

Critique of Capitalist Planning

by Jay Lovestone

The limitations and impossibilities of all capitalist planning are unlimited. This is because "the contradictions and antagonisms inseparable from the capitalist use of machinery" (Marx) make impossible any genuine social planning under capitalism. None of the bourgeois economists and engineers realize this.

It is true these experts are prepared to take the most drastic measure for planning the preservation and extension of capitalism. It is in this light that Governor Montagu Norman of the Bank of England recently wrote to Governor Moret of the Bank of France: "Unless drastic measures are taken to save it, the capitalist system thruout the civilized world will be wrecked within a year." This we must keep in mind: all the drastic plans proposed have one decisive aim—to maintain the capitalist system, to check the disintegration forces of capitalism, to hold back the growth of Communism.

Trustification as a "Solution"

We have seen that the basic feature of all the plans is the strengthening of monopoly capital, of trust capital, the extension of trustification. Trusts and cartels are now being hailed as saviors of society and civilization not only by bankers but also by liberals and reformers of all stripes.

It is a commonplace among the official economists that trustification and concentration add equilibrium and stability to the present economic system. To these authorities, fusion of finance capital with industrial capital, the enhancement of the power of the bankers, the merging of the machinery of big business and government, means regulation and "planning."

We will grant that within the big trust units of production there is possible more planfulness in order to get the maximum output from the least number of workers employed. This large-scale, intensified, production within the privately owned plants doesn't remove the anarchy of capitalist production. On the contrary it sharpens the fight for markets. Trustification does not do away with competition entirely. It really means a new competition—much bigger in scope. Instead of having competition limited to the struggle between petty shopkeepers, we have today competition between gigantic trusts and mammoth corporations. Note the bitter struggle between chain banks and group banks. Also, we are witnessing a new sort of competition—that is, between industries: steel against lumber, rayon against silk, autos against rails, aluminum against copper, etc. Thus the war of trusts replaces competition among the small business men. This means that the chaos becomes bigger and not smaller, the anarchy of production grips society as a whole more intensely and extensively than ever.

Lenin points this out:

"Monopoly, which has sprung from free competition, does not drive the latter out of existence, but co-exists, over it and with it, thus giving rise to a number of very acute and very great contradictions, antagonisms and conflicts."

And the Program of the Communist International, prepared mainly by Bucharin and Thalheimer, elaborates this decisive phenomenon of capitalism in its imperialist stage when it shows that:

"The entire scope and truly world-wide scale of the contradictions of capitalism becomes most glaringly revealed in the epoch of imperialism.... The development reproduces the fundamental contradictions of capitalism on an increasingly magnified scale. Competition among small capitalists ceases, only to make way for competition among big capitalists; where competition among big capitalists subsides, it flares up between gigantic combinations of capitalist magnates and their governments; local and national crises become transformed into crises affecting a number of countries and subsequently into world crises; local wars give way to wars between coalitions of states and to world wars..."

This is what Lenin taught when he stressed that the historical significance of imperialism lay in its transforming "the contradictions of the national economy into the contradictions of the world economy".

Effect of Trustification.

The organization and planfulness which trusts bring into capitalism is the organization and planfulness of chaos. Bucharin very aptly called it "organized chaos". This chaos is different from the chaos which prevailed before monopoly capital became dominant. Lenin clearly underlined this new phenomenon of capitalist development, of imperialism, when he said some fifteen years ago:

"This is something entirely different from the former system of free competition among scattered traders, who knew nothing about each other and produced for sale on an unknown market. Concentration has reached a point where it makes possible an almost accurate inventory of all the sources of raw material in a given country and even as we shall see in a group of countries and in the whole world. And not only are such inventories made, but the gigantic monopolistic combinations sweep all these sources of raw materials under their exclusive control.... Capitalism in its imperialist phase tends to the most extensive socialization of production; it thrusts the capitalists, against their will and consciousness, into some kind of a new social order, which constitutes a transition from completely free competition into complete socialization of production."

It is this kind of a "new social order" that Stuart Chase, Swope, and Beard are now visioning. In this "social order" the basic contradiction of capitalism remains—the contradiction between social production and private appropriation of the

products produced. Marx hammered this truth home with great force when he declared that:

"The cause of all these crises is always the limitation of the means of consumption of the masses."

