany. According to the military and social results of the present war, it is not at all excluded that France may once more go through the ritual of elections and parliament, that the bourgeois democratic regime may perhaps scramble to its knees, and even stagger to its feet. But the curse of Kerensky will be upon it. To right and left it will face deadly and unappeasable enemies. Its demise will be bloody, complete and final.

The American bourgeoisie and the petty-bourgeois intellectuals have been rending the heavens with their wails over the defeat of the French army, and the extinction of French culture, symbolized by the swastika flying over Paris. Paris is fallen, is fallen, that great city. For the bourgeoisie this ranting signifies only that American imperialism has lost a useful ally in the struggle for imperialist domination. The American bourgeoisie would cheerfully deliver New York and Washington to the Mikado rather than see the American workers take them over.

The radical intellectuals delude themselves that they are different. They have memories of the American revolution and the French as the joint initiators of the democratic regime in the two hemispheres; of spring vacations in Paris in an atmosphere of good food; women, elegant and at the same time cultivated; and brilliant conversation; above all, the intellectual as an intellectual counted in Paris, which was dear to the overweening vanity of the chronic ineffectives. Hence they raise their voices in the chorus that Rome is fallen, and the capital of Western civilization is in the hands of the barbarians.

What Does The Capture of Paris Mean?

The fundamental ignorance and stupidity of these learned chatterers are without bounds. The capture or non-capture of Paris does not signify either the continuance or extinction of a culture. Hitler is not Attila. Weygand is not a Charles Martel. The Nazis are neither barbarians from

the North nor infidels from the South. They are flesh of Europe's flesh and bone of Europe's bone. They represent a stage in the development of capitalist society, the epoch of its decay. Intellectuals who moan and slobber over the capture of Paris show no knowledge of either history or culture—but a sure instinct for hiding in the steadily diminishing crevices of bankrupt bourgeois democracy. If we want to set dates, the decline of the West began in 1914 with the first imperialist war; or we may say that bourgeois civilization began its panic retreat in October, 1917. But the bourgeois requiem over Paris in the hands of the Nazis has nothing to do with love of culture. It is the defense of one section of bourgeois society against the other, the struggle for imperialist mastery. That we repudiate as we repudiate all forms of defensism in this war.

But the counter-revolutionary squawking of these song-birds being driven out of our hearing, the working class movement is not indifferent to the fate of France or of Paris. The German army in Paris is a bitter experience for all of us for it is an added burden on the back of the Parisian workers. And the workers of Paris, in the last 150 years, have been the vanguard of the struggle for liberty, equality and fraternity. The bourgeoisie has always claimed the undoubted contributions of France to modern society for itself. It is seeking to obtain them under false pretences. For a century and a half the barricades erected by the workers of Paris have marked the stages not only in the extension of democratic rights, but in the clarification of human thought.

The Masses Made The French Revolution

The greatest thinkers of bourgeois society in France are those who preceded the French Revolution, Descartes first and then Montesquieu, Diderot and the Encyclopaedists, Rousseau, and in his aristocratic way, Voltaire. We know their errors. But their positive achievements were invaluable. What capitalism was doing in the market-place, they did in the consciousness of men; they destroyed the intellectual structure of the feudal world. However, Diderot and Rousseau, as well as Voltaire, were political conservatives. And if they might have accepted the storming of the Bastille, they would have recoiled in horror from the September massacres and the merciless determination of the *enragés*. Yes it was the *sansculottes* who made possible the acceptance, first in France and then in the world, of Eighteenth Century rationalism. Without the Paris masses, there would have been no August 10, 1792. Without their independent organization of the army and supplies, the European reaction would have conquered Paris and France, and the historical current would have flowed in other and per-

haps more devious channels. In that respect, the French Revolution was entirely different from the American. The French Revolution was a revolution of the people as the American revolution never was. This intervention of the French working people is one important key to the political history of France and Europe from July 14, 1789, to the present day.

Napoleon Feared The Paris Worker

When Bonaparte faced defeat in 1814 and again in 1815, the Paris workers whom he had chained called on him to lead them in revolutionary struggle against the Bourbons. His armies were defeated in the field, and he on the one side and Alexander I on the other both recognized that the revolutionary workers of Paris could alter the whole situation. Alexander feared them but Bonaparte feared them too. Less than twenty years before, Babeuf had written: "nature has given to every man an equal right to the enjoyment of all goods", and had called upon the people of Paris to translate this doctrine into life. Both in 1814 and in 1815 Bonaparte preferred exile to unloosing the revolution. Bonaparte's successor, Louis XVIII, never forgot how he had had to fly at the Paris response to the news of Napoleon's landing at Elba. After his death, in 1824, his successor, Charles X, tried to restore the powers of the reaction.

France was not yet sufficiently industrialized to make a clear division between organized workers and employers. Workers and the small masters came out together, but it was the Paris masses in the east end who overthrew the government. The Orleanist Monarchy of industrial capital stepped into the power lost by the Bourbon Monarchy of landed capital. Liberty, equality and fraternity were advanced by the extension of the vote from one for every three hundred persons to one for every one hundred and fifty. Following the Paris revolt in 1830, there were insurrections in Belgium, Germany and Italy. The struggle in Britain entered the final phase which culminated in the passing of the Reform Bill in 1832. One year after the French Revolution of 1830, the proletariat, organized as a class for the first time in history, appeared in the Lyons insurrection. Henceforth, the French bourgeoisie could never utter the words liberty and equality, without stuttering and looking over its shoulder to see who was listening.

The Proletariat Leads The Fight For Freedom

By 1845 the new French government was an anachronism in face of the needs of French society, particularly a growing industry. It was overthrown in 1848 by the first socialist revolution in history. One year BEFORE, in 1847, it had been heralded by the Communist Manifesto of Marx and Engels. How Louis Blanc aided the bourgeoisie in the crushing of the revolutionary workers and how the big bourgeoisie in its fear of liberty, equality and fraternity, finally accepted the bureaucratic second empire is familiar to all students of the movement. They are told in Marx's Eighteenth Brumaire, the most profound and penetrating historical study ever written. These things must be remembered and propagated today when scoundrels and hypocrites babble about "the French" as having been guardians of light and leading for 150 years. Which French?

And French political and social thought during this period? Much of the thought that accepted bourgeois so-

ciety as its basis is today useless, for example, Chateaubriand and Joseph de Maistre. Comte in philosophy, and the intellectuals of their day, Lamartine and Victor Hugo, exemplified that vague and inflated humanitarianism characteristic of the mid-nineteenth century bourgeois which was to receive its worst expression in the English Victorian painters and the writings of Ruskin, its best in Wagner's music. On the other hand, Saint-Simon, Fourier, and, despite his confusion, Proudhon, have and will have an unperishable place in modern thought, because all of them challenged the bourgeois order at its root on the question of property. Not only in political action but in political and social thought, it is in the history of socialism that we must look for the history of liberty, equality and fraternity in France.

France and National Revolutions

Revolutionary France in 1789, in 1830, and in 1848 had been the inspirer of nationalist revolts all over Europe. In 1848, following the Paris revolt, revolutions broke out in Austria, Germany, Bohemia, Hungary and Italy. Napoleon III attempted to carry on the tradition. But France was already the enemy of liberty. In 1858, this Napoleon sabotaged the struggle for Italian unification. His determination to block the unification of Germany was one of the main factors in the Franco-Prussian war of 1870. He engineered the marauding expedition of Maximilian to Mexico in 1867. His internal policy was equally reactionary until 1860. But Europe after 1848 was entering upon a period of expansion which demanded a different type of government in France. In 1859 the free trade treaty with Cobden struck the first blow at France's protectionist policy. From 1860 the liberal bourgeoisie began to challenge Napoleon who gave way step by step. Yet in 1870 when his outworn government fell to pieces at Sedan it was revolutionary Paris which took its place at the head of the nation. In the face of the Paris Commune, the French bourgeoisie hastened to ally itself with the Prussian General Staff.

The Commune did not only lay the basis for the consummation of the Marxist theory of the state. It had a direct and immediate influence on the history of France. The French bourgeoisie, today held up as the apostle of liberty and fraternity, did not want the Third French Republic. It wanted a monarchy. Thiers, Bismarck's ally, was a monarchist. But that reactionary opportunist, even after the bloody suppression of the Commune, saw that France would never stand a monarchy. In 1872 he declared himself a republican, and the next year was hounded out of office by the monarchist majority in the assembly. It was under these auspices that the basis of the French constitution which Laval overthrew was formed.

