

The New _____
INTERNATIONAL

***THE PERMANENT WAR
ECONOMY—VI***

By T. N. Vance

JUDGMENT OF AN ERA

By Aibert Gates

How Great the Tory Victory?

By Henry Judd

The Persian Oil Dispute

By Jim Hinchcliffe

Excerpts from Karl Marx:

Revelations on Russia
Dialogue with Bakunin

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November-December

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THE NEW INTERNATIONAL

An Organ of Revolutionary Marxism

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CORRECTION:

In the comment by Alfred Rosmer on Natalia Trotsky's letter in the last issue, a line was unfortunately misplaced on page 282. The full phrase reads: "Marx once found himself in a similar situation, when, no longer recognizing himself in the 'Marxism' of Hyndman, he exclaimed: 'If that is Marxism, I am not a Marxist.'"

THE NEW INTERNATIONAL

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Judgment of an Era

An Examination of the Totalitarian System

Although a world war destroyed the totalitarian states of Germany and Italy, an even stronger totalitarian power remains with us. Stalinist Russia, the most complete totalitarian state known to history came out of the war as the world's second power; it has exported its totalitarianism into the satellite nations as a result of its victory in the war and by means that were often analogous to those employed within the borders of Russia. The totalitarian threat to the world remains a terrifyingly real one precisely because of the presence of Stalinist totalitarian imperialism, and because of the existence of deeply rooted totalitarian tendencies in Western capitalist society. An active and vital concern with this phenomenon, therefore, is imposed upon our generation, for unless the social causes for totalitarianism are eliminated, we shall never cease to be threatened.

Totalitarianism, a system of political rule, is a modern phenomenon, that is to say, it is the product of modern social conditions. It was unknown in previous history, even though it is possible to find precedents for several major aspects of the phenomenon in the variety of dictatorial and Bonapartist regimes which have existed from time to time. There is, however, a qualitative difference between those regimes and the totalitarian. This difference lies not in the

degree or intensity of the police regimes, the distinction is rather in the conceptions and practices of state power. The totalitarian state has a scope which no other regime ever had in organizing and controlling society and its people.

The totalitarian state encompasses all previous dictatorial experiences and experiments but improves on them and improvises new forms of suppression. It destroys any and all forms of democracy, parliamentarism and independent organizations of the working class or the petty bourgeoisie as well as the bourgeoisie, if any.

The totalitarian regime is Bonapartist in the most extreme sense, for the personal dictatorship of the totalitarian leader transcends all previous experience. It is complete. Thus the three imposing examples of such dictatorships are personified and synonymously known by the names of Stalin, Hitler and Mussolini.

It is not only the concentration camp* which sets off the totali-

*This feature of totalitarianism has become more widely known in the Western world than any other feature, because of its striking, systematized brutality. The average person tends to view totalitarianism as a "concentrationary universe."

The emphasis on this aspect of totalitarianism produces an emotional response. However important this response may be in evoking a desire to struggle against the senselessness and brutality of the order, the constant attention devoted to the concentration camp system in analysis tends to obscure the fundamental features

tarian state from other forms of dictatorship, but rather the whole superstructure of this form of rule which is based upon terror and total police regulation of society.

Concentration camps, which have been known before in history, assume an entirely new and indispensable place in the totalitarian scheme of things. Whereas once they were at most an auxiliary expression of war and imperialism, or the product of military and political forays, under totalitarianism, the mass concentration camp has new and decisive functions: it serves as a permanent disciplinary threat against an atomized people, it secures the alienation of large segments of the population, it can and is utilized as a system of forced and cheap labor, and particularly in the case of Russia, provides a source of primitive state accumulation on the basis of the most intense system of exploitation ever witnessed by man.

Despite the common features which characterize all the totalitarian states, their development is always quite uneven since the regimes reflect the economic, political and cultural development of the countries involved. This is a point of quinessential importance in trying to understand the nature of the phenomenon as we shall try to point out as we proceed in this discussion.

The above manifestations, and many more, of the totalitarian state are by now quite familiar. A mere listing of them may sound commonplace to minds dulled by repetitious descriptions of what is no longer a horrifying "new" experience. Up to now, we have had a fair production of writings on this modern phenomenon, some of them quite instructive and fundamen-

of totalitarianism and equally as important, the basic social differences among totalitarian states.

tal. This literature has been enriched by the many personal accounts which tell of life in all three of the important totalitarian states. There are now also abundant and detailed descriptions of the concentration camps which have been written by former inmates. The diaries of former Nazi leaders, German state officials and military men provide still other appreciations of the German experience. These latter books bear a far more important place in this examination than would appear at first because they emphasize not what is common to all totalitarian states, but even more important and indispensable for an intelligent understanding of totalitarianism, the important differences among its national expressions.

The simplest thing to say about the Russia of Stalin, the Germany of Hitler and the Italy of Mussolini (and also the Spain of Franco), is that they are or were all totalitarian states. But it is certainly the most superficial thing to say. Since the cold war, writings on totalitarianism are so influenced by daily political pressures that they obscure analysis and prevent understanding. The analysis of earlier years about Russia, Germany and Italy were far more successful in trying to establish the fundamental characteristics of these states, but they have long since been forgotten. This especially is true of Marxist studies on fascism and most particularly of Trotsky's trenchant writings on all four experiences, most instructively, to be sure, on Germany. The publication of a new book called "The Origins of Totalitarianism"* by Hannah Arendt, bring this point home with considerable force.

The book, which appeared some

*The Origins of Totalitarianism, by Hannah Arendt. Harcourt Brace and Co. 477 pp. \$6.75.

months ago, was hailed as the first truly great and definitive work on totalitarianism. One reviewer at least, Dwight Macdonald, called it the greatest political work of our time, comparing it with the writing of Marx, while at the same time emphasizing what he believed to be its superior merit, the fact that it is an ethical and psychological analysis instead of a scientific-materialist one outmoded by the Marx-Dewey school!

Although the title of the book and the heavy, German thesis-style of writing may lead the superficial and impressionable reader to believe that this is *the* fundamental and definitive work on the *origins* of totalitarianism, a careful examination reveals that it is really less formidable than it appears to be. In any case, it falls far short of its mark. Macdonald unwittingly has given us a clue to the reasons for this, while at the same time stating what the main value of the work is. The book is an ethical and psychological analysis for the most part, but it also attempts to deal with the politics of totalitarianism by avoiding the "scientific-materialist" method of a Marx. This was a conscious aim, since Arendt holds the "scientific and materialist systems," in which Marxism is included, as being jointly responsible for the ethical and moral decay of society! We will soon see how this approach unfolds itself in a strange book.

The "Origins of Totalitarianism" has no anchor. What is presented is an immense compilation of highly interesting and descriptive detail, chaotic and discursive in its organization. The book itself is divided into three distinct essays, each of which could have appeared separately: Anti-Semitism; Imperialism; Totalitarianism. Macdonald thought the section on

Totalitarianism might well have been published alone, but he overlooks the fact that in the mind of the author "so small a phenomenon as the Jewish question and anti-Semitism [became] the catalytic agent for first, the Nazi movement, then a world war, and finally the establishment of death factories." This succession of events is a curious construction of history. Even worse, however, is that a portion of the history of totalitarianism (Germany) becomes the premise for a theory about its entire history, particularly the Russian phase, on which the above quotation has no bearing whatever. Yet such is Arendt's belief and thus she feels entirely justified in the way in which the book is divided. A study of the *origins* of totalitarianism primarily on the basis of ethical and psychological preconceptions which are in conflict with a scientific and materialist method can and does produce just such a notion of history. This is not to say that an ethical or psychological analysis is of no importance—it is obviously important, for the German experience alone contains elements of aberration which need to be considered in understanding it—but such an analysis is bound to be faulty if it has no scientific or materialist basis, or rejects this basis.

Avoiding an examination of the basic social factors which have produced totalitarianism by the simple declaration that society has failed to solve the problems of the people and letting it go at that, Arendt cannot successfully deal with the important fact that these social factors produced not one totalitarian state, but several, whose roots are different and whose social orders are in conflict. That's why, in a sense, she had to discover the origins of totalitarianism in subsidiary factors such as anti-Semitism, and the

"decline of religious faith."

On account of this contention, and despite the very interesting study of anti-Semitism, the first section of the book does not provide the necessary and indispensable prologue to a discussion of the origins of totalitarianism. The same is true of the second section on Imperialism. Given its faulty methodology, the book could not help but fall into idealism, to be animated by a mystical conception of society and mankind, their development and their future.

Why then has this book been hailed so uncritically by many reviewers? Why the acclaim? Why the assertions that now, for the first time (!) we can understand what totalitarianism is? These at least were the first reactions to the book. After reading many reviews of the book, this writer believes that most critics did not carefully read, but merely book-reviewed it and found it in harmony with their political feelings. There could be little other explanation for the way in which false theory, contradictory assertions on prognostication, and illogical conclusions are drawn, with practically not a single reviewer drawing attention to them.

We know that these comments are harsh ones. But we propose to justify them in an elaborate examination of the book which will follow in the succeeding pages and which will serve as the introduction to future articles on the meaning of German and Russian totalitarianism as two distinct, not identical, varieties of the same phenomenon.

The common garden variety of book critics are not alone guilty of an irresponsible adulation of this work. Any number of liberals, radicals and ex-socialists are similarly impressed by this weighty tome. There is a reason,

or several reasons, why such people so willingly and energetically grasp for any work which turns its back on a whole body of historical works which have served so well toward an understanding of the problems of our society, especially the writings of the Marxists.

The social disintegration of our times and the failure of the socialist movement to win power and begin the transformation of society from its present chaotic and destructive existence to the democratic, collective and creative era of socialism, has brought with it an intellectual disintegration and despair. This despair of the intellectuals, above all, gives way to a wild, disorganized and thoughtless race for something "new" that can substitute for the failures of socialism and can promise some kind of new panacea.

Valid Marxist or semi-Marxist examinations, unassailable analyses and incontestable conclusions are rejected, not because they are wrong, or do not answer current social and political questions, but because no matter how correct these may be, they cannot overcome the existing disillusionment and despair. What good is a perfectly accurate and instructive Marxist analysis when it does not guarantee a victory over social evil, and when in fact it did not prevent defeats all over the world? It does not matter why a defeat occurred, what forces brought it about, or how it could have been and can still be prevented in ensuing social and political developments. The fact is that we are living in a severe social crisis which Marxism has thus far been unable to resolve, therefore . . . therefore, these people, for the most part, gravitate to a support of one of the evil forces of our society, the capitalist social order. But they do it as independent souls!

Not for old reasons, but for newly rationalized systems of old ideas to justify an action which they know to be in truth perfidious.

The degeneration of the Russian Revolution and the rise of Stalinism helped to produce this vogue. It often takes the form of a disdain for old ideas, old descriptions, old language, in favor of something new—the more obscure the meaning of a new phrase, the new word, the new conception, the more these obfuscate rather than clarify, the more acceptable they become. Politically precise evaluations are rejected for semantic fuzziness. We see the rise of a cult of confusion.

The search for new ideas, new theories, new evaluations is not so much the healthy desire to learn from new events produced by our social chaos, but to run from them and to hide behind obscurantism. This obscurantism becomes the theoretical justification for support to the powerful forces in society which contain the germs of totalitarianism.

Proof of this? Observe well, where all the panacea-seekers find themselves. What have they produced that is really new? What startling political and sociological ideas have they discovered that have helped to advance the free society by a single inch?

We cannot think of a more pertinent example of their failures to provide an answer than on the Russian question. It is the most important question of our era, for no correct political orientation is possible without a proper estimate of Stalinism. Where and by whom was any genuine investigation attempted in order to understand the phenomenon of Stalinism and the Stalinist states, not in the "old groove" or by the restatement of old and stale ideas, but on the basis of what is new about it? No one has done

this except the Independent Socialist League with its theory of bureaucratic collectivism. No other theory of Russian society so well explains its nature and its contradictions, nor is able to produce as accurate political policy vis-a-vis Stalinism as this theory.

So, when we say that we do not object to new ideas, or new language, or new searches into truth, we are not being facetious at all. All that we ask is that what is produced as new should be really new and verifiable by experience. All else is pure muttering which often springs from an exasperating ignorance of Marxism which yet remains, despite the many rites held over it, the one comprehensive and valid theoretical system which provides any hope for saving mankind and society. And this writer hopes, in employing the method of Marxism, to discuss what is vitally new and important about the phenomenon of modern totalitarianism.

The initial failure of Arendt's book is that it proceeds from a premise that the theory of class nature of modern society has no valid place in the Twentieth Century. Class forces and class interests no longer dominate and influence social events and totalitarianism is a phenomenon which cannot stand a social or class analysis. Totalitarianism is beyond, or above, the existing societies and their classes. For Arendt, psychological and ethical factors are the dominant forces at work.

On page 303, for example, she writes: "The totalitarian movements aim at and succeed in organizing masses—not classes, like the old interest parties of the Continental nation-states; not citizens with opinions about, interests in, the handling of public affairs, like the parties of Anglo-Saxon countries."

This occurs because there has been

a "breakdown of the class system [which] meant automatically the breakdown of the party system, chiefly because these parties being interest parties, could no longer represent class interests." (Page 308)*

The logic of these statements fail one. It is difficult to understand just exactly what she means, since on the face of it these are fantastically unreal views of the nature of the German and Italian society, to say nothing of the Russian. The most charitable thing to say about these observations of the author is that she does not understand the effect of "a stalemate of the classes in the class struggle (Trotsky)" during the rise of fascism. This is exactly what happened in Germany. It did not mean that the existing parties reflected the "breakdown of the class system" but that the crisis of German capitalism had reached its apex with no class able to assert its hegemony. The result was not that these parties "could no longer represent class interests" but that, given a number of political conditions which existed then, no single one of them could prevail. It was in this objective social setting that the fascist totalitarian movement of Hitler was able to make its first stupendous strides, and in collusion with a section of the bourgeois-military ruling class, come to power through a legal and peaceful coup.

When Arendt speaks of the totalitarian movements "organizing masses—not classes," this becomes a binding thread of her analysis and is one of the "new" ideas of the book. But we think it is an unhappy one, because it does exactly what should have been avoid-

*The theory that society had become classless is not a new one. Emil Lederer, in his "State of the Masses, The Threat of the Classless Society," advanced that thesis in great detail more than ten years ago. I found it strange that his book is not even listed in Arendt's bibliography.

ed by the author, for it makes her social analysis less precise, or to put it accurately, more confusing than it might otherwise have been.

At the danger of forestating our case, we will say that Arendt does not have in mind any mysterious social forces that composed the fascist movements. She is referring to petty-bourgeois, the lumpen proletariat, and all the de-classed elements spawned by a disintegrating bourgeois society. These forces that made up the fascist movements were known and long before the author concocted her semantic innovation. The term "masses" has always meant primarily the proletariat and those sections of the petty bourgeoisie and peasantry which followed it. It was never a term of fundamental significance, but merely a descriptive term used as a synonym for the proletariat.

The innovation, however, is not entirely the result of an effort to be different and to avoid clichés, although it is that in part, too. Insofar as it is only that, the term adds nothing to our understanding or clarification. But insofar as it bears upon her fundamental understanding of our society it is a measure of her sad failure to grasp basic social, economic and political ideas, and above all, the reality of modern capitalism and the Russian social order, which are constantly mixed up in her sweeping generalizations stemming from analyses of German experiences.

If she were writing of the Hitler regime itself there might be some reason for such misreading of the realities of history. Confusion about Germany was quite common. Ten years ago, she would not have been alone, for there were many others who advanced new theories about the nature of German society under the Nazis. But she

is speaking of the dissolution of class society and the classes in the pre-Hitler era of Germany, and of this factor as the basic social reason for the rise of fascist totalitarianism. The truth is exactly the opposite. If that were not wholly clear prior to and during the war, it should be abundantly clear in post-war economic and political reorganizations of Germany and Italy.

The above-quoted conceptions are integral, however, to Arendt's general views of the origin, development and nature of totalitarianism. Once society is classless and "masses" predominate, it is easy to see why all totalitarian states are alike to her and that the nature of their social orders, or the property relations of these states, are of little or no significance. For example, she refers to the war "between Nazi Germany and Soviet Russia, [as] a war between *two essentially identical systems* which were clearly growing constantly more alike in exterior forms. . . ." (Emphasis mine—A. G.)

After long pages describing the anti-bourgeois and revolutionary nature of the totalitarians and their movements, she says that the new totalitarian is nothing but the "dull, stolid, *bourgeois* family man. . . ."

But the unperceptive Macdonald nods his head and writes:

Stalin, Molotov and the other Soviet leaders fit that description perfectly.

The reader can at once see that we are touching upon a crucial aspect of the problem of the origins and nature of the totalitarian phenomenon. Is there a single, all-embracing type of totalitarianism? Or are there types of totalitarian states which, despite their "exterior" similarities, differ in their basic social organization? Can a totalitarian regime exist only in a capitalist society or may it occur in any society? In any society, or only in a society

divided by classes in which the exploitation of labor is its predominant characteristic? We do not know whether all of these questions can be completely answered at this time, but we do know that Arendt answers them not at all for the simple reason that she is not concerned with this question, but with an a-historical approach, based on a timeless "moral" imperative.

A whole series of questions arise from the above quotations. In what sense were the Nazi and Stalinist systems identical, and "growing constantly alike in exterior forms"? What were the interior differences, since they were identical systems? Are Stalin, Molotov and the other Russian leaders dull, stolid, bourgeois family men? And if Hitler and Himmler are, and we agree that they are, what happens to much of Arendt's theory about Nazism being beyond the pale of bourgeois society?

These are not idle questions, for Arendt has herself answered them in advance in one form. In establishing that the concept of human welfare is utterly alien to totalitarianism, which presumably contrasts it with capitalist society, she quotes in a footnote from William Ebenstein's *The Nazi State*, and regards him approvingly as the only critic

who has realized that 'the endless discussion . . . as to the socialist or capitalist nature of the German economy under the Nazi regime is largely artificial . . . (because it) tends to overlook the vital fact that capitalism and socialism are categories which relate to Western welfare economies.'