These self-styled Columbuses of a new capitalist America have really discovered nothing and have offered no more when they tell us to look for relief from starvation in more trusts, more accurate statistics, fact-finding and inventory studies.

The present world-wide crisis affords overwhelming evidence of the total bankruptcy of trusts and cartels as regulators and stabilizers of prices, as forces to prevent the collapse of the market for even key commodities. The collapse of prices has hit these "favored" commodities terrific blows and has shattered their market, despite all the much-heralded advantages of cartelization. Copper, subject to the strictest kind of price control, is a case in point. Its price has fluctuated just as violently as tin or zinc, or wheat or lead, or silver, which have been either relatively "free" commodities or subject, at most, only to very little cartel and trust restriction and planning. It is of no mean significance to the optimistic planners of capitalism that even the Italo-Spanish mercury cartel, really a government monopoly, has failed to maintain its price level on a remunerative basis and is now hard hit by a huge accumulation of stocks. The thoroly cartelized German potash industry is today suffering severely from "overproduction". Certainly these cartels "planned", but the net result for them is nil. Of course, capitalism cannot secure a cartelization of all its industries.

We are indebted to Louis Domeratsky who made a thoro study of "Cartels and the Business Crisis" in the October 1931 "Foreign Affairs" for the very valid conclusion that "... the existing international cartels have exercised so little influence on price levels during the present price decline that it may be seriously doubted whether the cartel is adapted to perform its price stabilizing function in a serious emergency".

And capitalism today—imperialism—is just one serious emergency after another, with each one worse than the other. Even in the brief respites, breathing-spells, between these emergencies, the trusts and cartels control and stabilize prices for their own private profits.

Rationalization Rainbows Bring a New Storm

All bourgeois "planners" pin their hope on more intense capitalist rationalization of industry as a way out of the present economic chaos. Rationalization (scientific management, speed-up, standardization, stretch-out, etc.) has already increased and can increase still more, Wall Street's capacity to produce for and compete in the world market. The question capitalist rationalization has not been able to and cannot ever answer is: **Where and how to compete in a world market crowded by increasingly efficient competitors, more and more narrowed by the loss of colonial markets found in countries whose millions are seething with revolt, and mortally wounded by the loss of a strategic one-sixth of the earth to working class rule in the Soviet Union.** The international cartels have obviously failed. The most efficient international cartels do not check national crises in their respective fields but only transform them into world-wide, into international crises.

In the very midst of the crisis, and largely because of the crisis, rationalization is being extended, output per worker rises, laboratories are being set up and not torn down, engineering efficiency is stimulated, managerial capacities are developed. Yet, where is the economic improvement? Where is the end of the chaos? Just the opposite effect is at hand. The more planfulness in the operation and management of even the strongest capitalist combinations, the more unemployment, hunger and economic chaos in society. The steel industry is dominated by giants of efficiency whose executives plan to the minutest detail. The U. S. Steel Corporation alone controls directly (let alone indirectly!) at least 40% of the national steel output. Its efficiency is constantly mounting. All of which has spelled only wage-cuts and mass disemployment for the steel workers in an industry operating for months at less than 30% capacity.

The highly rationalized oil industry is another example of the bankruptcy of capitalist planning. Here we find a marked trend towards integration and mergers as well as splendid efficiency. Not more than half a dozen corporations dominate the domestic oil business. With what result? The oil workers are among our most exploited and oppressed. The industry itself is steeped in hopeless chaos. So much anarchy prevails in this most managed of industries in the United States that Henry L. Doherty, president of the Cities Service Company, confessed the other day that:

"There is no hope for the oil industry under our present system of producing oil; for regardless of how much or how little we have, in the way of resources, it is bound to be uncovered and the bulk of it is bound to be recklessly and unnecessarily wasted. We are wasting our petroleum reserves at a more shocking rate than any other industry and probably at a greater rate than all other industrial wastes combined."