The Workers Save The Republic

The first president was MacMahon, a monarchist, appointed for seven years, during which time the bourgeoisie hoped to slip a French king onto the throne. The constitution-makers, all mortally afraid of the French masses, placed in the constitution no bill of rights and no declaration of the sovereignty of the people. The heterogeneous character of the French government during the critical post-war years is due, as far as it is due to the legal character of the constitution, to the fact that this document was drafted by men who from the first to the last were concerned with building

barriers between the powers of the government and the people. That the Fourth Republic came into existence at all was due not to the French bourgeoisie who hated it, but essentially to the masses of the French people and their acknowledged leader, the revolutionary proletariat of Paris. That it prospered was due still less to the love of liberty, equality and fraternity by the French bourgeoisie.

Between 1875 and 1900 world trade was more than doubled. Between 1900 and 1913 it nearly doubled. In the general expansion of capitalism France shared fully. In 1870 the quantity of coal mined was 13 million tons. In 1911 it was 38 million. In 1870 the number of patents granted to inventors was 2,782. In 1905 it was 12,953. France escaped the crisis of the Eighties in the manner described by Lenin in *Imperialism, the Last Stage of Capitalism*. It maintained equilibrium upon the exploitation of a vast colonial empire.

Intellectual Decay Sets In

Jules Ferry, the founder of the Third French Empire, was at the same time a pioneer in popular education. A section of the French working class was induced to acquiesce in the imperialist order by reformist bribery and corruption. At the time of the Dreyfus case it was not the speeches of Zola and Anatole France but fear of the Paris proletariat and the consciousness of their own weakness which restrained the reactionaries.

The last seventy-five years of bourgeois France has seen not one famous writer on political or social questions devoted to liberty, equality and fraternity. The brilliant literary gifts of Anatole France were directed against the pretences and hypocrisies of bourgeois society, but he had nothing to put in its place. Hence his sharp irony which is the weapon of the irreconcilable impotent. Sorel, the only political writer of eminence, was an apostle of proletarian violence. Take away the proletariat and socialism from nineteenth century France, and what remains of the struggle for liberty? Reactionaries, windbags, and wit. Nothing else.

The Struggle For Freedom Is Not Over

And the revolutionary workers of France, and their leader, the Parisian proletariat? At the end of the war by an overwhelming majority, they decided to break with the Second International and join the Third. They drifted back again to the Second International, but once more in 1934 they turned to the Third International, seeking a revolutionary way out of the intolerable difficulties of their position and the fascist proclivities of the bourgeoisie.

From Stalinism they got the Popular Front with its long list of betrayals. That they were ready for the revolution has been officially admitted by Blum and he of all men should know. Then after five years of the Popular Front, Stalinism suddenly hit them across the face with the Hitler-Stalin pact. Today they are trying to understand what has happened. It is for them that the Vichy government stages its trials. Meanwhile the Vichy Government is taking advantage of the despair and the presence of Hitler's troops to fasten the fascist chains on the workers before they can recover. In one sense Hitler is compelling the French bourgeoisie to do nothing. The French bourgeoisie is attempting what it would have attempted to do with or without Hitler. It is acting as it has acted for the last hundred years, merely adapting itself to the specific circumstances. Bourgeois property, and not liberty, equality and fraternity has been its main preoccupation, now as then.

The *New York Times* of June 23, hopes that the "French people . . . will build something stronger and sounder than the Third Republic when they have another chance to re-fashion their freedom." To this we reply with a devout Amen. But the days of capitalist expansion are over. Liberty, fraternity and equality can exist even as words only in a French socialist society. That is why the French bourgeoisie has wiped them off the slate. We know who are "the French" who have fought for freedom through the years in France. We know who will fight for it tomorrow. We wait the day, Messrs. Bourgeois, when you will read in the morning headlines that the struggle for freedom has begun again in France. Then, as Henry VIII said to Wolsey when he placed in his hands the evidence of his doom: "To breakfast with what appetite you have."

The Inter-American Cartel

I.

The Dream of Bolivar

SIMON Bolivar, the great South American revolutionary, first conceived of a plan for the unity of the Western World. Bolivar's ideal was never realized despite the enormous energy he spent to fuse the countries of the two continents. The Panama conference of 1820, was representative enough. Most of the countries were present, although of the American delegation of two, one had died in transit and the other arrived only after the conference had adjourned. Yet, despite the general acceptance of Bolivar's proposals at the conference, one country alone ratified its decisions.

Bolivar had hoped to establish a single powerful united states from the Hudson Bay to Patagonia. He looked forward to a unified economic, political and military develop-

ment of the new world as the sole hope of civilization. Thus, the new world would be contrasted to the decay of Napoleonic Europe then engaged in mutual self-destruction. Bolivar, it is clear, did not understand the positive effect that Napoleon's campaigns had upon future capitalist development in the old world, nor did he understand, that the Little Corporal had dealt mortal blows to the remnants of the feudal order.

The collapse of the conference had a disastrous effect upon him. The failure to ratify the Panama decisions brought an end to the movement toward hemispheric unity. It was not to arise until more than a hundred years later and then only as a result of the imperialist needs of the most powerful nation in the world, the United States.

The one country which could have strengthened Bolivar's ideal was America. But in 1820, the United States was completely absorbed in its own development as a nation. The

War of 1812 had only shortly been concluded. The Louisiana Purchase opened gigantic vistas in the westward movement of the new people, and as the frontier pushed toward the Pacific Ocean the product of Bolivar's dream world was realized on a national scale by the new vigorous republic of the North.

Bolivar's Plan Utopian

Bolivar's plan, however, was essentially Utopian. Most of the South American countries had, primarily through his efforts, only just achieved their independence. Others were still under the heel of European feudal and new capitalist powers bent upon colonial expansion. The economy of the Latin American countries was almost wholly agricultural. Handicraft production could not supply anywhere near the simplest needs of the many millions of people. As in the United States, national developments were incomplete and the cultural level of the masses insufficient to grasp the significance of hemispheric unity. Above all, in the period of rising capitalism, of national unifications, the idea of hemispheric unity was totally incongruous.

If hemispheric unity appears to be a reality in the twentieth century, it is due essentially to the imperialist epoch of modern capitalism, the triumph of international economy, the existence of a world division of labor and mass production, the period of social decay. Under these conditions, however, hemispheric unity is possible in only two ways: Either under domination of the most powerful capitalist nation, or through the victory of the socialist revolution and the establishment of the Socialist United States of North and South America.

Amerca's Orientation

At the recently held Pan-American conference in Havana, Cuba, the United States presented its program of hemispheric unity. In my article, *A NEW HORIZON FOR AMERICAN IMPERIALISM*, (*The New Internationalist*, June, 1940), I traced the effects of a possible German victory on American diplomatic and military policy and showed it to be obligatory for the United States to make up its losses in the European and Far Eastern markets by a complete domination of the entire hemisphere. Having failed to put Europe on rations, faced with a permanent loss of the European market, likely to fall to Nazi Germany, and having been rudely expelled from the Far East by Japan's policy for "a new order in Asia", there is no avenue of escape for the United States other than complete control of the two Continents. The success of American policy means driving Germany, Italy, Japan and England out of the new world.

In the same article I treated with the possibility of a conjunctural stalemate in the struggle for world domination. Under such a condition, the United States would control the Americas while Germany is master in Europe, Africa and the Near East, and Japan dominates Asia and the Far Eastern Pacific. This situation could be only temporary, preceding war on a planetary scale between these three powers.

In the meantime, while she remains outside of the present conflicts in two decisive areas of the world, the United States is rushing its plans. How does the present Administration propose to achieve hemispheric unity? What methods will be employed? What are the possibilities of their success and

what effects will they have upon the future development of the new world and the struggle for socialism?

II.

Inter-Continental Unity and The War

Inter-continental unity in 1940 is an American plan based upon imperialist needs. In its decisive aspects, especially economically, it conflicts with the needs, aims and interest of many Latin American nations. The Administration in Washington is clearly cognizant of the great barriers that rise before it, and therefore, the program is developed in progressive, but natural stages.

At the outbreak of the war in Europe, the State Department pushed into existence the Inter-American Neutrality Committee for the ostensible purpose of keeping the war from American shores. In reality it made possible oceanic surveillance by the United States navy of American shores. It served as a warning to the Axis that the United States was determined to make this part of the world its "sphere of influence". At the same time, it opened the way for military collaboration with South America for the purpose of establishing American bases there. Secret discussions have been and are taking place on the subject of military defense of the hemisphere in the event of any untoward development in the European war. The extension of the military arms of the United States in Latin America must necessarily impose the closest political and economic collaboration between them, whether it is voluntary or not.

The Havana Conference

The Havana conference, which met under the initiative of the United States, marked a tremendous step forward in the plans of the Roosevelt Administration. Persistent pounding by the American delegation forced Argentina, Brazil and Uruguay into line. They finally succumbed to Hull's proposal to oppose the transference of European colonies in the new world, which is to say, to Germany or Italy. The agreement was reached, when it became clear that the United States was prepared to make genuine economic concessions to Latin America, that is, was prepared to foot the bill for the terrible economic dislocation that has taken place since the outbreak of the war and the establishment of the European blockade.