To which economic order then does the Nazi "economy" relate? We learn that it is "anti-utilitarian" and is completely indifferent to "mass interest." And that "totalitarian movements use socialism and racism by emptying

them of their utilitarian content, the interests of a class or nation." While the foregoing is a doubtful, no, a wrong estimate, it still does not answer the question of the nature of the economy of the totalitarian state. If the German, Russian or Italian totalitarian regimes did not rule in a capitalist economy, or socialist, or if you please, bureaucratic collectivist, what type of economic order did prevail? None?

We go a step further. What was or is the nature of property and ownership in totalitarian society? How is production carried on? Who are the producers? What remuneration is paid to laborers? Is it a profit economy? What economic laws govern? We are not now talking about war economies which create abnormal conditions and rules for all states, totalitarian and democratic, capitalist and bureaucratic collectivist, but of the normal peacetime economies. To all of these questions you will search in vain for answers, for none of these questions concern Miss Arendt.

We say, therefore, that to understand the phenomenon of totalitarianism one has to establish first not its political characteristics which are common to one degree or another to all such states, but more important, the social characteristics, i.e., whether a totalitarian state exists in a capitalist economic setting, or some other kind. The latter will establish the differences in the origin, development and policies of these separate experiences. One example will suffice to prove why the above is so important.

Germany and Russia had totalitarian regimes during the war. Were these regimes actually identical in the policies and methods which they employed during war? Was Hitler's totalitarian regime as rigid and tight as the Stalinist model? Did classes, or, to

ride along with Arendt for the moment, groupings, assert contradictory and conflicting interests during the war in Germany and Russia, or in one of these countries, or in neither? In Italy? Were the ruling regimes firmly united in these totalitarian states, in one as in the others? Did they exhibit common weaknesses? Did the bourgeoisie continue to exist as a class in Germany and Italy? Was there one in Russia? Did private property in the means of production exist in Germany and Italy and was it resurrected in Russia? Or, did it disappear in all three countries? All of these questions and hundreds more intrude upon this discussion, for they have a fundamental bearing on the problem.

We believe the answers are instantly answered by an examination of the nature of the economic societies rather than by a concentration on the political superstructure.

Leon Trotsky said more in a phrase about the Russian and German phenomena than is contained in pages of Arendt's lucubrations. He said of Fascist Germany and Totalitarian Russia that they were "symmetrical phenomena," i.e., while they were parallel political phenomena, they never really met at any point because their social orders were different. Twenty years ago, when he was occupied with the task of trying to point a way out of that danger to the German working class in his pamphlets on the struggle against Hitler, *What Next* and the *Only Road*, he wrote more illuminatingly on the subject of the origin and role of fascism than anything that has appeared since. His pamphlet, *What Hitler Wants*, published by John Day in 1934, reads today like a blueprint of the inescapable causes for the whole aggressive course of the Nazi regime in foreign affairs, which led up

to the Second World War. There is hardly a paragraph in that pamphlet which has not been verified by the course of our recent history. For even though he precludes the Hitler-Stalin pact, he adds that it is possible. In other writings he was more positive about a Russo-German rapprochement.

Yet Arendt is able to write, after the years of preparation for war and the war itself that:

The aggressiveness of totalitarianism springs not from the lust for power, but if it feverishly seeks to expand, it does so neither for expansion's sake, nor for profit, but only for ideological reasons; to make the world consistent, to prove that its respective supersense has been right. (Page 432)

With what abandon do writers speak in the name of the economically dominant classes without authority, to be sure—and dismiss their interest in profit! But they speak without right and they speak nonsense. In this case, the nonsense is produced by idealistic reasoning, to wit: aggressive expansionism of the totalitarians is carried on for ideological reasons. Good. Which ideological reasons? Whence do these ideological reasons spring? Have they any relation to the social order, are they in consonance with its needs, or do they contradict them? Or are they the product of pure imagination! When Hitler said, "we export or we die," was this too an expression of an ideological urge conjured up in Hitler's ideological arsenal, or did it sum up the needs of German capitalism and the foreign program of Nazi German imperialism? "We export or we die," makes real sense; Hannah Arendt's "supersense" is mystical nonsense.

Let us now turn briefly to Trotsky's writings on German fascism to see whether more instructive lessons can be

learned. I should like first, however, to make one observation. Arendt's book contains a wealth of footnotes with innumerable references to other books. Obscure and unimportant reference works are given, as well as important and well-known sources. Not a single reference, however, is made to any one of Trotsky's writings, particularly on Germany. (*Germany: The Key to the International Situation, What Next, The Only Road, Whither France, What Hitler Wants*). Not a single reference is made to any of Trotsky's voluminous and fundamental writings on Russia and Stalinism! Though she quotes repeatedly from the biographies of Stalin by Boris Souvarine and Isaac Deutscher and these are given as references, Trotsky's "Stalin" is not listed, even though Deutscher himself used it as a main source for his "Stalin, a Political Biography." There is no compulsion for any author to use Trotsky's writings or to give his books as source material. But Trotsky's writings are anything but commonplace and they deal precisely with the problems which Arendt attempted to understand. One has a right to assume, given the volume, and type of references that she is certainly familiar with his work. It cannot be that her disagreements with his theories of fascism and Stalinist totalitarianism would preclude such references, for then she would have been able to take issue with him directly since his views do contradict hers in all major respect. We therefore find it strange indeed that this rather all-inclusive book which gives various works of Marx, Lenin, Stalin, Ciliga, Bertram D. Wolfe, and others, as references, contains not a single published writing by Trotsky.

ALBERT GATES

(To be continued)

How Great the Tory Victory?

Considerations on the Effects of the British Elections

We know what to expect when the Tories return to power—a great Party of great vested interests, banded together in a formidable confederation; corruption at home, aggression to cover it up abroad; the trickery of tariff juggles; the tyranny of a well-fed party machine; sentiment by the bucketfull; patriotism and imperialism by the imperial pint; an open hand at the public exchequer; an open door at the public house; dear food for the millions; cheap labor for the millionaire.

—Winston Churchill
Speaking at Dundee, 1908

The third British General Election since the end of the war now belongs to history, and the Tory Government of Churchill has taken the place of the Labor Government of Attlee. Despite the encouraging political results of this election from the standpoint of the labor movement, and which we shall analyze below, the fact remains that the entire world labor movement in general and the British working class in particular have been handed a defeat by their enemy, particularly when viewed from the standpoint of social progress. The very fact that Winston Churchill, symbol of all that is reactionary and undesirable not only in England but in terms of the social outlook of the international bourgeoisie—the fact that this man and his “cabinet of Lords” has taken the place of the representatives of labor is enough to cause a profound sense of loss on the part of socialists everywhere, whatever may have been their differences with Attlee and his comrades.

For a socialist, the Labour Party and its leadership; the hundreds of thousands of militants and the mil-

lions of voters who constitute its strength—all this is “his”; part of his world, and part of his family of labor, whereas Toryism and its reactionary spokesmen form no part whatever of his reality, and are excluded from his vision except as a hostile and irreconcilable element. Our Labour Government—and it was “ours,” in the most profound sense of the word—has temporarily gone out of existence, and the most far-reaching historic effort toward the democratic building of a socialist society since the days of the Russian Revolution has ended.

We may say, particularly in the light of the paradoxical nature of this defeat, that it has ended “only for the moment,” and this optimistic thought is based upon reality, not upon the need for consolation. But nevertheless, there is a real danger that the evermore rapidly disintegrating international situation may impose its ultimate horror of atomic war upon us before labor can resume power and take up again the work of building a socialist Britain; there is the even more concrete and pressing danger that the eager, would-be-liquidators of all the social achievements of the six and one-half years of Labour’s regime may succeed in doing much damage before they are again put back into their proper place. Nor should we neglect the loss contained in the warning of Attlee when he spoke of the danger to world peace which labor’s absence at the various international gatherings and from international organisms would constitute. Despite its tragically mistaken policies in Iran, Egypt and elsewhere, the voice of the Labour Government had a different

ring and a different sensitivity to the desires of the masses than that of its successor.

It is against this background of a realistic appraisal of what we have lost, without attempting to minimize it, that we must analyze the political significance of the election itself and the political perspective of the Labour Party.

NOT THE SLIGHTEST GROUNDS for pessimism or dejection on the part of the labor and socialist movement exists as a consequence of the defeat of Britain’s Labor Government on October 25, 1951. On the contrary, an objective effort to evaluate this defeat and its consequences must convince us that Britain’s socialist movement, now on the threshold of a new and more evolved stage of its history, has all the possibilities of a bright future. The Churchill “victory,” pumped up and decorated though it may be, could never be interpreted as the dynamic and serious upswing of British Toryism; it is but a temporary return to the holding of a state power which it can no longer effectively utilize. The situation of Great Britain in the world of today, i.e., a disastrous conjuncture of economic and political difficulties, is a given fact which would exist whether Labor or the Tories were returned to power. But their resolution represents another story, and we know that the Tory Party either cannot handle these problems, or will handle them in such a way as to revive social problems which the régime of Labor had mitigated, thus heaping a new category of difficulties upon those already present.

The Manchester Guardian summarizes the most pressing issues before the new government in these terms:

We have a winter of cold grates and power cuts before us. Nothing can be

done quickly enough to remove that threat. But something can be done and must be done about the steady rise in prices and wages and, above all, about the enormous gap in the balance of payments.*

The gold reserve is running down fast and may drop to the danger line by next spring. We are running up debts to the sterling area and debts to Western Europe. Our currency is once more being regarded with nervous suspicion.

Such are the terse facts of the situation which, of course, the Tories claim to have inherited from the Welfare State. If Churchill seriously intends to pursue his rearmament pledges, the overall situation will be that much more aggravated since this demands increased import of materials in short supply on the world market; materials which will *not* be utilized in the manufacture of goods for the export trade. The forging of weapons of war is shown only on the adverse side of the balance-of-trade ledger. Economically speaking, the “normal” Conservative reaction to its present plight would be the institution of a program of enforced “disinflation” (devaluation), to sop up mass purchasing power — concretely, the liquidation of food subsidies, cuts in social security and welfare expenditures, drastic taxation on the small and middle-class brackets, etc. The classic methods, with all their consequences, are always at hand. There is also the possibility of recourse to the United States, at a price, for a renewed loan; a step which may well have been taken by the time this article appears. But the price, this time, will be the condition that the loan or its benefits will directly boost the rearmament program and its links with the NATO command.

The dilemmas of the new Tory

*Now running at £700,000,000 per year.
—H. J.

Government will grow inversely as it begins to weaken. Nor should we neglect the fact that the Party itself has its divisions. The "Young Guard" has a different approach than that of Churchill and his Guard of Old Tories. In fact, this Tory Party division will largely determine both the speed and manner of program which the government will impose upon the people of England. It is an important, often neglected, element in the situation. The famous description at the head of our article given by the then Liberal Party member, Winston Churchill, represents Toryism at its classic worst, and still accurately describes the party's right-wing, or the "Government of Lords," as Morrison has described it.

MUCH HAS BEEN MADE of the fact that Great Britain is now a nation equally divided. Labor, with its 14 million votes, received over 200,000 more than the Government Party; the Liberals voluntarily liquidated themselves and did not attain a million votes; the small groups such as the ILP which, to its everlasting shame, ran candidates even against Bevan supporters, disappeared politically. But this phenomenon is not unprecedented in England's history—on the contrary, it has been present at the start of every great revolutionary change in the nation's long history: the War of the Roses, Cavaliers and Roundheads, Whigs and Tories, Gladstonians and Disraelians, etc. Who doubts but that Great Britain has reached another, perhaps the most epoch, crossroads in its history, and that the 14 million workers, farm laborers, youth and middle class people who gave Labor the greatest vote in its history will find the strength and leadership to break out of this impasse which now blocks their way?

On the parliamentary level, the shift in votes of 1 per cent of the liberal petty bourgeoisie may have been enough to turn out Labor and install a Churchill, but the insignificant social weight of this group tells us this was a unique, almost accidental, situation and it will not be repeated when the country must resolve its division in a more stable lasting and fundamental fashion. A cursory examination of any electoral map of Great Britain reveals the unbridgeable social character of this division between the "Greenland" of the rural, farming, estate, etc., districts, and the "Blackland" of the urban, industrial, proletarian and lower middle-class districts. An observer has wittily said, "To reach the centers of Tory power, just step on the accelerator!"

An evaluation of Britain's Labor Government has already been presented in some detail,* and a still more exhaustive study of its achievements and its failures must now be made. But whatever "overall" viewpoint one may hold of the Welfare State, who can now deny its profoundly progressive nature as it prepares to meet the onslaught of the Tories in power? Its powers of resistance to the efforts that will be made to sap its structure and change the inner content of such measures of the nationalizations, the health system, etc., will provide further evidence of its support from the British working class. The Tory government will quickly prove itself a class government in the narrowest sense of the word. Beginning with denationalization of the steel industry, it will proceed to carry out its program of negation and destruction of Labor's six and one half years of work as best it can. Failure or success depends on the

*Cf. January-February, 1951 issue of *The New Internationalist*.

capacity of the British labor movement to resist and fight back. Put otherwise, it depends upon the evolution within the Labor Party and within the trade union movement (TUC).

THE EMERGENCE AND SUCCESS of the Bevanist tendency within the Labor Party has often been commented upon. It is the result of a complex of forces which involve the Party's perspective itself; Bevanism is, in effect, only the start of a gigantic effort on the part of British socialism to re-equip itself, ideologically and politically, to break that impasse whose characteristic existence we have already noted. It can only be understood if one approaches it sympathetically, free from sterile prejudices which try to find the roots of Bevanism either in a kind of British particularity or traditional "reformism." The broad left-wing of the Labor Party contains many currents of thought and action, ranging from pacifism, Christian Socialism, etc., through versions of Stalinism and Stalinism itself.

Bevanism is not only the generalized expression of all doubts and discontents which developed within the Party during its years in power; it is also the place within the Party to which these many currents have come to present their views and to fight for influence. Furthermore, it is here that new concepts of the Party which will influence not only its ideology but its structure itself, as well as touching upon that most delicate of all questions—the relationship between Party and trade unions—will be formulated, discussed, presented, etc. The most conscious and far-seeing individuals in the Party are centered about this vast tendency which has the double advantage of being organically bound to the Party as a whole. Nobody can predict

its rate or specific direction of development. But everyone can try to understand what it represents not only for England but the international socialist movement as well.

Finally, within the framework of immediate political perspectives, there is the question of the possible formation of a government of national unity; a policy of coalition. The *mystique* of coalitionism has a strong hold in England; that policy by which, at the moment when the impasse has reached its most crucial and anguished point and fails to be broken by decisive action by either one of the two opposing forces, a reshuffling takes place, the tendencies most approximating one another within the two parties join forces and a temporary relaxation of the political and social strain is achieved. The feelers of Churchill in this direction were not serious, and were not taken seriously by the Labor leadership, but at a later stage, under more crucial circumstances of either international or national origin, the effort of national coalitionism is inevitable. The Young Guard of the Conservatives, often in serious disagreement with Churchill, will then attempt to unite with the right wing of the Labor Party and the conservative TUC leadership, isolating both the traditional bourgeoisie and the left wing, Bevanist tendencies of labor. Here, too, both the success or failure of such a maneuver, and its concrete presentation, depends upon the further evolution and growth of the party's left wing. It must find those specific and concrete means by which it can retain its present momentum, develop its counter-program and execute its project; it must find the means of avoiding isolation within its own party and from the trade union masses. Hatred of the spirit which led

to betrayal and MacDonaldism runs very high among the British working class. It provides a solid base upon which may be built a forward-looking

perspective which will serve British socialism in its new and decisive stage.

HENRY JUDD

November 1, 1951

The Persian Oil Dispute

Criteria for a Socialist Policy

The Persian oil dispute has flared up in a world already filled with too many danger spots. That it has arisen while a Labor Government has been in power, has made it even more important from a socialist point of view. What should be the attitude of a socialist to such a question? Is the dispute the result of Russian aspirations or of Dr. Mossadegh's fanaticism? These and other questions need to be honestly posed and, if possible, answered, if we are to understand the events in the Middle East.

To consider the oil dispute as one which has arisen from the defections of individuals, or of Russian ambition would be quite wrong. One has only to look at Persia to see the basic and underlying cause for the present crisis.

It is a grim fact that 4 out of every 5 children in Persia die in infancy; that 9 out of 10 of the remainder remain illiterate. With practically no health services, venereal disease and drug addiction take their toll of human lives.

Persia may boast of good oil, but its water supply is scandalous. Part of Teheran's water supply runs as open gutters in the middle of the street, where beggars wash their feet and the dirt — and disease — accumulates. On the one hand we see extreme poverty the like of which we cannot visualize, and on the other, extreme wealth, for remember, Dr. Mossadegh himself is a rich landowner.

WE WILL UNDERSTAND NOTHING UNTIL we grasp the almost unbelievable poverty which is characteristic of the areas which are now beginning to awaken. This unbearable mode of life becomes even more difficult when we realize that the population of the earth is increasing at the rate of over 60,000 a day—25,000,000 a year. If the entire 50,000,000 population of the United Kingdom were wiped out tomorrow, the deficit in population would be made up by the rest of the world in—two years!

The average expectation of life in Britain is 68. In America it is 70. In the East—it is 33. The infant mortality rate per 1,000 is 32 in Britain, in the East it is 170. The food problem brings out the contrasts even more. The calory intake per day per person in Britain is 3,000 (the minimum necessary for good health is 2,000). In the East it is 1,500. The animal protein consumption per day in Britain is 44.7 grams. In America it is 60.3 grams, but in China it is 4.5 grams, and in India it is 4 grams—only one eleventh of British consumption! It is not easy to realize what this means in terms of human lives and suffering.

Against this background of grinding poverty we see a world which is changing. A world in which the backward peoples are demanding a greater share. Not only do masses of peoples need more food, but more *and more* people are struggling to obtain more

food. It is an inevitable social revolution on a world scale, and it is a process which cannot be held back.