Why is it that efficiency, "planned production" and regulation under capitalism only furthers the chaos in economy? Mass production and rationalization have themselves sharpened the basic contradiction of capitalism—the contradiction bet-

ween production (which is social) and consumption (which is private). This contradiction expresses itself in various ways in different countries. The higher the development of the capitalist productive forces, the greater their efficiency, the more the mass production, the more acute this and other contradictions inherent in the capitalist mode of production become. That is precisely why it is that in the United States the growing excess productive capacity is the most pressing problem and the gap between productive capacities and marketing possibilities is today the widest. The basic feature of American capitalism, its source of greatest strength, is the mass (excess) productive capacity which has brought about hitherto unheard of mass under-consumption for the very workers who are doing the marvelous mass producing. Simply to produce, regardless of how efficiently or planfully the production, is no solution under capitalism. Rationalization means increased output. But rationalization means increased unemployment. Decreased employment means decreased purchasing power for the workers. No capitalist plan can solve this basic contradiction, this unsolvable problem: **How can the decreased purchasing power of the workers buy their increased output?**

Market Control and Price-Pegging—New Roads to an Old Abyss

Among the most advertised panaceas for capitalist stability and equilibrium are market control and price-pegging for particular commodities or special industries. Classical examples of this type of capitalist "planning" are to be found in the Chadbourne Plan for sugar on an international scale and the Federal Farm Board for agriculture on a national scale—in the United States.

The Cuban government had hoped that, as a result of the Chadbourne Plan aiming to restrict the world sugar crop and aiming to liquidate about three million tons of supplies over a period of five years, "the sugar-grower would get a good price for his sugar, and the grave crisis from which Cuba now suffers would be remedied". — (Heraldo de Cuba, July 2, 1931). But what this Plan has brought is merely a restriction of production in Cuba, limiting the sugar season to two-and-a-half months and consequently bringing greater unemployment, more misery and starvation for the sugar workers slaving for American sugar kings and the National City Bank.

Of all the frauds of state capitalism, of all the shams of capitalist planning, the Farm Board is the crudest. This Federal planning machinery has operated not in behalf of the farming masses but brazenly against them. We need but cite the case of the Federal Farm Board taking care of the Sun-Maid Raisin Co. bonds sold by Dillon, Read and Co., powerful Wall Street financiers. In this instance, the Federal Farm Board aided the customers of Wall Street bond brokers to the tune of over \$4,000,000. This planned loan (really bonus) to the bankers caused the Sun-Maid bonds (not the poor farmer's raisins) to jump more than 29 points in two days on the New York Exchange.

Conducting such planned economy, the Farm Board has lost from two to three hundred million dollars in two years, about 70% of its investment. The collapse of wheat and cotton prices in the world market, where such prices are determined, has exposed the helplessness of those experts in providing agricultural equilibrium. Every attempt by the Board to peg prices, such as the one in 1929 to peg cotton at 16c. a pound, (now selling at about 5½c.), has failed dismally. The Board's desperate resort to barter, thru trading twenty-five million bushels of wheat for 1,050,000 bags of Brazilian coffee, has simply changed but not removed the lemons on the Farm Board's hands. The Board is now weighed down by its holdings of 260,000,000 bushels of wheat, or approximately one-third the annual consumption of the country. All the Board could plan for the Southern cotton farmers is to advise them "to stabilize prices" by abandoning much of the cotton now growing in the fields, 4,000,000 bales now growing. This would mean plowing in about one-third of the total crop. The Farm Board's Cotton Stabilization Corporation, now stuck with 1,300,000 bales, strongly deplored its error in over-estimating the damage it had hoped the boll-weevil would do to this year's cotton crop. The poor insect was blamed by the capitalist agricultural planners for its failure to co-operate, thru sufficient crop destruction, to make this "plan" a success!

Here we have it. The pride of capitalist planning has had a miserable fall. The Farm Board has been spending millions annually on developing improved methods of cotton production, on advising plans and giving valuable information as to domestic and world conditions, on expert forecasting and voluminous statistics. The bankers and the press have worked overtime helping the Board preach acreage reduction and diversification. Powerful marketing organizations have been set up and financed by Treasury funds. No wonder that the National City Bank, in its October Bulletin, frankly said:

"As an example of planning (capitalist planning,—J. L.) this record includes inaccurate forecasting of consumption, inability to persuade growers to follow recommendations as to acreage, and finally the refusal of nature to acquiesce in the plan; for favorable weather this year has produced an exceptional crop, and the Farm Board era ends amid the largest over-supply of cotton on record.

"What except false hope can there be for the farmer in such planning? The outcome of three years of effort is a price situation disastrous to the growers."

(continued in the next issue)