In the midst of the conference, President Roosevelt asked congress for a half a billion dollars for the Export-Import Bank which has heretofore engaged in improving trade relations between the United States and South America, providing the necessary capital to ease the existing stringent conditions. While dull-headed and ignorant congressmen and senators object to what they believe to have discovered as a "subsidy" to South America, they will soon learn that it will be necessary to increase that sum many times in the interests of American capitalism.

Havana Deliberates

An interesting and significant decision of the Havana conference, was the Act of Havana. Relating directly to the question of the European colonies, the clause permits the military action of a single nation in preventing their transference without first awaiting the agreement of other Latin

American countries. It is clear that this permission is given to the United States and only to it. No other country is in a military position to act on the basis of the clause, and no other country is so vitally effected by a transference of the colonies to Germany and Italy as is the United States.

The agreement on the struggle against "Fifth Column and subversive movements", while presumably directed against Germany, Italy and Japan, is more in the nature of a warning to dissident groups and native revolutionary movements in all countries. A meeting of American jurists is scheduled to discuss the legal means of enforcing the Havana agreement. Already, the conference agreed to aid each other by exchanging information, carrying out joint forays, and in general to perpetuate the existing systems of government in power. Thus, the struggle against "Fifth Column" activity is at once the most treacherous action and the most dangerous to the movement of socialist emancipation of all the Americas.

Finally, the Havana meeting came to the question of economic cooperation of the United States and Latin America. The American delegation did not press for the creation of the long discussed inter-American cartel. The brain-child of Mr. A. A. Berle, assistant to Secretary Hull, and regarded in many quarters of bourgeois opinion as the leading intellect in the State Department, met with powerful opposition prior to the conference which resulted in its temporary abandonment. It was patently clear beforehand that insufficient spadework had been done to enable its passage with the active cooperation of the twenty countries. Thereupon, the conference merely decided to establish "close economic cooperation and to consider at some future date the more extended American plan." The next stage will witness a determined drive to set up the cartel.

III.

What Is The Cartel

Cartels as a phenomenon of capitalist economy arose at the turn of the century. It was one segment of the monopolistic development and became a basic feature of economic activity. Cartels were established by capitalist enterprises for the purpose of pooling resources, controlling conditions of sale, terms of payment, division of the market, fixing prices and dividing profits. Unlike the huge trusts in which the single enterprise was integrated into the trust at the loss of its own independence, the cartel is a much looser organization. At any time, the cartel may be dissolved, or any one enterprise may withdraw from the organization. Thus, on a national scale, cartels arose naturally in period of rising trusts and syndicates, to meet competition in the market and to wage a more effective struggle for existence.

The plan of Mr. Berle proposes to establish a similar organization on an inter-continental scale. Its magnitude already creates new conditions which hitherto could not and did not affect national cartels. International cartels and trusts have existed and do exist, to be sure. But these trusts and cartels are agreements between private financial and industrial organizations. The American proposals are governmental proposals! The inter-American cartel is conceived of as a cartel initiated and directed by the governments of Latin and North America in collaboration with private industry and finance. By that very fact, totalitarian development in government and autarchic development in economy are inevitable.

On the face of it, the inter-American cartel appears to be a simple plan. It proposes 1. to take up the surplus commodities and raw materials of Latin American which have been accumulating since the war destroyed the European markets of the leading Latin-American nations, 2. to establish an export division of the cartel to dispose of these surpluses to the advantage of "all" the Americas, and 3. to establish a controlled and "planned" production of agriculture, and exploitation of the resources and industries of Latin America on an inter-continental plane. No secret is made of the fact that this measure is proposed as the economic means to fight Germany, Italy and Japan, to drive them from the markets of South America. What is not made clear is the fact that the inter-American cartel is a plan by which the United States will establish its hegemony over the entire western world.

U. S. Hands Out A Subsidy

America already dominates the smaller and unimportant countries. To achieve the cartel she must obtain the agreement in one way or another of Argentina, Brazil, Chile, Bolivia, Peru, and Uruguay.

The cartel aims to meet the German barter system of low prices and credits, and Germany is determinedly fighting the cartel because, if successful, it will eliminate her from the American markets. But the cartel, on the other hand, is not merely an economic weapon in the hands of Washington. It is a first line measure of defense, and the United States is determined to succeed in its establishment. When congress agrees to the additional \$500,000,000 capital for the Export-Import Bank, a total of \$700,000,000 will have been given to it for the purpose of strengthening American relations to the southern countries. Anywhere from \$200,000,000 to \$2,000,000,000 are estimated as the initial capital required to organize and sustain for a time, the cartel.

Yes, despite the obvious desire of Washington to hand out necessary capital to the Latin American, those countries are extremely hesitant to accept the cartel. Argentina led the opposition to it. The permanence of the cartel has been a subject of discussion. Will the cartel remain if the war is ended? Will the cartel destroy economic relations between the South American countries and the European markets if it dissolves at the close of the war and normal relations are re-established? What are the U.S. intentions in urging the cartel? Will it lead to complete Yankee domination and destruction of the independence of South America? These questions, as can readily be seen, are decisive for the orientation of all the Americas since they contain the very essence of the future development of American imperialism, and they will decide the character of existence of every South American country.

IV.

Economic Conflicts

The chief obstacles to the realization of the inter-American cartel is the economic conflict between the United States and Brazil, Argentina, and others. The South American nations have relied primarily upon European markets for disposal of their commodity surpluses. While South America is the largest area of American capital investments, the American market absorbs only a small part of the South American agricultural production. South America is poten-

tially an important field for American export, but under existing relations, the United States establishes a favorable balance of trade with it, and conversely, creates an unfavorable trade balance for those countries.

The simple fact is that the economies of the U.S. and South America are not interdependent. Trade is most important to the existence of those countries. They are primarily agricultural nations, sources of raw materials and minerals of great variety and importance. The greater part of Latin America is unexploited and a rich field known to contain millions of tons of coal, iron, silver, copper, oil, platinum, manganese, and vast acres of timber. In the agricultural field, we find that the southern continent is an exporter of enormous quantities of corn, wheat, cotton, coffee, rice, wool,—in most instances, commodities in competition with American agriculture, or minerals and ores obtainable in vast quantities in the United States.

What South America Produces

While much of the economy of Latin America is a "colonial" economy, (resources developed by foreign capital), native capital is reinvested in native lands, and as in the case of Argentina, invested in other Latin-American countries. Argentina, the most powerful opponent of the cartel, is the richest nation in South America. With only thirteen million people, she is the strongest nation on her continent. Immensely wealthy, with an economy dependent primarily on her export of agricultural commodities, Argentina is decisively interested in the European markets. At the present time, with over 64 million acres in cultivation, she is the largest agricultural nation in the world excluding the United States, China, India and the Soviet Union. She is the 4th largest wheat producer in the world, the world's greatest exporter of wheat, and the world's greatest exporter of corn. Her conflict with the U.S. is expressed in the slogan: We buy from those who buy from us. America buys little from Argentina. To increase imports from that country is to invite a veritable crusade by the American agricultural interests. Remember Argentine beef!

Brazil is the coffee center of the world, capable of supplying one hundred per cent of the world's needs, where she now supplies about seventy. Two-thirds of South America's cotton crop is grown in Brazil, and she has taken away much of the American cotton market. She is the largest tobacco grower in Latin America as well as the greatest source of vegetable oil in the world. Brazil also has the greatest timber reserve in the world. With the exception of coffee and cocoa, Brazil is a competitor of the U.S.

Chile vies with the United States in the production of copper, while her tremendous nitrates industry is now being displaced by the production of synthetic nitrates. Venezuela has tremendous oil reserves which are exploited in the main by the United States. Bolivia is an important source of tin, as yet not fully exploited and still dominated by Great Britain. The other countries, without exception, in one form or another produce similar agricultural commodities or have resources akin to the U.S.

The one-sided agricultural development of the South American nations has brought into existence movements of "national self-sufficiency". The aim of these movements (Mexico, Argentina, etc.) is to establish a balanced economy, industrial and agricultural, improve economic standards, and reduce reliance upon exports and foreign capital. Proceeding with greater independence, Argentina has made tre-

mendous headway in the direction of industrialization. Mexico, as is well known, has exceeded all other Latin American efforts to establish economic independence and attempts industrialization with a partial system of planning. But the efforts of Cuba to adopt a plan of national self-sufficiency was brought to sharp halt through the direct intervention of the United States in the person of Under-Secretary of State Sumner Welles.