One writer said that Persia of 1950 equalled the Britain of Henry 8th. There was more than a grain of truth in his remark, for the regime is a semi-feudal regime controlled by a group of rich landlords and corrupt politicians. Britain experienced such conditions hundreds of years ago. It has taken over 400 years to reach our present level of industrial development. Our Labor movement, unique in its strength, unity and democratic traditions, had its origins way back in the 14th century.

Persia is experiencing the "pains of compression." The most advanced of industrial technique and organization has been imposed on a regime so backward and corrupt that social convulsions are inevitable after a period of time. It is a sample of combined development where two ages of man's development is being compressed into one. Our duty is to ease the pain of such a development, and to help the common people to reach our standard of life. We ourselves cannot progress when such conditions exist for most of the world's population.

Into this volcanic picture comes the Anglo-Iranian Oil Co. Commencing from an oil concession granted to Mr. D'Arcy in 1901, it experienced a rapid growth. The first oil came forth in 1908. Commercial production began in 1913. The concession area covers 100,000 square miles, and the company operated 1700 miles of pipeline covering 82 producing oil wells. Fifty-six per cent of the ordinary shares are owned by the British Government, 22 per cent by the Burma Oil Co., and 22 per cent by the public.

The original concession was revised in 1933, the length of which was fixed at 60 years, and in 1993, the assets of

the company were to revert to the Persians without payment. Such generosity on the part of the British is sufficiently unusual to deserve further investigation, and the results confirm the suspicions.

The total reserves of the area were estimated at 7,000 million barrels (7.5 barrels equals 1 metric ton). The daily production is 650,000 barrels, or around 240 million barrels a year (32 million tons). Total production to date equals 2,380 million barrels, or one-third of the estimated potential reserve.

At the present rate of production, the remaining 4620 million barrels will be exploited within the next 19 years—and 1993 is still 42 years hence! It is doubtful if fresh oil discoveries will make it last much longer than 1993, for the original potential reserves will need to be nearly doubled (over 5,000 million extra barrels) to make it last even that length of time. Small wonder the British were proposing to *give* the assets to the Persians in 1993!

The Anglo Iranian Oil Company claims to have made a big contribution in raising the standard of life and cultural level of the Persian people in its employ. This is largely true. It is essential, for highly developed industrial technique, that its servants can read, write, and live long enough to serve them well. In addition, a part of the monies which have been paid to the Persian government have gone into the pockets of the politicians, or into grandiose schemes like the incomplete Teheran Opera House.

The Anglo Iranian Oil Company is a tremendous organization and highly profitable, with the British treasury receiving over £18 million yearly. The fact is that the gigantic equipment at Abadan has been paid for out of the super-profits of the industry. As Mos-

sadegh truthfully said—maybe they have received £114,000,000 from the British, but over 50 years it doesn't mean so much!

THE VICTIMS OF POWER POLITICS are always the common people, and Persia has been no exception. Neither the British nor the Persians have seriously attempted to raise the basic living standards. In this picture, the Russians have appeared merely as another factor interested in oil extraction.

At the end of the war, after the British had withdrawn from Southern Persia, the Russians extracted a promise from Persia that in return for withdrawal from the North, they agree to a setting up of a Russian Persian Oil Co. to exploit the reserves of the Northern area. It was proposed that the Russians hold a 51 per cent interest, the Persians, 49 per cent. After the withdrawal, the Persian Parliament promptly rejected the proposal with only two in favor. No doubt this was prompted by the experience they have had with a joint Russian-Persian (50/50) fishing company which had been functioning for 25 years with little profit for the Persians.

The additional instrument which Russian diplomacy employs is the now illegal Tudeh (Communist) Party, and there is no doubt that it enjoys mass support amongst the peasants. To talk about Communist barbarism would be rather futile to those who have never experienced democracy or the conditions which we take for granted.

In these areas—as in China—any party which promises agrarian reform and nationalization cannot but obtain mass support, and if we are unable to divert this social revolution into a genuinely socialistic and democratic direction, then the whole of the East will fall into the hands of "Uncle Joe" almost as if it were voluntarily pre-

mented to him!

The problem of Persia is the problem of its social structure. The *Times* made the interesting observation in March of this year:

The inner tension of Persian society has now become such that it can be met only by an acceleration of the drive against the external scapegoats. This is the real explanation of the present crisis. . . . The old order is on the point of collapse. The oil question is only the point on which the conflicting forces within Persia have been focussed: the real issue is the emergence of a new Persia.

The number of Persians employed on the staff at Abadan totalled 3,258. The number of laborers totalled 25,772. The number of Persian technicians employed is around 100 at most, and barely equals 10 per cent of the total. To say the least, the British have trained the Persians in a very leisurely fashion, and the Persians are faced with such international problems as the provision of adequate tankers; marketing and selling problems; keeping pace with technical advances; replacements which come only from Britain, and many other problems which reflect the backwardness of the country.

In addition, the Persian Exchequer received £3 million yearly from income tax imposed on A.I.O.C. employees. This accounted for 15 per cent of the revenue excluding revenue from the oil company as such. Today, they are paying unemployment pay to thousands of workers, and the income is nil.

All this means that Persia is facing a serious economic crisis. A complete collapse may well make Persia another "Peoples Democracy." The interests of the Persian ruling class make it necessary to reach an agreement, and most likely this will be achieved, to the considerable advantage of the Persians.

The main purpose of this contribution is not to deal with events so much as to outline the basic facts of the case, and to raise some fundamental issues for consideration by the Labor movement. This crisis developed and exploded whilst a Labor government was in power—what should have been its policy—or did it act correctly under the concrete circumstances?

BRITISH LABOR'S FOREIGN POLICY is subject to more criticism than probably any other aspect of its program. "A Socialist Government" say some critics, "should grant immediate and unconditional independence to all its colonies, and renounce all claims which are imperialistic in character." Such an attitude, correct in an abstract and scholastic sense, is hopelessly divorced from real life.

Faced with backward peoples exploited by corrupt feudalistic rulers, and overshadowed by the aims of either Russia or America, we need, as Socialists, to help and protect, if possible, the aspirations of the ordinary people in those countries. Persia was an example of how it could have been possible to do this, and also expose the reactionary character of the Persian ruling class in the process. As it happened, the pattern of events were similar to pre-war.

It was not until May of this year that the government recognized the "principle of nationalization." The A.I.O.C. suggested a 50/50 profit sharing scheme only after it had opposed it for over a year. Small wonder the Persians were suspicious. If it were the Persians who have owned the British coal mines, would British Labor have approved of foreign opposition to the "principle of nationalization"?

If the British Labor government had taken the initiative on this matter, the whole complexion of events in

the Middle East would have been quite different. One of the best solutions, which would be in keeping with present circumstances, would be the transformation of the A.I.O.C. into a co-operative oil company, based on similar principles as our own co-operative movement.

Under such a scheme, the management committee of the cooperative would be partly composed of the main purchasers of oil, who would receive their "dividend on purchases" in the

STATEMENT OF THE OWNERSHIP, MANAGEMENT, AND CIRCULATION REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946 (Title 39, United States Code, Section 233) OF THE NEW INTERNATIONAL, published bi-monthly at New York, N. Y., for October 1, 1951.

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5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was:

L. G. SMITH,
Business Mgr.

Sworn to and subscribed before me this 27th day of September, 1951

MURRAY M. TITTLER, Notary Public,
State of New York No. 24-9344600. (My commission expires March 30, 1952.)

usual manner. Since most of the purchasing interests would be capitalist interests, the Trade Union movement would have to be adequately represented on the committee as well, with ample opportunity for working class participation in management gener-

As with our own cooperative movement, amounts would be set aside for raising the living and cultural standards of the Persian people, and a check made to ensure that monies were not squandered on useless projects.

Far be it for me to presume that such a line of thought would be easy to apply concretely—but that applies to all pioneering efforts, and this would be a pioneering venture on an international scale. The effect of such an approach would force many Eastern countries along more radical lines, and it would provide a lead of a socialistic character which would have far reaching consequences.

When our "realistic" friends explain that a solution along these lines is not practical, one is reminded of the Ramsey Macdonald days of the movement, when the "practical" answer to the internal crisis of 1929 was economy cuts of extreme severity. Today we know better. The Labor government, although head of a country basically much weaker than it was in 1929, had been astonishingly successful by the adoption of socialistic policies, imperfect though they may be.

Likewise in the field of foreign affairs, the day will come when present conception of "realism" will be seen to be born of ignorance of basic socialist principles. If the Persian episode can teach us that, and enable a more far-sighted policy to be applied in future situations of a similar character, then we will have progressed a long way.

JIM HINCHCLIFFE

October 1951.

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The Permanent War Economy

VI—Taxation and the Class Struggle

Preliminary figures for 1951 indicate that 25 per cent of current production went to government in the form of taxes, as measured by the ratio of total government receipts (Federal plus state and local) minus total government receipts of social insurance contributions to net national product. This represents an all-time high, exceeding the peak World War II year of 1943 when the ratio was 24.5 per cent. The relationship of government income to current production and surplus value was shown in Table I of Part III (see May-June, 1951 issue of THE NEW INTERNATIONAL). For the estimated ratio of 22 per cent for 1950 presented there, we can now substitute the actual ratio of 24 per cent.

As was stated in Part III, "The increase in state functions, accompanied by a loss in the effectiveness of the capitalist market, has meant a colossal expansion in government expenditures, which, in turn, has necessitated a phenomenal increase in taxes." With the state (all branches) consuming one-fourth of current output and two-fifths of surplus value, it is no wonder that all segments of the American population have become tax conscious.

Taxes, their amount, character and incidence, are a reflection of the class struggle. This is necessarily so in any class society. It is particularly true under American capitalism where practical politics is keenly alert to group and class pressures, both crude and subtle. In the epoch of the Permanent War Economy, when the ratio of total taxes to current production has increased from 16 per cent in 1939 to

an estimated 25 per cent in 1951—a rise in impact on all classes of better than 50 per cent—taxation becomes a central political and economic question of the highest magnitude.

Who pays the taxes becomes another way of asking who pays for war and war preparations and who bears the major burden of inflation? While the state is periodically forced to resort to borrowing, as shown in the previous article, in the long run the power of the state and the state bureaucracy is dependent on the portion of output that can be siphoned off in the form of taxes of various kinds.

It was not until 1941 that Federal tax receipts exceeded those of state and local governments. And it was only beginning in 1943 that the Federal personal income tax reached magnitudes sizable enough to penetrate the consciousness of the average individual. With the passage of the Revenue Act of 1951, we have now reached a situation where every class represents its tax burden. The bourgeoisie complain that "taxes have destroyed individual initiative and are impairing the accumulation of capital." The workers gripe and grumble that "they cannot make ends meet and that their take-home pay is inadequate to cope with the rising cost of living." In between, the various layers of the middle classes and farming classes bewail "the pressure exerted on entrepreneurial income and professional salaries by rising costs of production, especially taxes."

TOTAL TAX RECEIPTS have increased almost sixfold since 1939. With the major components of taxes account-

TABLE I
MAJOR TAX COMPONENTS, 1929 and 1939-1950
(Billions of Dollars)

Year	Federal Personal Income Taxes	Federal Corporate Profits Tax Accruals	Federal Excise Taxes	State & Local Personal Tax And Montax Receipts	State & Local Sales Taxes	Property Taxes*	Total Major Tax Components
1929	\$1.2	\$1.3	\$.6	\$1.4	\$.4	\$4.5	\$9.4
1939	.9	1.3	1.8	1.2	1.5	4.3	11.0
1940	1.0	2.7	2.1	1.2	1.7	4.4	13.1
1941	1.6	7.6	2.8	1.3	1.9	4.4	19.6
1942	4.1	11.3	3.4	1.3	1.9	4.4	26.4
1943	15.9	13.9	4.1	1.3	1.8	4.5	41.5
1944	17.1	13.1	5.3	1.4	1.9	4.6	43.4
1945	19.8	10.8	6.2	1.5	2.1	4.6	45.0
1946	18.0	9.1	7.3	1.6	2.7	4.8	43.5
1947	20.4	11.3	7.3	1.9	3.2	5.3	49.4
1948	19.8	12.4	7.5	2.1	3.7	5.9	51.4
1949	17.7	10.4	7.6	2.5	3.9	6.6	48.7
1950	18.8	17.7	8.5	2.7	4.3	7.3	59.1

* Excludes personal property taxes.

ing for 85-90 per cent of total tax receipts, the basic changes in the tax picture are shown in Table I.

The data are from the 1951 *National Income Supplement to the Survey of Current Business* of the Department of Commerce. Aside from the major tax components shown, other sources of Federal tax revenue are estate and gift taxes, which rose from \$61 million in 1929 to \$371 million in 1939 and to a peak of \$900 million in 1948, declining to \$658 million in 1950; and customs duties, which have not changed materially over the years, yielding \$599 million in 1929, \$344 million in 1939, and \$550 million in 1950. Other sources of state and local government tax revenue are corporate profits tax accruals, which were \$145 million in 1929, \$156 million in 1939, and rose to a peak of \$895 million in 1950; and motor vehicle licenses other than those classified as personal taxes, which were \$153 million in 1929, \$182 million in 1939, and rose to a peak of \$469 million in 1950. In addition, both Federal and state and local governments receive a variety of miscellaneous taxes and fees. Other than Federal grants-in-aid to state and local governments, these miscellaneous revenues do not have a significant effect

on the tax structure so far as quantitative impact is concerned.

It will be seen that in 1929 Federal tax revenues were less than one-half the amount collected by state and local governments, with property taxes of \$4.5 billion amounting to almost one-half of the total tax yield. In spite of the Great Depression and increasing state intervention under the New Deal, the tax picture remained fundamentally the same in 1939, the only significant change being the more than threefold increase in excise and sales taxes. With the advent of the Permanent War Economy, there occurred a sharp rise in virtually all existing forms of taxation, the most noteworthy increases being in the Federal personal income tax, corporation income and excess profits taxes, and excise and sales taxes. Despite the fact that property taxes rose from \$4.3 billion in 1939 to \$7.3 billion in 1950, their share of revenue raised by major tax sources declined from 40 per cent to 12 per cent.

Federal personal income taxes yielded less than \$1 billion in 1939, but on a gross basis (prior to refunds) produced \$15.9 billion in 1943 due to the drastic lowering of exemptions and the sharp rise in rates. Prior to 1943

the average worker was virtually unaffected by personal income taxes. After 1943, taxes become an important element in the cost of living, giving rise to the eminently reasonable demand by the trade unions that personal income taxes should be included in the BLS "cost-of-living" index. Naturally, the income tax yield fluctuates not only with respect to the effective tax rate, but also in relation to the size of the national income. From 1945 to 1950, the gross yield of the Federal personal income tax varied between a high of \$20.4 billion in 1947 and a low of \$17.7 billion in 1949. But during the same period, personal income rose from \$172 billion to almost \$225 billion—an increase of more than 30 per cent. The proportion of total tax receipts accounted for by the personal income tax—the one relatively progressive feature in the American tax structure—therefore declined steadily as both real output and total tax receipts increased.

Consequently, even though the Federal personal income tax yield is estimated to rise sharply in 1951 to about \$25 billion, the progressive aspects of

the American tax structure are still sharply outweighed by its regressive features. This conclusion is without reference to the specific nature of the income tax itself. It is based on the fact that corporation taxes, excise and sales taxes, and business property taxes are shifted entirely or almost entirely to the average consumer. Since these taxes account for the bulk of the total tax revenue, the concept that those who can afford to should pay the major part of the tax load is conspicuously absent in the American tax picture—despite the personal income tax.

THE ILLUSION THAT the bourgeoisie bears the real brunt of taxes is one of the biggest swindles ever perpetrated by capitalist propaganda. Capitalist apologists like to refer to the sharply rising rates on large individual incomes, which for the calendar year 1951 reach a maximum of 87.2 per cent of net income (possibly affecting those with individual incomes in excess of one million dollars), but the incidence of taxation can only be seen when the entire tax burden by classes

TABLE II
MONEY INCOME RECEIVED BY EACH FIFTH OF FAMILIES AND SINGLE PERSONS, 1935-36, 1941, 1948, AND 1949
(Percentage of Money Income)

Families and Single Persons Ranked from Lowest to Highest Income	1935-36*	1941*	1948*	1949†
Lowest fifth	4.0%	3.5%	4.2%	3%
Second fifth	8.7	9.1	10.5	9
Third fifth	13.6	15.3	16.1	17
Fourth fifth	20.5	22.5	22.3	24
Highest fifth	53.2	49.6	46.9	47

*Taken from Table 4 of TAXES AND THE HUMAN FACTOR by Theodore J. Kreps, The Public Affairs Institute, 1951, sources: National Resources Planning Board (1935-36), Department of Labor (1941), and 1950 Survey of Consumer Finances of Federal Reserve Board (1948).

†From the 1950 Census as reported by the Census Bureau in *The New York Times* of December 2, 1951.

of income is analyzed. It is just as impermissible to confine one's judgments on the American tax structure solely to the personal income tax as it is to draw conclusions on the average worker's standard of living without reference to salary deductions, rising prices or the increase in total output.

All taxes and their impact must be considered, as well as the differences in income levels and proportionate shares in total output. Rather than go back to our own estimates, presented in Part II on "Declining Standards of Living," we prefer to rely on official sources wherever possible.

First, it is necessary to establish that there has been no fundamental change in the distribution of personal income by income levels, despite the vast growth in total output and personal incomes. This can be done by a percentage analysis of money income going to each fifth of the population, as shown in Table II.

While much has been made of the slight improvement in the position of the middle income groups at the expense of the highest fifth, the changes are all well within the margin of error inherent in all such data. Moreover, there have been certain conceptual changes in this type of analysis over the years. In addition, comparisons between a depression year and a war economy year are apt to be misleading. Fundamentally, there has been no change. If the rich haven't gotten richer as the poor have become poorer, the relative disparities in income levels have not changed. The rich remain rich while the poor remain poor—despite the tremendous increase in output, both in real and monetary terms. The richest twenty per cent of the population receives almost half the income, in 1948 averaging \$9,911, while the poorest 20 per cent receives 3.4

per cent of the income, in 1948 averaging \$893.

