

THE CRISIS AND STATE-CAPITALISM

by Jay Lovestone

We publish below the fourth of a series of articles by Jay Lovestone on the "Social and Economic Consequences of the World Crisis."—Editor

This crisis has brought to a head, has precipitated and hastened the maturing of the economic and political consequences of the World War. The war had certain major political consequences. It took some time for these phenomena to develop. This crisis sharply precipitated and speeded up their development. Likewise, the war had certain economic consequences. This crisis sharply precipitated the development of these economic phenomena. For instance, the reparation and debts question would have become an acute problem anyway. The crisis merely advanced the date of acuteness and increased the depth of the complications of reparation and war debt payments. The same may be said in regard to the tendency for Japan to assume hegemony in the Pacific. The crisis speeded up the Japanese efforts to establish such hegemony. Let no one conclude for a moment that Stimson's notes have changed the situation any. A Chinese publicist has correctly estimated these notes historically when he spoke of them as having the tail of a rat the head of a dragon. America's recent concentration of her fleet in the Pacific doesn't disprove the establishment of Japan's hegemony in the Pacific but merely emphasizes it and hastens the open challenge by the United States to this Nipponese imperialist hegemony.

This crisis will bring on still more burdensome taxation. A terrific rise in taxes throughout the bourgeois world is coming. For the individual capitalist the burden will become more and more something like this: The less money he makes the more taxes he will have to pay, at least relatively, which is decisive. He may rant over this; he may call it crazy; but after all lunacy is an organic feature of the present system. The worse the economic crisis, the weaker the economic order; the weaker the economic order the more government will be called upon to play a stabilizing role. Hence, the greater the budgetary deficits of the government. Desperate efforts will be made to reduce social services, to cut down the budget for schools, hospitals, parks. Such institutions cost money. Tho the individual tax burden will rise, the total amount collected by the government in taxes will decline. Hence, there must be a continuous elimination of certain types of expenses. The bourgeoisie consider items like schools, hospitals, libraries and playgrounds as luxuries, as unnecessary for the workers. Therefore, these items will have to go in order to prevent budgetary deficits for the government and thus avoid additional difficulties for the credit structure.

Of course, the average worker might react superficially and say: "I should worry: I don't pay an income tax anyway." In the last resort, however, a great deal of the burden is transferred to the backs of the workers. Here's a concrete case. In the eighteen year period 1912 to 1930 taxes on electric light and power companies rose 1450%. We need but look into the accounting records of these public utilities to convince ourselves, if any of us doubt, that taxes are reckoned in the books as

legitimate expenses in the cost of production. Consequently, this increase in taxation on electric light and power is paid for with the money you have to hand over to the collectors for every kilowatt hour, for every hour that you use light or power. (See Annual Report of Consolidated Gas Company of N. Y. 1932).

As a result of this crisis the tendency towards state capitalism will become very much more marked. State capitalism will grow rapidly and extensively in most of the countries. Let me stress, however, that in different countries state capitalism will assume different forms. Some people think of state capitalism merely in the pattern of Bismarck's state enterprises in Germany. The Socialist parties of the world even look upon such state capitalist enterprises as the post office department, the jails and the police department, as examples of state socialism. In a country like the United States, state capitalism will assume specific American forms. In a sense, state charity institution, charity institutions for the big bankers. Witness the Reconstruction Finance Corporation. Witness the Federal Farm Board. Note the increasing gifts, subsidies and bonuses being handed out by the United States government to railroads, industrial corporations and finance institutions. This form of bourgeois economy has been picturesquely but accurately named by some German economists as "*Liebesgabenwirtschaft*" (economy of love-gifts).

The crisis will bring about a further disintegration of the middle classes thruout the world. It will bring a further pauperization of the middle classes. The middle class will lose still more of its economic base. If you ride along the swellest shopping streets of Detroit, New York, London, Paris, Tokyo or Warsaw you will find vacant store after vacant store. Go to Forest Hills, once, and in a measure still, a model village, put up by the Russell Sage Foundation. Houses which but yesterday were beautiful homes of upper middle class families are now boarded up and plastered with signs: "For Sale," "To Let." A veritable deserted village of 1932.

But not only the middle classes in the cities are suffering from the crisis. The great rural population, the great mass of farmers is, likewise, being expropriated. From 1920 to 1927 there was a yearly decline of 400,000 in the population on the farms. Then many farmers were being drawn into industry, were lured to the factories by "high wages" as against their miserable farm income. The recent efforts of certain sections of the ruling class to bring the unemployed city workers to the farms are efforts of desperation which will have no serious economic consequences. Many a farmer doesn't have an income today enabling him to pay his taxes, let alone feed his family. Farm after farm is falling into the hands of the banks: victims of foreclosures because the farmers are unable to meet payments on their mortgages.

Even the most technically skilled and educated sections of the middle class, like engineers, physicians, lawyers, architects are being declassed, are being shorn of their privileges by the rationalization process which con-

As said before, a seaman can "pay off" anywhere in the "Home Trade," i. e., inter-state or coastwise. All he need do is to give reasonable "notice of time" which is generally conceded to be within 24 hours of entering or departing from port. In such cases, however, a seaman cannot claim transportation expense to what is termed, in nautical vernacular, "the original port," which would, in the example quoted above, be the Port of New York.

The reason the clause "voyage to terminate North of Cape Hatteras" is inserted is to enable the ship-owner to "lay the crew off" when she returns North, thereby saving the expense of keeping the crew until the "time period," generally from 3 to 6 months, expires.

No seaman can be fired from a ship South of Cape Hatteras if he engaged himself for a voyage which was to terminate "North of Cape Hatteras" unless he himself is willing. Should he be fired against his will, he can claim an extra "month's wage" and transportation expense to a destination desired by him "North of Cape Hatteras." This is why so many ships officers—not all—endeavor to force the seaman to voluntarily quit, so that the expense here mentioned might be saved.

It has come to the notice of the Seamen's and Harbor Workers Club that there has been too many violations of this "constitutional right" of late years, and the Club intends to seek redress by every means within its power when and where violations occur.

The Club membership, in fact all seafarers, are requested to draw the attention of the Club Port Executive to any violation of the part of the Navigation Law.

Address all communications to the Club Secretary, Seamen's and Harbor Workers Club, 31 South Street, New York, N. Y.

At A Peasant's Funeral

(From a Lettish Folk Piece)

"Dearly beloved in Christ Jesus, What's a man's life?

Sour as a pickle

Brief as a belch:

This is the life of a man. Amen!"

"Nu, Holy Father,

Is that all you have to say to the folks Before they shovel the dirt over my man

In that black hole there?

Such a short funeral sermon!"

"Let my pants-leg go, widow!

What more do you expect for half a rouble?"

—Adapted by Fred R. Miller.

(Reprinted from *Rebel Poet*)

Since Hoover favors vacations without pay, it's up to us to give him one.

tinues unabated and, in some respects, even intensified during the crisis. The big banking corporations, the big mortgage and trust companies are more and more taking away work from the individual lawyers. The physicians are having a harder time collecting their bills from those who used to be able to pay high fees and are being called with decreasing frequency by the poorer workers whose incomes has shrunk to nothing or to almost nothing in the unemployment crisis. The collapse of the building boom has put many architect on the bread line and many an engineer next to him on the coffee and sandwich line. White collar workers, clerks without white collars, teachers, all kinds of experts of yesterday are today lengthening the unemployment and free food lines in the big industrial centers.