The Difficulties of The Cartel

One can readily imagine the immense problems which confront the United States in her efforts to establish the inter-American cartel. American economy rests upon the greatest industrial apparatus in the world, an industry which is becoming more and more dependent upon the world market, that is, upon export trade. The capture of the entire trade of Latin-America, which is what is required to drive the Axis powers from this world, means that the United States must take the huge agricultural surpluses of those countries and become the tradesman of the new world. But despite the enormous development of an industrialized America, she too, has a large agricultural economy. The agricultural population of the United States is around the figure of 32 million, that is, almost three times the population of Argentina alone. American agriculture, it should be remembered, has been in a permanent crisis since the World War. While the United States is herself a great exporter of agricultural commodities, wheat, corn, cotton, and meat products, she can in no way solve the economic problems of the Latin American countries. The situation is the same in the oil industry.

Thus, J. H. Carmical, in the *New York Times* points to the problem when he writes: "Since Latin America and the United States have as good as the same products to sell in the export markets, the question naturally arises as to how production can be maintained at or near current levels, and the surpluses thus created disposed of in other areas which will probably be self-sufficient, or nearly so, in a few years. In the meantime, the question is how are any of these groups going to be in a position to buy our products on a large scale without exporting their goods, since their gold reserves are being rapidly depleted.

"Formation of a Western Hemisphere cartel probably would have a disturbing influence, particularly at first, for it would disrupt established trade channels."

The view of the *New York Times* writer is essentially correct. And yet, the United States must overcome all of the aforementioned obstacles, because American imperialism cannot exist without overcoming them. Unless she is able to obtain control over the western world, she cannot hope to control the world. If she loses in South America, that is the beginning of the end of American imperialism.

V.

America Must Control

It is not merely an economic question. It is a political question of the first magnitude. Since the war closed the European market and Japan holds the key to the Far Eastern situation, America must move fast. The domination of South America, as we have already pointed out is a question of defense. Thus, the owner of the *Nation*, Freda Kirchwey, proposes the establishment of a "democratic totalitarianism"

as a means to "resist the absolutist totalitarianism of the European continent. Planning is necessary, centralized control is necessary, and some sort of merchandising cartel, as suggested by the Administration, may be the best instrument through which to achieve both." And then, this pathetic woman adds, "But such a system must be worked out and administered collectively and not under the domination, however benevolent, of the United States. Otherwise it will not work at all."

Under the conditions of *Laissez-Faire*, given a completely industrialized United States with no agriculture to speak of, the establishment of American domination of this world would be a relatively simple one, and in some respects a natural one. An inter-American customs union would in all likelihood have already existed for some time. A balance of trade could easily be established which would redound to the interests of all the countries. But capitalist economy has long passed that period. And American capitalism is not English capitalism. How then can the United States succeed in the establishment of the cartel and make it function?

Toward Hemispheric Reorganization

It can do so by first creating the political and military conditions to affect such economic relations and make possible "a unified hemisphere". There is entailed a reorganization of economy in the western world. It means market control, price control, and above all, production control. Economic unity of the hemisphere means a reorganization of finance, the establishment of an inter-continental currency under the domination of Wall Street and the United States Treasury. Above all, for the cartel to be successful, for American domination of the new world to become a fact and a bulwark against her rivals, agriculture in the United States must be liquidated as a potent sector of American economy. The United States must seek to establish an inter-

continental division of labor between the industrial Yankees and agricultural Latin-America. It will have to call a halt to the endeavors of South American nations to industrialize themselves, to attempt national self-sufficiency. We do not believe that the United States is "the legitimate heir to Canada, New Zealand or Australia", or any British possession, but it is clear that when it will become necessary in the interests of American imperialism to establish its heirship over those countries, as well as South America, it will do so, legitimately or illegitimately.

The movement toward the cartel is only in its initial stages. The complete program will be long in being achieved, if ever it is completely realized. But it should be clear to every class-conscious worker, to every revolutionist, what is in store. America is preparing to become the greatest military power in the world. If domination of North and South America does not come with the "assent" of the Latin American countries, it will come about through the forceful intervention by U.S. arms. And if the cartel is established, then the United States will move swiftly toward "economic unity". It will mean putting South American economy on rations. It will be told what it can produce, when it can produce, where it shall produce and what will be its share. Clearly, the United States cannot permit a balanced economy in South America. It must make of South America a vast agricultural area, a source of supply of raw materials, minerals and ores. In this process, the United States must itself be transformed into a vast work shop.

Thus, the American orientation! Dominating the new world it can begin the struggle for world mastery with powerful reserves at hand. We shall witness a new series of wars, far more gigantic, far more destructive than any yet experienced. But that period will bring with it the unrest of millions. It will provoke the revolutionary protest of the great masses of the world, not in the least, the toiling millions of the western hemisphere.

— Albert GATES

State and Counter-Revolution

What's In A Name?

HERE are some who doubt the revolutionary potentiality of the workers and the validity of the struggle for a socialist society. The bourgeoisie at any rate does not. It fights a continuous war not only against the workers' organizations, industrial and political, but specifically against the idea of socialism and the permanent revolution. In less critical times the bourgeois theorist demonstrated with learning and logic the impossibility of socialism, the politician harangued against it. But soon, the politician, who had to look into the hostile eyes of the workers, quickly learned to call himself a socialist, or adopted "socialist" measures.

The Social-Democracy was born in sin, the shame-ridden off-spring of democracy and a prostituted socialism. That was nearly a hundred years ago. A generation later this misbegotten bastard rose in the world: Sir William Harcourt, the English politician announced that "We are all socialists now." In France, one wing of the bourgeoisie called itself the Radical-Socialist Party. With the decay of bourgeois Europe and the rise of the Communist International the Social-Democracy could no longer be trusted with the de-

fense of the capitalist system among the workers under the guise of working for socialism. The German counter-revolution, facing the German millions organized under the socialist banner, took the ultimate step and draped itself in the very garments of the enemy: Hitler called his party, the National Socialist Party. In Austria, where, next to Germany, the working class movement was stronger than anywhere else in Europe, Dolfuss followed suit with his Christian Socialist Party. As bourgeois society continues to deteriorate, the bourgeoisie more and more sees world revolution and socialism as its mortal and imminent enemy. Therefore, while the FBI and the vigilante groups are stimulated and encouraged to round up the revolutionaries, the bourgeoisie wages a comprehensive and variegated but systematic warfare on the idea of socialism. The liberal defenders of capitalism do not attempt now-a-days to defend the system as such. From Shanghai to Gibraltar it stinks. Instead they seek to disrupt and confuse the working class and the petty-bourgeoisie as to the nature of the alternative to capitalism.

In 1936 the Blum Popular Front government under the threat of the workers in the factories accepted the forty-hour week and holidays with pay. Major Attlee, leader of

the British socialists, wrote a purring article in the British *Daily Herald*, in which he described the achievements of the French workers as socialism. Socialism gives the forty-hour week. Socialism gives holidays with pay. Socialism gives this, socialism gives that. Having confused the workers as to the method by which bourgeois society is to be superseded, these defenders of bourgeois society are driven to blur the boundaries between capitalism and socialism. Today bourgeois society is in far more serious difficulties than it was in 1936. Hence on all fronts the bourgeoisie diligently sows more confusion than ever. Robert Ley, Hitler's labor leader, calls upon the workers of the world to unite to destroy the British plutocracy. We hope that some day not too far off the German workers will call this political pimp specially to account for this exceptional impertinence. These people at any rate know the force of our ideas better than some of us know it ourselves. After the Republican convention in Philadelphia, Dorothy Thompson wrote a gloomy article on the urgent necessity for a "co-operative commonwealth" in America, to be achieved, however, under the banner not of Karl Marx but of Wendell Willkie. One month later, on July 21, speaking on the radio in Montreal, she went a step further and embraced world socialism. "The plutocratic England you (Hitler) attack is today a socialist state created without class war, created out of love and led by . . . a man who cares . . . only for Britain and for the coming world that a free and socialist British society will surely help to build if ever it is built." She does not yet believe in the inevitability of socialism, but she is travelling fast. Pause to observe this curious spectacle—Dorothy Thompson accusing Hitler of not being as good a socialist as she and Winston Churchill. It is burlesque, but burlesque that reflects faithfully the pressure that the bourgeoisie is feeling from the weakness of bourgeois society and the obvious alternative—socialism. When Attlee spoke in favour of the bill giving all power to the government this expert in confusing the workers was outdone by Peter Howard, the British journalist, who confessed that both he and Attlee were astonished at seeing socialism in our time. "I am bound to record that no-one could have looked more surprised than Mr. Attlee when he found himself forced to stand up in the House of Commons and create a Socialist State." This in the most widely read Sunday paper in Britain, Beaverbrook's *Sunday Express*. It is not a new trick. Roosevelt has been consistently painted by his more vulgar enemies as a Red. But the British Empire as socialism. Here is something new, and it did not fall from the sky.