The distribution of personal income by income levels is before taxes and provides a necessary background for consideration of the impact of all taxes. If the tax burden falls chiefly on the upper fifth, then it would be possible to speak of a relatively progressive tax structure. This is especially so since those in the lower 60 per cent received a maximum income of less than \$4,000 in 1948—the minimum required to maintain any type of "decent" standard of living by any set of criteria. Or, if the upper income groups are bearing a noticeably heavier proportion of the total tax burden as total tax receipts increase, there would at least be evidence that the tax structure is becoming less regressive.

The facts are, however, that the American tax structure was and remains regressive to an amazing degree. The wealthy pay only a slightly higher percentage of their income in taxes than do other groups, and the poorest pay a higher percentage of their income in taxes than the middle income groups. The reason, as has already been mentioned, is that the Federal personal income tax is overshadowed by other taxes whose burden is an inverse proportion to income. That this is indeed the situation and that it has not changed fundamentally under the Permanent War Economy, despite the enormous increase in taxes, can be seen from Tables III and IV.

Thus, just prior to the advent of the Permanent War Economy, taxes took about one-fifth of total personal income, with state and local government taxes accounting for more than one-half of the total tax yield. The completely regressive nature of state and local taxes, together with the

TABLE III
TOTAL TAXES IN 1938-39 AS PERCENTAGE OF PERSONAL INCOME, BY INCOME CLASSES*

	TAXES AS PERCENTAGE OF INCOME		
	Federal	State & Local	Total
Under \$500	7.9%	14.0%	21.9%
\$500 to \$1,000	6.6	11.4	18.0
\$1,000 to \$1,500	6.4	10.9	17.3
\$1,500 to \$2,000	6.6	11.2	17.8
\$2,000 to \$3,000	6.4	11.1	17.5
\$3,000 to \$5,000	7.0	10.6	17.6
\$5,000 to \$10,000	8.4	9.5	17.9
\$10,000 to \$15,000	14.9	10.6	25.5
\$15,000 to \$20,000	19.8	11.9	31.7
\$20,000 and over	27.2	10.6	37.8
TOTAL	9.2	11.0	20.2

*Taken from Table I of T.N.E.C. Monograph No. 3, *Who Pays the Taxes?*

semi-regressive nature of Federal taxes, produced a situation where the lowest income groups paid a higher proportion of their income in taxes than did all income groups under \$10,000. It is only when the top income class of \$20,000 and over (consisting of .3 per cent of spending units who received 9.1 per cent of total personal income) is considered that a feeble approach to a progressive tax system is apparent. And, obviously, a member of the bourgeoisie who in 1938-39 received \$20,000 cheerfully paid about one-third of his income in taxes, while the average worker who received less than \$1,500 could ill afford to pay about one-fifth of his income in taxes.

With personal income having tripled by 1948, the opportunity to recast the American tax structure in a progressive direction, despite the fivefold increase in total tax receipts, was present. Obviously, this could have been done without impoverishing the bourgeoisie who, as demonstrated in Part III, had accumulated sufficient surplus values to permit considerable easing of the tax burden of the lower income

groups. Equally obviously, as can be seen from Table IV, this was not done.

Thus, after a decade of the Permanent War Economy, taxes took about one-fourth of total personal income, with Federal taxes now accounting for more than three-fourths of the total tax yield. Nevertheless, the completely regressive nature of state and local taxes still combines with such regressive features of Federal taxes as excise taxes and corporation taxes to produce a situation where the lowest income group still pays a higher percentage of its income in taxes than all except the 5.3 per cent of the spending units in the \$7,500 and over category. If there were a finer income breakdown in the higher income groups, the beginnings of a progressive tax structure would become apparent at a somewhat lower figure than in 1938-39, but there has been no fundamental change in the incidence of taxation nor in the character of the American tax structure.

The worker who received \$1,000 in 1938-39 and paid approximately 18 per cent in total taxes may have had

his income increased to \$2,500 in 1948, with his tax payments rising to 21 per cent. His contribution to total government tax receipts would then have gone up from \$180 to \$525, leaving his net income after taxes at \$1,957 against \$820—an increase in effective money income of 141 per cent. Meanwhile, the bourgeois whose income in 1938-39 was \$10,000, on which he likewise paid 18 per cent in total taxes, may have had his income increased to \$30,000 in 1948, with his tax payments rising to 40 per cent. The bourgeois' contribution to total government tax receipts would then have increased from \$1,800 to \$12,000, leaving his net income after taxes at \$18,000 against \$8,200—an increase in effective money income of only 120 per cent. On the surface, therefore, the worker is better off and capitalist inequality has tended to be reduced as a result of rising taxes.

Such growing "equality" the bourgeoisie can well afford, for if our hypothetical worker and bourgeois are assumed to represent their respective classes, what has happened is that total effective money income of both classes

has risen from \$9,020 to \$19,975—an increase of \$10,955, of which \$9,800, or 89.5 per cent, has gone to the bourgeoisie. The bourgeois is now only nine times better off than the worker, whereas previously his effective money income was ten times greater, but again nothing fundamental has changed in the relative positions of the basic classes of modern capitalist society. *The state, however, whose function is more and more to protect the rule and the wealth of the bourgeoisie, is being financed in steadily increasing measure by the workers and lower middle classes.* Therein lies the secret of the rôle of taxation under the Permanent War Economy, while equality of incomes remains just as much a mirage on the horizon as it ever was.

The data in Table IV can be used to derive the relative class burdens of taxation, if certain arbitrary assumptions be made to relate income brackets to classes. The results are necessarily rough, but demonstrate conclusively that the bourgeoisie by no means bear the major share of financing their state. If we assume that those in the \$7,500 and over group, comprising 5.3

TABLE IV
1948 TAX PAYMENTS AS PER CENT OF INCOME BY INCOME BRACKETS*

Spending Unit Income Bracket	TAXES AS PERCENTAGE OF INCOME		
	Federal	State & Local	Total
Under \$1,000	13.9%	9.7%	23.6%
\$1,000—\$1,999	13.5	6.8	20.3
\$2,000—\$2,999	15.5	6.1	21.6
\$3,000—\$3,999	15.8	6.0	21.8
\$4,000—\$4,999	16.1	5.6	21.7
\$5,000—\$7,499	17.7	5.4	23.1
\$7,500 and over	26.3	5.5	31.7
TOTAL	18.8	5.8	24.7

*Taken from Table 5 of Kreps, *op. cit.*, which, in turn, is based on "The Distribution of Tax Payments by Income Groups in 1948," by R. A. Musgrave, J. J. Carroll, L. D. Cook, and L. Franc, published in *The National Tax Journal*, March 1951.

per cent of the number of spending units, represent the bourgeoisie and their main supporters among the upper middle classes, we can calculate their class tax burden, since Kreps notes that the effective tax rates are computed on an estimated personal income in 1948 of \$211.9 billion, which is close enough to the reported figure of \$209.5 billion. With this upper income group receiving 28.8 per cent of personal income, it is apparent that they received \$61 billion, on which they paid an over-all tax rate of 31.7 per cent, or a total tax bill of \$19.3 billion. This is equivalent to slightly more than one-third of total tax payments. In other words, the working classes and lower middle classes contribute almost two-thirds of total tax payments.

THE KREPS PAMPHLET, previously cited, constitutes one of the most effective indictments yet published on the inequities of the present American tax structure. In addition, it effectively refutes the arguments advanced by the apologists of the bourgeoisie that the masses must necessarily bear the major burden of tax increases. Kreps states and proves that "the principal beneficiaries of inflation were (in terms of actual dollars and cents) not the lower-income-bracket wage-and-pension-receiving masses but the upper-bracket-income entrepreneurs and owners of properties and equities." Readers of earlier articles in this series are thoroughly familiar with the facts of income distribution, which thoroughly debunk the carefully cultivated notion that the working masses have been the beneficiary of inflation.

Another assiduously propagandized falsehood is that the low-income masses are under-taxed and should therefore bear the major burden of new

taxes. The factual refutation of this argument has already been presented, but there is another side to this coin which is most interesting. Not only do the upper income groups pay a smaller proportion of taxes than they claim or than they should by any standard of justice or equity, but they pay much less than they legally and morally should. The tax laws are drafted and administered by the representatives of capital in the interests of the ruling class. As Kreps puts it, ". . . opportunities for tax avoidance and tax evasion are much larger in the high-income brackets than in those below \$3,000."

The gap between Treasury reports of adjusted gross personal income, based on income tax returns, and Commerce estimates of personal income is extremely large. In 1948, for example, the Commerce figure was \$45 billion higher than the Treasury total. Today, it must run well over \$60 billion. Only a portion of this income that somehow miraculously evaporated when income tax returns were filled out can be attributed to non-monetary aspects of personal income included by Commerce, or to legal tax avoidance by low-income groups such as the exemption of military pay below \$1,500 and the right to postpone reporting of accrued interest on E-bonds.

"Tax avoidance, completely legal but nonetheless real," states Kreps, "favors those in the upper income groups; for example, those who own their own homes. In the \$7,500 and over bracket two out of three own their own homes whereas in the brackets between \$1,000 and \$3,000 the figure is about half that percentage. Now homeowners are not required to report the constructive income which they receive from their investment in

their home (which may keep them out of a higher tax bracket). In addition, they can actually deduct local taxes on their home, and interest on the mortgage if there be one, which deduction cuts down their Federal income taxes at the highest marginal rate applicable to their income. Renters (of whom there are proportionately more than twice as many in the lower income brackets) simply pay out rent each month from an income total on which they pay taxes in full.

"Moreover, the splitting of incomes of married persons, which means nothing on lower bracket incomes (below \$4,000), involves progressively more and more dollars of tax savings to each couple in the upper brackets, another reason why the per cent of income taken by taxes in the upper income brackets is not as high as one might expect.

"Those receiving entrepreneurial incomes are given several additional loopholes. . . . Those owning oil properties can take 27.5 per cent depletion allowances year after year. Capital gains are taxed only 25 per cent [now 26 per cent—T. N. V.] after but a six months' waiting period. Businessmen can split the income from their business several ways simply by making their wives, infant children and relatives 'partners'—though they may be called upon to prove that they did not do so simply for tax avoidance purposes. Executives can receive compensation in the form of stock options subject only to the rate on capital gains rather than the full income tax rates. And so on."

In other words, there are very few opportunities for legal tax avoidance in the lower income brackets. The worker's tax is withheld at the source and unless he has incurred unusually heavy medical expenses or some simi-

lar permitted deduction he pays 100 per cent of his income tax obligation. The worker cannot carry back or forward his "losses" that may have arisen due to unemployment, but the owner of capital can. The worker cannot deduct "business expenses" which the average businessman does to the full limit of what he can get away with. In fact, deduction of business expenses for entertainment, travel, *etc.*, has reached such scandalous proportions that virtually every businessman has established charge accounts with restaurants, night clubs, *etc.*, to "prove" that he spent the sums deducted as business expenses. That he also feeds and entertains himself while actually or theoretically promoting business is apparently outside the administration of the tax law. There can be little doubt that the amount of tax avoidance that occurs through the one device of "business expenses" amounts to billions of dollars.

The upper income individual can pose as a public-spirited person, and incidentally on occasion promote his own business interests, by making his 15 per cent contribution to charity. The lower income person simply does not have the means, nor does he as a rule possess the economic, social or political motives for such contributions. Related to this eminently respectable tax-dodging device is the legal evasion granted to the creators of trust funds, which not only avoids current income taxes but permits fortunes to be passed on to heirs with a notoriously minimum amount paid in estate taxes. The adroit use of gifts and gift taxes, it should be noted, is an integral part of this type of tax avoidance. The low amount of gift and estate taxes, observed earlier, and their decline since 1948 would undoubtedly prove to be a more profitable source of Congress-

sional inquiry, in terms of added income to the government, than even the corruption in the Bureau of Internal Revenue.

There are many other legal loopholes. The excess profits tax, in particular, is so full of loopholes that it is practically a joke. So overt is the loophole situation that when President Truman signed the Revenue Act of 1951 on October 20th, he was constrained to say: "Furthermore, this legislation does little to close the loopholes in present tax laws, and in some respects provides additional means by which wealthy individuals can escape paying their proper share of the national tax load through such devices as excessively liberal 'capital gains' provisions, family partnerships and excessive depletion allowances on oil and gas and certain mineral properties."

It should be obvious that the function of legal loopholes is not primarily

to provide additional business for accountants and tax lawyers. Legal avoidance of taxes is part of the system by which the ruling class perpetuates its wealth and power. The tax laws are admittedly rigged in the interests of business. Elimination merely of obvious legal loopholes would by itself raise sufficient revenue to have made unnecessary the increases in the income tax under the Revenue Acts of 1950 and 1951. It must be emphasized that legal tax avoidance amounts to billions upon billions of dollars and that the bourgeoisie is virtually the sole beneficiary of such largesse. Not the lower income groups but the upper income groups are under-taxed!

In addition to tax avoidance, there is tax evasion, which is presumably illegal. States Kreps: "Opportunities for tax evasion are similarly much more abundant in the upper income brackets than in the lower. Evasion is next to impossible where employers or

TABLE V
TAX EVASION IN 1946*
(Millions of Dollars)

Source of Income	Personal Income (Derived from Commerce)	Adjusted so as to be Comparable with Totals Reported on Income Tax Returns	Amount Reported on Income Tax Returns	Ratio of Reported Income to Actual
Civilian wages and salaries	\$101,549	\$102,546	\$97,409	.95
Nonfarm entrepreneurial income ...	21,813	20,816	23,146	.71
Farm entrepreneurial income	10,840	11,929		
Military income	11,556
Interest	9,317	2,989	1,105	.37
Dividends		4,933	3,730	.76
Fiduciary income (of individuals) }		1,120	1,108	.99
Rent	5,460	4,013	1,799	.45
Social Security, etc.	3,506
Other income	868
TOTAL	\$164,909	\$148,346	\$128,287	.86

*Taken from Kreps, *op. cit.*, source: National Bureau of Economic Research, *Studies in Income and Wealth*, Vol. XIII, to be published.

fiduciaries make reports and act as collecting agencies in withholding taxes at the source, i.e., for wage earners, pensioners, public employees, etc. These have no chance to under-report their income [but the *New York World-Telegram and Sun* of December 10, 1951, reports that the government had warrants out on October 31st for more than \$96 million owed by employers as tax delinquency on workers' payroll deductions—T. N. V.]. But note (in Table V) the types of income on which under-reporting occurred in 1946."

If the data in Table V are indicative of what normally transpires, 14 per cent of income tax net income is evaded by failure to report the legally correct amount. Which income levels are guilty of such evasions? Obviously, the upper income groups, for only 71 per cent of entrepreneurial income, 37 per cent of interest payments, 76 per cent of actual dividends paid, and 45 per cent of rents received, appeared on income tax returns. Income from these sources goes overwhelmingly to the upper income groups. Even in the case of wages and salaries, where there is a five per cent under-reporting, amounting in 1946 to \$5 billion, or 25 per cent, of the total of \$20 billion unreported, much, if not most, of the under-reporting would undoubtedly be traceable to the upper income groups.

At present income levels, assuming that the same degree of under-reporting holds true, the difference between "actual" and "reported" money income would exceed \$30 billion rather than the \$20 billion shown for 1946. On the basis of 1951 income tax rates, especially in view of the fact that tax evasion is concentrated in the upper income groups, elimination of tax evasion due to under-reporting of in-

comes would add well over \$5 billion in tax revenue to the Federal government. This is without reference to cases of fraud where there is a deliberate failure to report income that arose illegally and was not entered on books of account but usually remitted in cash transactions. Nor has any attempt been made to assess the amount of income tax evasion due to the keeping of deliberately fictitious books. Likewise, the data on under-reporting of incomes have nothing to do with the amount outstanding in delinquent taxes, which the Bureau of Internal Revenue admits totals over \$632 million (*New York Times*, December 11, 1951).

Whether income tax evasion due to bribery of tax officials would add significantly to the amount of revenue the government should be collecting, we do not know. Perhaps the present Congressional investigation will throw some quantitative light on the picture. One thing is certain, however, and that is that it is not the low-income groups that bribe and corrupt government officials. The best proof that under-reporting and evasion of taxes among the upper income group are costing the government billions of dollars annually in lost tax revenues is to be found in the reported decision of Secretary of the Treasury Snyder to require the individual auditing of each taxpayer's return in the \$25,000 and over bracket rather than the sampling technique used for the mass of income tax returns.

DECEPTION IN TAX MATTERS NOW extends to the government's official press releases. All official Washington releases on the Revenue Act of 1951 stated, in effect, that: "The bill increases the tax on most individual incomes by 11.75 per cent." Whereupon,

TABLE VI
IMPACT OF REVENUE ACT OF 1951
ON SELECTED INDIVIDUAL INCOME TAXES

Net Income	Number of Exemptions	1950 Rates	1951 Rates	1951 INCREASE OVER 1950 TAX		1952 Rates	1952 INCREASE OVER 1950 TAX	
				Amount	Per Cent		Amount	Per Cent
\$900	1	\$ 38	\$ 45	\$ 7	18.42%	\$ 49	\$ 11	28.94%
\$2,000	2	106	125	19	18.00	136	30	28.30
\$5,000	3	161	188	27	16.77	205	44	27.32
\$4,000	4	213	249	36	16.90	271	58	27.22
\$4,950	5	257	301	44	17.11	328	71	27.62
\$10,000	2	1,456	1,667	210	14.42	1,822	366	25.13
\$50,000	1	23,997	26,753	2,761	11.51	28,466	4,469	18.63

the average citizen concluded that, if his income remained the same, he would pay only 11.75 per cent more in Federal income tax in 1951 than he did in 1950. He was also led to believe that his 1952 tax would, barring a further increase in tax rates, be about the same as in 1951. This particular fraud was exposed in an article in the *New York World-Telegram and Sun* of November 20, 1951, based on an analysis supplied by Fred S. Peabody, for 20 years a special agent in the Income Tax Bureau and now an accountant and tax expert. A selection of cases to portray the actual impact of the Revenue Act of 1951 on individual income taxes is shown in Table VI.

"You'll notice," states the article, "that some really do pay only about 11 per cent. The fellow who has to struggle with a net \$50,000 income gets off with that.

"'But simple arithmetic,' said Mr. Peabody, 'shows that for 1951 the increase over 1950 is much greater than the 11.75 per cent announced in Washington. Most persons will pay between 16.75 and 18 per cent.'

"What Mr. Peabody emphasizes is that the percentage increase cited on passage of the new tax bill last October was 'apparently based on the increase in tax to be withheld from wages beginning Nov. 1, instead of on the increase in tax you will pay for the full 1951 year.'

"The gimmick was the sizable credit which everybody was allowed on the tax paid last spring on part of his 1950 income. . . .

"'The Revenue Act of 1951,' Mr. Peabody explained, 'eliminated the 13 per cent credit allowed on the first \$400 of tax granted under the 1950 law. So it is obvious that the percentage increase over the 1950 rate is at least 13 per cent of the first \$400 of tax.

"'It is believed that the loss of this 13 per cent cut affects a large majority of taxpayers. The rest lost a reduction of 9 per cent under last year's law.

"'As the increased rates . . . did not become effective until Nov. 1 their full effect won't be felt until next year. Then most persons will pay between 27.25 and 28.25 per cent more than they would have paid on the same income at 1950 rates.'

Thus, the real impact of the new tax increase is on the workers and lower middle classes and won't be felt until March 15. At that time, those who have regularly been receiving sizable refunds because too much has been withheld will find that they get little or no refund, while others will find that they have to pay substantial additional sums to the government. The impact on March 15, 1953 on 1952 incomes will be even greater, as indicated, without any further increase in the income tax.

There is no need to cite the increases in excise taxes on liquor, cigarettes, gasoline, etc., or other regressive features of the Revenue Act of 1951. The facts are there for all who wish to take an unbiased look at them. It is frequently argued, however, that regardless of justice, etc., it is necessary to increase taxes more heavily on the lower income groups because that is the only way to reduce consumption of consumer commodities that are draining materials away from war output, and that inflation cannot be prevented without mopping up the "excess income" of the low-income masses. Both arguments are basically false, as Kreps demonstrates.

"THE THIRD FALLACY requiring exposure to facts," observes Kreps, "is the notion that 60 per cent of the people must do 60 per cent of the consumption." As exposure of this tendentious argument in favor of increasing taxes on the lower income groups, in order to restrict consumption and thereby save critically needed materials, he offers the evidence contained

in Table VII, submitted by Professor Musgrave in testimony before the Joint Committee on the Economic Report.

Comments Kreps: "Those getting less than \$3,000 (representing 54 per cent of the spending units) buy only 26 per cent of the durable goods, only 27 per cent of the liquor, 28.8 per cent of all goods at retail excepting food, and make only 31.3 per cent of all consumer expenditures.

"On the other hand, those getting over \$4,000, comprising only 27 per cent of the spending units, buy 54 per cent of all durable goods, 50.5 per cent of the liquor, 51.2 per cent of all goods sold at retail excluding food, and account for 48 per cent of all consumer expenditures. *It is the spending of those getting over \$4,000 that must be curbed if a major frontal attack is to be made on the problems of restricting consumption.*" (Italics mine—T. N. V.)

The apologists for the bourgeoisie also like to argue that it is the low-income masses who are responsible for the inflationary pressure generated by excess demand. The masses, they

TABLE VII
ESTIMATED DISTRIBUTION OF CONSUMER EXPENDITURES FOR 1948*
(In Per Cent of Total)

Spending Unit Income Brackets	Total Retail Sales	Retail Food Sales†	Retail Sales Less Food†	Liquor Sales	Tobacco Sales†	Durable Sales
Under \$1,000	3.9%	4.1%	3.9%	.9%	3.9%	2.2%
\$1,000—\$1,999	9.3	11.4	8.2	8.9	11.4	5.6
\$2,000—\$2,999	18.1	20.5	16.7	17.2	21.1	18.2
\$3,000—\$3,999	20.7	21.8	20.1	22.5	22.9	20.0
\$4,000—\$4,999	14.4	14.2	14.5	12.7	14.3	15.8
\$5,000—\$7,499	16.1	14.6	16.9	16.4	14.1	17.0
\$7,500 and over	17.5	13.3	19.8	21.4	12.2	21.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

*Taken from Kreps, *op. cit.*, source: Hearings, Joint Committee on the Economic Report, on January, 1951, Economic Report of the President.

†Totals do not add to 100 per cent due to rounding.

claim, hold the bulk of savings. This "hot" money, they assert, will be used to push up prices unless the tax collector relieves the mass of the population of "huge" savings. Nothing could be further from the truth. The overwhelming portion of personal savings has always been concentrated in the hands of the upper five or ten per cent of the population.

Writes Kreps: "Actually, the amount of United States Government bonds and savings and checking accounts held by the majority, that is, the 26,000,000 consumer units getting less than \$2,700, is only 27.1 per cent of the total. In so far as there is a 'hot money' problem with respect to E-bonds in 1950 or 1951, it is for the most part a middle and upper-income bracket problem. They are the only groups that have any substantial quantities of E-bonds or other liquid assets left. The lower income groups have for the most part sold theirs.

"In 1949 more than half the population failed to save a dime. In fact, on balance, their dissaving has continually increased though, of course, there still remain a minority even in the lowest income brackets that manage to save despite the fact that the majority do not. On the other hand, the savings of the top tenth have increased so much that in 1949 their net savings exceeded the total of all net savings in the country. In other words, on balance, the lowest 90 per cent in the income scale saved nothing."

Moreover, adds Kreps, "since V-J Day, about twelve-and-a-half million spending units have parted with all the savings bonds they owned. . . . In short, 'hot money' in large amounts is primarily not a mass-income bracket, but an upper-income bracket phenomenon."

The workers and lower middle clas-

ses, thus, were not responsible for the orgy of consumer buying following the outbreak of the Korean war. On the contrary, it was the bourgeoisie and upper middle classes, the only ones with the income, savings or credit to permit widespread advance buying and hoarding, particularly of durable goods, who built up private inventories in precisely the same manner as businessmen accumulated huge inventories. While inflation is inherent and permanent under the Permanent War Economy, as we have previously demonstrated, the engine of inflation is always and necessarily the accumulation and expenditure of surplus values on the part of the bourgeoisie.

We need not be particularly concerned with Kreps' conclusions, for his position is the traditional one of the liberals and intellectuals. As such, it will receive brief comment below. His case against heavier taxes on mass incomes, however, is most cogently made. It is well to have the data before us when evaluating the position of the various classes with respect to taxation.

". . . any new tax falling on those getting less than \$3,000 will cut production much more than it will cut or divert consumption." In support of this contention, which is based on the fact that "tens of millions of families have had their budgets so cruelly cut by inflation that minimum standards of health and productivity are being eroded away," Kreps offers the following income analysis, which we present below as Table VIII.

"To be sure," states Kreps, "economic literature abounds in controversies concerning the 'efficiency level' of consumption or the level of 'minimum needs.' Thus, for example, the minimum health and decency budget currently published by the Bureau of

Labor Statistics is one so high that even at current high levels of national income, nearly three-fourths of the population fail to attain it.

"Yet in quantitative terms even that budget hardly seems luxurious or excessive. It provides, for example, that a man can buy a top coat only once in ten years, that his wife can have only one new cotton street dress a year; that her wool dress has to last five years. The family can buy a low-priced car only once every 15 or 16 years. Other durable goods such as cook stoves, refrigerators, washing machines, vacuum cleaners, sewing machines, have to last 17 years or longer. In quantitative terms, such a budget level seems a considerable distance removed from luxury consumption, yet at 1950 prices the income estimated by the Bureau of Labor Statistics as necessary to finance this standard of living is \$1,630 for a single person, and \$2,330 for a married couple.

"In order to be highly conservative, the figures in Table VIII have been computed on a basis more than one-third lower than the BLS figures. . . . Even on this basis, as the table clearly indicates, the tens of millions of families and single individuals who receive less than \$2,000 a year come short by many billions of dollars in obtaining the income necessary for efficiency consumption and productivity. As a defense measure, incomes not higher than efficiency levels ought to be kept inviolate and not further lowered by general sales taxes or general manufacturers' excise taxes.

"Table VIII likewise indicates where the money in excess of such a minimum may be found. Of the total of roughly \$44.5 billion in 1948 that may have been available in excess of minimum need, \$17.2 billion, or 40 per cent was in the hands of persons

with incomes of \$10,000 or over; another 22 per cent in the hands of persons receiving over \$6,000 but less than \$10,000; more than 23 per cent in the hands of persons receiving over \$4,500 but less than \$6,000; and less than 8 per cent in the brackets below \$3,000."

THAT TAXES HAVE BECOME a major arena of the class struggle can be seen from the sharply divergent position of the various classes with respect to proposals for increased taxation and the bitterness that conflicts over taxation have engendered. With taxes taking a steadily increasing proportion of current output in order to finance the war machine and its inevitable bureaucratic apparatus, it is only natural that this should be the case. The impact of taxation in general has become so great that all classes and all income levels feel "hurt in the pocket-book," which is popularly believed to be the severest hurt of all. At any rate, it is a fact that today no major business transaction is consummated or policy adopted without careful examination of the impact on the tax position of the corporation or stockholder involved.

There has likewise been a noticeable trend toward crystallization of opposing and conflicting class positions with respect to taxation policy. Although an element of fluidity in class positions and attitudes toward various proposals to increase tax revenues still prevails, we can distinguish sharply among the positions of the more class conscious strata, especially the industrial bourgeoisie as represented by the N.A.M., organized labor, particularly its left wing as represented by Reuther, and class-conscious socialists. The most fully developed and highly articulated class position is that of the N.A.M. for a uniform

TABLE VIII
INCOME RECEIVED AND ESTIMATED MINIMUM INCOME REQUIRED
FOR FAMILY MAINTENANCE BY INCOME CLASSES—1948*
(Billions of Dollars)

Adjusted Gross Income Classes	Adjusted Gross Income Received†	Federal Personal Income Tax Liability	Income After Federal Income Tax	Estimated‡ Amount Needed for Maintenance	Deficiency (—) or Excess of Income Over Estimated "Minimum Need"
Under \$1,000	\$4.3	\$.1	\$4.2	\$11.8	—\$7.6
\$1,000—\$1,499	6.5	.2	6.3	9.5	— 3.2
\$1,500—\$1,999	10.5	.4	10.1	11.5	— 1.4
\$2,000—\$2,499	14.1	.7	13.4	12.7	.7
\$2,500—\$2,999	16.9	.9	16.0	13.1	2.9
\$3,000—\$3,499	17.3	1.0	16.3	11.4	4.9
\$3,500—\$3,999	15.2	1.0	14.2	8.9	5.3
\$4,000—\$4,499	13.0	.9	12.1	6.8	5.3
\$4,500—\$4,999	9.7	.8	8.9	4.6	4.3
\$5,000—\$5,999	12.6	1.1	11.5	5.3	6.2
\$6,000—\$9,999	17.2	1.8	15.4	5.6	9.8
\$10,000 and over	26.8	6.6	20.2	3.0	17.2
TOTAL	164.2	15.4	148.8	104.3	44.5

*Taken from Kreps, *op cit.*, source: *Joint Economic Report*, Senate Report No. 210, 82nd Congress, 1st session, April 2, 1950, U. S. Government Printing Office.

†Statistics of Income 1948, Part I (Preliminary).

‡Estimated on the basis of number of families by size groups within each income class multiplied by an estimated minimum income figure needed to sustain a family of a specified size—*i.e.*, \$1,000 for each individual living alone; \$1,500 for two person families; \$2,000 for three, \$2,500 for four, \$3,000 for five, \$3,500 for six, and \$4,000 for families of seven or more persons.

manufacturers' excise tax. The N.A.M. position was adopted in 1949 and is presented in its post-Korean form in a basic study entitled *A Program to Combat Inflation by Paying-As-We-Go*, approved by the N.A.M.'s Board of Directors on February 21, 1951 and published as Economic Policy Division Series No. 38. Its chief features are put forth in a popular catechism of 34 questions and answers on "A Manufacturers' Uniform Excise Versus A Retail Sales Tax," appearing as a special report of *NAM News*, May 5, 1951.

We need not be concerned with the internecine quarrel within the bourgeoisie between the advocates of a

Federal retail sales tax and the N.A.M. advocacy of a manufacturers' uniform excise tax. Both are taxes on consumption to be paid by the consumer, *i.e.*, those least able to afford higher taxes. Both are designed to shift the major burden of taxation to the workers and lower middle classes. Advocates of both positions are prepared to accept either method as offering the best prospect of maintaining the wealth and power of the bourgeoisie and still assuring needed support for the capitalist state. Aside from technical differences, the major dispute is one of perspective. Advocates of the retail sales tax, representing less reactionary segments of the bourgeoisie and their

supporters, view such measures as "temporary," to be repealed after the "emergency" is over. The N.A.M., on the other hand, states categorically: "For the purposes of the long-range future, *this uniform tax at a moderate rate should be regarded as the basic federal excise, to be carried through into the period beyond the defense period, or even a third war, as a permanent feature of federal taxation.*" (Italics in original.)

The N.A.M. is quite open in its objective. Catechism 5 goes: "Q. Why has the NAM recommended a uniform excise tax? A. This recommendation is made for two reasons: 1—TO CORRECT THE DEFECTS OF THE EXISTING FEDERAL EXCISE SYSTEM. . . . A uniform excise tax across the board on all consumer purchases would introduce equality of tax burden in proportion to purchases of consumer goods. It would put all producers on a par in competing for the consumer dollar. . . . 2—TO ESTABLISH A BROAD BASE OF CONSUMPTION TAXATION. *The distribution of a part of the total tax load over income as it is spent will make possible the levy of less heavy taxes on income as it is received.* Thus the attainment of the dual objective of high-level production and consumption would be less hampered than by extreme concentration of taxes on income as received, a policy that would diminish the incentives to work in order to get income." (Italics mine—T. N. V.)

If the motivation is not entirely clear, we can cite catechism 13. Because of its touching solicitude for the general welfare, and its conscious and unconscious revelation of NAM philosophy, we reproduce it in full:

"Q. Would a manufacturers' uniform excise be an unfair burden on the low-income groups?

"A. No. The excise or consumption taxes are one of the tax methods which the Government must use in order to keep the defense program on a pay-as-we-go basis. There must be some tax payment toward this cost by all, regardless of the level of their income. *There is not enough income left after present taxes in the middle and higher incomes to pay the bill, even if all of the income after tax were confiscated. The lower incomes must carry a part of the load.*

"Available figures show that if food, rent, and various services are excluded, as they would be under the NAM program, the relative burden of excise taxes would rise somewhat as income increases. In other words, the more one has to spend, the more he is likely to spend, and hence the more excise tax he will pay.

"In the financing program which the nation faces there is a choice of evils. If we try to protect too many people against an increase of tax burden, we shall fail to keep on a pay-as-we-go basis. The alternative to this course is inflation, and this would inflict a heavier burden on all consumers than they would have to carry as a tax load. *If we try to balance the budget by increasing income taxes, it will not be possible to shelter the small incomes from this tax.* Excise taxes will be a means of keeping income tax rates lower than they would otherwise have to be, and thus they become the least of the evils, for the small income groups and for all taxpayers." (Italics mine—T. N. V.)

It would be difficult to crowd more arrant nonsense and utterly false reasoning in such a short space. The ignorance betrayed on the causes and effects of inflation, not to mention the relationship of taxation to inflation, is equalled by the erroneous statements on the facts of economic life and

the evident self-contradictions. In fact, the only correct statement in the entire catechism is that consumer expenditures are related to income. The implication that the lower incomes are relatively untaxed is completely false, as already shown. The statement that even confiscation of income of upper income levels would not raise sufficient revenue to balance the budget is sheer nonsense. As Table VIII demonstrates, in 1948 there was over \$20 billion left after Federal income taxes in the \$10,000 and over category. In spite of increased taxes (which do not apply to the NAM argument), there is at least that sum available today, and the Federal deficit is never presented at more than half that figure. There are, in fact, many ways of raising the amount stated as necessary to finance the war program without increasing taxes on incomes under \$4,000 by one cent.

The NAM position, taken at face value, becomes the ludicrous one of asserting that higher income taxes are equally bad for rich and poor, and that higher excise taxes, whose burden is admittedly heavier on the mass of the population, will favor rich and poor alike. The sleight of hand by which the majority of the population in the low-income groups is supposed to favor a tax program designed to minimize the tax burden of the upper income groups is matched by the effrontery that attempts to pass off sales taxes as progressive because they are proportional.

In passing, it should be noted that the NAM is not opposed to increasing the yield from the income tax if it be done through reducing the present exemption for dependents from \$600 to \$500. The important question, however, is at what rate would the uniform excise tax have to be placed in order to achieve the NAM's objective

of a balanced budget. And how much of an increase would this bring in the average price level?

While the NAM carefully avoids such questions in its popular catechism, it provides its own answer in its programmatic statement: "At current levels of gross national product, a tax base for the uniform manufacturers' excise tax of \$90 billion is estimated. With no allowance for the effect of high rates on the volume of consumption buying, a flat rate of 10 per cent would produce \$9 billion, and a flat rate of 20 per cent would produce \$18 billion, as compared with \$4 billion under the present selective system [not true by more than \$4 billion as shown in Table I; even if the figure is intended to refer only to excise taxes other than liquor and tobacco, it would be \$4.5 billion in 1950—T. N. V.]. *These rates on the final manufactured price would become equivalent rates of 5-6 per cent, and 10-12 per cent, respectively, in relation to the retail price.*" (Italics mine—T. N. V.)

It is clear that maintenance of the war program at NAM-approved levels, would require a uniform excise tax on manufactured commodities other than food of close to 20 per cent. For the working masses, this would raise the cost of living by about 8 per cent. Why direct inflation is any worse than such a tax-legislated inflation is not at all clear. It is clear, however, why the Administration has so far rejected the NAM program as politically unfeasible, and has proceeded to maintain the existing tax structure, by raising income, corporation and excise taxes.