The Hitlerite World Revolution

The attack is carried on from all angles. Otto Tolischus in his dispatches from Europe always represents the Nazi system as a paternal "socialism", though he has the grace always to put the word in quotes. Hitler has "got something." The bourgeois theorists insist on this, which is, among other things, one way of hitting back-handed blows at the proletarian revolution. Hitler smashes the workers at home and destroys rival imperialisms abroad. In other words, he accomplishes the needs of finance-capital better than the old-line politicians. Naturally, the big bourgeoisie everywhere, despite its differences with Hitler, approves of the method. Therefore, the bourgeois writers of all countries not yet fascist hammer at the workers and the small bourgeoisie. Submit yourselves. Stop all this talk about labor's rights and democracy. Let us discipline ourselves. See what

the Germans have achieved. That is the real revolution of our day. But there is a catch to this. The workers oppose Hitler precisely because he destroys the rights of labor. The American bourgeoisie, in its eagerness, over-reached itself and had to retreat. Roosevelt denounced those people who think that Hitler "has something."

The *Times* of June 16, warned against too much praise of Hitler. "One important factor in a successful democratic defense against Hitler is not to endow him with supernatural attributes. We should be careful about using adjectives like 'demonic' . . . they are words that should be avoided in the interests of anti-Hitler morale." That is to say, we must bear in mind the prejudices of the workers: We cannot praise Hitler and at the same time defend American imperialism under the slogan of anti-Hitlerism. On June 6 the *Times* ridiculed the idea that Mussolini and Hitler had discovered any new form of economy. "Mussolini's planned economy . . . is not economics but military preparedness." And of Hitler's "planned economy"; "It made an impression even in this country where Hitler's solution of the unemployment problem seemed one more proof that the planned economies knew how to do things for which our own unplanned democracies seemed unable to find the answer.

"In the last year, and particularly in the last two months, we know definitely how much was economy in Hitler's planning and how much was guns and planes and tanks and bombs." Very good. But that was only a warning not to go too fast. The propaganda goes on and the events in Europe fortify the general line of the bourgeoisie about all that America, capital and labour alike, has to learn from Hitler. Thus Robert LaFollette in the *Post* of July 20: "The cruel fact has been driven home to a shocked world that a nation with a dynamic, expanding economy can smash a nation or a combination of nations in which manpower, capital, human and natural resources are not at work producing real wealth." The implication is that the "dynamic expanding" economy of Germany is producing "real wealth". Some of these people are merely stupid, others are frightened. But so bankrupt is capitalism that many petty-bourgeois and workers also are looking at fascism and wondering if Hitler has not got some solution after all. Far and wide, the press adds to their bewilderment by calling Nazism a "world revolution." How they roll the words on their tongues! The American bourgeoisie will fight Hitler but if there is going to be a revolution it very much prefers Hitler's to the Leninist type. The whole procedure is to push into the background, to ignore, to distort Marxian socialism and the Leninist world revolution. For that is the main enemy. Watch the analyses and symposiums of even the most radical intellectual circles whose function is to paint bourgeois ideas a bright pink. With unction and objectivity they discuss capitalist intervention, capitalist non-intervention, capitalist isolationism, "short of war", and finally "pure pacifism". Don't they know Lenin's "Turn Imperialist War into Civil War?" Of course they do, but that kind of "pacifism" is too impure even to talk about. There is a general conspiracy to pretend that it does not exist. When they do mention the revolt of the masses, they say "Bolshevism" and always add immediately "chaos". The Stalinists of course, have added skyscrapers to the confusion by insisting that the Stalinist tyranny is socialism, and by linking themselves with Hitler. And, as always, even some intellectuals, using (God forgive us) the name of Marx, hear the chatter in the forum, prick up their ears, rush to their typewriters, and add their little piece of "theory" to the confusion.

We have to observe that the bourgeoisie fears socialism and the proletarian world revolution with a mortal fear. It is not at all lulled by the apparent passivity of the masses and strives to disorient and confuse their thoughts. This lays upon us the duty ruthlessly to combat and expose all distortions of our doctrine. Capitalism, fascism, socialism, communism. These words have very definite and precise meanings. The more the bourgeoisie and its rag, tag, and bobtail of babblers seek to create confusion, the more assiduously we must clarify. For this confusion, in the last analysis, serves one transparent purpose—the defense of bourgeois society. We must observe phenomena. There is no substitute for study. The Cannonite method of shouting slogans, formulae and abuse as a method of theoretical controversy reaps ultimately its own reward, an arid and self-destroying sterility. But the basic structure and movement of capitalist society in our period were laid bare nearly a generation ago. Only jitteriness, drawing sustenance from conceit and its twin brother ignorance, prepares a brand-new theory for every brand-new event.

The State and Revolution

During the years 1914-1916, Lenin, as the basis of his attack on bourgeois society, analysed the nature of imperialism. At the same time he prepared his notes for an analysis of the state. His preface to the first edition of *The State and Revolution*, August 1917, begins as follows: "The question of the state is acquiring at present a particular importance, both as theory, and from the point of view of practical politics. The imperialist war has greatly accelerated and intensified the transformation of monopoly capitalism into state-monopoly capitalism. The monstrous oppression of the laboring masses by the state—which connects itself more and more intimately with the all-powerful capitalist combines—is becoming ever more monstrous. The foremost combines are being converted—we speak here of their 'rear'—into military convict labor prisons for the workers." In fascism we see the culmination of that process—nothing more. How sad that those who wish to teach us something new do not take the elementary precaution of learning what is old.

Lenin approached the question by an analysis of existing theoretical writings on the state. But during the revolution this question of the state had, as he said, an urgent practical importance. It is this aspect that we propose to treat first, as being less familiar than his study *The State and Revolution*. As early as May, 1917, Russian capitalist economy was heading for disaster. The question was how to arrest this headlong rush to chaos. The remedy was no mystery. Even the Mensheviks could see it. The Menshevik Executive Committee in *Izvestia* No. 63 (May 24) published two articles, one dealing with a resolution of the Executive Committee of the Soviet. "Many branches of industry have reached the point where they are ripe for a state trade monopoly; . . . others are ready to be organized by the state, . . . and finally, nearly all branches are in need . . . of state supervision in the matter of distributing raw materials and finished products, as well as in the matter of fixing prices. . . . Simultaneously with the above, it is necessary to put under state and public control all credit institutions with the view of preventing speculation in goods subject to state regulation . . . ; compulsory labor should be instituted if necessary . . . The country is already in a state of catastrophe, and the only thing that will save it is the creative effort of

the entire people *under the guidance of the government.*" This was in 1917, over twenty years ago.

Lenin in *Pravda* quoted this passage and then asked the Mensheviks: "Here we have control, state regulated trusts, a struggle against speculation, labor conscription—for Mercy's sake! in what sense does it differ from 'terrible' Bolshevism?" That was exactly the Bolshevik program. The only question was: who will bell the cat? The Russian capitalists themselves saw the necessity of complete state-control as the only way out of chaos. But they stormed and raged at the Soviet, for they didn't want any labor organizations to carry out such a program. The Social-Democrats saw the necessity. But they were, as always, afraid. The Bolsheviks saw the necessity, and burned with eagerness to carry it out, with the help of the masses. When the capitalist class, in the throes of crisis, smashes the working class and carries out such a program in its own interest, you have Fascism. When the revolutionary party carries out such a program it leads inevitably to socialism. For a revolutionary party carries out all such measures in the interests of the toiling masses. The capitalists immediately sabotage and compel the revolutionary state to pass from workers' control to expropriation. Lenin, greatest of revolutionaries, seemed to have had illusions as to the possibility of disciplining the capitalists within the framework of the capitalist system. Conscious of the unripeness of Russia for socialism, he did not want to go too far and too fast. Even between February and October he often used the phrase, "The revolutionary democracy." But years before Trotsky had stated "You cannot stop. Once you begin you have to go right through to the end. This will be no question of revolutionary democracy or democratic dictatorship of the proletariat and peasantry. It will be the dictatorship of the proletariat or the capitalist dictatorship."

The Mensheviks Demand Statification

On May 29 and 30 Lenin returned to this subject which soon assumed an enormous importance. He points out that the Menshevik minister Skobelev had declared the state economy to be on the brink of a precipice. Skobelev said that the government must intervene "in the various domains of the economic life of the country." In typical Menshevik fashion, Skobelev used terrible words. "If capital wishes to preserve the bourgeois method of doing business, then let it work without interest, so as not to lose clients . . . We must introduce obligatory labor duty for the shareholders, bankers and factory owners . . . We must force the gentlemen shareholders to submit to the state . . ." Yet this Menshevik would have derided the idea that he was introducing socialism in Russia. *This was his method of saving capitalism.* He said so. "If capital wishes to preserve the bourgeois method of doing business . . ."