ORGANIZED LABOR'S OPPOSITION to the tax gouge was indicated in the previous article by quotations from statements issued by the United Labor Pol-

icy Committee. Its position on the Revenue Act of 1951 is adequately indicated by a CIO press release of September 20, 1951, in which "The CIO charged that the tax bill under Senate consideration will represent a \$1.10 weekly cut in take-home pay for four-member families with incomes of \$4,000, and called for a series of six improvements . . . : (1) remove the \$1.3 billion excise tax increases; (2) eliminate tax increases on incomes under \$4,000; (3) close the split income loophole; (4) eliminate alternate methods of computing income tax that benefit the wealthy; (5) retain House-passed provisions on excess profits and corporation taxes; (6) levy a withholding tax on dividends and interest."

The CIO estimated that these amendments would provide a net increase in taxes (above what Congress actually passed) of more than \$2 billion. And, of course, by closing certain loopholes and eliminating certain regressive features, the CIO's proposal would have resulted in a less reactionary tax system. Unfortunately, in the absence of a united and forcefully expressed position on the part of the trade-union movement, the Administration could afford to ignore the attitude of organized labor.

In relation to the future of the tax question, the last paragraph in the CIO statement is most interesting: "Of all the raids upon the incomes of workers, farmers, professional and fixed-income persons contained in this bill, the \$1.3 billion excise (sales) tax gouge is the most outrageous and, when compared to the split income and alternative tax rate loopholes for the well-to-do, the most immoral proposal in the bill. Moreover, these increases and extensions of excise (sales) taxes must be fought and should be defeated because they are preliminary steps in the campaign led by the NAM

in fastening a comprehensive Federal sales tax upon the American people as part of a permanent tax policy."

In the light of the NAM-spearheaded drive to shift a substantial portion of the tax burden from the upper income groups to the lower income groups, and the apparent awareness of the CIO, at any rate, that the fight over sales taxes will become increasingly important as time goes on, the statement of Walter Reuther on taxes of August 8, 1951 (carefully ignored by the press) is of considerable interest. Criticizing the NAM's proposal, Reuther analyzes the shift in tax burden that would result were the uniform excise tax substituted for income taxes to the extent desired by the NAM: "As of 1948, the NAM's proposal would have reduced by \$5 billion the tax burden on families with incomes ranging upward from \$5,000 and shifted an equivalent burden onto those with income below \$5,000. More than \$3 billion of the savings in the upper brackets would have been gained at the expense of those with incomes of less than \$4,000 a year. . . .

"In terms of its impact on individual families, the NAM proposal as of 1948 would have been equivalent to a *wage cut* of \$133 a year, \$2.56 a week, or 6.4 cents per hour for spending units whose breadwinners earn less than \$1,000 a year. For those earning \$7,500 or more the NAM seeks an income *increase* averaging \$1,760 a year, \$33.85 a week or 84.6 cents an hour, on the basis of the 1948 situation."

The interesting part of the Reuther statement, however, is not so much the criticism of the NAM proposals, or the existing tax structure, which largely parallels the material presented herein, especially the position of Kreps, but his proposal to adopt a spendings tax as an equitable anti-inflationary device. To quote from the

press release summarizing his statement: "The kind of tax on spending proposed by Reuther was proposed by the Treasury Department in 1942 after extensive study by the department.

"As far as we have been able to determine," Reuther said, "the proposal was never given adequate consideration in Congress."

"In describing how the tax on spending would work, Reuther said: 'In essence, the Treasury proposed (in 1942) that spending above specified exemption levels be taxed on a graduated basis. To take a hypothetical example, suppose an exemption of \$1,500 per person were allowed. In that case, a family of four would be liable under the spending tax only if its spending exceeded \$6,000 a year. For purposes of this example, we can assume tax rates equal to the surtax rates proposed by the Treasury, which were as follows:

<i>Spending</i>	<i>Tax Rate</i>
Less than \$1,000 above exemptions	10%
\$1,000 to \$2,000 above exemptions	20%
\$2,000 to \$3,000 above exemptions	30%
\$3,000 to \$5,000 above exemptions	40%
\$5,000 to \$10,000 above exemptions	50%
Over \$10,000 above exemptions	75%

"Thus, a family of four which spent a total of \$7,000 would be liable to a spending tax of 10 per cent on the last \$1,000 or \$100. A similar family which spent \$10,000 would have to pay a tax of \$1,000. A four-person family spending \$25,000 would pay a spending tax of \$10,650.

"Such a tax would obviously be a powerful deterrent to nonessential spending. Yet if the exemption level were set high enough, no family would be hampered in the purchase of necessities. Every well-to-do family could maintain a high standard of living—

only its standard of luxury would be somewhat curtailed. Proper exemptions would assure that only nonessential spending would be taxed. Exemptions would protect large families, who would suffer worst under a sales tax."

While the administrative difficulties in collecting and preventing evasion under a spendings tax would be vastly greater than Reuther is willing to admit, the proposal merits serious consideration, especially if the main emphasis in future tax programs is to be prevention of inflation. Although Reuther indicates that the revenue to be anticipated from a tax on spending along the lines he proposes would be about \$10 billion, it is extremely doubtful, given its administrative difficulties, that a spendings tax could be relied on to close the gap in the Federal budget. This is our major objection to the Reuther proposal, for a

tax program to be politically effective must point the way toward an end of deficit financing. Nevertheless, if the trade unions show any disposition to espouse the spendings tax, socialists should unhesitatingly give it complete support.

THE LIBERAL POSITION with respect to taxes has been indicated by the material cited from Kreps. Fundamentally, as exemplified by the A.D.A., it operates within the present tax structure, concentrating chiefly on eliminating present tax loopholes that

benefit the wealthy. Most emphasis is usually placed on removing the split income provision, although Kreps also wants to "regraduate tariffs down to a maximum of 10 per cent." The liberals worry about both "not raising taxes so high as to impair incentives to work" and "placing the main burden on those who can afford to pay it." Their dilemma increasingly reflects a central contradiction of the Permanent War Economy.

The liberal position roughly coincides with that of the Administration, and is quite close to that of the labor bureaucracy. In the popular vernacular, it may be summarized as "Let's have both guns and butter." As civilian standards of living are impaired under the pressure of increasing war outlays, the liberals necessarily make concessions to the position of big capital, which may be summarized as "More guns and less butter."

It is particularly important, however, that all possible forces be united against the bourgeois contention that they do not have the money from which additional taxes could come, even if their incomes were to be confiscated. This palpable falsehood is paraded not only by the NAM, as revealed above, but by every segment of the big bourgeoisie. Their financial and economic writers take particular

delight in expatiating on what they mistakenly regard as a basic fallacy in the position of everyone else. Writes Edward H. Collins, chief financial writer of the *New York Times*, in his column of October 15, 1951: "The rapidly contracting elbow room left in the upper individual income brackets is illustrated by a segregation of incomes of \$10,000 or higher. If all such income were to be taxed at the rate of 100 per cent, according to a recent estimate by Harley Lutz [tax consultant to the NAM—T. N. V.], the yield would amount to only \$3.5 billion. And the pending legislation proposes to take one billion of this."

Lawrence Fertig, economist apologist for the bourgeoisie, repeats the same argument in the *New York World-Telegram and Sun* of June 11, 1951, by citing statistics from Treasury Secretary Snyder's report of February 5, 1951: (see box below)

"Look carefully at these figures. Obviously the raising of three to four billion of extra income taxes will have to come mainly from the citizens of moderate incomes because the steeply progressive income tax has already stripped the higher brackets."

The answer to the canard that there is only \$3.5 billion left to be taxed in the over \$10,000 income bracket is that the Treasury presents all kinds of

tax figures and a certain amount of obvious care must be exercised in using them, as a letter to the editor of the *New York Times* by George W. Hewitt, published on November 22, 1951, reveals. The Lutz-Collins-Fertig-NAM-etc. conclusion that there is practically no money left to be taxed within the bourgeoisie is based, apparently, on Table 13 of Secretary Snyder's report, where the data are based on "surtax net income." The same Treasury report, Table 12, shows that only 7 per cent of "gross income" is in the under-\$2,000 class.

The manipulation, to which the Treasury has wittingly or unwittingly contributed, is explained by Mr. Hewitt as follows: "But there are two departures from previous usual custom found in Table 13 that accentuate this segregation of taxable income in the lower-income brackets and away from the higher brackets, which in our opinion may lead to misunderstanding of the conclusions reached. First, married joint returns are considered as two taxpayers, each with half of the combined surtax net income. Second, amounts subject to the 50 per cent alternative rate on long-term capital gains are excluded from income."

"In the great majority of cases it is the husband's income that determines the family status, the wife ordinarily having little or no income. We commonly think of a family in which the husband has a \$22,000 salary, for example, as being in the above-\$20,000 class as to gross income and slightly below \$20,000 on taxable income classification. But in Table 13 viewpoint we will have two incomes, each of which will be classified as under \$10,000. As married people making joint returns are 3.5 to 1 in ratio to single taxpayers, this detail should be held definitely in mind when drawing

conclusions as to taxable income totals in certain groups.

"As to exclusion of long-term capital gains from income, we do not see how this can be done logically, when the Government has already set the precedent by including 50 per cent of these gains in adjusted gross income. That much of these sales is surely to be considered as income."

"Few persons have reference to Table 13 in the Treasury report. When conclusions are drawn from this table and presented to us it would be helpful to have notations made of the conditions governing the tabulation. But simpler and clearest would be to present surtax net incomes and tax based on adjusted gross income brackets and taxable returns."

"In this method of presentation it would be found that in gross income classification of over \$10,000 the total taxable income of that group is \$28.4 billion and tax is \$9.9 billion, the difference between income and tax being \$18.5 billion. In gross income classification of over \$4,000 the total taxable income is \$62.4 billion and tax \$16.9 billion, the difference between income and tax being \$45.5 billion."

Moreover, without reference to the split income feature and the omission of capital gains income, it is obvious that the income of those in the \$10,000 and over surtax bracket is also included in all lower surtax brackets. The claim that bourgeois incomes have been virtually confiscated by high income taxes stands revealed as a miserable deception—one that on the part of the professional apologists of the bourgeoisie is either conscious, or they are guilty of gross incompetence in the handling of economic data.

Such chicanery and stupidity have, however, apparently had some effect, for an editorial in the *World-Tele-*

"INDIVIDUAL TAXABLE NET INCOME FOR 1951
(In Billions)

Surtax Brackets	Present Tax	Residue	Total Taxable Net
Under \$2,000	\$12.5	\$50.2	\$62.7
\$2,000—\$4,000	2.3	8.2	10.5
\$4,000—\$10,000	2.5	6.3	8.8
\$10,000—\$20,000	1.8	2.3	4.1
\$20,000 and over	2.8	1.2	4.0
TOTAL	21.9	68.2	90.1

gram and Sun of October 11, 1951, reveals that a Gallup poll shows 59 per cent of the population in favor of limiting Federal income taxes to a maximum of 25 per cent of anybody's income. It is also revealed that a constitutional amendment for such an income tax limitation has already been endorsed by 25 states. If 32 states go on record for such a limit, Congress will have to reckon with a constitutional barrier to higher income taxes. In fact, such a limitation would reduce existing income taxes, and automatically guarantee adoption of the NAM tax program.

A CAPITAL LEVY is the only rational approach to the current problem of taxation. That is the socialist answer to the NAM tax program and other proposals to make the working masses bear the main burden of supporting the war economy. A levy on capital is not only just since the war economy has as its primary aim the protection of the wealth and power of the capitalist class, but it is the only method of taxation that can readily and easily raise the huge sums that the bourgeoisie claim are necessary to support the capitalist state.

Historically, socialist parties, particularly in Europe, have traditionally mentioned a capital levy whenever the problem of taxation has become acute, but the literature on the subject is rather sparse. In the United States, a proposal for a graduated capital levy was made by former Senator Elmer A. Benson of Minnesota. The Benson proposal was inserted in the Hearings on the Revenue Act of 1942 by Benjamin C. Marsh, representing the "People's Lobby." "The proposed tax or capital levy would be in effect for 1 year and would be levied on the total value of all property owned by individuals at a graduated

rate from 1 to 20 per cent, and the tax would be payable in 18 monthly installments with a 6 per cent discount for payment in advance. Married persons would be given a credit in paying the tax of \$500 and single persons a credit of \$300."

The Benson capital levy was a naive proposal, whose rates on personal property would run from 1 per cent on \$10,000 and under to 20 per cent on all personal property over \$1 million. It would have been difficult to collect and would not have raised any great sum, for the major capitalist wealth is owned by corporations. Moreover, there is little point in attempting to assess personal wealth that is not functioning as capital. It is capital that is responsible for the development of the Permanent War Economy and it is capital that should be taxed to provide the finances that the bourgeoisie consider to be necessary.

To keep the capital levy simple and easy to administer, it should at this time be assessed not on all corporations, but on those with assets in excess of \$1 billion. There were 58 such billion-dollar companies at the end of 1950, whose combined assets totalled almost \$148 billion. A 10 per cent capital levy on corporations whose assets exceed one billion dollars would therefore raise \$15 billion. This would be more than ample to balance the Federal budget, even after rescinding the increases provided under the Revenue Act of 1951.

A survey by Alfred F. Connors, copyright by United Press, was published toward the middle of 1951 on the firms with assets in excess of one billion dollars. The list below was taken from the *New York World-Telegram and Sun*, and compares these 58 leading corporations' assets at the end of 1950 with end of 1945.

ASSETS OF BILLION-DOLLAR COMPANIES (In Millions of Dollars)

Company	Dec. 31, 1950	Dec. 31, 1949
Bell System	\$11,576	\$10,775
Metropolitan Life	10,338	9,708
Prudential Life	8,924	8,325
Bank of America	6,863	6,250
Equitable Life	5,702	5,269
National City Bank	5,526	5,052
Chase National Bank	5,283	4,780
New York Life	4,908	4,675
Standard Oil (N. J.)	4,188	3,816
General Motors	3,444	2,824
John Hancock	2,960	2,697
Guaranty Trust	2,940	2,731
U. S. Steel Corp.	2,829	2,556
Manufacturers Trust	2,773	2,452
First National (Chi.)	2,599	2,461
Northwestern Mutual	2,594	2,443
Continental Ill. Nat'l	2,591	2,553
Pennsylvania RR	2,345	2,280
Mutual Life (N. Y.)	2,143	2,075
Travelers Insurance	1,995	1,879
E. I. du Pont	1,974	1,749
Southern Pacific Co.	1,854	1,760
New York Central	1,843	1,775
Bankers Trust, N. Y.	1,838	1,624
Sec. First Nat'l (L. A.)	1,824	1,713
Aetna Life	1,812	1,643
Central Hanover Bank (N. Y.)	1,770	1,592
Mellon National Bank	1,718	1,424
Chemical Bank & Trust	1,714	1,593
Standard Oil (Ind.)	1,640	1,551
Socony-Vacuum	1,610	1,472
Consolidated Edison Company	1,604	1,502
First National, Boston	1,602	1,528
National Bank of Detroit	1,568	1,366
Pacific Gas & Electric	1,513	1,322
Texas Company	1,449	1,368
Northwestern Bancorp.	1,446	1,352
Massachusetts Mutual	1,395	1,313
Santa Fe Railway	1,379	1,295
Irving Trust	1,360	1,187
Gulf Oil	1,344	1,216
Ford Motor Co.*	1,343	1,149
Bank of Manhattan	1,320	1,232
Bethlehem Steel Corp.	1,314	1,155
Penn Mutual	1,300	1,241
Mutual Benefit	1,299	1,238
General Electric	1,277	1,171
First Bank Stock	1,273	1,227
Marine Midland	1,266	1,199
Union Pacific	1,247	1,177
Baltimore & Ohio	1,243	1,220
Standard Oil California	1,233	1,158
Cleveland Trust	1,222	1,120
Commonwealth Edison	1,194	1,115
C. I. T. Financial	1,174	996
New England Mutual	1,170	1,083
American Trust San Francisco	1,091	992
Sears, Roebuck†	1,033	808
TOTAL	147,782	136,730

*Ford Motor reports once annually in September to Massachusetts State Tax Commission. Latest figures given above are for Dec. 31, 1949 and Dec. 31, 1948.

†Fiscal year ended Jan. 31, 1951.

The 58 largest companies, ranked by their assets at the of 1950, can be grouped as follows:

Number	Type	Assets (Billions)
15	Insurance Companies	\$59.4
20	Banks	48.3
6	Manufacturing	12.2
6	Oil	11.5
6	Railroads	9.9
3	Public Utilities	4.3
2	Miscellaneous	2.2
58	All types	147.8

It will be seen that 35 banks and insurance companies account for \$107.7 billion, or almost 73 per cent of the total assets of the leading 58 billion-dollar firms. Thus, if it be objected that a capital levy of 10 per cent on gross assets would create insurmountable difficulties as the banks and insurance companies may not have a 10 per cent equity in their total assets, our proposed capital levy can easily be transferred to a 10 per cent tax on all corporations with net assets in excess of one million dollars.

Such a tax on capital would easily raise more than enough to balance the Federal budget after rescinding the increases contained in the Revenue Act of 1951, for a glance at Table VIII-A of Part III (THE NEW INTERNATIONAL, May-June 1951) shows that the book net assets of 3,304 leading corporations on January 1, 1950 totalled \$101.9 billion. Since that compilation by the National City Bank excluded the banks and insurance companies, there cannot be more than \$40 billion of duplication even if there were no difference between net and gross assets. The banks and insurance companies, however, should not escape from a capital levy, as of all privately owned institutions they are the most parasitic and are strong candidates for nationalization even under capitalism.

A 10 per cent capital levy on the net assets of all business firms with net assets over \$1 million would therefore

yield at least \$15 billion. Most corporations could pay such a tax out of surplus and undivided profits. Those that could not could either borrow the money or arrange to turn over an equivalent amount in shares of stock to the government, sufficient to pay their capital levy tax liability.

In other words, contrary to the position of the NAM that taxes must be paid out of current income, there is no reason why taxes cannot be paid out of past income by those who have accumulated capital through exploiting the labor of others. To the extent that the workers and lower middle classes own stock in corporations that would be subject to the capital levy, they will gladly reduce their equity in such means of ownership by 10 per cent.

Of course, the rantings of the bourgeoisie and their paid hirelings against a capital levy can easily be imagined. They will cry "socialism," as if that were an argument. Actually, a capital levy is possible only under capitalism, although it might well be a step in the direction of socialism. It is doubtful, however, that a 10 per cent levy on capital would seriously impair the functioning of capitalism. They will also "argue" that a capital levy is inflationary, for corporations "would have to increase the prices of their commodities and services sufficiently to recoup the losses of capital arising from the capital levy." Why this follows would be clear only to those who believe that the rights of property are sacred and at all times to be placed above human rights. In any case, maintenance of price control would prevent a sudden recoupment of the capital that has been taxed away. If anything, a capital levy would be deflationary for capital accumulation is one of the main contributing forces to inflation.

IF THE BOURGEOISIE object to a 10 per cent capital levy as too radical, we can offer them as an alternative the proposals of two of their most eminent spokesmen. We refer first to the late President Roosevelt and his proposal that during World War II a ceiling of \$25,000 be placed on individual incomes. If such a proposal possessed validity at that time, as it did, it is surely even more germane to a fight for capitalist survival against Stalinism, which is the underlying *raison d'être* of the Permanent War Economy today.

And, if Roosevelt was too radical for the American capitalists, we give them that arch-capitalist, Bernard M. Baruch, who wrote a 500-page book in 1941 called *American Industry in the War*, the main theme of which is "Take the Profit Out of War." In his testimony on the need for price control, published in the *New York Times* of September 20, 1941, Baruch amazed his fellow capitalists by stating:

"We have talked for years of taking the profit out of war. Price control is one of the ways to do it. The inflationary process affords an opportunity to many to reap huge rewards, while the average person with a fixed income must tighten his belt . . . America, which has refused to take a foot of territory for its own war profit, should show the way so that its citizens shall not profit from war. I cannot emphasize this too strongly. We have talked about it, we have written about it, we have preached about it, we have radioed about it. Veteran organizations and Congress both have adopted resolutions about it—that there shall be no profits from war. Let us now make good that promise. . . . But I must emphasize that no tax program alone can recapture all excessive profits. Profits must also be controlled

at their source, which is rising-run-away prices. We must not have a crop of 'defense millionaires' to parallel 1918 'war millionaires.'"

Understandably, all that happened was more talk, inequitable controls, and a crop of war millionaires in World War II that far exceeded those produced by World War I. With the Permanent War Economy conducted by the representatives of the big bourgeoisie in their own interests, with the state guaranteeing profits, as we have previously shown, there is no tendency toward any decrease in the number of war-induced millionaires at the present time. We do not question the fact that the problem of incentives and capital accumulation is becoming an ever more difficult one for the bourgeoisie to solve. That is the reason for the NAM drive for a politically unpopular universal sales tax. But the state manages to ease the burden for the patriotic capitalist through five-year amortization of war plants, sizable war contracts and, above all, an economy propped up by huge war outlays.

The bourgeoisie moan and weep crocodile tears because on the average profits after taxes in 1951 are running 10 per cent below 1950. But, as we have shown, profits in 1950 reached an all-time historic high. They will probably never again be equalled. We can sympathize with the millionaire who finds it increasingly difficult to become a billionaire because of high taxes, but the real impact of high taxes under the Permanent War Economy is to make it increasingly difficult for the ranks of the bourgeoisie to be replenished with new entrants from the working and middle classes. That is why the bourgeoisie so tenaciously hang on to the biggest tax loophole of all, the capital gains tax. This is virtually the only device left whereby

a newcomer to the bourgeoisie can amass a fortune and legally retain it. So-called capital gains should definitely be classified as income and taxed at 100 per cent of the value of net gains or profits.

NATIONALIZATION OF WAR INDUSTRIES must be the chief slogan of socialists in the period of the Permanent War Economy. That is the only effective way to "take the profit out of war." And the definition of war industry must not be confined to atomic energy and government arsenals that are already nationalized. It must be extended to every industry whose output goes mainly in a period of all-out war to direct war outlays. In general terms, the war industries are usually defined to include metal mining, oil and gas mining, chemical and petroleum refining, metal fabrication, and contract construction. This is the way they are defined by Simon Kuznets in *Our Economy in War*, published by the National Bureau of Economic Research. While there may be some difficulty in classifying certain plants whose output is mixed as between war and civilian purposes, and easily interchangeable one with the other, a good working guide would be to declare a company part of a war industry, and subject to nationalization, if 50 per cent or more of its output went for war purposes in 1943-1944.

Nationalizing the war industries as thus defined would place the decisive sections of American capital under ownership of the government. It would exclude small industry, whose output for the most part did not go directly toward support of the war. Above all, it would exclude agriculture and retailing. Should questions arise with respect to firms that were not in existence in 1943-1944, or whose output has radically changed since

that time, it would not be difficult to develop workable criteria to determine whether such firms ought to be nationalized. All the industries included under the general definition of war industries by nature require large aggregations of capital. If, under present conditions, they require substantial concessions in rapid amortization of capital investment, they should be nationalized. If the industry as a whole is classified as a war industry, new firms in that industry should be considered part of the general class and subject to the same policy as the entire industry.

If the copper, aluminum, steel, oil and gas mining, chemical, petroleum refining, aircraft, rubber, auto, and contract construction industries were to be nationalized, to name only the obvious, the problem of administering the war economy would be greatly simplified. The bulk of production controls would apply to government-owned industry. Control of capital investment and allocation of resources as between war and civilian purposes would not be subject to the pressures of hundreds of competing capitalists, each seeking a greater share of the market and worried lest his competitor obtain a presumed peacetime advantage. Moreover, assuming the same degree of productivity, the profits of these war industries would go to the government as the owner, thereby reducing the problem of taxation from one of major importance to a secondary problem.

Nationalization of war industries completes in its rounded economic effect the process that would be begun by a capital levy, which is by its nature a limited and temporary measure. Neither nationalization of war industries nor a capital levy are thinkable as realistic political slogans without the development of an indepen-

dent labor party. Economic problems under the Permanent War Economy cannot begin to be solved except through political means. The working class is confronted with a host of tasks before it will be in a position to cope with the problems of living under the Permanent War Economy. All of them depend for solution on the ability of the American workers to achieve that political and organizational maturity that formation of an independent labor party would signify.

NATIONALIZATION OF WAR INDUSTRIES and A CAPITAL LEVY are the transitional slogans of the Permanent War Economy that correspond to the needs of the workers and the times. Together with traditional transitional demands that retain validity, such as Workers' Control of Production, they can point the way toward the socialist emancipation of society. American imperialism has no perspective other than to defeat Stalinist imperialism in bloody conflict, risking in the process the atomization of all society.

The Permanent War Economy has provided capitalism with but a temporary respite, while aggravating

every phase of the class struggle. There can be no rational or permanent solution to any of the basic problems that beset mankind so long as capitalism or Stalinism exist. Both require war, war preparations, and the threat of war to maintain their reactionary class rule. If the forces of the Third Camp, upon which the ultimate victory of the socialist revolution depends, appear to be weak and scattered in a world dominated by the clash of two irreconcilable imperialisms, it is well to remember that both the capitalist and Stalinist ruling classes have seen their better days.

Neither offers mankind any hope of progress toward universal freedom and a high standard of living. Aside from the stimulation of war, both serve as an actual brake upon the development of the forces of production. The historic task of the working class is to put an end to the Permanent War Economy without permitting the bourgeoisie and the Stalinists to unleash World War III.

T. N. VANCE

December, 1951.

THE END

Excerpts on Russia from Karl Marx

Revelations on Russia; Dialogue with Bakunin*

Below the reader will find some extracts of the "Revelations on Russia" published by Karl Marx in *The Free Press**, London organ of the Russophobe David Urquhart, during 1856-1857. This text, suppressed by the editors of the works of Marx and Engels in the Russian language, has been cited, however, on several occasions in volume one of *History of Diplomacy*, published under the direction of V. Potiemkin, USSR Academy of Sciences (French translation, *Librairie de Médecis*, Paris, 1946). In this Soviet work, the art of citation reaches the heights of trickery. Phrases torn out of their context are placed within a chain of ideas which have not the slightest bearing upon the thought of Marx.

Unable to place the complete text of Marx's work next to corresponding chapters from the *History of the USSR*, published in Moscow in 1948, we limit ourselves to the brief statement that the tendency of contemporary Russian historiography is not only the glorification of Stalin's régime, but also the presentation of this régime as the logical consequence of Russia's entire historic evolution. In addition, it is the consummation of the work of construction of the Russian State accomplished by Stalin's predecessors, among whom Ivan III and Peter the Great hold first rank. All the Slavophile theses of former Russian historians have again been taken up by the official Soviet histori-

*The material here presented was translated and edited for publication by Henry Judd. A review by Comrade Judd of Maximilien Rubel's collection of Marx's essays appears at the end of the Marx excerpts.

ans; notably, that stating the purely Slavic origin of the Kievan State. There is no allusion to the thesis accepted by Marx and numerous modern historians according to which the founders of the first Russian States were not Slavs, but foreign peoples, namely the Norman Vareguians.**—Prince Rurik—a legendary figure! Not a word as to the Scandinavian origin of Oleg, Igor and Sviatoslav! The latter "was a Slav by his origin, name and appearance" (o. c., V. I, page 48). Thus, the Stalinist historians take over, for their own benefit, the historic teachings of M. V. Lomonosov, poet laureate in the service of the Empress Elisabeth.

M. RUBEL

DOES RUSSIA THREATEN THE THE WORLD WITH A RETURN TO UNIVERSAL MONARCHY?

The overwhelming influence of Russia has taken Europe at different epochs by surprise, startled the peoples of the West, and been submitted to as a fatality, or resisted only by convulsions. But alongside the fascination exercised by Russia, there runs an ever-reviving scepticism, dogging her like a shadow, growing with her growth, mingling shrill notes of irony with the cries of agonizing peoples, and mocking her very grandeur as a histrionic attitude taken up to dazzle and to cheat. Other empires have met with similar doubts in their infancy; Russia has become a colossus without outliving them. She affords the only instance in history of an immense empire, the very existence of whose pow-

er, even after world-wide achievements, has never ceased to be treated like a matter of faith rather than like a matter of fact. From the outset of the eighteenth century to our days, no author, whether he intended to exalt or to check Russia, thought it possible to dispense with first proving her existence.

But whether we be spiritualists or materialists with respect to Russia—whether we consider her power as a palpable fact, or as the mere vision of the guilt-stricken consciences of the European peoples—the question remains the same: "How did this power, or this phantom of a power, contrive to assume such dimensions as to rouse on the one side the passionate assertion, and on the other the angry denial of its threatening the world with a rehearsal of universal Monarchy?" At the beginning of the 18th Century Russia was regarded as a mushroom creation extemporized by the genius of Peter the Great. Schloezer thought it a discovery to have found out that she possessed a past; and in modern times, writers, like Fallmerayer, unconsciously following in the track beaten by Russian historians, have deliberately asserted that the northern spectre which frightens the Europe of the 19th Century, already overshadowed the Europe of the 9th Century. With them, the policy of Russia begins with the first Ruriks, and has, with some interruptions indeed, been systematically continued to the present hour.

*With the exception of the section entitled, "The Mongolian Origins of Russian Power," all extracts are the original English text as published in *The Free Press* during February and April, 1857. The exception mentioned has been translated from the French.—Ed.

**A Scandinavian people who invaded Russia in the 9th Century; their chief, Rurik, is considered to be the founder of the Russian Empire.—Ed.

THE MONGOLIAN ORIGINS OF RUSSIAN POWER

The policy of the first Ruriks is completely distinguished from that of modern Russia. . . . The Gothic period constitutes for Russia only a chapter of Germanic invasions. . . .

Thus the Russia of the Normans disappeared completely from the scene and those feeble vestiges which persisted were obliterated by the terrifying apparition of Genghis Khan. The origin of Moscow lies in the bloody degradation of Mongolian slavery and not in the rude heroism of the Norman epoch. Modern Russia is nothing but a transfigured Moscow. . . .

Ivan Kalita, the First*, and Ivan III, called the Great, incarnate, [in] the one, the growth of Moscow under Tartar domination; [in] the other, Moscow becoming an independent power, thanks to the disappearance of Tartar domination. In the history of these two individuals is summarized the entire Moscovite policy from the moment of its entry upon the historic arena.

Ivan Kalita's whole system may be expressed in a few words: the Machiavellism of the slave who wants to usurp power. His very weakness, his servitude, became for him the driving principle of his strength.

Ivan III delivered Moscow from the Tartar yoke, not by a bold and decisive blow, but by the patient work of twenty years. He did not break it, but surreptitiously extricated himself from it. Thus this deliverance bears more resemblance to a natural phenomenon than to a human act. When the Tartar monster was on the point of uttering its last death-rattle, Ivan appeared at its death-bed as a doctor who makes the diagnosis and an-

*Grand Duke of All-The-Russias in 14th Century; made Moscow his capital.—Ed.

nounces the end, and not a warrior who strikes the *coup de grâce*.

Every people appears to have grown in stature when it shakes off a foreign yoke. From Ivan's hands, Moscovy emerged still more debased. To be convinced of this, it suffices to compare Spain and its struggle against the Arabs with Moscovy and its struggle against the Tartars.

It is still interesting today to note to what extent Moscovy endeavored—just like modern Russia—to conduct attacks upon the republics. Novgorod and its colonies open up the cycle, the Cossack Republic follows suit, and Poland closes it. . . . Ivan seems to have wrested from the Mongols the chains which crushed Moscovy only to impose them upon the Russian republics.

FROM IVAN THE GREAT TO PETER THE GREAT, OR TOWARD WORLD CONQUEST

A simple substitution of names and dates will offer evidence that between the policy of Ivan III and that of modern Russia, there exists not similarity, but sameness. Ivan III, on his part, did but perfect the traditional policy of Moscovy, bequeathed by Ivan Kalita, the First. Ivan Kalita, the Mongolian slave, acquired greatness by wielding the power of his greatest foe, the Tartar, against his minor foes, the Russian princes. He could not wield the power of the Tartar but under false pretenses. Forced to dissemble before his masters the strength he really gathered, he had to dazzle his fellow-serfs with a power he did not own. To solve his problem he had to elaborate all the *ruses* of the most abject slavery into a system, and to execute that system with the patient labor

of the slave. Open force itself could enter as an intrigue only into a system of intrigues, corruption and underground usurpation. He could not strike before he had poisoned. Singleness of purpose became with him duplicity of action. To encroach by the fraudulent use of a hostile power, to weaken that power by the very act of using it, and to overthrow it at last by the effects produced through its own instrumentality—this policy was inspired by Ivan Kalita by the peculiar character both of the ruling and the serving race. His policy remained still the policy of Ivan III. It is still the policy of Peter the Great, and of modern Russia, whatever changes of name, seat and character the hostile power used may have undergone. Peter the Great is indeed the inventor of modern Russian policy, but he became so only by divesting the old Muscovite method of encroaching on its merely local character and its accidental admixtures, by distilling it into an abstract formula, by generalizing its purpose, and exalting its object from the overthrow of certain given limits of power to the aspiration of unlimited power. He metamorphosed Moscovy into modern Russia by the generalization of its system, not by the mere addition of some provinces.

To sum up, it is in the terrible and abject school of Mongolian slavery that Moscovy was nursed and grew up. It gathered strength only by becoming a *virtuoso* in the craft of serfdom. Even when emancipated, Moscovy continued to perform its traditional part of the slave, as well as the master. At length, Peter the Great coupled the political craft of the Mongol slave with the proud aspiration of the Mongol master to whom Genghis Khan had, by will, bequeathed his conquest of the earth.

THE PETERSBURG EMPIRE; "RUSSIA NEEDS WATER"

The conquest of the Sea of Azoff was aimed at in Peter's first war with Turkey, the conquest of the Baltic in his war against Sweden, the conquest of the Black Sea in his second war against the Port, and the conquest of the Caspian Sea in his fraudulent intervention in Persia. For a system of local encroachment, land was sufficient; for a system of universal aggression, water had become indispensable. It was but by the conversion of Moscovy from a country wholly of land into a sea-bordering empire that the traditional limits of the Muscovite policy could be superseded and merged into that bold synthesis which, blending the encroaching method of the Mongol slave with the world conquering tendencies of the Mongol master, forms the lifspring of modern Russian diplomacy. . . .

It was, from the first, a defiance to the Europeans, an incentive to further conquest to the Russians. The fortifications of Russian Poland in our own days are only a further step in the execution of the same idea. Modlin, Ivangorod, Warsaw, are more than citadels to keep a rebellious country in check. They are the same menace to the west which Petersburg, in its immediate bearing, was a hundred years ago to the north. They are to transform Russia into Panslavonia, just as the Baltic provinces were to transform Moscovy into Russia. . . .

Petersburg was not like Moscovy the center of a race, but the seat of a government; not the slow work of a people, but the instantaneous creation of a man; not the medium from which the peculiarities of an inland people radiate, but the maritime extremity where they are lost; not the traditional nucleus of a national development,

but the deliberately chosen abode of a cosmopolitan intrigue. By the transfer of the capital, Peter cut off the natural ligaments which bound up the encroaching system of the old Muscovite Czars with the natural abilities and aspirations of the great Russian race. By planting his capital on the margin of a sea, he put to open defiance the anti-maritime instincts of that race, and degraded it to a mere wheel in his political mechanism.

If the Muscovite Czars, who worked their encroachments principally by the agency of the Tartar Khans, were obliged to *tartarize* Moscovy; Peter the Great, who resolved upon working through the agency of the West, was obliged to civilize Moscovy. In taking possession of the Baltic provinces, he at once seized the tools necessary for this process. They afforded him not only the diplomats and the generals, the brains with which to execute his system of political and military action upon the West. They yielded him, at the same time, a crop of bureaucrats, schoolmasters, and drill-sergeants who were to drill into the Russians that veneer of civilization that adapts them to the technical appliances of the western peoples, without imbuing them with their ideas. . . .