Lenin points out, and this is very important, that Skobelev's program was more radical than the Bolshevik program. When Skobelev said he would tax the capitalists 100 per cent he "goes a step further than we do." All we Bolsheviks are asking for is control and "a transition to a more just and progressive tax on incomes and property." The trouble was that this kind of program, moderate or extreme, could be carried out by a working class organization only in one way, by the mobilization of the working class and the use of force. Lenin knew that only force could do it, but he wanted the capitalists also to take part in this reorganization,

because "at present (they) have more of the required experience, and more talented organizers."

In *Pravda* of June 8, Lenin collected a list of statements by Menshevik ministers. Every word is a blow at the neo-Fascists who discover to-day that Fascism is a "new" form of society. Minister Cherevanin: "What we need is a general plan, what we need is state regulation of our economic life . . ." Avilov: ". . . there must be state control of all the sources upon which industry draws for means of subsistence and turnover, i.e., all credit institutions." Bazarov: "What is needed is compulsory state trustification of industry." G. V. Shuba: "In addition to regulating the entire economic life of the country, we must demolish and rebuild the entire executive apparatus of the government." Kukovetsky: "The second measure is the compulsory regulation of industry, the fixing of prices on goods." And the final conclusion by Groman: "Neither the government nor the country at large has up to now developed a central organ which would regulate the economic life of the country . . . It must be created . . . A powerful executive organ must be organized. An economic council must be built up."

(To be continued)

Like Mussolini and Hitler, all the Menshevik ministers knew what was to be done. They did not have to read Houston Chamberlain to find out. The rotting economic system was crying out for state-regulation. Lenin asked them every day "why don't you do it." There was no question here of socialism. It was a question of the capitalist state and capitalist economy and later we shall see the specific proposals Lenin made, all to be carried out within the framework of the capitalist system. This became the central internal question of the Russian Revolution. Had the Russian capitalists been able to smash the working class movement, they would probably have carried out the program themselves. Now in 1940 when we see the German fascists, after smashing the German workers, carry out precisely such a reorganization, within the framework of the capitalist system, and in the interests of heavy industry and finance-capital, Sidney Hook and other petty-bourgeois intellectuals thrill with the joy of discovery and yell like explorers who behold a new continent. They teach us nothing at all about society but a great deal about themselves.

— J. R. JOHNSON

Nature of German Economy

Stating the Question

THE Nazi juggernaut has rolled up a series of impressive victories in the past seven years. It revived a moribund economy, and whipped it into shape for a new bid for world hegemony. It conquered the most powerful, most hopeful labor movement in the post-war capitalist world. In foreign spheres it grabbed markets and areas of influence out from under the noses of the bourgeois democracies. It took the Saar by plebescite, Austria and Memel by annexation, Czechoslovakia by agreement, and Poland, Denmark, Norway, Holland, Belgium and France without too much effort.

The "success" of the German National Socialist Labor Party (its name an epitome of semantic obfuscation) has generated a welter of ideological confusion over the nature of the German state, clamours for a revision and restatement of the Marxist position on Fascism, and a bewildering (and somewhat colorful) array of original theoretical deductions. Such confusion is quite natural, for nothing is so formidable as success or a simulacrum of it. And nothing is quite so conducive to theoretical revision as the appearance of military might.

The new interest in Fascism will be salutary if it promotes clarification of established Marxist doctrine, or shows substantial reason for its revision or dismissal. Unfortunately such discussion is rather belated, for the basic analysis of Fascism was supposed to have been made almost a decade ago.

Germany's Economic Potential

In analyzing German Fascism it must be noted immediately that Germany is the second greatest capitalist nation in the world. In industrial plant, technology, labor force and general economic potential (with the notable excep-

tion of empire, of course), it surpasses France, the British Isles and all but the United States. Operating in any kind of milieu except the stifling atmosphere of Versailles, it might have moved quickly to the front ranks of world capitalism. It was the Fascist mission, as Hitler has said in one of his rare accurate pronouncements, to remove the yoke imposed after 1918, and, further, to complete the unification of the German state which Bismark had begun.

Germany's late appearance in the world arena imposed special requirements upon the economy. It could not afford to spend centuries, as Britain did, or generations, in the case of France, developing an industrial plant with imperial ramifications. Nor could it afford the luxury of *laissez-faire* and free, international trade. Ten years after the German empire was formally established, the first modern cartel in the world was organized. In 1880 the Bavarian pottery industry organized for what the Classicists tearfully call the restraint of trade. The cartel, as a manifestation of monopoly capitalism, has been legal in Germany for the past 50 years.* In order to compete on the world market, industry was assisted directly by the state. Its rapid development to a major power is proof of the efficacy of centralization.

Scheidemann to Hitler

Despite the Draconian restrictions imposed by the peace treaty following the first World War, Germany made substantial gains. The 1923 inflation repudiated the huge internal indebtedness, and cleared the course for development on a new level: that of subordination to the Allies. The inflation brought terrible privation to the working class and disaster to the middle class, but it was a windfall to the

*Compare this to the anachronistic demagogy of Thurman Arnold, who announces, while the temple is crumbling, that he is going to solve the crisis in capitalism by abolishing the monopolies, i.e., by abolishing capitalism.

industrialists who found themselves with huge sums to rebuild their plants. Virtually all major sectors of the industrial plant were rationalized, the process financed with worthless marks. Although the enormous output of these new factories did not find a ready market, it was prevented from drying up by the payment of reparations in kind and by the subsidizing of foreign trade with the high profits from domestic commerce.

Throughout the post-war era the state intervened further in the economic process, and promoted industrial centralization. Some 2500 cartels controlled prices, markets, production and throttled what was left of competition. At the beginning of 1933 there was one railroad system (owned by the state), one telephone and telegraph system, one chemical company which dominated the industry. One cartel controlled the entire output of potash, another controlled all coal and lignite production. There were only two steel companies and two oceanic shipping companies. The Federation of German Machine Builders dominated nine-tenths of the machine industry. And the National Federation of German Industry supervised the entire capitalist process.

Germany could not permit the relatively automatic forces at work in a free economy to strike an equilibrium. They were too slow, too cumbersome, too inefficient to restore stability. And the stability thus restored would have reduced it to the status of a Balkan country. It should be remembered that monopoly capitalism reached its highest bourgeois-democratic form under the Social Democracy. The very instruments of control devised by the Second International, ostensibly as catalysts in the transformation of capitalism into socialism, strengthened the economy and prepared it for Fascism and further regimentation. Hitler dotted the i's and crossed the t's.

Totalitarian Economics

To say that Fascism did not render any basic change in the economic structure is almost a truism—almost, because this view is now challenged. It intensified the controls placed over the economy by previous regimes. It presented nothing new, nothing radical, certainly nothing to challenge capitalism, in its economic program. Its innovations were in the political sphere, (these had economic stimuli, of course, as all things do.) Fascism postponed the political collapse of the German state with its consequent economic disintegration by destroying the remaining democratic rights and instituting a new proletarian slavery. This power to enslave is the most potent aspect of the Nazi program. It has had far-reaching economic effects in stimulating German capitalism. This power, combined with the centralization of the economic process, has established German superiority over Britain and France.

It has not, however, altered the nature of capitalism. The basic contradictions within the system are not resolved by reverting to a kind of finance-barbarism. German capitalism is still plagued with the falling rate of profit, with an expanding economy driven to seek hegemony in a world market that is contracting, with the objective socialization of the means of production clashing with private (or state) property relations. The frenzied efforts of Schacht and his economic specialists can no more remove the curse than can the incantations of a Hopi witch doctor change meteorological conditions.

The most significant trend in Nazi Germany is the inexorable force of collectivization. That it takes perverted

forms in regimentation does not diminish its reality. This tendency recurs again and again in all branches of industry.

"Blood and Soil" Agriculture

Agriculture, which possessed the least specific weight, was the first point of concentration. This paradox found its rationalization in the necessity for attaining a measure of self-sufficiency in foodstuffs, for seeking to extract whatever raw materials that could be produced, and, finally, in the necessity for pampering the farmers whose political atavism was the state's great forte.

The first four year plan invigorated agriculture which had never completely recovered from the effects of the first World War. The interest on farm indebtedness was reduced one-third. Through high tariffs on agricultural commodities, farm prices were pegged far above world prices. Scientific agriculture was introduced on a more extensive scale than before with the state subsidizing the process. Marshlands and moors were reclaimed. But this rationalization of farm production flew in the face of extant property relations, since 53 per cent of all arable land was in parcels of 50 acres or less, mechanized farming was economically impossible. Therefore, the state forced a *kind* of collectivization of land to make large scale, scientific cultivation feasible. The direction of this collectivization was not towards the *Kolhoz* of early Soviet Russia, but back to the medieval commune.

Concomitant with this, the German word for farmer (*Landmann*) was prohibited as a "Jewish, liberalistic" term, and in its place was substituted peasant (*Bauer*). (Those who find social significance in semantics can have a field day going over the Fascist revisions of the German language.) The "blood and soil" ideology evolved through assigning farms in perpetuity to certain *Bauern* of undisputed Aryan ancestry. At the end of the first four year plan, about 35 per cent of the farms were held in this manner. Although it is not known what became of this property, it can be fairly safely assumed that the exigencies of economics and war forced its collectivization.

Indicative of the contradictions at the end of the program to rehabilitate agriculture were two facts: all land reclaimed for tillage was more than balanced by the withdrawal of naturally arable land for airdromes, military reservations and roads, and the thousands of workers who were driven on to the land were driven back to the city when heavy industry began to boom under the second four year plan.

The Second Four Year Plan

In 1937, the emphasis was shifted to heavy industry, which financed Hitler's struggle for power. The state began to pay its debt to the capital goods industrialists—and not on the depreciated terms it offered the farmers. The major objectives of the second plan were an increase in the production of raw materials and munitions, and a heavy increase in the production of goods for export. Simultaneously the exploitation of labor was intensified in an effort to overcome the falling rate of profit.

From the spring of 1933 to the summer of 1939, more than 90 billion marks were spent on armament. In addition to girding the nation for war and a "permanent" escape from its dilemma, this expenditure tended to minimize the antagonism between production and consumption which gives

rise to recurrent cyclical movements. Because employment always lags behind production and wages behind prices, "overproduction" arises, followed by a contraction of economic activity, unemployment, falling prices and a deflationary process continuing until a new equilibrium has been struck. This is the general tendency under unfettered capitalism, and it is especially acute if the consumers goods industries are particularly important. The workers in this branch of industry can never absorb their product. Labor in the capital goods industries spends its wages on the commodities produced by the former. But as soon as the means of production turn out more commodities than either group can purchase or that can be exported, there arises the anomaly of overproduction in an undersupplied world.

Armaments production, however, circumvents this problem, because it creates purchasing power without also creating goods to be purchased. (It is historically significant that the greatest periods of capitalist expansion were coeval with periods of heavy armaments expenditure, which had an important ancillary, if not fundamental, effect on sustaining the capitalist process.) The minor difficulty in such a business is paying the bill for the war goods.

Here the power of the state to exploit was wielded. Not only was the rate of surplus value increased, but consumption was deliberately reduced by stifling the consumers' goods industries through price control, and ultimately by rationing. Not only this, but the nation was literally impressed into barracks, as will be shown later.

In 1939, capital goods production increased 43 per cent over that in 1928, a relatively prosperous year. This includes, of course, armaments. Consumers' goods production fell 33 per cent. The latest figures, issued since the war began, indicate that these figures have approximately doubled.

To recapitulate, heavy industry thoroughly dominates the economy. And heavy industry is dominated by a small caste of finance capitalists centering around the Krupp corporation. Their dominance is implemented by the plethora of controls imposed on production by the state. This centralization reduces the avoidable waste involved in capitalist production, and enhances efficiency and productivity. It is a perverted manifestation of the Marxist maxim that competition, including imperfect competition, is inherently wasteful. In this process of centralization, the state plays a major role, if only before the curtain. Naturally a new force is set into motion—the Nazi bureaucracy. Its expense, as executive committee for the ruling class, is enormous, but it is questionable whether it is any more expensive than the pre-Fascist rulers. Under the multi-party system, bribery, corruption, etc. was dispersed over a number of forces. Under Fascism, it is much more efficient.

Autarchy and Ersatz

In the evolution of the Fascist economic program, certain expedients were developed which gained notoriety far out of proportion to their importance. Perhaps the most notorious of these is autarchy, which has been considered something new. It is, in reality, a modern adaptation of Mercantilism without the latter's historical importance. Autarchy, or self-sufficiency, purported to make the German economy independent of the world market. Such a claim should be recognized at once as absurd. Anything which purports to make a capitalist nation independent of imperialism is either a miracle, a lie, or a highly temporary expedient. Autarchy is the last. With German resources depleted and war in the

offing, it was necessary to exhaust all domestic production possibilities for rearming the nation. This has been done. It should be noted, also, that while autarchy was being practiced, there was a furious struggle to recapture foreign trade by various other expedients, such as barter.

Part of the program of self-sufficiency included the development of substitutes, or *ersatz*. Factories were built at enormous cost to utilize indigenous raw materials. The net result of this has been to increase costs tremendously to obtain goods that are so inferior that their production is stopped as soon as they can be imported. It is significant that the most intense drives for raw materials were made for those which *ersatz* had ostensibly replaced. And it is in this area that the state has come into sharpest conflict with the industrialists. When the steel trust balked at transforming their plants to utilize native, low grade, iron ore, the Hermann Goring Werke were built. This was a typical example of the politicians showing more perspicacity than the businessmen—for the latter's own good.

Germany in The War

The spectacular successes of the German army in the second World War are partly attributable to its high economic potential, which exceeds that of Britain and France. With the accession of territory this potential has been enhanced. The national income of the new Reich is larger than that of the British Isles (not the empire, of course).

It now produces 22.4 per cent of world pig-iron production, more than any other nation. Steel ingot production in the old Reich was 23,240,000 tons; now it is 30,950,000 tons. It produces 30 per cent of the total world output of aluminum. Machinery production has increased from RM4,500 million in 1937 to RM6,750 million. In the new territories it has gained a wealth of raw materials and manufactures. For the impressionable, these figures should mean more than the terrifying accounts of military successes.

However, the other side of the medal is not so bright. There is an acute shortage of consumers' goods, which the acquisition of new territory only aggravates. During the past Winter the most serious deficiencies were in coal and fats, both edible and industrial; this was made worse by the severe cold. As a result of dissatisfaction, the state was forced to postpone the imposition of new taxes.

Foodstuffs are perennially scarce—before the war because of high prices and now because of high prices and rationing. About 80 per cent of the food of the average workingman's family is rationed. The population shifts due to industrial concentration and evacuation have increased the housing problem. (Despite this, there were 128,000 unemployed building trades workers last winter.)

Although prices are rigorously controlled and have increased negligibly since the outbreak of war, there are certain inflationary trends discernible which may sweep past the artificial barrier. Note circulation has increased steadily since last September. From January to March, 1940, it increased from RM11,505 million to RM12,176 million. The bill portfolio of the Reichsbank increased from RM11,142 million to RM12,242 million in the same period. The national debt now stands at RM45,876,300,000, an increase of RM18,520,900,000 over last year.

How does the Fascist power maintain itself in the face of these antagonistic economical forces?

The answer is that it does not, and cannot seek economic solutions to its problems. Such measures as it has tak-

en, as important as they are, are highly delimited. The most important of these is an intensification of the exploitation of labor, a process which tends to slow down the precipitate decline of capitalism and which also makes possible the huge war expenditures. Before the war the average annual wage of the industrial worker was the equivalent of \$800. (For the peasant it was \$300, exclusive presumably of food consumed on the farm.) Upon this was imposed a cost of living virtually as high as that in the United States. Since the war, real wages have fallen, because the work-week has been lengthened, because the cost of living has increased somewhat, and because money wages have been reduced indirectly by heavier taxation, forced loans and contributions.

However, the worker whose earnings place him in the above category is relatively "fortunate". According to *Commerce Reports*, millions of German workers have been conscripted, placed under martial law, live in barracks, receive army food and clothing rations. They work 60 and 70 hours weekly, for which they receive soldiers' pay, a few pfennigs daily.

Here is exploitation with a vengeance! The exact proportion of the labor force working under such conditions is not known, but it is safe to say that it is increasing.

The Fascist state has, at the moment, the police power to enforce such slavery. And it is the envy of the bourgeois world. No wonder the French bourgeoisie place the blame for their military defeat on the working class. No wonder Britain is moving toward that goal. No wonder the resurgence of anti-labor forces in the United States, parading under the banner of "preparedness."

The Fascist power in Germany does not seek an economic solution to its dilemma. It strives to stifle its explosive potentialities with an all-pervasive political dictatorship. The base of this dictatorship is constantly shrinking. Witness the progressively greater reliance on police measures as exemplified by Himmler's inner guard, as compared to the previous reliance on the S.A. and S.S. mass. Thus, even the political strength of German Fascism is declining.