Real History will show that the Khans of the Golden Horde were no more instrumental in realizing the plans of Ivan III and his predecessors, than the rulers of England were in realizing the plans of Peter the First and his successors.

KARL MARX

These critical notes of Marx, which we present in the form of a "dialogue," were interspersed with his resumé of Bakunin's well-known work, *Gossoudarstvennost i Anarchia* (Anarchism and the State),

published in 1873. It was first published in Russian by the Marx-Engels-Lenin Institute from the original notes of Marx (in Russian and German), still in possession of the Russian government and therefore available to one else. In 1935, it appeared in a French brochure entitled *Contre l'Anarchisme*, along with other anti-Bakunist material. This is the source of our extract, pages 43-45.

In presenting what we believe to be the first English translation of a document which bears upon certain basic problems of today, we call our readers' attention to this series of translations which makes it impossible to guarantee complete accuracy. It is but one of similar texts whose verification must await other days. The collection of Marx by Maximilien Rubel which is reviewed in this issue of THE NEW INTERNATIONAL also contains the text.

Marx's remarks are given in italics; his summary and extracts from Bakunin's work in roman type, and Marx's caustic comments thereon are contained within brackets.—H. J.

BAKUNIN:

Wherever there is a State, then there is inevitably domination and consequently, slavery as well. Domination without slavery, be it hidden or conspicuous, is inconceivable—this is why we are enemies of the State.

MARX:

What is the meaning of the proletariat, raised to the rank of ruling class? It means that the proletariat, instead of struggling in an isolated way against the economically privileged classes, has conquered sufficient strength and organization to make use of generalized means of violence. But it can make use of only economic means which suppress its own character of wage-earner and, as a consequence, its class character. Further-

more, with its total victory its domination over other classes is finished, since its character as a class would disappear.

Is it possible for the entire proletariat to be at the head of the government? (In a trade-union, for example, can the whole union form its executive committee? Will all division of labor cease in the factory, and will the various functions which flow from this division stop? And in Bakunin's edifice from bottom to top, will everything go to the top? Isn't it then true that there won't be anything below! Will all the Commune members simultaneously administer the common interests of the district? Then, there is no more distinction between Commune and district.) There are about 40 million Germans. Will all 40 million, for instance, be members of the government? (Certainly! For the whole thing begins with self-government of the Commune.) The entire people will govern, and there no one will be governed (when a man rules himself, he does not do so according to this principle, for isn't he only himself and no one else?) Thus, there will be no government, no State, but "if there is a State, there will be rulers and slaves" (this is simply to say, when class domination will have disappeared and when there will no longer be any State in the present political sense).

BAKUNIN:

This dilemma in the theory of the Marxists is easily resolved (by them). By government of the people, they (that is, Bakunin—K. M.) mean government of the people, with the help of a small number of rulers elected by the people.

MARX:

Asinine! This is democratic verbiage, political drivel. An election is a political form, be it that of the small-

est Russian commune, or in the artel. The character of an election does not depend upon its designation, but, on the contrary, upon the economic base, upon the economic relations between the electors. As soon as functions will have ceased to be political, (1) governmental functions will no longer exist, (2) the distribution of general functions will have become a matter of profession and will confer no power, (3) elections will have none of their present political character.

BAKUNIN:

Universal suffrage for all the people [such a thing as "all the people" is, in the present sense of the word, fantastic!], where there are peoples' representatives and elected rulers of the State—such is the last word of the Marxists, as well as that of the democratic school. A lie, behind which is hidden the despotism of the ruling minority, so much more dangerous since it appears as the expression of the so-called will of the people.

MARX:

Under collectivized property, the so-called will of the people would disappear, to give way to the real will of the cooperative.

BAKUNIN:

Thus, as result, administration of the great majority of the popular masses by a privileged minority. But this minority, the Marxists say [where], will be made up of workers. Yes, if I may say so, of former workers, but who the moment that they are more than representatives, or have become rulers of the people, cease to be workers.

MARX:

No more than a manufacturer today ceases to be a capitalist because of the fact that he becomes a member of the city council.

BAKUNIN:

. . . and from the heights of the State they will look down upon the world of the worker as mean and vulgar; no longer will they represent the people, but themselves and their pretensions as the people's government. He who doubts this is not at all informed about [isn't acquainted with], human nature.

MARX:

If M. Bakunin was au courant, be it only with the situation of a manager even in a workers' cooperative, he would send all his authoritarian nightmares to the devil. He would have had to ask himself, what form can administrative functions assume, based upon a Workers' State, if he wishes to so designate it.

BAKUNIN:

But those elected will be ardently convinced socialists and, besides, scientists. The words: "socialist scientist" [has never been employed; "scientific socialism" employed only in opposition to utopian socialism which tries to inculcate new nonsense into people, instead of limiting its science to understanding of the social movement formed by the people itself; see my work against Proudhon], which are endlessly used in the works and speeches of the Lasallians and Marxists, show by themselves that the so-called Popular State will be nothing else but the highly despotic direction of the popular masses by a new and numerous aristocracy of real or pretended scientists. The people is not erudite. That means it will be entirely absolved of its cares by the government; it will be completely penned up inside the government's stable. What a fine deliverance!

Men have felt this [!] contradiction, and recognizing that, despite all its democratic forms, the government of

scientists [what a delirium!] would transform it into the heaviest, most hated, most despicable and effective dictatorship in the world, they console themselves with the idea that this dictatorship will be only transitory and for a short time [no, my dear fellow!], that class domination by the workers over those social strata of the old world which oppose them can last only so long as the economic basis for the existence of classes will not have been destroyed. They say that their only concern and their only goal will be to form and lift up the people [café politicians!], economically as well as politically, to such a degree that all government will soon become unnecessary and the State, having lost all its political character, that is, its character of domination, will transform itself into what is clearly a free organization. But if their State is truly popular, why destroy it, and if its destruction is necessary for the real deliverance of the people, why do they dare to call it popular?

MARX:

An abstraction made up of Liebknecht's hobby, The Popular State, which is itself a piece of idiocy directed against the Communist Manifesto, etc.

All this simply means that, during the period of the struggle for the overthrow of the old society, since the proletariat still acts according to the basis of this old society and consequently still moves within those political forms more or less belonging to it, it has not yet attained its definitive formation during such a period of struggle and, for its deliverance, it uses methods which are suppressed thereafter. From this, Bakunin concludes that the proletariat should rather do nothing at all; it should await the day of general liquidation, the last judgment.

BAKUNIN:

By means of our polemic against them [which naturally appeared before my book against Proudhon, before the Communist Manifesto, and even before Saint-Simon], we have forced them to admit that without freedom or anarchy [Bakunin has only translated Proudhon's and Stirner's anarchy into inept Tartar], that is, the free organization of the working masses from top to bottom [stupidity!] being reckoned with, their "People's State" [servile] is a yoke which engenders despotism on the one hand, and slavery on the other.

BOOKS IN REVIEW

Selected Pages

KARL MARX: PAGES CHOISIES POUR UNE ETHIQUE SOCIALISTE, by Maximilien Rubel. Marcel Riviere et Cie. 1948

The author of this selection of writings by Karl Marx has had in mind far more than the wish to present a new, up-to-date choice from the vast amount of material available. Despite suppression by the Russian government, and the multitude of other persecutions which Marx's writings have known, a

sufficient store exists for the individual who wishes to inform himself, and anthologies of Marx are readily available. What, then could have been the author's purpose in publishing this extensive collection?

Recognizing that Marxist thought and interpretation suffers from not only the perversion placed upon it by the Stalinist movement, which has twisted it into a doctrine justifying one of the most criminal forms of human society ever known, but also the fact that many of those who still refer to themselves as Marxian so-

cialists have forgotten (if they ever knew) much of the guiding element behind Marx's thought—what we may call, in a banal phrase—the motivating spirit of Marxism, M. Rubel has undertaken the elementary task of attempting to present Marxism in the light of its creator's original concepts, thoughts and purposes. He is interested, among other things, in showing the gulf which separates Marx from Stalinism, or any other totalitarian interpretation of the socialist movement; he is interested in showing, through Marx's own texts, the profoundly democratic, humanist and "ethical" character of his thought; finally, he is interested in revealing the organic nature, the consistency, which Marx carried throughout his life, from his youth to his end.

Rubel explains his purposes in a long, introductory essay which we would criticize on the ground of its length, and tendency to cover too much territory in too superficial a manner. A polemic against the numerous schools of anti-Marxism can hardly be handled in such a way. He further explains the sources of his material, difficulties involved, etc. Even the more familiar texts should be re-read, if only to see how they fit into the true pattern of Marxism. In addition, there are many texts and selections which, at least to this reviewer, were quite unfamiliar. Some deal with such fascinating topics as alienated man, the nature of a political sect, the role of the Party (suggesting quite a different attitude than that of Lenin), the State, character of the socialist society, etc., etc. It is not our purpose here to describe these texts in detail, but only to take note of them for interested readers.

The author has shaped his book, divided under numerous headings, into five main sections. A Prolegomena which contains material, in the form of letters, etc., from the years 1835-1843, including philosophic notes written by Marx at the age of 16! Then follow sections on the "Ethical-Materialist Concept of History"; the "Historic Significance of Capitalism"; the "Ethical Mission of the Proletariat," and, finally, "The Socialist City." The work seems to be most careful and scholarly; with references, sources, notes, etc. But Rubel has already made a reputation for himself as an outstanding authority and "Marxicologist." The socialist movement owes much to him for undertaking this collection which pro-

vides the necessary basis for any effort to reevaluate the work of one of the greatest of all thinkers, and to restore its original sense and spirit. It is the most important work in Marxism since the end of the last war, and one can only regret that it exists, as yet, only in the French language.

H. J.

Unique Novel

SECRET ET VIOLENCE, by Georges C. Glaser, Editions Corrèa, Paris, France; 690 francs, 420 pages.

The confession of the repentant Stalinist has become almost as familiar to the Western world as that other brand of confession in the Eastern world. The strong similarities between the two schools has always testified to their common origin. But this novel of Georges C. Glaser—which has created a considerable stir in France—has nothing in common with the political confessions we know. Glaser, German-born but now a French citizen, practises the art of metal craftsmanship at Paris where he has his own atelier. This lengthy novel may be assumed to be the autobiographic account of his life, deepened by his reflections on its meaning and enriched by his amazing experiences. It is, indeed, the first account of the life of a Communist militant, as seen from inwards and experienced from still deeper sources. As such, it is so infinitely superior to the pitiable accounts we have hitherto had that it belongs in a category of its own and must be considered as unique of its kind.

The novel's hero, Valtin (we do not know if the choice of name is an ironic commentary on the notorious author of *Out of the Night*) is born "into the Kingdom of Misery" of an industrial suburb of a small German city. The large family is ruled by the brutal hand of the father, prototype of the frustrated German petty-bourgeois so effectively organized by the Nazis. It is Germany after the First World War, the familiar period of inflation, occupation, despair. The young Valtin flees his home and becomes a wanderer, a tramp among the hundreds of thousands of unemployed and lumpen who formed a veritable society of vagabondage at the time. Violence, police, authority, prison—all become familiar to

the adolescent boy who, simultaneously, feels himself set apart from his fellow vagabonds, reflective, restless, introverted. He passes through a series of youth and correction homes, always revolting, always opposing. His contact with the famous and utopian *Naturfreunde* youth movement of the 20's leads him to the Communist youth and party. He becomes fixed within this milieu. The atmosphere of the Stalinist movement of the 1930's is brilliantly recreated, the madness of the "Third Period" is seen from within, with its devastating effect upon the personality of the party membership. Street brawls with Nazis and police, preparation of an endless series of adventures, fantastic political proposals—all is described inwardly, as it touches the life of a militant. Valtin's life is a disorder and chaos; he is never normally employed and has no trade or profession. There is no evidence of any contact with the comparatively stable labor movement of the epoch, represented by the older Social Democratic workers and their trade unions. The feverish and hungry soul of Valtin, and thousands of German Valtins, found a natural home in the party at that time; it could hardly have been otherwise.

Hitler takes power and smashes the party. A new form of madness seizes the leadership which, simultaneously, demands a greater loyalty and subordination than ever to carry out its projects. Acts of despair follow one another. Valtin kills a Nazi and is forced to flee the country. In the Saar, then awaiting the results of the plebiscite which returned it to Germany, he joins in his last effort to work with the party. It is a period of degradation and humiliation. He begins to write, in an effort to concretize his inner and outward experiences. A party functionary informs him, "It is just simply unbearable for anyone to write and show a group of men who struggle without having any ties to the leadership; better a cell which is attached to the leadership even if it is inactive." Not without much pain and torment, Valtin's dependence upon the party begins to dissolve; he must struggle to resume and recreate his personality. He leaves for France and Paris.

The next, and most extensive phase of the novel, deals with his discovery of and integration into French life, the life of the French worker, in particular. He

finds a profession, becomes a skilled worker. His first contact with a normal proletarian life, the discovery of what it means to produce and work, are movingly described. The French workers, even though supporting the party, have a way of behaving and reacting he has never known. One of them tells him, "Our first law is freedom. You say, 'Long live the Republic,' that's O.K. You shout, 'Shit on the Republic,' that's O.K. too!" Valtin begins to feel himself part of this world, but the war brings an end to this possible harmonious evolution. Now a French naturalized citizen, for he has seen the steady disintegration of his fellow political refugees who sink steadily into the type of Stalinist personality most desirable for GPU activities, Valtin is mobilized for the front.

Then follows five years of life as a soldier, a prisoner of war and transportation into Germany to war in the war industries. Valtin, German-born, must conceal his identity during this period; death at the hands of the Gestapo would be inevitable. It is impossible to describe in detail this period, upon which the novel concludes. Valtin eventually finds himself working in the very suburb where he had been born. Amidst his fellow prisoners from France, Russian slave workers from the East, the Gestapo agents who guard the factory, former communist German workers, now broken—amidst this incredible mixture of human life—Valtin continues that most difficult of all tasks, the findings of his own human personality. His true identity on the point of discovery, he flees his camp and awaits, with other hunted Germans, the war's end. The allied troops arrive, but Germany and Europe are ruined; it is too late. Valtin, at least, can now return to France, but his friends who have heard the Stalinist slogan of "kill the Boche"? They emerge from their cave in the earth. "They were looking toward the West and toward the East; toward the North and toward the South. They were awaiting a Saviour."

Despite its conclusion on this pessimistic, if accurate, note of the end of the Europe hitherto known to us, this novel of Glaser is filled with quite another spirit. To convey either the interest or scope of the period it covers would be impossible; we can only hope for its early translation into English. Viewed superficially, we have here a picture of one of

history's most tragic epochs: the decline of the labor and socialist movement, bringing with it the decline and breakup of Europe itself. More important, we have the story of the disruption and demoralization of the revolutionary personality, leading to its final destruction by Stalinism. But still further, in the struggle of Valtin to emerge from his dark night of totalitarian political horror, the author suggests to us a concept of the ethic of work and labor, the autonomous personality of the producer, "the creator, the peaceful seeker after truth." As a critic has suggested, Glaser is urging us to accept once again those roots which originally attached socialism to the moral belief of the producer, the

ethics of work. How does Valtin rebuild his world? His rediscovery is scattered throughout the book, at first unconsciously, later with understanding. It is *through the concrete*, through his search after the most simple of human gestures, the simplest things produced. The taste of bread, wine, the act of producing work in his shop by means of the tools at hand, the revisiting of old places seen before, but in a different light—all this leads Valtin to the humanization of the socialist and revolutionary beliefs he held, and continues to hold. In this sense, of course, he has much kinship with his Italian brother, Pietro Spina, created by Silone.

HENRY JUDD

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to

The New

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Volume XVII – 1951



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BR: Book Review; D: Discussion; C: Correspondence; R: Resolution

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Correspondence

Philadelphia, Pa.
December 18, 1951

To the Editor of
The New International:

In a discussion here on *The Permanent War Economy*, the observation was made that an additional characteristic of our present economy is the declining quality of consumers goods. A number of examples can be given:

(1) In the food category—white bread is notorious for its poor taste, excessive aeration and the addition of dubious chemicals. The quality of canned foods has declined noticeably.

(2) The quality of clothing—material and workmanship—has deteriorated. Particularly is this true of children's and work clothing.

(3) Many mechanical products are increasingly poorly designed and manufactured. An excellent example is the ornamentation, bulging lines and flimsy structure of today's pleasure car.

(4) Consumer services are less satisfactory. Gone is the twice-a-day mail delivery and the everyday visit of the milk and bread truck. In many places, public transportation remains crowded and unreliable.

(5) Home building today is a glaring example of poor quality. Unseasoned and split lumber, low grade cement, poor workmanship, patchwork construction, cause early deterioration and contribute heavily to a declining standard of living.

Inferior quality of goods is tied in closely with factors discussed by Vance. There are quite a few causes and contributing factors. In most in-

stances the poor quality enables business to cut costs and reap high profits. Goods must be replaced more often; another factor in the inflation picture. Any saving in labor is diverted to the production of war goods.

Some of the inferior products do result from material shortages due to depletion of resources and war needs. Lower standards caused by (or rationalized by) conditions in World War II have become permanent. Substitute materials and techniques are often inferior rather than superior to the original.

Technical research has gone to war and is not concerned with improvement of consumer goods. The elimination of competition has enabled many producers to deliberately cheapen their products so as to reap larger products. They no longer fear a rival producing a better commodity and driving their poor product out of the market. This holds true in both the durable goods sector of the economy and in the light goods sector. Uses of new materials in particular have not been sufficiently explored. Many products are designed to fail or wear out quickly.

Perfection of advertising techniques, including television, has done much to soften consumers' resistance to the declining quality of goods and services. This cannot obscure the fact that quality is a casualty of the permanent war economy.

Fraternally yours,
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