— D. L. ROBBINS

Archives of the Revolutionary Movement

The Progress and Stagnation of Marxism

Editors Note: *The Editorial Board publishes the following treatise of Rosa Luxemburg because it believes it to be an important contribution. Mindful of the particular decade in which we live (the article was written many years ago), it is nevertheless a timely reproduction, since the article treats with at least one significant aspect of the subject: Marxism.*

IN his shallow but at times interesting causerie entitled *Die soziale Bewegung in Frankreich und Belgien* (The Socialist Movement in France and Belgium), Karl Grun remarks, aptly enough, that Fourier's and Saint-Simon's theories had very different effects upon their respective adherents. Saint-Simon was the spiritual ancestor of a whole generation of brilliant investigators and writers in various fields of intellectual activity; but Fourier's followers were, with few exceptions, persons who blindly parroted their master's words, and were incapable of making any advance upon his teachings. Grun's explanation of this difference is that Fourier presented the world with a finished system, elaborated in all its details: whereas Saint-Simon merely tossed his disciples a loose bundle of great thoughts. Although it seems to me that Grun pays too little attention to the inner, the essential, difference between the theories of these two classical authorities in the domain of utopian socialism, I feel that on the whole his observation is sound. Beyond question, a system of ideas which is merely sketched in broad outline proves far more stimulating than a finished and symmetrical structure which leaves nothing to be added and offers no scope for the independent efforts of an active mind.

Is Marxism Too Rigid

Does this account for the stagnation in Marxist doctrine which has been noticeable for a good many years? The actual fact is

that—apart from one or two independent contributions which mark a certain theoretical advance—since the publication of the last volume of *Capital* and of the last of Engel's writings there have appeared nothing more than a few excellent popularizations and expositions of Marxist theory. The substance of that theory remains just where the two founders of scientific socialism left it.

Is this because the Marxist system has imposed too rigid a framework upon the independent activities of the mind? It is undeniable that Marx has had a somewhat restrictive influence upon the free development of theory in the case of many of his pupils. Both Marx and Engels found it necessary to disclaim responsibility for the utterances of many who chose to call themselves Marxists! The scrupulous endeavor to keep "within the bounds of Marxism" may at times have been just as disastrous to the integrity of the thought process as has been the other extreme—the complete repudiation of the Marxist outlook, and the determination to manifest "independence of thought" at all hazards.

Still, it is only where economic matters are concerned that we are entitled to speak of a more or less completely elaborated body of doctrines bequeathed us by Marx. The most valuable of all his teachings, the materialist-dialectical conception of history, presents itself to us as nothing more than a method of investigation, as a few inspired leading thoughts, which offer us glimpses into an entirely new world, which opens to us endless

perspectives of independent activity, which wing our spirits for bold flights into unexplored regions.

Nevertheless, even in this domain, with few exceptions the Marxist heritage lies fallow. The splendid new weapons rust unused; and the theory of historical materialism remains as unelaborated and sketchy as it was when first formulated by its creator.

It cannot be said, then, that the rigidity and completeness of the Marxist edifice are the explanation of the failure of Marx's successors to go on with the building.

The Meaning of Capital

We are often told that our movement lacks the persons of talent who might be capable of further elaborating Marx's theories. Such a lack is, indeed, of long standing; but the lack itself demands an explanation, and cannot be put forward to answer the primary question: We must remember that each epoch forms its own human material; that if in any period there is a genuine need for theoretical exponents, the period will create the forces requisite for the satisfaction of that need.

But is there a genuine need, an effective demand, for a further development of Marxist theory?

In an article upon the controversy between the Marxist and the Jevonsian schools in England, Bernard Shaw, the talented exponent of Fabian semi-socialism, derides Hyndman for having said that the first volume of *Capital*

had given him a complete understanding of Marx, and that there were no gaps in Marxist theory—although Friedrich Engels, in the preface to the second volume of *Capital*, subsequently declared that the first volume with its theory of value, had left unsolved a fundamental economic problem, whose solution would not be furnished until the third volume was published. Shaw certainly succeeded here in making Hyndman's position seem a trifle ridiculous, though Hyndman might well derive consolation from the fact that practically the whole socialist world was in the same boat!

The third volume of *Capital*, with its solution of the problem of the rate of profit (the basic problem of Marxist economics), did not appear till 1894. But in Germany, as in all other lands, agitation had been carried on with the aid of the unfinished material contained in the first volume; the Marxist doctrine had been popularized and had found acceptance upon the basis of this first volume alone; the success of the incomplete Marxist theory had been phenomenal; and no one had been aware that there was any gap in the teaching. Furthermore, when the third volume finally saw the light, whilst to begin with it attracted some attention in the restricted circles of the experts, and aroused here a certain amount of comment—as far as the socialist movement as a whole was concerned, the new volume made practically no impression in the wide regions where the ideas expounded in the original book had become dominant. The theoretical conclusions of Vol. III have not hitherto evoked any attempt at popularization, nor have they secured wide diffusion. On the contrary, even among the social democrats we sometimes hear, nowadays, re-echoes of the "disappointment" with the third volume of *Capital* which is so frequently voiced by bourgeois economists—and thus these social democrats merely show how fully they had accepted the "incomplete" exposition of the theory of value presented in the first volume.

How can we account for so remarkable a phenomenon?

What The Third Volume Did

Shaw, who (to quote his own expression) is fond of "sniggering" at others, may have good reason here, for making fun of the whole socialist movement, in so far as it is grounded upon Marx! But if he were to do this, he would be "sniggering" at a very serious manifestation of our social life. The strange fate

of the second and third volumes of *Capital* is conclusive evidence as to the general destiny of theoretical research in our movement.

From the scientific standpoint, the third volume of *Capital* must, no doubt, be primarily regarded as the completion of Marx's critique of capitalism. Without this third volume, we cannot understand, either the actually dominant law of the rate of profit; or the splitting up of surplus value into profit, interest, and rent; or the working of the law of value within the field of competition. But, and this is the main point, all these problems, however important from the outlook of pure theory, are comparatively unimportant from the practical outlook of the class war. As far as the class war is concerned, the fundamental theoretical problem is the origin of surplus value, that is, the scientific explanation of the economic and social process of capitalist society.

The working class will not be in a position to create a science and an art of its own until it has been fully emancipated from its present class position.

The Field of Creative Energy

The utmost it can do today is to safeguard bourgeois culture from the vandalism of the bourgeois reaction, and create the social conditions requisite for a free cultural development. Even along these lines, the workers, within the extant form of society, can only advance in so far as they can create for themselves the intellectual weapons needed in their struggle for liberation.

But this liberation imposes upon the working class (that is to say, upon the workers' intellectual leaders) very narrow limits in the field of intellectual activity. The domain of their creative energy is confined to one specific department of science, namely social science. For, inasmuch as "thanks to the peculiar connection of the idea of the Fourth Estate with our historical epoch," enlightenment concerning the laws of social development has become essential to the workers in the class struggle, this connection has borne good fruit in social science, and the monument of the proletarian culture of our day is—Marxist doctrine.

But Marx's creation, which as a scientific achievement is a titanic whole, transcends the plain demands of the proletarian class struggle for whose purposes it was created. Both in his detailed and comprehensive an-

alysis of capitalist economy, and in his method of historical research with its immeasurable field of application, Marx has offered much more than was directly essential for the practical conduct of the class war.

Only in proportion as our movement progresses, and demands the solution of new practical problems, do we dip once more into the treasury of Marx's thought, in order to extract therefrom and to utilize new fragments of his doctrine. But since our movement, like all the campaigns of practical life, inclines to go on working in old ruts of thought, and to cling to principles after they have ceased to be valid, the theoretical utilization of the Marxist system proceeds very slowly.

We Must Learn To Use Marxism

If, then, today we detect a stagnation in our movement as far as these theoretical matters are concerned, this is not because of the Marxist theory upon which we are nourished is incapable of development or has become out-of-date. On the contrary, it is because we have not yet learned how to make an adequate use of the most important mental weapons which we had taken out of the Marxist arsenal on account of our urgent need for them in the earlier stages of our struggle. It is not true that, as far as the practical struggle is concerned, Marx is out-of-date, that we have superseded Marx. On the contrary, Marx, in his scientific creations, has outstripped us as a party of practical fighters. It is not true that Marx no longer suffices for our needs. On the contrary, our needs are not yet adequate for the utilization of Marx's ideas.

Thus do the social conditions of proletarian existence in contemporary society, conditions first elucidated by Marxist theory, take vengeance by the fate they impose upon Marxist theory itself. Though that theory is an incomparable instrument of intellectual culture, it remains unused because, while it is inapplicable to bourgeois class culture, it greatly transcends the needs of the working class in the matter of weapons for the daily struggle. Not until the working class has been liberated from its present conditions of existence will the Marxist method of research be socialized in conjunction with other means of production, so that it can be fully utilized for the benefit of humanity-at-large, and so that it can be developed to the full measure of its functional capacity.

— Rosa LUXEMBURG

*The lights are out in Europe
The darkness is drawing over America*

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